

Advancing Public Sector Innovation

**A discussion paper for the public sector
innovation Management Advisory Committee
project**

August 2009

About this project

This discussion paper has been prepared as part of a project on public sector innovation that will report to the Australian Public Service's (APS) Management Advisory Committee (MAC).

A project team representing several APS agencies has been established within the Department of Innovation, Industry, Science and Research (DIISR) to do this work.

Additional information on the project including its terms of reference is available on the website <http://www.innovation.gov.au/psi>.

How to use this Discussion Paper

The project team wants to hear from all those who have experience with or insights into public sector innovation. This includes those who have had experience with public sector 'non-innovation' – where it seems or feels like the public sector has been unresponsive to opportunities for innovation. Public sector innovation is a rapidly growing field and no area (including the project team) can or will have all the answers.

The discussion paper has been prepared to identify the main questions the project team are seeking answers for and as a prompt for interested parties and individuals to provide a written submission – details about how to make a submission are at Appendix 1. A list of general questions is included towards the end of this paper. Given the timeframe of the project we cannot promise to consider submissions which are received after the nominated due date of 11 September 2009.

Please remember the project is about more than *what* specific innovations should occur within or be implemented by the APS – it is about *how* such innovations can occur continually. It is not only about making the APS a place where innovation is welcomed, but one where it is expected.

In addition to the submission process detailed in Appendix 1, you can follow the work of the project team through its Twitter account (@PSInnovate) and/or by monitoring the website where additional information will be shared.

Our job

The project team will report to the MAC in November 2009 with recommended reforms that can embed an innovation culture in how the APS develops and delivers policy and services, and a strategy for implementation by agencies to help achieve that culture. Your input will be vital to ensuring that the report is accurate, considered, and effective.

Government 2.0 Taskforce

In considering public sector innovation, please be aware of the work of the Government 2.0 Taskforce which is looking at 'finding ways of accelerating the development of Government 2.0 to help government consult, and where possible actively collaborate with the community, to open up government and to maximise access to publicly funded information through the use of Web 2.0 techniques.' Details of the work of the Taskforce can be found at <http://gov2.net.au/>. There is potential overlap between this project and the work of the Taskforce and comments relating specifically to Government 2.0 should be directed to the Taskforce.

INNOVATING THE PUBLIC SECTOR?

Innovation is the subject of frequent commentary, most often relating to an entrepreneurial private sector. While it can sometimes appear to be a word with little actual meaning, in reality it is a concept critical to the public sector and its goal of achieving the best possible community outcomes with limited resources. Innovation in the public sector is about achieving better outcomes by improving policy and program development and the delivery of public services. It is something that affects us all. There are few who have not asked themselves, often in frustration, the question “why couldn’t this be done better?” or “surely this cannot be the best way to do this” in relation to a public service. Public policy and services impact on all our lives in myriad ways. Public sector innovation is, therefore, important and relevant to everyone, not just those in the public sector.

This project seeks to address some key questions about public sector innovation. If it is important, why is it not already occurring as needed? What is stopping innovation in the public sector? What actions are required to encourage innovation in the public sector? Is it about the people in the public sector? Is it about the leadership? Is something more radical required, tackling the culture, values and core institutions of the public sector? How do we know if an innovation is working? How do we know if an innovation is wanted? What key actions could be taken to embed innovation in the public sector?

The project will assess the current state of innovation within the public sector and identify barriers to innovation. It will recommend strategies that can increase innovation uptake and embed innovation in the way the public sector works. Unfortunately, innovation cannot be easily institutionalised or regulated, so the recommended strategies will need to artfully build on, and reinforce, the good practices that are already in place. But new approaches and practices will also be needed to address entrenched barriers to innovation. In particular we need to look at how the public sector can become more citizen-centric and better able to collaborate with the public and address client needs and preferences rather than just deliver program outputs.

PUBLIC SECTOR INNOVATION

What is public sector innovation and why is it important? Why does the public sector need to innovate and change the way it does things?

