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Organisational and External Mediating Effects on Dynamic Capability for Innovation in New South Wales Local Government Organisations (LGOs)

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Abstract

Innovation in Australian local government organisations (LGOs) is poorly articulated and the subject of limited empirical research. This thesis investigates how *organisational* and *community* capabilities affect LGO innovation. Using the Dynamic Capabilities (DC) framework and a 4 stage exploratory-sequential mixed methods design it finds four operational capabilities that mediate innovation DC: interacting externally; aligning; adapting; engaging the community. It proposes improvements to LGO innovation and suggests 'community receptiveness' influences its success.

[500 char, excl spaces]

Acknowledgments

Certification

I, Jennifer Mary Thompson declare that this thesis submitted in fulfilment of the requirements for the conferral of the degree Doctor of Philosophy from the University of Wollongong, is wholly my own work unless otherwise referenced or acknowledged. This document has not been submitted for qualifications at any other academic institution.

Jennifer Mary Thompson
31 August, 2021

List of Names or Abbreviations

GLOSSARY OF TERMS	
Community	The residents, businesses and visitors within the geographic boundaries of a Local Government Area
Community Strategic Plan (CSP)	A whole of organisation, whole of community plan developed by every NSW LGO – shows vision for the LGA, strategic directions, service delivery and organisational development priorities for five-year period - reviewed annually
Dynamic Capabilities (DC)	The assets, resources, competencies and processes that are used by an organisation to improve or elevate performance, so the organisation can remain competitive (or sustainable) within a changing environment.
Elected Representatives	Usually termed 'Councillors' in NSW – members of the community elected to represent residents within a particular Local Government Area. Elected Representatives make strategic and resource decisions for the LGO and the community.
Influence	To exert pressure or impact on the direction or outcome of a decision, action or process. Can be explicit or implicit.
Innovation	The process – and the outcome – of doing something new or different
Local Government Area (LGA)	An administrative and statutory area within a state that covers a specific geographical area. In NSW LGAs are constituted by the state government under the NSW Local Government Act.
LGO	Local Government Organisation – usually termed 'Council' in NSW – responsible for statutory, regulatory, land use planning and service delivery within the relevant LGA. In NSW LGOs are governed by the NSW Local Government Act.
Mediate	To support or facilitate a process or activity; to bring different elements of the process together
New Public Management	A movement to apply private sector management practices of accountability, performance measurement, efficiency and marketisation to the management of public sector organisations.
Ordinary capabilities	The assets, resources, competencies and processes that are used by an organisation to maintain and sustain performance, service delivery, production, etc.
Participatory or community governance	An approach to governing in which citizens or community members are actively engaged as partners in deliberative processes with government agencies and where they

	participate in political decision-making and collaborate on processes to achieve mutually agreed outcomes.
Public value	The delivery by public agencies of goods and services that are available as a universal right to the entire community or citizenry. Implicitly, the value (quality, extent) of what is delivered is decided by the community's needs and expectations.
'Silos'	An organisational arrangement where staff or teams, as a result of structure, function or location, work in isolation or with minimal reference to and involvement with, other teams. Not a positive term.
'Squeaky wheels'	Individuals or interest groups that exert pressure on LGOs – often perceived as not representative of the majority and having a negative or selfish impact
Vertical fiscal imbalance	Refers to the imbalance in the revenue base between local, state and federal tiers of government. This leads to limited ability of LGOs in comparison to other tiers of government to match revenue to expenditure
'Wicked problems'	Complex, long-standing and seemingly intransigent social policy problems

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Thesis Summary

This thesis presents new perspectives on the phenomenon of local government innovation. It addresses the challenge faced by local government organisations (LGO) seeking to reinvent business systems and services within the context of an increasingly complex operating environment. Conducted within the New South Wales, Australia (NSW) local government sector, it was precipitated by the researcher's experiences of wrestling with local government innovation agendas in the absence of an articulated framework for strategy and practice.

A review of public administration discourses regarding Australian local government innovation indicates diffuse definitions, conceptualisations and theories. Research has been intermittent and mostly qualitative. Past studies frame innovation against higher order constructs such as 'leadership', 'learning' or 'culture' without providing a granular understanding of the foundational processes and competencies that enable LGOs to 'do' innovation.

This thesis addresses the problem: *How do organisational and community capabilities affect local government innovation?*

The investigation is conducted using exploratory-sequential mixed methods design, framed within a pragmatist epistemology. It is informed by the Dynamic Capabilities (DC) framework and theories of participatory governance and community capacity for change.

The study comprises four stages of data collection and analysis. It progresses from an initial, quantitative procedure which classifies NSW LGOs as either 'more' or 'less' innovative, through a second stage, in which qualitative methods are used to investigate practitioners' lived experiences of innovation. Qualitative findings are interpreted through the lens of DC, innovation and public administration theories to create constructs for organisational capabilities, organisational characteristics and community attributes which affect LGO innovation. The relationship between these constructs and organisational innovation are tested statistically via five hypotheses and nine sub-hypotheses. The third stage involves a survey of a broader population of local government representatives which generates data to test the five hypotheses statistically. The nine sub-hypotheses concerning organisational and demographic characteristics that influence LGO innovation are tested in the fourth stage.

The research findings are analysed and integrated to generate practical as well as theoretical insights. Two drivers of innovation, shaped by the local government context, are identified: the desire to create organisational sustainability; and delivery of public value. Findings show that LGO innovation is conceptualised as processual and pursued through processes of business improvement or individual invention. LGO innovation is shaped by organisational attitudes to risk, the capacity to re-deploy resources to support new activities and the political and statutory environment.

The study proposes four ordinary ('operational') capabilities and suggests that within the local government context the convergence and leveraging of these ordinary capabilities mediates dynamic capability for innovation. These capabilities are labelled: interacting with the external environment; aligning; adapting; and engaging the community.

Findings concerning the role of elected representatives in innovation strategy indicate a tendency to focus on operational matters, leaving strategic leadership for innovation to officers and managers. This is consistent with findings showing the low level of community interest in contributing proactively to local government innovation.

Finally, findings concerning the receptiveness of the community to authorising LGO innovation show that communities that are better educated are more open to innovation, while the relationship between LGO innovation and demographic characteristics of population change and common interests is ambiguous.

This study has both academic and practical value. Using empirical evidence, it proposes new theory concerning the hierarchical relationship between ordinary ('operational') capabilities and the dynamic capability of innovation. It identifies four ordinary capabilities that are shaped by the local government context and that catalyse the dynamic capability of innovation. It clarifies ambiguities in the relationship between ordinary and dynamic capabilities and provides evidence to support the construction of innovation as a dynamic capability, rather than a contributor to other DCs.

This thesis reinterprets tenets concerning innovation leadership and participatory governance. It proposes the principles of 'good enough' alignment, 'authorisation' and 'community receptiveness' to account for the contributions of elected representatives, managers and community members to the innovation process.

The practical contributions are significant. Drawing on the DC framework it proposes a model for LGOs to systematically introduce or modify processes and to harness resources to support organisational innovation. It also offers new perspectives on investment in engaging the community in innovation.

Reflecting a pragmatic position, this study integrates qualitative and quantitative data to generate findings for the purpose of complementarity rather than triangulation or confirmation. The methodology also affords equal status to qualitative and quantitative aspects of the study, discounting the primacy/subordinance of methods which is too often implicit within mixed methods research.

This study of NSW local government innovation addresses a problem which has been the subject of limited empirical research. It elaborates on DC theory, offers new insights into the role of leaders and local communities and provides new perspectives for LGOs seeking innovative ways to respond to new (and old) challenges.

Chapter 1 - An Introduction to the Thesis: Issues and Opportunities in Australian Local Government Innovation

"The future of local government depends largely on its capacity to anticipate, challenge and respond to the forces that will shape our communities in the coming years."
(Planning a Sustainable Future – NSW Department of Local Government Options Paper on Integrated Planning and Reporting, November 2006)

1.1   Introduction to Chapter 1

1.1.1   Chapter Overview

This chapter explains the purpose and focus of this study of local government innovation. It highlights the role played by organisational and community dynamics in innovation, from inception to realisation. An overview of the local government context which signposts the issues and opportunities in relation to local government innovation, follows. The conceptual foundations of the thesis and the opportunities to contribute to theory concerning local government innovation are then established through a review of the literature and precedent studies across the fields of private, public sector and local government innovation; the Dynamic Capabilities (DC) framework; and community participatory governance.

The philosophical paradigm that informs the study is introduced and the influence of the paradigm on the consideration of an appropriate research methodology (MMR) is highlighted. An overview of possible approaches to methodology and design of the investigation is provided. The opportunities of this thesis to contribute to local government practice are identified. The chapter concludes with an outline of the thesis structure.

1.1.2   Aims and purpose of this thesis

Inspired by the researcher's experiences as a local government manager, this study aims to provide new perspectives on how LGOs construct, deploy and realise innovation. It seeks to develop theory concerning local government innovation by applying the dynamic capabilities (DC) framework to describe and explain the impact of organisational context on the construction of local government innovation and on the development of organisational capabilities (assets, resources and processes) that predicate innovation. In doing so, this thesis seeks to arrive at credible and legitimate

propositions, inferred from empirical evidence, that will be useful to LGOs seeking ways to enhance innovation strategy and practice.

1.2   Background and Context

1.2.1   Origins and institutional status

Municipal Councils, the earliest form of Australian local governance, emerged in the three major cities of the colony in the 1840's (Megarrity, 2011). Diverse in size, geography, demography and function, modern LGOs have changed considerably while sharing similar purposes, statutory responsibilities and challenges across the sector.

Local government constitutes the third tier of the Australian system of government and has the broadest reach of the three sectors in terms of direct impact on the day-to-day life of Australian citizens (Local Government and Shires Association of NSW, 2006). An overview of the Australian system of government is provided at Figure 1.1

Figure 1.1   An Overview of the Australian System of Government
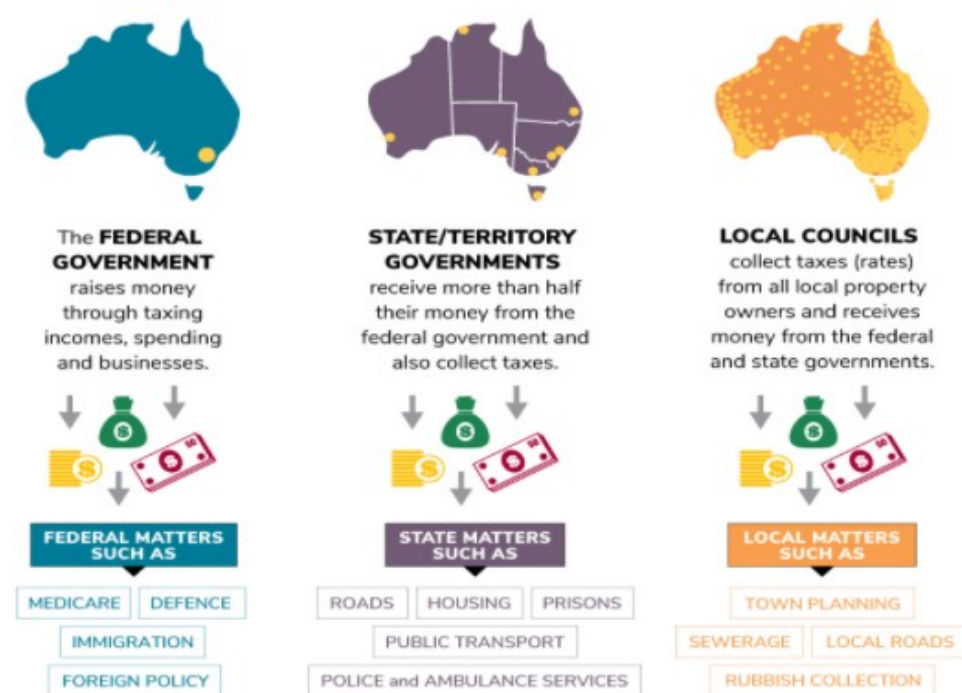
Source: Parliamentary Education Office: https://peo.gov.au/understand-our-parliament/how-parliament-works/three-levels-of-government/three-levels-of-government-governing-australia/

Australian local government is not recognised within the Australian Constitution but is instituted under seven, separate 'Local Government Acts' which are legislated at state or territory level to prescribe

statutory responsibilities and provide a framework for governance. While each LGO is accountable for its own strategic, fiscal, policy and operational decisions, LGOs are, nevertheless subsidised under the Commonwealth's *Financial Assistance Grants Program* and may be subject to the legislative and political authority of 'their' state government (Megarrity, 2011). This ambiguous position means that the autonomy of LGO's is predicated on the permissiveness, politics and dynamics of an at times strained relationship with state and federal legislatures.

1.2.2   The changing role of local government

While traditionally framed as responsible for 'roads, rates and rubbish' (Aulich, 2009: 53), local government organisations have evolved, particularly over the past thirty years, to become diverse businesses delivering a mix of statutory, monopoly and competitive services. It has been suggested that contemporary local government *'touches all facets of everyday life – and assists people through all stages of life* (Local Government Professionals Australia, 2016:1.2). As attention turns to the importance of cities and regions in economic and social well-being, to strengthening the role of metropolitan and regional governance and to coordinating responses to 'wicked' policy problems (Bradford, 2003; Christie, Rowe and Pickernell, 2009; Butt, Kroen, Steele, and Dühr, 2020) the observation that the social, economic, political and environmental context of 21st century Australia offers unique opportunities for the Australian local government sector to leverage its inherent strengths is self-evident (Evans and Sansom, 2016).

1.2.3   Local government operates in an increasingly complex environment

While within this increasingly complex and dynamic environment opportunities abound, the capacity to renew and reinvent systems and services is central to continued relevance and sustainability (Martin, 2000; Evans, Aulich, Howard, Peterson and Reid, 2012; Howard, 2012; Sansom and Robinson, 2019). LGOs are responding to demands to re-shape their objectives and engage in new activities such as place making; facilitating social and cultural capital; providing for participatory governance, and delivering public value (Worthington and Dollery, 2002; Ryan, Hastings, Woods, Lawrie and Grant, 2015; Grant and Drew, 2017; Sansom and Robinson, 2019).

The evolving scope of the local government remit is governed by revenue and institutional boundaries and constrained by the absence of a strategic framework for adaptation and change (Local

Government and Shires Association of NSW, 2006). Resource constraints are matched by internal and external challenges as LGOs grapple with new demands that include: the rise of technologies and e-services; renewal of ageing infrastructure; demographic change; intransigent economic, environmental and social policy problems; increasingly complex governance responsibilities; competition and the loss of former service monopolies and demands to become more competitive. These challenges threaten the current and future sustainability of individual local government organisations and the opportunity of local government to realise its potential.

1.3   The conceptual foundations of the thesis

1.3.1   The need for new theory to inform local government practice

A sound foundation of theory and praxis to inform adaptive strategy and service development has never been more important to the local government sector. Yet, research into local government innovation in Australia over the past twenty years has been intermittent and empirically grounded in case studies of 'best practice' in innovation at that point in time as opposed to empirical or longitudinal evidence from across the sector.

1.3.2   Exploring conceptual frameworks of innovation in public administration

Within public administration scholarship there are numerous European and American studies and a strong theoretical basis that describes and explains the characteristics and dynamics of public sector innovation (Borins, 2001; Mulgan and Albury, 2003; O'Connor, Roos and Vickers-Willis, 2007; de Vries, Bekkers and Tummers, 2015; Fuglsang and Sundbo, 2016). However, while this, international, research contributes to an understanding of Australian public sector innovation, the differing cultural and administrative characteristics of Australian government and governance indicate the need for caution in generalising the assumptions and conclusions of this research to the Australian context.

A series of studies and articles in relation to public sector innovation was initiated by the Australian government between 2010-2015 (Scott-Kemmis, 2009; Australian Public Service Management Advisory Committee, 2010; Australian Public Sector Innovation Indicators Project, 2011) but this interest has not been sustained in the face of changes in political leadership and policy priorities. Further, this thesis argues that differences between public sector organisations (PSOs) and LGOs in

scope, functions and governance, mean that these studies can inform, but cannot be relied on to definitively describe or explain LGO innovation.

The nuances of local government as a discrete, sub-sector of public administration points to the importance of the study of LGO innovation as a unique field of practice, while the particularities of the Australian local government context indicate the relevance of culturally and sector-specific research. However, there are few contemporary studies or theoretical frameworks to support exploring and theorising about the strategy and practice of Australian local government innovation.

1.3.3   Exploring conceptual frameworks re innovation in Australian local government

Reflecting the Commonwealth government's interest in innovation in the first decade of the 21st century, a number of studies and reports concerning Australian local government innovation were published between 2010 and 2015 (Evans, Aulich, Howard, Peterson and Reid, 2012; Howard, 2012).

These studies were generated through the Australian Centre of Excellence for Local Government and were grounded largely in case studies, with little theoretical grounding.

The local government sector requires theory that can substantiate research and inform innovation practice. Theory that can be contextualised and that can explain the relationships between processual, structural and relational aspects of innovation strategy. This theme will be further explored in Chapter 2 of this thesis.

1.3.4   Exploring conceptual frameworks re innovation in the private sector

Research and literature from the (largely private sector grounded) field of strategic management includes numerous scholarly articles that describe and explain innovation principles, processes and purposes, including the role of innovation in sustaining competitive advantage. These include well-known, seminal texts and studies (Porter,1985; Teece, 1986; Drucker, 1993; Christensen, 1997; Barney, 2001; Schumpeter, 2002; Wang and Ahmad, 2004; Tidd, Bessant and Pavitt, 2005). Strategic management theory also draws from a well-established body of literature that identifies the contextual and organisational characteristics affecting innovation, including its human dimensions (Burns and Stalker, 1961; Amabile, 1990; Kanter,1990; Damanpour and Schneider; 2006; Terziovski, 2010).

1.3.5   Exploring conceptual frameworks re innovation in the service sector

The service-based nature of LGO activities, points to the relevance of the significant body of research and theory that has emerged during the past 20 years, concerning innovation in service industries, as contrasted to manufacturing or product-based industries (Janssen, Castaldi and Alexiev, 2014). Researchers such as Windrum and Garcia-Goni (2008); Gallouj and Savona (2009); Rubalcaba, Windrum, Gallouj, Meglio and Pyka (2011); Toivonen (2018) have explored and explained antecedents, characteristics, processes and technologies of innovation in service-based industries. This field contributes relevant concepts regarding LGO innovation, in particular insights into processes of co-production, a 'characteristics-based' understanding of the innovation process and the nature of social innovation.

1.3.6   The need for an overarching conceptual framework

However, while drawing from conceptual frameworks relating to public sector and private (especially service) sector innovation contributes significant insights into defining, systematising and managing innovation, the extent to which application of these frameworks enables LGOs to strategise for and practice innovation is limited. The search for a conceptual framework that will support the intent of this study to arrive at outcomes that will describe, offer explanations and practical outcomes specific to the local government context leads to an exploration of the Dynamic Capabilities (DC) framework.

1.3.7   Exploring the conceptual framework of Dynamic Capabilities

First documented in papers published in the late 1990's, the Dynamic Capabilities (DC) view is a relatively new area of scholarship within the strategic management field. As such, it is the subject of some controversy. While there is consensus that DCs comprise organisational assets, resources and processes that are harnessed to improve performance or sustain competitive advantage (Teece, 2007; Janssen, Castaldi and Alexiev, 2014; Schilke, Hu and Helfat, 2018) there is significantly less agreement about the characteristics of DCs; the relationships between 'ordinary' or 'operational' capabilities and strategic, dynamic capabilities; and the nature of the micro-foundations from which they are constituted. (Winter, 2007; Pisano, 2016; Albort-Morant, Leal-Rodríguez, Fernández-Rodríguez and Ariza-Montes, 2018). Importantly for this study, the relationship between DCs and innovation is also the subject of ongoing discourse.

These controversies may be framed as deterrents to the application of DC to this study or they may be interpreted as opportunities to explore, test and extend a framework that offers significant practical and theoretical interest and relevance to the local government sector.

1.3.8   Exploring concepts of community participation in local government

The third area of theory that informs this study derives from the public administration field, specifically, research and discourses concerning local governance and community participation in the co-production and co-delivery of local government strategies (Reddall, 2002; Aulich, 2009; Evans and Read, 2013; Carr-West, Lucas and Thraves, LGiU, 2013). Community participation is deemed to be both politically and practically desirable. However, the local government track record for community integration has been patchy and empirical enquiries into the dynamics of the relationship between community and government are limited (Newman, Raine and Skelcher, 2001; Aulich, 2009; McKinlay, Pillora, Tan and von Tunzelmann, 2011).

Two factors influence the success of local community governance endeavours: (1) the extent to which local government organisations are prepared, or have the necessary organisational capabilities, to share power over decision-making with their constituents, and (2) the extent to which community-members are prepared – and able – to participate in decision-making and policy design (Aulich, 2009; Hambleton, Howard, Buser and Taylor, 2009; LGiU, 2013; Ryan, Hastings, Woods, Lawrie and Grant, 2015; Quick and Bryson, 2016).

Communities are not equally resourced, empowered or capable when it comes to participating in community governance. They differ in capacity, the 'voice' and agency of different interest groups, demographics, cultures and geographies (Head, 2007; McKinlay, Pillora, Tan and Von Tunzelmann, 2011; Quick and Bryson, 2016). For LGOs the questions of 'how much' community consultation or collaboration is 'enough' and how the capacity of community influences the outcomes of participatory governance initiatives are significant.

The availability of a methodology to assess community capacity to participate in community governance would provide a valuable tool for local government to measure this capability.

This study will seek to define, describe and explain community participation in local government innovation strategy from the perspective of LGOs. It will also seek to determine the characteristics

and attributes of communities that make them more 'ready' to work with LGOs on innovation. Its findings will offer insights into the interaction of citizen and LGO capabilities for the delivery of social innovation and the potential for these insights to contribute to further research into the dynamics of consumer co-production and 'readiness' for service innovation in commercial firms.

1.4 Establishing the Scope and Context of this Study

1.4.1 Research Scope and Methodology

As the previous section of this introductory chapter signals, Section 2 of this thesis will demonstrate that innovation is a complex phenomenon, with particular characteristics and nuances which must be considered in relation to innovation within Australian local government organisations (LGOs). It is therefore important to define the scope and parameters of this study.

The relative paucity of research into innovation in Australian local government predicates the adoption of an exploratory, rather than confirmatory, approach to this research. At the same time the value in exploring LGO innovation from multiple perspectives argues for the adoption of a mixed methods methodology. While 'mixed' data collection and analysis comprise both quantitative and qualitative elements, the limited, precedent empirical studies of Australian local government innovation indicate that qualitative methods, which enable definition, description and explanation of the experience of innovation, should constitute the dominant focus.

Quantitative elements of the study will then allow for corroboration, generalisation and/or alternative interpretations of findings. Their intent is to further explore LGO innovation and flesh out the application of DC concepts in explaining it, rather than to validate qualitative findings, confirm existing theory or predict relationships between variables. The choice of elementary quantitative analysis methods, such as Mann-Whitney and T-tests to explore relationships between variables reflects this research intent. This matter is discussed further in Section 4.6.7 and Section 4.6.8 of this thesis.

The exploration of innovation within the scope of this study was confined to NSW LGOs and a specific timeframe, with fieldwork and data focused on a five-year period. Primary data collection for the study was confined to local government practitioners, rather than seeking the views and experiences of community members or stakeholders such as other government organisations. The locus of the study

within the field of local government and the construct of the Community Strategic Plan is discussed in the following sections of this chapter. Limitations of this study and opportunities for further research are discussed in Chapter 7 of the thesis.

1.4.1   Local government as an organisational 'type'

The locus of this study is determined in part by practical considerations for fieldwork and in part by the intention of seeking a consistent focus, such as that provided by the NSW Community Strategic Planning process. The study situates NSW local government within the field of Australian local government and at a more general level again, within the Australian public sector. It also recognises that distinctions exist between individual LGOs and between local government and other public sector organisations. Finally, the study notes the parallels and points of difference between LGOs and private sector firms, attesting to the relevance of the DC framework to the local government sector, while recognising opportunities for contextualisation.

An overview of the conceptual context of Australian LGOs, described in Figure 1.2, demonstrates a key premise that underpins this thesis. The diagram shows LGOs as a 'sub-set' of LGOs generally, recognising that while there are some characteristics in common, nationally and internationally, there are also specific statutory and institutional characteristics for those in NSW. LGO's are, in turn, shown as sharing strategy, practice, function and culture with public sector organisations, while also demonstrating significant points of difference. Finally, the diagram suggests that there are areas of strategy, practice, function and culture that are common to LGOs and public sector organisations, as well as to private sector firms. In short, there is both intersectionality and divergence of axiological, strategic, cultural and functional characteristics between local government, public sector and private sector organisations.
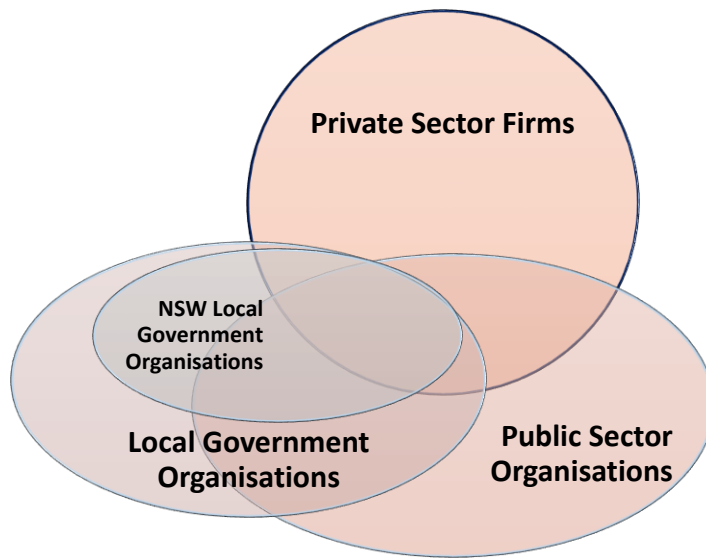
1.4.2   Innovation in relation to the Community Strategic Plan

The study adopts the medium of innovation in development of the LGO Community Strategic Plan (CSP) as a whole-of-sector and whole-of-organisation artefact of organisational and community strategy. Introduced in 2010 by the NSW government as a requirement of all NSW LGOs in compliance with the Integrated Planning and Reporting program, CSPs are a long-term, strategic document. The CSP sets out the vision and objectives for the LGO and for the local government area (LGA) based on environmental analysis and community engagement to discover the aspirations and priorities of the local community (McKinley et al, 2011).

The CSP is not a document that sits on the shelf, developed to satisfy a statutory requirement. It is a living document that determines each LGO's resourcing strategy, priorities and response to context and that provides for regular (quarterly to annual) accountability to the community. To this end, it is underpinned by a four-year Delivery Program (reflecting the electoral term of Council) and an annual operational plan and service delivery plan, that are evaluated and updated *"so that the community's strategic goals are systematically translated into actions"* (Prior and Herriman, 2010: 49).

The guidelines for CSP development spell out the accountabilities of LGOs under the Local Government Act and recognise the shared responsibility between the LGO and its community in achieving strategic outcomes (NSW DLG, 2010). It also constitutes a key element of the NSW

Government's Integrated Planning and Reporting framework, making each LGO accountable for enacting and achieving CSP outcomes - not just to the NSW Government, but, more importantly to its local community (NSW DLG, 2010).

1.5   An overview of possible approaches to methodology and design

Selection of the methodology that informs this study is determined by the nature of the research phenomenon, the research questions, and the researcher's worldview. Within the scholarly tradition, this will require an assessment of the relative merits of philosophical paradigms such as positivism (or realism), constructivism, pragmatism and critical realism.

As a humanistic, socially-situated phenomenon, a study of innovation processes would appear to be best-served by a constructivist, rather than a realist perspective. However, the intent of better understanding 'how much' organisational and community attributes impact on local government innovation would indicate the value of realism.

The ontological questions concerning the normative dimension of 'reality' and the epistemological considerations of linking inquiry to action within the context of local government practice indicate the need for a paradigmatic stance that will support a research methodology based on *"what works"* rather than a *"search for metaphysical truths"* (Tashakkori and Teddlie, 1998: 12).

1.6   Significance and contributions of this thesis

This thesis lays the foundation for the local government sector to achieve a more granular and systematic understanding of innovation and to develop and adopt new, intentional and strategic responses to current and future challenges. It will break new ground in seeking to establish the relevance to LGO innovation of strategic management theories developed to explain performance and competitive advantage in private sector organisations. Specifically, it offers the potential to 'elaborate' (Fisher and Aguinis, 2017) on strategic management theory by applying the lens of DC to understand and explain sector-specific capabilities and their role in innovation within the local government context.

DC will provide the paradigm to interpret research findings, to nominate, explain, and make sense of the capabilities that contribute to innovation, including the relationships between them. The study will seek new insights into discourses in the literature concerning innovation as a dynamic capability or innovation as a facilitator of dynamic capabilities (Breznik and Hisrich, 2014; Stronen, Hoholm, Kvaerner and Stome, 2017), an important issue to address in the study of innovation in the relatively stable, local government context.

The thesis will also contribute to public administration theory by exploring LGO innovation as an interactive process that is co-produced between LGOs and 'their' local community. It examines the proposition that the capacity of the community to participate in the innovation process, along with associated elements such as community expectations and community 'readiness' for change, has the potential to influence success in LGO innovation. This will contribute to propositions concerning the need for LGOs to not only understand organisational capability but also community capability if they wish to achieve innovation.

1.7   Thesis Structure

This thesis is structured along traditional lines. It will move from an understanding of the problem within a conceptual framework, through reflective decision-making regarding the research methodology, to design of research procedures. It will then report findings, followed by a comprehensive discussion of new theoretical and practice insights that those findings generate and their contribution to future research, to the fields of strategic management and public administration and to local government practice. The concluding chapter will review the research process and outcomes, while recognising the limitations of the current study and identifying opportunities for future research. Figure 1.3 provides an overview of the thesis structure and the relationship between chapters, highlighting the role of the literature review in informing several of the chapters. The dotted lines represent less direct influence of the literature on the chapters that introduce the thesis and discuss the findings.

Figure 1.3   Thesis Structure and Relationship between Chapters
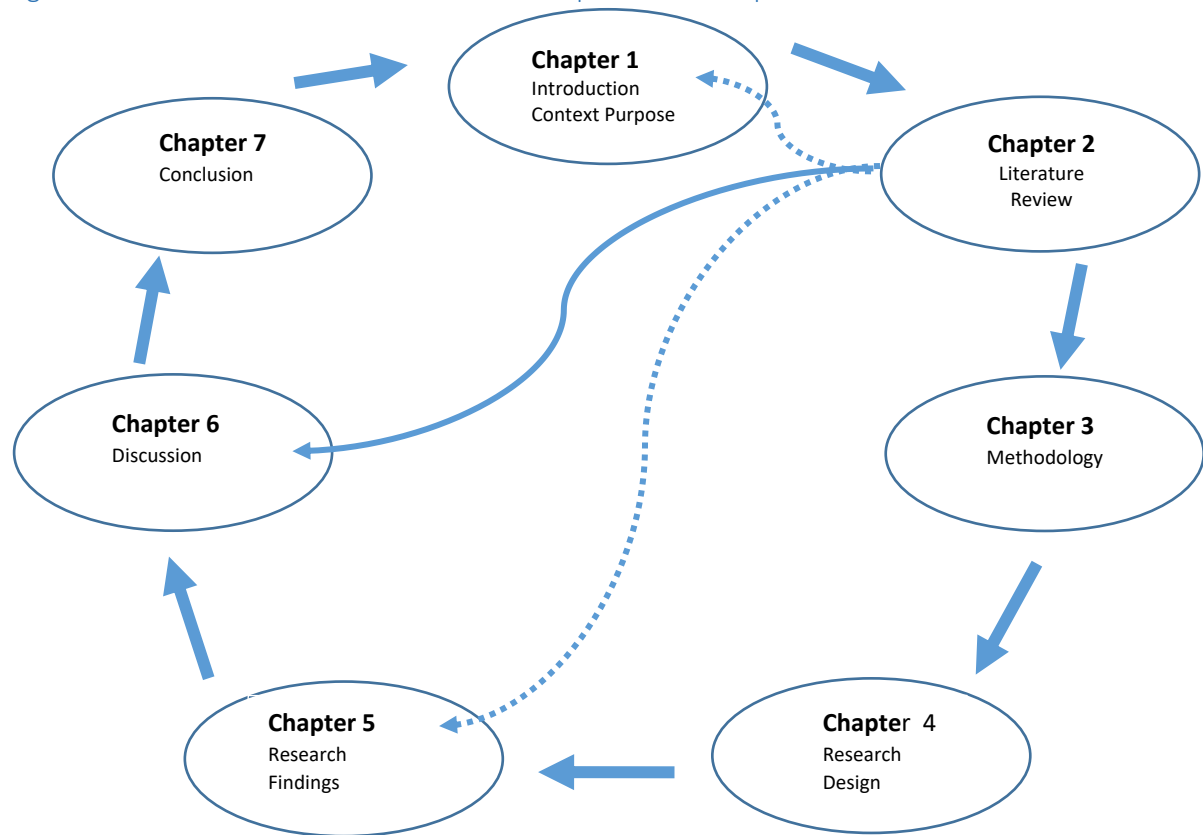
1.8   Conclusion to Chapter One and Introduction to Chapter 2

This chapter has introduced the research problem, context and scope. It has outlined the conceptual framework that contributes to understanding the research problem and considered possible approaches to its investigation.

The chapter identifies possible opportunities posed by this study to contribute to a more informed, theory-based understanding of innovation, to extend the DC framework to account for innovation processes and to offer empirical understandings of the role of community in local government innovation.

Chapter 2 – The Conceptual Framework

"Theory provides a model or map of why the world is the way it is (Strauss, 1995). It is not simply a 'framework', although it can provide that, but a story about what you think is happening and why…. A useful theory is one that tells an enlightening story about some phenomenon, one that gives you new insights and broadens your understanding of that phenomenon" (Maxwell, J. Designing a Qualitative Study, 2008)

2.1   Introduction

This chapter explores existing theory and research relating to three key themes: innovation by local government organisations; Dynamic Capabilities (DC) theory; and the influence of communities on local government innovation. It introduces key concepts and theories regarding organisational innovation and accounts for the distinctive characteristics of innovation within public sector and local government contexts. In doing so it recognises the relevance of the literature on innovation in service industries to understanding public sector innovation and identifies the parallels between service innovation and LGO innovation, particularly the construct of 'co-production'.

Second, it examines the theoretical construct of the DC framework and demonstrates its relevance in explaining processes of local government innovation. Finally, theories of participatory governance and the role of community in co-producing local government innovation are investigated.

The review and critical evaluation of the literature define the parameters and locus of the study and provides insights into possible research outcomes. It identifies limitations within existing knowledge, highlights opportunities to contribute to theory and practice and provides a rationale for the selection of the research methodology and methods. The literature review supports the synthesis of the research problem and research questions, "which are worth researching because they are controversial and have not been answered by previous researchers" (Perry, 1998).

2.2   Innovation in organisations

2.2.1   Defining Innovation

Innovation in organisations has been explored extensively within the literature, over many years and across a wide range of academic and practice disciplines (Koch and Hauknes, 2005; Damanpour and Schneider, 2006; Seelos and Mair, 2012; Zhou, Zhou, Feng and Jiang, 2019). Innovation is a term

that also appears often within the popular lexicon. While the definition of innovation is central to its investigation or theorising (Buchheim, Krieger and Arndt, 2020) it is a social, rather than technical or material phenomenon (Howard, 2012) and can be both a process and an outcome (Crossan and Apaydin, 2010). The construction of innovation as a relative phenomenon, along with its application across academic, business and popular discourses, means that *"there is a lack of 'paradigmatic consensus' among innovation researchers, which complicates the process of theory-building"* (Hartley 2006, quoted in Buchheim et al, 2020: 513). Thus, the value of defining innovation within an organisational and social context is clear, particularly in service industries, where its measurement is complex (Koch and Hauknes, 2005).

Most definitions of innovation are shaped by the context in which they are applied and the paradigm that informs their application. They range from simple, practical constructions, such as *"doing something new"* (Howard, 2012) or *"doing something nobody told you to do"* (Hambleton, Howard, Buser and Taylor, 2009), where innovation is framed as a process of social discovery, through definitions that link innovation to improvement (OECD, 2005) to more complex definitions such as *"the intentional introduction and application within a role, group or organisation of ideas, processes, products or procedures, new to the relevant unit of adoption, designed to significantly benefit the individual, the group, organisation or wider society"* (West and Farr, 1990: 9).

Definitions of innovation traditionally share several key principles. They suggest that innovating organisations are motivated to do something new or different by a desire to create value, benefit or advantage. They channel motivation towards the intentional creation of new organisational routines, goods or services; which is realised through a structured implementation and change management process (Drucker, 1994; Barney, 1991; OECD, 2005; Tidd, Bessant and Pavitt, 2005; Anderson, Potočnik and Zhou, 2014).

However, these principles are by no means universally accepted. Significant debate exists concerning the extent to which intentionality and replication are fundamental to defining an activity as 'innovation' (Gallouj and Windrum, 2008). This is particularly the case in service innovations where the 'ad hoc' development – and/or co-production with customers – of 'customised' solutions to service problems or needs reflect continuous processes that may not be recognised or articulated as 'innovation' despite

their novelty and value (Osborne and Brown, 2011; Snyder, Witell, Gustafsson, Fombelle and Kristensson, 2016).

Most definitions of innovation explicitly or implicitly acknowledge the need for particular organisational forms, processes and resources to support innovation (Galbraith, 1982; Kanter, 1985; Matthews, 2005). The need to institutionalise processes that will manage the tension between maintaining day-to-day operations, while creating and introducing new products, services or practices, is a key question in innovation management (Terziovski, 2010).

Many authors (Amabile, 1990; Chamberlin and De la Mothe, 2004; Anderson et al, 2014) differentiate innovation from ideas and invention. They emphasise the difference between organisations developing "new" or unprecedented products, ideas, technologies and processes, versus adopting products, ideas, technologies and processes that have been developed in other firms or contexts, but which are adopted by – and are thus new *for* the organisation being studied.

Others (OECD, 2005; Matthews, 2005; Damanpour and Schneider, 2006; O'Sullivan and Dooley, 2009; Howard, 2012) adopt a position that, so long as something is new for the organisation, it constitutes innovation. Providing an eclectic definition, Martin (2003: 3) suggests that innovation is not confined to *"the creation from scratch"* of new knowledge or ways of doing things, but encompasses the initiation or adoption of new products, processes, systems or policies as well as the adaptation or improvement of existing ones.

The concepts of 'innovativeness' – the degree to which an organisation seeks to generate new ideas and enables experimentation (Lumpkin and Dess, 1996; Wang and Ahmed, 2004; Tidd et al, 2005) and 'entrepreneurship' – the degree to which creative individuals identify and pursue opportunities (Sadler, 2000; Schumpeter, 2002; Kearney, Hisrich and Roche (2009) are related to this discourse.

A further consideration when conceptualising innovation relates to the relativity of change or disruption that is required for something to be defined as an innovation – the difference between innovation as 'transformation' versus innovation as 'improvement'. Christensen's (2001) terminology of "disruptive" versus "sustaining" innovation is a useful construct for understanding this distinction.

Ontologically, in this study innovation is framed as a relative rather than an absolute phenomenon that is context dependent, socially constructed and processual. At the same time, innovation is defined as

firmly embedded in praxis - inherently about "doing" and the application of (rather than simply the creation of) new ideas. Finally, innovation processes are purposeful and intended to achieve organisational outcomes.

2.2.2 Theories of innovation - history and development

Innovation has been considered a key element in private sector profitability, growth and sustainability for the best part of a century (Galbraith, 1982; Kanter, et al, 1990; Drucker, 1994; Amabile, 1996). Initial understandings of the nature and purpose of innovation were pioneered in the 1930's by Schumpeter – "the 'godfather' of this area of economic theory" (Tidd, et al, 2005). Theories on organisational innovation were further developed during the 1960's into *"relatively simple, linear models for innovation"* (ibid: 17) and research focusing on product and technological innovation. This simplicity was also reflected in models for the adoption and diffusion of innovation which were developed in the 1980's and 1990's. The scope of more recent research into organisational innovation has extended to include innovation in the service industries and in non-commercial firms, including not for profit and government sectors (Gallouj, Rubalcaba, Toivonen and Windrum, 2018). At an abstract level, common principles, processes and challenges of innovation can be identified across industries and across sectors.

Theories about innovation have linked organisational capacity for innovation to performance, competitive advantage, business sustainability and economic development (Mulgan and Albury, 2003; Wang and Ahmed, 2004; Bradford, 2010; Luke, Verreyne and Kearins, 2010; Barroca, Sharp, Dingsoyr, Gregory, Taylor and Al Qaisi, 2019).

The central role that innovation plays in the success of commercial firms is reflected in the diverse range of research into private sector innovation practices over many years (Nelson and Rosenberg, 1993; Drucker, 1994; Amabile 1990; Kanter, 1990; Damanpour and Schneider, 2006; Fallon-Byrne and Harney, 2017). Over the past thirty years, innovation has shifted from the periphery of management theory to be represented as a core organisational competency: *"innovation and creativity in the workplace have become increasingly important determinants of organizational performance, success, and longer-term survival. As organizations seek to harness the ideas and suggestions of their employees, it is axiomatic that the process of idea generation and implementation has become a source of distinct competitive advantage"* (Anderson et al, 2014).

2.2.3 Key themes in research into innovation

Analysis of organisational innovation has tended to converge around processual and methodological considerations, however the disparate and 'disconnected' nature of the academic and practitioner literature (Crossan and Apaydin, 2010) indicates the value of adopting a high-level framework for its analysis. A review of the literature for this thesis led to the synthesis of a framework by the researcher based on four key themes. This framework is consistent with Crossan and Apaydin's (2010) multi-dimensional framework of organisational innovation. It proposes that the literature on innovation converges around:

- the motivation, nature and attributes (types) of organisational innovation (why you do it and what it is) – this echoes Crossan and Apaydin's construct of 'Leadership' as a determinant of innovation;

- the processes/cycles and models for creating, realising and sustaining innovation (how it happens) – this echoes Crossan and Apaydin's construct of 'Business Processes' as a determinant of innovation;

- the organisational characteristics, structures, capacity, capabilities, and competencies that will support innovation ("innovativeness") or impede/create barriers to innovation (what is required to make it happen) – this echoes Crossan and Apaydin's construct of 'Managerial Levers' as a determinant of innovation; and

- how (relative) organisational innovation / "innovativeness" can be measured and reported (how you know) – this reflects Crossan and Apaydin's construct of 'dimensions of innovation'.

The complexity and the non-linear nature of organisational innovation is acknowledged by several authors (Damanpour and Gopalakrishnan, 1998; Tidd, et al, 2005; Regional Australia Institute, 2016) and as Seelos and Mair (2012: 5) conclude in their review of the literature: *"one robust insight is that understanding innovation requires a multi-level perspective"*.

The literature establishes the scope or focus of innovative practice and the characteristics of innovation as the starting points for further analysis (Cooke, Uranga and Etxebarria, 1997; Bradford, 2003; Kim, 2006). There is consensus that the focus of innovation ranges from new goods or services, through new business processes or systems (including the introduction of new technologies

from outside the firm) to revised business strategy and market position (Wang and Ahmed, 2004; Matthews, 2005; OECD, 2005; Cinar, Trott and Simms, 2018). The Oslo Manual (OECD, 2005) captures this range within four categories: product innovation, process innovation, marketing innovation and organisational innovation.

As section 2.3.3 will show, within the public administration field, Evans, Aulich, Howard, Peterson and Reid (2012) categorise innovation as pertaining to: strategy, products, services and governance. The explicit identification of governance and services as additional fields for organisational innovation is important when considering innovation in LGOs. The nature of governance within LGOs, particularly the dual role of elected representatives and organisational managers in formulating strategy, as well as the political nature of decision-making provide a unique context for innovation. Similarly, as noted earlier in this chapter, the majority of LGO activity relates to services which are co-produced with local citizens, rather than products which are produced for consumers.

Organisations share common "drivers" for innovation that either "pull" them towards a desire to innovate or "push" them towards innovative practice to avoid negative consequences. In his seminal analysis of innovation within the strategic management field, Drucker identified seven catalysts for innovation: unanticipated successes, failures, or occurrences; incongruent processes or differences between expected and actual results; process needs; industry changes; demographic change; changes in perception or sentiment; and new knowledge, either technical or non-technical (Drucker, 2002).

These drivers may be external to the organisation and involve macro-level forces – for example: globalisation, market competition and the impact of communications and information technologies (Bradford, 2003; Martin 2001; Mulgan and Albury, 2003; Matthews, Lewis and Cook, 2009; Demircioglu and Audretsch, 2017). However, the influence of micro-level factors such as customer expectations is noted by several authors (Tidd et al, 2005; OECD, 2005; Agarawal and Selen, 2009; Janssen et al, 2012). Common internal drivers for organisational innovation have also been identified. These include an orientation towards operational excellence and the search for cost efficiency (Damanpour and Gopalkrishnan, 1998; Luke, et al, 2010; Howard, 2012).

Innovation is characterised as processual and shares underpinning themes with change theory and organisational learning theory (Kanter, 1985; Mulgan and Albury, 2003; Bessant, Hughes and

Richard, 2010). This includes themes of adaptation, knowledge management, culture and values and organisational communications. In common with organisational change and learning, innovation is characterised as being comprised of reflexive and iterative phases (Pelz and Munson, 1980; Kim, 2006; Matthews, Lewis and Cook, 2009).

Rogers' (2003) research into diffusion of innovations explains the dynamics of innovation adoption and the role that communication and influence play in the innovation process. To the same end, Wang and Ahmed's (2004) construct of "behavioural innovativeness" describes the cumulative impact the behaviour of individuals, teams and managers has on creating an innovative organisational culture.

Innovation involves complex inter-relationships within complex systems, so a simplistic "a to b to c" model does not adequately explain the innovation process. Explanations in the literature about how innovation happens can be classified around three broad premises:

- it is the product of research and development within a firm, where external drivers or environmental circumstances demand internal response that is intentionally nurtured and resourced (Bessant, et al, 2010; Australian Innovation System, 2011);

- it is the product of individual of small cell creativity ("bottom-up" innovation) that needs to be recognised, adopted and diffused and systematised (or routinised) by the organisation in which it has originated (Amabile, 1990; Borins, 2001); and

- it is the product of both creativity and systematic adoption of programs and processes (Anderson, et al, 2014)

Within the literature, innovation has also been characterised as either 'Science-Technology-Innovation' (STI) or 'Doing-Using-Interacting' (DUI) innovation (Jensen, et al, 2007; Alhusen, Bennat, Bizer, Cantner, Horstmann, Kalthaus, Proeger, Sternberg and Topfer, 2021). STI concerns the deliberate and formal pursuit of innovation, through 'research and design' (R&D) initiatives that aim to codify and institutionalise it. In contrast, DUI innovation is less intentional, arises through practice and results in tacit and less measurable outcomes. It relies on interaction, draws on diverse knowledge, coincidental learning and co-creation of meaning, so that it is less easily recognised, codified and institutionalised (Jensen et al, 2007). The latter form of innovation is of particular interest in considering innovation within service-based sectors and organisations such as LGOs, where R&D is

not necessarily well resourced and institutionalised. The relevance of research and theory concerning innovation in the services sector is discussed in Section 2.2.4 of this chapter.

Seelos and Mair (2012), in an analysis of innovation in the not-for-profit sector, adopt a framework where organisational capacity for innovation is influenced by capabilities at the individual, group, and organisational level. At an individual level, innovation is influenced by personality, motivation, cognitive ability, job characteristics and mood states. At the work group level, attributes that facilitate innovation include team structure, team climate, team member characteristics, team processes and leadership style. At the organisational level, structure, strategy, size, resources and culture, impact on the capacity to create and deliver innovation (Anderson et al, 2004).

Tidd, et al (2005) note the contribution of Rothwell to understanding the complexity of innovation and refer to his construct of 'fifth-generation innovation'. This analysis is notable in that it looks to both internal and external vectors, describing innovation as a *"multi-actor process which requires high levels of integration at both intra- and inter-firm levels and which is increasingly facilitated by IT-based networking"* (ibid: 77). Complementing research into organisational structures, systems and processes that facilitate innovation, there is a body of research regarding the impact of culture and leadership and the linkages between innovation and entrepreneurship. (Sadler, 2000; Morris, et al, 2008; Kearney, et al, 2009, Matthews, 2014).

Finally, within the strategic management literature, the emerging Dynamic Capabilities (DC) framework offers new opportunities to understand organisational innovation. Practices and understanding of innovation within the DC framework are discussed in Section 2.8 of this chapter.

