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Public Innovations in the Future

Olivier Serrat
Asian Development Bank

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Abstract

Taking off the past, the future always starts today. The capacity to harness intellectual and social capital and to convert it into novel and useful things has become the critical organizational requirement of the age. Organizations must frame tools, methods, and approaches that boost creativity and innovation, particularly in the public sector. The agenda for change is great: we need future solutions now.

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By Olivier Serrat
Principal Knowledge Management Specialist
Public Management, Governance, and Participation Division
Regional and Sustainable Development Department

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Taking off the past, the future always starts today. The capacity to harness intellectual and social capital and to convert it into novel and useful things has become the critical organizational requirement of the age. Organizations must frame tools, methods, and approaches that boost creativity and innovation, particularly in the public sector. The agenda for change is great: we need future solutions now.

I. UNDERSTANDING CREATIVITY AND INNOVATION BASICS

Creativity has always been at the heart of human endeavor. In tandem with innovation, which creates unexpected value, it is now recognized as central to organizational performance. Concisely, creativity is the mental and social process of generating ideas, concepts, and associations. Innovation is the successful outcome of creativity in the form of desirable and viable products, services, processes, and, in the case of governments, policy. Innovation begins with creativity.

Creativity is as scarce as it is important—many organizations are simply short of it. To be sure, most managers do not suppress creativity on purpose. Yet, in the pursuit of productivity, efficiency, and control, they frequently undermine it. There is a role for management in the creative process, but it is not to manage it; it is to manage for it. Creativity does not materialize exclusively in a person's head but in interaction with a social context. It flourishes in organizations that support open ideas; the rest stifle creativity with rules and provide no slack for change.

Of course, managers can sponsor creative-thinking skills and expertise, but doing so is costly and takes time. Instead, they can make a quicker difference if they boost the intrinsic motivation of personnel and open doors to diverse perspectives. To manage for creativity in ways that keep clients, audiences, and partners satisfied, managers have five levers: (i) the amount of challenge they give to personnel to stimulate minds; (ii) the degree of freedom they grant around procedures and processes to minimize hassle; (iii) the way they design work groups to tap ideas from all ranks; (iv) the encouragement and incentives they give; and, (v) the nature of organizational support.

To note, the public sector operates under an exigent set of pressures and restrictions that make it a far more open—and therefore complex—system than the private sector. But, there can be no shirking of effort: since it occupies such a large part of social and economic life, the public sector should promote with added vigor the following minimum components of innovation systems:
- An *organizational culture* that values innovation, where there is encouragement for personnel to think differently, take calculated risks, and challenge the status quo.
- The adequate *resourcing* of innovation in line with strategy.
- A *systems approach* to management that understands innovation as one part of a wider context, appreciates interconnections, and can conduct systematic analyses of how a problem interacts with other problems, parts of the organization, projects, etc.
- A *performance measurement* system that measures the innovative pulse of the organization; ensures monitoring and evaluation of inputs, activities, outputs, outcomes, and impacts; and feeds lessons back to the system.
- The instigation of *incentives and rewards* for innovative individuals and teams.

II. DERIVING VALUE FROM BUSINESS MODELS

A business model is the core design—the logic—that enables an organization to capture, create, and deliver value to meet explicit or latent needs. Since the concept of value is integral to business, it should dominate any discussion of business models. Apart from the kind of return—with financial profit making up the larger distinction—there are no reasons public sector organizations should reap smaller rewards from good business models compared to the private sector.

Public sector organizations deal with the allocation, production, and delivery of basic public goods and services at the local, national, regional, or global level. Considerable complexity is added by the political context within which they operate, the heterogeneous nature of most of them, and the resulting slower rates of structural change. Therefore, in the public sector, the value of business models would lie particularly in terms of their ability to help organizations articulate clearly what they will do and, by the same token, what they will not do. Business models can also gauge the consistency between an

organization's strategic agenda and public needs, help match the latter to an organization's business processes, make obvious the financial implications of an organization's delivery chain, support diagnoses of the need for change and ways that might be achieved, and facilitate communication within an organization and both to and from it.

III. EMBRACING DESIGN THINKING

In a world of continuous flux and information overload, some organizations use mindsets and protocols from the field of design to unlock opportunities. Design is more important when function is taken for granted and no longer helps stakeholders differentiate. In the last five years, design thinking has emerged as the quickest organizational path to innovation and high-performance, changing the way creativity and commerce interact. Design thinking revolves around three phases: inspiration, ideation, and implementation. During these phases, problems are framed, questions are asked, ideas are generated, and answers are obtained. The phases are not linear; they can take place concurrently and can also be repeated to build up ideas along the continuum of innovation.