One way of thinking about public sector innovation¹ that offers a comprehensive approach is to consider it in the following categories:

- Services – a new or improved service, for example the new **National Broadband Network**, which will provide high-speed internet access to the majority of the country;

¹ P Windrum, ‘Innovation and entrepreneurship in public services’, in P Windrum & P Koch (eds), *Innovation in Public Sector Services: Entrepreneurship, Creativity and Management*, Edward Elgar Publishing Limited, Cheltenham, 2008, pp.3-20.

- Service delivery – a new or different way of providing existing services, for example the Australian Government’s **Business.gov.au** website, which offers businesses online access to relevant government information, transactions and services;
- Administrative or organisational innovation – a new process, for example the creation of the **Family Assistance Offices**, which are a joint venture of a group of service agencies to share a common public shopfront;
- Conceptual innovation – a new way of looking at problems/challenging current assumptions, for example the shift to providing support for carers, through services like the **National Respite for Carers Program**, in addition to directly supporting those who require care;
- Policy innovation – a change to policy thinking or behavioural intentions, for example the introduction of the **Higher Education Contribution Scheme** to improve access to higher education for disadvantaged students while maintaining the revenue base for higher education; and
- Systemic innovation – a new or improved way for parts of the public sector to operate and interact with stakeholders, for example the establishment of **Centrelink**, which changed the means by which many government services were delivered to the public.

This shows that innovation in the public sector can be as simple as an improved service or it can be something involving a completely new way for government to interact with the public. It may be an idea borrowed from somewhere else, where it has been identified as best or better practice, or it can be something radically new that has never been seen before and fundamentally changes our approach to an issue.

Innovation is central to improving public service, whether that be as a result of making those services better fit their purposes or lowering their cost or increasing their quantity. Further, as new processes, new technology, and new media become more pervasive there is an increasing expectation that these developments will be reflected in the way public sector agencies interact with both individuals and businesses. In a changing economy, the public sector needs to be continually innovating to maintain acceptable levels of service and to meet current challenges. Public sector innovation also has an impact on productivity and ultimately living standards. The public sector is sufficiently large and important a sector of our economy and society that effective regulation, efficient public services, and a responsive and innovative public sector more generally, will obviously have a substantial influence on our overall productivity and the quality of Australians’ lives.

Innovation is also critical for meeting a range of government reform agendas and priorities:

- The Australian Government’s Social Inclusion Principles promote services working together in new and flexible ways to develop and deliver tailored services;
- Innovation will be critical in meeting the challenges of climate change and other complex social and economic problems; and
- Innovation will also be key in delivering results against ongoing financial pressure for government efficiency and productivity.

Just as importantly, such priorities and challenges will require innovation in how the public sector works with others – many of these issues demand innovative solutions that cannot be delivered by government alone. They will require greater collaboration between the public sector, citizens and other stakeholders such as subject matter experts, not-for-profit organisations and intermediaries. Potentially, the complexities of 21st century public policy will require the public sector to connect all those with the required skills, insights and capabilities, both within Australia and from overseas, to find the right solutions.

In the 2008 report of the Review of the National Innovation System, *Venturous Australia – building strength in innovation*, innovation in the public sector was seen as an important plank in Australia’s innovation system. “We will know we have succeeded when ... a new culture of innovation is embedded within the public sector”².

The Australian Government has affirmed this need for public sector innovation. In its 2009 innovation agenda *Powering Ideas*, the Government identified public sector innovation as an important issue and noted that this project would occur. Just as importantly it recognised that “Public sector innovation is not just a matter for politicians and officials. It concerns everyone.”³

These points all serve to demonstrate that innovation within and by the public sector is not only important, possible and necessary, but also more than just an issue for the public sector itself.

CURRENT STATE OF PLAY

If innovation in the public sector is a necessity, what is being done to ensure it occurs in the APS?