2.2.4   Innovation in service industries

It is well established within the innovation literature that incidence, characteristics, processes and motivations for innovation are dependent on the context in which it occurs (Crossan and Apaydin, 2010; Anderson, Potocnik and Zhou, 2014; Fuglsang and Sundbo, 2016). An understanding of concepts and theories concerning service innovation, or innovation in service industries is therefore necessary in framing innovation in local government. This is despite the fact that service innovation has until the early 21st century been treated as peripheral to constructions of innovation and competitive advantage, partly due to difficulties in defining and measuring its processes and

outcomes (OECD, 2005; Miles, 2018) and partly because it was seen as a sector that was "*non-productive, non-capital intensive, non-tradable and non-innovative" (Gallouj, et al., 2017: 2)*. Over the past 30 years, the growth of the services industry globally and its dominant (and growing) contribution to value creation have done much to counter the myth that services lag behind manufacturing industries when it comes to innovation (Gallouj and Windrum, 2008; Gallouj and Savona, 2009; Rubalcaba, et al., 2011).

Service innovation has been defined as *'the process of creating a new service and the resulting service itself'* (Janssen and den Hartog, 2016). It is the solution to a problem or need that can be purchased or procured, may be, but is not necessarily, the result of new technologies, may or may not involve physical goods and may benefit the organisation that has created it, or others through service firms (e.g. knowledge intensive business services helping others to innovate) and innovation with services (creation of solutions in which services as well as physical goods have a role, e.g. product service systems) (ibid).

The emergence of studies in service innovation is based on recognition of 'services' as a distinct 'industry' within the highly heterogeneous private sector. The legitimation of service innovation as a field of study with identifiable, conceptual frameworks, has been characterised by three broad approaches. The first was an 'assimilationist' approach, which sought to interpret service innovation through the lens of product innovation and in terms of technical and technological systems introduced to support service delivery. The second, 'differentiation' approach was a reaction to this construction and sought to highlight the unique nature of service processes, focusing on non-technological innovations. The third, 'synthesis' or 'integrative' phase has sought to establish a common framework for analysing innovation, regardless of industry sector, while recognising the existence of contextual differences (de Vries, 2006; Windrum and Garcia-Goni, 2008; Gallouj and Toivonen, 2011; Miles, 2018).

Key to the application of the 'synthesis' approach, the 'characteristics-based' model of service innovation enables an understanding of innovation, whether in relation to a product or service, as relying on the conjunction of organisational characteristics or competences; technical competences; provider competences and client or customer characteristics. This model identifies different types of innovations – such as 'incremental', 'recombinative', additive – as arising through changes in one or

more of the organisational 'characteristics' that comprise the organisation's business (Snyder, et al., 2016; Toivonen, 2016).

It also recognises that the process of creating innovation is, in itself, innovative, rather than constructing innovation as defined only in terms of measurable outcomes (Janssen and den Hartog, 2016). Distinguishing the role of the customer from mainstream conceptualisations of innovation, within the service innovation literature value is co-produced through the interaction of service providers and their customers, rather than being inherent to a particular good or product (Toivonen, 2016). The iterative nature of service innovation results in the process and 'product' of innovation being inextricably entwined, so that the questions of who defines 'newness' and where and how value is measured are complex (Snyder, et al., 2016).

The role of DUI in innovation in the services sector is also noteworthy, as it highlights the premise that new ways of doing things may result from ad hoc processes and learning through doing, rather than by design (Snyder, et al, 2016; Alhusan, et al, 2021). Further, the service innovation literature addresses the differing characteristics and processes of innovation within industry contexts with a high rate of change compared to those which show little or no change in market forces, technologies, customer needs or capabilities. This extends the debate concerning the degree to which innovation is defined as responding to and reflecting disruptive, as opposed to incremental change and enables the construction of innovation as a processual phenomenon (Windrum & Garcia-Goni, 2008).

These aspects of service innovation theory and research are of particular relevance to this study. They provide insights concerning how LGO's 'do' innovation, the capabilities (assets, resources, processes and competencies) that underpin innovation strategy and the relationship between LGOs and their customers in creating and realising innovation. They also offer a construction of innovation that is relevant to the LGO context, where contextual change mostly (though not always) occurs as an accumulation of contingencies, rather than immediate and dislocating events and where innovation is more likely to result on an ad hoc basis, than through an investment in research and design.

2.2.5 Summary of key concepts regarding innovation

A key finding from reviewing the literature is that *"innovation activities take place in all parts of an economy: in manufacturing, the service industries, public administrations, the health sector and even private households" (OECD, 2005: 118)*. At the same time, the definitions, descriptions and explanations that have emerged from seventy years of research into organisational innovation are broad and diverse, perhaps to the point where it has been suggested they may become divergent and imprecise.

However, it is clear that innovation is both process and outcome, it is context-dependent and relative, and it is related to the creation of competitive advantage and 'business' value – whether in the form of surplus (or economic) value, social value, or, as will be discussed in the next section of this chapter, public value.

While research and analysis of innovation within private sector organisations provides an over-arching epistemological framework for the study of LGO innovation, the characteristics of 'non-commercial' (not for profit, public sector and local government) organisations contextualise motivations, processes and challenges. In particular, the less tangible, co-produced nature of service industry and 'non-market oriented' innovation create conceptual and measurement challenges, making innovation more difficult to discern and analyse (OECD, 2005). As will be discussed in the following section of the literature review, this adds a layer of complexity to describing and explaining innovation in the public sector when compared to innovation in private sector firms.

2.2.6 Introduction - conceptual framework for public sector innovation

The next section of the literature review refines the research focus and discourse to specifically address innovation in the public sector. This discussion highlights the similarities and differences between public and private sector organisations in their purpose, understanding and practice of innovation. This, in turn, leads to consideration of the distinct nature of innovation in local government organisations when compared to the public sector.

It is a key premise of this thesis that although LGOs share a number of common characteristics with public sector organisations including commitment to generating public value, they also share characteristics with private sector firms, particularly those engaged in the delivery of services. At the

same time, LGO's differ from both private sector and public sector organisations in a number of key characteristics. They demonstrate unique attributes (such as a greater proximity of political influences to day-to-day decision-making) and functions (such as the delivery of diverse services, from rubbish collection, through recreation facilities to childcare) that distinguish them from the mainstream public sector. Straddling the public and private sectors, LGOs also both participate in market-based, competitive activities (such as development assessment and certifications) and offer subsidised services (such as the delivery of affordable housing).

This premise was illustrated in Figure 1.2 and is discussed in detail in Section 2.3.1 below.

2.3 Innovation in public sector organisations

2.3.1 The conceptual framework

In their systematic literature review of public sector innovation, Bucheim et al (2020: 510) note Flynn's definition of the public sector as "those parts of the economy that are either in state ownership or under contract to the state, plus those parts that are regulated or subsidized in the public context" (Flynn 2007: 2). This broad definition informs the conceptual framework for this thesis, recognising that the boundaries between public and private sector organisations can be diffuse (for example the contracting of private companies to compete public sector functions) and that the research findings and theoretical constructs concerning innovation in the private sector, in particular those relating to innovation in service-based industries, provide a foundation for describing and explaining innovation in public sector organisations. Despite differences in purpose, they share sufficient common ground that *"the distinction between commercial and not-for-profit organizations may.... blur when considering innovation"* (Tidd, et al, 2005).

Local government organisations share many characteristics with public sector organisations, including a mandate to deliver services for the public good, a reliance on tax-based revenue streams and the constraints of operating within a context of statutory obligations and political dynamics. Public sector organisations represent a wide variety of organisational forms and functions, from regulatory monopolies such as legal institutions to quasi-autonomous entities such as universities. However, despite these similarities, as Figure 1.2 infers, there are also significant differences between national, state, regional and local government organisations in terms of purpose, revenue-base, scale and centralisation of policy and decision-making processes.

Perhaps most tellingly, LGOs differ from other public sector organisations in their relative flexibility and ability to develop a novel solution to a local problem, without *"requiring a raft of systemic changes to the policy frameworks and regulatory regimes that shape public sector activity" (Betttini and Head, 2016: 8).* These differences are of sufficient significance to support the contention that, while there is much to be learnt from studies of public sector innovation, investigation of innovation in LGOs warrants a distinct frame and will yield sector-specific findings.

While public sector organisations differ from private firms in terms of purpose and motivation *"some aspects of public sector innovation are comparable with, or even identical to, aspects of private sector innovation"* (Bennett, Woods, Bower, Bruce, O'Connor, 2015: 16)*.* Rather than assuming that private sector, public sector and local government innovation adopt exclusive forms and follow sector-specific pathways, it is reasonable to conceive innovation as a relative phenomenon, sharing common characteristics as well as exhibiting distinct differences within and between each of these sectors.

2.3.2   Historical overview – research into innovation in the public sector

Research into public sector innovation is not particularly "new", especially in the United States, where studies into government innovation go back at least to the 1970's (Bingham, 1976; Berman, 1996; Borins, 2001). However, in Australia, outside of 'for purpose' organisations such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Defence Science and Technology Organisation (DSTO), investigation into innovation in government organisations on a broader scale has only developed impetus over the past two decades (Matthews, et al, 2009; Australian Innovation System, 2011).

Recognition of the value of research into public sector innovation has led to increased investment by government, nationally and internationally, into research in this field, particularly research regarding the impact of innovation on improving public sector performance. This includes projects in the United Kingdom, such as the National Endowment for Science Technology and the Arts (NESTA) public sector innovation measurement project and aspects of the OECD cross-government approach to strengthening innovation that relate to designing data systems and improving the measurement of public sector innovation (OECD, 2010).

Strong interest in public sector innovation emerged in the United Kingdom in the 1990's, particularly as an adjunct to the New Public Management agenda (Matthews, et al 2009; Jun and Weare, 2010; Luke, et al, 2010). This is, at least in part, the result of the challenges to 'big government' posed by neo-liberal political ideology and the consequent influence of the New Public Management paradigm, within which innovation is framed as: *"the creation and implementation of new processes, products, services and methods of delivery which result in significant improvements in outcomes efficiency, effectiveness or quality*" (Mulgan and Albury, 2003: 3).

2.3.3 The nature of public sector innovation

Public sector innovation shares characteristics with innovation by commercial firms - for example, the use of innovation to achieve 'value' and organisational sustainability; the processes involved in translating 'invention' into 'innovation'; the challenges of managing ongoing operational business, while at the same time inventing and reinventing products, processes, technologies and services (Borins, 2001). In particular, there is a growing number of studies in which the parallels between innovation in service-based industries and innovation in public sector organisations are clear (Gallouj and Savona, 2009; de Vries, et al. 2015; Fuglsang and Sundbo, 2016).

However, there is consensus that the attributes of public sector organisations – including their purpose, routines and measures of success – create a number of distinct points of difference (Drucker, 1994; Mulgan and Albury, 2003; Potts, 2009; Scott-Kemis, 2009; Luke, et al, 2010; Bason, 2011; Fuglsang and Sundbo, 2016). These fundamental differences, notably the primary focus of public organisations on the creation of public value - in contrast to the private sector's creation of surplus value and competitive advantage - are reflected in the discrete body of research and literature regarding public sector organisational innovation (Moore, 1995; Coats and Passmore, 2008; Jun and Weare, 2010; Cinar, Trott and Sims, 2018). Research such as De Vries, Bekkers and Tummers' (2015) systematic review of public sector innovation studies, identifies that the central motivations of 'service improvement' (improving effectiveness or efficiency) and enhancing citizen participation and cooperation, is consistent with this.

In establishing a taxonomy that captures the form and purposes of public sector innovation, Evans, et al (2012) reference Mulgan and Albury's (2003) typology, identifying: strategic innovation; product innovation; service innovation; and governance innovation. In a review of the literature prepared for the Australian National Audit Office, Matthews, et al (2009) reference Windrum's (2008) taxonomy of public sector innovation: service innovation, service delivery innovation, innovation in administration, conceptual innovation, policy innovation and systemic innovation. Koch and Hauknes (2005), classify innovation as relating to new or improved: services; processes; administrative or policy instruments; systems; business conceptualisation or design; and world views or cultural orientations.

Based on these typologies, policy and systemic innovation and governance innovation are clearly more pertinent to public sector than to private sector organisations. Further, while there are

undoubted confluences, in relation to motivations, systems and so, between private and public sector organisations, there are also notable differences. For example, private firms have greater capacity to leverage their capabilities and transform or transpose their business into new forms and markets, where the institutional role of public agencies constrains them to improvement or invention within their existing, mandated objectives and 'markets'.

2.3.4 Motivations for innovation in the public sector

A range of unique catalysts for innovation in the public sector can be identified. These drive organisations *towards* desired outcomes or provide motivation to *avoid* undesirable outcomes. They include: the need to address complex social policy issues (including 'wicked' problems); dynamic community expectations; the imperative to achieve financial sustainability within a context of fiscal constraint; the drive for efficiency; response to the New Public Management paradigm and the fundamental responsibility of the public sector to create public value (University of Warwick, 2008; Matthews, et al, 2009; Bessant, et al, 2010; Grant, Tan, Ryan and Nesbitt, 2014). The impact of emergencies, natural disasters, or other 'policy crises' may also act as a driver for public sector innovation, demonstrating that the paradigm of 'disruptive innovation' is applicable in some instances beyond private firms.

Tidd et al (2005) suggest that while private firms compete for markets by offering new products or services, public sector organisations seek to harness innovation to compete against the challenges of delivering public services such as health care, education and policing services, within a context of scarce resources. Scott-Kemis (2009: 7) notes the difference between motivations or drivers that are common across the public sector in OECD countries and those he terms 'proximate drivers': *"the priorities of politicians, the specific problems that arise in areas of policy, administration and services and the identification of options for improvement"*.

Fuglsang and Sundbo (2018) suggest that Windrum and Garcia-Goni's (2008) characteristics-based model of public sector innovation recognises the intersectionality of service providers, citizens and policy makers / politicians in public sector innovation. They suggest that the motivations of each of these stakeholder groups are not identical: providers may be seeking to maximise service efficiency; while citizens seek to maximise the value they receive in terms of their own preferences; and policy makers / politicians seek to maximise political gains. preferences. This dynamic adds a complexity to

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the delivery of public sector innovation, particularly within a contested political environment and points to the importance of developing a level of compromise, if not agreement, between stakeholders if innovation is to be realised.

2.3.5   Impact of external context on public sector innovation

Aside from being defined by unique drivers and forms, innovation within and by public sector organisations is characterised by unique contextual factors that influence both the *opportunity* for innovation and the *process* of innovation. In some instances, the environment in which public sector organisations operate also creates challenges to their ability to achieve innovative outcomes.

The operating context for public sector organisations is more ambiguous and more complex than for private sector firms (Scott-Kemis, 2010; Fuglsang and Sundbo, 2016). Unlike commercial organisations, public sector organisations function within a politicised environment, where the needs of different stakeholder groups may compete, if not conflict and where changing political masters introduce new and divergent policy agendas and new leadership teams, at regular intervals. While this dynamic environment might be conceived as creating impetus for innovation, diffuse objectives and inconsistent policy direction can result in a reactive, rather than intentional, approach to business and a reduced capacity to create and develop the routines necessary for innovation.

The construction of the relationship between the internal and external 'worlds' of the organisation is another attribute of public sector organisations worth noting. Customers of private firms are consumers, who influence innovation via demand for new products and services or improvements to existing products and services. Within this construct, firms lose customers to competitors if they are unable to meet customer expectations.

In the case of public sector organisations, the relationship to customers (who are also citizens) is more complex. Unlike the private sector, many public sector organisations (law enforcement, the judiciary, social services) have a 'monopoly' on their market. Customers cannot choose an alternative provider, should they be dissatisfied with the quality or level of service or outcomes. By the same token, unlike private sector organisations which are (at least in theory) free to make a decision to exit a particular market (product, service or locality) that does not produce value, public sector organisations are generally compelled by legislation or community needs to continue to deliver certain

services even if they do not return a benefit for their cost, where the benefit may not be realised for many years, or where the value generated benefits another organisation (Fuglsang and Sundbo, 2016). Thus, while a monopoly on the delivery of certain services may be assumed to predicate against innovation, the need to generate public value within political and institutional parameters may in fact lead to innovation. Private firms may want to leverage their capabilities and enter new markets, whereas LGOs have to stick to mandated objectives and therefore are more likely to look for improvements in existing 'markets'.

Over the past 30 years, New Public Management agendas that emphasise devolution, competition, efficiency, accountability and performance have exerted increasing impact on the public sector (O'Flynn, 2007). In more recent times, the advent of the public value movement has seen an expectation that public sector agencies aspire to deliver the types and quality of services to which citizens are entitled (Mulgan and Albury, 2003; Coates and Passmore, 2008; Grant, Tan, Ryan and Nesbitt, 2014) These almost diametrically opposing movements in public sector management have created a leaner, more business-like public service that at the same time is expected to respond to the diverse needs of the community.

Public sector organisations are accountable to a broader community of interests, within a legislative and procedural framework that requires cautious navigation and leads to regular and rigorous scrutiny by the community and media. It might appear that the constraints created by these accountabilities would predicate towards compliance, risk aversion and conservatism, and against organisational innovation (Borins, 2001; Mulgan and Albury, 2003; Scott-Kemis, 2009). However, despite these challenges, there is general consensus that public sector organisations *are* innovative (Matthews, et al, 2009; Scott-Kemis, 2009; Bessant, et al, 2010; Australian Innovation System Report, 2011).

2.3.6 Organisational dynamics and innovation in the public sector

Just as the external milieu in which public sector organisations are located creates certain antecedents for innovation, an understanding of the *internal* organisational context also highlights the characteristics and vectors that mitigate for and against public sector innovation (Kearney, et al, 2009).

Borins (2001: 310) observes: *"the public sector has traditionally been considered inhospitable to innovation".* This view reflects the construction that, in comparison to private enterprise, public sector organisations are hierarchical, cumbersome, unwilling to commit the resources required for innovation and lacking in the incentive and reward systems that are deemed necessary to motivate individuals to create and/or to adopt innovation (Potts, 2009).

A less dialectic analysis would, however, suggest that while public sector organisations lack some of the agility and flexibility that private and not-for-profit enterprises enjoy, these characteristics dictate contextualised approaches to innovation rather than dictate against a capacity to innovate (Kearney, et al, 2009). Indeed, Borins (2001: 318) concludes that *"to a surprising extent, current reality belies the traditional model of a public service that is virtually frozen to innovation".* In her study into entrepreneurship in the public sector, Sadler (2000) concludes that innovation emerged despite 'red tape' bureaucratic processes and that hierarchical organisational structures had negligible impact on entrepreneurship.

Luke, et al (2010) in a study into entrepreneurship and innovation in public sector enterprises, identify several attributes that facilitate innovation. While they do not suggest that an entrepreneurial culture per se, facilitates innovation, they conclude that an *"open, flexible and progressive culture"* is related positively to organisational innovation (ibid: 148). They also identify the importance of the transfer and application of knowledge, so that core organisational competencies are embedded and available to leverage opportunities for business growth and expansion.

Mulgan and Albury (2003) also argue for a focus on systemic, human and cultural elements of innovation. They propose an iterative, four stage cycle for innovation in the public sector that reflects these themes, moving from "generating possibilities", "incubation and prototyping", "replication and scaling up" to "analysing and learning". Within this cycle, they note the importance of resourcing and disseminating innovation across organisations, as well as providing learning and incentives to embed innovative practices and outcomes.

2.3.7 Conclusions about public sector innovation

A review of the literature on public sector innovation indicates that the approach of comparing and contrasting private and public sector innovation can serve to exaggerate the differences – rather than highlight the similarities – between the sectors. It can also lead to an assumption that the public sector is less innovative or less competent in its approach to innovation than the private sector, or that certain forms of innovation are inherently more valuable than others. However, the literature on service innovation, emphasises the application of capabilities that are common to both public and private sector organisations, albeit while recognising contextual nuances, such as differences in the pace of change, the politicisation of decision-making or resourcing.

As the 'grassroots' tier of the Australian system of institutional governance, local government has been a comparatively late comer to the innovation discourse and is represented to only a limited extent in the literature. However, there are several examples of research and analysis that directly address innovation by local government (Wettenhall, 1988, Jones, 1993; Martin, 2001; Mazzarol, 2011; Evans, et al, 2012; Howard, 2012) or reference the role of innovation in local government strategy (Hunting, Ryan and Dowler, 2015; Butt, et al, 2020) that have been generated over the past two decades. The following section of this chapter explores the literature and conceptual framework relating to LGO innovation.

2.4 Innovation by local government organisations

2.4.1 Introduction

This section of the literature review focuses on existing theory and research on local government innovation. It provides an overview of key themes and concepts and discusses the role of context, structure and processes. It concludes with a critical evaluation of current knowledge and opinion concerning local government innovation.

While noting the multiple typologies of public sector and local government innovation, Evans et al (2012) identify four types of LGO innovation: strategic innovation (new missions, strategies and governance approaches); product innovation (new products which create public or commercial value, including new technologies); service innovation (new services which create value for communities);

and governance innovation (new ways of solving problems and interacting with stakeholders and clients). They also note the importance of context in both defining innovation *"innovation in one place and time maybe commonplace in another'* (Evans, et al, 2012: 27) and supporting its genesis and realisation.

Table 2.1 provides a summary of the structural, processual and cultural conditions that are identified in the literature as positively associated with local government innovation.

Table 2.1   Structural, Processual and Cultural Facilitators of LGO Innovation

Organisational Elements	Examples of Factors that Facilitate LGO Innovation	References / Authors
Structural	Availability (positive or negative) of resources Larger organisational size Learning systems Performance systems and performance measures Supporting technologies Engagement policies and procedures	Berman (1996) Damanpour and Schneider (2006) Mazzarol (2011) Evans et al (2012) Howard (2012) Burstein (2013)
Processual	Systematic analysis, problem-solving and implementation of solutions Community and stakeholder engagement routines Elected representatives involved in design Strong communications Monitoring and improving performance	Kim (2006) Hospers (2008) Hansen (2011) Evans et al (2012) Howard (2012)
Cultural	Management values innovation to solve problems and create value Political representatives value innovation Staff empowered to create, share and learn – no blame culture Community empowered to participate in co-design and delivery Reducing bureaucracy	Wettenhall (1998) Berman (1996) Moon and DeLeon (2001) Martin (2003) Damanpour and Schneider (2006) Kim (2006), Vasi (2006) Evans, et al (2012) Howard (2012) Burstein (2013) Gallouj, et al (2018)

2.4.2 The local government context

Local government innovation is shaped by organisational forms and functions and the political, statutory and community context in which each LGO operates. Local government shares characteristics with state and federal bodies. They are politicised, bureaucratic and have a mandate to create public value.

At the same time, in some ways LGOs resemble private sector companies: they generate revenue and make decisions about how it is invested or spent and shape strategic and policy decisions independent of a centralised agency. They have a closer relationship with "customers" (the community) than state or federal government organisations and they are governed by an elected Council which is in many respects a quasi-board that sets strategy and delegates management of day-to-day operations to an executive body (Prior and Herriman, 2010; Martin and Aulich, 2012).

In some instances, local government organisations operate as a monopoly, delivering or contracting out services for which they have statutory or regulatory responsibilities. However, in other circumstances they operate within a competitive environment. For example, in metropolitan areas they compete against neighbouring LGOs to attract customers to recreation and leisure services or to encourage businesses to locate or relocate to their local government area (LGA). Where new land-releases and suburb developments are underway, LGAs compete to attract state and federal government infrastructure funding, as well as businesses and residents.

LGOs also compete against private or not-for-profit enterprises, for example to lease properties to commercial tenants, provide building certification services or deliver services such as childcare, pools and gyms. The advent of New Public Management agendas has served *"to broaden and blur the frontiers between the public, private and voluntary sectors"* (Hansen, 2011: 287).

A reputation for innovation would be of value within a competitive environment. However, there is a lingering perception that LGOs are less innovative than private and public sector organisations. (Howard, 2012; Ryan, Hastings, Woods, Lawrie and Grant, 2015; Ferraris, Santoro and Pellicelli, 2020). This may be as much the result of inattention to reputation management and limited promotional capacity as reflective of a lack of innovation.

Wettenhall (1988: 364) observes that *"local government authorities are not good at advertising....what is new, innovative or excellent about their work"*. Burstein (2013) also suggests that LGOs are not perceived as innovative in comparison to other levels of government. This is because LGOs "*rarely pull off headline-grabbing, high-cost projects"* such as are achieved by federal governments (ibid: 2) and innovation *"more often than not involves a process or organizational change, rather than the introduction of a new program or technology visible to the public"* (Burstein, 2013: 3). Exploring practitioners' experiences of this conundrum and identifying strategies to foster a reputation for innovation would provide a valuable contribution to local government practice.

The issue of visibility, measurement and systematising of innovation within service industries generally and within LGOs particularly, is addressed in the literature (Evans et al, 2012; Gallouj and Toivonen, 2012; McKinley, 2015; Gallouj, et al, 2018). The ephemeral and co-produced nature of services – and thus of service innovation – as well as the role of multi-actor networks add layers of complexity to its evaluation and create *"difficulty in [applying] the conventional organizational definition of innovation measured through organizational performance"* (Peralta and Rubalcaba, 2021).

2.4.3   Motivations for local government innovation

The literature on local government innovation focuses for a large part on the nature and relative importance of internal and external drivers of innovation. Jun and Weare (2010: 511) acknowledge the importance of internal drivers for innovation, but suggest that local government organisations, *"are more likely to be motivated by external environmental factors than internal organisational pressures to innovate"*. Martin (2000) concurs with this view, citing micro-economic reform, New Public Management, technological change such as e-business and the impact of internal and external learning networks, as key factors in LGO innovation.

Newman, Raine and Skelcher (2001) provide evidence of the significant impact of the central government policy climate, as well as the dynamic way in which normative and institutional factors interact over time to create path dependencies which facilitate – or constrain – innovation at the local level.

Parker (LGiU, 2013: 66) suggests that the "industry" that has developed around public sector innovation in the UK has led to local government cynicism that innovation is *"all about beanbags and post-it note walls"* that do not produce tangible outcomes. In the Australian context, Evans, et al (2012: 13) suggest that local government is on the one hand beset with perceptions of powerlessness in the face of state government legislative and political frameworks, but at the same time innovation has become devalued, so that local government managers see innovation as *"a pejorative term – a metaphor for stagnation"*.

In her research into innovation in Californian local government organisations, Burstein (2013: 10) concludes that: *"reducing cost and increasing organisational efficiency"* are the primary drivers for local government innovation. In contrast, Vasi (2006) borrows from neo-institutionalist theories to suggest that local government innovation is rarely the result of cost-benefit analyses or drives for efficiency and is more likely to be driven by *'imitation and social contagion'* (Vasi, 2006: 443).

Wettenhall (1988) contends that innovation is more likely to be evident in "politicised" local government organisations, where issues are articulated and debated and support for new ideas and new ways of doing things can be mobilised, and Burstein, too, notes the influence of *"pressure from elected officials"* (Burstein, 2013: 12). Burstein also cites external factors, such as *"legislative mandates"* (Burstein, 2013: 3) and suggests that *"addressing community need and finding solutions to long-lasting problems drive innovation at the local level"*, which means that local government innovation is *"relative to place and circumstance"* (ibid: 7).

Wettenhall (1988: 365) reconciles the 'internal vs external drivers' debate by noting that for public sector organisations, *"the drive for efficiency in the commercial sense must always be tempered by the need to serve the values of democratic participation and social equity"*. Berman (1996) also notes the contribution of both internal and external drivers and – importantly – the role that community and stakeholder engagement and co-production of innovation strategy play in local government innovation.

The desire to create and deliver public value to the local community constitutes a final, significant motivation for local government innovation. This can be interpreted within the narrower frame of efficiently delivering the kinds of goods and services the community wants, to the level of quality and regularity it desires. However, a more contemporary and broader frame for public value notes the role

of government in addressing substantial social, environmental and economic challenges (Wanzenböck and Frenken, 2020). There is also growing recognition that these challenges are often best managed at local level, albeit that "*concrete policy approaches and governance strategies for challenge based regional innovation policy appear underexplored*" (Bours, Wanzenböck and Frenken, 2021:1).

The role of LGOs in seeking innovative solutions, in partnership with community, other layers of government, local businesses and other stakeholders is gaining recognition, as forces such as globalisation impact national government. However, the capacity of local and regional governments to develop innovative responses that are tailored to respond elegantly to local iterations of national or global problems and that are legitimised by the participation of citizens in the policy process is limited. This poses questions for further research concerning the innovation capabilities of LGO and the role of citizens and local communities in creating innovative solutions to wicked problems.

2.4.4 Local government innovation processes

Previous sections of the literature review consider the literature regarding innovation in organisations generally and the characteristics and dynamics of innovation in public agencies. Within this framework, points of concurrence, as well as difference, between innovation in private and public agencies and innovation in LGOs can be seen to emerge. The service-based nature of local government business and the context-specific dynamic of innovation, demand a holistic approach to understanding of LGO innovation processes. The following section of this chapter reports on sector-specific literature and draws comparisons to innovation in commercial and public sector firms.

While both private and general, public-sector research identify the important role of organisational culture in innovation, the role of organisational culture is a significant and recurrent theme within local government innovation research. Martin (2003) places particular emphasis on the development of what he terms "innovation culture" within local government, while Vasi (2006) and Howard (2012) provide insights into the critical role played by organisational culture in supporting or impeding innovation. Kim (2006) identifies the advantages of a whole of organisation approach and staff empowerment in fostering innovation in Korean LGOs and Gabris, Nelson and Wood (2009) note the attributes of leadership, team and governance in supporting American local government innovation.

Mele (2010) in a review of the literature suggests that it is the *"legalistic and administrative culture"* of Italian local government that limits innovation.

In a landmark Australian review of local government innovation, Wettenhall (1988: 368) cites receptive management, open-flow communication, absence of stifling hierarchy, commitment to learning and *"systems capable of accommodating and encouraging divergence"* as key mediators for organisational innovation. The role of organisational learning and network learning also feature as central considerations (Evans, et al, 2012; Burstein, 2013; Bennett, et al, 2015; Barroca, et al, 2019).

The close interest and blurring of operational versus strategic management roles of elected representatives in LGO innovation policy and practice is another feature of the LGO innovation paradigm. While, arguably, dimensions of politics and power influence innovation in both private and larger public sector agencies, the intensity and immediacy of these characteristics is heightened. Acknowledging the political dimensions of local government decision-making in his study of Danish local government, Hansen (2011: 292) refers to *"the impact of managerial and political values"* on successful innovation, while McKinley (2015) notes the importance of protecting local government businesses from the impact of short-term, political decisions and interventions during the restructuring of utilities businesses to enable innovation under New Zealand's New Public Management agenda.

Mazzarol (2011) cites five elements for local government innovation, adapted from Borins (2001) studies of public sector organisations:

- systematic analysis of problems and coordinated response;
- adoption of information and communication technologies to support organisational processes; monitoring and measuring organisational performance in relation to innovation;
- outsourcing service delivery to private and not for profit sector organisations to increase competitiveness; and
- empowering staff and local communities to participate in program design.

These elements relate to structural and processual, as opposed to cultural or political considerations and resonate with DC constructs discussed later in this chapter, as well as with the themes of co-design and co-production of innovation, which is a feature of LGO practice, as well as service innovation.

There is acknowledgement within the literature that innovation carries a degree of risk, and local government organisations are generally portrayed as erring towards risk-aversion (Kearney and Scavo, 2001; Evans, et al, 2012; Howard, 2012; Baumgartner, 2013). This has been attributed to a range of causes, which include the short-term focus afforded by electoral cycles; accountabilities to other levels of government; and the limited availability of 'slack resources' to support risk-taking. As Burstein (2013) notes, LGOs – especially smaller ones - would regard investing in the adoption of new programs, technologies, or ideas that have not been tested and proven successful, to be unwise in terms of both risk and cost. As with commercial enterprises, appetite for risk is therefore an important consideration in understanding what makes for an innovative local government organisation.

2.4.5   Key concepts in local government innovation

This literature review indicates that, despite a handful of studies sponsored through the Australian Centre of Excellence in Local Government (ACELG) between 2010 and 2015, there has not been significant research into Australian local government innovation in the thirty years since Wettenhall's (1988) overview of innovation practices and capacity. It also indicates that there is no unified, local government theoretical framework for innovation, an outcome that is not surprising, given that innovation is complex, socially constructed and that the theoretical milieu of innovation studies is diverse, disparate and discursive (Seelos and Mair, 2012).

This literature review concludes that opportunities for LGOs to innovate arise across four areas of organisational life: strategy; policy; services; and governance. While sharing parallel goals with private and public sector organisations – to remain sustainable and competitive by creating public value, innovation in local government is impacted by the direct, 'grassroots' nature of LGOs relationship to their 'customers' and their statutory responsibilities and accountabilities. The availability of resources to foster innovation, the appetite for risk within a politicised decision-making environment and the impact of organisational culture also emerged as significant mediators for or against local government innovation.

However, previous studies of LGO innovation offer limited, empirically-derived insights to guide practice. High level qualitative findings, such as 'creating an innovation culture' or 'leading for change'

do little to illuminate the underpinning processes and practices that can be deployed for innovation strategy. At the same time, quantitative findings concerning the impact of factors such as 'organisational size' or 'level of resources' on innovation are of limited value to organisations that operate within statutory and revenue parameters.

The intent of this study is to make both practical and theoretical contributions to the local government field. Therefore, identifying a theoretical construct that will assist in dissecting innovation conceptually, enable the development of innovation strategy and policy and indicate areas for investment of energy and resources is critical.

While several frameworks from the strategic management field were considered for this study, for example Rogers' 'innovation diffusion'; Amabile's theory concerning creativity and innovation; and Burns and Stalker's theory of organic and mechanistic organisational structures, the desire to adopt a framework that will enable a holistic interpretation of innovation and create knowledge for practice as well as theoretical insights is paramount.

2.4.6 Local government innovation and the DC framework

The next section introduces the DC framework, a significant theoretical construct within the strategic management field that promises to support both theoretical and practical intentions of this study. While it has rarely been applied to government or not-for-profit organisations, DC offers opportunities for new insights into how LGOs 'do', as well as conceptualise, innovation.

2.5 Dynamic Capability theory and organisational innovation

2.5.1 Introduction

This section of the literature review introduces the Dynamic Capability (DC) framework. It describes and contextualises DC, including its evolution within strategic management theory from the Resource Based View (RBV) and Core Competencies theories of competitive advantage (Barney, et al, 1991; Eisenhardt and Martin, 2000; Bowman and Ambrosini, 2003; Lokshin, Van Gils and Bauer, 2009; Wang 2013).

It then discusses the application of the DC framework to organisational innovation and the relationship between innovation, value-creation and competitive advantage. The relevance of DC in unpacking,

understanding and scaffolding competitiveness within service organisations (rather than manufacturing organisations) is also discussed with reference to the highly service-based nature of LGO practice.

Finally, this section of the chapter examines the relevance of DC in analysing local government innovation and providing a strategic framework for LGOs to develop innovation capacity. This includes examining similarities and differences between LGOs and commercial firms, including the role of dynamic capabilities in achieving strategic outcomes and supporting the creation of public value.

2.5.2 History and development of the Dynamic Capabilities framework

The origins of DC can be traced back through the Resource Based View (RBV) of the firm in strategic management research during the late 20th century. For example, the insights provided by Penrose and Porter concerning competitive advantage (cited in Wang and Ahmed, 2007). The term 'resource based view' was coined by Wernerfelt in the mid-1980's and popularised by Barney in the early 1990's (ibid). It emerged as a counterpoint to existing strategic management theories, such as the Market Based View (MBV), which contends that competitive advantage derives from strategic positioning against competitors within a specific market context (Carmeli and Cohen, 2001; Wang, 2013).

The RBV contends that the internal characteristics of a firm are the primary determinants of firm performance (Barney, 1991; Eisenhardt and Martin, 2000; Bowman and Ambrosini, 2003). Competitive advantage is achieved by developing and implementing strategies that create value, and that cannot be copied or deployed by existing competitors (Barney, 1991). While 'value' is typically equated with *"superior profitability" (*Bowman and Ambrosini, 2003: 291), other authors take a broader view in which the value generated by competitive advantage also relates to superior performance and sustainability (Wilcox-King and Zeithaml, 2001; Johanson, 2009). This view is of relevance to the application of RBV and DC to public sector (and local government) firms, as will be demonstrated later in this review of the literature.

2.5.3 The Dynamic Capability (DC) framework

2.5.3.1 Foundation concepts

The DC framework has emerged over the past twenty years to be one of the most commonly applied theoretical constructs in strategic management research (Schilke, Hu and Helfat, 2018). It comprises both descriptive and normative elements (Pisano, 2015), providing a framework to explain differences in performance as well as offering a paradigm to guide managers in decisions about strategy. Rather than focusing on 'resources' and static, 'core competencies' like the RBV, DC focuses on processes and the dynamics of organisational strategy (Barney, Wright and Ketchen, 2001; Pisano, 2016; Teece, Peteraf and Leih, 2016; Albort-Morant, Leal-Rodríguez, Fernández-Rodríguez, Ariza-Montes, 2018).

The DC framework differentiates between 'assets' - resources that don't generate rents; 'resources' - attributes that provide the potential for advantage; and 'capabilities' – resources that are deployed for advantage (Bowman and Ambrosini, 2003). It focuses on processes and their deployment in response to a changing environment to create new resources and to reconfigure or better integrate the resource mix (Teece, Pisano and Shuen, 1997; Eisenhardt and Martin, 2000; Barney, et al, 2001; Bowman and Ambrosini, 2003).

Within this paradigm, a dynamic capability is *"the learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness"* (Zollo and Winter, 2002 quoted in Janssen , et al., 2014). DCs are bundles of assets, resources and processes that generate value when applied strategically. They are generated internally and allow a firm to be responsive, flexible and innovative.

The discourse regarding the DC framework reduces the classic RBV emphasis on firm heterogeneity, proposing common elements across firms that contribute to competitive advantage. Eisenhardt and Martin (2000) contend that, at a general level, it is possible for firms to exhibit a range of common capabilities, while remaining fundamentally idiosyncratic. The DC framework – importantly for this thesis - also adopts the broader interpretation of 'advantage' as the generation of value, rather than the more limited concept of generation of 'profit'.

2.5.3.2 The scope of DCs

Dynamic capabilities include organisational processes such as strategic decision-making; and routines, such as product development and information and knowledge management (Eisenhardt and Martin, 2000; Bowman and Ambrosini, 2003). They are repeatable and evolve from prior knowledge and past choices, so they are path dependant (Ambrosini, et al, 2009; Pisano, 2015; Collis and Anand, 2019).

They include assets and resources that are: historical (a head-start in a market, ownership of enforceable property rights); socially complex (a good reputation, trusted 'brand') and causally ambiguous (where the link between resource and competitive advantage is not clear) (Wilcox-King and Zeithamel, 2001). The value of an organisation's dynamic capabilities *"must be evaluated in the market context within which a firm is operating. If that market context changes radically, what were valuable capabilities may no longer be valuable"* (Barney, et al, 2001: 631).

Teece (2009) developed the taxonomy that is most usually adopted in classifying DCs. He identifies three types of DC and their purposes:

1. 'sensing' – scanning the environment to identify risks, opportunities, new technologies and consumer expectations. Sensing contributes to creativity and to the identification of new ways of responding to environmental risks and opportunities, to create or sustain competitive advantage;

2. 'seizing' – organising people and processes, establishing routines and allocating or re-allocating resources to enable the firm to react effectively to what has been 'sensed';

3. 'transforming' or 'integrating' – continually renewing or improving the organisation, changing the way things are done, learning and adapting people and processes to remain competitive and prepare for future change

2.5.3.3   The creation of DC within organisations

Ambrosini, Bowman and Collier (2009) propose that dynamic capabilities are created via four main processes:

1. reconfiguration (the transformation and recombination of assets and resources);

2. leveraging (the replication of processes or systems or redeployment of resources into new domains);

3. organisational learning (process improvement, experimentation and reflection); and

4. integration (integration and coordination of assets and resources to form a new resource base).

They contend that these processes may occur in a way that is incremental (continuous improvement), via renewal (refreshing, augmenting) or via regeneration (changing the way that the firm adapts). Dynamic capabilities are often depicted as growing out of success, but they also result from the learning, revisions and changes that occur when organisations make mistakes and where minor failures disrupt or 'draw the attention' of managers and employees to opportunities for improvement (Eisenhardt and Martin, 2000).

Intangible elements, such as culture, values and relationships play a critical role in creating and maintaining dynamic capabilities. Nielsen, Nesgaard Nielsen, Baumberger, Stamhus, Fonager, Larsen, Lund, Ryom and Omland (2012) explore the influence of employer-employee relations within the broader institutional framework of industrial relations in the creation of dynamic capabilities.

2.5.3.4 Application of the Dynamic Capabilities Framework in Service Industries

The literature regarding application of DC theory in service-oriented industries is less extensive than that relating to product-based enterprises, however it is growing. Janssen, et al (2014: 6) in an empirical study of what they term 'dynamic service innovation capabilities' (DSICs), note several distinctive features of services as compared to products: "*they are intangible, heterogeneous, non-stockable....and coproduced with clients*". This means that the dynamics of service innovation – and therefore the DCs – are less systematic, more idiosyncratic, more implicit and more likely to be distributed throughout the organisation. The nature of service also implies *"a broader scope and greater conscience of the ecological and social (i.e., nontechnical) aspects of innovation"* (Peralta and Rubalcaba, 2021).

Pisano's paper on strategic capability (2015: 15) distinguishes more visible, "product" competition (entry strategies, positioning, deterrence) from less visible or "capability-level" competition (R&D, HR strategy, organisational learning, process improvement). This analysis is useful in establishing the relevance of a generic, meta-level framework for identifying key capabilities across all types of

organisations – product and service-focused, private, public sector and not-for-profit. Pisano (2015) also applies the DCBV to strategic decision-making – focusing on firms' investment in broadening capability or in deepening capability; in developing application-specific capabilities versus general purpose "know how" (capabilities).

2.6   The relationship between 'Ordinary' and 'Dynamic' Capabilities

The DC framework is evolving, including continuing refinement of explanations of the synthesis and antecedents of dynamic capabilities (Schilke, Hu and Helfat, 2018). The differentiation of 'ordinary' (or 'operational') capabilities from 'dynamic' capabilities has attracted attention, as has the interpretation of their relationship and inter-dependencies (Winter, 2007; Wilden, Gudergan, Nielsen and Lings, 2013; Collis and Anand, 2019).

Hooley, Broderick and Moller (1998) propose that DCs that lead to superior organisational performance comprise a 'strategic hierarchy' across three categories: strategic, functional and operational processes. According to this analysis, the higher the level of the capabilities within the strategic hierarchy, the greater the strategic value they deliver, yet the more difficult they are to build and maintain (Wojcik, 2015). Within this analysis, the relationship between capabilities is indistinct and, implicitly, relative.

Teece (2017) clearly differentiates ordinary from dynamic capabilities and proposes that the relevance of each type of capability is determined by the level of stability, risk or turbulence within the organisation's operating environment. Adopting a hierarchical construction, Winter (2007: 40) suggests that ordinary capabilities enable organisations to *"make a living"* while dynamic capabilities are higher-order and *"operate to extend, modify or create ordinary capabilities"*.

Adopting an evolutionary interpretation, Helfat and Peteraf (2009) suggest that dynamic capability is created through the modification and extension of ordinary capabilities, as well as modification of dynamic capabilities themselves. In the same vein, Breznik and Hisrich (2014) cite the definition of dynamic capability as higher-order and integrative of multiple operational capabilities.

The differing interpretations of the relationship between ordinary and dynamic capabilities indicate significant opportunities for further research and theorising and further dissection of the construct of

capability. The concept of capabilities, whether ordinary or dynamic, comprises an aggregation of micro-foundations, thus requires exploration.

2.7   Micro-foundations of Dynamic Capability

Exploration of the 'micro-foundations', the *"distinct skills, processes, procedures, organizational structures, decision rules and disciplines"* (Teece, 2007: 1319) that underpin ordinary and dynamic capabilities has attracted significant theoretical interest in recent years (Wang and Ahmed, 2007; Schilke, et al, 2013; Alford, 2017). Nevertheless, this aspect of the DC framework offers significant opportunities for future research. As Sprafke and Wilkens (2012) suggest, the DC framework needs to describe individual as well as collective and organisational competencies and explain their interaction and influence. Fallon-Byrne and Harney (2017: 22) also note the criticisms of DC, which *"centre around the lack of explication of microfoundations and the neglect of employees"*.

A focus on the micro-foundations which underpin organisational innovation capabilities not only facilitates analysis, but more importantly enables organisations to design for innovation. It provides a filter to support decisions regarding which assets, resources, processes and practices to modify or to invest in, in the pursuit of innovation. It supports understanding of how these foundational elements interact with and mediate each other, as well as enabling the organisation to pinpoint barriers to the development of dynamic capabilities (Fallon-Byrne and Harney, 2017).

In adopting a framework in which capabilities are construed as the product of processes, activities, assets, resources and competencies, capability formation – and particularly the formation of dynamic capabilities – becomes an end, as well as a means. Dynamic capabilities are higher-order consequences of interactions of operational capabilities, as well as the catalyst for the development of other capabilities. Thus, innovation can be understood as a dynamic capability (Ambrosini, et al, 2009; Wojcik, 2015; Fallon-Byrne and Harney, 2017; Albort-Morant, et al, 2018).

Conceptualising DC through the lens of micro-foundations focuses on the relationships between ordinary and dynamic capabilities and between individual competencies, team capabilities and organisational capabilities and thus implies a hierarchy of assets, resources and processes, as well as a hierarchical relationship between individual actions and organisational strategy.

Wojcik (2015) proposes a hierarchical model (Figure 2.1), derived from Wang and Ahmed (2007) to explain the relationship between resources, what he terms 'strategic capabilities', and dynamic capabilities. Within this model, the organisation's resources are static and provide the foundation for organisational routines and capabilities that renew or sustain competitive advantage. Strategic capabilities integrate resources and everyday routines to achieve strategic outcomes and create advantage. Dynamic capabilities are built out of strategy and resources when the pace of change in the environment demands new responses to remain competitive.

The researcher has adapted Wojcik's model to represent the hierarchical relationship between assets and resources, competencies, micro-foundations, ordinary ('operational' or 'strategic') capabilities and dynamic capabilities, that is outlined in the literature.

The revised model illustrates a number of elements of the conceptual framework adopted for this study of LGO innovation, which will be explored further in the findings and discussion sections of this thesis. This includes challenging the generalities implicit to Wojcik's model and distilling capabilities into their constituent parts. The research model adopts the view that the organisations assets provide the foundation for its resource base and that the micro-foundations that underpin organisational capabilities are the sum of organisational resources and competencies. In this respect, the model seeks to bring together divergent views of DC theorists that Wojcik (2015) reports:

– resources as the sum of assets and capabilities (Barney, 1991; Day, 1994, Hooley et al., 1998);

– assets as the sum of resources and capabilities (Amit and Schoemaker, 1993; Peteraf, 1993; Foss, 1996; Helfat and Peteraf, 2003);

– resources as the sum of assets and competencies, with capabilities (as a distinct notion) created on the basis of these resources (Hall, 1993).

This model also reflects the premise that the context of LGO innovation means that dynamic capabilities, such as innovation, are not separate to, but derived from the integration of ordinary capabilities. While this differs from Wojcik's interpretation, the researcher nevertheless supports his fundamental premise that "*the essence of dynamic capabilities lies in changing how resources, routines, processes and capabilities are organized*" (Wojcik, 2015: 98).

Figure 2.1   Comparison of Hierarchical Models of DC Hierarchy
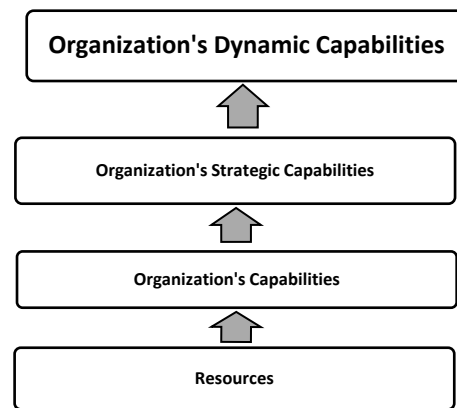
Source: Wojcik, 2015, elaboration based on Wang and Ahmed [2007], pp. 35–36
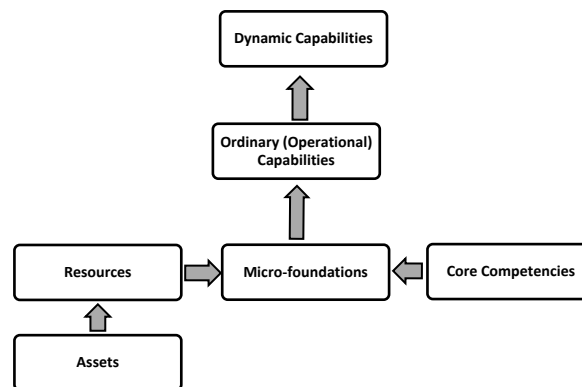
Source: the researcher, elaboration based on Wojcik, 2015

2.8   Innovation as Dynamic Capability or Dynamic Capabilities for innovation?

A further consideration in the application of the DC framework to understanding LGO innovation is the role of DC in innovation and the role of innovation in DC. The strategic management literature and the DC framework suggest that innovation is key to creating competitive advantage and that the innovation capability of an organisation enables it to identify new opportunities, generate new ideas and adapt existing resources and routines (capabilities) to respond to environmental demands (Teece, 2007; Breznik and Hisrich, 2014; Stronen, Hoholm, Kvaerner and Stome, 2017).

