

# INNOVATION, PUBLIC POLICY AND PUBLIC SERVICES DELIVERY IN THE UK: THE WORD THAT WOULD BE KING?

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STEPHEN P. OSBORNE AND LOUISE BROWN

This paper explores the dialogue about innovation in public services currently found within public policy and creates an interaction between research and practice about its strengths and limitations. It argues that this dialogue is a flawed one, often both at odds with the existing evidence and lacking a holistic understanding of the nature of innovation and its distinctive policy and managerial challenges. It therefore synthesizes existing research to challenge current public policy thinking about the role and determinants of innovation in public services. It concludes by offering five lessons towards effective policy-making and implementation that would provide a more sophisticated and evidence-based approach to the encouragement and sustenance of public service innovation – and four key areas for further research.

## INTRODUCTION

The general topic of innovation has inspired vast amounts of research, theorizing, speculation, and wishful thinking. . . Innovation is advocated. . . by sundry philosophers, journalists, politicians, industrialists and social reformers.

(Kimberly 1981)

Kimberly's judgement on the pre-eminence of innovation as a concept reflected no doubt the results of two decades of tectonic societal change throughout the 1960s and 1970s. Yet they resonate also with the place that innovation currently occupies in public policy and public services management in the early 21st century (eg Aldbury 2005). Since the early 1980s, it has become one of the key 'buzzwords' beloved by policy-makers and practitioners across the world (Borins 2001; Eshima *et al.* 2001) – leading one commentator to dismiss it as 'policy chic' (Behn 1997). Indeed, it has an appeal that seems hard to argue with. It combines a determination to reform and improve the delivery of public services together with a whiff of 'state of the art' business practice. Surely no one can disagree with such a heady cocktail?

This growing dominion of innovation as a continuing and influential concept in public policy in the UK can be traced back to the early 1980s and in 2008 the UK Cabinet Office exhorted that 'government must embrace a new culture that celebrates local innovation' (Cabinet Office 2008, p. 7). Likewise, the highly influential White Paper 'Innovation Nation' asserted that innovation in public services 'will be essential to meet the economic and social challenges of the 21st century' (Department of Innovation, Universities and Skills [DIUS] 2008a, p. 8; see also Audit Commission 2007). Most recently, government sponsored policy discussion documents have sought to add further impetus and support to the process – talking, for example, about 'The Innovation Imperative' and the need to accelerate innovation in public services in order to tackle the current economic and social challenges that face the UK (Harris and Aldbury 2009; Patterson *et al.* 2009). Similar

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Stephen P. Osborne is Professor of International Public Management at the University of Edinburgh Business School. Louise Brown is Senior Lecturer in Social Work in the Department of Social and Policy Sciences at the University of Bath.

policy developments have also been found elsewhere around the world (for example, in Canada (CCAF/FCVI 2009) and in Australia (Australian Government Management Advisory Committee 2010).

This paper will explore the reality of this pre-eminence. It seeks to create an interaction between extant public policy and the current research base on innovation – both the broader ‘innovation studies’ research and the more recent dedicated public management research. It will argue that public policy has been slow to integrate insights from both these sources. As a consequence public policy has been predicated upon a diffuse view of the nature and process of innovation in relation to public services, despite repeated calls for evidence-based (or at least, evidence influenced) public policy (see, for example, Head 2010). The effect of this has been to leave policy-makers and public service managers with little guidance upon how to manage the challenging process of innovating in service delivery – the Whitehall Innovation Hub report published in 2008 going so far as to state that it is ‘too early to be prescriptive about managing innovation. . .’ (DIUS 2008b, p. 19). While there may indeed still be gaps in our knowledge, this paper aims to provide a clear framework for supporting innovation in public services both by suggesting some key evidence-based principles and by highlighting important issues that will benefit from further research to grow the evidence base.

