



Institute for
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International Innovation in Public Policy

Thomas Clarke
Occasional Policy Paper 2

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International Innovation in Public Policy

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The Essential Role of Innovation in Public Policy

An innovative public sector continues to play a vital role in advanced economies. “Both business and public innovation can be key to fostering economic growth and prosperity, to reducing costs and improving services” (Karakas 2020). We do have to confront “the myth that the market-driven private sector is more innovative than the public sector” at every opportunity (Hartley, Sorenson and Torfing 2013: 821; Mazzucato 2013). And to recognise the potential for reclaiming the “legitimacy of government as a value creating institution, by being more responsive to the needs and aspirations of citizens and users of services (Moore and Hartley 2008:3).

The bureaucratic stasis and stifling leadership in the public sector of the past were often exaggerated, and in a more transparent world have largely been abandoned, at least in the more advanced economies. Internationally the public sector is a lot more dynamic and innovative than its reputation might suggest. For example, active labour market policies, preventative health care, and climate mitigation strategies are being widely developed, supported by new digital services and responsive organisational reforms. “As in the business sector, innovation can be a major source of productivity growth, cost savings and improvements in service quality; benefits which then also positively affect businesses and citizens who rely on an efficient and effective public sector” (UNECE 2017:iii).

While the scale and activity of the public sector varies by country, the size of the public sector in the average country is about one third of the economy measured in terms of government expenditure as a percentage of total national GDP (UNECE 2017:2). In endeavouring to make best use of public expenditure for the public good, the public sector has gone far beyond simply achieving the narrow cost accounting of value for money. But there remain growing demands for more and better services (one problem being that the more public good services provided, the more people demand (in a process of supply-led demand - who can have enough health and education services for example?). Another challenge the public sector faces are wicked problems, that is attempting to resolve the complex inter-sectional problems that cannot be resolved by applying standard solutions or by increasing funding for existing mechanisms.

The Complexity of Public Policy

An historical illustration of this complexity in public policy is the vital work of the National Indigenous Australians Agency’s work on Closing the Gap Implementation Plan (2023) addressing “the chasm that lies between Indigenous and Non-Indigenous Australia when it comes to incarceration rates, children in out-of-home care, access to health care, education outcomes and employment rates” (Prime Minister’s Forward). Another graphic example of the complexities of public policy is the Murray-Darling Basin Plan to manage Australia’s largest river system in a sustainable way that has involved complex negotiations, planning and intervention since the Commonwealth Water Act of 2007 and the creation of the Murray Darling Basin Authority.

“Water reform is needed in the Murray-Darling Basin to deliver healthy rivers, strong communities and sustainable food and fibre production. The use of Basin water resources has supported local economic growth but has also damaged the environment. A more balanced distribution of water is needed to ensure the long-term health of the Basin. Without a healthy river, water quality deteriorates as salt and minerals build up in the system. Floodplains deteriorate, affecting their ability to sustain agriculture” (Department of Climate Change, Energy, the Environment and Water 2023).

A further wicked problem in Australia in need of resolution is the lack of a high-speed rail network. China has 42,000 kilometres of high-speed rail, Spain 4,327, Japan 2,727, Germany 1,885, France 1,242, Italy 1,096, and Australia 0 kilometres. Meanwhile the Sydney to Melbourne air route remains the most profitable in the world for the airlines (AFR 10 November 2023). (More profitable than New York’s Kennedy Airport to London Heathrow!). An earlier Australian Government report (2009) after recognising the investment in highspeed trains in other economies, and emphasising the high costs involved, defined the advantages of high-speed railways:

- Taking passengers from the crowded roads and airways
- Lowering energy costs and greenhouse gas emissions

- Offering shorter transit times and high reliability
- Revitalising local communities along the rail line.