However, in something of a circular logic, the literature also suggests that innovation processes create dynamic capability. These differing perspectives on whether 'innovation' is a dynamic capability in its own right, or whether innovating constitutes a lower-order ('ordinary') capability that supports other, higher-level ('dynamic') capabilities (Tidd and Bessant, 2009; Janssen et al, 2012; Wilden et al, 2013; Collis and Anand, 2019) reflect the many debates concerning the processes of organisational innovation as well as the fluidity and discursiveness of the DC framework (Nielsen, et al, 2012; Stroner, et al, 2017; Zhou, et al, 2019).

In what may be a resolution of this ongoing tension, Breznik and Hisrich (2014) suggest that innovation capability and dynamic capability [sic] are both higher order capabilities that support the development of other capabilities and share a common purpose and underlying processes. In this respect, they suggest that rather than focus on divergence, innovation capability and DC may instead be conceived as synonymous, a case of *"dealing with old wine in new bottles"* (Breznik and Hisrich, 2014: 377). This conception has been adopted for the purposes of this study of LGO innovation.

The diversity of views on the conceptualisation, construction, operation and outcomes of DC creates challenges in arriving at a unified definition and interpretation of the framework. At the same time, the diffuse and emerging nature of DC theory and the lack of precedent studies into DC within the local government context offer an opportunity for this study of local government innovation to synthesise findings that will take the discourse forward and offer new theoretical propositions.

2.9   Controversies and contestation in DC

Although they represent *"one of the most influential framework[s] for understanding strategic management"* (Barney, et al, 2001: 625), RBV and DC are not uncontested (Eisenhardt and Martin, 2000). It has been claimed that DC lacks precise definitions and rigorous arguments (Bowman and Ambrosini, 2003; Pisano, 2015) and is *"conceptually vague and tautological, with inattention to the mechanisms by which resources actually contribute to competitive advantage"* (Eisenhardt and Martin, 2000: 1106).

DC has been criticised for failing to develop a robust empirical grounding, partly because of the difficulty in measuring something as intangible as 'capability' (Godfrey and Hill, 1995, cited in Barney, et al, 2001; Nielsen, et al, 2012; Janssen et al, 2014). Pisano (2015) contends that, too often, the DC

discourse focuses on capacity for flexibility rather than capacity for competitive advantage and in so doing, fails to adequately address what he perceives to be the key focus of strategic management.

These disputes may reflect both the continued evolution of DC theory within the strategic management field and the heterogeneity of contexts and purposes to which DC is applied. The discourse can be summarised as follows:

- differing terminologies and views concerning focus, development and outcomes (Breznik and Hisrich, 2014; Breznik and Lahovnik, 2016; Morant et al, 2017)

- the extent to which environmental volatility (as opposed to stability) is an inherent requirement for the development of DCs (Teece et al, 1997; Zollo and Winter, 2002; Zahra, Sapienza and Davidsson, 2006; Teece, 2017)

- the degree to which DCs must be unique to the organisation, as opposed to generic across organisations (Drnevic and Kriauciunas, 2011; Janssen, et al, 2012; Schilke, et al, 2018)

- the relationships between micro-foundations and DCs and the degree of hierarchy or inter-dependence between 'ordinary' and 'dynamic' capabilities (Eisenhardt and Martin, 2000; Winter, 2003; Tidd and Bessant, 2009; Janssen and Alexiev, 2012; Wilden, Gudergan, Nielsen and Lings, 2013; Breznik and Hisrich, 2014).

- whether innovation is a DC that is comprised of discrete micro-foundations or whether it is the outcome of other DCs (Tidd and Bessant, 2009; Janssen and Alexiev, 2012; Fallon-Byrne and Harney, 2017).

The question of measurement of intangible capabilities, particularly in service-based enterprises has been the subject of discourse in the literature, particularly in quantitative studies (Janssen, et al, 2014; Pisano, 2015; Zhou, et al, 2017). While their existence and impact can be measured by indicators or "proxies" (for example, assessing movie studio 'creative capability' via the number of Academy Awards won), there is continued debate about the selection and validation of these secondary measures.

It has been argued that *"the traditional indicators, based on accounting information are not always appropriate"* (Escrig-Tena and Bou-Llusar, 2005: 222) and intangible capabilities can be identified just as effectively via qualitative methods (Rouse and Daellenbach (1999), quoted in Barney, et al, 2001).

This is particularly relevant to this study as it indicates that collecting foundation data via qualitative methods may provide a valid approach to the initial definition and description of LGO innovation capabilities.

2.10 Application of the DC framework to Local Government innovation

2.10.1 Dynamic Capability and public sector innovation

Application of DC to explain public sector organisational strategy and performance has been limited. However, examples do exist, including Matthews and Shulman's (2005) application of RBV in their study of public goods and competitive advantage; O'Connor, Roos and Vickers-Willis' (2007) evaluation of innovation in a state agency; and Johanson's (2009) application of corporate strategy frameworks to analyse public agency strategy formation.

Other studies refer to capabilities without explicitly adopting the DC framework. This includes the Australian Public Sector Innovation Indicators Project (2011) and Scott-Kemis' (2009) international research into sustaining public sector innovation.

These studies reflect increasing recognition of the relevance of strategic management theory within the public administration context, a shift that has included the adoption of New Public Management principles (NPM). The NPM movement has led to an increased focus by public agencies on what were once considered private sector issues: accountability, strategy, the measurement of performance, efficiency and sustainability (Jun and Weare; 2007; Kearney, et al, 2009; Luke, et al, 2010; Rhodes and Price, 2010; Hansen, 2011).

At the same time, the philosophy of delivering public value - ensuring that quality, quantity and variety of services are tailored to meet the expectations of citizens (Moore, 1995; Coats and Passmore, 2008; Grant, et al, 2014) has garnered significant attention among public administration scholars. Within both movements, the re-definition of community as consumers, stakeholders and collaborators, rather than passive, 'recipients of service' (Aulich, 2009; McKinlay, 2011; Hambleton, 2013), demands a re-evaluation of notions of strategy, service sustainability and competition.

Recognising the convergence between what were once conceived as antitheses, the private sector pursuit of competitive advantage to maximise shareholder value arguably offers the same strategic proposition as the public sector pursuit of efficiencies and effectiveness to maximise public value (Mulgan and Albury, 2003; Johanson, 2009). This is important in the local government field, where organisational forms and functions lie somewhere between those of the private and public sectors, while sharing characteristics with other service-based firms, whether they are private, not-for-profit or public organisations.

2.10.2 DC and local government innovation

DC has been applied even less frequently to the local government sector than it has in the public sector. However, there are precedent studies:

- Carmeli and Cohen's (2001) application of the Resource Based View (RBV) of the Firm to Israeli local government organisations;
- Klievink and Janssen's (2009) application of DC to identify the capabilities required for local agencies in the Netherlands to transform 'stove pipe' services to 'customer-driven, joined up government'; and
- Douglas, et al's (2013) application of the DC framework to investigate continuous improvement in the delivery of local government services in the United Kingdom.

The limited number of studies that apply DC in local government suggests both the applicability of DC to this research and its potential to contribute to the continued development of DC theory. The dearth of precedent studies also predicates the adoption of an exploratory research design, to enable description and explanation of the DCs for LGO innovation, rather than to arrive at prescriptive or predictive outcomes.

The purpose and functions of LGOs also indicate the benefit of investigating the application of the DC framework in studies of innovation in service-based and not-for-profit organisations and its relevance beyond the traditional realms of manufacturing and technology (Klievink and Janssen, 2009a; Den Hertog, Van der Aa and De Jong, 2010; Seelos and Mair, 2012; Janssen et al, 2014).

LGOs are in the business of delivering services rather than goods. LGO services are: *"intangible, heterogeneous, non-stockable....and coproduced with clients"* (Janssen, et al, 2014: 5). This requires DCs that are less systematic, more idiosyncratic, more implicit and more likely to be distributed throughout the organisation.

While the growing body of research into DCs in diverse industries attests to the relevance of the DC framework to investigating local government performance, it is important to identify the parallels between the two in justifying the adoption of DC for this study. These include:

- Parallels in scale, operating systems, decision-making and capacity;

- Reliance on an ability to generate revenue, including income from commercial activities;

- Strategy-setting by a council that functions as a quasi-board;

- Competition between proximate LGOs for customers (for example, library services compete for membership and visitation), residents (for example, new land releases), business and commercial activity and prestige (for example, awards programs); and

- Competition between LGOs and local commercial businesses in the delivery of core services that were once LGO monopolies, for example, rubbish collection, provision of recreational infrastructure and public domain maintenance (Rhodes and Price, 2010; Pearson, 2014; Ryan et al, 2015).

It is possible to draw parallels in strategic intent between commercial firms' focus on efficiency, effectiveness and return on investment and LGO mandates for efficiency, accountability and sustainability. This has been highlighted in the past decade as LGOs have sought antidotes to increasing costs and the community's reluctance to pay higher rates, fees and charges for what they perceive as public goods.

While perceptions persist that LGO's harbour a bureaucratic culture within a relatively static environment while private firms are agile and responsive to market forces, the operational context for local government has undergone dramatic shifts over the past twenty years that challenge this maxim. This includes changing management practices associated with the NPM agenda (Rhodes and Price, 2007), calls for increased financial sustainability (for example: the NSW government's 'Fit for the Future' review of local government sustainability), and external challenges such as the Global Financial Crisis.

At the same time, the private sector may not be as fluid as is often assumed. Pisano (2015: 22) argues that although *"it is popular today to talk about how competition has become highly turbulent and subject to forces of 'disruption' and 'hyper-competition', in reality, many industries are characterised by relatively stable competition between a reasonably limited set of long-standing rivals who compete against one another in well-defined product market spaces"*. Indeed, within the services sector there are highly regulated professions as well as professions with a culture steeped in tradition (for example legal services or accounting) where pressures for change and innovation are minimal. This points to the importance of recognising the existence of heterogeneity not just between, but within industry sectors. This includes recognising heterogeneity within the local government sector, where organisational innovation takes different forms, as a relative phenomenon ranging across a continuum of greater or lesser innovation and subject to variation over time.

Table 2.2 provides a comparison of the similarities and differences between organisations across the public, private and local government sectors. The dimensions adopted for comparison are those provided by Koch and Hauknes (2005: 24-25, 'Archetypal Features of Private and Public Sectors and their possible relations to the Propensity and Direction of Innovation'), which they note are an adaptation of Miles (2004) taxonomy. The NSW Local Government sector has been added to the table by the researcher, extending Koch and Hauknes' 'private – public' sector dichotomy to reflect a central tenet of this thesis that local government is not synonymous with the public sector. The dimension of 'governance' has also been added to the table by the researcher in recognition of the relevance of decision-making frameworks to innovation policy and practice. While not derived from or specific to, a DC framework, this table shows similarities as well as differences between these three organisational types and supports the contention that the DC framework is applicable to all three.

Table 2.2: Comparison of private, public sector and local government organisations

	Private Sector	Public Sector	NSW Local Government
Organising Principles	Pursuit of competitive advantage / value, Stability or growth of revenues, Market share, Return on investment while minimising risk and surviving	Enactment of public policies, Pursuit of public value, Delivery of public goods and services, Minimising political risk	Pursuit of organisational efficiency and sustainability, Pursuit of public value Competition for Cth/NSW Govt grants Competition for market share of business / industry, development Minimising risk,

			Delivery of services to the community
Governance	Board sets strategic direction, CEO and Executive operationalise Regular monitoring of performance and strategic outcomes	Government sets strategy, Bureaucratic structure distances strategy from operations, Complex reporting arrangements – outcomes assessed on "exceptions" basis	Council sets strategic direction (quasi-Board), CEO and Executive operationalise Regular monitoring of performance and strategic outcomes
Organisational Structures	Firms of many sizes, with options for new entrants	Large, centralised organisations, Complex structures, with various (and to some extent mutually exclusive) tasks	Firms of various sizes, Each LGO an independent unit, although with some legislated accountabilities to central government. Consistent structure across the sector, Regular re-organisation of organisational structure
Performance Metrics	Return on Investment, may include sustainability indicators, including financial and environmental sustainability and social responsibility	Multiple performance indicators and targets which are political, social etc and may be contradictory	Multiple performance indicators and targets, 'quadruple bottom line' (social, environmental, financial, leadership), increasing focus on sustainability
Management Issues	Some managers have considerable autonomy, others constrained by shareholders, corporate governance, or financial stringency. Successful managers liable to be rewarded with substantial material benefits and promotion	While there are efforts to emulate private sector management practice, managers are typically under high levels of political scrutiny Successful managers likely to receive lower material benefits than comparable private sector managers	Influence of both NPM and public value agendas – contradictory? Degree of operational autonomy of CEOs – varies depending on elected representatives' level of intervention Managers must demonstrate achievement of outcomes to sustain their contracts
Relations with: ~ End-Users	Markets may be consumer or industrial ones, and firms vary in the intimacy of their links with the end-users of their products, but typically market feedback provides the verdict on innovation	End-users are the general public, traditionally seen as citizens, though recently move to see them as customers or consumers	Close links with community and local stakeholders as end-users and co-producers of outcomes Strong focus on community as customers – feedback and satisfaction

~ Supply Chains	Most firms are parts of one or more supply chains, with larger firms tending to organise and control these chains	Some use of supply chains – inputs governed by procurement policies - agencies manage distribution of services, funding grants, etc – politicised, high degree of control	Reliance on supply chains to contract and out-source functions – strong local control over supply chains
~ Employees	Nature of workforce varies considerably, and relations between employees and management range from fractious to harmonious. Efforts are made in some firms to instil company loyalty and/or a customer centric approach, but employee motivations are often mainly economic ones of securing a reasonable income and stability.	Public sector employees are typically highly unionised. Many are also professional workers organised through professional associations. While usual concerns about status and salary are experienced, many workers enter public service with idealistic motivations	Nature of workforce varies considerably and relations between management and staff also varied. Some LGOs have unionised workforce, but limited union power generally. Motivation of workforce varies significantly. Loyalty to local community an important variable
Sources of Knowledge	Companies have considerable flexibility in sourcing innovation related information from consultants, trade associations, and public sector researchers, but many smaller firms have limited resources to do so	Despite large resources, parts of the public sector may be constrained from using private sources of knowledge (other than those of approved suppliers). Public sector sources of knowledge (e.g. universities) may be highly oriented to other parts of the public sector.	Flexibility in sourcing knowledge from local government networks, researchers and public sources of knowledge – though procurement governed by Local Government Act Smaller LGOs have limited resources to access knowledge services
Time Horizon	Short-term in many sectors, though utilities and infrastructural services may have very long horizons	Short-term: policy-initiated innovations need to pay off within the election period, though infrastructure projects have long horizons.	Short-term – annualised budget; elected representatives four-year term, though infrastructure projects have long horizons

Adapted from: Koch, P., Cunningham, P., Schwabsky, N. and Hauknes, J. Innovation in the Public Sector - Summary and policy recommendations Publin Report No. D24 Published by NIFU STEP Studies in Innovation, Research and Education http://www.step.no/publin/reports/d24-summary-final.pdf

The DC framework provides a useful tool to analyse the conditions and characteristics (assets, resources, processes) that set apart innovative local government organisations from those that struggle to achieve innovation. At the same time, it offers a framework to interpret how assets, resources and routines work together in LGO innovation, extending existing local government innovation theories beyond the established constructs such as leadership, culture, learning and resources. DC theories concerning the nature of ordinary ('operational') capabilities, their micro-foundations and their relationship to dynamic capabilities offer exciting opportunities for further exploration, particularly in relation to the practice-based context of local government.

This section of the literature review introduced the Dynamic Capabilities framework and reviewed its place within the strategic management framework, including its evolution from the Resource Based View of the firm (RBV) (Barney, et al, 1991; Eisenhardt and Martin, 2000; Bowman and Ambrosini, 2003; Wang 2013). It discussed the application of the DC within firms and organisations and its application within service-based industries such as local government. It then moved on to provide an overview of the applicability to investigating innovation within and by local government organisations.

2.11 Community 'readiness' and its relationship to local government innovation

2.11.1 Introduction

This section focuses on research and theory regarding the relationship between local government organisations and citizens. It includes a discussion of the growing recognition of the value of participatory and collaborative partnerships in achieving outcomes for local communities. Aside from establishing the contribution that communities make to local government strategy and innovation, this section introduces and explores the concept of 'community receptiveness' and its role in the creation and deployment of local government innovation.

2.11.2 Community governance and local government innovation – community 'readiness' and Dynamic Capability

The challenges confronting local government in the early 21st century are well documented. Over the past 20 years, a succession of reform initiatives has impacted internationally (Hambleton, Howard, Buser and Taylor, 2009; LGiU, 2013), nationally (Aulich, 2009; Ryan et al, 2015; Local Government Professionals Australia, 2016) and in New South Wales (Independent Local Government Review Panel, 2013).

The co-production of solutions and co-delivery of outcomes constitute central themes in the development of innovative responses to local challenges (Reddall, 2002; Aulich, 2009; Evans and Read, 2013; Carr-West, et al, 2013). Bradford (2003) contends that the most enduring way to create relevant, sustainable innovation is through 'community-based innovation', that includes seven key ingredients:

1) the emergence of local champions;

2) the formation of institutional intermediaries;

3) a commitment to equitable participation

4) a civic culture of creativity;

5) the provision of financial and technical resources;

6) robust accountability mechanisms; and

7) development of indicators to benchmark progress.

Public participation is credited with creating more active and informed citizens, building social capital and assisting in the design of superior solutions to complex problems (Evans and Read, 2013; Ryan, et al, 2015). Where it is based on "shared power", community participation is deemed to be *"not only the essential ingredient in public policy decision-making and delivery but a key measure of the quality of democratic life"* (Evans and Read, 2013: 9). However, partnering with the community to produce local outcomes has been subject to varying levels of consideration – and realisation – by local government organisations over the past fifty years.

Collaboration between local government and community to produce local outcomes and engagement of the community in local government policy formulation and delivery are not new (Aulich, 2009; Quick and Bryson, 2016). Research into citizen participation and community governance emerged during the 1960's and 1970's, with researchers in the United States, such as Arnstein (1971) and in Australia, such as Mowbray and Bryson (1981), exploring the principles – and the contested nature - of 'citizen empowerment' in local decision-making.

Community engagement has become embedded as a standard element within the policy-making process at all levels of government. Frameworks such as Mazzerol's (2011) community engagement framework for local government innovation provide practice-based models that consider the contribution and interaction of community, agency and management in achieving innovation. However, the adoption of participation paradigms and the extent to which decision-making power can and should be shared remain in contention. At the same time, the dynamics of the interaction between community and government have remained relatively unexplored.

More than twenty years ago, Berman (1996: 1035) noted the need to *"better understand the efficacy of community-based strategies and to elaborate on various issues associated with the use of co-production"* to achieve innovation. Yet, despite the passage of time and the ongoing discourse, engagement between government and citizens still falls *"largely within the ambit of 'indirect participation'……[and is] typically focused on policy delivery, rather than design"* Aulich (2009: 46).

McKinlay, Pillora, Tan and von Tunzelmann (2011), in a research paper on the evolution of local governance, observe that in many instances, both elected representatives and local government

officers see their relationship to community as one of representation and/or engagement (understanding what citizens want). They contend that, while most local government practitioners are aware of the principle of community governance (collaborative decision-making) this is perceived more as an 'ideal' than a lived reality and that 'empowering community engagement' is seen by some critics as lying on the margins of local government practice.

Newman, Raine and Skelcher (2001) adopt a more critical stance, suggesting that the results of their study indicate that communities have little direct impact on local government innovation, *"despite the scale of new forms of consultation"*. Indeed, they suggest that *"in some cases, consultation appeared to be more of an attempt to support current practice by gaining legitimacy for decisions the local authority wished to take rather than as a way of generating fresh perspectives"* (ibid: 66).

Two factors influence the success of local community governance endeavours: the extent to which local government organisations are prepared, or have the necessary organisational capabilities, to share power over decision-making with their constituents and the extent to which community-members are prepared – and able – to participate in decision-making and policy design.

It could be argued that the 'discretionary' – or marginal – status of community engagement in Australian local government strategy has declined over the past ten years as the mandate for local government organisations to develop a long-term, community (as opposed to "corporate") strategic plan has lent impetus to deliberative community engagement (McKinlay, et al, 2011). However, the variable capacity of local government organisations to collaborate with external stakeholders and the inherently political nature of local government decision-making, have led to mixed success in co-production of strategy (Aulich, 2009; Hambleton, et al, 2009, Carr-West, et al, 2013).

Analysed through the lens of the DC framework, the capacity of local government organisations to respond strategically to challenges and changes in the external operating environment and to generate public value (to innovate) depends not just on successfully harnessing internal organisational capabilities but on successful engagement with the community. When viewed through the lens of local governance it is reasonable to propose that rather than communities being treated as "external stakeholders" or "customers" of local government organisations, they may be viewed as co-designers and co-producers. The interface between the two thus becomes diffuse and permeable rather than a boundary. It is thus possible to conceptualise community as a facet of the local

government organisation, so that capacity for community co-production of local outcomes becomes a capability for local government organisations in the pursuit of innovation and delivery of public value.

While Australian communities report a willingness to participate in government decision making and a commitment to the principle of government and community co-design (Ryan, et al, 2015; Quick and Bryson, 2016), the capacity of the community and its citizens to do so is a key element in the success of collaborative government (Sullivan and Skelcher, 2002, cited in McKinlay, 2011). Communities are not equally resourced, empowered or capable of collaboration. However, perhaps because of the intrinsic appeal of democratic governance, the involvement of community appears in much of the literature to be based on the premise that communities are homogeneous, and differences in their capacity to engage with local government are insignificant ('a community is a community, is a community'). Not only are there differences in capacity between communities, but there are also differences within communities, in terms of both the 'voice' and agency of different interest groups, demographics, cultures and geographies (McKinlay, et al, 2011; Evans and Stoker, 2016; Quick and Bryson, 2016). The questions of 'how much' community consultation or collaboration is 'enough' and how the capacity of community and capacity of LGOs are intertwined therefore remain moot.

2.11.3 Community capacity and community 'readiness' for innovation

For the local government sector to harness the capability that is available within the community, it needs to see each community within each Local Government Area as unique and diverse, with differing characteristics, needs and strengths. The availability of a methodology to assess community capacity to participate in community governance would provide a valuable tool for local government to measure this capability. However, while local government collects and reports across a range of indices on an annual basis (Department of Premier and Cabinet, Victoria, 2000; NSW Division of Local Government, 2012) there is limited evidence of comparative analysis or interpretation of that data. Further, the literature on the relationship between community capacity and local government performance (particularly performance in relation to innovation) is not extensive.

An emerging body of literature in relation to social capital includes the construction of frameworks for measurement. Examples include: Holdsworth and Hartmann's (2009) research into community cohesion in an Australian country town; Putnam's (1995, 2000) indices to measure social capital in the USA; Grootaert and van Bastelaer's (2001) report for the World Bank; and Cheers, Cock, Hylton-

Keele, Kruger and Trigg's, (2005) study of the relationship between social capital and economic and social development in rural South Australia. Recent developments in Geographic Information Systems (GIS) mapping, a tool that is familiar to LGOs due to their statutory responsibilities for public lands, also offer opportunities to visualise differences across a variety of indicators to locate trends and anomalies.

Several related areas of research indirectly inform theorising about the relationship between community capacity and local government innovation. For example, the extensive literature in relation to 'creative cities', which has evolved from the seminal work of Richard Florida (2003) and indices relating to 'global cities' (Hartley, et al, 2012). Closer to home, the Marrickville Creativity Project *"highlights that local government organisations can benefit from drawing on the distinctive characteristics of their local communities"* to inform innovation strategy (Bennett, et al, 2015: 3).

Approaches to the measurement of community 'readiness', a term adopted from the research of the Tri-Ethnic Centre (2014), are also relevant to understanding community capacity for collaboration. Community readiness is the degree to which a community is willing and prepared to make changes and act to address issues of concern, such as drug and alcohol use and HIV/AIDs prevention. However, although relevant, the construct of 'readiness' is not completely congruent with the willingness of communities to actively participate in the co-production of local government innovation.

Within the literature that directly addresses the relationship between community capacity and local government innovation, Walker and Chaiken (1982: 145) propose that community characteristics of size, urbanisation and wealth are positively related to local government innovation. Jun and Weare (2010: 509) suggest that *"municipalities with wealthier and more educated residents, who presumably have greater demand for e-government services are more likely to be early adopters"*. Hansen (2011: 292) citing Moon and DeLeon (2001) and Damanpour and Schneider (2006) notes that *"increasing urbanization, community wealth, population growth and level of education have been found to co-vary positively with innovation adoption, while an increasing unemployment rate is negatively related to innovation adoption"*.

Kearney and Scavo, in their study of the reinvention of local government in the USA contend that *"population growth suggests a changing social, economic, and political environment"* that might favour regional reinvention.

2.11.4 Indicators of community 'readiness' in the Australian context

From an Australian perspective, Wettenhall (1988) notes past studies which showed the positive relationship between stable, homogeneous, middle-class [sic] populations, larger-sized cities and local government innovation. Plowman, Ashkanasy, Gardner, and Letts (2003) identify factors for regional innovation that could provide the basis for the development of empirical indicators for community 'readiness' for innovation. They conclude that innovative towns exhibit characteristics of:

- a younger population, with a higher average level of education;

- more frequent population movement, upward population growth and residents who travel overseas more frequently;

- a higher proportion of residents whose prior town was larger rather than smaller or same size;

- an upward trend in employment and a downward trend in the percentage of population not in the labour force;

- a higher proportion of owner-occupied accommodation; and

- a higher proportion of residents working in the so-called 'creative class' occupations and industries and a lower proportion working in lower skilled areas.

Ryan et al (2015: 27) suggest that engagement with local government decision-making was positively associated with age (60 to 69 years) and in contrast to other studies, with lower levels of household income, lower levels of educational attainment and group (non-familial) households.

2.11.5 Key concepts - community governance, community participation and community 'readiness'

The review of the literature regarding local government, community and community capacity for innovation indicates significant scope for further research in this area. It shows a growing recognition of the value of participatory and collaborative partnerships in achieving outcomes for local communities. At the same time, it raises questions concerning the differing dynamics of proactive engagement of the community in driving ideas and change versus community acceptance and support for ideas and change generated by government. This provides an interesting construct to be explored further in this research.

The literature also reveals the potential for further exploration of the relationship between local government innovation and the capacity of the local community to influence or support innovation. Similarly, the lack of metrics for evaluating community capacity for innovation indicates a research opportunity that will produce both academic and practical value. Existing indices that have been adopted in past studies to operationalise 'community readiness' provide a basis for this research program to develop further insights into the community characteristics that influence LGO innovation.

2.12 Limitations of existing research and knowledge – opportunities for further investigation of key concepts

This section of the literature review provides an overview of existing research and theory in relation to local government innovation, DC and participatory governance in local government. It identifies the gaps in the knowledge base that are indicative of opportunities for further investigation.

2.12.1 Limitations of existing conceptual frameworks for innovation

The wide variety of descriptive and explanatory studies into innovation in commercial organisations conducted over the past eighty years provides a solid foundation for investigating innovation in local government organisations. While significant, past studies focus on innovation in relation to specific aspects of organisational activity – products, processes, systems and so on, research into innovation in service-based industries is more recent, perhaps because *"the non-innovative character of services was a core of economic thought until the mid-1990s"* (Gallouj, et al, 2018). The value of research into innovation that takes into consideration the discursive nature of service delivery and relationships with customers within a local government context, is therefore clear.

Similarly, the focus on discrete organisational functions – for example, the introduction of new technologies - has produced a body of theory in which the relationships between factors that influence organisational innovation and the complexity of how these elements interact remain relatively obscure. This indicates an opportunity to apply a theoretical model such as the DC framework to a multi-faceted phenomenon such as strategic organisational planning, to obtain a holistic understanding of the resources and processes that underlie organisational innovation.

Within the literature, innovation is represented as having a strong, positive – if not hagiographic - value dimension (Koch and Hauknes, 2005). It is characterised as inherently desirable and producing positive (if occasionally unexpected) outcomes regardless of context. The instances where innovation fails to deliver financial value, improved strategic outcomes or higher levels of customer satisfaction are rarely discussed, despite occasional concessions that *"innovation may not necessarily lead to improvement, or to only short-run improvements"* (Warwick Business School, 2008: 63). At the same time, there is recognition of the value of 'failed' innovation for organisational learning (Borins, 2001; Mulgan and Albury, 2003; Kearney, et al, 2009).

2.12.2 Limitations of existing conceptual frameworks for public sector innovation

A review of past research and academic discourses regarding innovation in private sector organisations indicates areas of opportunity for more focused, empirical analysis. It highlights both assonances and dissonances where explanations and prescriptions for private sector innovation are applied to the public sector. While a discrete, public sector-focused body of research and discourse into innovation has emerged over the past twenty-five years, particularly in the United Kingdom, this has been more limited and more recent in Australia.

Past research into public sector innovation is constrained in several respects that parallel the limitations of private sector innovation studies. It tends to be practice-based, qualitative and lacking in the empirical grounding that would support abstraction of general principles and capacity for inference.

Analysis of public sector innovation has been approached from a deficit-based frame of reference, focusing on its divergence and constraints in comparison to private sector innovation. This ontological position frames public sector innovation as secondary or marginalised within the broad field of research into organisational innovation, limiting generalisability and reducing higher level insights into innovation processes.

More importantly, the differences between public sector and local government innovation point to the need for sector-specific research. The paradigm of a centralised, relatively homogeneous public sector differs markedly from the local government sector where each organisation while connected via

an over-arching legislative framework, functions autonomously in relation to financial, strategic and operational decision-making.

2.12.3 Limitations of existing conceptual frameworks for local government innovation

The limitations of research into both private sector and public sector innovation limit the availability of unified theories for understanding local government innovation. More importantly, the lack of a continuous and extensive body of research specific to innovation within or by Australian local government provides limited guidance to the sector and provides few paradigms for further investigation.

Research and scholarly inquiry have begun to contribute to understandings of Australian local government innovation (for example, via a number of recent reports commissioned by the Australian Centre for Excellence in Local Government), and there is a history of international interest in this field. However, the fact remains that they emphasise practice-based research rather than research grounded in a theoretical framework - describing, as opposed to explaining, the phenomenon of innovation by local government. The opportunities to investigate innovation by LGOs from multiple perspectives that capture lived experiences of innovation, further interpret those experiences through an objective lens and apply a theoretical framework to synthesise conceptual as well as practical outcomes are evident.

The paucity of research that considers the role of community in the innovation process indicates the considerable merit of investigating the impact of external vectors such as motivation, stakeholder expectations, cross-organisational learning and the commissioning of resources to support innovation.

Research into local government innovation that is focused on 'whole-of-organisation' systems and processes, on the delivery of new services and outputs and on new ways of doing business is required. The contribution of research that explains the complexity of innovation and the combination and interaction of internal and external factors (organisational capability and community attributes) that influence capacity to innovate is also clear.

The review of the literature indicates that it is time for research into local government innovation that is theoretically grounded, empirical and that provides a unified view of local government innovation as a phenomenon within the broader organisational innovation context. More importantly, it is time for

research that takes into consideration the role of both organisation and community in the production of local government innovation outcomes.

2.12.4 Limitations of the Dynamic Capability framework

It is a regular observation among DC scholars that despite the quantity and quality of research over more than twenty years, the DC framework remains conceptually fluid, such that *"authors are still looking for the nature of dynamic capabilities, its antecedents or drivers, its outcomes and the [underlying] organizational and managerial processes and procedures"* (Albort-Morant, et al, 2018: 42). The literature that defines this study supports this contention. The limited resolution of key concepts demonstrates the opportunities for new research in this significant area of management theory while requiring research decisions about which aspects and interpretations of DC will best inform the study.

The DC framework has rarely been applied outside the commercial, 'for profit' arena. While a limited number of new studies that apply DC within service industries and in the public sector has begun to emerge, the opportunities to further explore the relevance of the DC framework to a service-based sector such as local government (particularly Australian local government) are evident. For the local government sector this offers the potential of developing an organising paradigm to analyse, strategise and systematise innovation.

An empirical study that applies the DC framework to analyse, describe and explain local government innovation will enable the identification of new, sector-specific capabilities and their relative impact and importance. More importantly, examining innovation processes within a comparatively stable organisational context will extend existing knowledge about the relationship between ordinary and dynamic capabilities. It will provide a frame to identify and dissect their micro-foundations and assist in de-mystifying, representing and explaining the operationalisation of dynamic capabilities for local government innovation.

2.12.5 Limitations of conceptual frameworks regarding community participation

The contribution of local communities features within the public administration literature as an important and desirable element of local government innovation strategy. Developing theory to explain the role of community capacity, readiness and interest in LGO innovation will offer

interpretations of this dynamic that go beyond traditional and somewhat idealised constructs of community participatory governance and deliberative democracy.

While past studies have sought to explain community capacity to support innovation via the assessment of demographic characteristics and indices, they have produced contradictory results. There is a need for an investigation of characteristics for 'readiness' that relate directly to LGO innovation and that are, more importantly, derived from the field.

Investigating the extent to which communities actually influence LGO strategy and innovation, where and how that influence is exerted will challenge – or confirm – existing constructions of community engagement. It will also offer practical insights for local government regarding optimum types and levels of investment to devote to engaging with the community.

Adopting the DC framework will enable analysis of the resources, assets and processes that LGOs bring to bear on innovation and offer an organising paradigm for both assessing current practice and synthesising new approaches to innovation. The DC frame also offers the potential to better understand the internal and external vectors that impact LGO innovation. Specifically, it will support or dispel the proposition that the role and relationship of local communities in LGO innovation is so intertwined with organisational processes that it contributes to DC for innovation.

2.12.6 Limitations of existing research and conceptual frameworks – the interface between innovation, DC, local government and community

This study brings together research and theory that explore and explain innovation within the context of local government organisations and through the lens of the DC framework. It recognises the role of LGOs as service-based enterprises, where co-production with consumers is central to the creation of service value. It also recognises LGO's responsibilities as government agencies, to engage citizens in the development and delivery of policy and service outcomes.

The literature review mines a rich vein of past research and theory across related fields, which, when integrated, illuminate some aspects of local government innovation. However it also exposes several gaps when it comes to describing and explaining LGO innovation, in particular the gaps in recent, empirical, Australian research into the phenomenon. This includes understanding the ways that Australian LGOs frame, understand and process innovation; the reasons they do (or do not) pursue

innovation; the building blocks they use to innovate – constructed here via DC theory (competences, capabilities, microfoundations); and the intersectionality of LGO capabilities for innovation and the capability of communities to participate in the co-design and co-production of innovative, local outcomes. The following section of this chapter translates the identified gaps into research questions that will guide this study.

2.13 The research problem and research questions

It has been a little over two decades since Martin (2000: 2) noted *"a lack of specific research into contemporary approaches to innovation in local government"* and thus the importance of investigation of *"what is it that facilitates and sustains the innovation process, and how can this process be encouraged"*. Despite this early promise and a handful of studies sponsored by ACELG noted earlier in this chapter, research into local government innovation has been sporadic and inconclusive.

The opportunity to apply contemporary theory to a well-established problem is not only exciting but offers the potential to create new understandings of and new directions for local government innovation. This research seeks to meet the challenge of understanding how LGOs 'do' innovation and how the community contributes to that doing, within a framework of systematic analysis and theory-building.

To do so it poses the research problem:

How do organisational and community capabilities affect local government innovation?

A number of secondary research questions provide a design-logic to guide data collection, interpretation and analysis and frame research findings, conclusions and propositions:

RQ1   How do Local Government Organisations (LGOs) frame (define and operationalise) innovation?

RQ2a   What are the organisational capabilities that contribute to innovation by LGOs?

RQ2b   How and why do these capabilities contribute to LGO innovation?

RQ3   How and why do local communities contribute to LGO innovation?

It is anticipated that, in answering these questions, this study will bring together the practice-driven focus of local government innovation with the theory-driven focus of DCs to arrive at both pragmatic and conceptual outcomes. The potential to thus contribute to the ongoing development and practice of local government innovation and the development of new insights into DC provide evidence to support the value of this study.

2.14 Conclusion

This wide-ranging review of the literature has established a conceptual framework for this study and this thesis. It has identified themes and controversies within the literature. More importantly, the review highlights opportunities to contribute to the thesis topics of innovation, DC and community participatory governance.

This has led to the development of a primary research problem and three supporting questions, which will progress the research and inform the considerations of the methodological framework and research design which are addressed in the following chapters.

Chapter 3 – The Research Methodology

3.1   Introduction

Research methodology concerns "the science of finding out" (Babbie, 1986, quoted in Balnaves and Caputi, 2001: 52) and defines "a way of thinking about and studying social reality" (Strauss and Corbin, 1998: 3). The research methodology provides the theoretical and philosophical framework that links the research problem and key research questions to the research design. It connects design considerations to a choice of methods. Finally, a sound methodology is more likely to deliver credible and "convincing" outcomes (Stewart, 2012; Kaushik and Walsh, 2019).

This chapter introduces key concepts in relation to research methodology and discusses the philosophical basis of the 'pragmatist' paradigm that frames this study. It discusses the rationale for the choice of mixed methodology research (MMR) and the theories that ground the mixed design of this study and addresses the research issues associated with MMR.

The research design and research methods will be addressed in Chapter 4 of this thesis.

3.2   Framing the Inquiry - The Relationship Between Research Paradigm, Methodology and Design

3.2.1 Definition

The research paradigm for this thesis represents the researcher's fundamental beliefs and philosophical assumptions concerning the nature of reality and the ways it is understood (Creswell, 2007). It defines the relationship between the researcher, the research process and the phenomena being researched (Guba, 1990; Denzin and Lincoln, 1998; Gregor, 2006; Cameron, 2009). It also defines "what falls within and outside of the limits of legitimate inquiry" (Guba and Lincoln 1998: 200), providing parameters to guide research and establish the scope of this investigation.

3.2.2 Elements

The elements of this research paradigm anchor the research methodology, providing an internally consistent series of beliefs about reality, its interpretation and the researcher's place within the

research process (Guba, 1990; Tashakkori and Teddlie,1998; Gregor, 2006; Creswell, 2007; Bryman, 2012). These elements include:

- ***Ontology -*** the nature of reality and, therefore, the ways that reality can be studied and interpreted (Denzin and Lincoln,1998; Creswell, 2007; Johnson and Gray, 2010).

- ***Epistemology –*** the nature of knowledge - how the researcher can come to know what they know about the research phenomenon (Gregor, 2006; Creswell, 2007).

- ***Axiology -*** the values and ethical stances that inform design and delivery of research, including the ways that research data is managed, interpreted and evaluated (Creswell, 2013; Aliyu and Adamu, 2015)

- ***Causality –*** the nature of the relationships between the phenomena being studied and/or between phenomena and the study environment – the 'cause and effect' of variables within a study (Venkatesh, Brown and Bala, 2012; Bryman, 2012)

3.2.3 Relationship of paradigm to methodology

The research paradigm is not an abstract, philosophical position. It represents the researcher's *"mental model"* (Greene and Hall, 2010: 122). Its relationship to the research methodology adopted for this study is complex (Guba and Lincoln, 1998; Schwandt, 1998; Yazan, 2015). It reflects the disciplinary perspectives and theoretical foundations of the study: strategic management and public administration fields; the research context of local government; and the researcher's experiences and beliefs (Creswell, 2007; Greene and Hall, 2010).

Articulation of the research paradigm clarifies the assumptions that underlie the researcher's choices regarding methodology, design and data collection instruments. It grounds the relationship between key components of the research and supports the defensibility of both process and outcomes (Grix, 2002; Creswell, 2007; Baxter and Jack, 2008).

Figure 3.1 illustrates the relationship between the research paradigm, methodology, strategy and methods.
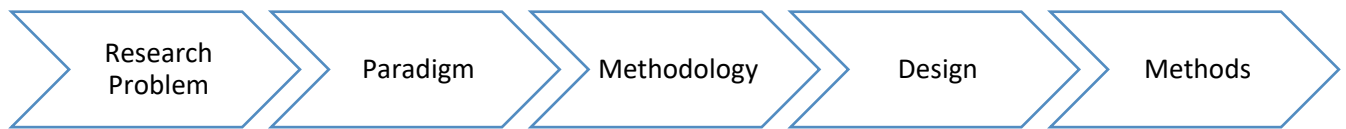
Adapted from Grix (2002: 180)

3.2.4 Comparison of research paradigms

Throughout the latter half of the 20th century, a 'paradigm purist' approach (Cameron, 2011: 97) dominated methodological discourses, emphasising differences rather than similarities in ontological and epistemological positions (Muijs, 2004; Gregor, 2006). Paradigm purism inferred the existence of two mutually exclusive worldviews: *positivism* (founded in realism and objectivity) and *constructivism* (based on the premise of multiple realities, which are subjectively interpreted).

Implicitly, a purist approach excluded the possibility of the co-existence of multiple paradigms and discounted the complexity of the assumptions that researchers bring to their investigations (Guba and Lincoln, 1998; Onwuegbuzie and Leech, 2003; Tashakkori and Teddlie, 2010). Implicitly, a researchers' 'preferred paradigm' would lead them to preference either quantitative or qualitative methods (Denzin, 2008, cited in Teddlie and Tashakkori, 2012). It encouraged the defence of a philosophical position rather than selecting the most appropriate method to address a research problem and stoked the so-called 'paradigm wars' between positivist and constructivist researchers (Tashakkori and Teddlie, 1998; Muijs, 2004; Onwuegbuzie and Leech, 2003).

The post-positivist movement (based on critical realism and the tenet that what is taken to be objectively 'true' is that which has not [yet] been disproved) contributed to bridging the divide between positivist and constructivist philosophies and paved the way for the emergence of pragmatist perspectives.

The pragmatist worldview offered a fourth view of reality and the means of knowing it, occupying a mid-point along a 'multi-dimensional continuum' between the two extremes of positivist and constructivist paradigms (Denzin, 2010; Niglas, 2010). Importantly, pragmatism offered a rationale to reject the *"incompatibility of methods thesis"* and adopt the position *"that all methods are hybrids, emergent, interactive productions"* (Denzin, 2010: 423).

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Table 3.1 provides a comparison of the four common research paradigms. It highlights the beliefs associated with each paradigm and their implications for research design and intent.

Table 3.1   Comparison of Research Paradigms, Elements and Related Methods

Element	Positivism (Realism)	Post-positivism	Constructivism / Interpretivism	Pragmatism
Ontology *What is the nature of reality?*	- Naive realism – A 'real' / external reality exists and is apprehensible	- Critical realism - A 'real' reality exists but is only imperfectly and probabilistically apprehensible	- Relativism - Reality is local and subjectively constructed	- An objective reality exists. However, experience and knowledge of the world differ from objective reality. - Reality is agreed normatively.
Epistemology *What is the relationship between the researcher and researched?*	- Dualist / objectivist - Findings exist independently of the researcher and are 'true'	- Modified dualist/objectivist - Critical tradition / community - Findings probably 'true' – haven't been found to be untrue	- Interpretivist - Transactionist / subjectivist - Findings are created by the researcher – truth is what is accepted by the audience	- Rejects 'objective – subjective' dichotomy - Findings created by the researcher – truth is what works best to manage one's existence and to take part in the world - 'Inquiry' linked to action
Axiology *What role do values play in research?*	- Research is values-free and fact-based	- Values can be identified and neutralised so that they do not impact on the research	- Research is values-laden and culturally relative	- Values impact research to the extent that the researcher relies on them to arrive at conclusions that 'work'
Causal Linkages *To what extent can research predict and explain?*	- Causality can be established - Deductive reasoning leads to predictive capacity	- Non-causality can be proven – therefore, causality can be inferred deductively	- Relationships are non-causal - Inductive reasoning leads to possible explanations	- Relationships can be causal or non-causal - Inductive, deductive and abductive reasoning lead to 'convincing' propositions
Methods *How will the research be designed?* *What will be investigated?* *How will it be investigated?*	- Experimental / manipulative - Verification of hypotheses - Seek generalisability - Chiefly quantitative methods	- Modified experimental / manipulative - Critical multiplism - Falsification of hypotheses - Mainly quantitative, but may include qualitative methods	- Hermeneutical (interpretation of human actions) - Dialectical (dialogic and discursive) - Mainly qualitative methods	- The nature of the problem, rather than the paradigm should determine the choice of methods - Plurality of methods – quantitative and qualitative - mixed or multi-method

Adapted from Aliyu and Adamu (2015) – based on Neuman (2000)

3.3 The Pragmatist Philosophical Paradigm

The pragmatist paradigm provides the philosophical framework for this study of local government innovation. Pragmatism is variously described as *"a practical approach to a problem", "a bridge between paradigm and methodology"* and *"a particular stance at the interface between philosophy and methodology"* (Cameron, 2011: 101). Initially developed within the American philosophical tradition, primarily through authors such as John Dewey, Charles Sanders Pierce and William James, pragmatism rejects the principle of the dualism of mind and matter, arguing that objective and subjective realities are intertwined (Greene and Hall, 2010; Cameron, 2011).

Pragmatism is assonant with positivist and post-positivist assertions regarding the existence of an independent, external reality. However, it does not concur with the positivist contention that the truth (or truths) about reality can be determined. Instead, it reflects the constructivist philosophy that it is possible for multiple interpretations of the same reality. To the pragmatist, 'truth' is a normative concept that can be equated to 'what works' and explanations of reality can be chosen, depending on which produces the most feasible or practicable solution within a given context (Teddlie and Tashakkori, 2009; Kaushik and Walsh, 2019).

Pragmatism recognises the compatibility of quantitative and qualitative methods and rejects arguments concerning 'incompatibility' (Teddlie and Tashakkori, 2012). It acknowledges that quantitative methods, particularly when applied to the social sciences, rely on the measurement of constructs that are operationalised based on subjective decisions (Balnaves and Caputi, 2001). At the same time, it accepts that *"while the hallmark of qualitative research is that it goes beyond how much there is of something to tell us about its essential qualities…a lot of counting goes on in the background, when judgements of qualities are being made"* (Miles et al, 2014: 282).

3.4 Methodological Eclecticism

Methodological eclecticism refers to the selection and integration of a variety of research techniques across qualitative, quantitative and mixed methods within the one study (Teddlie and Tashakkori, 2012). Closely associated with the pragmatist and critical realist philosophical positions, eclecticism acknowledges that research phenomena can be interpreted and understood in multiple ways. It

supports the development of holistic responses to research problems by allowing for diverse approaches to data collection, analysis and interpretation.

Eclecticism supports a position that quantitative and qualitative methods are not fundamentally incompatible (Teddlie and Tashakkori, 2012) and the utility of choosing the research method that best 'fits' the research problem. Within an eclectic framework, the purpose and epistemology of an inquiry determines its methods and design.

Figure 3.2 illustrates the relationship between quantitative and qualitative methods within an eclectic framework. It indicates their intersectionality while recognising the influence of epistemological stances and the main purposes or outcomes of each method.