As noted, there is support for public sector innovation. This is not just at the political level – senior public servants are also supportive and understanding of the issues. In May 2009, the APS Commissioner, Lynelle Briggs, said that “Innovation and a citizen centred focus go hand in hand. Human capital is central to innovation and public servants, both State and Federal, need to be, if not hot-beds of innovation, then at least its breeding house.”⁴ The Secretary of the Department of Prime Minister and Cabinet, Terry Moran, has previously written and spoken about how innovation is core to the role of the public sector. In 2005 while serving as the head of the Victorian Department of Premier and Cabinet, Mr Moran stated “I believe that [innovation] will be the main driver of the next wave of public sector reforms – reforms that focus on improving service delivery for citizens.”⁵ The APS State of the Service report for

² T Cutler, *Venturous Australia - building strength in innovation*, Cutler & Company, Melbourne, 2008. p. xix, available at www.innovation.gov.au/innovationreview/Pages/home.aspx

³ Department of Innovation, Industry, Science and Research, *Powering Ideas: An Innovation Agenda for the 21st Century*, DIISR, Canberra, 2009, p. 58, available at <http://www.innovation.gov.au/innovationreview/Pages/home.aspx>

⁴ L Briggs (APS Commissioner), “All those who stand and wait—putting citizens at the centre”, address, Perth, 21 May 2009, available at www.apsc.gov.au/media/briggs210509.htm

⁵ T Moran “Building a Culture of Innovation in the Public Sector”, *Changing the Way Government Works* seminar, 2004, p.3, available at <http://www.obs-pascal.com/resources/terrymoran.pdf>

2007-2008 noted the need for agency cultures to support and reward innovation and that the value of an innovation culture is well recognised at the management level.⁶

In addition to such commitments to innovation from the leadership of the APS, there are supportive organisational processes and reforms underway. For example:

- The Australian National Audit Office is developing a Better Practice Guide for public sector innovation that will provide case studies and information to help public sector agencies and their managers drive innovative practices; and
- A Government 2.0 Taskforce (as mentioned earlier) has been established to look at the use of Web 2.0 technologies to increase online innovation in the areas of information sharing and public engagement.

In contrast to any perceived resistance towards innovation on the part of public servants, the most recent State of the Service suggested openness to innovation. It found that 94% of employees were keen to learn about new ideas at work, and 90% said that they looked for better ways to do things.⁷ Indeed, there are many public servants, at Commonwealth, state and local levels, who are driven by a commitment to achieving better outcomes, and there is a growing number of communities of practice within the public sector meeting on a regular basis to promote, reward and demonstrate the value of innovative ideas and practices. While undoubtedly there are some areas of the public sector that remain resistant to change and new ideas, the pendulum has shifted significantly towards a culture that recognises that we must continually find new and better ways of working.

BARRIERS

Increasingly, there is demonstrated support for innovation in the APS by its staff, its leadership and at the political level. Is this, combined with a growing call for more citizen-centric approaches, sufficient to facilitate the required innovation in the public sector? The answer would appear to be that it is not and that some systemic barriers remain.

The same State of the Service report referred to above also notes that “This data appears to indicate that, while most employees are keen to be innovative and act on new ideas, more than half do not clearly perceive an innovation culture in their agency” and that a significant majority of staff agree that the public service discourages risk-taking.⁸

With all the drivers for change, both internal and external to the public sector, why is the public sector not more innovative? The APS is made up of many bright, passionate and motivated people who are driven to make improvements and use innovations to achieve better outcomes. There is stated high-level support for innovative practices. There is any number of opportunities for government agencies and services to be more innovative and there are definitive examples of innovation occurring within the public sector. So why does innovation in the public sector not blossom?

⁶ Australian Public Service Commission, *State of the Service Report: State of the Service Series 2007-08*, APSC, Canberra, 2008, p.270 & 274, available at <http://www.apsc.gov.au/stateoftheservice/0708/report.pdf>

⁷ *ibid*, p.273

⁸ *ibid*, p.274

In part this may be due to inherent conservatism by public sector organisations. Modern public sector bureaucracies are characterised by a complex set of rules for formalising, systematising and specifying how things should be done, ensuring uniformity of approach and thus (perhaps unintentionally) potentially preventing innovation from occurring. Added to this, public sector workforces are frequently focussed on meeting short-term delivery goals and the political process can encourage a defensive response to criticism or suggested alternative approaches. As a result, the public sector can tend to be unresponsive to change or fail to plan for longer-term capability development and service innovation.