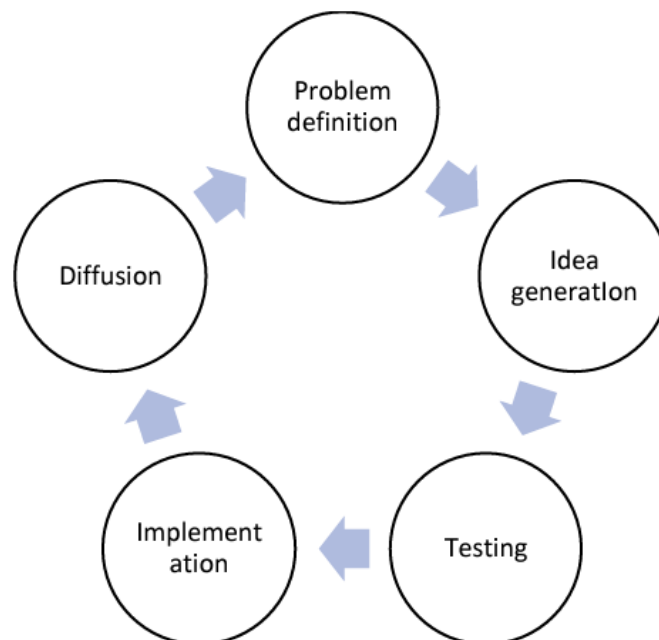
The formation of the Australian High Speed Rail Authority (HSRA) in June 2023 is “tasked with advising on, planning, developing and overseeing the construction and operation of a transformational network along Australia’s eastern seaboard.” This grand project commences with a Sydney to Newcastle link.

The great complexity of these and other urgent problems Australia is facing reveals the importance of innovation but the immense challenges of managing innovation successfully in public policy. A far-sighted and well-resourced strategic framework needs to be in place if there is any hope of resolving these pressing issues of profound national significance. Cascading the mission into hundreds of well-defined innovative projects is one means of tackling the immensity of complex issues. This requires integrative, collaborative innovation skills of a high order.

Defining Innovation

“Innovation involves the development and realisation of new and creative ideas and practices” (Torfing and Triantafillou 2016). The European Institute for Public Administration offers a definition of innovation in terms of the “novelty of the solution: the degree to which the case shows a leap of creativity in the practice of public administration; something that goes beyond what currently exists.” The objective is upon developing a set of management capabilities as enablers and drivers offering a platform for continuous creativity and innovation (Figure 1). This is a dynamic process through which problems and challenges are defined, new and creative ideas are developed, and new solutions are selected and implemented (Sorenson and Torfing 2012). This creative process from problem definition and idea generation all the way through to successful implementation and diffusion is the working milieu of contemporary public policy and administration. (Though the great success of the Yes Minister BBC TV series, and its ABC counterpart Utopia, (enjoying a new season in 2023), suggests the general public is well-aware of the difference between bureaucratic introspection and creative and productive engagement with real social and economic issues). It is important always to remember that “Innovation needs to serve a purpose. Innovation is not an end in itself” (Acker 2017; see IPPG 1 (2023)).

Figure 1: The Cycle of Innovation



Source: Hartley, Sorensen and Torfing (2013)

This is a dynamic process through which problems and challenges are defined, new and creative ideas are developed, and new solutions are selected and implemented (Sorenson and Torfing 2012).

Capabilities and Drivers for Innovation: The Creative Process

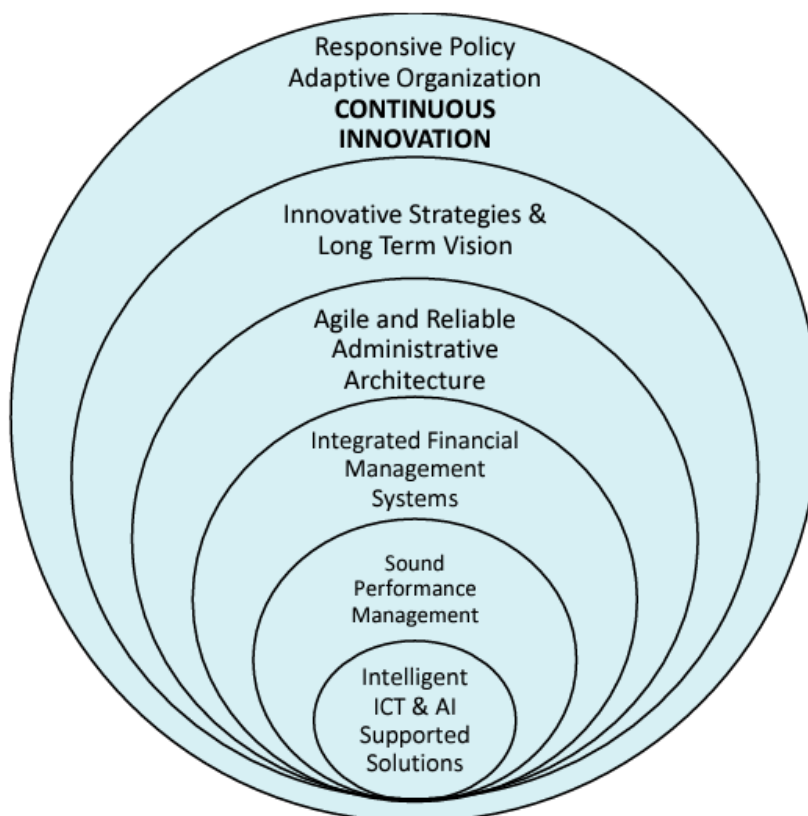
A classic definition of the challenging innovation process is offered by Torfing and Triantafyllou (2016):