From a business model perspective, Heather Fraser believes design thinking can also be the path to understanding needs, the tool for visualizing new solutions, and the process for translating cutting-edge ideas into effective strategies. She sees three iterative gears in business design. Anchored in the requirements of clients, they apply deep user understanding to stimulate high-value conceptual visualizations and extract from these the strategic intent needed to reform business models. The first step is to turn the telescope around to reframe the organization and view its business entirely through the eyes of the customer with empathy. The second is to unleash creativity and move through ideation, multiple-prototyping, and concept enrichment, ideally with user evaluation. The third is to prototype business models with future reality once user-inspired solutions are at hand.

IV. KINDLING INNOVATIVE INTENT IN THE PUBLIC SECTOR

Private sector organizations live or die by innovation. To respond to relentless market pressures and stay competitive, the finest among them take (and find ways to reduce) risks. They invest in organizational, technical, and social novelties, and reward handsomely for new or significantly improved products, services, processes, and methods of delivery. To this intent, they cultivate, replicate, partner, network, or procure to generate incremental, radical, or transformative (systemic) improvements that sustain or alter performance trajectories.

In sharp contrast, too many public sector agencies merely hope for incremental improvement. "Business as usual—if possible, better" might be the motto of these near-monopolies. It is rare for innovation to be institutionalized in budgets, roles, and processes. Innovation is typically seen as an optional, technological extra or an added burden. After all, why should they build public services around requirements if they can make them match one-size-fits-all arrangements?

Born of the same mold, civil servants are also short of the discovery skills—e.g., observing, questioning, associating, networking, and experimenting—that distinguish innovators from administrators. Immobilized by red tape in functional silos, when innovation happens it is despite rather than because of the way the public sector does things. Nobody there ever talks of entrepreneurship as survival. The risks that are identified are financial, project, and compliance risks, not the risk of missing an opportunity. This can no longer do. Except when people's lives are at stake, and agreeing also that the public realm should remain coherent and a stabilizing force, precautionary mindsets are not an excuse. To push service-improving and bottom-up creativity, an organization intent on innovating for the future should surely—and undoubtedly can—staff itself with a reasonable variety of personality types; where there is a will, there is a way.

Government agencies need to stop counting on people succeeding despite the odds and instead shift the odds. There are three inseparable and mutually reinforcing ways to take innovation in the public sector seriously: they pertain to values, resources, and processes. The first perspective admits that, barring the odd maverick, personnel will not innovate without license: an innovative culture needs pro-innovation governance and support from the top to make sure ideas take carriage. The second agrees that, because

a resource is something from which an organization gains profit, assigning precisely that will put innovation at the heart of strategy and equip it. The third declares that, since a business process begins with a mission objective and ends with its achievement, endowing an organization with management, operational, and supporting processes that improve knowledge brokering of ideas from generation to selection, implementation, and diffusion will serve the goal of innovation.

V. DRIVING MANAGEMENT INNOVATION

Some say that management is a maturing technology that has witnessed few breakthroughs since Frederick Winslow Taylor and Max Weber set the ground rules 100 years ago. From their work and influence, as well as the innovations of contemporaries such as Henri Fayol, grew the fundamental architecture of multidivisional organizations, personnel divisions, standardized job descriptions and work methods, capital budgeting, incentive-based compensation schemes, and early principles of brand management, among others.

Gary Hamel notes that the practice of management continues to entail (i) setting goals and objectives and laying out plans; (ii) amassing and allocating resources; (iii) identifying, developing, and assigning talent; (iv) motivating and aligning effort; (iv) coordinating and controlling activities; (v) acquiring, accumulating, and applying knowledge; (vi) building and nurturing relationships; and (vii) understanding, balancing, and meeting stakeholder demands. Of course, all these tasks are central to the accomplishment of purpose, hence the common focus of innovation on related areas. Today, however, the conditions that defined the norm in the past are less likely to lead to successful prediction: resources have been redefined, networks thrive, options abound, opportunity reigns, people want to achieve, adaptation and foresight are a must, and speed is required.

Functional management has become an artifact of the 20th century and many look to innovation in management as a source of sustainable competitive advantage in the 21st century. Gary Hamel defines that as a marked departure from traditional principles, processes, and practices that govern daily managerial work. It is innovation that ultimately changes the practice of what managers do and how they do it. This distinguishes it from innovation in products, services, processes, and methods of delivery. Here are some steps he advocates to mainstream ad hoc and incremental management innovation and accelerate it:
- Galvanize a questioning, problem-solving *culture*.
- Commit to big *problems*.
- Search for new *principles*.
- Seek *analogies and exemplars* from different environments.
- Build a capacity for low-risk *experimentation*.

VI. SPARKING SOCIAL INNOVATIONS

The demand for good ideas, put into practice, that meet pressing unmet needs and improve people's lives is growing on a par with the agenda of the 21st century. In a shrinking world, social innovation at requisite institutional levels can do much to foster smart, sustainable globalization.