Public sector agencies also tend to have a systematic aversion to risk, arising not only from a focus on efficiency but also because the public sector is (deservedly) highly visible and accountable. Public servants are rarely rewarded for risk-taking and proposals will encounter fewer obstacles in myriad approval processes if they advocate smaller, less risky strategies or programs. An adherence to risk avoidance, however, can result in overly complex and prolonged processes that stifle the ability and the desire to be innovative.

Who is responsible?

It can be very difficult to know to whom to suggest improvements, even within a single organisation. Take, for example, a proposal to use a new Web 2.0 communication tool: is responsibility with the IT area because it uses a new web tool? Is it with a communications area because it is about external engagement? Is it with a central policy area? Does another organisation entirely have responsibility for this across government? And if this is unclear for public servants, the problem is only amplified for those outside the system who are trying to put forward a suggestion.

Innovation may also be an unintended victim of the growing focus on efficiency. Experiments are inherently wasteful, as not all of them will work – if they did they would not be experiments. But they are a “good” type of waste as opposed to many inefficiencies that have justifiably been removed. “In the drive to eliminate static inefficiencies, many political systems have subsequently overshot and stifled policy innovation”⁹. Efficiency is in itself an important driver of innovation, but it needs to be managed carefully to ensure it does not also impair the innovative capacity of the public sector. There needs to be recognition that failures will result from the innovation process – not every idea can or should be expected to work. Arguably, successful innovation always involves some experimentation and no failure need be seen as wasteful (inefficient) if lessons can be learned and shared as a result. The public sector and its stakeholders need to see and accept risk and failure as being inherent to the innovation process.

Other barriers may include:

- few agencies measure and reward innovative practices. There are rarely any links to an agency's performance measurement and what is not measured is not always seen as important;

⁹ J Potts “The innovation deficit in public services: The curious problem of too much efficiency and not enough waste”, *Innovation: Management, Policy & Practice*, vol. 11, issue 1, April 2009, page 34.

- 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;
- established public sector policies and rules, or how they are interpreted, may serve to block innovative options. For example concern about legal and operational issues around the use of innovative platforms and communication tools - such as Web 2.0 toolsets - may deprive agencies of access to possible solutions and service delivery options; and
- the public sector tends to be divided into silos, creating a barrier for sharing knowledge and best practice or for arriving at joint solutions. Logistical and accountability concerns can be daunting and offer relatively little perceived benefit for those involved. This is exacerbated when collaborating with other groups or stakeholders to deliver solutions.

Factors such as these and others can, collectively or on their own, inhibit, impede or stop the public sector and its stakeholders from achieving sufficiently innovative policies, programs and service delivery. This project is interested in what barriers people have faced, either within the public sector or from the outside, in trying to promote public innovation. In addition, ideas are sought on what could realistically be done to tackle those barriers, and how we can build an environment and a culture that is more accepting of risk.

THE CHANGING OPERATING ENVIRONMENT

In addition to the barriers identified above, the impact of demographic changes and emerging economic capacity constraints, associated with distance and disadvantage are reshaping the Australian service delivery environment. There appears to be a gap between the Australian population's emerging needs and expectations from public services and the capacity of the system in delivering services.

An ageing Australian population is adopting new life patterns and expects new services to be delivered in different ways. Population shifts to coastal regions are pushing the service delivery network in these areas to their limits and conversely challenging the viability of service delivery in some inland regions. Current transaction-based service delivery systems are built around programs rather than the citizens that receive them.

Service delivery models built in the past are experiencing structural difficulties now and face significant challenges if they are to continue to meet the challenges of the future, either in their capacity to deliver relevant services, or as a vehicle for constructing and mediating the citizen's relationship with government.

WAYS OF BRINGING ABOUT CHANGE

What tools and strategies can be used to promote innovation? What capabilities are needed to think and implement innovatively? What leadership behaviours are needed to embed innovation in how the public sector works?