It should be emphasized that this paper is intended neither as a formal nor a fully comprehensive policy review. The authors have searched the extant UK policy documents over the last five years in particular (through both departmental web sites and Google), but the purpose here is not a textual or discourse analysis of these. Rather it is to abstract the key themes of the public policy trajectory embodied in these documents and to subject them to interrogation by the extant research upon innovation, both in general and in relation to public services, in order to render visible what we argue are important flaws in this policy trajectory. However the key strategic documents and policy guidance of this period (notably National Audit Office 2005; Audit Commission 2007; Cabinet Office 2008; DIUS 2008a, b) have all been reviewed for this paper. This has been supplemented by a review both of influential government-initiated policy commentary produced by key policy ‘think tanks’ that has sought both to shape and to interpret this policy debate (see, for example, Lekhi 2007; National Endowment for Science, Technology and the Arts [NESTA] 2007; Westall 2007; Horne 2008; Harris and Aldbury 2009; Patterson *et al.* 2009) and of important academic and policy advisors to the government (see, for example, Mulgan and Aldbury 2003; Hartley 2006; Varney 2006; Leadbetter 2007). The implications, and limitations, of this approach are discussed in the paper’s conclusions.

The paper is in two parts. The first part will begin by reviewing the orientation towards innovation found within public policy over the last two decades and will highlight key elements of the ‘myth’ that has developed around innovation in public services. In particular it is argued that three flaws have undermined its impact as a public policy tool:

1. the adoption of an inappropriate model of innovation from the manufacturing, rather the services, sector;
2. the subsequent re-conceptualization of innovation as continuous improvement;
3. the positioning of innovation as a normative ‘good’ in public policy and the resultant prescriptive policy-making.

Using the existing research and theory around public services innovation, part two reviews the current evidence in the extant research literature that challenges these ‘policy

myths'. The literature was identified both by a keyword search (on both innovation and public service innovation) through the Social Sciences Citation Index (SSCI) covering the period 1980–2010, and by tracking key recurrent citations that occurred in the literature as it was explored. Inevitably such a search will not identify every possible citation on innovation in public services, though the pre-eminence of the SSCI in the academic field is such as to provide it with a level of construct validity. The approach here has been to focus upon papers which have attempted to provide theoretical or conceptual clarification of innovation in public services rather than to present empirical case studies (such as Elias *et al.* 2003; Pearson and Rawlins 2005) of innovation in particular industries – important though these can be. An additional search over the same dates through Google Scholar was also made to cross-validate the literature search.

This review also identifies some of the limitations and gaps in the literature regarding the understanding of the nature of innovation and its distinctive managerial challenges. Building upon this, it concludes by proposing five lessons which help to further develop and support an evidence-based approach to facilitating innovation in public services in the future as well as four areas where it is argued that further research is required.

## INNOVATION AND PUBLIC POLICY: THREE FLAWS

### The adoption of an inappropriate model of innovation

As has been well documented elsewhere (see, for example, Mishra 1984), the late 20th century neo-liberal revolution in approaches to the management of public services delivery included an inherent assumption in the supremacy of private sector business management methods over those traditionally found within public administration (often referred to in shorthand as the 'New Public Management', or NPM (Hood 1991)). A key influence in this process was undoubtedly the New Right think tanks of the 1980s, such as the Adam Smith Institute (see, for example, Pirie 1988). These think tanks articulated the model of 'competitive advantage' (Porter 1985) as the central mechanism through which to drive improvement in public services delivery. This mechanism placed innovation at the heart of the effective workings of the market in order to achieve precisely such 'competitive advantage' (Nelson 1993).

The then Conservative government subsequently adopted a model of public services reform predicated upon the assumption that the introduction of competition and market disciplines to public services would lead to both greater economy and greater efficiency in public services delivery (Wistow *et al.* 1996). Drawing upon Porter's theory of competitive advantage above, it was argued that the rigours of competition would require public service providers to innovate in order to maintain an advantage over their competitors – and that this process of innovation would thence lead to the improved efficiency and effectiveness in public services delivery.

However, a key element of Porter's model was its explicit roots in manufacturing industries, with a concentration upon the development of finite products in a stable market environment and 'based upon assumptions drawn from manufacturing industry' – services as such were considered by Porter to be 'fragmented industries and received scant attention in the model' (Nankervis 2005, p. 111). This led to an approach to the development and support of innovation in public services by central government that subsequently concentrated upon the design of 'innovation products' rather than 'service processes'.

However, as other authors have argued (see, for example, Spohrer *et al.* 2008; Droege *et al.* 2009), the roots of this model explicitly within the experience of the manufacturing

sector of the economy limit its applicability to the service sector, particularly in times of economic turbulence and rapid change. It does not acknowledge or reflect the nature of 'services' (including public services) as a distinctive sector. There is, however, now a substantial literature that identifies the core elements of services as a distinctive sector from that of manufacturing. These characteristics, discussed in more detail below, make the innovation process a profoundly different one for services (Sundbo 1997). Further, a key element of the services approach to the management of innovation is the importance of an open systems orientation that explicitly acknowledges the importance of the organizational and institutional environments (Tether 2003). This important point is also returned to below.