Figure 3.2   The Relationship Between Quantitative and Qualitative Methods
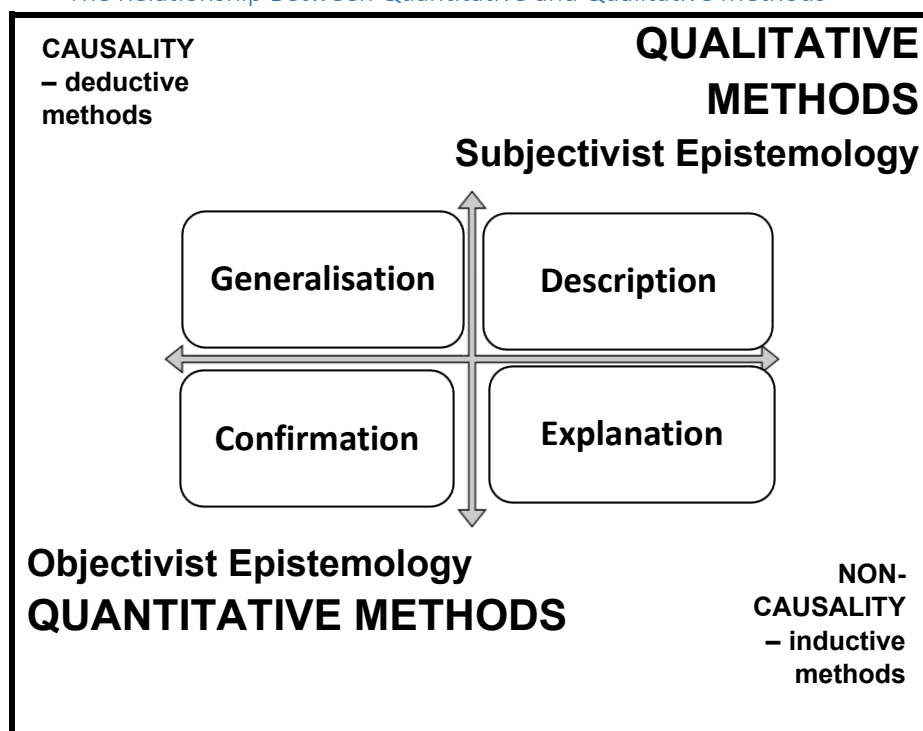
3.5 Selecting the Pragmatist paradigm for this study

3.5.1 Influences on the choice of pragmatism

Early deliberations on the design of this study assumed a quantitative approach, attesting to the hegemony of positivism within research methods (Guba and Lincoln, 1998; Rudkin, 2002; Hesse-Biber, 2010; Miller and Cameron, 2011). It was assumed that quantitative methods would provide 'valid' and 'generalisable' conclusions and lead to predictive theory and satisfy *"the societal tendency to believe in numbers"* (Kreuger and Casey, 2000: 6). However, further reading and reflection highlighted the tacit and socially determined nature of innovation, DC, and community 'readiness'. It also showed limited past research or academic discourse concerning the relationship between DC, community and local government innovation.

A qualitative, exploratory study thus appeared to offer the relevant approach to investigating these socially grounded and situated phenomena (Denzin and Lincoln, 1998; Irvin and Gaffikin, 2006; Creswell, 2007). Moreover, qualitative methods seemed suited to capturing and representing the lived experience of people working in local government (Denzin and Lincoln, 2005).

However, the scope of the research problem cannot be satisfied through a purely constructivist, qualitative framework. It poses ontological questions concerning the normative dimension of 'reality' and epistemological considerations concerning the linkage of inquiry to action within practice environments. It is also clear that both qualitative and quantitative methods will be required to understand and explain a research problem that includes diverse elements such as how local government innovation is defined and constructed; the nature and function of intangible capabilities in organisational innovation; and the determination of community 'readiness' to support innovation. A decision to adopt a paradigm that will support a research methodology based on *"what works"* rather than a *"search for metaphysical truths"* (Tashakkori and Teddlie, 1998: 12) is deemed most likely to provide the best answer to the research problem.

3.5.2 Applying an eclectic frame in selecting methods

Adopting a pragmatic philosophical position infers a fundamental commitment to eclecticism and 'bricolage'. Deciding to take on the role of 'bricoleur' (Denzin and Lincoln, 1998; Kincheloe and Berry, 2004; Denzin, 2010) or *"connoisseur of methods"* (Teddlie and Tashakkori, 2012: 777) makes it

possible to employ diverse, quantitative and qualitative research strategies, which will afford thorough investigation of the phenomena of interest (Teddlie and Tashakkori, 2012).

The adoption of a pragmatist paradigm thus precipitates the choice of mixed methods research (MMR) as the most suitable approach for this study (Tashakkori & Teddlie 2003; Biesta, 2010; Miller and Cameron, 2011).

3.6   Mixed Methods Research Methodology

3.6.1   History of Mixed Methods Research

Mixed methods research (MMR) emerged during the 1960's, although elements of 'mixed' philosophy and application can be identified within earlier studies (Cameron and Molina-Azorin, 2011; Bazeley, 2018) some as long ago as the late 19th century (Hesse-Biber, 2010). Originally conceived as an extension of quantitative methods and intended to increase the credibility of research through the introduction of strategies for the triangulation of data (Tashakkori and Teddlie, 2010), it has continued to evolve.

Coined by Denzin in 1978, 'triangulation' was adopted from navigational practice to describe the strategy of combining data sources to confirm or corroborate findings concerning social phenomena. Triangulation might be applied using multiple sources of data, more than one researcher or multiple theories or methodologies. Brannen (2005) contends that the use of the term 'triangulation' to describe procedures aimed at validating or corroborating data to support a single conclusion is incorrect. Rather than simply combining different data to reach *"a unitary or rounded reality or truth"*, Brannen (2005: 12), suggests that it should be applied to understand how different interpretations of the phenomenon under investigation are arrived at and identify the purpose that these differing accounts serve.

Since its inception in triangulation, MMR has developed distinct tools and procedures and grown in use and legitimacy, establishing itself as a 'third methodology' within the academic arena (Tashakkori and Teddlie, 2003; Creswell and Plano Clark, 2007; Denzin, 2010; McKim, 2017) and within the business discipline (Model, 2007; Molina-Azorin, 2007; Cameron, 2011). While not significant in number, there are also precedent Australian and international studies of local government that have

adopted a mixed methods approach, albeit without always acknowledging or articulating it (Newman et al, 2001; Hansen, 2010; Mazzerol, 2011; Evans et al, 2012; Olivier, 2017).

3.6.2 Characteristics of MMR

One of the most-quoted definitions of mixed methods methodology is that of Creswell and Plano Clark: *"a research design with philosophical assumptions as well as methods of inquiry…its central premise is that the use of quantitative and qualitative approaches in combination provides a better understanding of research problems than either approach alone"* (2007: 5). MMR is characterised by the integration (rather than the parallel pursuit) of qualitative and quantitative methods during one or more stages of the research process (Teddlie and Tashakkori, 2003; Leech et al., 2008). It provides *"[a] broad inquiry logic that guides the selection of specific methods and that is informed by conceptual positions…[such as] the rejection of "either-or" choices at all levels of the research process."* (Teddlie and Tashakkori, 2010: 5).

3.6.3 Purposes of MMR

MMR provides opportunities for the research phenomena at the centre of this study to be examined from a variety of perspectives and via richer data than afforded by a single methodology. MMR is particularly relevant to studying relatively undefined or rarely researched phenomena, such as innovation, dynamic capability and participatory governance at a number of different levels.

Table 3.2 below summarises the purposes of MMR, from the perspective of three prominent MMR researchers, who have written and researched widely on the topic and are considered to be pioneers of the methodology. Common purposes of MMR have been aligned within the table and the cells showing the purposes most relevant to this study have been highlighted. They are discussed in Section 3.6.4.

Bryman (2008)	Tashakkori and Teddlie (2008)	Brannen (2005)
	• Complementarity - to gain complementary views about the same phenomenon or related aspects of the same phenomenon	• Complementarity - qualitative and quantitative results are treated as different but each type of data analysis enhances the other and create complementary insights that together create a bigger picture
• Completeness - to provide a more comprehensive account of the research phenomena or problem	• Completeness - to obtain a more complete picture of the phenomenon	
• Triangulation - to enhance validity by corroborating quantitative and qualitative findings	• Corroboration/ Confirmation - to assess the credibility of inferences obtained from one approach (strand), usually via exploratory and explanatory / confirmatory questions	
• Offset - to balance the strengths and weaknesses of qualitative or quantitative data	• Compensation - to compensate for the weaknesses of one approach by utilising the other	
	• Expansion - to expand or explain findings from a previous strand	• Elaboration or expansion – findings from one type of data / analysis add to the understanding gained by another
• Instrument development - qualitative data can inform development of quantitative instruments	• Development – inferences from one strand of a study inform questions or hypotheses in the next	• Initiation: the use of a first method sparks new hypotheses or research questions that can be pursued using a different method
• Exploring unexpected results through other methods	• Diversity – to obtain divergent pictures of the same phenomenon, which can be compared and contrasted	• Contradictions – exploring contradictions between different types of data may lead to an interrogation of the methods and to discounting of one method in favour of another (in

		terms of assessments of validity or reliability).
• Process - an account of the research within context provides an additional dimension to analysis		
• A broader range of questions can be addressed		

3.6.4 Purposes of MMR in studying innovation in local government

The selection of mixed methodology (MMR) for this study of innovation in local government organisations is influenced by the following considerations:

- Development - the intangible and abstract nature of capabilities and the lack of their definition within the local government sector predicate a developmental approach to the study, in which qualitative methods generate data that can be abducted, operationalised and then explored quantitatively in later stages

- Completeness - the capacity of MMR to provide a holistic account of a complex research issue, whose strength derives from combining the depth and richness of qualitative findings with the breadth and generalisability of quantitative findings

- Complementarity - the development of an empirical explanation of LGO innovation comprising an exploratory narrative that is complemented sequentially by findings concerning the strength and direction of relationships between innovation, organisational capability and community capacity, without getting caught up in questions of determinism and causality

- Elaboration and expansion - the iterative and recursive nature of the MMR fits well with the part-time, timeframe of the research program. It will enable the researcher to reflect on process, review data and make decisions concerning 'the next step' in the process based on those reflections

- Offset - gathering qualitative data on 'community readiness for innovation' across 152 NSW local government areas does not appear to be viable within time and resource parameters. However, a range of established indicators and indexes for related constructs is available for quantitative analysis.

The fundamental premises of MMR also gel with a pragmatist worldview. This includes elements such as:

- an emphasis on integration rather than dichotomisation when it comes to interpreting data,

- the acceptance/balancing and integration of diverse perspectives on the research problem,

- openness to uncertainty and recursive research processes,

- perceiving that 'best fit, given the current data' explanations and negotiation are critical elements in responding to research problems.

Figure 3.3 below provides a high-level overview of the mixed methods methodology proposed for this study.

Figure 3.3   MMR Design for the Study of Organisational and Community Influences on Local Government Innovation
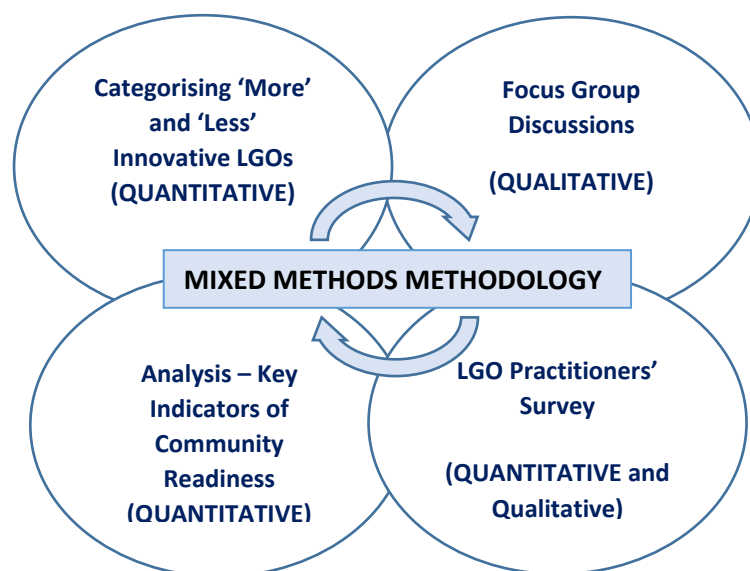
3.7   Controversies in Mixed Methodology

3.7.1   Theoretical criticisms

As an emerging research methodology, MMR is less prominent in the literature than quantitative and qualitative methods, and its theoretical base is still maturing. The relative 'newness' and evolving theoretical foundations of MMR require continued negotiation towards a consistent core of principles and concepts (Teddlie and Tashakkori, 2012: 776). Thus, the definition of MMR varies in terms of

"what is being mixed, the stage of the research process where the mixing occurred [sic], the extent of the mixing, the purpose of the mixing and the drive behind the research" (Cameron, 2011: 96). MMR is also the subject of criticism, issues and controversies (Tashakkori and Teddlie, 2010).

Some of these challenges relate to conceptual stances on paradigm and the 'top-down' versus 'bottom-up' debate about whether the philosophical position informs the methods or whether the research questions drive methods. Other criticisms relate to epistemological issues, such as the form of the research question/s (framed as hypotheses or qualitative questions) and whether to combine the existing languages of qualitative and quantitative methods, or to create a new and distinctive mixed methods language.

3.7.2   Practice considerations

At a practical level, critics of mixed methodology cite practice-based concerns. For example: that gathering data for a mixed study requires time and complexity that are not required in a more straightforward quantitative study; and that sequential studies pose questions about the best point in the research process to move between methods. A key concern relates to the need for the mixing of methods to be well justified, to be best suited to providing a response to the research question or questions and to be grounded in relevant theory.

3.7.3   The Five P's Framework

The issues discussed above can be summarised as relating to considerations of 'praxis', 'proficiency' and 'politics', identified within Cameron's 'Five P's Framework' (2011), which builds on the work of MMR authors such as Brannen (2005), Tashakkori and Teddlie (2003) and Greene (2008). A comparison of Cameron's and Tashakkori and Teddlie's frameworks is shown in Figure 3.4.

Figure 3.4   Cameron's 'Five P's Framework' and Tashakkori and Teddlie's 'Emerging Map' of Mixed Methods Research
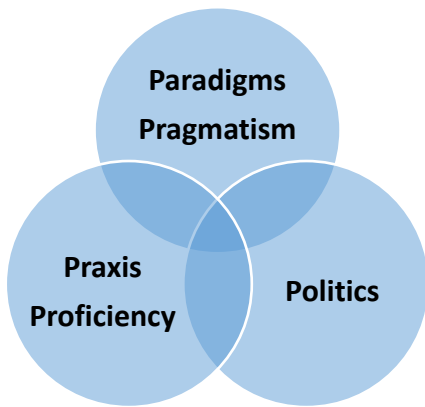
Source: Cameron (2011: 98)   *Summary from: Tashakkori and Teddlie (2010:3)*
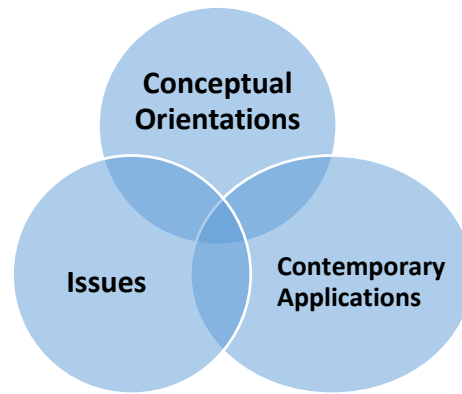
The questions of paradigm/conceptual orientation and the implications of a pragmatist worldview have been discussed in earlier sections of this chapter. Table 3.3 draws on Cameron's framework to consider and address the issues of 'praxis', 'proficiency' and 'politics' and how they were resolved in the current study.

Table 3.3   Resolution of Research Issues in this Study

	Issues	How Addressed in this Study
Praxis	Demonstrating a convincing rationale for selecting MMR that is grounded in theory	Higher Degree Research approval processes, academic supervision, literature review, reflective research & authorship
	Reconciling differences between positivist and constructivist epistemologies to develop achievable research tasks	Adopting a pragmatist paradigm, guided by the nature of the research problem and questions
		Question-driven choice of methods – what questions (and therefore what methods) will best unpack the research problem?
	Designing research strategies and a logical research process that enable quality quantitative and qualitative data to be generated, analysed and interpreted in a complementary way	Developing and articulating a staged research program or 'map', of how the qualitative and quantitative stages of the program will work together, supported by a time-specific research plan
	Deciding when and how to mix methods and data – sequentially or holistically; predetermined or emergent	Guided by contemporary literature (Bazeley, 2015) which indicates the importance of integrating methods and data
		Lack of previous studies led to exploratory design – inquiry - qualitative

		data abducted to created constructs to be explored sequentially
	Primacy/dominance of one method over the other	Deliberate decision to give equal weight to qualitative and quantitative data and findings – focus on complementarity rather than triangulation
	Development and documentation of distinct MMR analytical techniques is a work in progress – uncertain which is the best way to draw inferences from the data	Read widely within MMR literature
		Eclecticism and bricolage focus on 'what works' as the best way to draw inferences from data
		Clarity concerning the 'audience' for the research and checking in with LG practitioners re findings and inferences throughout the research process
Proficiency	Difficulty in being highly or equally proficient in both quantitative and qualitative research design and delivery	Most previous research in the area was conducted using qualitative methods. However, past academic studies included research design/delivery across both qualitative and quantitative methods provided 'good enough' understanding of both methods to frame the research issue.
		Participated in UoW Statistical Services Unit 4-day workshop and one on one consultations to refresh quantitative techniques
		Adopted quantitative data analysis strategies within personal capabilities and used the SPSS package
	Ontological and epistemological issues - how to reconcile differing views on the location of 'self' within the 'inquirer-inquired dyad' (Denzin and Lincoln, 2007) and 'the construction of the known' (May, 2011: 2)	Reflection, memoing and supervision to assist in understanding biases, values and motivations - including 'emic' and 'etic' perspectives (Irvine and Gaffikin 2006: 10).
	Qualitative tradition to preserve and make visible the voice of participants	Extensive use of quotes in reporting findings and use of pseudonyms/codes to reflect which focus group or survey participant had provided qualitative data while preserving anonymity
	The quantitative priorities of rigour, generalisability, causality of relationships, prediction must also be recognised and valued within a mixed methodology investigation.	Consultation with UoW Statistical Services Unit and academics with a track record in quantitative methods
		Addition of a third supervisor with strengths in MMR to the supervision team
Politics	Acceptance of research - influenced by disciplinary traditions and the level of	Recognised from the outset the inherent dilemmas of a research topic that extends across public administration, local government,

	acceptance of mixed methods within the discipline	strategic management / DC fields – requires careful selection of supervisors and examiners to represent each
		Research proposal submission and review processes within the faculty ensure checkpoints for acceptance of MMR approach
	Purpose of research and the ways that research outcomes will be shared *"research for whom and for what?"* (Brannen, 2005)	Clarity that purpose/audience for research is the local government sector – improve theory and practice for the field; contribute to the achievement of sector outcomes
		Practitioner willingness to engage in fieldwork and ongoing interest from the field indicates value of the topic
		Presentation of research findings at Annual Business Faculty HDR conference x 2 and at Australian and New Zealand Regional Science Association International conference
	Impact of research to create social change or maintain the status quo - 'ownership' of research findings	Aim is to offer new knowledge and theory that may lead to change, that LGOs perceive as credible and valuable

3.8 Research Quality of Mixed Methods Design from Methods Chapter

3.8.1 Research quality of this study of local government innovation

The goal of this research is to propose findings and inferences that are recognised as credible, 'legitimate' (Onwuegbuzie & Johnson, 2006), 'trustworthy' (Baxter and Jack, 2008) *"theoretical rendition[s] of reality"* (Strauss and Corbin, 1990: 22). However, the disparate requirements of qualitative and quantitative research traditions regarding credibility create unique challenges for the study (Tashakkori and Teddlie, 2012; Brannen, 2005; O'Cathain, 2010; Collins, 2015; Fabregues and Molina-Azorin, 2017).

While some suggest that the solution to diverse measures of research quality is to adopt the criteria of the method predominantly used in data collection and analysis, others caution against adopting a 'hegemonic approach that stifles diverse viewpoints' (T&T, 2012: 776). The 'convincingness' (Stewart, 2012) of a mixed study, therefore, relies on a research design that ensures validity and credibility in

the collection and analysis of both qualitative and quantitative data sets (Teddlie and Tashakkori, 2009). The research must provide a set of defensible findings, which go beyond quantitative questions of robustness or validity, to establish defensibility of both the *"research design, (that is, the relationship between objective and method) and…the doing of the research"* (Stewart, 2012: 73).

3.8.2 Addressing issues of research quality in this study

This study will focus on the confluence as opposed to divergence of methods and the equivalence of qualitative and quantitative concepts of research quality (Brannen, 2012). It will seek to "*move[d] across a continuum of quant and qual measures of validation (Hesse-Biber, 2010: 92)* to address both qualitative and quantitative standards of research quality at respective stages of the study. Ultimately MMR standards for ensuring quality in combining, comparing and cross-verifying data (Bazeley, 2004; Chaumba, 2013) will guide notions of quality. In doing so, the study will seek to reflect MMR principles of diversity and relativism, rather than preferencing one methodological tradition over the other.

The approach to data collection and analysis will ensure that the methods and processes used are appropriate to the research question and meet design standards for data collection and analysis to achieve 'general credibility' (Teddlie and Tashakkori, 2009: 287) and 'trustworthiness'. These standards are outlined in Table 3.4.

Table 3.4   Addressing Research Design Standards

Auditable standard	Types of questions asked
Translation fidelity	Are the conceptual frameworks for the study (questions, hypotheses) translated into elements of the design (eg appropriate sampling, measurement/ observation, other procedures)?
Demonstrated results	Did some result occur and was this the one that was expected?
Credible results	Were the results consistent with previous findings in the literature?

While seeking to establish research quality from the outset, it is nevertheless fundamental to transparency to recognise that the proposed methods do not necessarily have equal robustness. The planned strategy for focus group discussions and the administration of a survey to local government practitioners are credible, robust and well-supported by precedent studies. However, the strategy to draw on secondary data to evaluate the relationship between organisational and community characteristics and LGO innovation is driven by logistical constraints and dependent on reliable

operationalisation of intangible constructs and the quality of available data. It is thus likely to be more open to omissions and to provide less robust findings within the overall study.

3.9   Conclusion

Teddlie and Tashakkori (2012: 776) note their optimism for the future of mixed methodology, based on its *"methodological eclecticism, paradigm pluralism, an emphasis on diversity at all levels of the research enterprise, and an emphasis on continua rather than a set of dichotomies"*.

Despite the controversies and questions outlined in this chapter, mixed methodology continues to grow in legitimacy and offers an increasingly robust, post-modern framework for research. The value of mixed methods research in creating a segue between the personal and political is evidenced in the opportunities it provides to both tell individual stories and to report on the phenomena being studied from a holistic perspective.

The option of diving deep and diving wide is afforded by mixed methodology, where aggregated, quantitative data adds to the power of qualitative data beyond simple triangulation. MMR presents opportunities to augment findings, enhance 'completeness' and enable complex and abstract research phenomena to be understood from multiple perspectives.

Chapter 4 – Research Design and Methods

"Theories are not right or wrong. They do a better or worse job of accounting for the situation or answering the questions, and of fitting the data. Explanations are more or less adequate. You want your theories to be useful and your explanations adequate. So establishing the grounds for your claims requires adequately knowing, exploring, searching and making sense of your data" (Richards, 2005).

4.1   Introduction

This chapter describes and discusses the research design and analytical process of this investigation of local government innovation. It identifies and explores the qualitative and quantitative methods used to develop an empirical understanding and explanation of local government organisation (LGO) definitions and practices of innovation; the capabilities they draw on to embed innovation; and the role and influence of community in achieving innovation outcomes. Grounding decisions concerning the design of this inquiry within a pragmatist paradigm and the parameters of mixed methodology, this chapter explains the origins, purpose and processes of the focus group discussion, Likert-style survey and analysis of secondary organisational and community indicators.

The chapter commences with a discussion of mixed methods research (MMR) and exploratory-sequential design. It outlines the 'mixture' of activities undertaken to collect quantitative and qualitative data in this study. The sequence of methods adopted for data collection and analysis is then described. Data analysis techniques adopted in this study include qualitative techniques, such as coding and thematic analysis, as well as quantitative, descriptive and inferential statistical analysis.

4.2   Research design – methods and process

4.2.1   Overview of the research process and intent

Developing a design for a research process that is realistic, achievable and that addresses the research questions provides the foundation for a credible and convincing response to a research problem (Baxter and Jack, 2008).

The design of this mixed methods research (MMR) investigation of innovation in local government organisations is bounded by four philosophical, conceptual and practical parameters:

* the pragmatist paradigm that frames the researcher's definition and understanding of the research problem and ways of knowing about it

- the nature of the research phenomena, including theoretical and epistemological understandings of them that emerge through the literature review phase of this study

- the focus and scope of the research questions that are developed to unpack the research problem

- the practicalities and constraints of the research context and the researcher's role

Considerations of paradigm relevant to this study are discussed in Chapter 3 of this thesis. The primary research problem investigated in this study is:

How do organisational and community capabilities affect local government innovation?

Four secondary research questions provide a design-logic to guide data collection, interpretation and analysis and frame research findings, conclusions and propositions:

RQ1	How do Local Government Organisations (LGOs) frame (define and operationalise) innovation?
RQ2a	What are the organisational capabilities that contribute to innovation by LGOs?
RQ2b	How and why do these capabilities contribute to LGO innovation?
RQ3	How and why do local communities contribute to LGO innovation?

4.2.2 Research Scope and Design Logic

The scope of this investigation is defined by boundaries of time and place (Creswell, 2003), activity (Stake, 1995) and context (Miles & Huberman, 1994). The research context influences decisions concerning the types of data and the selection of data collection methods. This includes practical considerations such as constraints in accessing a reliable sample of community participants and opportunities such as administering the survey at the 2016 NSW Local Government Conference. Ethical and axiological positions, such as recognising the researcher's 'emic' position as a local government practitioner, also inform design – for example, excluding the researcher's employing LGO from the study and assessing the familiarity of participants with group-based consultation that would support effective focus group discussions.

Figure 4.1 provides a schematic overview of the research design logic. This schematic supports navigation throughout this chapter, from the conceptual foundations that informed design to the methods of data collection and analysis.

Figure 4.1   Overview of Research Design Logic
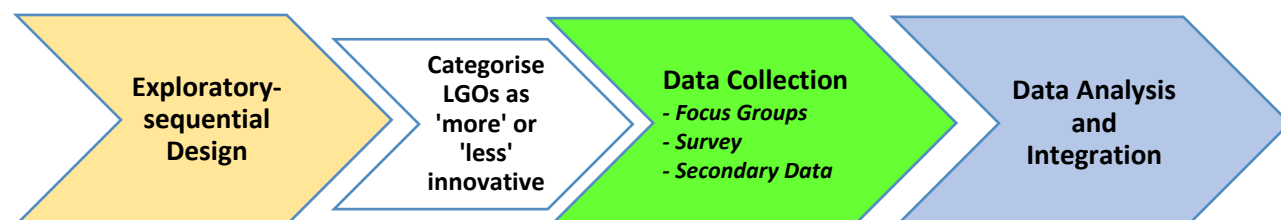
4.3   Design of the study - mixed methods research

4.3.1   Designing a mixed methods study

Decisions about logic, sequencing, prioritisation and integration of data collection and analysis provide the foundation for the design of MMR that will provide credible and convincing answers to a research problem. The literature identifies a number of taxonomies of MMR strategies which, while proposing differing terminologies and emphasising differing purposes and designs, share a fundamental logic and identify common concerns (Caracelli and Greene, 1997; Creswell, 2004; Morse, 2003; Tashakkori and Teddlie, 2003; Creswell and Plano Clark, 2007). These are presented in Table 4.1 below:

Table 4.1: Creswell and Plano Clark (2007) - Mixed Method Design Types

Design Type	*Timing*	*Mix*	*Weighting/ Notation*
Triangulation	*Concurrent: quantitative and qualitative at the same time*	*Merge the data during interpretation or analysis*	*QUAN + QUAL*
Embedded	*Concurrent and sequential*	*Embed one type of data within a larger design using the other type of data*	*QUAN(qual) Or QUAL(quan)*
Explanatory	*Sequential: Quantitative followed by Qualitative*	*Connect the data between the two phases*	*QUAN → qual*
Exploratory	*Sequential: Qualitative followed by quantitative*	*Connect the data between the two phases*	*QUAL → quan*

Source: Cameron, 2009: 144-5 (Adapted from Creswell & Plano Clark, 2007: 85)

A brief explanation of the purpose and focus of each of these MMR types (from Creswell, 2009) follows:

- Triangulation studies use mixed methods to gather and analyse data with the intent that findings of each part of the study confirm or corroborate each other. Within this approach, qualitative and quantitative procedures occur concurrently, and both methods are afforded equal weighting

- Embedded design is characterised by the application of a dominant methodology (qualitative or quantitative), which is supplemented by the inclusion of methods, data and/or analysis from the second methodology to supplement or further explain one aspect of the study. Within this design, either method may be dominant

- Explanatory design applies quantitative methods to collect and analyse data initially, followed by a second stage where qualitative data and findings are used to expand on and explain quantitative findings. Within this approach, the quantitative method is dominant

- Exploratory design applies qualitative methods to collect and analyse data in the initial stage of the study, followed by a second, quantitative stage. This design was selected for this study and is discussed in detail in section 4.3.3 of this chapter.

4.3.2 Applying the mixed methods framework to the study of local government innovation

The design for this investigation of innovation by local government organisations is bounded by philosophical and conceptual frameworks, as well as theoretical constructs, such as Dynamic Capabilities and community 'readiness'. These boundaries guide decisions about which local government organisations might be included in the study, the questions that will be developed to gather data and the approach to data analysis. They constitute the "intellectual bins" (Miles & Huberman, 1994: 18 cited in Baxter and Jack, 2008: 553) that enable the sorting and structuring of data and the construction of interpretations.

The selection of an exploratory-sequential design (see Table 4.1) for this study was based on several of the key decision points identified by Brannen (2005):

- selecting a combined logic of inquiry that gives equal weight to inductive (discovery) and deductive (hypothesis testing) methods

- adopting a sequential (rather than concurrent) design and choosing an exploratory approach that gathers qualitative data on local government practitioners' understandings of LGO innovation and then abducting this data to develop a survey instrument to establish the relationship between identified capabilities for innovation and LGO innovativeness

- clarifying the preference to design an integrated study where neither quantitative nor qualitative paradigm predominate within the study and in the weighting of different data sets during analysis and reporting

- adopting a pragmatic approach to determine the optimum allocation of finite resources

4.3.3   Relevance of the exploratory-sequential design in this study
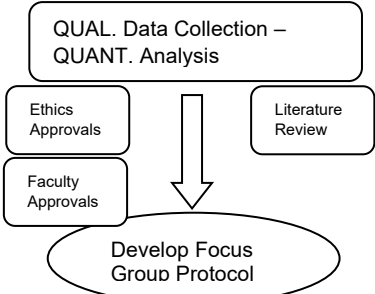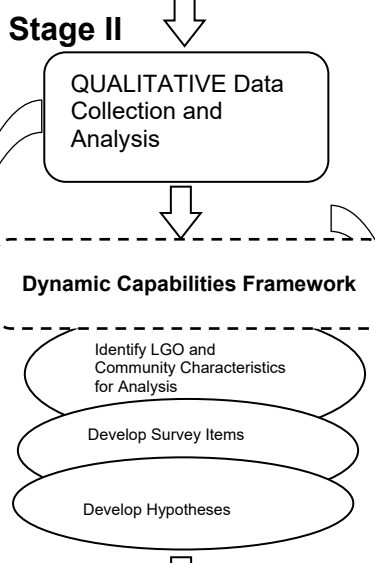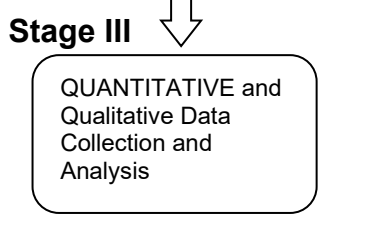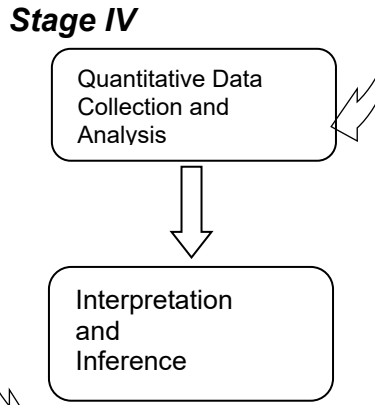
An exploratory-sequential mixed methods design provides a framework for exploration of phenomena that are relatively 'un-researched' through iterative stages in which *"the data [are]…mixed through being connected between the qualitative data analysis and the quantitative data collection"* (Creswell, 2009: 208). An initial, qualitative research procedure is conducted to produce findings that are supplemented and expanded in subsequent stages. Collection and analysis of quantitative data supports interpretation and extends and explains the initial, qualitative findings. Exploratory-sequential procedures may also include the transformation of qualitative findings from the initial stage to inform the quantitative instruments for data collection (eg surveys and questionnaires) in instances where existing instruments are not available or are not reliable.

The design of this study comprises four stages:

- a preliminary, quantitative stage which classified NSW LGOs into two categories of 'more' or 'less' innovative

- a qualitative stage where data is collected via focus group discussions and analysed using qualitative methods

- a quantitative stage where a survey instrument, developed from qualitative findings, is administered and quantitative data collected

- a quantitative stage where secondary data concerning LGO and community characteristics is collected and analysed

The research design is outlined in Figure 4.2.

Figure 4.2   Procedure - Data Collection and Analysis

Stage	Procedures	Product / Outcome
Stage I QUAL. Data Collection – QUANT. Analysis Ethics Approvals Literature Review Faculty Approvals Develop Focus Group Protocol	• Desk research - website searches to collect NSW LGO Community Strategic Plans • Review of successive versions of NSW LGO Community Strategic Plans (CSPs) and Management Plans • Score for 'no change' (0), 'minor change' (0.5), 'change' (1) between versions	• Numeric data – score for each NSW LGO • Classify LGOs as 'more' or 'less' innovative based on scores – classifications to apply in quantitative stages • Select LGOs to be invited to participate in focus group discussions
Stage II QUALITATIVE Data Collection and Analysis **Dynamic Capabilities Framework**	• **Focus group discussions** • Conduct with 3 'more' and 4 'less' innovative LGOs – total of individuals in focus groups = 25 • Discussion protocol • Coding and thematic analysis of qualitative data • Identify and convert key themes to constructs • Identify population characteristics for analysis in Stage III	• Text documents (facilitator and participant notes; focus group transcripts) • **Focus group discussions generate qualitative data:** - LGO innovation – processes / influences - community contribution to innovation - organisational and community characteristics that influence innovation
Identify LGO and Community Characteristics for Analysis Develop Survey Items Develop Hypotheses **Stage III** QUANTITATIVE and Qualitative Data Collection and Analysis	• Administer hard copy and online surveys to LGO practitioners and elected representatives: - Hard copy of survey at NSW Local Government Conference - Online survey to 142 NSW LGOs for distribution to all staff • Aggregate survey data to construct 5 scales • Apply Mann-Whitney U test	• Survey responses – online and hard copy • **Survey generates quantitative data:** - responses to individual items - aggregated data for 5 scale items - existence of statistically significant relationship between each scale item and category of 'more' or 'less' innovative LGO • **Survey generates qualitative data:** - LGO innovation
Stage IV Quantitative Data Collection and Analysis	• **Transform** organisational & community characteristics to variables • **Collect secondary quantitative data** to measure variables • Apply independent samples T-test	• Existence of statistically significant relationship between variables and category of 'more' or 'less' innovative LGO
Interpretation and Inference	• **Integrate** quantitative and qualitative data • **Apply DC framework** to interpret and infer findings	• Responses to research sub-questions

Based on: Ivankova, Creswell and Stick (2006) from Creswell (2010)

Applying Morse's presentation 'shorthand' (Brannen, 2005: 14) to describe the research process, the methods used in the study are shown in Figure 4.3.

Figure 4.3   'Shorthand' illustration of the research design
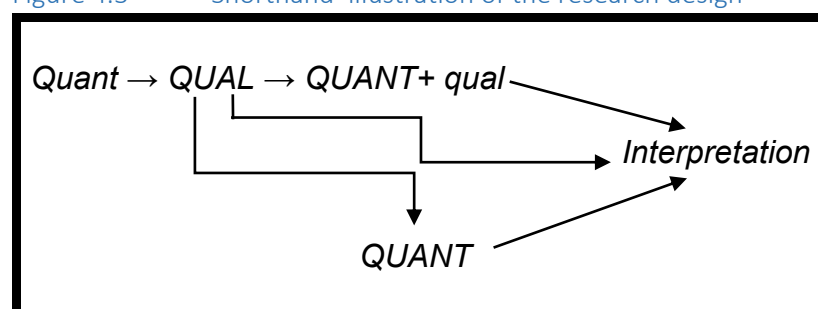
According to Morse's shorthand, the dominant method to be used at differing stages of the research

process is shown in uppercase type. The arrows indicate the direction and relationship between

stages of the research process, while the use of the plus (+) sign indicates that both methods are

used in that stage.

4.3.4   Relationship between methods/process and research questions

The relationship between the outcomes, questions and methods is outlined in Table 4.2.

Table 4.2 Overview - Research Outcomes, Questions, Methods and Data Analysis

Outcome	Research Question	Method
Identification of 'More' and 'Less' Innovative NSW LGOs		• Desk Research – Analysis of CSPs
Determine Local Government Organisations' understanding of innovation – definitions and concepts – contrast to definitions and frames in the literature	**RQ1** How do Local Government Organisations (LGOs) frame (define and operationalise) innovation?	• Literature Review • Focus Group discussions
Identify the organisational capabilities that are related to LGO innovation	**RQ2a** What are the organisational capabilities that contribute to innovation by Local Government Organisations?	• Focus Group discussions • Online and hard copy survey
Describe and explain the relationship between specific organisational capabilities and the capacity of local government organisations to achieve innovation	**RQ2b** How and why do these capabilities contribute to LGO innovation?	• Focus Group discussions • Online and hard copy survey • Desk Research – analysis of secondary data - LGO indicators
Identify the characteristics of local communities that make some communities more 'ready' to support innovation by their local government organisation	**RQ3** How and why do local communities contribute to LGO innovation?	• Desk Research - analysis of secondary data - community indicators

Describe and explain the relationship between local community "readiness" for innovation and the achievement of innovation by local government organisations	**RQ3** How and why do local communities contribute to LGO innovation?	- Focus Group discussion - Online and hard copy survey - Desk Research – analysis of community indicators

4.4 Stage I – establishing membership of categories - 'more' or 'less' innovative local government organisations

4.4.1 Deciding on the approach to Stage I

Stage I of the research will comprise a review of the Community Strategic Plans (CSP) of all 152 NSW LGOs. Using a quantitative scoring method, LGOs will be classified into two categories of 'more' or 'less' innovative based on whether or not they have introduced a new or different 'vision statement' or strategic objectives ('Key Result Areas') in two, successive versions of their CSP.

This strategy has been selected following consideration of alternative approaches:

- an initial attempt to identify 'more' innovative LGOs via a survey distributed to NSW LGOs, which attracted a very poor response rate and insufficient data to provide valid results;

- identifying 'more' innovative LGOs via analysis of success in local government awards programs was rejected on the basis that these awards are based on self-nomination, and the procedure would not identify 'less' innovative LGOs

The 'more / less' classification will be used in successive stages of the investigation for the following purposes:

- In Stage II: to provide a 'purposeful maximal sampling' approach (Creswell, 2005) to identify LGOs to be invited to participate in focus group discussions

- In Stage III: to investigate the relationship between the constructs of LGO innovation and LGO status as 'more' or 'less' innovative

- In Stage IV: to investigate the relationships between LGO status as 'more' or 'less' innovative and LGO and community characteristics.

4.4.2 Adoption of the Community Strategic Plan as a medium for identifying 'more' and 'less' Innovative LGOs

As discussed in Chapter 1, the choice of the CSP as the medium for assessment of LGO innovation is based on the criteria of comparability and comprehensiveness. The development, implementation and review of a five-year Community Strategic Plan (CSP) is one function that is, however, shared by every NSW LGO, as a requirement under NSW 'Integrated Planning and Reporting' guidelines (Prior and Herriman, 2010). The CSP represents a microcosm of LGO operations. It replaces the previous, annual 'Management Plan' produced by LGOs and provides an over-arching strategic framework for each organisation. It captures all business functions and all aspects of the LGOs vision, strategic objectives and activities. The CSP is thus a feasible medium to enable comparison of organisational innovation strategy and vision across LGOs.

In evaluating LGO innovation, the construct of 'innovation' will be narrowed down to its simplest definition – *'doing something new and different'* (Howard, 2012: 8). This will be operationalised as any identifiable 'change to a Key Result Area (KRA) or Vision statement, between the pre-CSP mandated LGO 'Management Plan' and the CSP and between Version 1 (initial five-year plan) and Version 2 (subsequent five-year plan) of their Community Strategic Plan.

This approach may be criticised as failing to encapsulate all characteristics associated with the construction of innovation, for example motivation to innovate in response to a dynamic or uncertain environment or a requirement for uniqueness and novelty. It is also possible to question the link between planning and innovation and to suggest that a strategic plan merely reflects the intention to innovate, rather than innovation per se.

However, as noted in Chapter 2 of this thesis, academic discourse on innovation represents a diverse and at times contentious range of views and includes a range of definitions that do not necessarily align. The approach to defining and identifying innovation that will be adopted is therefore broad, to accommodate this contingency and the prevalence of 'DUI' forms of innovation and the adoption, rather than invention of new ideas within local government through investment in research and development. This is supported in precedent studies such as those noted in the literature review.

The logic of the NSW LGO CSP planning process is not 'just' about the development of a strategic document, but represents a new way of thinking about the business of local government (NSW Department of Local Government, 2006; Prior and Herriman, 2010; Grant and Dollery, 2011). Requiring a focus on the long-term horizon, the CSP process requires the integration of strategy, resourcing, delivery and review within a community context (Prior and Herriman, 2010; Pillora and McKinlay, 2011; Sansom and Robinson, 2019). The CSP implicitly reflects innovation by each LGO in terms of conceptualising and articulating future directions; organising and preparing the CSP; deploying the resources it requires to enact it; and explicating its accountabilities and approach to compliance.

The degree of 'innovativeness' of each LGO will thus be assessed not just via the assumption that the development of a new product or outcome (the CSP) is predicated on a new way of organising internally, but on an iterative basis, so that the inclusion of new objectives or vision statements in a CSP is testament to the achievement of objectives from the preceding CSP (ie the proposed innovations in the previous CSP were enacted).

4.4.3   Applying the innovation scoring method

The method for rating organisations as either 'more innovative' or 'less innovative' was based on scoring changes to successive versions of the document as outlined in Table 4.3 below.

Table 4.3   Scoring Method to Classify LGOs as 'More' or 'Less' Innovative

LGO	Vision Statement CSP V1 vs CSP V2	Vision Statement Mgt Plan vs CSP V1	Objectives/ KRAs CSP V1 vs CSP V2	Objectives/ KRAs Mgt Plan vs CSP V1	TOTAL
Name	No change = 0 Minor change* = 0.5 New** = 1.0	No change = 0 Minor change* = 0.5 New** = 1.0	No change = 0 Minor change* = 0.5 New** = 1.0	No change = 0 Minor change* = 0.5 New** = 1.0	

Minor change* refers to a change in one or two key words or the way an idea is framed or articulated within the Vision or statement of Objectives / KRAs. This is based on the premise that these changes reflect a 'new take' on the ways strategy is expressed or understood, without necessarily reflecting a new strategic direction
New**   refers to a new Vision or at least one new Objective / KRA within the 'next' version of the CSP or between the previous Management Plan and Version 1 of the CSP

This approach is supported within the MMR tradition. It is consistent with examples of quantifying qualitative data reported in the literature, for example, Hesse-Biber's discussion of a 1996 study into eating disorders (2010: 93). It will create a data set that can be combined with quantitative data *"to compare, contrast and locate within the research discourse"* (Nzabonimpa, 2018: 2).

An example of the changes to Vision Statements and Objectives / KRAs between successive versions of LGO CSPs is provided in Table 4.4 below.

Table 4.4   Examples of Analysis of Vision Statements and Objectives / Key Result Areas

	Vision	Key Result Area
'New' (Significant Change)	**CSP Version 1** *The leading city at the heart of Sydney*	**CSP Version 1** • *provide community governance;* • *protect and enhance our local environment;* • *preserve our local character;* • *ensure a healthy and safe living environment;* • *promote economic sustainability both locally and within the region;* • *maintain and improve community infrastructure for present and future* • *generations;* • *manage our community's resources with regard to access and choice; and* • *8. facilitate sustainable transport options.*
	CSP Version 2 *XXX will be the driving force and heart of Australia's most significant economic region; a vibrant home for diverse communities and a centre of excellence in research, education and enterprise*	**CSP Version 2** • *a clean, green and sustainable city* • *a liveable and connected city* • *a thriving and prosperous city* • *a vibrant, safe and inclusive city* • *an active and healthy city* • *an innovative and efficient council*
'Minor Change'	**CSP Version 1** *We will work together in XXX to foster a safe, attractive place for people to live, work, stay and play; where growth, development and environmental protection are managed to provide a unique and relaxed lifestyle*	**CSP Version 1** • *Attractive City* • *Stronger community* • *Healthy environment* • *Strategic leadership*
	CSP Version 2 *We will work together in XXX to foster a safe and attractive* **community** *for people to live, work, stay and play; where* **sustainable** *growth, development and environmental protection are managed to provide a unique and relaxed lifestyle*	**CSP Version 2** • *Attractive city* • *Stronger community* • *Healthy environment* • *Strategic leadership* • ***Improving Council***

NB: Examples of Vision Statements and KRA'S are drawn from several different CSPs to preserve LGO anonymity

Outcomes of the scoring procedure are reported in Chapter 5, and a table showing the scores is at Appendix 1.

4.4.4 Inviting participation of local government organisations

Sixteen LGOs will be invited to participate in focus group discussions in Stage II. Based on the results of Stage I, the group of sixteen invitees will comprise nine 'more innovative' and seven 'less innovative' LGOs. This purposive sampling procedure is intended to recruit six to eight LGOs to participate as it is assumed that not all invitations will be accepted. Recruitment of focus group LGOs is also intended to gain representation from a cross-section of LGO types, from rural to regional to metropolitan and comprise communities that demonstrate diverse demographic characteristics.

The focus group LGOs will be assigned pseudonyms to provide for the anonymity of participants. While all data will be de-identified for reasons of privacy, it is noted that the process of seeking ethics approval from the University of Wollongong Human Research Ethics Committee (HREC) requires the provision of evidence of willingness to participate in the research, which means that the identities of participating LGOs will be known to the HREC.

Adopting the qualitative principle of 'saturation' (Mason, 2010; Simon and Goes, 2012), the research design included the option to continue to recruit LGOs to the focus group process until no new data are being generated.

4.5 Stage II - focus group strategy for qualitative data collection

4.5.1 History of focus group strategy

Focus groups: *"engaging a small number of people in an informal group discussion (or discussions), 'focused' around a particular topic or set of issues"* (Wilkinson, 2004: 177, quoted in Onwuegbuzie, Johnson and Collins, 2009) have been used within social science research for more than 70 years. The focus group represents a less directive, 'researcher-centric' approach to gathering data than other techniques such as interviews (Kreuger and Casey, 2000; Hennink, 2007; Onwuegbuzie, et al, 2009).

4.5.2 Designing the focus group protocol

A focus group discussion protocol has been developed based on the review of literature relating to innovation, the Dynamic Capabilities framework and community governance, which was documented in Chapter 2.

Relevant studies, such as Wetthenhall's (1988) seminal research into local government as innovators, Kim's (2006) study of innovation in Korean local government and Damanpour and Schneider's (2006) study of private sector innovation, inform the development of key themes for the protocol. However, the absence of precedent studies specific to the research intent prevents the adoption of an existing framework and will necessitate the creation of questions for the protocol. Adopting open-ended, broad questions will, however, assist in reliability. The protocol is intended to gather data about:

- how LGOs 'do' innovation in relation to strategic planning;

- how different actors within the local government context (for example elected representatives) contribute; and

- how and to what extent they see their communities influencing innovation processes and outcomes.

In keeping with established practice (Stake, 1995; Hennink, 2007), the focus group discussion protocol has been pilot-tested with members of the Community Strategic Planning Project Control Group in the researcher's own LGO. Feedback on question relevance and clarity as well as the overall 'flow' and level of engagement of the protocol was sought and documented. As a consequence of this feedback, the process for leading focus group discussions and the protocol have been refined and a revised final version developed. Amendments include a greater focus on innovation, rather than the CSP and greater transparency concerning the concept of capabilities. A report from the pilot is attached at Appendix 2.

4.5.2.1 Structure of the protocol

The Focus Group discussion protocol comprises nine trigger questions that will take approximately 60-90 minutes to work through. A participant information/consent sheet and the focus group protocol will be sent to the contact person at each participating LGO up to one week prior to each focus group to enable participants to acquaint themselves with the purpose of the thesis and the questions that will be discussed. The information sheet will be reviewed, the consent form signed off by participants and collected by the researcher at the beginning of each focus group session.

The conversations will be managed to allow for flexibility and to address themes that emerge as the discussion progresses. A copy of the protocol can be found in Appendix 3.

A short 'demographic' survey will be administered at the commencement of each session to gather information on participant job roles, involvement with the Community Strategic Planning process, time working in local government and on the CSP. It will include questions such as: "In what year did you commence working in local government?" The demographic data collected will provide the researcher with information about the nature and level of experience of interviewees regarding LGO innovation. The data will also provide options for future quantitative analysis, for example to investigate the association between individual responses and characteristics such as 'length of time working in local government'.