To optimise innovation the public sector needs to develop an environment which nurtures rather than discourages innovation – for example, one which encourages "bottom up" innovation, allowing staff to put forward ideas, take risks and learn from

failures. For that to be achieved a different set of behaviours may be required from all levels of management and that may require the adoption of some different values and priorities. Staff are unlikely to dedicate time and effort to innovative practices unless the public sector environment welcomes these initiatives and is prepared to devote time and resources to them.

Tax Issues Entry System (TIES) Website

Useful innovation often comes from public sector clients. For instance a “mechanism of challenge” that operates in Australia is the Tax Issues Entry System (TIES) website, established by Treasury and the Australian Taxation Office. It allows people to raise care and maintenance issues about the Government’s tax and superannuation systems and is used to correct defects and address unintended outcomes where these involve minor policy changes¹⁰. Such a mechanism can allow others to identify blockages and constraints that may not have been intended, and thereby allow better policy and legislation.

Many organisations themselves may need to learn how to manage innovation better. Increasingly, employee engagement is being recognised in both the private and public sectors as critical to organisational performance. The Australian Public Service Commission has, over the last few years, been assessing the level of employee engagement across the APS through the annual State of the Service Report. In July 2009, a report published for the UK Government, *Engaging for Success: enhancing performance through employee engagement*, noted that the UK Civil Service will carry out its first service-wide survey of employee engagement later this year, reflecting a growing understanding of the importance of engagement as a medium for driving performance.

Leaders and managers who provide clear expectations and due recognition and appreciation of employees’ efforts are key enablers of engagement and an organisational climate that encourages innovation. The above UK report presents evidence that supports a correlation between employee engagement and innovation. In 2007 research by Gallup showed that the majority of engaged employees reported that their jobs bring out their most creative ideas compared to only 3% of disengaged employees. The Chartered Management Institute also found a significant relationship between employee engagement and innovation. In the words of Professor Julian Birkinshaw of the London Business School, ‘you cannot foster true innovation without engaged employees.’

Other areas where organisations may need to better manage innovation include developing a risk appetite in the organisation such that accountability and risk management methods support innovative practices and focus on the opportunity side of risk taking. There is also a need to develop effective ways of fostering new ideas and managing prototypes and pilots. An organisation must be able to quickly tell whether a new process is working and whether it can be transposed to different contexts. These are organisational capabilities that may not be available in every public sector agency and will require learning and sharing of expertise - including from overseas public sectors. Some other possible mechanisms of innovation are outlined in Appendix 2. Are there other structural or institutional means for driving

¹⁰ The TIES website can be seen at <http://www.ties.gov.au/default.asp?sid=42>

innovation so that innovative behaviours become both an over-arching objective and something common across the machinery of government? Which of these mechanisms are most appropriate to use and in what situations?

An important issue and area of capability for the public sector is being able to tell whether an innovation has been successful or not – innovations that will not meet the desired aims need to be stopped as soon as possible, and successful innovations need to be identified and extended as quickly as possible. But innovation in areas such as social and environmental policy can be complex, with cause and effect interlinked with any number of other factors. What can be done to help measure whether an innovation is truly working or not?

Innovation can also stem from how public sector agencies *respond* to the opportunities and issues that are emerging. Innovation can arise from political, social and economic pressures as well as from the availability of new technologies. How can the public sector ensure that it responds to these opportunities with creativity, flexibility and a willingness to experiment?

What will enable this to happen? Two possible approaches may be illustrative.