“The innovative process is an open-ended and heuristic process that relies on imagination, intuition, chance, discoveries and unacknowledged conditions that make it extremely difficult to plan and control and impossible to predict the result..” So far so good, but they go on to state: “Consequently, there is no guarantee that innovation leads to improvement. Innovation involves a break with established practices and conventional forms of knowledge, but whether it is deemed successful or not in producing additional public value depends on an ex post judgement that is based on subjective evaluations of relevant and affected actors.”

The challenging contention here is essentially that it cannot be assumed that innovation always succeeds – or at least is always better than what existed before. This suggests that all innovation proposals require rigorous analysis at conception, and if pursued, at each stage require an objective assessment of what has been achieved. The final judgement on the contribution of innovation must be accurate and balanced if the momentum of innovation is to continue for the long term, and to ensure people do not become disillusioned with activity that is not associated with useful results.

Innovation typically involves more than just *continuous improvement*. Effective public policy innovation involves developing a series of capabilities that provide enablers and drivers for sustaining dynamic creative organisations (Figure 2). Intelligent digital systems, alert performance management, well integrated finance and management systems, agile administration, strategic vision, and responsive policy are all necessary to create the conditions for *continuous innovation*.

Figure 2: Public Sector Management Capabilities as Enablers and Drivers of Innovation



Source: Adapted from Heichlinger Bosse 2017.

In a more questioning and demanding environment, we have moved beyond the top-down agendas and centralised control of the *Classic Public Administration* model (Table 1). And while the customer orientation and performance management of the *New Public Management* may have reactivated parts of the public sector, it was often at the cost of undermining active collaboration and increased transaction costs. A *New*

Public Governance offers enhanced learning and collaboration opportunities in processes of co-creation, though the focus on outcomes should not be lost.

Table 1: Drivers and Blockers of Information

	Innovation Drivers	Innovation Barriers
Classic Public Administration	<p>Public leaders can set the agenda, give direction to change and mobilise resources.</p> <p>Clear rules and job security may support the exploration and exploitation of new ideas.</p> <p>Administrative silos stimulate knowledge development among professionally trained employees.</p>	<p>Centralised control, fixed rules and standardisation undermines creativity and entrepreneurship.</p> <p>The overall goal is stability and predictability and change tends to be limited and incremental.</p> <p>Administrative silos hamper inter-organisational learning and knowledge sharing.</p>
New Public Management	<p>Competition between Public and private service providers stimulate innovation.</p> <p>Customer orientation and performance management create stronger incentives for public managers to improve performance and induce innovation.</p> <p>Devolution, deregulation and strategic management facilitate and spur change.</p>	<p>Competition hampers collaboration and knowledge sharing.</p> <p>Control based performance and auditing regime produces risk aversion.</p> <p>Control based performance management demotivates public employees and that transaction cost associated with documentation and measurement eliminates resources.</p>
New Public Governance	<p>Multi-actor collaboration facilitates mutual learning and creation of joint ownership to new and bold solutions.</p> <p>Trust based management means that public employees have more room for using their skills and competencies.</p> <p>The experiences, resources and ideas of citizens and civil society organisations are used in processes of co-production and co-creation.</p>	<p>Limited focus on competition may reduce the incentives to innovate.</p> <p>Focus on process may prevent a proper focus on outputs and outcomes.</p> <p>Consensus based collaboration may produce a joint decision trap and implementation of new and bold ideas in collaborative setting is hampered by unclear rules and division of labour.</p>

Source: Torfing and Triantafyllou (2016)

Types of Innovation

The European Parliament differentiates four generic types of innovation:

- *Product Innovation* – the introduction of a new service or good including improvements in the service or good’s characteristics, customer access, or how it is used.
- *Process Innovation* – the implementation of a method for the production and provisions of services or goods that is significantly improved.
- *Organisational innovation* – a new method for organising or managing work involving a significant improvement.

- *Communication innovation* – the implementation of a new method for informing about the organisation or its services or goods to improve understanding and reach new audiences (Karakas 2020).