4.5.2.2 Relationship between focus group questions and research questions

The questions to promote focus group discussion are open-ended. The relationship between the focus group stimulus questions and the research questions is outlined in Table 4.5 below.

Table 4.5   Focus Group Stimulus Questions Mapped Against Research Questions

Research Question	Focus Group Question
RQ1 How do Local Government Organisations frame (define and operationalise) innovation?	How does your organisation approach innovation? What systems, programs or resources do you have that initiate, support and embed innovation?
RQ2a What are the organisational capabilities that contribute to innovation by LGOs? RQ2b How and why do these capabilities contribute to LGO innovation?	How does your organisation draw on those capabilities to achieve innovation in your community strategic planning processes? How does your organisation share learning and support the development of knowledge, skills and attitudes to achieve innovation? How do your organisation's culture and leadership impact on innovation? How do your Councillors influence innovation in and by your organisation?
RQ2a What are the organisational capabilities that contribute to innovation by LGOs? RQ2b How and why do these capabilities contribute to LGO innovation?	How does your organisation share learning and support the development of knowledge, skills and attitudes to achieve innovation? How do your organisation's culture and leadership impact on innovation? What could your organisation do differently if you wanted to become

	more innovative in your approach to corporate and strategic planning? How do your Councillors influence innovation in and by your organisation?
RQ3 How and why do local communities contribute to LGO innovation?	How does your Council engage with your local community in your community strategic planning processes? How does your local community influence your Council in relation to innovation?

4.5.3   Focus group data collection procedures

Focus groups will provide a forum to elicit data about participants' lived experience of LGO innovation (Kreuger and Casey, 2000; Hennink, 2007). They will capture diverse opinions and ideas, generate new insights through group interaction and create data to take forward the research intent.

Focus groups will also support the mixed methods design of the study, generating grounded data to provide the basis for survey questions for the next, quantitative, stage of the study, while optimising the researcher's time, travel and resources: *'getting in, getting on and getting out'* (Irvine and Gaffikin, 2006). The adoption of a group-based approach to data production is also resonant with the practice in local government of team or work group-based discussions and of workshopping ideas in groups.

Focus group discussions will be conducted on site at each of the participating LGOs. *"Based on the enduring expectation that permissions are needed"* (Stake,1995:57), the General Managers of participating LGOs will be asked to nominate a cross-section of managers and officers who are involved in their CSP development and implementation processes to be part of 'their' LGO's focus group. Meetings will be arranged at a time suitable for participants and allowing for the researcher's full-time employment schedule. Each focus group is anticipated to comprise between 3 to 8 participants.

Guidelines and recommendations from several authors will guide planning and delivery of each of the focus group discussions. Considerations include 'ideal' group size, the degree of participant homogeneity or heterogeneity and the extent to which participants should be familiar with each other (Kitzinger and Barbour, 1999; Kreuger and Casey, 2000; Patton and Cochran, 2002; Tuckett, 2004;

Hennink, 2007). Ultimately the size and composition of focus groups will be dictated by their context, the specific participant knowledge and background required, the 'gatekeeper' (Tuckett, 2004) permissions of General Managers and the need for participating LGOs to release staff to participate. While the protocol will guide the focus group discussions, the exploratory nature of this stage of the investigation predicates a 'semi-structured discussion' rather than a survey or interview.

Other planning considerations include securing a location and creating an environment in which participants felt comfortable and welcome to offer their views; leveraging the group dynamic to elicit reflective responses; and structuring and staging the trigger questions to 'direct' the discussion towards deeper and more detailed exploration of the issues (Stake, 1995; Kreuger and Casey, 2000; Hennink, 2007; Onwuegbuzie et al, 2009).

To optimise data collection and group interaction, focus group discussions will be digitally recorded and major discussion points noted on paper by the researcher. The researcher will make observational and reflective notes, or 'memos' immediately after each focus group, capturing impressions of the dynamics of the group and interesting or puzzling aspects of the interaction. This will assist in interpreting the results and the overt content of the focus group discussion.

4.5.4 Focus group data analysis procedures

4.5.4.1 Transcribing and reviewing focus group data

The digital recording of each focus group discussion will be transcribed, and each transcript will initially be reviewed in its entirety to check for accuracy against the digital recording and to gain an overview of the process, themes and dynamics of each group. Transcripts from each focus group will then be reviewed for a second time and annotated to systematically highlight recurring ideas or comments and to identify emerging themes.

Following this review, the transcripts will be analysed together to identify common words, ideas and themes that emerged across focus groups (for example, references to 'squeaky wheel' community groups). This will provide the starting point for formal coding of focus group data.

4.5.4.2 Coding the data

The coding of data involves reading and re-reading through a myriad of differently expressed ideas, opinions and anecdotes to identify important or recurrent themes and relevant constructs. Coding is a subjective pursuit rather than a *"precise science"* (Saldana, 2009: 4). It is interpretive and reflects the way the researcher sees and understands the world, the data and the research problem (Saldana, 2009; Richards, 2005). Coding is about recognising and testing patterns, organising and categorising and combining and re-combining data. As Richards (2005: 170) suggests *"we have to goad data into saying things' and 'tease it all out and then weave it back together",* to go beyond description and start to develop theory.

Focus group data from Stage II of this study will be coded, using an open-coding technique, to enable key ideas and perceptions to emerge from the qualitative data. This approach is premised on the lack of existing research into innovation in local government that identifies capabilities for innovation.

Transcripts from two of the focus groups will be reviewed initially and notated to identify important or interesting observations, recurring ideas and comments. The 'comments' function of MS Word software will be used to annotate the transcripts and the 'find' function to identify recurring words and phrases.

Thematic analysis will support this process. It will be used to summarise and transform coded data into phrases or sentences that will *"capture[s] and unify[ies] the nature or basis of experiences into a meaningful whole"* (Saldana, 2009: 208). It will be used to identify and bring together recurrent ideas, opinions and perceptions of focus group participants to organise them and create categories that are meaningful. The conceptual frameworks of strategic innovation, Dynamic Capabilities and participatory governance derived from the literature review will be applied to assist in the identification of key themes.

A coding scheme for 'emergent' themes will be developed to capture grounded and original perspectives on LGO innovation. These emergent themes will be supplemented by a set of 'prior' themes derived from existing research and theory, including relevant literature. Once a degree of robustness is established by reviewing and re-coding these transcripts, the coding scheme will be applied to the whole data set and the data sorted to systematically identify themes and constructs.

'Pen and paper' were used to visualise the themes and connections between them, using a thematic networks approach.

The use of computer software programs as tools for data analysis in both MMR and qualitative studies is widely accepted as an efficient approach to collecting, organising and identifying connections between data (Baxter and Jack, 2008; Hesse-Biber, 2010). In the initial stages of this study, the researcher undertook training in the use of 'NVivo' software with the intention of using the program. However, as a solo researcher and with a relatively small and straightforward, text-based data set, the time required to become adept in navigating a program that offered significantly greater functionality and capacity than was needed did not support this intention. Also the benefits of using familiar applications from MS Word, engaging closely with the data and as a first-time researcher gaining experience in organising, coding and analysing were better supported by a more hands-on data management practice.

An overview of the codes and examples of thematic networks are provided at Appendix 4.

4.5.5   Transforming focus group data into constructs

Coding and interpretation of qualitative data captured in focus group discussions is intended to result in key findings concerning the ways that LGOs define, operationalise and experience innovation; their motivations in pursuing innovation; the contextual elements that constrain or support innovation and the key, organisational capabilities that, when synchronised, generate innovation. These findings will be reported in detail in Chapter 5, 'Research Results and Findings'. All data will be de-identified in the reporting of findings.

Key qualitative themes will also be transformed into constructs to be explored in Stage III and Stage IV, the quantitative stages of the study. This reflects the paradigm of eclecticism that informs MMR, bridging the boundaries between qualitative and quantitative methods (Onwuegbuzie, Johnson and Collins, 2009; Teddlie and Tashakkori, 2012). The relationship between the key themes identified in Stage II of the research and the constructs to be tested in Stages III and IV, is shown in Figure 4.4 below. The five constructs inferred from the focus group data will be defined as 'independent' variables, in terms of their relationship to the primary research construct (or 'dependent' variable) of 'LGO innovation'. The relationships are shown in Table 4.6.
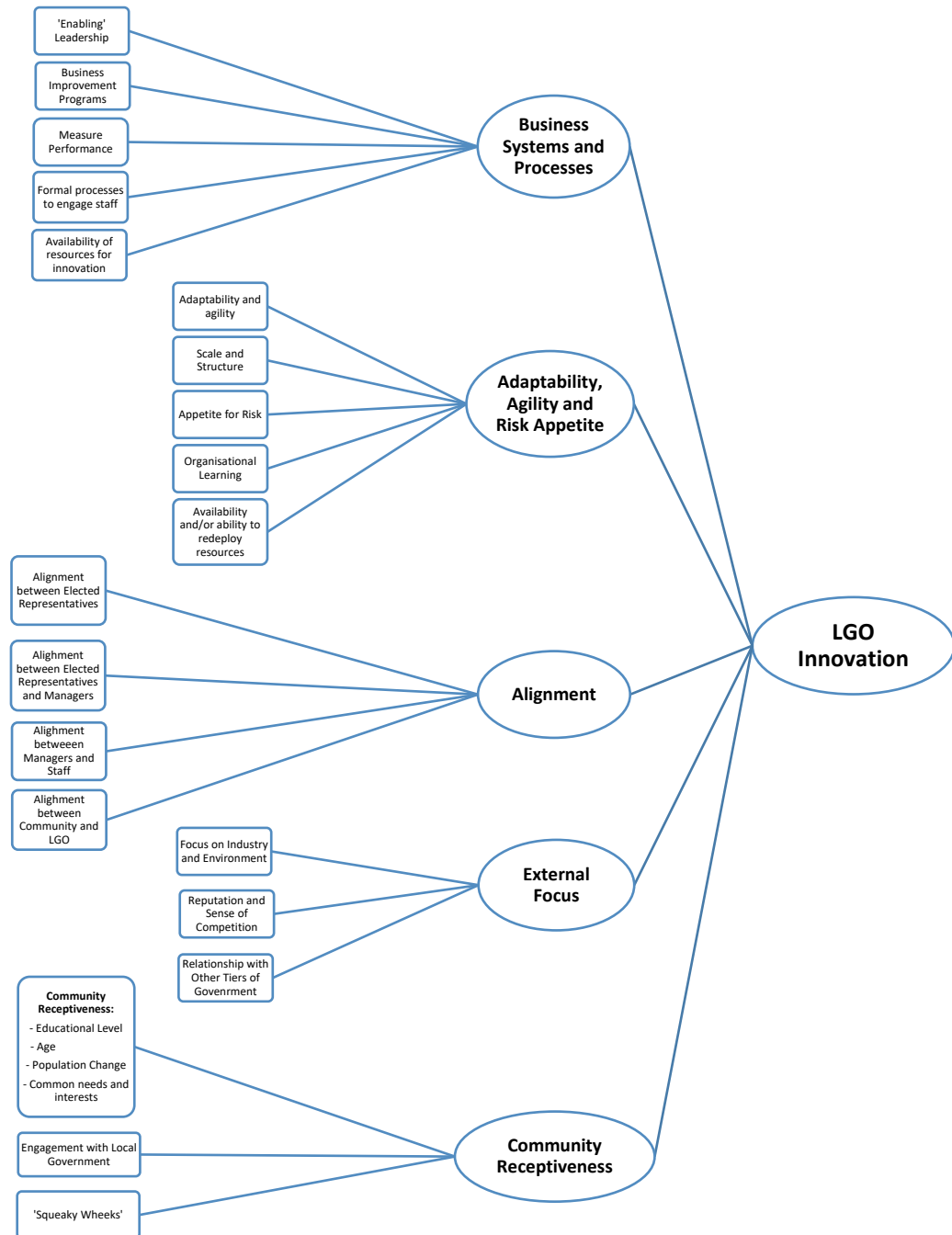
4.5.6 Hypothesis building from focus group data

The relationship between the constructs derived from focus group data will be tested via hypotheses in Stage III of the research. These hypotheses, their relationship to the constructs, the variables and measures used to test them are shown in Table 4.6.

Table 4.6 Proposed Constructs, Hypotheses and Data Collection Methods

Construct	Hypothesis	Variables	Measurement		
Business systems and processes that support LGO innovation	**H1** There is a relationship between LGOs having business systems and processes that support innovation and LGO innovation	Business systems and processes 'More' Innovative and 'Less' Innovative LGOs	**Qualitative** Focus Group data Final, open-ended survey question		**Quantitative** Survey data – Is there a statistically significant difference in response mean of 'More' Innovative vs response mean of 'Less' Innovative LGOs for survey scale item 1
	Sub-H1a) There is a relationship between the availability of financial resources and LGO innovation	Financial resources (operational budget) 'More' Innovative 'Less' Innovative LGOs	Focus Group data Final, open-ended survey question		Secondary data – Is there a statistically significant difference between 'More' Innovative vs 'Less' Innovative LGOs in operational budget?
Adaptability, agility, and risk appetite	**H2** There is a relationship between LGO organisational agility and LGO innovation	Adaptability, agility and risk 'More' Innovative 'Less' Innovative LGOs	**Qualitative** Focus Group data Final, open-ended survey question		**Quantitative** Survey data – Is there a statistically significant difference in response mean of 'More' Innovative vs response mean of 'Less' Innovative LGOs for survey scale item 3
	Sub-H2a) There is a relationship between LGO organisational scale and LGO innovation	'More' Innovative 'Less' Innovative LGO	Focus Group data Final, open-ended survey question		Secondary data – Is there a statistically significant difference between 'More' Innovative vs 'Less' Innovative LGOs

		Organisation size			in number of 'Effective Full-time Staff'?
Alignment between elected representatives, managers and staff and community	**H₃** There is a relationship between LGO elected representatives, managers, staff and community members being aligned on policy and decision-making, and the achievement of innovative LGO outcomes	Alignment 'More' Innovative and 'Less' Innovative LGO	**Qualitative** Focus Group data Final, open-ended survey question		**Quantitative** Survey data – Is there a statistically significant difference in mean response between 'More' Innovative vs 'Less' Innovative LGOs for survey scale item 2?
	Sub-H₃ₐ) There is a relationship between the number of different political affiliations of elected representatives and LGO innovation	'More' Innovative 'Less' Innovative LGO Number of political parties of elected representatives	Focus Group data Final, open-ended survey question		Secondary data – Is there a statistically significant difference between 'More' Innovative vs 'Less' Innovative LGOs in the number of political affiliations of elected representatives?
External focus on the industry and environment	**H₄** There is a relationship between LGOs maintaining an external focus on their industry and environment and LGO innovation	External Focus 'More' Innovative 'Less' Innovative LGO	**Qualitative** Focus Group data Final, open-ended survey question Focus Group data Final, open-ended survey question		**Quantitative** Survey data – Is there a statistically significant difference in mean response between 'More' Innovative vs 'Less' Innovative LGOs for survey scale item 5?
	Sub-H₄ₐ) There is a relationship between LGO's				

			Qualitative	Quantitative
	relationship with other tiers of government and LGO innovation			
Community receptiveness to innovation Population 'Change'	**H5** There is a relationship between community receptiveness to LGO innovation and LGO innovation	'More' Innovative 'Less' Innovative LGO	**Qualitative** Focus Group data Final, open-ended survey question	**Quantitative** Secondary data – Is there a statistically significant difference between 'More' Innovative vs 'Less' Innovative LGOs in percentage population growth 2010-2016?
Population 'Change'	**Sub-H5a)** There is a relationship between population growth of an LGA and LGO innovation	Population growth	Focus Group data Final, open-ended survey question	Secondary data – Is there a statistically significant difference between 'More' Innovative vs 'Less' Innovative LGOs in percentage population changed address in five years 2011-2016?
	Sub-H5b) There is a relationship between population movement of an LGA and LGO innovation	Population movement	Focus Group data	Secondary data – Is there a statistically significant difference between 'More' Innovative vs 'Less' Innovative LGOs in percentage population with university qualification 2016?
Well educated	**Sub-H5c)** There is a relationship between the community's level of education in an LGA and LGO innovation	Educational level of community	Focus Group data	
Younger population	**Sub-H5d)** There is a relationship between the age of		Focus Group data	Secondary data – Is there a statistically significant difference between 'More' Innovative vs 'Less' Innovative LGOs in median age of population?

	the population in an LGA and LGO innovation	Age of community		Secondary data – Is there a statistically significant difference between 'More' Innovative vs 'Less' Innovative LGOs in percentage of population that speaks LOTE at home
Differing community needs and aspirations	**Sub-H5e)** There is a relationship between population diversity in an LGA and LGO innovation	Population diversity	Focus Group data	

4.6 Stage III - Survey strategy for quantitative data collection

This section of this chapter discusses the implementation and outcomes of Stage III of the research - the delivery of a quantitative survey, comprising Likert-style questions and a final, qualitative, open-ended question, concerning LGO practitioner attitudes and beliefs about innovation.

4.6.1 Using surveys in quantitative studies

The use of surveys and questionnaires to gather data is an established quantitative research strategy that supports collecting a large volume of data in a standardised and objective way (Muijs, 2004). Consistent with the exploratory-sequential mixed methods design, survey items will be developed from the findings of the qualitative, focus group discussions conducted in Stage II.

4.6.2 Overview and purpose of the survey

The third stage of data collection will be conducted via a survey of NSW local government practitioners to collect a layer of quantitative data that will complement and extend the qualitative data set collected in Stage II. Findings from quantitative analysis of survey data that reflect the views of a broader population of respondents will be considered together with qualitative findings from focus group discussions to identify contradictions or surprises and complementarities. Findings from survey data analysis are also intended to supplement the findings from quantitative data analysis of LGO and community characteristics, to be undertaken in Stage IV.

The survey will seek to determine differences between respondents from 'more' and 'less' innovative LGOs in their experience and perceptions of innovation in their organisation. Specifically, it is intended to establish whether participants agree or disagree that the organisational and community factors identified in the qualitative focus groups impact on innovation in their LGO.

4.6.3 Use of a Likert-scale

While a variety of options for the design of the survey have been considered (from open- and closed-ended questions, through to multiple choice items), a Likert-scale has been selected as the appropriate instrument to address the research questions, the local government 'population' to be surveyed and logistical factors, such as the time available to the researcher and participants.

The adoption of Likert-scale-type items to gather data is based on the long-standing use of this question type to gather subjective, attitudinal data across diverse disciplines (Muijs, 2004; Norman, 2010; Boone and Boone, 2012; Camparo, 2013; Lantz, 2013). Developed in 1932 by Rensis Likert, the Likert-scale provides an efficient strategy to gather data. Items are relatively easy to construct, the data gathered can be directly analysed for statistical inference, and the measurements based on Likert scaling are generally perceived to be reliable (Qing, 2013).

While well-established, the use of Likert-scale surveys attracts debate. This includes considerations such as:

- whether they generate purely ordinal data, or whether the data can be treated as having interval properties to allow for parametric statistical analysis (Jamison, 2004)

- the number of points within a scaled item – how many 'degrees' of opinion and whether a 'neutral' or 'don't know' point should be included in the scale

- criticism that they offer a limited number of options for response that may not exactly match respondent opinions (Qing, 2013). While some propose that an increased number of scale-points would address this limitation, others point out that more points could increase the risk of 'primacy effects' such as response-order effect, central tendency effect or 'donkey vote' effect (ibid).

4.6.4 Developing survey items

Twenty Likert-style survey items will be developed with a final, open-ended qualitative question included to provide an opportunity to collect qualitative data on LGO innovation from the survey population.

Respondents will be asked to rate each of the items on a five-point Likert-scale ("strongly agree" – "agree" – "neutral" – "disagree" – "strongly disagree"). This structure strikes a balance between 'too few' and 'too many' points and reduces uninformed responses by assuring respondents that they need not feel compelled to agree or disagree with every item (Wilcox, 1994, quoted in Wang and Ahmad, 2004: 306).

A copy of the survey is at Appendix 5

A table showing the survey questions and their relationship to Likert-scale items is at Appendix 6.

The survey will be piloted with colleagues of the researcher at her place of work to check that the survey items are meaningful and likely to capture data that will provide valid measurements of respondent attitudes and perceptions. Pre-testing enables survey items to be re-worded or modified to facilitate data quality. Following feedback from pilot respondents, survey items will be revised and the survey prepared for delivery.

4.6.5 Survey procedure

The survey will be delivered via two media – in hard copy, at the 2016 NSW Local Government Conference and online, using the Qualtrics survey platform. It is anticipated that the profile of respondents to both the hard and 'soft' versions of the survey will be similar, given that the conference will be attended by managers, corporate planners and Councillors, while the e-mail version of the survey will be sent to General Managers for distribution. This means that the survey will be completed by respondents with some knowledge of the CSP and CSP processes.

The online format will provide an effective approach to facilitating distribution, response and analysis. It can be delivered simultaneously, affordably and efficiently via the NSW local government group e-mail system to the 142 LGOs across NSW that are included in the research, with a request that it is distributed widely to all staff at each LGO. This format will offer respondents immediacy, convenience and a simple pathway for survey return. The Qualtrics program will also support electronic data collation and initial, descriptive analysis.

The online survey design will prevent progression to the 'next' question, where a question response is not provided. This is intended to minimise the incidence of *'missing data', where the values of one or more variables are not available for data analysis (Hair et al,2010: 42)*. An additional advantage of the online format is that it will allow respondents to submit a response anonymously, encouraging participation and openness to express opinions.

The hosting of the 2016 NSW Local Government Conference in the researcher's hometown offers the additional opportunity to administer a hard copy of the survey to supplement online data collection. This will enable the participation of local government practitioners with limited digital capability and capture a wide range of responses from representatives of every Local Government Organisation in NSW, including elected representatives, officers and managers.

4.6.6   Analysis of quantitative data

4.6.6.1 Descriptive analysis

The quantitative data generated from the survey will initially be analysed via descriptive statistical methods. Descriptive analysis of survey data will allow preliminary evaluation of differences in response to survey items between respondents from 'more' and 'less' innovative LGOs.

4.6.6.2 Likert-scale analysis

The data will also be aggregated to form five Likert-style scales, as shown in Table 4.7 below. Aggregated data will be analysed using inferential techniques to test hypotheses concerning the relationship between LGO innovation and organisational and community attributes

The Statistical Package for the Social Sciences (SPSS) software package will be used for all statistical analysis.

4.6.6.3 Reliability of scales

Strong internal consistency between the constituent items of a scale is a key consideration in establishing the reliability of scales and the quality of their contribution to research findings. Teddlie and Tashakkori (2009) define the 'reliability' of quantitative data as the degree to which the data collected consistently and accurately represent the construct/s under evaluation.

Testing to determine the Cronbach's alpha co-efficient assesses the internal consistency of scale items and thus, their reliability. Cronbach's alpha co-efficient scores range from zero, which indicates that the items used to create a scale or scale have no relationship to one another, to a score of 1.0, which indicates that the items are very strongly associated. An alpha of 0.6-0.7 is regarded as providing the necessary level of internal consistency for a scale to be considered a 'reliable' measure of a particular construct.

The internal consistency of each of the five scales aggregated from Stage III survey data is established via the calculation of Cronbach's alpha co-efficient for each scale. The results are presented in Table 4.7.

Table 4.7   Results of Calculation of Cronbach's Alpha

Scale Number	Scale Title	Number of Items in Sub- Scale	Cronbach's Alpha Co- efficient
1	Business Systems and Processes to Support Innovation	5	0.8
2	Alignment Between Elected Representatives, Managers, Staff and Community	5	0.7
3	Adaptation, Agility and Risk	4	0.7
4	Relationship with Other Tiers of Government	2	0.5
5	External Focus on the Industry and Environment	4	0.7

Cronbach's Alpha co-efficient scores for scales 1, 2, 3 and 5 indicate an acceptable measure of internal consistency (between 0.7-0.8). This means that these scales can be considered reliable measures of the constructs to be tested. Therefore, findings will be 'robust' and are likely to be replicated if the survey is repeated with a new sample of respondents.

However, the co-efficient for scale 4 (0.5) does not indicate that the items constituting this scale have the necessary level of internal consistency for results to be considered reliable. The very small number of items aggregated to create scale 4, is the likely cause of the low alpha co-efficient. Therefore, the scale relating to H05 will not be tested. Descriptive statistics will therefore be the only quantitative data analysis method applied to this construct.

4.6.6.4 Validity in statistical analysis of Likert-scale data

The debate within the quantitative research community concerning the validity of treating Likert-type item responses as continuous or interval, as opposed to ordinal data, was considered prior to the application of non-parametric tests to survey data. While some researchers argue that treating Likert-scale data as interval data amounts to an 'abuse' of this research technique (Jamieson, 2004), others argue there is sufficient precedent in the literature to validate conversion of ordinal, Likert-type data to numeric values (Teddlie and Tashakkori, 2009). The apparent logic of the 'abuse' argument is further

challenged by the robustness of studies that have treated scale responses as interval data (Lant, 2013). Finally, the validity of treating Likert responses as interval data can be supported mathematically, on the basis that although the exact distance between ratings of (for example) '1 = agree' and '4 = disagree' cannot theoretically be proven, *"if the numbers are reasonably distributed, we can make [valid] inferences about their means, differences or whatever"* (Norman, 2010: 5).

The most compelling argument for the validity of adopting an interval interpretation of Likert data is the clear differentiation of 'Likert-style items' from 'Likert-scales' (Boone and Boone, 2012; Norman, 2010). The aggregation of a number of Likert-style items to create a Likert-scale or scale creates a composite score for a particular variable or construct, which enables assumptions to be made about the interval relationships between points on the scale which cannot be made for an individual, Likert-style item.

4.6.7 Inferential analysis of scale data

4.6.7.1 Selection of analysis techniques

The final procedure to be conducted during Stage III of the research will involve testing the five hypotheses concerning the relationship between the LGO's being 'more' or 'less' innovative and the constructs identified in Stage II. The intention of this procedure is to assess if there is a statistically significant difference between the responses to the survey scales of respondents from 'more' and 'less' innovative LGOs.

4.6.7.2 The Mann-Whitney U test

As an exploratory study, the analysis of quantitative data will be confined to exploring possible relationships between the independent variables suggested during the qualitative phase of data collection and the dependent variables of 'more' or 'less' LGO innovation. The study is not seeking predictive or confirmatory outcomes or explanations of the collective impact of the multiple independent variables on LGO innovation. Therefore, strategies such as multiple regression analysis will not be applied to analyse quantitative data although the potential to extend the research intent in the future to investigate the relationships between multiple independent variables and the dependent variable, is acknowledged.

The Mann Whitney U test has been selected as best suited for the analysis of ordinal or continuous dependent variable data that do not conform to a 'normal' distribution (Pallant, 2003). Selecting the Mann Whitney U test is valid as the data to be tested comply with the four assumptions that validate its use (Pallant, 2003; Laerd Statistics):

- there was one dependent variable (LGO innovation) that could be measured at an interval or ordinal level
- there was one independent variable that consisted of two categorical, independent groups ('more' and 'less' innovative LGOs)
- responses were independent – responses were sorted according to the categories of 'more' or 'less' innovative LGOs and analysed separately: no response was considered across categories
- the data for the independent variables was not normally distributed, but the shape of the distribution for each of the 'more' or 'less' innovative LGOs was the same.

The relative statistical power and the error rates associated with parametric versus non-parametric tests constitutes a consideration in selecting the most appropriate technique for statistical analysis of scale data. While parametric tests, such as the two-sample t-test, are traditionally cited as producing lower rates of type 1 and type 2 error, more recent studies, such as that by de Winter and Dodou (2010), indicate that non-parametric tests, such as the Mann-Whitney test, produce nearly equal rates of false negative results (rejection of null hypotheses, when they are actually 'true' - type 1 error) and false positive results (acceptance of null hypotheses, when they are actually 'false' - type 2 error) in relation to the analysis of Likert data.

De Winter and Dodou (2010) also conclude that the difference in statistical power between the Mann-Whitney and t-test is not significant and that, in most instances, both tests are equally likely to accurately detect and measure differences between statistical samples or populations.

4.7 Stage IV – Collection and analysis of secondary data for organisational and community characteristics

4.7.1 Overview and purpose of Stage IV

Stage IV of the research will collect and analyse inferred quantitative data in relation to constructs of organisational and community characteristics that were identified as associated with LGO innovation

in Stage II. Specifically, the analysis of secondary organisational and demographic characteristics is intended to indicate the extent to which each of these variables could be said to contribute to LGOs achieving 'more' or 'less' innovation. However, it is not intended to prove causality of those relationships.

4.7.2 Hypothesis testing

Specifically, Stage IV of the research will test:

- four sub-hypotheses concerning the relationship between organisational characteristics and LGO innovation:
  - Sub-H*1a)* There is a relationship between the availability of financial resources and LGO innovation
  - Sub-H*2a)* There is a relationship between LGO organisational scale and LGO innovation
  - Sub-H*3a)* There is a relationship between the number of different political affiliations of elected representatives and LGO innovation
- five sub-hypotheses concerning the relationship between community characteristics and LGO innovation:
  - Sub-H*5a)* There is a relationship between population growth of an LGA and LGO innovation
  - Sub-H*5b)* There is a relationship between population movement of an LGA and LGO innovation
  - Sub-H*5c)* There is a relationship between the community's level of education in an LGA and LGO innovation
  - Sub-H*5d)* There is a relationship between the age of the population in an LGA and LGO innovation
  - Sub-H*5e)* There is a relationship between population diversity in an LGA and LGO innovation

4.7.3 Inferential analysis of secondary data

Inferential statistical analysis is intended to confirm that a statistically significant relationship exists between organisational and community characteristics and LGO innovation so that inferred relationships are not chance occurrences but are 'robust'. This requires the operationalisation of

constructs that are both concrete (eg: organisational size) and ephemeral (eg: community shares common interests and needs).

Decisions regarding the operationalisation of ephemeral constructs are informed by the literature on community readiness and community capacity indicators, as reported in the Literature Review and Discussion Chapters of this thesis. This includes research into innovation in towns and cities (Plowman, Ashkanasy, Gardner and Letts, 2003); analysis of community capacity (Cheers, Cock, Keele, Kruger and Trigg, 2005) and community 'readiness' (Holdsworth and Hartman, 2009); indices of social capital (Vella, 2006); and the wide range of research into indicators for creative cities, such as the Creative Cities Index (Hartley, Potts, MacDonald, Erkunt and Kufleitner, (2012). However, there was little within the literature to resolve the conundrum of finding a definitive proxy for the construct of 'common interests and needs' and it is possible that the qualitative data could have been interrogated in greater detail with focus group participants to create greater specificity to define this variable.

4.7.4 Constructs for hypothesis testing

Operationalising dynamic capabilities to enable their analysis and measurement is challenging, given their abstract and relative nature (Janssen et al, 2014; Zahra et al, 2006). This study reflects this challenge, requiring qualitative and descriptive data from focus groups to be transposed into objective and measurable independent variables.

The variables that will be used to operationalise organisational constructs and the metrics adopted to test their relationship to LGO innovation are shown in Table 4.8 below.

Table 4.8   Operationalisation of Constructs – LGO Characteristics Associated with Innovation

Constructs	Operationalised as	Measure
LGO Innovation	Innovation by LGOs in relation to CSP	Innovation 'score' from analysis of CSP innovation in Stage I
Availability of resources for innovation	Financial resources	Annual Operational Revenue – rank* (2016)
Adaptation and agility	Small organisational scale	Number of EFT Staff – rank* (2016)
Alignment between Councillors	Councillor political affiliation	Number of political affiliations declared by elected

		representatives – party-aligned, independent and 'unaligned' (2012-2016 Council term)

* Rank was used as the index to measure revenue and EFT staff due to the very wide distribution of scores for these variables, which included several extreme outliers

Rank order has been preferred as the criterion to manage the wide distribution of EFT and revenue data, rather than the use of a logarithmic scale. There were two extreme outliers in the data – one 'more' and one 'less' innovative LGO. Rather than excluding these, I plotted the 'actual' data and used ranking for SSSP analysis as I was more interested in the relativity of the data, rather than the scores per se as the relative order of the variables of revenue (as a measure of financial capacity) and staffing numbers (as a measure of organisational size), rather than their numerical value was of interest.

The variables that will be used to operationalise community constructs and the metrics adopted to test their relationship to LGO innovation are shown in Table 4.9.

Table 4.9   Operationalisation of Constructs – Community Characteristics   Associated with LGO Innovation

Characteristics identified in qualitative data	Operationalised as	Measure
LGO Innovation	Innovation by LGOs in relation to CSP	Innovation 'score' from analysis of CSP innovation in Stage I
Population change	Population growth	% population growth 2010-2015
Population change	Population movement	% population changed address 2011-2016
Better educated	University qualification	% population with university qualification 2016
Younger	Younger age profile	Median age of population (2016)
Common interests and needs	Population homogeneity	% population speak language other than English (LOTE) at home

4.7.5 Sourcing secondary data for organisational and community characteristics

Secondary data for analysis in Stage IV will be collected from the following sources:

- the NSW Office of Local Government annual 'Comparative Data' series (2016)

- community demographic profiles constructed from ABS Census data by *Profile_ID* - the
  organisation contracted by NSW LGOs to produce data for their community strategic planning
  (https://home.id.com.au/demographic-resources/#local-area-information)
- the NSW Electoral Commission (report on the 2012 local government elections).

Data from the period up to and including 2016 will be collected on the basis of alignment with the
period during which focus group and survey data collection is to be undertaken by the researcher and
the currency of census data for 2016. Data for 142 of the 152 NSW LGOs and their corresponding
communities will be collected and tabulated for analysis. The nine LGOs that cannot be assessed to
determine whether they fall into the 'more' or 'less' innovative category (based on absence of
available data for their CSPs) along with the researcher's 'home' LGO are excluded.

4.7.6 Choice of technique for analysis of secondary data

The Independent Samples T-Test is indicated as the most relevant statistical test to test these
hypotheses. This is a robust test to establish the difference in mean between two independent
groups. The Stage IV research data meets the assumptions for this test:

- the responses are independent – responses were sorted according to the categories of 'more' or
'less' innovative LGOs and analysed separately: no response was considered across categories

- the means of the two samples ('populations') – 'more' and 'less' innovative LGOs - follow a normal
distribution

- the two samples (populations) are almost equal in size and reflected similar levels of variance

4.7.7 Benefits and limitations of the secondary data analysis method

The method of assessing the relationship between organisational and community characteristics and
LGO innovation via secondary data offers both advantages and risks to the study. Risks include
subjectivity in operationalisation of intangible constructs such as 'common interests and needs' and
'alignment between Councillors' as well as the identification of reliable measures that can be
assessed with available secondary data.

Reliance on secondary data requires a reliance on the quality and integrity of the data sets that will be
used and assurance that the population from which the data are drawn are the same population that

is to be assessed. The availability of appropriate data – data sets that measure the research constructs and match the purposes of the research also poses a risk.

At the same time, the adoption of a quantitative, indicator-based approach to assessing community influence on local government innovation will provide an objective understanding of community capacity or 'readiness' to support innovation, rather than seeking communities' subjective assessment of their contribution.

4.8 Integration and reporting

The relative breadth and continuing emergence of MMR and the unique design of this study mean that there are few standardised examples available to guide the data integration and reporting stage. Several authors note both the lack of studies that may be relied on to act as a template in guiding integration and writing up MMR and the ongoing controversies concerning the 'best' approach to reporting (Denzin, 2010; Brannen, 2012; Bazeley, 2015).

While the qualitative and quantitative stages of this study's preliminary data analysis are to be conducted sequentially, a convergent approach to data interpretation will be adopted. Research findings are generated by combining, comparing and contrasting data and these findings are reported in an integrated way in Chapter 6 of this thesis.

4.9 Research quality and integrity

4.9.1 Establishing a framework for quality

For the purposes of this MMR study, the respective tests for research and data quality for qualitative and quantitative strands will be applied. For the initial, qualitative stage of the research, where the intention is to capture the lived experience of LGO innovation from LGO practitioners, the credibility of the findings 'to the constructors of the original multiple realities' (Lincoln and Guba, 1995: 296) and the dependability of findings, i.e. 'the extent to which variation in a phenomenon can be explained consistently using the 'human instrument' across different contexts' (Lincoln and Guba, 1985) will be key. Tashakkori and Teddlie (2010) summarise this as a response to two fundamental issues: capturing what is intended and interpreting what is captured in ways that are reliable, consistent and accurate.

Within MMR, the transparent comparison of results using matrices, tables, graphs and integrated reporting will assist this approach. Attention to qualitative and quantitative research quality will also assist in capturing what is intended and reporting it in a credible way.

4.9.2   Quality of Stage II - qualitative procedures

4.9.2.1 Review and transparency

To address the issue of capturing what is intended, the researcher will undertake activities described earlier in this chapter, such as reviewing transcripts, 'member checking' (see below), supervision and peer review via conference presentations.

To address issues of reliability and credibility (Creswell, 2007), the researcher will adopt a consistent approach to coding and interpreting data, regularly reflecting on findings and comparing the data and themes that emerge from successive focus group discussions in an iterative way. The data will be juxtaposed with the innovation, community governance and dynamic capabilities literature. Within the pragmatist paradigm of the study this will account for differences as interesting representations of differing interpretations rather than 'inconsistencies'.

Recognising personal beliefs, assumptions about the world and pre-conceptions about the research phenomenon are also important in managing the potential for researcher bias. Similarly, recognising the parameters of the researcher role, the 'emic' and 'etic' implications of conducting research about local government while working in the industry and acknowledging the impact of the research process on research participants mitigates the risk of influencing research findings. Maintaining a reflective journal and memos will assist in crystallising thoughts, personal perspectives and reactions to the data and to focus group processes.

External perspectives gained by discussing research findings with peers in local government organisations and peak bodies, such as NSW Local Government Professionals; conference presentations; and academic supervision meetings, where justification and defensibility of findings are required, will also add credibility.

4.9.2.2 Member checking of data

The qualitative data collected in the first stage of the research can be viewed, essentially, as a secondary interpretation by the researcher of focus group members' personal interpretations of their

lived experience of local government innovation. The task of eliminating (or at least mitigating) researcher bias is thus a critical consideration in achieving 'trustworthiness' or credibility of research findings (Lincoln and Guba, 1985; Teddlie and Tashakkori, 2009). There are a number of strategies available for improving the veracity and credibility of research findings as a study progresses, with 'member checking' of data providing a key, early technique for 'respondent validation' (Richards, 2005).

Member checking of data gathered during focus group discussions will be conducted by sending the contact person for each focus group the transcript of the discussions with their LGO and asking them to confirm that the transcript reflected the content of the discussion.

4.9.2.3 Ethical considerations

The importance of grounding human-centred research within an ethical framework is well established in the literature (Stake, 1995; Denzin and Lincoln, 1998; Creswell, 2007). In this study, ethical practice will include:

- excluding the LGO where the researcher is employed
- ensuring that the General Managers of host organisations are aware of the nature and potential impacts of the study prior to agreeing to their LGO being a focus group site
- fully informing participants about the study and the implications of their participation prior to them consenting to be part of it
- seeking participant consent and providing advice about the right to withdraw from the study at any time
- guaranteeing participant and LGO anonymity and confidentiality of research data and documentation
- respecting participant safety, well-being and privacy within the research process.

Information and all necessary documentation concerning the research have been provided to the UOW Human Research Ethics Committee (HREC) for approval prior to the commencement of fieldwork. Several updates and further approvals were required as the research progressed, and a final report to the HREC at the conclusion of fieldwork was tendered in November 2017 (Reference: HE13/076 and HE15/439).

4.9.3 Quality of Stage III - quantitative procedures

Within the quantitative tradition, validation of results relies on three tenets: construct validity (reliability of the quantitative instruments and measures), internal validity (reliability of the execution of research procedures) and external validity (transferability and credibility) (Balnaves and Caputti, 2001; Teddlie and Tashakkori, 2009; Creswell, 2009).

Within this study, activities such as piloting the survey prior to its administration, seeking a large sample by making survey completion open to all local government practitioners in NSW (albeit relying on internal distribution from a central point may compromise this), identification of outlier results and the use of reputable data sets for secondary data sources will address support validity. Additional practices, such as the evaluation of Cronbach's Alpha co-efficient to test the internal validity of scale items, selection of inferential tools based on established 'check lists' for their suitability and tests of statistical significance, will further support the quality of the quantitative procedures.

4.10   Conclusion

This chapter has described the design of this investigation of local government innovation and provided the rationale for the choice of exploratory-sequential mixed methods as the design framework. The philosophical and methodological considerations that have driven the study to date, including the nature of the research phenomena and the research questions, have contributed to the design of the study. The following chapter reports on the application of the chosen research methods and the findings and results of the empirical aspects of this study.

Chapter 5 - Research Results and Findings

"Councils will always be constrained by legislation and cannot be as innovative as private industry. However, that should not prevent Councils from continuously improving"
(Survey Respondent 21)

5.1   Introduction

This study investigated the nature of local government organisation (LGO) innovation, the capabilities that support innovation and the influence of community on innovation by LGOs.

Three research questions guided this investigation and provided the framework for mixed methods data collection, analysis and interpretation. The findings from the investigation yielded a combination of qualitative and quantitative results which are reported in this chapter.

5.2   Organisation of results and findings chapter

There is vigorous debate among mixed methods research (MMR) scholars about the point within the process and the extent to which research data should be 'mixed' and how results and findings should be reported (Bryman, 2012; Archibald, Radil, Zhang and Hanson, 2015; Bazeley, 2015). The concern that *'different types of data analyses sit awkwardly together on the published page'* (Brannen, undated paper: 26) is reflected in the observation that the qualitative and quantitative comments of mixed methods studies are often reported separately within academic journals, meaning that the 'mixed-ness' of the methodology is diluted (Archibald et al, 2012; Bazeley, 2016).

This chapter adopts an integrated approach, whereby qualitative and quantitative data are reported in a holistic way, presenting opportunities to demonstrate differing perspectives and understandings of the research phenomenon that are achieved by mixing methods (Creswell and Plano Clark, 2011; Teddlie and Tashakkori, 2012; Schoonenboom and Johnson, 2017). Results and findings have been presented to allow for complementarity and comparison of data, which optimises *"the benefits of having different but mutually informing data types, and the scope for new ways of exploring an experience or issue that become possible when data are combined or converted from one form to another"* (Bazeley, 2012: 815).

The complexity of reporting an exploratory sequential MMR study, where the design required data from one stage of the research to inform the method for the next stage required significant

consideration as to whether the qualitative data from Stage II would be best situated in the 'Research Design and Methods' chapter or in the 'Results and Findings' chapter. The decision has been made to report the research process and data separately.

Thus, the research procedures, which were planned a priori for each stage, are reported in the preceding Research Design and Methods chapter with minimal data other than that required to support description of subsequent stages. Most data are thus reported in this, Results and Findings chapter.

This chapter is organised as follows:

- a table providing a summary of qualitative and quantitative findings introduces the research outcomes;
- data describing outcomes of Stage I and the research populations, participation and response rates for subsequent stages of the study are reported;
- Key themes from Stage II focus group data, their transformation into constructs and the formation of hypotheses for Stage III and Stage IV are reported, demonstrating the linkages between qualitative and quantitative data
- findings in response to RQ1 that have been derived from qualitative data, are reported. They include descriptions of how LGO's define and enact innovation, what motivates innovation and the role of organisational values in innovation;
- findings in response to RQ2a and RQ2b that have been derived from mixed data are reported in an integrated fashion. This provides a holistic qualitative narrative along with complementary (and at times divergent) quantitative results to provide a holistic account of the organisational capabilities characteristics that affect LGO innovation;
- findings in response to RQ3 that have been derived from mixed data are reported in an integrated fashion. This provides a holistic qualitative narrative which combines with complementary (and at times divergent) quantitative results to provide a holistic account of the community influence and characteristics for receptiveness that affect LGO innovation.

The 'Discussion of Findings' chapter (Chapter 6) contextualises research outcomes within the literature and invests meaning and enables elaboration of theory to inform practice in the local government sector.

Figure 5.1   Overview - Chapter Five

- Summary table - qualitative and quantitative findings
- Data from Stage I classification of LGOs as 'more' or 'less innovative
- Key themes from Stage II focus group data, constructs and hypotheses
- Stage III survey - descriptive data - research population; participation and response rates
- Qualitative findings in response to RQ1
- Findings and results for RQ2a, RQ2b
- Findings and results for RQ3

5.3   Summary of research findings and results

Table 5.1 provides a summary and overview of all research findings, presented to show

complementarities between qualitative and quantitative findings and the integration of methods to

arrive at a holistic understanding of the research phenomena

Table 5.1 Summary of Integrated Research Findings and Results

Research Question	Construct	Hypothesis	Findings	
RQ1 **How do Local Government Organisations frame (define and construe) innovation?**	**LGO Innovation**		**Qualitative** - Innovation defined as evolutionary, rather than disruptive - Innovation as 'business improvement' - Innovation is the outcome of individual creativity, which requires support and development, to become 'innovation' – multiple stakeholders - Motivations for innovation not linked to strategic intent for innovation – 'by-product' of search for public value, efficiencies and sustainability - Innovation linked to organisational values	**Quantitative** Not tested
RQ2a **What are the organisational capabilities that contribute to innovation by Local Government Organisations?**	**Business systems and processes that support LGO innovation**	**H1** There is a relationship between LGOs having business routines that support innovation and the achievement of LGO innovation	**Qualitative** Innovation described as being linked to LGOs: - having business systems and processes that support innovation (improvement routines, enabling leadership, opportunities to create and deliver) - demonstrating outcomes	**Quantitative** Hypothesis 1 supported
RQ2b **How and why do these capabilities contribute to LGO innovation?**		***Sub-H1a)*** There is a relationship between the availability of financial resources and the achievement of LGO innovation	Innovation described as being linked to: - availability of resources – whether deployed or re-deployed - to implement innovative initiatives - lack of available of resources, leads to more creativity and innovation for efficiencies	Sub-hypothesis 1a) supported
	Organisational adaptation	***H2*** There is a relationship between LGO organisational adaptation and achievement of LGO innovation	**Qualitative** Innovation described as being linked to LGOs: - being adaptive and nimble – not hampered by bureaucracy; focus on compliance; legislative constraints - receptive, trusting and open leadership - elected representatives who embrace innovation - being willing to take risks – and enable staff risk - that are 'learning organisations': encourage reflection, shared practice, 'discovery'	**Quantitative** Hypothesis 2 not supported

			- ability and willingness to deploy resources OR redeploy resources from 'day to day' operations to support/ prioritise innovation - recognition of value in redeploying resources from 'day to day' operations to support innovation	
		Sub-H2a) There is a relationship between LGO organisational scale and the achievement of LGO innovation	Innovation described as linked to: - smaller organisational size, making it easier to adapt / change direction - smaller organisational scale, enabling less hierarchy and less segregation ('silos') so ideas are exchanged freely - smaller size leading to increased trust and 'mutuality' between staff and between staff and managers	Sub-hypothesis 2a) supported however direction of relationship opposite to direction described in qualitative results
	Alignment	**H3** There is a relationship between stakeholder alignment and the achievement of LGO innovation **Sub-H3a)** There is a relationship between the number of different political affiliations of elected representatives and LGO innovation	**Qualitative** Innovation described as being linked to LGOs having: - agreement / lack of disagreement on vision and strategic intent, between elected representatives, managers and staff - agreement / lack of disagreement regarding vision and direction between LGO and community - trust, inclusion and mutual understanding of the reasons for innovation - consistency in 'delivering on the promise' in relation to innovation or change	**Quantitative** Hypothesis 3 supported Sub-hypothesis 3a) supported
	Focus on the External Environment	**H4** There is a relationship between LGOs maintaining an external focus on their environment and LGO innovation	**Qualitative** Innovation described as being linked to: - collaborating with stakeholders for new services or to reinvent existing services - looking at industry best practice to get ideas for innovation - integrating, adopting and adapting ideas – learning from external interactions - regularly comparing own performance to other organisations within the LG sector - having a sense of competition with other LGOs - seeing innovation as part of the LGO's reputation or 'brand'	**Quantitative** Hypothesis 4 not supported

			Innovation described as: - occurring independently of the level of support from other tiers of government	
RQ3 **How and why do local communities influence LGO innovation?**	**Community receptiveness to innovation**	*H5* There is a relationship between community receptiveness to innovation and LGO innovation *Sub-H5a)* There is a relationship between population growth in an LGA and LGO innovation *Sub-H5b)* There is a relationship between population movement in an LGA and LGO innovation *Sub-H5c)* There is a relationship between the community's level of education in an LGA and LGO innovation *Sub-H5d)* There is a relationship between the age of the population in an LGA and LGO innovation *Sub-H5e)* There is a relationship between the population diversity of an LGA and LGO innovation	**Qualitative** Innovation described as being linked to the community: - being aligned with LGO decisions – 'authorising' decisions: agreeing / not disagreeing with them - feeling that they are listened to by their LGO - being receptive to change - having a voice that is not dominated by 'squeaky wheels' – interest groups - seeing the role of their LGO as more than providing basic services and maintaining infrastructure - positively influencing elected representatives towards innovation - being educated, articulate and well organised - being of younger age Innovation described as being challenged by: - limited community interest in engaging with their LGO - limited receptiveness by the community to LGO innovation and change - population 'change' – growth and movement - population diversification – diverse and divergent needs and expectations	**Quantitative** Hypothesis 5 supported Sub-hypothesis 5a) supported Sub-hypothesis 5b) supported Sub-hypothesis 5c) supported Sub-hypothesis 5d) not supported Sub-hypothesis 5e) supported – however direction of the relationship opposite to qualitative findings

5.4 Results - Stage I – classifying NSW local government organisations as 'more' or 'less' innovative

The procedure for assessing New South Wales (NSW) Local Government Organisations (LGOs) as either 'more innovative' or 'less innovative' was described in the preceding, Research Design and Methods chapter. A summary of the results for Stage I of the research is shown in Table 5.2 below. A spreadsheet showing de-identified data for the scores of each LGO is at Appendix 1.