- The public sector could better respond to emerging challenges is by engaging and collaborating more effectively with stakeholders (citizens, non-government organisations, academic institutions, private firms and the like). Actively listening to stakeholder concerns and using those ideas will support the pursuit of a better innovation orientation in public sector policies and programs. This is partly about encouraging client focus and community engagement in the provision of government services, but also about providing avenues or platforms for the public to look in, provide feedback and engage with the public sector. Terry Moran notes that "innovation can better align the activities of government with the needs of citizens" and potentially "innovation strengthens democracy"¹¹.
- A second suggested approach for responding to emerging change and issues is to learn from the public sector's response to recent natural disasters such as the flooding in the northern part of the Australia and the bushfires in the south. Arguably, in a time of crisis, public servants can respond more quickly and flexibly and with less concern for "whose job is this?" (with obvious exceptions). Recent cases¹² demonstrate the potential for a considerable degree of cooperation across silos within a government and/or across the different levels of government. There may be lessons to be learned here about how the public sector can operate more effectively in the future. These focus on providing needed services quickly and efficiently, even if that involves more personal initiative, risk taking and working across boundaries. Sometimes it takes a crisis to show what can be achieved and to point to a future public sector that has less structural rigidity and is more collaborative.

¹¹ T Moran, p.3

¹² See, for example, "Collaboration is the Key – Lessons from the South Australian Government's recovery operation, Lower Eyre Peninsula bushfire" Government of South Australia, 2005, at <http://www.dfc.sa.gov.au/pub/default.aspx?tabid=196>

Both of these approaches raise issues such as accountability and fairness. These need to be considered as the public sector may exceed its remit with consequences not just for the involved agencies but for the citizens who are relying upon them. The desire to innovate is not grounds for ignoring governing regulations and procedures.

CONCLUSION

There are considerable opportunities for improving the quality and efficiency of public sector activities through innovation. In fact, without it, we are unlikely to be able to effectively address the public policy challenges we will face. There is a wide range of examples of successful innovation in the public sector. However there is also evidence to suggest that the level of public sector innovation is sub-optimal and that barriers to innovation are discouraging innovative behaviour by public sector staff. Creating a more conducive environment for public sector innovation may require action at a variety of levels.

The challenge of public sector innovation goes to the heart of the role and purpose of public sector agencies. Not to rise to this challenge will condemn Australia to a future of missed opportunities and mean we use second- or third-rate solutions when solving problems. As Mulgan noted¹³ when considering the consequences of governments not giving innovation the same attention as business-as-usual activity:

The result is that many of the biggest problems facing governments are addressed haltingly, if at all: adjusting healthcare or housing to a much older population; helping the unemployed back into work; or making schooling fit for purpose. Old and ineffective programmes continue, while new ones have to struggle for small sums of money. Promising new ideas languish.

The project team wants to hear from stakeholders and citizens about their views on how the public sector can be moulded into one where innovation is the rule rather than the exception. What would a strategy that develops an innovation culture, tackles barriers and shares and rewards innovative practices look like? The following questions provide a guide for you in providing your views:

1. Some potential barriers to innovation in the public sector are identified in the discussion paper and on the website. Can you identify particular barriers to innovation in the public sector and suggest what can be done to address them?
2. How can the APS build a culture that takes a responsible but bold approach to risk, and a culture that accepts that there will be failures?
3. There is a range of possible mechanisms that could be used to assist innovation in the public sector, some of which are identified in this discussion paper (at Appendix 2). Do you have any comment on the suitability or priority of these or other mechanisms?

¹³ G Mulgan, "Ready or Not? Taking innovation in the public sector seriously" NESTA, April 2007, p.18 available at <http://www.nesta.org.uk/ready-or-not-taking-innovation-in-the-public-sector-seriously/>

4. Innovations in the public sector can bring significant consequences, both positive and negative. The public sector must be able to know, as early as possible, whether the innovation will impact positively on productivity, the client experience, and intended outcomes. How can we measure, and how soon after implementation, the indications of success or failure?
5. Can you identify exceptional or innovative approaches in the areas of policy development, program development or service delivery where you work or interact with the public sector? Should they be applied more broadly? Please explain your view.
6. We are particularly interested in how the public sector can work better with, and respond to the needs of, citizens and how it can work across the different tiers of government and across the boundaries between different departments. Can you provide suggestions for how this could be achieved?
7. There are many ways innovation can be fostered or embedded in the public sector. Resources, however, are always limited. Attention must be given to those that will achieve the most and with as little cost as possible. What are your top three priorities for making the Australian Public Service more innovative?
8. Are there other issues that you think relate to public sector innovation that are not dealt with by the discussion paper? Do you have additional comments or insights that you think are relevant to advancing public sector innovation?