### **The re-conceptualization of innovation as continuous improvement**

While the public service innovation policies of the Conservative governments of the 1980s and 1990s were affected by their pre-occupation with a manufacturing-based model of innovation, the policies of the subsequent Labour government of 1997–2010 were affected by an alternative problem. It is vital to emphasize at the outset that the place of innovation in the public policy debate has never disappeared – indeed, 'innovation' was at the core of that Labour government's agenda since the publication of the *Modernising Government* White Paper in 1999 (Cabinet Office 1999). At that time, the Public Audit Forum emphasized that this White Paper 'encourages public bodies to adopt *innovative* and flexible approaches to [public] service delivery' (Public Audit Forum 1999; our emphasis). Subsequently national government initiatives such as the *Invest to Save Budget* were predicated upon the need 'to promote successful innovation and to deliver better public services' (House of Commons Committee of Public Accounts 2003, p. 2; our emphasis), while NESTA emphasized the links between innovation in public services, public procurement policy and the efficient and effective provision of public services (NESTA 2007). Innovation has also been exhorted as essential to public services and their contribution to society and the economy by, amongst others, the Audit Commission (2007), the Cabinet Office (2008) and DIUS (2008a).

What has occurred however has been a reformulation of the nature of innovation. The core of innovation within the extant research literature, as is explored in more detail in the second part of this paper, is 'newness' or *discontinuous change* (see, for example, Tushman and Anderson 1985; Herbig 1991; de Brentani 2001; Johannessen *et al.* 2001; emphasis added) – and that this is what differentiates its managerial challenges from those of incremental organizational change or service development. This view of innovation is somewhat at odds, however, with that employed within the current policy framework – and notwithstanding the guidance of the academic advisors to the government who have continued to emphasize both the complexity of innovation and the centrality of discontinuous change to it as a process (see, for example, Hartley 2006).

Thus, the *Modernising Government* White Paper (Cabinet Office 1999) portrays innovation not as a process of organizational and service discontinuity and change but rather as one of the '*continuous improvement* in central government policy making and service delivery' (para. 4.9; emphasis added). Such an approach has been central to a range of policy documents since the publication of the 1999 White Paper (see, *inter alia*, National Audit Office 2005; Prime Minister's Strategy Unit 2006; Museum Libraries Archives Partnership 2007; DIUS 2008a), as well as to the Best Value performance regime for local authorities (see, for example, ODPM 2003). 'Everyday innovation' is how NESTA (2009) has described this requirement to promote innovative working in public service organizations.

Such a re-conceptualization, we argue, underestimates the intricacy of managing both innovative and incremental service development. Both are essential for reforming and improving public services – but both require different approaches to their facilitation and sustenance. Public policy does an injustice to both by conflating them.

This deficient approach to understanding innovation in public services is also articulated strongly, though in a more sophisticated manner, by Mulgan and Albury (2003) in their advice to the Cabinet Office. It has also been an important theme in related academic research (see, for example, Hartley 2005). Mulgan and Albury assert that innovation should be a 'core activity' of government, defining it initially as simply 'new ideas that work' (2003, p. 3). Subsequently though they produce a typology of innovation that distinguishes 'incremental' from 'radical' and 'transformative' innovation – a typology that has been quoted extensively in subsequent reports for the UK government (see, for example, Lekhi 2007).

While this more sophisticated approach is welcome, the 'incremental' category here continues to conflate incremental innovation (discussed further below) with incremental service development and organizational change. This is a fatal flaw. It misunderstands the differing challenges that service development and service innovation pose. It is a quite different task, for example, to support staff in developing their existing skills than to tell them that these skills have been made redundant and that they need to re-train to retain their post (if that has not also been made redundant, of course). The distinctive nature, and challenges, of innovation as opposed to service development or change (such as the management of risk, uncertainty and failure) become lost in such sophistry.