Typically, but not exclusively, innovation has since the 15th century been spurred by cumulative advances in material civilization, themselves impelled by entrepreneurial then, increasingly, profit-seeking corporate interests. But the role of corporate innovation can only be limited where social matters press in throngs to the fore and markets imperfectly (if at all) meet demand with supply. Until we expand the reach of markets so that more people can reap rewards, or at least make a living, from applying their entrepreneurial mindsets to social problems, many will continue to expect that governments or charities should subsidize and fill deficits. Yet, despite successful attempts at fostering entrepreneurial government from the mid-1990s, efforts still fall short of rising expectations and related social sector institutions continue, unfairly perhaps given the variety of needs, to be viewed as inefficient, ineffective, and unresponsive.

Much as corporate innovation, social innovation can only thrive if it meets a need. For sure, the motives that spark social innovation, for instance, are likely to be quite different: they may include material

incentives but the principal drivers of accomplishment will habitually range broadly to include such concerns as care, compassion, identity, autonomy, and recognition. Critical resource requirements will also diverge: money is the bottom line in business; however, social innovations often seek out and rest on political support, volunteers, and philanthropic commitment. Patterns of growth are not the same either: social organizations or movements do not in general grow as quickly as corporate interests yet tend to be more resilient. How the success of innovation is judged defers too: scale or market share, for example, matter little when the unmet need is intense but well circumscribed. Lastly, each social field exhibits distinct patterns, drivers, and inhibitors, with implications for short- (days, weeks, months), medium- (1–3 years), and long-term (3–20 years) horizons for decision making. (Some social problems may require generational timescales.)

Nonetheless, again much as corporate innovation, the stages of social innovation also involve (i) generating ideas by understanding needs and pressure to change and identifying potential solutions; (ii) designing, developing, prototyping, and piloting ideas; (iii) assessing, then scaling up and diffusing the best ideas; and (iv) learning and evolving. Geoff Mulgan identifies ready entry points for action:
- *Leadership and structures* suited to innovation.
- *Finance* focused on innovation.
- Public *policy frameworks* that encourage innovation.
- Dedicated social innovation *accelerators*.
- National and cross-national *innovation pools*.
- *Research* to enhance learning.

VII. FUELING KNOWLEDGE BAHAVIORS

Mindsets borne of our education, experience, or environment instruct us in ways that do not necessarily produce efficient or effective problem solving; that is, when they do not perpetuate or inflame the problem. Exercising mindfulness might help us recognize and rework habitual patterns. Since excellence is not an act but a practice, each of us can develop composite habits of mind that attend to value, inclination, sensitivity, capability, and commitment—all defined toward behaving intelligently when confronted with challenges. Based on such habits, a high-end inventory of desirable knowledge behaviors—that together would advance creativity and innovation—might read as follows:
- *Ask*—checking first to see what already exists; questioning accepted wisdom.
- *Learn*—contextualizing learning to make it real; connecting and taking opportunities to learn; reviewing lessons as one goes and applying learning.
- *Share*—conveying personal details, roles, and skills; imparting experience, evidence, and feedback; communicating achievements, outcomes, and pride.

Desirable is the operative word. You can give someone means and opportunities but cannot force that person to avail of them. The relationship between motives, means, and opportunities explains much human behavior. Beyond means and opportunities, the theory of planned behavior posits an obvious argument: intention, which is assumed to capture intrinsic and extrinsic motivational factors, determines behavior, hence action. In respect of knowledge sharing, a necessary ingredient of creativity and innovation, the three variables are neither linear not multiplicative: a bottleneck—or constraining factor—in any one of them will determine what knowledge sharing may occur. Besides, the variables should not be addressed independently but in a dynamic and coordinated manner. Surely, investigations about motives, means, and opportunities can help organizations determine better where to invest resources productively across the knowledge-sharing landscape.

In the all-too-rare instances when large organizations make a dedicated effort at boosting knowledge sharing, endeavors generally target job design, performance appraisal, compensation and rewards, managerial styles, information and communication technologies, and training as important predictors of motivation. These organizations should also consider recruiting personnel who already display knowledge behaviors: surely, considering the person–environment fit to ensure congruence of individual and organizational values and goals is the easiest way to facilitate knowledge sharing among personnel. Evidently, an organization that values knowledge sharing and selects personnel who swear by this value will equip itself with staff who are positive about sharing to start with; investments elsewhere may no

longer be so urgent because the likelihood that the organization's human resource management practices fulfill needs will accordingly be higher.

The views expressed in this article are those of the author and do not necessarily reflect the views and policies of the Asian Development Bank, or its Board of Governors or the governments they represent.

OLIVIER SERRAT is Principal Knowledge Management Specialist in the Asian Development Bank. In 2010, he published two books, *Learning in Development* and a compendium of *Knowledge Solutions*, available at www.adb.org/site/knowledge-management/. All articles in the *Knowledge Solutions* series he launched in 2008 are at www.adb.org/knowledgesolutions. Olivier can be reached at oserrat@adb.org.

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