Table 5.2   Distribution of Scores 'More' vs 'Less' Innovative LGOs

Assessment of Local Government Organisation CSPs	Number of LGOs	% of LGOs
Most Innovative (score 3.0-4.0)	16	11
Somewhat Innovative (score 1.5-2.5)	51	34
Total 'More Innovative'	**67**	**45**
Least Innovative (score 0.5-1.0)	69	45
Not Innovative (score 0)	6	4
Total 'Less Innovative'	**75**	**49**
Total Excluded	**10**	**6**
TOTAL ALL NSW LGOs	**152**	**100**

Nine LGOs (approximately 6%) were excluded from the review because CSP documentation was either unavailable or key components for comparison could not be located. The LGO at which the researcher is employed was also excluded for ethical reasons.

The percentage of LGOs that fell within each of the categories of 'more' or 'less' innovative is shown in Figure 5.2.
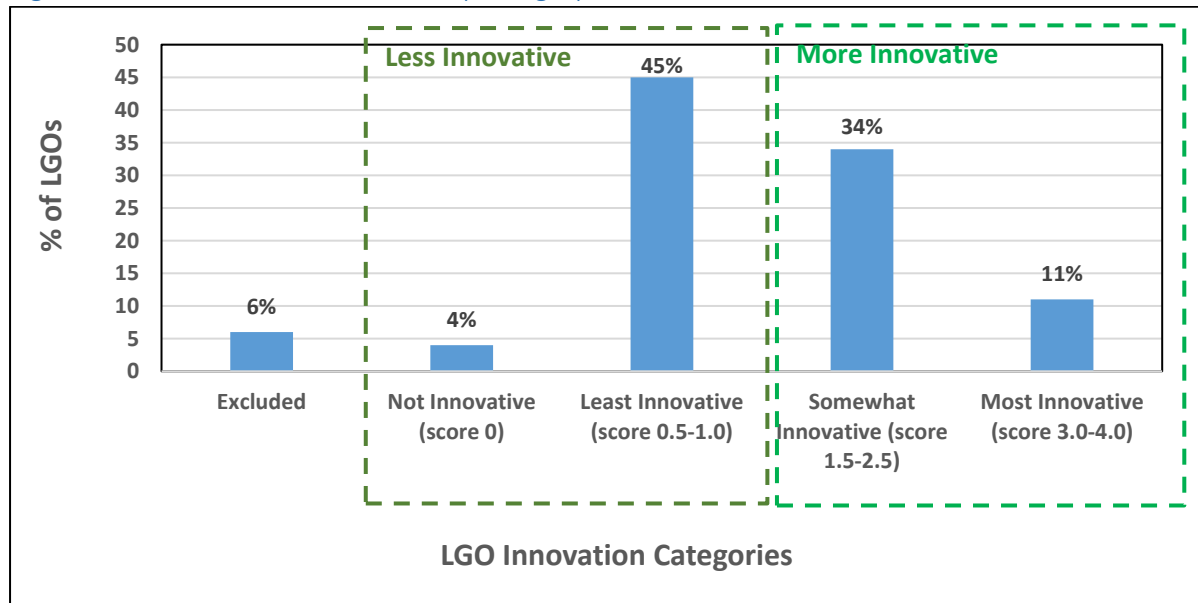
5.5 Results - Stage II – Focus group discussions

5.5.1 Focus group demographics

The procedure for focus group discussions was described in the preceding, Research Design and Methods chapter. A brief description of focus group characteristics follows. The qualitative data and findings from focus group discussions are reported against the three research questions in subsequent sections of this chapter.

The LGOs that participated in focus group discussions represented a cross-section of LGO types, from rural, to regional, to metropolitan and comprised communities that demonstrated diverse demographic characteristics. Focus group demographics are documented at Appendix 7.

5.5.2 Focus group identification

The focus group LGOs were assigned pseudonyms to provide for anonymity of participants during qualitative reporting of focus group data. The seven LGOs are identified as follows throughout subsequent sections of this chapter:

- Inner Metro LGO
- Coastal Town LGO
- Regional Coastal City LGO
- Regional Rural City LGO

- Metro Fringe Rural LGO

- Outer Metro City LGO

- Sea Change-Tree Change LGO

A detailed description of the operational context for each of the focus group LGOs and a report on findings for each focus group LGO is provided at Appendix 8.

5.5.3 Reporting qualitative findings

Qualitative data derived from focus group and survey data were coded as described in the Research Design and Methods chapter, using a combination of 'prior' and 'emergent' codes. The coding process led to the identification of twenty key themes. The key themes are reported and discussed in subsequent sections of this chapter.

Examples of memos and reflections that supported analysis and interpretation of qualitative findings are at Appendix 9.

5.6 Key themes, constructs and hypotheses – transforming qualitative to quantitative data

The twenty themes that were derived from qualitative data were transformed to create five constructs.

The relationship between the twenty key themes and the five constructs is shown in Figure 5.3.

Figure 5.3   Key Themes and Constructs
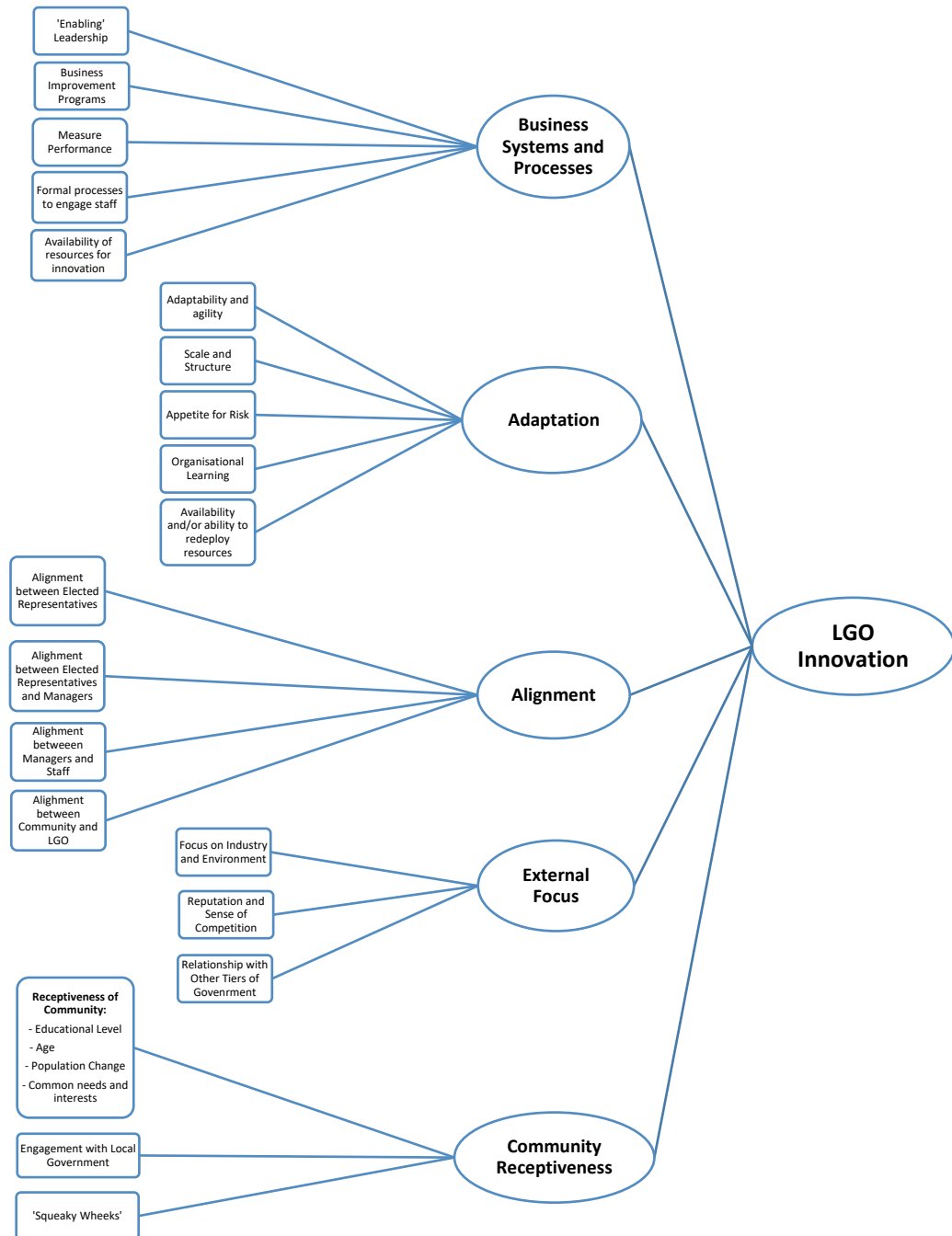
5.7   Synthesis of constructs and hypotheses from key themes

The five constructs that were inferred from focus group data and their relationship to the primary research construct (or 'dependent' variable) of 'LGO innovation' are shown in Table 5.3.

Table 5.3   Key Organisational Constructs and Relationships

Construct	Independent Variable	Dependent Variable
LGO Innovation		X
Business systems and processes that support LGO innovation	X	
Alignment between elected representatives, managers and staff and community	X	
Adaptability and agility	X	
External focus on the industry and environment	X	
Community receptiveness to innovation	X	

Table 5.4 shows the relationship between key themes, constructs and the hypotheses and sub-hypotheses formulated to test the relationship between constructs and LGO innovation.

Table 5.4   Relationships – Key Themes, Constructs and Hypotheses

Theme	Construct	Hypothesis
1. 'Enabling' Leadership – accessible, flexible, empowering of staff 2. Development and implementation of business improvement programs 3. Ongoing measurement of business performance 4. Formal processes to engage or consult with staff 5. Availability of resources to apply to innovation	Business systems and processes that support innovation	**H$_1$** There is a relationship between LGOs having business systems and processes that support innovation and LGO innovation **Sub-H1$_{a)}$** There is a relationship between the availability of financial resources and LGO innovation
6. Adaptability and agility 7. Scale and structure that enable staff interaction and sharing of ideas 8. Appetite for risk 9. Organisational learning supporting creativity 10. Redeployment of resources to support innovation	Adaptability	**H$_2$** There is a relationship between LGO organisational adaptability and LGO innovation **Sub-H2$_{a)}$** There is a relationship between LGO organisational scale and LGO innovation
11. Alignment between elected representatives – can reach agreement on decisions that support or,	Alignment between elected representatives, managers, staff and community	**H$_3$** There is a relationship between stakeholders being aligned on policy and decision-making, and the achievement of innovative LGO outcomes

at minimum, do not oppose innovation 12. Alignment between elected representatives and managers – trust, sufficient shared vision or mutuality of purpose to enable collaboration 13. Alignment between managers and staff – trust, inclusion and cohesion 14. Alignment between community and LGO – trust, engagement and shared vision or interests can reach agreement on decisions that support or, at minimum, do not oppose innovation		**Sub-H*3a)*** There is a relationship between the number of different political affiliations of elected representatives and LGO innovation
15. Focus on the industry and external environment – comparisons of performance and awareness of trends 16. LGO reputation and sense of competition within the industry 17. Support from other tiers of government for innovation in the CSP process	External focus on the environment and industry	**H*4*** There is a relationship between LGOs maintaining an external focus on their industry and environment and LGO innovation **Sub-H*4a)*** There is a relationship between LGO's relationship with other tiers of government and LGO innovation

18. Receptiveness of community to innovation by 'their' LGO is related to:
  o level of education
  o age of population
  o population change
  o common needs and interests
19. Degree of engagement of the community with local government
20. 'Squeaky wheels' – interest groups or individuals that dominate the discourse and influence decisions
	Community receptiveness to innovation	**H*5*** There is a relationship between community receptiveness to LGO innovation and LGO innovation
		
		Sub-H*5a)* There is a relationship between population growth of an LGA and LGO innovation
		
		Sub-H*5b)* There is a relationship between population movement of an LGA and LGO innovation
		
		Sub-H*5c)* There is a relationship between the community's level of education in an LGA and LGO innovation
		
		Sub-H*5d)* There is a relationship between the age of the population in an LGA and LGO innovation
		
		Sub-H*5e)* There is a relationship between population diversity in an LGA and LGO innovation

5.8   Results – Stage III - Survey data

The procedure for survey development and delivery in Stage III was described in the preceding, Research Design and Methods chapter. Survey response rates and respondent demographics are reported below, demonstrating the sample size and representativeness of respondents. The qualitative data and findings from the survey are reported against research questions in subsequent sections of this chapter.

5.8.1   Survey response rate

Survey distribution and response rates are shown in Table 5.5 below.

Table 5.5   Survey Distribution and Response Rates

	Number of Surveys Distributed	Number of Surveys Commenced	Number of Surveys Completed
Hard Copy	125	35	35
Online*	151	64	57
Total	**276**	**99**	**92**
'More' Innovative LGOs	n/a	48	44
'Less' Innovative LGOs	n/a	51	48

* Online surveys were distributed to all NSW LGOs other than the researcher's workplace. It is unknown how widely within each LGO the survey was distributed

Survey responses represented the range of different LGO types and locations. The distribution of survey responses across NSW Office of Local Government 'groups' is shown in Table 5.6 below.

Table 5.6   Survey Distribution and Response Rates

OLG 'Group'	No. LGOs from which at least one survey response was received	No. LGOs in NSW OLG 'Group'	% NSW OLG 'Group' represented
Metropolitan	14	31	**44%**
Regional Town / City	22	38	**58%**
Metropolitan Fringe	4	11	**36%**
Rural	5	25	**20%**
Large Rural	16	46	**35%**
TOTAL	**61**	**151***	**40%**

* Excludes the researcher's 'employer' LGO

Responses to both the hard and 'soft' versions of the survey were provided by a consistent respondent group of people working in LGOs who have knowledge of the CSP and CSP development processes, such as managers, corporate planners and Councillors.

An overview of the roles and length of time in local government of survey respondents is at Appendix 10.

5.8.2 Qualitative survey data

A total of 42 responses was received to the final, open-ended survey question: "*Are there any final observations or comments you would like to make about innovation in or by your Council?*" These responses ranged from a few words or a sentence, to a paragraph, to two lengthy and detailed discussions of the topic. These responses have been integrated into the focus group data and reported in an integrated way in subsequent sections of this chapter. They are available at Appendix 11.

5.8.3 Results of descriptive statistical analysis of survey data

Simple, descriptive statistics, based on frequencies, were calculated in the first instance to allow preliminary visualisation of differences in response to survey items between respondents from 'more' and 'less' innovative LGOs. These were integrated with other qualitative and quantitative data and are reported against the research questions in subsequent sections of this chapter. A summary of descriptive statistical results is available at Appendix 12. A figure showing mean results for each question is at Appendix 13.

5.8.4 Integration and reporting of findings and results

Qualitative and quantitative data have been mixed in the subsequent sections of this chapter. This reflects the MMR methodology of this study. It enables the phenomenon of local government innovation to be described and explained from the perspectives of the lived experience of focus group participants and the aggregated data of a broader range of local government practitioners. The following sections report the empirical data against each of the research questions.

5.9 Response to RQ1: How do local government organisations frame (define and construct) innovation?

5.9.1 Conceptualising innovation

Findings from the qualitative data indicated that despite significant, positive sentiment around innovation, local government has not yet arrived at a unified construction of innovation or a common strategic framework for its realisation. Four foundation concepts emerged from the data:

1. innovation is processual and related to business improvement, including the introduction of new technologies and systems – it is often implicit, rather than explicit business strategy

2. innovation is defined by achievement of an outcome or outcomes – it must go beyond an idea to be deemed 'innovation' and is sometimes conceived as 'innovative' retrospectively

3. innovation has a 'values' dimension – it is seen as implicitly 'good' and inherently desirable to pursue and is linked to LGOs creation of public value

4. while the ideal of innovation is embraced, it is not defined by an articulated or strategic framework - it is framed within the paradigm of business systems and processes *that* support innovation, rather than systems and processes designed explicitly *to* achieve innovation

An integrated overview of these findings was reported at the beginning of this chapter, in Table 5.1. A discussion of these findings follows.

5.9.2 Innovation as an evolutionary process of business improvement

Research participants, for the most part, framed innovation as an evolutionary process, within a business improvement paradigm, rather than as disruptive. Achievement of innovation was construed as relying on the confluence of people, resources and systems, working together to create incremental and measurable change.

We also have a growing internal culture around process improvement. So we set up internal teams to identify and deal with areas of the organisation that can be improved and whether that comes from community feedback or internal identification of issues, but that process often yields ideas that are outside the normal box and they often get implemented because they come from that process improvement initiative (Coastal Town).

*"Our Council is on the road of continuous positive improvement and this is continually delivering better results over time as we get more experience and better at delivering" (*Survey Respondent 17).

However, this 'processual' view of innovation was not universally subscribed. Participants from Inner Metro LGO, one of the 'more innovative' LGOs described innovation as occurring in a *"random and organic"* way (Inner Metro).

Regional Coastal City, while adopting a business improvement framework, also linked innovation to transformative change (achieved via an evolutionary process):

There's a whole adaptive IT model, a big problem of stuff mostly for our IT people about changing the way they do business completely (Regional Coastal City).

Participants from Outer Metro City LGO excluded business improvement as a framework for innovation, stating, when asked if they had an innovation program: *not at [Outer Metro City]. We have business process improvement* (Outer Metro City LGO).

5.9.3   Innovation as the outcome of individual creativity

The second key paradigm for LGO innovation that emerged from the qualitative findings was one where innovation is described as generated by organisational 'champions'. That is, by empowered and engaged staff who feel free to create and whose ideas are supported by leadership and elected representatives to the point where they become reality:

At [Outer Metro City] it [innovation] generally is driven by staff and then upwards. (Outer Metro City).

In a nutshell innovation, from my experience of a rural Council, is that it is driven by organisational champions that address an internal or community identified and owned need that is a strategic fit re Council's operations and Delivery Program (Survey Respondent 36).

[Innovation happens] when staff have great ideas and making sure there's a space for staff to be able to speak up and say what their ideas are. (Metro Fringe Rural).

However, the realisation of creative ideas was described as relying on the confluence of ideas with opportunities, such as the availability of grant funding for new projects, expressed community needs or the imperative to achieve business efficiencies:

I think timing, whether it's random or opportunistic, maybe that's a better word, because it's also about there are opportune times that have come through an event or a drama or a particular resident….Or a grant or a government thing. So at that point there are people in the organisation that have the ability to see the opportunity that could be taken, and an opportunity then to drive forward with a particular idea. (Inner Metro).

So we set up internal teams to identify and deal with areas of the organisation that can be improved and whether that comes from community feedback or internal identification of issues, but that process often yields ideas that are outside the normal box and they often get implemented because they come from that process improvement initiative and that's far easier to deal with than an individual officer trying to go one out trying to deal with their issues (Coastal Town).

5.9.4 Innovation is defined as the implementation of ideas

Whether implicitly, or explicitly, research participants differentiated innovation from the phenomenon of creativity – framing it as needing to go beyond ideas, to produce sustained outcomes through planning and intentional deployment.

So there is the question of genuine innovation as a positive term versus 'thought bubble' as the negative description of something which is a half or not thought through idea….[that] probably doesn't last more than that length of time, it goes away, with limited damage but what are the real innovative things that come in and stick? (Outer Metro City)

We're at a stage where we could be more systematic in terms of managing the different phases of innovation - from idea generation to idea selection and implementation, to embedding and sustaining (Regional Coastal City)

5.9.5 Motivation for innovation by local government organisations

While *"innovation is a much-bandied word in local government"* (Regional Coastal City), qualitative findings did not indicate a consistent purpose or strategic intent. This is a key difference between LGOs and commercial organisations, where the delivery of innovation is linked to the creation of surplus value or competitive advantage.

Qualitative findings indicated innovation was more of a principle that permeated the organisation, aimed at improving performance and efficiency – better ways of doing things to deliver better outcomes. This reflects the values-based culture of LGOs – implicitly a drive to create public value.

I certainly start by saying innovation is actually included in our values, so our highest level of values and guiding principles includes innovation: [quoting the organisational value] 'I seek to increase my knowledge through ideas and continuous improvement' (Regional Rural City).

We challenge the norm. We seek the inspiration for innovation from the people within.... (Regional Coastal City).

It might be engaged with the values, but prosperity and quality seem to be key. 'Leaving a legacy' [one of the LGO's CSP key focus areas] was really about 'while we're here let's make it as good or better for the next lot of people who come here' (Sea Change – Tree Change).

The second motivation that emerged from the focus group data was the search for sustainability, through efficiency and working smarter.

I think we're challenged always to think of a better way of doing and being more efficient (Regional Rural City).

A lot of these things are driven by the environmentally enriched local government that's working at the moment, increased scrutiny, focus on efficiency and improving value for money, service improvement, and those kinds of things (Outer Metro City)

I think in a few areas where we have started to edge into 'invest to save' type funding and innovation. So if I think about some of the sustainability issues….there's a whole lot of projects around energy saving, resources saving, water saving, where those savings are put into a reserve fund and used to fund into projects. We could do more of that I think (Regional Coastal City)

Despite focus group results indicating a fundamental, philosophical commitment by LGOs to innovation, all research participants did not universally report this commitment. Comments from some respondents (possibly elected representatives) to the free-response item in the Stage III survey of LGOs included:

Don't have to be innovative – just have to deliver outcomes…. [we have a] more practical and common-sense focus than innovation (Survey Respondent 9)

Council is run too much by Management, and only takes on innovation when forced upon it by the Fit for the Future process, for example (Survey Respondent 63)

5.10 Conclusions – Research Question 1

Qualitative findings for RQ1 can be summarised as follows:

- Innovation is defined in evolutionary terms, rather than as 'disruptive'

- Innovation generally framed as 'business improvement'

- Innovation recognised as the outcome of individual creativity that requires management support and development to become 'innovation'

- Innovation is related to a search for efficiencies and business sustainability

- Innovation has a values dimension – sought as a means to creating 'good' or better operations and outcomes

These findings are reported at the beginning of this chapter, in Table 5.1 in an integrated way that shows their relationship to research results and findings across RQs and methods.

5.11 Response to RQ2a and RQ2b: What are the organisational capabilities that contribute to innovation by Local Government Organisations? How and why do these capabilities support innovation?

5.11.1 Overview of key constructs

The qualitative research data indicated that there were four key, organisational constructs that influence LGO innovation:

1. External focus on the local government sector and on trends and developments locally regionally and nationally

2. Business systems and processes that support Innovation

3. Adaptability, agility and managers' and elected representatives' attitude to risk

4. Alignment between elected representatives, managers, staff and community in relation to strategic and policy decisions

Quantitative procedures generated complementary data that enabled inferences to be drawn concerning the influence of these constructs on LGO innovation. Qualitative and quantitative findings in relation to each of the four organisational constructs are presented in the following sections of this thesis.

A fifth construct identified through the qualitative research is related to the role of local communities in the innovation process, including their receptiveness to LGO innovation. These findings are discussed against RQ3 in Section 5.16 of this chapter.

An integrated overview of these findings was reported at the beginning of this chapter, in Table 5.1. A discussion of these findings follows.

The 'exploratory' intent of this study meant that quantitative analysis was confined to exploring the relationship between independent variables suggested during the qualitative phase of data collection and the dependent variables of 'more' or 'less' LGO innovation. The study did not seek predictive or confirmatory outcomes, nor did it seek to explain the collective impact of the multiple independent variables on LGO innovation. While strategies such as multiple regression analysis have not been adopted, the use of an integrated regression model (to test relationships between multiple independent variables and the dependent variable) could be adopted in future to extend the research intent and findings.

5.11.2 Focus on the external environment

Focus group participants identified processes and practices of looking outwards and interacting with local, regional, state-wide and national stakeholders as a key attribute for LGO innovation. Comprising activities and routines that included scanning the industry for trends and ideas, benchmarking performance against other LGOs and drawing on and collaborating with local organisations, maintaining a focus beyond the confines of their own organisation was described as fundamental to innovation.

I think it's important that we continue to drive that innovation, through seeing what's out there. I don't think you can be innovative if you just sit inside your own shell. (Regional Rural City).

We certainly want to be informed about what's out there in the marketplace, what is available off the shelf (Regional Coastal City).

Innovations by our Council that do cut through are only those innovations that are benchmarked against whole of NSW Local Govt Sector or Victorian LGA if a cross border partnership and or nationally unique to our community (Survey Respondent 36).

We strive to look at best practice to minimize [sic] the work required to get outcomes. We are constantly reviewing practices to ensure we meet best practice (Survey Respondent 74).

Associated with themes of autonomy, positioning and leverage with other levels of government the theme of competition and regularly scanning the local government industry emerged from the qualitative data. While this competitive stance was not related to the creation of 'surplus value' as is the case in commercial firms, it was implicitly related to the creation of public value.

We know….that we out-compete every other council in NSW on a whole range of indicators….They don't go into that detail per se, but we out compete them in terms of service provided and cost to do that. If you do that and know that, you've then got the confidence to explore other avenues (Regional Coastal City).

Some councils spent hundreds of thousands [on infrastructure renewal], we didn't spend a cent on it, because we've been doing it for the last 10, 15 years....and our asset condition here is a lot better than the neighbours, and people see that when they drive across the border (Coastal Town).

With the GM at [Outer Metro City] wanting to be the best......it constantly comes back to you: what are other councils in our area doing, and it's not just that, what are other organisations around the world doing and how can we be better than everybody else? (Outer Metro City).

LGOs also reported examples of collaboration and co-operation with other LGO's and the opportunities for learning and for creating innovative solutions to local problems afforded by these interactions. A particularly interesting comment within these data from Metro Fringe Rural notes the inter-relationship between 'big' regional innovations and organisational-specific innovation that comes from participating in these wider agendas.

We do a lot of work with [redacted] Council and our leaders have identified an opportunity where we can work closely on a [inter-organisational] challenge and they've sought a participant from each of

the directorates….and we participated in a challenge late last year which was a lot to do with innovation (Regional Rural City).

We also participate in external groups that are looking at issues. So if there's industry groups that are taking on looking at an area that we're involved in, then we'll be active in participating in that and seeing what - working on the solution and involving innovation as part of that. The other thing is we partner with a lot of groups in the community….for example with the university, we're looking at a partnership in the delivery of exercise equipment, and they're doing research in the effectiveness of equipment and that will influence the equipment that we provide to make sure that it's what the people want but also getting the health outcomes that they're looking at (Regional Coastal City).

We're heavily involved in health promotion here through the [Metro Fringe Rural] Health Alliance….That came from an innovative idea of getting a health alliance together. So there's lots of spin offs from big innovations, little innovative things that spin off (Metro Fringe Rural).

Quantitative findings in relation to the construct of 'external focus' complemented, but did not corroborate, qualitative findings that this construct was positively related to LGOs being 'more' innovative.

The results of the Mann-Whitney U Test for hypothesis **H4***: There is a relationship between LGOs maintaining an external focus on their operating environment and LGO innovation,* are presented in Table 5.7 below.

Table 5.7　　　　Results Mann-Whitney U Test – Hypothesis 4

H	Mean Rank 'more innovative' *(n = 44)*	Mean Rank 'less innovative' *(n = 48)*	U	SD from Mean Z	Significance *P*	Effect Size *R*	Result
H4	48.14	45.00	984.00	.61	.540	0.06	Hypothesis ***Not*** *Supported*

Mann-Whitney U Test results for testing of **H4**, indicated that there was no statistically significant relationship (*P* = .54) in reporting 'focus on the external environment', between 'more innovative' and 'less innovative' LGOs. Pearson's correlation coefficient also indicated a very small effect and practical significance (*r* = 0.06).

The hypothesis (**H4**) was therefore not supported.

At a reliability level of greater than 95%, the results of quantitative analysis of survey scale data did not support the hypothesis (**H4**), that a focus on the external environment is related to the achievement of LGO innovation.

Descriptive statistics for each of the individual survey items that were aggregated to create the 'external focus' scale item showed higher levels of agreement from 'more innovative' LGOs, but little significant difference in response, aside from the question relating to 'brand' which is discussed in Section 5.11.3.

5.11.3 Acting on business intelligence

The practice of focusing on the external environment was widely reported among both 'more' and 'less' innovative LGOs and there was no statistically significant relationship between this practice and being classed as a 'more innovative' LGO. However, it is possible that, while LGOs may focus on the external environment, it is *interactions* with organisations and other LGOs and the synthesis of business intelligence and experience that converts information into innovation.

[We know] what is available off the shelf, but we're always suspicious of those sorts of solutions. We have a history of taking the best we can from those and trying to design our own for ourselves.
(Regional Coastal City)

Each of those frameworks delivers all sorts of information, the question is what you do with that information, particularly when it's outside the scope of a particular project (Coastal Town).

A further element of the 'focus on the external environment' construct related to LGOs reporting the practice of positioning themselves or their 'brand' as innovative organisations, within the wider industry. Enjoying a reputation as innovative, sustainable and well-managed was linked to attracting grants from other levels of government, being invited to participate in projects and attracting staff and business partnerships. These opportunities, in turn, reinforce and synergise innovation. At a local level, a positive brand was seen as boosting engagement of the community with the LGO.

'[Neighbouring LGO] Futures' is out there - where's the '[Outer Metro City] Futures', equivalent plan? It really isn't there. I think they have been more innovative. I think they were more smart about packaging innovation as a theme and getting the government opportunities and pursuing some of those things. They've definitely positioned themselves better.... (Outer Metro City)

[I'm a] new Councillor but innovative reputation is one of the main reasons I decided to stand (Survey Respondent 24)

We launched a project called '[Sea-Change Tree Change] the Future is Ours'. It's not for the state government to say are you fit for the future; it's our future and it's our future to determine with our community, what that future's going to be. So Tweed Future is Ours was born and it has developed within that a community engagement network (Sea-Change Tree Change)

Despite the awareness of 'brand' as a positive attribute, the qualitative data indicated that the LGO sector does not have an established agenda or skillset for marketing itself as innovative. This includes lack of investment in developing an innovation 'brand', marketing an internal sense of excitement about change or increasing their residents' and communities' awareness of the public value they create through innovation.

We're….doing [OMC] 500 strategy planning all the time. How well we're doing it or what we're doing, not a lot of people would necessarily understand either. So is that mission shared by the organisation? No!….A document is a good starting point in many ways, but what have we rolled out to the organisation in terms of its understanding? (Outer Metro City).

The problem is, because the community are not interested, political parties have ceased to write manifestos….structurally in society that interest and that value about what we are actually delivering isn't there anymore….But how do we find a way….that ignites or creates that [interest]? Is it about focusing around place? How do you do that, or is it no longer relevant? (Inner Metro).

As an industry Local Government does not share its innovation successes. (Survey Respondent 71).

So that's how we look at it. Because people don't give two hoots about who does what, as long as it gets done (Metro Fringe Rural).

One survey respondent commented that their organisation has already moved beyond the innovation brand:

The term innovation is now overused. We are looking for a new label to promote our innovation activities, possibly will be 'ingenuity / ingenious', or something similar (Survey Respondent 20)

While the scale item for 'focus on the external environment' did not show a statistically significant relationship between this construct and 'more innovative' LGO status, descriptive statistical analysis

indicated a difference in response to the question: Being innovative is part of my Council's reputation or 'brand', that we use to promote our organisation and/or Local Government Area. While 75% of 'more innovative' LGOs agreed to this statement it attracted agreement from 57% of 'less innovative' LGOs.

5.12 Business systems and processes that support innovation

5.12.1 Improvement routines

Qualitative data from focus group discussions highlighted a range of organisational routines that had been implemented by LGOs to foster business improvement which were perceived as synonymous with 'innovation'. These routines have been separated from those associated with 'interacting with the external environment' as they are focused on internal functions and processes.

Interestingly, innovation appeared to have been leveraged as a by-product of organisational routines that *supported* innovation, rather than routines specifically designed to *produce* innovation. Similarly, it was the interaction and interconnectedness of all these routines rather than any one specifically, that was deemed to foster innovation.

These routines included activities such as: the creation of process improvement teams; regular reviews of business performance against key indicators; annual or biennial staff and community surveys to identify opportunities for improvement. The intersectionality of measurement, improvement and innovation is captured in the observation:

The process improvement initiative….offers an opportunity for everybody to bring their experiences together and put those pieces together to come up with a better outcome. They're often innovative outcomes, they're often very outside the box (Coastal Town).

Those three, service and efficiency, the business improvement and red carpet (not tape)….these are our three main initiatives for continuous improvement….We also have annual employee opinion surveys….That is an opportunity as well to put forward ideas as individuals, how you think the organisation can improve – as well as what it's like to work for the organisation….[and] every two years we do a community satisfaction survey as well which we benchmark against ourselves but also LGA. (Regional Rural City).

They all inter-relate. I don't think we've looked at anything in isolation….We've looked at it as an organisation. What are the answers to the questions they're asking? What are the questions we want to ask? What are the answers and what's the journey of finding those answers? (Sea Change-Tree Change).

If they have a really good handle on what it [strategic planning] is, how it can work both for them, the community and the organisation, it gives them the opportunity to maybe step back from those operational things and focus on the big-ticket items and give them the space for potential innovation and maybe to support that. That's utopia! (Outer Metro City).

5.12.2 'Enabling' leadership processes

Though implicit and more difficult to operationalise and measure than structural elements of business systems, cultural elements such as organisational values and leadership norms and practices emerged as equally important to achieving innovation. Despite the apparently hierarchical structure of LGOs and the potential for leadership to be constructed as either a political or top-down, 'command and control' process, the qualitative data regularly cited accessible and enabling leadership as a critical element in successful innovation:

It's about the leadership - it's about giving people permission to do things.

I don't know, I can't explain it. It's about the leadership, the person running the show.

There's no culture of fear…Whether that leadership is like that because the people underneath force them to be that way, I don't know (Metro Fringe Rural).

I'd just add to that and say obviously the senior leadership has an impact, but it also flows all the way down to the team leaders, and basically anybody that's a step up….anyone supervising anyone has an impact on how they see innovation (Coastal Town).

Focus groups that perceived their leaders as having a positive impact on innovation suggested that this was enacted through demonstrated personal commitment to innovation via messaging, recognition of staff initiatives, trust and permission for experimentation, an appetite for risk and allocation or redeployment of resources:

Certainly the leadership, our management exec which includes the GM are very, very focused on our community strategic plan and as a corporate planner…. speaking with other corporate planners, not

everyone is in that enviable position....we do have a very high level of support and any engagement that I've done, F [the GM] has stood out the front and welcomed the people along and said the importance of [Regional Rural City 2030 – the CSP] whether that's internal or external (Regional Rural City).

Contrast the General Managers, this one versus the previous one, there probably is that sort of shift to a more aspirational and innovative focus coming in.....you get that sense of change of General Managers to a guy who wasn't coming from local government, therefore was looking for different things and different applications. (Outer Metro City).

[The new GM's] whole aim, his underlying philosophy was to be a can-do organisation and he was quite willing over time to address those things to get them done, whether it be IT or anything else. Just basically smarter ways of operating. (Sea Change–Tree Change).

The availability and accessibility of the GM and Executive to staff was identified as another positive influence on innovation:

You can walk straight into the GM's office and say 'can I get approval for this'. That assists with people not getting frustrated, but assists with innovation. (Metro Fringe Rural).

They're in the job for years and they just say to themselves, why the bloody hell do we do it that way anymore? Why can't we do this? And they may not be open to standing up, putting their hand up and saying, why don't we do this, so the more avenues we [Executive] give them to do that [the better] (Sea Change-Tree Change).

Your ideas wouldn't get knocked back without being considered fully. If you present something to an exec team, they always fire questions 'have you thought about this or doing this', always finding better ways / alternative ways to consider this. (Regional Rural City).

Just as the GM and Executive were perceived as influencing innovation positively, some focus groups suggested that they could also limit innovation, as a result of complex decision-making processes that focus on compliance, limited communication and engagement or a lack of follow-through on creative ideas. The element of trust was a key ingredient in these scenarios:

We talk a lot about that but the fact that maybe the executive are getting together on a regular basis planning out [redacted] strategy further. Well as the Corporate Strategy Manager I didn't even know that was happening......I think they're going into their secret squirrel society stuff which is not surprising in an election year either but I don't think you can be planning for the future....by doing your old silo thinking or your old secret squirrel thinking. So is [Outer Metro City] innovative or is [Outer Metro City] secret squirrel? (Outer Metro City)

Certainly I get the sense that we're not micromanaged, so that helps staff bring up new ideas, or that taking of risks or doing something that might seem risky because we've never done it before, It certainly has paid off and I think that, particularly in my team, is why we innovate so much (Regional Coastal City).

There was, however, at least one example of staff circumventing leadership approval processes to achieve innovation where they were sufficiently confident that there would not be repercussions for doing so:

I don't think people see the Exec as 'oh my god we've got to try and get around them', because I think they're pretty supportive.

On occasion.

You don't think so?

No, but it's quite often we go around Exec because we know it's not going to go through Exec.

Have they stopped anything though?

They would if we took it to them, so if you don't take it to them you just get on with it. (Inner Metro)

The existence of an organisational culture that supports distributed leadership, where all members of staff are seen to have the potential to lead was a recurring theme in the qualitative data. This included investment in leadership and personal development programs to enhance leadership capability, the creation of networks for supervisors and emerging leaders to meet and problem-solve and learn through experience.

We've been identified as future leaders of the organisation and we….got a lot of personal coaching, learning about different management styles, personality traits, getting 360 feedback about yourself and your management style (Regional Rural City).

And we also invest quite a lot in other leadership development, so we run things like an in-house leadership program….around understanding yourself and making a realistic career plan and trying to again understand what you can do to take control of your own destiny (Regional Coastal City).

5.12.3 Operational rather than political leadership of innovation

Qualitative findings indicated that initiating and realising innovation is more likely to come from LGO staff and managers than from elected representatives. Focus group participants noted in most instances that elected representatives' contribution lay in their support and/or their lack of opposition to innovative ideas proposed to them by managers and officers.

Most of the time I wouldn't say they're innovative things, they're more on – spot fires or want more information on a particular topic. I really can't think of many examples when they've come up with the ideas. (Regional Rural City).

We've tried to embrace innovation for them [elected representatives] but it maybe hasn't been fully taken up. (Sea Change-Tree Change).

Our staff are GREAT but it is often we [elected representatives] who let the side down (Survey Respondent 1).

At times [elected representatives] fail to see the big picture. Their inexperience reflects their inability to move forward, not all [elected representatives] work together for the broader communities [sic] best interest. Some are caught in their own importance their ideas are not a true reflection of community views. (Survey Respondent 42).

There is a gap between innovation Council officers would like to do and [elected representatives], often the elected [elected representatives] are harder to bring on the journey than the community (Survey Respondent 42)

While elected representatives may not lead innovation, they are responsible for approving organisational strategy, budget and the Community Strategic Plan. An LGO cannot make significant decisions about innovation without the approval of its elected representatives.

This infers that the role of elected representatives in innovation is not so much to initiate and proactively lead, but to endorse or 'authorise' new ways of doing things that are proposed by officers and managers. This in itself can be a powerful support or hindrance to innovation in LGOs.

Quantitative findings complemented the qualitative data, which indicated that 'more innovative' LGOs are more likely to have business systems and processes in place that support innovation.

The results of the Mann-Whitney U Test for hypothesis **H***1: There is a relationship between LGOs having business systems and processes that support innovation and the achievement of LGO innovation* are presented in Table 5.8 below.

Table 5.8   Results Mann-Whitney U Test – Hypothesis 1

H	**Mean Rank 'more innovative'** **(n = 44)**	**Mean Rank 'less innovative'** **(n = 48)**	**U**	**SD from Mean** **Z**	**Significance** **P**	**Effect Size** **R**	**Result**
H*1*	55.08	38.64	768.00	-2.56	.010	.30	Hypothesis *Supported*

These results indicated that there was a statistically significant difference (P = .01) in reporting the use of business systems and processes that support innovation, between 'more innovative' LGOs and 'less innovative' LGOs.

Therefore, hypothesis (H1) was supported.

Further, Pearson's correlation coefficient (r = 0.3) suggested a moderate effect size value and moderate practical significance.

At a reliability level greater than 95%, these results supported the hypothesis that there is a relationship between LGOs having business systems and processes that support innovation and the achievement of innovative outcomes.

Results of descriptive statistical analysis were also consistent with the qualitative findings. While 87% of 'more innovative' LGOs agreed (A) or strongly agreed (SA) with the survey item: 'My Council took an innovative approach to developing our Community Strategic Plan', only 60% of 'less innovative' LGOs agreed / strongly agreed with this statement.

There was also a significant difference in the level of agreement to the item 'My Council's current Community Strategic Plan is taking our business in new directions', between respondents from 'more' (76% SA/A) versus 'less' (56% SA/A) innovative LGOs.

5.12.4 Innovation is facilitated by resource availability

The availability of resources was identified as a key ingredient in LGO innovation. This related not just to allocating financial resources, but time, people and assets at a senior level. In some instances, investment in innovation was linked to the creation of a specific position (eg: Business Analyst) or team/s tasked with projects or business improvement initiatives or engagement of external consultancy services.

However, as with other business systems and processes, LGO resourcing of innovation emerged from the qualitative data as being mostly a 'post-factum' phenomenon – ideas for innovation were described as generated and then resourced, rather than resources being provided up front to generate ideas.

I think that's been a big change in my time here. It's gone from being – if you had an idea, it was kind of how do you develop that within your own resources, to being more like the organisation is on board to hear about these things. (Coastal Town).

So what happens to innovation then [when not resourced] is it goes out the window because people are like rabbits in headlights just doing the everyday operational stuff. (Metro Fringe Rural).

Innovation is possible and looked to as long as it's within budget and the limited human resources we have (Survey Respondent 89).

At the same time, the qualitative data indicated a more nuanced interpretation of the impact of resources on innovation, suggesting that there are different types of innovation, in part related to scale and also that greater innovativeness is driven by scarcity of resources.

So there's that area of innovation that I think that council has a resource, they can be innovative – they can be fancy and grand and there's that form of innovation because they throw a lot of resources at a particular project or idea and it enables it to be innovative. But then there's the other end of the spectrum, which is you're just trying to do things clever, smart and efficient, which is where we tend to be (Metro Fringe Rural).

We have been able to survive in a difficult environment due to practical and innovative ways over a long period of time (Survey Respondent 69).

Quantitative findings concerning the level of annual organisational revenue (and, therefore, the size of the organisational budget) contributed a further layer of data that complemented these qualitative findings.

The difference in annual revenue between 'more' and 'less' innovative LGOs was visualised using a box and whisker plot, in Figure 5.4.

The box and whisker plots provide a comparative view of revenue for 'more' and 'less' innovative LGOs, offering a visual representation of the mean, the median and the distribution of data for each of the 2 categories ('more' and 'less'). The lower 'whisker' represents the bottom 25% of the data and the upper 'whisker' represents the top 25%, while the 'middle' 50% of data are represented by the solid 'box'. The mean is represented by the 'x' inside the box and the median by the line through the box. 'Outliers' - scores that deviate significantly from others within the sample, are shown as 'dots' above or below the 'whiskers'.

The box and whiskers indicate a significant difference in mean annual operational revenue between 'more' and 'less' innovative LGOs (although the existence of several significant outliers must be acknowledged).

Figure 5.4

177
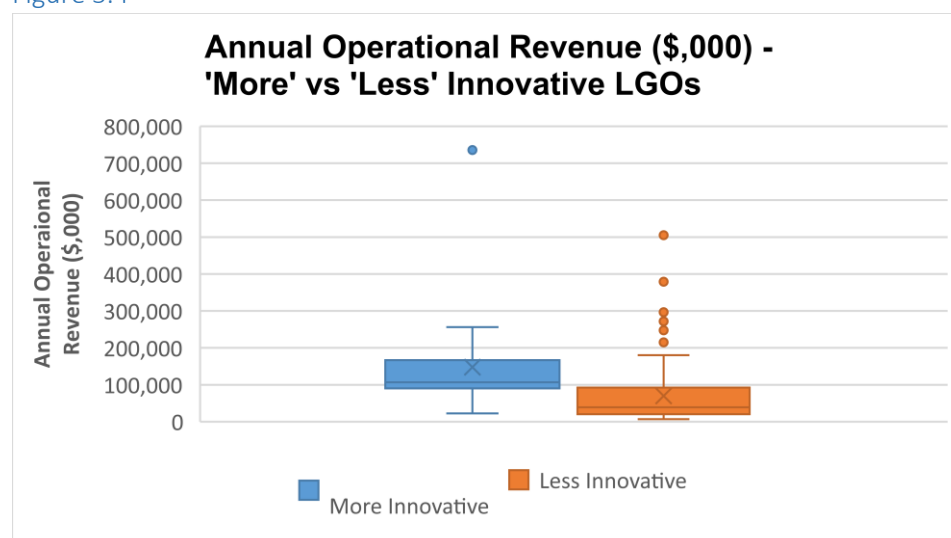
Quantitative findings in relation to the size of the resource base complemented qualitative findings that the availability of organisational resources is positively related to LGO innovation.

The ~~null~~ hypothesis **H*1*, Sub-H*1a*):** *There is a relationship between the availability of financial resources and LGO innovation*, was tested using the Mann-Whitney U Test.

To mitigate the impact of the 'outlier' scores for annual operational revenue including the extreme outlier within the 'more innovative' group LGO's were ranked for annual operational revenue from 1 (the lowest level of revenue) to 142 (the highest level) and the relationship between the mean rank and their classification as 'more' or 'less' innovative tested. The results of this test are presented in Table 5.9 below.

Table 5.9   Results Mann-Whitney U Test – Hypothesis 1a

H	Mean Rank 'more innovative' *(n = 67)*	Mean Rank 'less innovative' *(n = 75)*	U	SD from Mean Z	Significance P	Effect Size R	Result
H*1a)*	88.19	56.59	1394.00	-4.57	.000	.4	Hypothesis *Supported*

Findings from statistical analysis of quantitative data indicated a statistically significant difference ($P < .05$) in annual operational revenue between 'more innovative' LGOs and 'less innovative' LGOs, as well as a moderate effect and practical significance ($r = 0.4$).

Hypothesis **H*1a*)** was therefore supported.

At a reliability level of greater than 95%, this analysis supported the hypothesis (**H*1a*)** that there is a relationship between the availability of LGO financial resources and the achievement of innovative outcomes.

5.13 Alignment between elected representatives, managers, staff and community

5.13.1 Overview – alignment

The construct of 'alignment' was identified from the qualitative data as an important mediator for innovation. This was corroborated in the quantitative results, which indicated a significant difference in the level of alignment between 'more' and 'less' innovative LGOs.

The construct of alignment included elements of shared understanding of organisational direction and engagement within and between the different organisational 'layers' of the LGO – in a literal sense, the ability or proclivity of all stakeholders to 'line up' together to pursue innovation. This included alignment between elected representatives, managers, staff and community. As with other constructs identified, alignment was inter-connected with other organisational processes, rather than proposed as impacting on innovation independently.

An important dynamic of this construct was that alignment was not synonymous with agreement. It represented a spectrum of response to innovation that could range from a position of not actively opposing, through adherence, or 'going along with' innovation, to, at best, wholehearted endorsement. This reflects the concept of 'authorisation' discussed previously in this chapter.

5.13.2 Alignment – executive, managers and staff

The degree to which managers and staff were aligned was described in the qualitative data as a fundamental element in innovation. Alignment between the executive, managers and staff, included themes such as staff understanding of their role in, and contribution to, innovation; cohesion and engagement of staff, at all levels of the organisation; and sufficient trust for staff to feel safe to suggest and follow through with, innovation:

We always seek innovation when we're doing that, and some of the principles we apply are….we try to ensure that there's a really strong cross section from the executive level to direct delivery level in those projects. It's one of the things we can be proud of in respect of the way we go about it.
(Regional Coastal City).

Sometimes people are frightened of speaking up because they're frightened of looking silly or saying something stupid and they don't. So we try to create spaces here for people to put forward innovative ideas or ways of doing things. (Metro Fringe Rural).