This has two implications for public policy. First, we need to know whether the public service reform process is based upon incremental development or upon innovation because it helps us both to understand the trajectory of this reform and evaluate its strengths and limitations. Second, it matters at a very fundamental level to the public service managers and staff embroiled within the reform process. As suggested above, the management of innovation is an entirely different task from the management of developmental change. If public service managers and staff (whether they are situated in the public, private or third sector) are to be provided with the requisite managerial tools to carry out their roles effectively, then it is essential that public policy is based upon an accurate understanding of the innovation process, rather than conflating it with the rather different, if as important, process of developmental change.

### **Innovation as a normative good**

UK papers for SOLACE (Thomas 2008) and for the Innovation Unit (Horne 2008) have both urged the normative need for innovation – yet with no clear statement of what this means, beyond 'the need to improve existing services' (Horne 2008, p. 6). In a similar vein, Leadbetter (2007) and Westall (2007), focusing on the role of social enterprise in innovation, talk of innovation respectively as 'the application of new ideas... to devise better solutions to our needs' (Leadbetter 2007) and as 'changes in products, services and processes... to meet new needs in new ways' (Westall 2007).

Contained within this discourse has been the enduring assumption that any particular innovation must, *a priori*, be 'a good thing' – because the overall process of innovation is 'a good thing'. Yet these are statements of an entirely different order. One can agree that 'innovation' as a process is essential for the improvement of public services – but that is not the same as asserting any specific innovation must therefore be positive, simply because it is 'an innovation'.

This conceptualization of innovation as a normative good can also be found embedded in the dialogue about 'social innovation'. Harris and Albury (2009) situate this as innovation 'for the social and public good.' (p. 16; our emphasis) compounding the assumption that innovation must always be a positive boon. Social innovation it seems can only ever be such a boon and so any opposition to it must therefore be reactionary and somehow 'not' in the public good (for a more detailed exploration of the nature of 'social innovation, see Phills *et al.* 2008; Murray *et al.* 2010).

However, as Hartley (2005) has noted, while innovation and improvement have often been assumed to be synonymous, this is by no means always the case. Let us briefly consider the innovative technology that has allowed the development of biometric identity cards. This is clearly both a technical and social innovation. Yet where does that leave the large numbers of citizens complaining that this innovation is not so much a normative good as an infringement of their civil liberties and another step in the creation of a 'big brother' society – or even those scientists who argue that the technology itself is flawed and easy to circumnavigate (Lips *et al.* 2009)? Similarly, the 'pin-down' and 'regression therapy' approaches to residential social care for young people in the 1990s were undoubtedly innovative in their nature – yet few would argue that they breached fundamental human rights and as such had no place in the repertoire of social work, no matter how 'innovative' they might have been (Levy and Kahan 1991; Kirkwood 1993; Kendrick 1998).

Such over-reaching assertions about innovation do little to facilitate appropriate innovation in public services, nor do they acknowledge the potential for negative effects of innovation, and the challenges that this poses for its support and management. Van de Ven (1988) has made this important point more broadly about the way in which innovation and success have become seen as interchangeable. Noting that innovation 'is often viewed as a good thing because the new idea must be useful', he argues that innovations that do not produce such a normative improvement are subsequently redefined – '[they] are not normally called innovations, they are usually called mistakes' (p. 105). The difficulty with such normative assumptions is that they do nothing for our understanding of the innovation process in public services – and potentially hinder the guidance that can be offered to policy-makers and practitioners about the promotion, support and management of appropriate and effective innovation in public services. Innovation is a vital part of the provision of effective public services. However, its support and management requires a nuanced approach that acknowledges both that not all positive change is always innovative in nature – and that not all innovative change is always beneficial. The extant literature is also explicit that innovation involves risk – and this includes the risk that something can be innovative but either not address extant social or economic needs or address them inappropriately. Public policy-making and implementation has been slow to recognize this challenge. In relation to future research needs, this point is returned to below.

### **Interim conclusions**

This section has argued that there are significant flaws in the current public policy framework for innovation in public services that fly in the face of current research evidence. We argue that this evidence can in fact offer significant lessons for the effective public policy formulation and implementation for innovation in public services. We enunciate these lessons below before also detailing four important gaps in our knowledge that require further research.