Appendix 1

Making a Submission

The project team is using a SmartForm for submissions, structured around the questions identified in this paper, which can be found at the project website <http://www.innovation.gov.au/psi>. If necessary, additional submission information can be emailed to psi@innovation.gov.au. Please note that if it is not possible for you to enter your submission online or to email it, you can mail it to:

Public Sector Innovation MAC Project Team
Department of Innovation, Industry, Science and Research
GPO Box 9839
Canberra ACT 2601 Australia

When submitting, please do not feel obligated to answer any question that you do not wish to comment on. In answering a question, any evidence you might have which bolsters your argument or perspective – whether the evidence is anecdotal, statistical or theoretical – is needed and would be very much appreciated.

We are interested in comment from individual public servants. We recognise that public servants may feel wary of publicly commenting on barriers to, and enablers for, innovation in the APS as a whole or within their specific agency. Therefore the use of pseudonyms will be accepted, however such submissions may not receive full consideration unless a form of contact information is provided should we wish to seek clarification or elaboration. Submissions may be made public unless the submitter explicitly requests confidentiality. Confidential submissions will not be published on the project website but may have excerpts published (without attribution) in the final project report.

Please note that any request made under the *Freedom of Information Act 1982* for access to any material marked confidential will be determined in accordance with that Act.

DIISR is bound by the Information Privacy Principles (IPPs) under the *Privacy Act 1988* with respect to collection, use and disclosure of personal information.

Submissions should be received by close of business 11 September 2009, otherwise they may not be considered. Early submissions will be greatly appreciated.

Appendix 2

Possible Mechanisms for Fostering Public Sector Innovation

Possible mechanisms that could be used by the Public Sector to advance innovation include:

- Bottom-up innovation – the Review of the National Innovation System outlined Shell’s ‘Gamechanger Program’, the Victorian Department of Premier and Cabinet’s ‘Policy Idol’ and the Singapore Government’s Enterprise Challenge (TEC) as examples of institutions or mechanisms which ‘actively seek to elicit, encourage and respond constructively to feedback from whoever has a good idea’. In the United States President Obama has announced his intention for his Administration to establish a process by which any government worker can submit ideas for how their agency can save money and perform better.¹⁴
- Internal innovation champions/Chief Innovation Officers – a number of firms have created the position of Chief Innovation Officer to lead, manage and report on innovation initiatives in the organisation. Others have used methods for creating internal innovation ‘champions’ who will act as advocates for change and innovation, though this role can either be informally or formally recognised.
- Other structural/institutional means for driving internal organisation – for instance by incorporating innovation in business plans and models, or by building it into continuous improvement plans as a structured re-engineering process.
- Mechanisms of challenge/Mechanisms of access – The Review of the National Innovation System spoke of these as processes “by which agencies within government, and also firms outside it, were able to challenge established practices, administrative arrangements, or regulation which obstructs beneficial innovation” or even as means for innovation to take place notwithstanding existing regulatory/administrative hurdles – perhaps as a trial. In other cases these have been extended to general service delivery areas – for instance the UK Ministry of Justice funds a pilot “Public Experience” website¹⁵ whereby people can register feedback on all government services – “With no prior agenda, everyone can express dissatisfaction, point out mismatches or inconsistencies, or say thank you to care and service providers” and “You don’t need to know who to talk to, just what you want to say.”
- Pilots/experiments – a key insight from innovation practice is that failures will be unavoidable, and where they do occur it is preferable to achieve fast failure – pilots and experiments are a means by which ideas and processes can be tested in a potentially lower cost and lower risk form and judged as to whether they should be rolled out more extensively.
- Randomised trials – As the economist Andrew Leigh has pointed out¹⁶ randomised trials have long been seen as the superior form of evaluation in health, and have had growing acceptance in other fields in the United States, yet have not been as yet widely practiced in Australia. They have the potential to provide considerable evidence on the efficacy of new policies and services.