I would say it's probably still an area that we don't do enough of, I don't think we do enough of sharing organisational wide, major projects, innovative projects, we have a team leaders' forum where we sometimes share different things that have happened, but I'm just not sure we do it enough organisationally wide. (Regional Rural City).

We've established a community engagement network of staff from across the organisation. We've got 25 staff. While our comms team is all very proficient and competent in undertaking engagement, and while there are some staff who have engagement [training]….what we wanted to do was take a whole of council approach. We put out an EOI for staff who wanted to become members of the community engagement network and we now have 25 staff and that involves the existing comm's staff but we've got staff from planning, customer service, a couple of outdoor guys who push mowers, which is just fantastic (Sea Change-Tree Change).

The promotion of innovation among staff, so that they perceive innovation as part of their organisation's DNA also emerged from qualitative findings as contributing to innovation:

Part of that satisfaction is being innovative and working in an organisation that you feel is innovative, so that will come through in the staff surveys. We try a few different things so that's the important thing. (Coastal Town)

There's always change but it's speeding up, and that people can accept that change is going to be speeding up and happening and we don't do things the way we've always done them just for the sake of it, we need to keep reviewing what we're doing. (Regional Coastal City)

Engagement and alignment of staff and managers was, however, not a guaranteed recipe for innovation and not without inherent risk. Participants from two of the focus groups identified the risk of engaging staff in innovation but failing to deliver on the promise.

We've got change fatigue, so we're told by everybody, but we've hardly begun to be innovative in many ways, so we may have squandered too much of our change capital on things that were just change rather than actual innovation or improvement. (Outer Metro City).

I've had staff that throw up ideas and their manager doesn't deal with it and it gets lost. Somebody said to me the other day 'well you and the HR manager should sit up the depot and have an ideas session once a month because things are getting lost'. So it just shows you there are parts of the organisation where there is frustration. (Coastal Town).

This resonates with an issue identified in the qualitative findings regarding community involvement in innovation. Community disappointment or frustration at their ideas not getting through and the time taken to achieve outcomes were cited as factors in community disengagement with LGO innovation agendas.

5.13.3 Alignment and organisational silos

The qualitative data indicated that innovation was linked to less hierarchical and segregated operations and to more responsive managers, leading to greater organisational adaptability. Partly structural but mainly cultural, the existence of 'silos' within LGOs was identified as a barrier to engagement, alignment and therefore innovation.

'Silos' were described as existing where staff or teams, because of structure, function or location, worked in isolation or with minimal reference to and involvement with other teams within the LGO. Silos were associated with reduced collaboration, trust, and shared values as well as less sharing of ideas and less confidence that those ideas would be acted on.

That's one of the challenges with innovation - how you capture [it], stuff gets started, stuff gets proposed, it's slogging that through to see that it's implemented.

That's right. It's about making sure that you can see where the connections are so that – [but] everything we do is in a silo, it's not - one person's doing one thing and another, another.

It's the integration of the IP&R.

That's exactly right.

I'm hearing you say that that's something you feel like you've done?

Not at [Outer Metro Cit]. Not with IP&R. They're very good at doing things in silos here (Outer Metro City).

It's a constant battle of trying to break down the silos. I think every council suffers with it (Coastal Town).

I think we talked a little bit about silos. Again, there are some areas that work across the organisation and there are others that may bunker down for whatever reason and don't always communicate with people that they probably should communicate with.... (Inner Metro).

....no matter where you sit in the organisation, the hierarchy doesn't count, it's mutual respect in dealings. That breaks down a lot of fences. We do our best not to have those silos and what have you, anyhow I'll leave it at that; mutual respect no matter who you are. (Regional Coastal City).

Despite most focus group participants ascribing a positive relationship between alignment, absence of silos and innovation, alignment was not universally described as aiding innovation. Focus group participants from Inner Metro LGO provided an interesting addendum to the standard list of business risks and an alternative frame to the commonly held belief in the value of consensus.

Strong values provide a good framework – respect, teamwork, leadership, creativity, fun – balance – [but] at times we don't want tension, harmony is valued highly and as a result the best outcome isn't reached – we end up with a 'Mars Bar' [bland and sweet] not innovation (Inner Metro).

5.13.4 Alignment - elected representatives

Qualitative data indicated that alignment between elected representatives, managers and officers was driven from the bottom up, rather than top down. Elected representatives' main contribution was perceived as supporting, or not hindering, innovation that was generated by staff and managers, rather than creating and prosecuting a case for innovation of their own volition.

I would say that because they're pretty hands off, they [elected representatives] don't get in the way at all, we just do what we do to some extent. They're pretty open to ideas….And they'll fund things a bit and whatever, I would say they're supportive (Coastal Town).

I find some [elected representatives] tend to stifle a lot of innovation. It can undermine it because they don't understand it. Any amount of innovation, unless they're on board with it or they understand it, they won't vote it in. (Metro Fringe Rural).

We inherited an administrator who was quite dictatorial, so innovation ground to a halt, but slowly, but within a few months it kind of died. We used to call it 'whack a mole'. Nobody was game to say

anything or suggest anything because it would immediately get squashed. So people just pulled their heads in, head down bum up, and worked, stayed within their little box and continued to do. So the shift from a really vibrant forward-looking [organisation]….it just died (Outer Metro City).

Given the critical role of elected representatives in providing endorsement for innovative projects and programs, the element of trust was regularly cited by focus group participants as a critical mediator for innovation. A high level of trust and respectful and constructive relationships between elected representatives (who formulate strategy) and executive and staff (who implement it) were seen as instrumental in achieving innovation.

We do have support and confidence in the GM and the staff from most of the councillors, [so] that rarely ignites anything. In the most part, I would suggest that there's a fair degree of trust with councillors in the staff and what they're doing in the most part. (Metro Fringe Rural).

….a lot of time we're saying the answer is in a stable - that's not saying you can't be reactive, but a stable, courageous, decision-making elected body supported by a good administrative management system. That's the only answer, it is the only answer. It stops all the bollocks that occur. (Regional Coastal City).

If I had a magic wand, and I do have one - I think around the relationship….I've worked at councils where you have had that real trust between the elected representatives and the staff.... the councils I've worked at where there's great trust between the elected reps and the staff, they blitz it. (Sea Change–Tree Change).

Far from being a serendipitous phenomenon, developing trust with elected representatives was described as something that could be worked on in an intentional way by managers and staff.

In terms of trust, the systems that we have set up with reporting, briefing sessions, the majority of the time staff recommendations or reports – it's 'go for it'. It's pretty rare when a staff report or recommendation isn't accepted. We're talking about systems – the trust is pretty high. (Regional Rural City).

Somehow increasing the elected members' level of trust of the organisation and its management to do the best they can, to….do the job of efficiently running the organisation so they can focus on the policy and the strategic side of things….using the [IP&R] framework as a decision-making tool: this is what we're going to do, this is how we're going to do it, now trust us to go and do it (Outer Metro City).

The exec and all of the staff really work all day every day to make sure that elected representatives trust us, other levels of government trust us that we can get it right so that when we say, 'look this is a bit scary but we think we should have a go', there is that level of trust there to go ahead (Metro Fringe Rural).

[The] second thing was to have workshops with Councillors and staff about how to do things – "let's talk" - not just a cold report with no explanation…Took a while to establish trust – still some dickheads who would send the staff round in circles – [staff] had to learn don't get sucked in, listen, but don't let them delay you (Survey Respondent 7).

The qualitative data indicated that alignment between the strategic arm of LGOs (elected representatives) and the operational or executive arm (managers and staff) needed to be matched by a similar level of alignment between elected representatives themselves, for LGO innovation to occur. Absence of division and discord, even within Councils of differing political colours, was linked to enabling innovative ideas to float into visibility and to be endorsed and resourced with minimum barriers and time to their realisation.

We've had one recission motion in 10 years. They're beautiful…. they're cohesive. That's a big thing. They act as a cohesive team, which makes a huge difference. There's rarely any point scoring on the floor, and if it happens on the floor that's fine but you know everyone's good. I think S. was saying before, it's the ability to have a grown-up conversation, have a robust discussion but don't take it personally and "I'm not going to talk to you because you said this", it's not like that. It's just maturity. (Inner Metro).

What that means is they're not watching themselves when it comes to generating ideas, [they're] happy to share ideas no matter who's in the room (Regional Coastal City).

There might be a couple of councils - T is probably [an example], in terms of the councillors, it's fairly good. They have a few spats every now and then but mostly people are on the same page and work with the organisation to get things achieved (Sea Change – Tree Change).

5.13.5 Political affiliation and alignment

As political players, within a deliberative democratic institution, political alliances and differences between elected representatives emerged from the qualitative data as exerting a significant influence on alignment and therefore innovation by LGOs:

A tricky situation. We've got seven Liberal, seven Labor and one Independent.

So you've got a balance between older and newer councillors, who's got the dominance there, in our case the older ones have, the political balance, not to say are they more or less innovative, they're from a political party, as opposed to you shouldn't have parties in local government. That's the question. (Outer Metro City)

The place would certainly run a lot better if there weren't the political divides there are. (Sea-Change-Tree Change)

And no party politics here. That does allow the individual views of the councillors to come through, albeit occasional, they're not bound by some Labor Party policy that says they shouldn't say that. (Coastal Town)

5.13.6 Alignment between elected representatives and community

While qualitative findings indicated that innovation was largely initiated by LGO managers and staff, rather than by elected representatives, there was also a nexus between elected representatives seeking to respond to their constituents' demands and expectations and LGO innovation.

Yeah, I think community ideas are valued by the leadership, so I know there's a whole raft of things that the Mayor has taken on, because the community is like - parking meter payments and citizens' panel and just a whole range of things - like he listens, he just goes 'yep, you need to do that', 'you need to fix that', 'you need to sort that'. (Inner Metro).

We didn't have all the community turn up to our consultations, but the councillors saw the writing on the wall (Metro Fringe Rural).

However, findings on the matter of whether Council, in responding to community, could be described as strategic and innovative or merely reactive, were contested.

So then as leaders internally, we want them to be strategic, but we enable helping them with the noisy resident with the shed.

They become pothole head thinkers rather than strategic thinkers. (Metro Fringe Rural).

I think it's not particularly unusual but the [elected representatives] here are really focused on what their constituents are saying and what their problems are and what they want. They don't really embrace the CSP or any of those things in regard to that. It's really reflective of the industry. Everything's got to be long term, sustainability, but they're there on a short-term focus to get re-elected. (Sea Change–Tree Change).

Therefore no local political gain….for purposes of enhancing competitiveness or being viewed as an innovator. (Survey Respondent 36).

In some cases, qualitative findings indicated that elected representatives were motivated by personal agendas, or response to particular interest groups in the community, which was not seen as equating with innovation.

Is ambition the same as innovation? (Outer Metro City).

They've got in through those connections with the local community, and that's what's enabled them to get in because people have been in their ear about this and that. And they come in gung-ho saying 'we need this changed; we need that changed'. (Metro Fringe Rural).

It's hard to quantify some answers as certain councillors are very innovative and others are very resistant to innovation (Survey Respondent 94)

Findings in relation to the influence of small, but powerful, interest groups within the community on LGO innovation are discussed further, in the section of this chapter that documents outcomes in response to Research Question 3.

Quantitative findings in relation to alignment complemented qualitative findings that alignment is positively related to LGO innovation.

The results of the Mann-Whitney U Test for hypothesis **H3***: There is a relationship between stakeholder alignment and the achievement of LGO innovation* are presented in Table 5.10.

Table 5.10   Results Mann-Whitney U Test – Hypothesis 3

H	Mean Rank 'more innovative' (n = 44)	Mean Rank 'less innovative' (n = 48)	U	SD from Mean Z	Significance P	Effect Size R	Result
H₃	53.05	40.50	704.00	-3.17	.002	.3	Hypothesis *Supported*

These results indicated that there was a highly significant statistical difference (P = .002) in reporting of 'alignment', by 'more innovative' than by 'less innovative' LGOs. These findings also indicated a moderate effect and practical significance (r = 0.3).

Hypothesis **H3** was therefore supported.

At a reliability level of greater than 95%, these results supported the hypothesis that there is a positive relationship between alignment among elected representatives, managers, officers and community members and the achievement of innovative outcomes by LGOs.

Quantitative findings regarding the relationship between the political alignment of elected representatives (operationalised as the number of different political affiliations within each Council) and LGO innovation also complemented the findings from the qualitative data.

This relationship was initially visualised using a box and whisker plot. The box and whisker plot was used to show the distribution of values for political affiliation, for 'more' versus 'less' innovative LGOs.

These plots both indicated a negative relationship between the number of different political affiliations and the status of being 'more' or 'less' innovative – ie: 'less' innovative LGOs showed a greater, mean number of different affiliations within their Council, than 'more' innovative LGOs. These plots are presented in Figure 5.5 below.

Figure 5.5
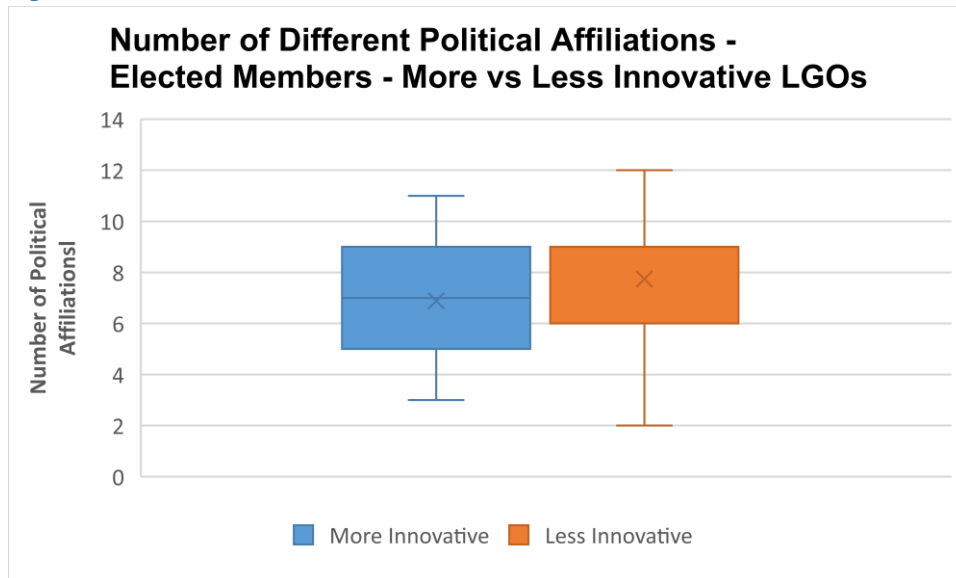
Mann-Whitney U Test results for testing of H*3a*: *There is a relationship between the number of different political affiliations of elected representatives and LGO innovation,* are shown in Table 5.11. These findings also coincided with the qualitative findings.

Table 5.11   Results Mann-Whitney U Test – Hypothesis 3a

H	Mean Rank 'more innovative' *n = 67*	Mean Rank 'less innovative' *n = 75*	U	SD from Mean Z	Significance P	Effect Size R	Result
H*3a)*	55.64	84.52	1461.00	-4.30	.000	.4	Hypothesis *Supported*

Results of the Mann-Whitney U Test indicated that there was a statistically significant relationship ($P < .05$) between the number of different political affiliations between elected representatives and the achievement of LGO innovation. Further, Pearson's correlation coefficient ($r = 0.4$) suggested a moderate effect size value and moderate practical significance.

Hypothesis (**H***3a*) was supported.

At a reliability level of greater than 95%, this finding supported the hypothesis (**H***3a*), that a higher level of political alignment between elected representatives is related to the achievement of LGO innovation.

5.14 Organisational adaptation, agility and appetite for risk

5.14.1 Overview adaptation

The construct of 'adaptability' encompasses several themes, some relating to intangible attributes and processes such as flexibility and risk appetite while others relate to practical elements such as change strategies and the availability of resources. While adaptation was perceived by research participants as a key ingredient for innovation, they also described several constraints to being adaptable and agile that are related to the local government operating environment.

The mixed data findings, when viewed together, are similarly nuanced. Quantitative results indicate that the difference in organisational adaptability between 'more' and 'less' innovative LGOs falls short of being statistically significant. Qualitative findings in relation to small organisational size supporting innovation, were inconsistent with quantitative findings that 'more innovative' LGOs were those of larger organisational scale.

5.14.2 The process of adapting

The construct of organisational adaptation and agility is closely related to the construct of alignment. Adaptation and agility depended on staff attitudes to innovation and cultural norms, which were mediated positively by routines that lead to collaboration and trust. The qualitative data indicated that speed and ease of decision-making and minimisation of internal barriers to change were essential to achieve the nimbleness required for innovation:

So it gets back to people's attitudes and that's what brings more innovation rather than resources. I've seen that at [neighbouring LGO], they've got heaps more money over there. Yet all their systems are choked up inside and innovation is choked up. (Metro Fringe Rural).

The Director Community Development, led that process and she used that same philosophy that we've all been talking about of sitting down with....employees and unions, and saying "alright well how are we going to solve this, what are we going to do together, what are you going to do", through a fairly intensive but very collaborative series of discussions. (Coastal Town).

However, innovation was also credited to individual drive and resilience, rather than organisational processes:

J has championed that project and he's gone through hell and high water literally to make it happen. I've never seen a man took as much shit about a project as him and the guy stood up and he came back every time. And nobody's lost in the end do you know what I mean, it's a brilliant project. But he just has - and done it with grace and humour throughout, but it's just been amazing. (Inner Metro).

An innovative (agile, nimble) working practice is inconsistent in my organisation. Some areas apply a very agile approach, others stick to the traditional, waterfall approach to program development and delivery. It ultimately depends on the individuals involved. It would be good for an innovative approach/methodology to be more embedded in our working practice (Survey Respondent 79).

….you've really got to let people innovate and find ways of things to keep up with the speed of change, the needs of the community (Regional Coastal City).

5.14.3 Adapting, organisational learning and innovation

Focus group participants contended that offering opportunities for learning and professional development were key elements in innovation. This included providing space for experimentation and new ideas, as well as a tolerance for experiments that don't prove to be successful:

From that perspective, in obtaining knowledge and learning to do things differently and being better skilled and broadening your horizons, all councils have been really supportive and I think it benefits the council long term by having all these things in place (Outer Metro City).

Remembering people are human beings and they're allowed to make mistakes. From those sorts of things opportunities come as well. But it's viewing it as an opportunity rather than as a mistake. (Metro Fringe Rural).

You're creating an environment where there isn't aggression and it is collaborative and it's open, so it's a safe environment. So if you fail you're not going to be crushed. (Inner Metro).

The quality of openness to learning was also portrayed as a willingness to review and to self-critique processes, practices and outcomes. This was recognised as a catalyst for change:

In local government you can get stuck in 'That's the way it's always been' until you start to question that: 'Is that the way it has to be?' I think there's a bit of a process here at the moment; there's certainly an appetite for it and through the service plans it's especially doing that process but people are saying: 'Actually, why do I do that?' (Sea Change – Tree Change)

At any point in time, you'll see that a cross section of our activities are under the microscope.

(Regional Coastal City)

Quantitative results in relation to organisational adaptation complemented, but were not entirely consistent with, the qualitative findings that organisational adaptation and agility are positively related to LGO innovation.

The results of the Mann-Whitney U Test for hypothesis **H2***: There is a relationship between LGO organisational adaptability and LGO innovation* are presented in Table 5.12 below.

Table 5.12   Results Mann-Whitney U Test – Hypothesis 2

H	**Mean Rank 'more innovative'** **(n = 44)**	**Mean Rank 'less innovative'** **(n = 48)**	**U**	**SD from Mean** **Z**	**Significance** **P**	**Effect Size** **R**	**Result**
H2	51.82	41.63	822.00	-1.86	.06	.2	Hypothesis *Rejected*

These results indicated that there was not a statistically significant difference (*P* = .06) between 'more innovative' LGOs and 'less innovative' LGOs, when it comes to reporting that their organisation is adaptive and agile, although this result was only marginally below the threshold for statistical significance.

Therefore, the hypothesis (H2) was not supported.

Further, Pearson's correlation coefficient (*r* = 0.2) suggested a small effect size value and a low level of practical significance.

Post-hoc power calculations showed that sample size did not account for the lack of statistical significance of the results. This indicates that the hypothesis should be rejected, in the interests of avoiding a Type II error.

Results of descriptive statistical analysis of quantitative data also indicated that there was a significant difference in identifying as a 'learning organisation' between respondents from 'more' versus 'less' innovative LGOs. While 84% of 'more' innovative LGOs agreed (SA/A) with survey item 11: *I would describe my Council as a 'learning organisation', where Councillors, Managers and Council Officers reflect on their practice, share ideas and provide feedback, to discover new ways of doing things*, only 63% of 'less' innovative LGOs agreed (SA/A) with this item.

5.14.4 Re-deploying resources to support innovation

Qualitative findings from focus group data indicated that, given the parameters of LGO revenue-raising innovation relies on LGOs shifting resources and priorities around to free up spare capacity. This requires significant strategy and alignment and was generally described as a struggle by the 'less innovative' LGOs:

*We've got to balance both - the business as usual and innovation (*Outer Metro City).

Possibly, not streamline, but more flexibility around our budgetary processes; we're sort of locked into a four-year delivery program. Sometimes something else comes on board it's difficult to find the funds to make something happen which should happen or could make a big difference. You don't always have that four-year plan agility with these things. (Regional Rural City).

With a small rate base we are totally dependent on external sources of funding, so this is always a major factor when undertaking innovation or any other council decision (Survey Respondent 89)

Within this context, almost every focus group commented on the inherent dilemma for LGOs of prioritising resourcing day-to-day business over allocating resources for innovation. The internal and external expectation of a focus on 'core' activities such as road maintenance and waste collection, was seen as negatively impacting on both strategic, 'big-picture' thinking and prioritising innovation.

There's that balance between the operational, the churning out, the day-to-day, and then stopping that and....You want to turn this way but it's a big vehicle, it's hard to turn and at the end of the day you're assessed by what you've churned out, by the community, rather than the big idea. [The community asks] "Did my garbage get picked up on time?" (Outer Metro City).

The resources are limited, so we have to apply in areas of innovation that are priority areas or will give us the most benefit, because you can't act on everything, we just don't have the capacity......it's not like we can hive off 10% of our revenue every year to invest in innovation, because there just isn't the tolerance for that (Regional Coastal City).

I said how did the strategic plan day go, and P just did his "oh yeah it was good", and then A, you know what you said to me, and it's not your fault you said, "J did an awesome presentation on how we fix roads". That's what you told me.

Yeah, he did.

And then you told me the next conversation, "oh you should have seen Monday night all they spoke about was potholes". And there you go, that's what you took away from it. So we're all the problem, but you're forced to do that because that's what we're here for, that's what we want. (Metro Fringe Rural).

In my experience continuous improvement and or organisational learning as a driver of innovation for rural Elected Representatives is politically not sufficient reason to divert rate payer resources to the promotion of innovation. OK to use external funds for this purpose but not ratepayer funds. (Survey Respondent 36).

5.14.5 Organisational size, adaptability and innovation

Recognising that structural, as well as cultural elements affect organisational adaptability, qualitative findings highlighted organisational size as a key factor in successful innovation. Size was identified as a mediator for organisational cohesion, fermentation of innovative ideas and enhanced adaptability. Smaller size was portrayed as enabling a broader range of people, from across all levels of the organisation, to get involved and the diversity of views associated with people of differing age, role, gender and culture to be harnessed.

....a lot of the times innovation comes in corridor chats, toilet chats, and people go 'oh shall I say something or shan't I say something'. And when they do – if you turn around and say 'that's a great idea, yeah why don't you write' – and they run with it. (Metro Fringe Rural LGO)

The other thing though when you're a smaller size is you can probably – we're not like a huge ship where to turn it around it's like – if you're smaller you can be more nimble. (Coastal Town LGO)

Some of them are really innovative though because they're small and nimble and they've got no money so innovation comes out of necessity there really. (Inner Metro).

You want to turn this way but it's a big vehicle, it's hard to turn (Outer Metro City).

This type of innovation can be realised in a smaller Council - when the business case is made. Factors that promote innovation in this regard - organisational champion, productivity gains self-evident, and a flatter organisational structure - fewer decision makers to convince (Survey Respondent 36).

Findings from analysis of quantitative data indicated that organisational size was related to innovation. However the relationship was not in the direction that was proposed in the qualitative data.

The relationship between LGO organisational size, operationalised as the number of Effective Full-time Staff (EFT) and LGO innovation score was visualised using a bar chart and a box and whisker plot. The box and whisker plot was used to show the distribution of values for EFT for 'more' versus 'less' innovative LGOs.

These plots both indicated a significant difference in both the mean and median for EFT between 'more' and 'less' innovative LGOs and a positive relationship between innovation and the relative size of LGO's EFT workforce. The plots also showed several 'outlier scores' for both 'more' and 'less' innovative groups.

The plots are presented in Figure 5.6.

Figure 5.6
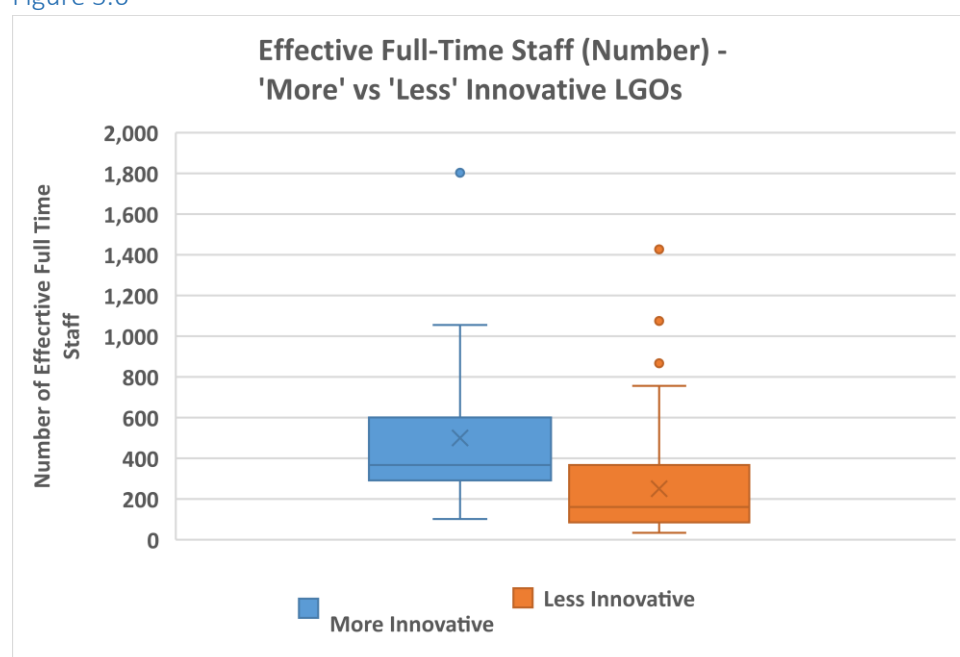
LGOs were placed in rank order, based on the number of EFT, to mitigate the impact of outliers. The mean rank for 'more' versus 'less' innovative LGOs was calculated using the Mann-Whitney U Test. These results are presented in Table 5.13.

Table 5.13   Results Mann-Whitney U Test – Hypothesis 2a)

H	Mean Rank 'more innovative' (n = 67)	Mean Rank 'less innovative' (n = 75)	U	SD from Mean Z	Significance P	Effect Size R	Result
H2a)	90.06	54.92	1269.00	-5.08	.000	.4	Hypothesis Supported*

* Although the hypothesis was supported, the relationship between this construct and LGO innovation was the reverse of that suggested by the qualitative data

Results of the Mann-Whitney U Test indicated that there was a statistically significant difference ($P <$ .05) between 'more' and 'less' innovative LGOs, in relation to organisational size. Further, Pearson's correlation coefficient ($r = 0.4$) suggested a moderate effect size value and moderate practical significance.

The hypothesis (**H2a**) was therefore supported.

At a reliability level of greater than 95%, this finding supported the hypothesis, that organisational size is related to the achievement of LGO innovation.

However the relationship between organisational size and innovation indicated by quantitative findings (larger size is associated with 'more innovative' LGOs) was the reverse of the relationship suggested in qualitative findings, which suggested that smaller size, leads to greater adaptability, agility, synergy and innovation.

5.14.6 Constraints on adaptability in local government organisations

5.14.6.1 Organisational culture

Qualitative findings indicated that, while innovation was seen as critical, in some instances cultural forms and norms were seen as a constraint to innovation, due to the: *traditional LGO bureaucratic virtues of transparency, governance, accountability and all that* (Inner Metro).

That is the nature of the [LGO] environment. If you have someone who is a real innovator, a real thinker, outside the square – sometimes government isn't and depending on what role, [it] is not the ideal area for them [to work] (Regional Rural City).

It's really hard for a bureaucracy to move quickly, it's like elephants jumping and it's really hard. (Inner Metro)

Focus group participants commented on perceived differences between LGOs and private sector organisations in terms of enjoying the freedom and flexibility to innovate:

It's a very bureaucratic response, isn't it, to innovation, as opposed to CEO of corporation says, we're going to totally change your job, the whole manufacturing arm of the company is going to be closed tomorrow and we'll go into that….(Outer Metro City).

Councils will always be constrained by legislation and cannot be as innovative as private industry (Survey Respondent 21).

The limited availability of models for local government innovation and the challenge of assuming that private sector approaches to innovation can be replicated within the local government context was also noted:

What you find is that a lot of the thought leaders around innovation and consultants and that, it comes from the private sector….So they come in with these innovative things, but….some of the things you're trying to innovate on….don't work (Metro Fringe Rural).

5.14.6.2 Statutory and institutional role

In addition to inherent structural or cultural constraints, LGO innovation was portrayed as being constrained by legislation and a planning and reporting structure imposed by the NSW government, via the NSW Local Government Act and the Integrated Planning and Reporting (IPR) Framework.

When IPR and all that was talked about 10, 12 years ago, I think life's evolved and we need to rethink and not be prescriptive about CSPs and 'it needs to be this, this and this' (Inner Metro).

State government can also hamper innovation by over legislating and creating bureaucratic red tape (Survey Respondent 40).

The IP&R framework can actually inhibit genuine innovation due to its tendency to be inflexible (Survey Respondent 64).

The state and federal government were portrayed as providing little impetus for innovation by LGOs, other than via provision of grant funding to subsidise projects that LGOs might approach in innovative ways.

You've got to break through on the political side to give your Council the government support it needs to be innovative in a big scale way because the money isn't there otherwise. (Outer Metro City).

If we get an issue, we don't just pick up the phone and ring the Office of Local Government.

They'd be the last people we'd call. [LAUGHTER] (Regional Coastal City).

We've just had a growth centre announced [by the NSW government]….So we're looking at going from 48,000 at the moment….up close to 100,000….So we're in a process where resources are really tight, and we're in that stage – we keep calling it the growing pains stage, where there needs to be a lot of planning done, pre putting things in the ground….but we've not got any support really from state government (Metro Fringe Rural).

Quantitative results reflected this sense that local government is not well supported by state and federal government. The survey item: 'My Council is well supported by other tiers of government when it comes to innovation', attracted the lowest level of agreement (34% SA/A) and highest level of disagreement (29% D/SD) of all survey items, with both 'more' and 'less' innovative LGO respondents reporting similarly low levels of agreement.

5.14.7 Risk appetite, adaptability and innovation

Related, on an affirmative level, to the dimensions of learning, adaptation and trust and, on a critical level, to the dimensions of bureaucracy and constraint, the theme of risk emerged clearly from the qualitative data.

Obviously, you can't do much more than incremental continuous improvement if you've got a low appetite for risk (Regional Coastal City).

I think we need to take more operational process risks. Ever since I moved to local government it was like no one would ever try anything for fear that it didn't work. I think well try it, if it doesn't work, just try something else (Metro Fringe Rural)

The mayor's popularly elected and he's in his third term. So he's experienced, he's confident and he doesn't jump at shadows and that's important. (Inner Metro)

While most focus groups attested to the importance of an appetite for risk, some (as in the case of Metro Fringe Rural, quoted above) also noted the relative lack of appetite for risk within local government, when compared to the private sector:

........I think it's fair to stand back and reflect on local government as a sector with much lower risk tolerance than much of the private sector, so it's not like we can hive off 10% of our revenue every year to invest in innovation, because there just isn't the tolerance for that (Regional Coastal City)

There's also that ingrained risk aversion in local government which stems from – so we have a board that's elected, and the beauty is that our customers can't go anywhere else. But it's also a burden, because if I was Optus and you were Telstra, if someone becomes too difficult, they go 'we'll go to Optus', they don't really care. They don't say it to your face, but in the boardroom that's what they talk about. We can't do that; we can't send them away. (Metro Fringe Rural).

Councils are generally risk adverse [sic] and therefore resistant to trail blazing innovation (Survey Respondent 10)

Within the context of focus group discussions, risk was framed as relating most often to financial and political vulnerabilities, but with awareness of reputational risk implicit in some comments made by some of the groups. Other forms of business risk, such as risk to 'people', either internally (staff) or externally (community), to business sustainability and to other components of the business, such as service quality were neither explicitly nor implicitly identified by focus group participants.

Results of descriptive statistical analysis of quantitative data also indicated that risk appetite was an ambiguous issue for LGOs. Survey item 14: *My Council has been known to take risks to achieve innovation* showed no significant difference in reporting willingness to take risks between 'more innovative' (63% SA/A) and 'less innovative (53% SA/A) LGOs. This may also reflect the business improvement paradigm of local government innovation and the discursive nature of finding the balance between differing appetites for risk and achieving or maintaining alignment to achieve innovation.

5.14.8 Political risk

Focus group participants from Inner Metro suggested that the political risk associated with innovation was mitigated by a community that has an appetite – or at least a tolerance – for risk. They contended

that this was more likely to be found in communities that are articulate, well-educated and engaged with their elected representatives:

I think a Council and community that's very articulate and a Council that's responsive to that is much more able to actually make those changes......there's far more that can happen in an articulate, fairly well resourced, energetic kind of Council to one where - I think people still want that in Councils that are less articulate, they just don't have the know-how to get there as quick. (Inner Metro: 19)

In contrast, focus group participants from less innovative LGO's, such as Metro Fringe Rural, contended that their communities' expectations increased the sense of political risk for elected representatives and, therefore, decreased strategic decision-making and the opportunity for innovation:

At some point someone has to push back. The council needs to push back to the resident and say, 'there's a program for fixing roads and there'll be a CRM'. But it never does, so then who's going to be strategic? (Metro Fringe Rural)

Fear of failure and community backlash is often an inhibitor to innovation (Survey Respondent 23)

In a similar vein, Outer Metro City focus group participants proposed that the risk of creating short-term community discomfort, through reducing existing services or service levels to free resources up for new ones, was deemed to be too great for their elected representatives to entertain.

The organisation has plenty of deadwood that we would all like to cut....things that we do that are stupid and why do we still do it, and there may be one councillor who's been there for 30 years and that's why we still do it.....(Outer Metro City: 20)

5.15 Conclusions – Research Question 2

Mixed findings for Research Question 2a and 2b indicate the following influences on LGO innovation:

- Interacting with the external operating environment, through scanning for best practice, keeping an eye on 'the competition' (other LGOs) and collaborating with other organisations

- Interpreting, adapting and adopting ideas and learning from external interactions

- A reputation or 'brand' as innovative and knowing how to market the organisation to attract external support for innovation

- Business systems and processes that support innovation – business improvement programs, enabling leadership and adequate resources

- Alignment between staff, managers, executive and elected representatives sufficient to progress innovative ideas - an absence of organisational 'silos'

- Alignment between elected representatives sufficient to achieve agreement – or diminish opposition - to innovation. This includes minimising the number of differing political affiliations

- Organisational adaptability, agility and appetite for risk – premised on trust, organisational learning, an ability to redeploy resources and organisational scale that supports agility

- Constraints to LGO innovation include the existence of bureaucratic norms, statutory and institutional parameters and a low appetite for risk - perceived differences to conditions in private sector organisations

An overview of quantitative findings for hypotheses and sub-hypotheses is provided in Table 5.14 below.

Table 5.14   Overview of Significance and Effect Findings

H	Mean Rank 'more innovative' (n = 44)	Mean Rank 'less innovative' (n = 48)	U	SD from Mean Z	Significance P	Effect Size R	Result
H_1	55.08	38.64	768.00	-2.56	.010	.30	Null Hypothesis Supported
H_2	51.82	41.63	822.00	-1.86	.06	.20	Hypothesis *Rejected*
H_3	53.05	40.50	704.00	-3.17	.002	.30	Hypothesis *Supported*
H_4	48.14	45.00	984.00	.61	.540	0.06	Hypothesis Not Supported

H	Mean Rank 'more innovative' (n = 67)	Mean Rank 'less innovative' (n = 75)	U	SD from Mean Z	Significance P	Effect Size R	Result
$H_{1a)}$	88.19	56.59	1394.00	-4.57	.000	.40	Hypothesis *Supported*
$H_{2a)}$	90.06	54.92	1269.00	-5.08	.000	.40	Hypothesis *Supported**
$H_{3a)}$	55.64	84.52	1461.00	-4.30	.000	.40	Hypothesis *Supported*

When qualitative and quantitative findings were brought together, there were points of correspondence and inconsistencies between results. The differences between qualitative and quantitative findings are outlined in Table 5.15.

Table 5.15　　　Complementarity – Qualitative and Quantitative Findings – RQ2

Qualitative Finding	Quantitative Finding	Consistency - Qualitative and Quantitative Findings
Interacting with the external environment supports innovation	There is no significant difference between 'more' and 'less' innovative LGOs in agreement that they interact with the external environment	Inconsistent
Having business systems and processes that support innovation assists in achieving innovation	There is a significant difference between 'more' and 'less' innovative LGOs in agreement that they have businesses systems and processes in place that support innovation	Consistent
Having resources available for innovation make it more possible to achieve innovation HOWEVER it is also suggested that fewer resources lead to greater innovation	There is a significant, positive relationship between the size of the organisational operating budget and innovation	Inconsistent
Alignment (sufficient agreement) between staff, managers and elected representatives assists in innovation	There is a significant difference between 'more' and 'less' innovative LGOs in agreement that key stakeholders are aligned	Consistent
Alignment (sufficient agreement) between elected representatives assists in innovation	There is a significant, negative relationship between the number of different political affiliations and innovation	Consistent
Organisational adaptability and agility support innovation	There is no significant difference between 'more' and 'less' innovative LGOs in agreement that their organisation is adaptable	Inconsistent
The smaller the size of the organisation, the less likely that there will be silos and the more likely it is to be innovative	There is a significant, *positive* relationship between organisational size and innovation	Inconsistent
Organisational learning supports innovation	There is a significant difference between 'more' and 'less' innovative LGOs in describing their organisation as a learning organisation	Consistent
Support from Federal and State Government is not necessary for local government innovation	Only 1/3 of survey respondents agreed that Federal and State government support for innovation	Consistent
An openness to taking risks supports innovation	There is not a significant difference in reporting willingness to take risks between 'more innovative' and 'less innovative LGOs	Inconsistent

5.16 Response to RQ3: How and why, do local communities influence LGO innovation?

5.16.1 Introduction

A New Public Management (NPM) interpretation of the relationship between LGOs and their community would frame community as the 'consumer' of LGO service innovation, acting as an external vector on organisational decisions through demand for new services. However, the literature on community governance describes a more complex relationship, one in which communities demand and deserve a voice, as co-designers and co-producers of LGO strategy. The nature and extent of influence of local communities on 'their' LGOs, is therefore key in understanding the phenomenon of LGO innovation.

The findings for RQ3 indicate that although LGOs actively seek to engage with their communities, community influence on innovation is mostly at the operational, rather than strategic level and is reactive rather than proactive. The community is described by focus group participants as playing a role in supporting or – more often – not opposing innovation that is proposed by the LGO.

Thus, LGO innovation is impacted by the receptiveness of the community to innovation or to change and by the capacity of the community to influence elected representatives to accept or reject innovation. The construct of 'community receptiveness' to authorise LGO innovation was therefore a fifth construct to emerge from the qualitative data.

The findings suggest that while LGOs invest in seeking to actively work with their communities around a range of strategic matters, including innovation, communities demonstrate differing levels of receptiveness to involvement, based on a range of community characteristics:

- population change
- educational level
- population age
- common or differing interests and needs

5.16.2 The influence of community on LGO innovation

5.16.2.1 Community consultation and engagement

LGOs described a strong commitment to consulting and co-designing strategy with their local community and reported significant investment in community engagement processes:

Under IPR – under the four-year review structure of the CSP so every fourth year it's crazy with engagement. I'm in that period right at the moment so I've been out to schools, I've sat in shopping centres, I've had workshops with our internal groups, I've had estate agency workshops, we've had a full online 'have a say' section, met with community groups, face to face individuals. (Regional Rural City)

So it was about getting to know the community and doing that - just some really nice soft engagement, not harassing anyone, not asking them to decide on anything. Really saying g'day and breaking down those barriers….we launched a project called '[The] Future is Ours'. It's not for the state government to say, 'are you fit for the future?'; it's our future and it's our future to determine with our community, what that future's going to be (Sea Change-Tree Change).

We're using multiple media for the engagement process. We use social media big time our website. Flyers. We've got kiosks where the staff go out….[something] which I believe has been a bit innovative, and that's at the train stations, because we have a lot of people who leave the shire for work (Metro Fringe Rural).

The rationale for engaging was respectful of the community and founded on affirmative factors such as bringing the community along on the journey as the LGO planned for the future.

We take it really seriously. There's none of this nonsense, oh 'there's this bloody community out there'.... There's none of this just 'oh Freddy said' and 'I like Freida better so Freida gets the guernsey'......We say this is where we're genuinely at....Where do you want to go....and we workshop it, we don't run a public meeting, we workshop the stuff (Regional Coastal City).

H [LGO] had the community on board, it was a community strategic plan, written by the community. We went out, we engaged, we've got members of the community to come in on a Saturday to develop the plan, went away, made it into the community strategic plan, got that same group back in to confirm that's what they wanted (Outer Metro City).

However there were also more pragmatic reasons for engagement, such as IP&R compliance, harnessing support for controversial decisions or for advocacy campaigns with other levels of government.

Historically what we did when the legislation came out, we had a document that was already adopted by Council….and then we amended it to fit into the requirements. We took verbatim what they [Office of Local Government] wanted: environment, social, community, etc. and we came up with a way of putting all our strategies and objectives within those themes and then took it out to the community. I've got to say that it probably wasn't embraced by the community (Tree Change – Sea Change).

So really having three major community committees that cover everything. They only meet once every two months….We haven't had really any negative feedback about that process, because we're able to say all the community groups are on these committees (Coastal Town).

The crucial thing there is we started with key people in that community saying they didn't want to plan, they resented council pursuing an adaptation plan, and they've come around completely to saying we must have a plan…And they've actually gotten on board with this plan. Yeah, they've started lobbying state and federal government MPs to say you need to get behind councils to make sure these plans are prepared (Regional Coastal City).

5.16.2.2 Community influence on innovation is 'reactive'

Despite acknowledging the role of community in the co-production of strategy, the qualitative findings framed the contribution of community to LGO planning and decision-making as reluctant and reactive rather than enthusiastic and proactive. The data also indicated that LGOs rarely engage with their community around innovation per se but around other issues, with innovation as a by-product of those consultations.

We don't think the community give a shit; don't think they're interested (Inner Metro).

I'd say there's still a lot of people that don't engage the council and really have no interest in engaging with council aside from maybe they just like to know that things are happening in the background (Coastal Town).

In many areas of local government operation, public scrutiny can be a hindrance to innovation. That is, the appetite for risk can be low due to the consequences (reputational damage etc) of failure (Survey Respondent 92).

Innovation is not a key initiative though some innovations may be achieved. Community is not feeling comfortable with innovation and tends to support status quo and fights against initiative on occasion (Survey Respondent 33).

Findings in relation to the lack of proactive community genesis of innovation included suggestions that strategic matters were too abstract and the timescale too distant, through to suggestions that LGOs are not responsive enough. There was also evidence that the community comes to feel disenfranchised when their ideas are passed through the filter of LGO due diligence and prioritisation and are thus changed, delayed, not resourced or discarded because of the utilitarian paradigm that underpins local government decision-making.

They just don't think it can happen. If you use the Art Gallery for example, it was 14 years in the making and if you were in the moment, you explain the Art Gallery was 14 years and it's part of planning,[and they say] 'oh – okay'…….everything takes so long. Even the Hume Highway, that took 28 years or something. That's already been a decade nearly (Regional Rural City).

I think they get a bit frustrated by – they might have some innovation themselves that they want to present to Council, but once again, once it gets presented, we need to look at that from the holistic point of view and they're probably thinking from their own benefits or own needs or wants and that once again holds the process up internally (Regional Rural City).

We're trying to be more creative [with engagement] this time and recognising that in the past, this past two times we've engaged on the CSP, we've had little interest in the community, it's high level, it's not like a DA [Development Application] next door (Metro Fringe Rural).

Quantitative findings indicated a link between community enthusiasm for LGO innovation and an LGO being classed as more innovative. The item: "My community is keen to see Council do innovative things", attracted strong agreement or agreement from 91% of respondents from 'more innovative' LGOs and 79% of respondents from 'less innovative' LGOs.

5.16.3 Dominance of 'squeaky wheels'

Qualitative findings indicated that community members were more likely to be interested in contributing ideas about fixing small-scale, concrete 'problems' than the more abstract and complex agenda of organisational innovation. However, there was a body of qualitative data that suggested that some individuals and groups in the community exerted an undue level of influence on their elected representatives and, therefore, LGO decision-making.

Referred to as 'squeaky wheels', or in one case (Sea Change-Tree Change) as 'grinders', these community members were portrayed as comprising a very small percentage of the community, but having an impact well beyond their number:

I don't know whether we can change this but….we keep hearing [from] the same 'grinders' all the time (Sea Change-Tree Change).

We've had major issues with a handful of people that have just over the years…who have read into things the wrong way but don't seek clarification. They read it and, in their minds, that's the way it is. This is one particular 'squeaky wheel' who looked at our....operational performance ratio.....interpreted it as people's performance isn't good, and then demanded wanting everyone's performance appraisals, and wanting to know why people aren't performing well.....Every council has them (Metro Fringe Rural).

Innovation is sometimes hampered by residents who have their own political agenda. (Survey Respondent 40).

This was perceived to be particularly problematic where these community members had direct influence on local elected representatives.

....some sections of the community are better organised, smarter, have more resources, better at getting the ear of [elected representatives].....You'd say it was much less in J's model of community engagement than it is in 'get the ear of a councillor and they'll get you want you want' (Outer Metro City).

In terms of innovation, I'd say that the biggest part of community influence on the [elected representatives] is Chambers of Commerce....they're fairly forthright in their views and what they

want. They've probably got a good foothold. There's the environmental groups but they're not quite as mainstream as the Chambers (Sea Change-Tree Change).

Aside from the implicit consideration that the 'squeaky wheel' dynamic is contrary to principles of good community governance such as deliberative democracy and equitable representation of all citizens, there was also evidence that they can hinder innovation.

....a couple of years ago we were implementing a new fees and charges system for our indoor sports centre and if you were looking at it from a business point of view it makes complete sense, it's a no brainer.....[but] the squeaky wheel, a few community members weren't happy so obviously they get their elected representatives involved and that halted the project for a good six to 12 months and we had to go through a whole new process (Regional Rural City)

In [our neighbouring LGA] everyone makes a lot of noise, so every Elected Representative gets nervous and nothing gets done. (Coastal Town)

5.16.4 Fostering alignment between community and LGOs

Findings from qualitative data indicated that there is an opportunity for LGO's to achieve greater interest and investment by their community in innovation strategies, by adopting a more conscious and focused approach to 'selling' or promoting its benefits. This included developing a more compelling vision, or narrative, around LGO innovation and de-mystifying language to create clearer communication and greater connection.

It's making sure that every time we do go out to the community or we do have any interaction with the community we're not coming at it like a local government council; we're coming at it as partners with the community (Outer Metro City).

The vision is not appealing to the collective. The vision - all of that stuff I said about vision not being sold, vision being about leadership, people wanting to buy into that and follow that. (Inner Metro).

So this time we're trying to do a few things differently. We're not using the CSP word much. We're not using IPR word much. We're saying we're thinking about the future, we're planning the future for the shire, we want to create new opportunities. So we're using language like that. The subtext language will be IPR and CSP, it's hidden in there, but it's not the headline (Metro Fringe Rural).

5.17 The relationship between community capacity, community characteristics and LGO innovation

5.17.1 Community change and innovation

Qualitative findings linked community capacity to influence LGO innovation to several community demographic characteristics.

The first community characteristic identified within qualitative findings concerned the impact of growth and demographic change on innovation. Change was presented as being negatively related to LGO innovation, largely due to the pressure on LGOs to meet increasingly diverse needs and the complexities of producing policy and services that meet divergent expectations. This was particularly pronounced where the 'old' and 'new' community did not share common interests.