## RESEARCH AND THEORY ON INNOVATION: WHAT DO WE KNOW?

### The nature of innovation

The appraisal of public policy around innovation and public services above noted that there was a lack of precision about what is actually meant by innovation as well as a normative tendency that assumed innovative activity must be a positive – and that this approach was also part of a somewhat circular definition of an innovation. Both these limitations can also be found in the research literature. Membretti (2007) and Meeuwisse (2008), for example, both evaluate innovation in public services without any clear definition about what is meant by ‘innovation’. The European Union PUBLIN programme on innovation in public services (Koch and Hauknes 2005) includes impressive reviews of the private and public sector innovation literature (see, for example, Halvorsen *et al.* 2005; Roste 2005), yet the programme is also disappointing in its conceptualization of innovation. Halvorsen *et al.* (2005), for example, initially define it simply as ‘changes in behaviour’ (p. 2), later refining this to the ‘implementation of a conscious programme of change to gain certain effects or results’ (p. 63) – a definition subsequently adopted by the programme as a whole. The problem with such a broad definition of innovation is two-fold. First, it assumes that innovation must be a conscious process, yet this is often not the case. The commercial development of ‘Post-It Notes’, for example, was certainly an innovation, but it was entirely an accidental by-product of a search for another product (Peters and Waterman 1982). Just as with change more generally, innovation can be an emergent as well as a planned process – and for many public services, change and/or innovation can be thrust upon them by political decisions as much as a conscious determination to address a ‘performance gap’ (Golden 1990). Second, it falls prey to the conflation of innovation and incremental development identified earlier, with similar results.

There is, however, a substantial literature that explores the nature of innovation – and that could provide an important input to the policy process. Contemporary innovation theory thus differentiates between four modes of change to products and services – three innovative modes and one developmental (Garcia and Calantone 2002). The first is ‘radical innovation’ – a comparatively rare event that transforms the entire societal paradigm of production (classic examples being the replacement of canals by the railways in the industrial revolution and the creation of the World Wide Web). The second type is ‘architectural innovation’. This results in changes both to organizational skills and competencies and to the market/needs that an innovation is addressing – but within the existing production paradigm (Henderson and Clark 1990). The third type of innovation is often called ‘incremental innovation’. The term ‘incremental’ here is slightly misleading. Such innovation does still involve discontinuous change to products or services. However, it takes place within the existing production paradigm and affects only either organizational skills and competencies or the market/needs that the innovation is addressing, not both (Garcia and Calantone 2002). The fourth type of change is ‘product or service development’, that builds upon existing skills or markets/needs and may well involve significant organizational learning – but that does not involve any element of ‘newness’ or discontinuity (Sundbo 1997).

In differentiating these four types of change it is important not to assume any normative element to the discussion. Over time, a series of non-innovative developments can be as significant for a service as one incident of innovation, while incremental innovations may be more significant or enduring than architectural ones. The central issue here is

to understand the different policy contexts and approaches to their management that different types of change and innovation require. One size does not 'fit all'.

This approach to understanding innovation has also been explored within the public services literature. Osborne (1998) has developed this approach to understanding innovation in public services. While not including the 'radical' innovation category above, it differentiates between total (architectural) innovation and two types of incremental innovation (expansionary and evolutionary) – as well as differentiating innovation 'per se' from gradual service development.

*The first lesson from the research base, therefore, is that the complexity of innovation (and its differentiation from gradual improvement) needs to be understood and reflected within public policy and its implementation, rather than be reduced to sophistry. This will allow more clear and effective policy-making, as well as the more successful management of the innovation process.*

### **The source of innovation**

The traditional model of innovation has long argued in favour of individual agency as the source of innovation – the 'hero innovator' model popularized by Peters and Waterman (1982) or the assertions made by management guru Drucker (1985) that '[e]ntrepreneurs innovate'. Roberts and King (1996) developed this approach in the context of public sector organizations (PSOs). Based upon extensive psychological testing they developed a model of the 'public entrepreneur' as tenacious and goal driven, working long hours, willing to take risks, confident and skilled in using political connections. More sophisticated versions of this approach have moved beyond 'simple' individual agency to explore the interaction between the individual and their organization (Jelinek and Schoonhoven 1990) – and there are a number of such studies in relation to public services also (see, for example, Bartlett and Dibben 2002; Windrum 2008).