¹⁴ For instance see http://www.whitehouse.gov/the_press_office/Weekly-Address-President-Obama-Announces-Steps-to-Reform-Government-and-Promote-Fiscal-Discipline/

¹⁵ This website can be seen at <http://www.publicexperience.com/>

¹⁶ A Leigh, “Randomised Policy Trials”, *Agenda*, vol.10, no. 4, 2003, pp.341-354, accessed at <http://econrssh.anu.edu.au/~aleigh/pdf/Randomised%20policy%20trials.pdf>

- Prizes – prizes, as opposed to procurement exercises, can be a highly efficient way of stimulating innovation in a range of fields. For instance the Apps for America competition¹⁷ promotes software applications that demonstrate how government data can be used when it is made available, with prizes for the best proposals. A similar principle is at work in knowledge markets/ideas forums.
- There now exist a number of knowledge markets/ideas forums such as Innocentive¹⁸ where problems by those seeking solutions are posted, relevant experts put forward possible solutions, and the best solution is rewarded. This is not straightforward procurement, rather it is posing a problem and then awarding a sum to the most suitable response (if there is one).
- Networks/Social media/Gov 2.0/Communities of Practice – collaboration, coordination, consultation and communication are essential elements in both developing and promoting innovation. A network approach underlies much of innovation practice¹⁹, and new social media and ICT tools offer expanded and efficient opportunities for promoting such collaboration within, across, and outside of government. A leading example of this is the US-centred (but international) network of interested individuals on GovLoop²⁰, a network of nearly 15,000 practitioners (as at 20 July 2009) interested in Gov 2.0 matters, including public sector innovation. Other networks and Communities of Practice exist provide models – for instance in Australia there is the Victorian Public Service Continuous Improvement Network (VPSCIN).
- Awards – currently there are a range of awards available in the APS and at the level of the Commonwealth and the United Nations for recognising innovation in the public sector.
- Being a demanding customer – Government can act as a catalyst for innovation by being a demanding customer, by paying a premium for it, by allowing creative solutions to tenders rather than being overly prescriptive, or through schemes similar to the Small Business Innovation Research program that operates in the United States. That program requires US Government agencies to spend a proportion of their research and development budget assisting small businesses to engage in R&D that has the potential for commercialisation and public benefit.
- Case studies – case studies can demonstrate how problems were resolved in one area or inspire similar solutions being implemented elsewhere.
- Internal prediction markets – these can be used to judge potential innovations. For instance in Washington DC the former Chief Technology Officer there Vivek Kundra, put forward a portfolio management approach to fund and terminate projects. Each of the city's IT projects are treated as a stock that the employee can buy and sell against certain criteria. By aggregating the wisdom of employees, it provides another means to judge projects and determine whether they should receive more investment or be shut down.²¹
- Safe Havens/Skunk works – separate units/teams kept close to mainstream activities but away from line organisations can permit low-risk experimentation in

¹⁷ Details of the competition can be seen at this site <http://sunlightlabs.com/contests/appsforamerica2/>

¹⁸ The Innocentive site can be found at <http://www.innocentive.com/>

¹⁹ For instance see M Considine, JM Lewis, & D Alexander, *Networks, Innovation and Public Policy: Politicians, Bureaucrats and the Pathways to Change Inside Government*, Palgrave Macmillan, Melbourne, 2009.

²⁰ This network can be accessed at <http://govloop.ning.com/>

²¹ WD Eggers & SK Singh, *The Public Innovator's Playbook: Nurturing bold ideas in government*, Deloitte Research, 2009, accessed at http://www.deloitte.com/dtt/cda/doc/content/dtt_ps_innovatorsplaybook_100409.pdf, July 2009.

an environment that allows employees to develop ideas and protect them from premature criticism and resource constraints.²² “A type of safe haven, skunk works are composed of a small group of highly talented and motivated people who are freed from bureaucracy, paper work, and most routine administrative responsibilities”.

²² *ibid*, pp.42-43