Two important extensions of this typology of innovation (Table 2) in the public sector would be:

- *Governance innovation* – developing new governance modes to address specific societal challenges to enhance the contribution and value of public networks.
- *Conceptual innovation* – reframing specific established problems with new conceptualisations to produce more effective and positive results.

Table 2: Typology of Innovation in the Public Sector

	Focus	References	Examples
Process Innovation	Improvement of quality and efficiency of internal and external processes	Walker (2016)	
Administrative Processes Innovation	Creation of new organisation forms, the introduction of new management, techniques, and new working models.	Meeus & Edquist (2006)	Creation of a “one stop shop” by municipality where citizens can access various services at a single location.
Technological Processes Innovation	Creation or use of new technologies introduced in an organisation to render fit for purpose services to users and citizens.	Edquist et. al, (2001)	Digital assessment of taxes.
Product or Service Innovation	Creation of new services/products.	Damanpour and Schneider (2009)	Creation of Youth Work Disability Benefits.
Governance Innovation	Development of new forms and processes to address specific societal problems.	Moore and Hartley (2008)	Governance practice that attempts to enhance the selfregulating and self-organising capacities of public networks.
Conceptual Innovation	Introduction of new concepts, frames of reference or new paradigms that help to reframe the nature of specific problems as well as their possible solution.	Bekkers et.al. (2011)	Introduction of the paradigm when assessing a person’s work disability; where physicians no longer assess what a person cannot do but instead what they can still do.

Source: De Vries et al (2016)

International Innovation in Government

International bodies including the UN, OECD, and European Union have in recent years become very focused upon innovation. The UN has concentrated upon the post-covid role of the public sector as the pandemic highlighted and exacerbated the relationship between people and government including:

“The polarization of public opinion, misinformation and disinformation, increased inequalities, the digital divide, and shrinking opportunities for participation. Weaknesses in critical functions of governments such as managing policy trade-offs and risk, preparing for crises, and communicating with the public, have also been exposed. Furthermore, inequalities in access to basic public services such as education, health and justice have been laid bare.”
(UN 2023:iii).

The aim of the UN is to scale up and expand critical innovations around the way public institutions operate and interface with people, to explore new ways of delivering public services, to expand transparency and accountability. The core objective for the UN is to make public institutions more effective and resilient to shocks, more participatory and inclusive, more forward-looking, and able to steer societal change towards the UN Sustainable Development Goals.

The OECD has concentrated upon coping with climate change and digital disruption as the primary focus of government innovation in recent years. For 2023 the OECD Observatory of Public Sector Innovation (OPSI) has emphasised impactful innovative action of governments on:

- New forms of accountability focusing upon algorithmic accountability in the public sector and new modes of transparency.
- New approaches to health care, reorienting health care systems for a more integrated and patient-centred approach, with a specific focus upon empathetic care to support mental health and leveraging new technologies.
- New methods for preserving identities and strengthening equity engaging with indigenous peoples, safeguarding cultural heritage, and enabling families and communities for equitable outcomes and enhanced wellbeing.
- New ways of engaging people, encouraging people towards a greater role in reimagining and regenerating the physical environment (OECD 2023).

The European Commission has sustained an ambitious stance on innovation policy and on the rapid development of the innovation ecosystem throughout their member countries, stressing a science-based, participative and engaged process including:

- *Diverse knowledge sources* – emphasising the integration of knowledge from various disciplines, public administration, the public and connections across sectors.
- *Governance and stakeholders* – advocating for comprehensive engagement including NGOs, grassroots movements, and citizens in policy advice and encouraging meaningful co-creation and future-oriented deliberation.
- *Resilience and ethics* – stressing knowledge mechanisms and a secure space for diverse, mainstream and less popular but well-founded opinions in advice (EC 2023).
- *Deliberation and alignment* – calling for better deliberation and policy coordination of innovation policy with other public policies to address complex challenges.
- *Value-based approach* – encouraging open engagement with value-based decisions through robust debate on the role of values in providing scientific evidence (EC 2023).

Conclusions

It is clear public policy can be just as innovative as the private market sector (and often facing more complex challenges). However, the unique qualities of the public sector allow going beyond narrow innovations in products and services. Public policy may transcend specific organisations and relocate and redistribute where social productive activity occurs and can work productively with networks of partnerships. Innovations in governance in the public sector can tap new wellsprings of resources. Innovations may be evaluated not simply in terms of efficiency and cost-effectiveness but in the pursuit of justice and fairness. These are not simply innovations in government, but innovations in governance in which the community is encouraged to express its own interests and aspirations in terms of justice, well-being, prosperity, social relations and sustainability.

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