Useful though these individual approaches are, they often lack an organizational or institutional context for public services (Prail and Baldwin 1988). In this context, two areas of research on public services innovation are important. On the one hand, both Ferlie *et al.* (1989) and Baldock and Evers (1991) have emphasized the importance of the organizational locus of innovation: top-down innovation being primarily concerned with organizational and service efficiency while bottom-up innovation is concerned primarily with organizational and service effectiveness. On the other hand, the work of Borins (2001) and Crosby and Bryson (2005) has emphasized the importance not only of individual agency but also of the 'innovation sponsor' who (at the political and/or organizational level) provides the mandate and space for innovative activity, including the risks that it involves. In such a context the sponsorship of senior managers and/or politicians is an essential pre-condition of innovation. They may not need to sanction each individual project, but a mandate and culture of innovation must exist to permit staff to engage in the risks (and likelihood of failure) that innovation invariably involves.

*The second lesson is therefore that individual agency by itself is a necessary but not a sufficient condition for innovation in public services – organizational and political mandate for innovation (including of course the risk of failure) is essential also, as well as an understanding of the locus of innovation and its implications for its management.*

Latterly, research and theory upon the sources of innovation has also shifted from the organizational locus to that of the environment. Increasingly, research has emphasized



the importance of an open systems and institutional understanding of the sources of innovation. In relation to services, this explicitly acknowledges the importance of organizational and institutional environmental sensitivity (Tether 2003), the need to work across horizontal networks in services provision rather than maintain a closed organizational boundary (Ahuja 2000; Brown and Duguid 2000; Chesbrough 2003), and the centrality of service users as a prime source of innovation (Alam 2006; Von Hippel 2007). This has led to models of innovation facilitation that are embedded precisely in this open systems orientation and that look outward from the organization or service rather than internally (see, for example, Santonen *et al.* 2007).

Such approaches can also be identified in research upon public services innovation. A major contribution of the PUBLIN Programme on public services innovation has been to draw attention to this open systems and institutional context of innovation (see, for example, Roste 2005). Osborne *et al.* (2008) have also emphasized the importance of the institutional context for the innovative capacity of third sector organizations, while Windrum and Garcia-Goni (2008), Considine *et al.* (2009) and Van Buuren and Loorbach (2009) have explored the importance of organizational, environmental and policy networks for innovation. Brown (2007) has also examined the significance of the regional clustering of public service innovations for their sustainability. Finally, Walker (2007) has brought the environmental and organizational perspectives together for PSOs through use of the concept of 'organizational-environmental configuration'.

*The third lesson is therefore that it is not possible to promote and sustain innovation simply by focusing on the organization alone – an open systems orientation is important. It is essential that public policymakers understand their import as institution actors in the process and that innovation requires attention both to its organizational and societal contexts, and to the networks and interactions of public services, rather than solely to internal organizational configurations.*

A final element missing from the public policy context for innovation, as discussed above, is an understanding of public services as 'services'. There is a substantial literature that identifies the core elements of services as a distinctive sector (see, for example, Evangelista 2000; Lovelock and Wirtz 2004; Hoffman and Bateson 2006; Gronroos 2007; Maglio and Spohrer 2007; Normann 2007; Vargo and Lusch 2007; Vargo *et al.* 2008). While this literature identifies a range of differences between services and manufacturing, the four core differences agreed across all studies (Normann 2007) are:

1. Intangibility (that services are processes rather than concrete goods and so cannot be stocked or demonstrated and where transfer of ownership is uncommon);
2. Inseparability (that the production and consumption of services occur simultaneously and cannot be separated, unlike for manufactured goods);
3. Perishability (as a consequence of the above, that services must be consumed at the point at which they are produced and cannot be stored for future use in the way that manufactured goods can be);
4. Co-production (that services are produced through the interaction between service providers and their consumers, the latter being an active participant in the production process and not solely a consumer, as for most manufactured goods).

These characteristics make the innovation process a profoundly different one for services than for manufacturing (Galloway 2002; Drejer 2004).

Such insight is currently lacking from public policy, yet it has profound import. At best, the base elements of 'consumerism' have been abstracted from services management and applied to public services, but without the essential context of services logic to make them truly meaningful (Jung 2010; Powell *et al.* 2010). However, there is substantial research and theory about the differing business logics of manufacturing and service industries and that has implications for the management and cost structure of services innovation (see, for example, Alam 2006; Vargo and Lusch 2007; Vargo *et al.* 2008) – yet this perspective is notable by its absence in the discussion of innovation in public services. Similarly, the services management literature has long emphasized that much innovation in services is a question of process, not product design (Hildbrand and Forcada 2009), yet public policy persists in a product design approach to innovation (see, for example, Lekhi 2007; Thomas 2008; Horne 2009). Finally, as detailed above, the services literature also emphasizes the pre-eminence of the service user as the co-producer of public services innovation (Alam 2006; Von Hippel 2007), while public policy has invariably adopted models of co-production that are as much about the control of user engagement as about its enhancement (Pestoff and Brandsen 2006; Strokosch and Osborne 2009).

*The fourth lesson is thus that research, policy and practice about public services innovation all need to embrace a service oriented approach that emphasizes the distinctive characteristics of services, the primacy of process in services delivery and the role of the service user as the co-producer of innovation.*

### **The political context of innovation in public services**

Seminal work in the innovation studies field has made explicit its political nature for some time (Pettigrew 1973) and this is doubly so for innovation in public services. Not only are they prone to the inherent party political nature of the public policy process (Hill and Hupe 2003, 2009), they are also subject to the internal political processes of public service organizations and the need of managers to demonstrate their effectiveness in field of contested outcomes. Feller (1981) brought both these two domains together in the concept of innovation as 'conspicuous production' in such contested domains – for politicians and managers. He argues that innovation has become a proxy for effective performance, for politicians and managers alike, in the public sphere where such effectiveness is notoriously hard to demonstrate due to the ambiguous, multiple and contested nature of policy objectives and outcomes.

Further, Borins (2001) has also pointed to the import of professional resistance to innovation as a key inhibitor of its success. However, he has also pointed out that such resistance has to be taken seriously and not merely 'managed' away within public service organizations. This is a fundamental error of the normative model of innovation in public policy discussed above – opposition to innovation must, by definition, be bad because innovation, by definition, is good. This ignores two elementary aspects of the innovation process. First, that sometimes the resisters may be right and the innovation proposed is the wrong one (as in the examples of 'pin down', and 'regression therapy', above). But secondly, and even more importantly, this approach negates any possibility for essential organizational (and policy) learning from 'failed' innovations. Such organizational learning from the innovation process is an essential element of effective innovation policy, as the innovation studies literature has long made explicit – such as in the early but still influential work by Burns and Stalker (1961) and Rogers and Shoemaker (1971) – yet it is

invariably not acknowledged in public services innovation, where acknowledgement of failure would be politically damaging.

It would be unrealistic to expect these macro- and micro-level political contexts of innovation in public services to disappear in the face of 'rational' evidence. That is not the nature of either policy process or organizational management in public services.

*However, the fifth, and final, lesson is that this political context must at the very least be understood as the environment for innovation in public services and that this should not obscure the need for organizational and service learning from innovation, especially failed innovation, rather than the redefinition of it as 'a mistake'.*

## RESEARCH AND THEORY ON INNOVATION: WHAT DO WE NEED TO KNOW?

This paper has developed an interaction between public policy for innovation in public services and the research literature about innovation. It has argued that extant public policy has been limited and flawed in its understanding of the nature and process of innovation in public services. These limitations include a flawed model of innovation derived from manufacturing rather than services management experience, the re-conceptualization of innovation as incremental change, and the normative and prescriptive tenor of much public policy in relation to innovation. Importantly, these shortcomings have occurred despite a growing body of knowledge both about innovation in general and about innovation in public services that has important lessons to offer to policy and practice, but that has thus far failed to make an impact upon public policy. The responsibility for this must lie as much with the research community, for failing to make this impact with its work, as with the policy-making and practitioner communities. This paper is a contribution to addressing this failure and to delineating the building blocks of an evidence-based approach to innovation in public policy-making and implementation in relation to the delivery of public services. Drawing upon this dialogue, five core lessons have been articulated for an evidence-based approach to innovation in public services. In closing, we would highlight four areas where we feel further research is required to inform policy.

First, a more fundamental and inclusive policy review is required than that presented here. This review has delineated the policy trajectories at the macro-level in the UK that we believe are influential. However, further more detailed reviews are required in specific policy areas to validate this analysis at the micro-policy level, as well as across the devolved administrations of the UK. Second, this review has concentrated primarily upon the policy trajectory of the UK, though with some international examples. However a subsequent comparative analysis is also urgently required that will explore the impact of varying public policy regimes (Thynne 2003) upon innovation in public services.

Third, a recurrent theme in the innovation studies literature is the differentiation of 'risk' and 'uncertainty' (see, for example, Covin and Slevin 1989; Sass 1997; Tan 2001; Hoti and McAleer 2006) – risk being decision making in the context of known options and their likely outcomes, and uncertainty being decision making in the context of unknown options and outcomes (Tversky and Fox 1995; Gifford 2005; Riabacke 2006). The centrality of risk to innovation in public services delivery has also been alluded to above. Certainly, the National Audit Office (2000) in the UK, the non-profit sector in Canada (CCAF-FCVI 2010), and the Australian Government Management Advisory Committee (2010) have all produced important guidance on managing risk in innovation in public services. The Audit Commission (2007) has also recognized the importance of managing the risks of innovation while not stifling its achievement.

Yet the concept still has a precarious place in the policy dialogue. In its section on public sector innovation, the influential White Paper *Innovation Nation* (DIUS 2008) does make passing reference to 'attitudes to risk' as a barrier to innovation (p. 70) – but there is neither a detailed discussion of this important issue, reference to other policy guidance, such as the above, or any recommendations as to the management of risk in public sector innovation. Moreover, it is arguable that the current policy advice is actually more about risk 'minimization' rather than risk 'management' – and that such a minimization strategy is arguably more likely to precisely stifle rather than facilitate innovative responses to public services delivery (McWilliam *et al.* 2002; Duff 2003). A good example of this is the 2009/2010 UK government handling of the response to the 'swine flu' epidemic. It is debateable that this response has been as much about the use of the Tamiflu vaccine to minimize public anxiety rather than its development and deployment as an effective innovative response to a new, and possibly, deadly, health need (World Health Organisation 2008). Certainly the literature on risk management in public services (see, for example, Smith and McCloskey 1998; Drennan and McConnell 2007) has consistently argued for policy clarity about risk management and minimization strategies.

The implications of this debate and literature on risk for innovation in public services need to be considered in order to develop precisely such policy clarity. It is remarkable, though, that this debate has been almost wholly absent from the research upon innovation in public services delivery – Brown (2010) and Osborne & Brown (2010) being the only recent exceptions to this. Further research is now urgently needed that will allow an understanding of where and how innovation risk lies at different levels (such as at the user, service professional, organizational, institutional and public policy levels) and what strategies best permit its effective management – though without stifling either the innovative impetus or the potential for individual, organizational and policy learning.

Finally, despite important research (such as Rogers and Shoemaker 1971; Loch and Huberman 1999; Damanpour and Gopalakrishnan 2001) upon the diffusion and sustainability of innovation, research on public services innovation has long been silent upon these themes. In the public policy arena, third sector organizations have consistently argued that the over-arching government approach to innovation in the UK has as much been about rationing scarce public resources as about the diffusion of sustainable innovations in public services, and that this approach has consequently privileged short-term gains over long-term learning and sustainability (Deakin 2001). Indeed, one attempt in the UK to develop a strategic approach to sustainable innovation (the Single Pot pilot project of the then Office of the Deputy Prime Minister, in Herefordshire over 2004–2006) foundered precisely because the government agencies involved were unable to take a longer term view of sustainability rather than short-term goals (Osborne *et al.* 2009).

Boyerne *et al.* (2005), Moore (2005), and Korteland and Bekkers (2008) all provide evidence that the challenges of the diffusion of sustainable innovation in public services is now being taken seriously as a research focus. Further work is now required to explore the organizational, environmental and institutional contingencies, both of the successful diffusion of innovation across public services and of sustainable innovation in public services.

## CONCLUSIONS

In closing, we would emphasize two final points. First, it would be irrational to replicate the normative and prescriptive approach of current public policy and public services delivery towards innovation by an alternative one based upon the above points. Public

policy needs to move beyond simple innovation 'recipes' and examine the configurations, contingencies and complexities that sustainable innovation in public services requires. The concepts, evidence and (some) tools to do this have been explored in this paper. However, these represent the beginnings of a dialogue about effective knowledge transfer between research and policy, not its conclusion. Second, nowhere in this paper is there a suggestion that innovation is a normative good, to be privileged above other types of organizational activity. 'Appropriate innovation' is an essential element of the reform and development of public services. Sometimes, though, innovation is the wrong response to expressed need and risks the loss of essential existing service expertise and competencies. Such existing specialist expertise needs to be privileged and celebrated also.

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