....they're going to find that very challenging to cope with because of the growth and the fact that the demographics are going to change .... Just from a long-term perspective....it's going to be really challenging for the council to have this shift about 'are we here for the old residents or the new residents, and what's the balance'? (Outer Metro City)

There's a lot of controversy around sustainability and growing, so here we have farming communities that have very green people, so there's that conflict: what are we doing to our natural assets? And then climate change doesn't exist so you've got the spectrum. (Sea Change – Tree Change)

We're hoping through that [a competition seeking community vision for the future] it will engage a discussion about the future….and we've already got our first entry yesterday by a young child; she's written this thing that says she wants it to stay rural, doesn't want houses everywhere. We expect to get a lot of that, because a big issue for our community is growth and the ruralness of the shire. The community gets divided over that whole issue (Metro Fringe Rural).

[Outer Metro City is] a tale of three cities, because [it's] got [new suburbs] north-west, it's got 40 established suburbs, and it's also got some of the most disadvantaged suburbs in Australia - Struggle Street....We're not doing anywhere near enough representing that community. Because it's disadvantaged, it's disadvantaged in its representation as well in the service levels and so on. (Outer Metro City)

The results of analysis of quantitative data supported the findings from the qualitative data. They indicated that there is a relationship between population growth and population movement and LGO innovation. However, the direction of the relationship indicated by quantitative results was the opposite of the direction attributed in the qualitative findings.

The relationship between LGA population change (operationalised as population growth and population movement) and LGO innovation was initially visualised with box and whisker plots to show the mean and the distribution of values for population growth and population movement in the communities served by 'more' and 'less' innovative LGOs.

These plots both indicated that there was difference between 'more' and 'less' innovative LGOs in mean and distribution, for values relating to population growth and population movement. The results are shown in Figure 5.7.

Figure 5.7
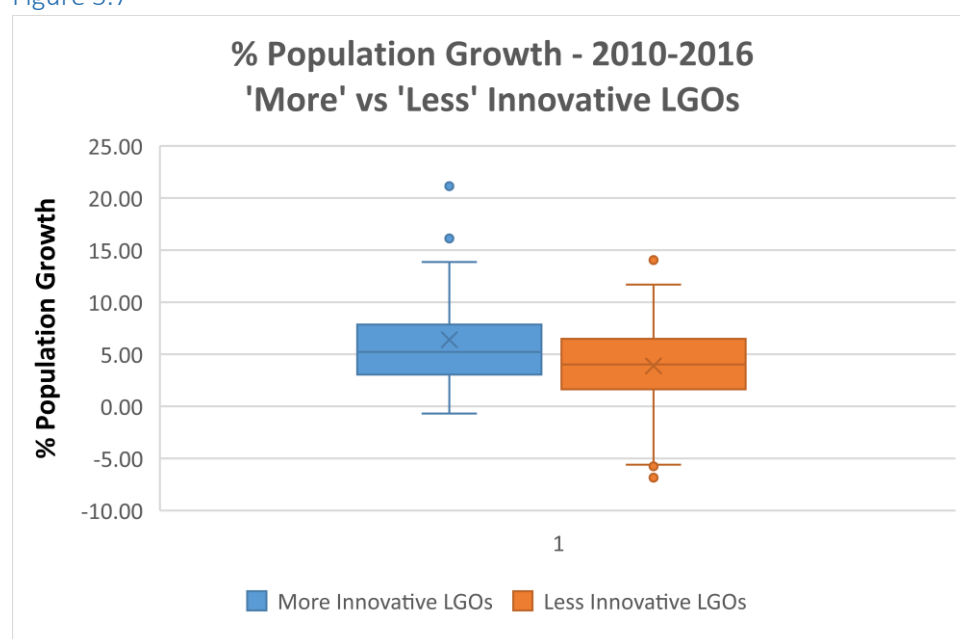
Results of the Independent Samples T-Test for sub-hypothesis *H5a* are outlined in Table 5.16.

Table 5.16 Results Independent Samples T-Test - sub-Hypothesis 5a

Hypothesis	Mean 'more innovative' N = 67	Mean 'less innovative' N = 75	SD from Mean 'more innovative'	SD from Mean 'less innovative'	T	Significance p	Result
H5a)	00.06	00.03	0.04	0.04	3.312	.001	Hypothesis *Supported*

Results of the independent samples T-Test, of **H5a)** indicated that there was a statistically significant difference (*P* = .001) in population growth within their Local Government Area (LGA), between 'more' and 'less' innovative LGOs.

Hypothesis **H5a)** was therefore supported.

At a reliability level of greater than 95%, the results of quantitative analysis of secondary, demographic data supported the hypothesis (**H5a**), that population change within the LGA is related to LGO innovation.

Figure 5.8   Relationship between population movement and LGO innovation
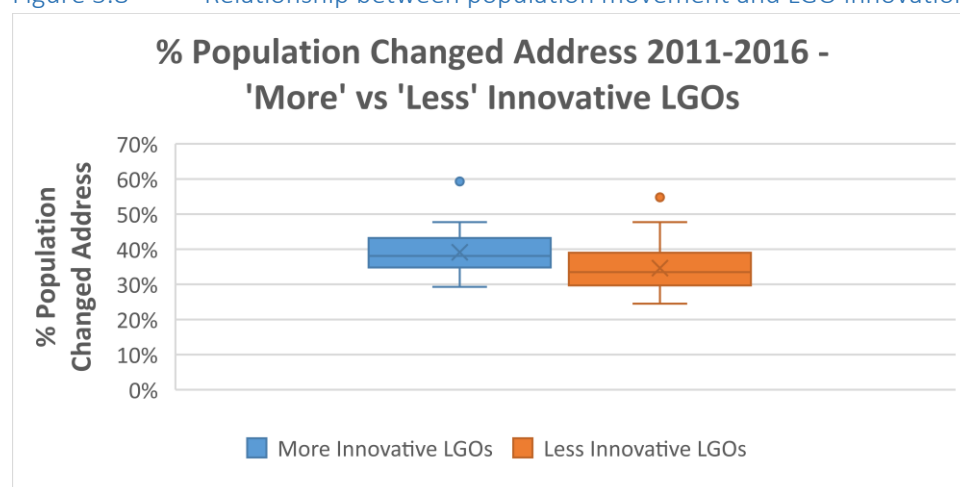
Results of the Independent Samples T-Test for sub-hypothesis **H5b)** are outlined in Table 5.17.

Table 5.17   Results Independent Samples T- Test – Hypothesis 5b

Hypothesis	Mean 'more innovative' N = 67	Mean 'less innovative' N = 75	SD from Mean 'more innovative'	SD from Mean 'less innovative'	t	Significance P	Result
H5b)	00.38	00.33	0.06	0.06	5.078	.00	Hypothesis *Supported*

Results of the independent samples T-Test, of **H5b)**, indicated that there was a statistically significant difference (*P* < .05) in population movement (% of the population changed address in a five-year period) within their Local Government Area (LGA), between 'more' and 'less' innovative LGOs.

Hypothesis **H5b)** was therefore supported.

At a reliability level of greater than 95%, the results of quantitative analysis of secondary demographic data supported the hypothesis (**H5b**), that population movement within the LGA is related to LGO innovation.

However, these relationships were positive in direction and not negatively related, as proposed by focus groups.

5.17.2 The relationship between the educational level of the population and LGO innovation

A higher level of education within the community was another of the characteristics described within the qualitative data, as mediating positively for innovation. Education was described as contributing to a more articulate and confident citizenry who supported innovation by their LGO.

I live in a very educated very articulate community....[and] they wanted council to be more responsive, more innovative, more adaptive. (Inner Metro)

......people aren't frightened to say what they think, so we do get that. I guess we're influenced by that to a degree, because people will put a view, and a lot of people put a very educated view. (Coastal Town)

The quantitative results complemented the qualitative findings.

The relationship between the educational level of the community and LGO innovation was visualised via a box and whisker plot to show the mean and the distribution of university qualifications for 'more' and 'less' innovative LGOs.

The plot indicated a positive relationship between LGO innovation and the level of education of citizens, as shown at Figure 5.9.

Figure 5.9
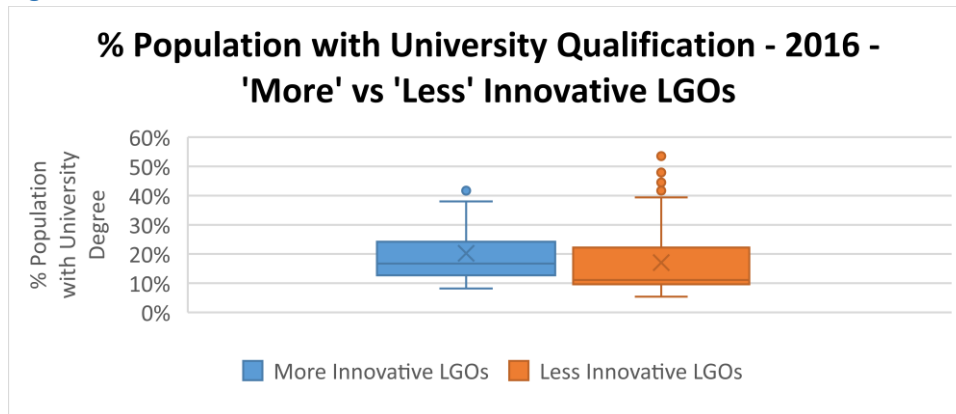
Results of the Independent Samples T-Test for sub-hypothesis **H5c)** are outlined in Table 5.18 below.

Table 5.18   Results Independent Samples T-Test – sub-Hypothesis 5c

Hypothesis	Mean 'more innovative' N = 67	Mean 'less innovative' N = 75	SD from Mean 'more innovative'	SD from Mean 'less innovative'	t	Significance p	Result
H5c)	00.22	00.14	0.13	0.09	4.320	.000	Hypothesis *Supported*

Results of the independent samples T-Test, in relation to **H5c)** indicated that there was a statistically significant difference (*P* < .05) in the incidence of university qualifications within the Local Government Area (LGA) community, between 'more' and 'less' innovative LGOs.

The hypothesis (**H5c**) was therefore supported.

At a reliability level of greater than 95%, the results of quantitative analysis of secondary, demographic data supported the hypothesis (**H5c**), that a higher level of education within the local government area's population is related to the achievement of LGO innovation.

5.17.3 The relationship between the age of the community and LGO innovation

Qualitative findings also indicated that a younger population contributed fresh perspectives, which could lead to innovation or that older community members were more likely to resist LGO innovation:

Some of the younger ones were really switched on and in terms of how they wanted to be communicated to, it was a real bonus for us because....it was all about immediacy (Sea Change – Tree Change)

The word forum though, it's a Latin word, it's all about talking and engaging, and it's not a forum, it's a one sided – maybe it should be called I don't know, community soapbox rather than community forum. The same old people come along, and generally as a demographic they're older. A lot of those council haters come along and chuck stones. (Metro Fringe Rural)

But that is being driven by particularly younger professionals who are probably more prepared to think about the problem and have a go at a solution (Regional Coastal City)

Quantitative findings concerning the relationship between community median age and LGO innovation did not concur with the qualitative findings. The relationship between the age of the LGA population and LGO innovation was initially visualised with a box and whisker plot to show the mean and the distribution of values for median age for 'more' versus 'less' innovative LGOs.

These plots both indicated that there was little difference in median population age and distribution, between the citizens of 'more' and 'less' innovative LGOs, although the population of 'less' innovative LGOs was slightly older. The results are shown in Figure 5.10.

Figure 5.10
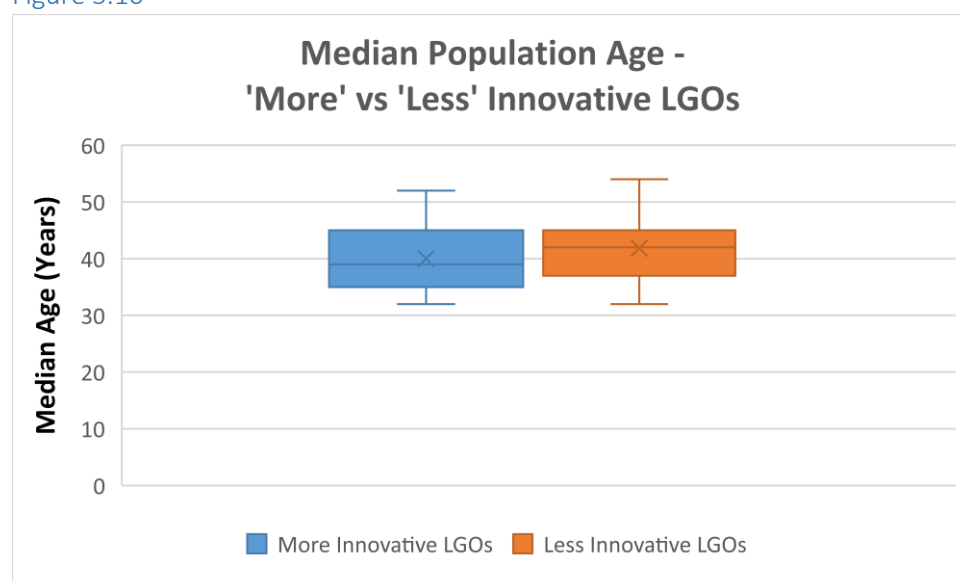
Results of the Independent Samples T-Test for the hypothesis and each sub-hypothesis are outlined in Table 5.19.

Table 5.19   Results Independent Samples T-Test – sub-Hypothesis 5d

Hypothesis	Mean 'more innovative' N = 67	Mean 'less innovative' N = 75	SD from Mean 'more innovative'	SD from Mean 'less innovative'	t	Significance p	Result
H*5d)*	40.60	42.29	5.65	5.01	-1.896	.06	Hypothesis *Rejected*

Results of the independent samples T-Test, in relation to **H*5d)***, indicated that there was not a statistically significant difference (*P* = .06) between 'more' and 'less' innovative LGOs in the median age of the communities they serve, although this result was only marginally below the threshold for statistical significance.

The hypothesis (**H*5d*)) was therefore rejected.

At a reliability level of greater than 95%, the results of quantitative analysis of secondary, demographic data indicated that there is not a relationship between the age of the population and LGO innovation.

5.17.4 Community diversity and innovation

Qualitative data linked LGO innovation to communities that were not characterised by differences in interests and aspirations but hosted a more homogenous population.

There's a lot of controversy around sustainability and growing….people will say they 'don't want to have ownership of that because I'm no bloody greenie', [or] 'I don't want change', that sort of thing (Sea Change-Tree Change)

I think the demographics have a huge part to play….particularly from a multicultural perspective when you talk of programs and policies that are [innovative] - it's not a one size fits all for an LGA because of the mix. (Outer Metro City)

The characteristic of homogeneity was framed as the opposite construct to population diversity, which was operationalised as linguistic diversity.

The relationship between LGA linguistic diversity and LGO innovation was initially visualised with a box and whisker plot to show the mean and the distribution of values for linguistic diversity (% of the

population that speaks a language other than English at home) in the communities served by 'more' and 'less' innovative LGOs.

The plot indicated that there was a difference between 'more' and 'less' innovative LGOs in mean and distribution, for values relating to linguistic diversity, although the wide distribution of scores for the 'more innovative' LGO group and the significant number of 'outlier' scores for the 'less innovative' LGO group should be noted. The results are shown in Figure 5.11.

Figure 5.11
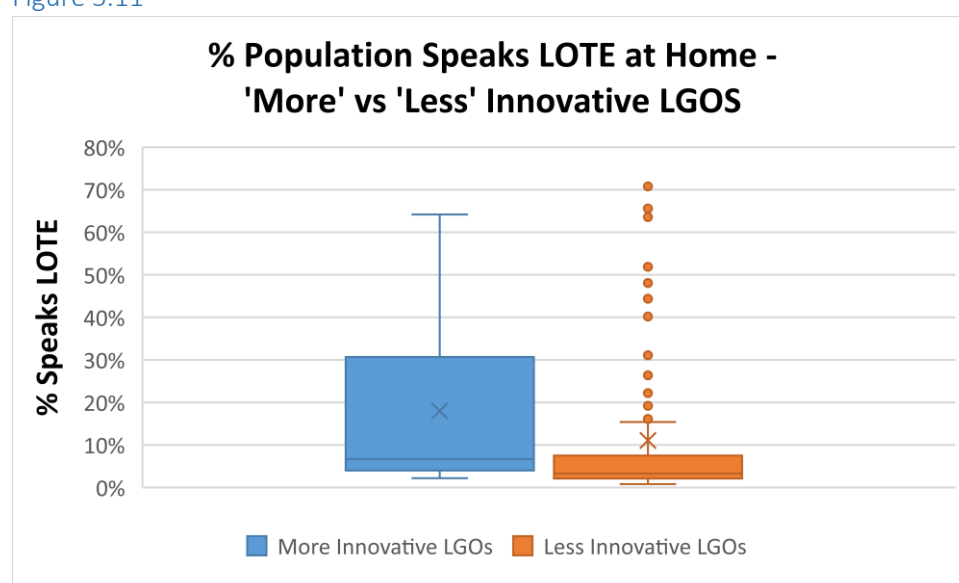
Results of the Independent Samples T-Test for the hypothesis and each sub-hypothesis are outlined in Table 5.20.

Table 5.20 Results Independent Samples T-Test – sub-Hypothesis 5d

Hypothesis	Mean 'more innovative' N = 67	Mean 'less innovative' N = 75	SD from Mean 'more innovative'	SD from Mean 'less innovative'	t	Significance p	Result
H5e)	00.16	00.09	0.19	0.16	2.572	.011	Hypothesis *Rejected**

Results of the independent samples T-Test for **H5e)** indicated that there was a statistically significant difference (*P* = .01) between 'more' and 'less' innovative LGOs in values for population linguistic diversity in their communities – measured by the incidence of people speaking a Language Other than English (LOTE) at home ('t' = 2.572).

The quantitative results concerning the relationship between diversity and LGO innovation contrasted to the findings of the qualitative data, which had identified homogeneity, or population 'sameness' as mediating positively for LGO innovation.

5.18 Conclusions – Research Question 3

Findings for Research Question 3 indicate the following influences on LGO innovation:

- LGOs have a strong commitment to and investment in engaging with and consulting their local communities

- Community participation in LGO innovation agendas is reactive and within an 'authorising' paradigm

- There are interest groups within the community ('squeaky wheels') that have a strong voice, but are not necessarily representative of the broader community

- Community members tend to have an interest in operational matters, rather than strategic matters such as innovation

- Community members influence elected representative views on innovation and in particular influence them towards an interest in operational over strategic matters

- LGOs could promote the work they do and the value they add more, to better engage the community in agendas that include innovation

- There are several community characteristics that are perceived to impact on LGO innovation:
  - population change
  - educational level
  - population age
  - common or differing interests and needs

When qualitative and quantitative data regarding the influence of demographic characteristics on LGO innovation were brought together they revealed both complementarity and ambiguity.

The differences between qualitative and quantitative findings are outlined in Table 5.21.

Table 5.21   Complementarity – Qualitative and Quantitative Findings – RQ3

Qualitative Finding	Quantitative Finding	Consistency of Qualitative and Quantitative Findings
A better educated community is more likely to support LGO innovation	There is a significant difference in the percentage of the population holding a university degree, between 'More' and 'Less' innovative LGOs – a higher percentage has a degree in communities served by 'More' innovative LGOs	Consistent
Population growth and change create challenges for LGOs to focus resources on innovation	There is a significant difference in population growth and population mobility, between 'More' and 'Less' innovative LGOs – more growth and change are found in communities served by 'More' innovative LGOs	A relationship exists, but opposite in direction to that described in qualitative data
A younger population is more likely to support LGO innovation	There is no significant difference in median age between the communities of 'more' and 'less' innovative LGOs	Consistent
The more the population has differing interests and needs the harder it is for the LGO to achieve consensus, which limits innovation	There is a significant difference in the diversity of population between 'More' and 'Less' innovative' LGOs – 'More' innovative LGOs were located in more diverse communities in terms of language spoken at home	A relationship exists, but opposite in direction to that described in qualitative data

5.19 Chapter conclusion

The findings and results of the qualitative and quantitative stages of this study present a complex and occasionally ambiguous description and explanation of LGO innovation. The key constructs of interacting with the external environment, achieving alignment, adapting and responding to new demands and engaging with the community emerged from the qualitative findings and were tested in the form of hypotheses.

Organisational and community characteristics that were identified from the qualitative data as supporting LGO innovation were also tested, with some demonstrating a strong relationship to innovation, while others revealed ambiguities that could be tested via future studies.

Surprising findings included those relating to leadership for innovation, the 'authorising' role of elected representatives and community and the importance of being able to re-deploy resources, rather than just have plenty of them. The dilemma of interesting and engaging the community – and hence elected representatives – in strategic, as opposed to 'everyday' agendas was another notable result,

as was the finding that some organisations are turning their thoughts to reputation, branding and marketing to mediate engagement and gain support for innovation.

These results and findings are discussed in detail in the Discussion chapter that follows.

Chapter 6 - Discussion of Research Outcomes: Propositions and Contributions

"Like any human venture, local government can be full of error, fallibility and hubris. But the biggest danger for local governments today is not excessive hubris but rather that they might succumb to the myth—often propagated by a sceptical media — that they are powerless, condemned to mistrust and futility. If they do succumb, they will fail to rise to the great challenges, from climate change to inequality, that local government is most suited to tackle". (Mulgan, quoted in Evans et al, 2012)

6.1 Introduction

6.1.1 Chapter Purpose and Structure

This chapter integrates research outcomes with relevant literature to respond to the research problem:

How do organisational and community capabilities affect local government innovation?

This problem was investigated using a mixed methods approach that generated empirical findings in response to the following research questions:

RQ1   How do Local Government Organisations (LGOs) frame (define and operationalise) innovation?

RQ2a   What are the organisational capabilities that contribute to innovation by LGOs?

RQ2b   How and why do these capabilities contribute to LGO innovation?

RQ3   How and why do local communities contribute to LGO innovation?

This study adopted an exploratory mixed methods design, grounded within a pragmatist paradigm, in recognition of the diverse understandings of the research phenomena and the limited number of empirical studies into local government innovation and the even fewer studies that have applied DC to explore the issue.

The study produced qualitative findings concerning the nature of local government innovation; the contextual elements that shape its definition and strategic intent; and the routines, processes and resources that contribute to its realisation. These findings were complemented by a quantitative

exploration of the relationship between organisational capabilities and status as a 'more' or 'less' innovative LGO. The study also drew on secondary data to produce findings concerning the influence of organisational and community characteristics (such as organisational size and population age) on LGO innovation.

Research outcomes in relation to how LGOs 'do' innovation were interpreted within a Dynamic Capabilities (DC) framework. This enabled an elaboration of DC theory to explain the evolutionary and often ad hoc (Doing, Using, Interacting) nature of LGO innovation and identify four 'ordinary' organisational capabilities that interact to generate the dynamic capability of 'innovating'. A model for LGO innovation based on DC reflects these new insights and extends DC theory beyond its usual application to private sector firms, proposing that there is practical value in applying DC to the local government sector.

In a general sense, three of the four capabilities identified through this study are not necessarily unique to LGOs, although the fourth, 'engaging with the community', is intrinsically related to the situated nature of LGO governance. Of the remaining three capabilities, there are nuances in the intent, operationalisation and outcomes of 'scanning the environment', as well as in the capability of 'aligning', where the diverse political, organisational and social views of stakeholders to achieve agreement on priorities, resources and processes is arguably unique to the local government environment. The degree to which LGO innovation relies on the interdependence and coordination of these four capabilities is, perhaps, another sector-specific dimension of the DC framework.

These nuances and unique characteristics of LGO innovation are discussed in Chapter 6 and the contributions of this study to public administration knowledge and practice; to strategic management theory (in particular the Dynamic Capabilities framework); and to current constructions of local governance are highlighted.

The structure of the chapter is outlined in Figure 6.1

Figure 6.1   Chapter Overview
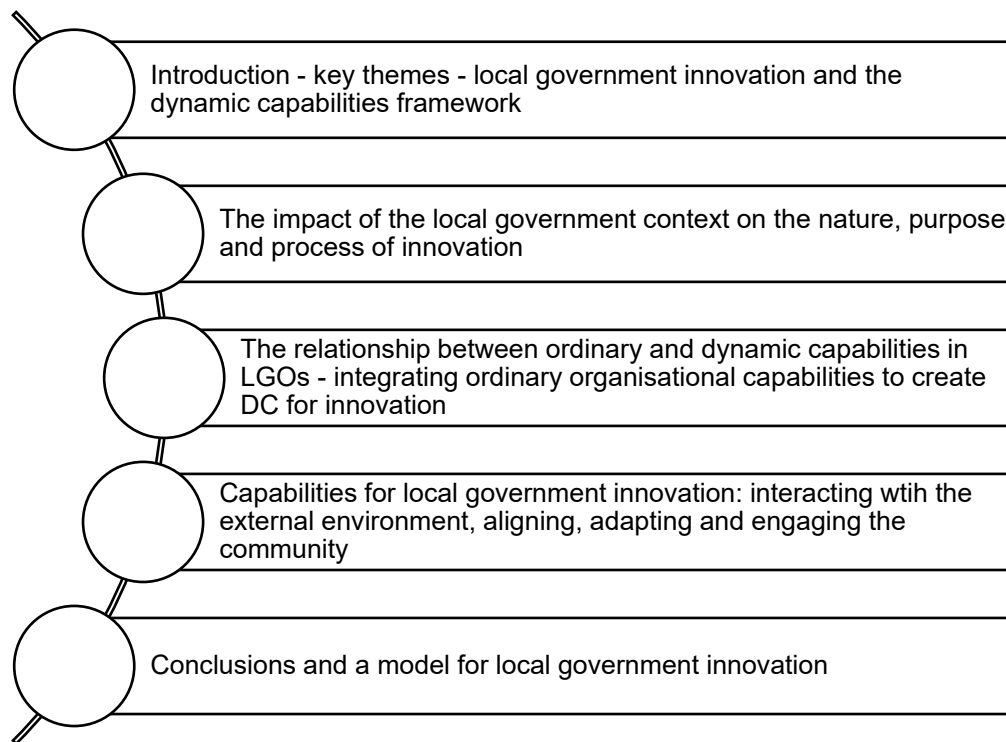
6.1.2   The importance of Local Government innovation

This thesis proposes that innovation is a critical capability for Local Government Organisations

(LGOs) in addressing internal and external challenges. The research findings that informed this thesis

indicate that innovation is fundamental to local government financial, service and workforce

sustainability and the continued delivery of public value. These findings reflect past research in the

sector, as well as reports from local government bodies (Martin, 2000; Mazzerol, 2011; Howard, 2012;

Evans and Sansom, 2016).

These findings also reflect the suggestion that innovation to address 'wicked' social problems and

global challenges such as climate change, is best achieved at a local, or sub-regional level

(Wanzenböck and Franken, 2020). In this respect, like other service-providers, LGOs play a role as

'social innovators' (Rubalcaba, 2016; Gallouj, et al, 2018) where innovation is the medium to achieve

social goals, through social means and via co-production with citizens and stakeholders.

Findings of this study indicate that local government practitioner descriptions of innovation practices

and processes could be framed within paradigms of 'business improvement' and individual invention,

or 'entrepreneurship'. While the construct of 'business improvement' is not commonly linked to

innovation within the literature, the place of individual inventiveness, intra- or entrepreneurship is well established (Amabile, 1990; Moss-Kanter, 1990; Wang and Ahmed, 2004; Tidd, Bessant and Pavitt, 2005; Howard, 2012; Anderson, Potocnik and Zhou, 2014).

Consistent with research concerning innovation in private sector, service-based industries, this study indicated that innovation in LGOs is more likely to be the result of 'Doing-Using-Interacting' (Jensen, et al, 2007; Alhusen, et al, 2021) than pursued and realised through research and development activities. This is partly the result of the limited availability (and legitimacy of diverting) 'slack' resources to devote to innovation and partly because the sector has not developed a common language of, or approach to, innovation. It is thus proposed that in the absence of an articulated innovation framework, Dynamic Capabilities theory offers a valid lens through which LGOs can evaluate organisational capacity and describe and develop innovation strategies.

6.2 Applying the Dynamic Capabilities framework to explain local government innovation

Dynamic Capabilities (DC) theory is well-established in the strategic management literature as a framework for commercial firms to sustain superior performance, generate surplus value and achieve competitive advantage, including the advantage to be leveraged through innovation (Teece, 1997; O'Connor, Roos and Vickers-Willis, 2007; Breznik and Hisrich, 2014; Janssen, et al, 2014; Stronen, Hoholm, Kvaerner and Stome, 2017). However, DC has rarely been applied in public sector organisations and is even less visible within the local government literature.

The research that informs this thesis suggests that DC can be applied successfully to analyse and strategise within the local government sector. While some contextual nuances exist, LGO motivations, business paradigms and challenges broadly parallel those of commercial firms, particularly service-based enterprises. The Literature Review provided an overview of these similarities and differences (see Chapter 2, Table 2.2). Table 6.2 provides a summary of the parallels as well as the distinctions between private and local government sector organisations that are relevant to the application of DC.

Table 6.1   Comparison Private Sector and Local Government Organisations

Private Sector Organisations:	Local Government Organisations:
Attain organisational sustainability through a continued generation of profits within a competitive market	Attain organisational sustainability by creating more effective and efficient business processes to respond to change, uj0 meet statutory obligations and remain financially viable
Deploy or re-deploy resources to maximise return on investment and generate surplus value	Deploy or re-deploy resources to maximise public value
Pursue innovation to gain competitive advantage for the firm (OECD, 2005; Tidd, et al, 2005; Deloitte, 2012)	Pursue innovation to create competitive advantage for local stakeholders and the wider community (Matthews and Shulman, 2005)
Experience of 'disruption' or 'crisis' events within a volatile market drives transformational innovation (Christensen and Overdorf, 2001; Assink, 2006; Ciutiene and Thattakath, 2014)	Experience of changing organisational and community needs within a stable context drives incremental innovation

In considering Table 6.1 it is important to note that the comparison of private sector organisations and LGOs requires further focus and recognition of the points of similarity between private sector service organisations and those in the local government sector. Aside from the obvious point that LGOs themselves are engaged in the creation and delivery of services (whether directly or via contracting), there is significant complementarity between service sector co-production of service experiences and outcomes with their consumers and LGO co-production of policy, strategy and outcomes with their local community.

Further demonstrating the relevance of DC theory to local government innovation, this thesis proposes that competition is increasingly becoming a consideration for LGOs. The decline of LGO monopolies and increased competition from private firms in core LGO businesses such as waste removal and building certification (Worthington and Dollery, 2002; Grant, Dollery and Kortt, 2011; Grant and Drew, 2017) demands strategic responses parallel to the commercial decisions that confront private sector organisations.

Similarly, although relatively rarely acknowledged, LGOs increasingly find themselves competing with organisations from other tiers of government (Ryan, Hastings, Woods, Lawrie and Grant, 2015; Butt, et al, 2020) including competition in attracting qualified staff (McKinlay, Pillora, Tan and von Tunzelmann, 2011). The impact of 'vertical' inter-government competition was shown in this study to

be exacerbated by competition between LGOs to attract investment, grant-funding and residential development. Whether LGOs are operating in a full market, or 'quasi-market' environment (Coates and Passmore, 2008: 10), the literature and the research findings underscore the intersectionality of private sector and local government challenges and the compelling arguments for innovation.

The impacts of competition and marketisation are intensified by increasing population mobility and the opportunities offered by new information technologies. This challenges the construction of citizens as powerless 'consumers' of LGO services, who are unwilling or disincentivised to re-locate to another jurisdiction (Grant and Drew, 2017). A Metro Fringe Rural LGO's account of a resident notifying their intention to move to a nearby Local Government Area (LGA), provides an example of this phenomenon: *There's also that ingrained risk aversion in local government which stems from… [the fact] that our customers can't go anywhere else… [although] someone did write to us the other day and said she'd left the [LGA]. She moved to Goulburn, she hated us so much, so it does happen.*

6.3   Local Government context and the construction of innovation

6.3.1 The influence of internal and external vectors

The DC literature acknowledges the importance of both internal and external organisational contexts in shaping the dynamic capabilities of the firm (Teece, Pisano and Shuen, 1997; Delmas, 2002; Agarawal and Selen, 2009; Ambrosini, Bowman and Collier, 2009; Janssen and Alexiev, 2012; Wilden, Gudergan, Nielsen and Lings, 2013). In fact, DC is notable within the strategic management field for providing equal recognition to the influence of both internal and external strategic context in shaping organisational strategy. At the same time, some of the assumptions regarding the application of the DC framework to private sector innovation are not pertinent to the local government context. This includes assumptions that volatile or disruptive environmental circumstances are pre-requisite catalysts for innovation; that there is implicit support for innovation at all levels of the firm; and that there is discretion in relation to re-directing organisational routines and resources to new products or services.

This thesis proposes that the purpose, characteristics and operating environment of the local government sector shape innovation. This is consistent with past studies which suggest that environment and organisational factors affect innovation adoption (Bingham, 1976; Martin 2000;

Damanpour and Schneider, 2006; Hansen, 2011; Anderson, et al, 2014). However, this thesis argues that these internal and external contextual factors don't just influence adoption, but directly influence the ways that local government innovation is defined and constructed - as either the outcome of business improvement processes or the result of 'one off' projects or developments, initiated by staff. Consequently, the construction of local government innovation is instrumental in determining the organisational capabilities whose interaction and integration underpin innovation capability.

This is consistent with the literature concerning service industry innovation, which recognises that innovation may be either incremental or dynamic (Jensen, et al, 2007; Alhusen, et al, 2021) and legitimises the achievement of innovation via ad hoc and DUI processes. While to some extent, LGOs share similar organisational and environmental characteristics to those of private sector firms, this study has highlighted four context-dependent considerations that shape the approaches and the capabilities that are applied by LGOs in achieving innovation:

1) Political processes - the contingencies of decision-making within a politicised environment.

2) Organisational resources - the constraints of deploying resources for innovation within a statutory environment.

3) Attitudes to risk – the dilemmas of balancing multiple stakeholder interests within the context of local governance.

4) Community influence - the need to manage the complex relationship between LGOs and their local community.

These four considerations, and the contributions that they make to theory and practice, will be discussed in detail below.

6.3.2   Political processes – Influence on Innovation

The political context of local government decision-making (Hansen, 2011; Evans, 2012; Butt, et al, 2020) creates a unique set of circumstances for policy making, including policy for innovation, that differs from that of private sector firms and state and federal government agencies (Berman, 1996; Ryan, et al, 2015; Evans and Sansom, 2016; Grant and Drew, 2017). Thus, while the DC literature has little to say in relation to the impact of politics on innovating capability, this study identified political decision-making as a significant contextual consideration, including:

a) the impact of focusing on day-to-day matters, rather than strategic matters such as innovation, by elected representatives

b) the role of elected representatives in 'authorising', rather than leading innovation

c) the impact of dispersed political intent or affiliation on innovation

This thesis proposes that despite studies that point to a changing focus for LGOs (Aulich, 2009; Ryan, et al, 2015; Sansom and Robinson, 2019), the interests of elected representatives continue to lie in day-to-day, operational matters and responding to community complaints rather than in more complex agendas such as innovation. As one focus group participant expressed it, too many elected representatives: *have operational meddling in their DNA (Outer Metro City LGO).* This is consistent with previous studies which suggest that 'Councils are most frequently engaged in resolving specific operational matters…rather than in setting long-range goals or making policy decisions' (Kearney and Scavo, 2001: 47).

A greater interest in potholes than business strategy may relate to questions of capacity (Kearney and Scavo, 2001; Newman, Raine and Skelcher, 2010; Grant and Drew, 2017; Sansom and Robinson, 2019) and the political reality of reliance on community support for election. As 'ordinary citizens', with a four-year mandate from other citizens, elected representatives do not necessarily bring deep experience and expertise to their role: "*At times Councillors fail to see the big picture. Their inexperience reflects [in] their inability to move forward*" (Survey Respondent #42). Further within a political environment, the need to balance strategic considerations such as innovation, against the priority that the local community affords day to day matters, creates ongoing dilemmas for elected representatives.

While balancing strategy and delivery is a challenge for decision-makers across all organisational types, this thesis argues that it presents a particular conundrum in LGO governance, where business acumen is not as prerequisite as it is for private sector company directors or for state and federal parliamentarians.

Second, this thesis contends that elected representatives do not generally lead innovation but are more likely to take an 'authorising' role, by endorsing new processes or services that have been developed by staff and managers. At worst, elected representatives hinder innovation, for example, where '*they undermine it because they don't understand it*' (Metro Fringe Rural LGO). At best, they

offer consistent support for innovative projects: *'Yeah they don't flip flop around this council'* (Coastal Town LGO). The policy process within state and federal legislatures is not so different to this, where contrary to popular political narratives, new policy directions are more often generated by policy officers or department heads, rather than by elected representatives (Kearney and Scavo,2001; Jun and Weare, 2010; Grant, Dollery and Gow, 2011). The literature on innovation in private sector companies recognises that it may be generated at any level, but some authors place the board in a more central role in setting innovation strategy than the LGO practice of 'authorisation' identified in this research (Tidd et al, 2005; Crossan and Apaydin, 2010)

A third consideration in relation to decision-making by elected representatives concerns political affiliation. The quantitative findings of this study demonstrated that a greater number of differing and 'independent' political affiliations was evident in 'less innovative' LGOs. It is possible that the existence of multiple, competing political agendas and perspectives creates a more challenging environment for the authorisation of innovation than one where elected representatives share common interests and objectives. It is also possible that LGOs differ in this respect from other Australian legislatures, where the party-political system accommodates debate but ultimately ensures that the views of the party in government win the day. Further research into the role of elected representatives and the political nature of local government decision making would make a further contribution to the public administration field.

6.3.3   Organisational resources – impact on innovation

This thesis reflects past private and public sector studies in concluding that local government innovation is related to the availability of resources to support new services or strategies (Martin, 2000; Kim, 2006; Hansen, 2011; Evans, Aulich, Howard, Peterson and Reid, 2012; Howard, 2012). However, this thesis contends that flexibility in resource allocation is also a key consideration. The statutory environment in which LGOs operate limits opportunities for revenue-raising and imposes accountabilities for expenditure that cannot be ignored – and which may create constraints - when developing innovation strategy. Therefore, the impact of resources on LGO innovation is not so much one of quantum, but the capacity to strategically deploy or re-deploy people, budgets and organisational assets when required.

The DC literature suggests that reconfiguring resources for new purposes is a critical 'adapting' capability in creating dynamic capability for innovation (Teece, et al, 1997; Janssen and Alexiev, 2012; Breznik and Hisrich, 2014; Collis and Anand, 2019). Strategic management studies also note the opportunity for innovation afforded by 'fiscal strength' and/or 'slack resources' (Amabile, 1990; Berman, 1996; Borins, 2001; Kearney and Scavo, 2001; Tidd, et al, 2005; Damanpour and Schneider, 2006). However, these conditions are neither prevalent, nor easily achieved within the local government sector. It is possible that parallels between small to medium size private enterprises and LGOs are more easily drawn when it comes to resource constraints, than similarities between LGOs and private sector agencies, with significantly larger budgets or LGOs and large Commonwealth or State government departments.

Differing opinions on the significance of resource allocation to innovation emerged in this study. Some participants argued that having fewer resources leads to greater creativity and innovation, while others suggested that a lack of 'slack' resources makes innovation difficult to achieve. Quantitative findings indicated that being 'more innovative' was linked to both having a bigger pool of financial resources and to being more agile and nimble when it comes deploying or re-deploying them.

Decisions to resource innovation in local government require re-direction and strategic investment of resources, rather than continued investment in day-to-day operational activities: 'roads, rates and rubbish'. However, investing in the adoption of new programs, technologies and ideas that have not been tested and proven successful elsewhere could be perceived as unwise in terms of both risk and cost (Burstein, 2013). This may especially be so, insofar as the *"vertical fiscal imbalance in the Australian federation"* (Grant, Dollery and Kortt, 2011: 67) creates a fixed resource base and poses a constant challenge to local government.

Within a politicised environment, such as that of local government, balancing the costs and benefits of investment in innovation extends beyond balancing 'the basic economics of dynamic capability…compared to those of ad hoc problem-solving' (Winter, 2007: 2). It includes considerations of political risk and the risk of managing the conflicting interests of multiple stakeholders.

6.3.4   Attitudes to risk in local government – impact on innovation

This study confirmed the importance of managing perceptions and the mitigation of risk in LGO innovation. At the same time, it revealed that local government practitioners have a paradoxical view of

risk: on one hand describing the value of risk-taking for innovation, while on the other describing local government as 'risk averse'. Close to one third of respondents from even the 'more innovative' LGOs did not believe that their organisation 'takes risks to achieve innovative outcomes'.

This paradox is reflected in the literature, which suggests that while innovation is necessary to address business risk, it also creates risk (Wang and Ahmed, 2004; Damanpour and Schneider, 2006; Anderson, et al, 2014; Baskarada and Koronios, 2017). The requirement to re-direct organisational routines and resources from stable, day-to-day priorities (such as 'fixing pot-holes') towards activities that offer less certainty creates tension between the value of innovation to addressing risk and the risk inherent in new ways of doing things (Newman, et al, 2010; Carr-West, et al, 2011; Howard, 2012; Burstein, 2013).

The perception that, for LGOs, innovation is a "diversion from real work, extra work or risky work" (Evans, et al, 2012: 12) can act as a disincentive to innovation. This is exacerbated by the political realities of a four-year electoral cycle; accountabilities to other tiers of government; and a 'performance culture', that does not include innovation as a key performance indicator (Newman, et al, 2001). For LGOs – especially smaller ones - investing scarce resources into new programs, technologies, or ideas that have not been proven successful elsewhere, could appear to be unwise in terms of both risk and cost (Burstein, 2013).

Given these considerations, it is not surprising that LGO approaches to innovation will be founded in improvement and low risk change: increasing the efficiency, speed, and quality of existing services, or improving safety and security. Within this low-risk framework, LGOs' broad definition of innovation that does not exclude incremental and evolutionary change, or characterise it in terms of uniqueness, invention or non-replicability is also not surprising.

It may also be that 'more innovative' LGOs have developed risk management techniques and frameworks that enable innovation risks to be assessed against a 'risk-cost-benefit' framework. In both of these instances, the literature shows limited academic research into the issue of risk and risk management in both local government and the public sector (Carr-West, et al, 2011; Ahmeti and Vladi, 2017).

Further studies into risk in local government – its interpretation, assessment and mitigation and, in particular, exploration of how 'more innovative' LGOs approach risk - would add valuable insights into

the relationship between risk and innovation in local government. These studies could include the creation of a risk framework for local government that adapts risk management practices from the private sector, including concepts such as productive risk taking (Kottler, 1994, cited in Martin 2001; Mulgan and Albury, 2003; Scott-Kemmis, 2009; Kearney, Hisrich and Roche, 2009). This would, in turn, allow for more sophisticated analysis of risk and risk appetite and a more objective assessment of whether a particular innovation or change is 'worth the risk' (Tidd, et al, 2005; Damanpour and Schneider, 2006; Matthews, Lewis and Cook, 2009; Carr-West, et al, 2011; Howard, 2012).

6.3.5 Relationship between LGOs and their local community

This thesis argues that the local community has a critical influence how LGOs go about – or do not go about - innovation. While defined within the public administration literature against dimensions that include geography, demographic characteristics, or interests (Pillora and McKinlay, 2011; Evans and Reid, 2013; Grant and Drew, 2017) for LGO's the construct of community is traditionally framed by notions of residency and citizenship, within the geographic parameters of a Local Government Area (Pillora and McKinlay, 2011; Butt, et al, 2020). This shares several common dimensions with the 'geographic' construction of community adopted by federal and state public sector agencies, however this thesis argues that local government parameters of community differ in scale, focus and the intensity of LGOs relationship with local citizens.

The primacy of the relationship between LGO's and 'their' community is well documented and is also more complex than the 'purchaser-provider' relationship that exists between customers and commercial firms (Ryan, et al, 2015). It might be argued that the relationship between private firms within the services sector and their customers shares dimensions with LGOs of co-production of service outcomes, where "the user input can determine the quality of the final service" (Miles, 2018: 23). However, the research for this thesis revealed a still deeper and more nuanced partnership between LGOs and their community.

As ratepayers, local community members are direct financiers of local government services, but with little discretion concerning the extent of the services they 'purchase' and limited control over how their 'investment' is allocated. At the same time, they are stakeholders who must be consulted about LGO decisions and who have their say via electoral processes and a 'voice' re strategic planning (Head,

2007; Aulich, 2009; Pillora and McKinlay, 2011; Ryan, et al, 2015; Quick and Bryson, 2016), but who, ultimately, are dependent on the decisions made by local government officers and elected representatives.

LGO's role within community is equally complex, combining at times competing responsibilities as a statutory authority, a political body and a service-delivering organisation. The community thus plays a tacit role as part of the context of LGO innovation and an active role in contributing to and shaping LGO innovation. As such, the capability of engaging the community, which is discussed in Section 6.4.6 of this chapter plays a complex, but significant role in LGO innovation.

6.3.6   Conclusions about context

The importance of context in determining not only what an organisation must do to generate value, but how it can best apply its capabilities to do so has been clearly established in both the literature and through the findings of this study. In some respects, the operating environment for LGOs exerts similar influence to the forces that shape private sector organisations (particularly service-based organisations) and the public sector generally. The context for local government innovation is characterised by the political nature of decision-making; the constraints that apply to investing or re-deploying resources to support innovation; attitudes to risk; and the influence of local communities.

These contextual elements lead LGOs to understand and approach innovation in ways that are context-specific and this in turn determines the capabilities that are best suited to its realisation. The construction of the dynamic capability of innovating, the ordinary capabilities that underpin ~~mediate~~ this DC and the relationship between the two, are discussed in the next section of this chapter.

6.4   The Dynamic Capabilities framework and local government innovation

6.4.1   The relationship between 'Ordinary' and 'Dynamic' Capabilities

This thesis proposes that the stable and constrained operational context in which LGO innovation takes place preferences incremental, rather than transformational, approaches to innovation. It further contends that the local government context influences the ways in which the ordinary capabilities that intersect to generate organisational innovation are defined, designed and prioritised.

The DC literature categorises capabilities into a hierarchical taxonomy, where capabilities are classified as 'ordinary' ('technical' or 'operational' or 'first order') and 'dynamic' ('second' or 'higher' order) (Collis, 1994; Agarawal and Selen, 2009; Ambrosini, et al, 2009; Teece, et al, 2016; Teece, 2017). Qualitative research findings were consistent with the literature, identifying several 'ordinary' capabilities, as well as the DC of innovating. They were also consistent with the assertion that the relevance or prioritisation of ordinary and dynamic capabilities is time and context-dependent (Delmas, 2002; Teece, 2007; Janssen, et al, 2014; Pisano, 2015 Fallon-Byrne and Harney, 2017; Schilke, et al, 2018).

However, perspectives within the literature differ on the level of inter-dependence that exists between ordinary and dynamic capabilities. While some construct DCs as bundles of resources and routines that are discrete and distinct from ordinary capabilities (Eisenhardt and Martin, 2000; Teece, 2007; Agarawal and Selen, 2009) others suggest that the relationship is more complex and that DCs are extensions or modifications of ordinary capabilities, with the relevance of each 'type' depending on changes in the strategic context, including both internal and external demands (Winter, 2007; Helfat and Peteraf, 2009; Drnevich and Kriauciunas, 2010; Pisano, 2016).

Research outcomes indicate that the incremental and sustained nature of local government innovation and the parameters of its operational context mean that DC for innovation is grounded in ordinary, or operational capabilities. Rather than being exclusive, within local government, ordinary and dynamic capabilities are best understood as related in an iterative way. For example, data from Coastal Town LGO recounted instances in which integrating and leveraging regular routines and existing resources (ie 'ordinary capabilities') enabled innovation: combining ordinary capabilities that included staff resources (a community engagement team comprising 'volunteers' from across the organisation), assets (marketing collateral) and processes (interacting regularly with the community at community events, festivals, etc and following up on contacts through a customer service call centre) led to a dynamic capability for an innovative community engagement strategy. This is illustrated at Figure 6.2.

Innovative Community
Engagement

The relationship between context and ordinary and dynamic capabilities that has been adduced from
the literature and from the outcomes of this study of local government innovation, is outlined in Table
6.2.

Table 6.2   Relationship Between Ordinary and Dynamic Capabilities

	Ordinary Capabilities More Relevant	Dynamic Capabilities More Relevant
Operational Context	Stable	Unstable
Purpose of Capabilities	Deliver existing services and products	Develop new services and products (innovate)
Applicability of Capabilities	Broad Application	Specific application
Processes for Developing and Deploying Capabilities	Routine	Strategic
Strategic Outcome	Maintain value	Create new value

Source: Table derived from analysis of research data

The following section of this chapter applies the DC framework to describe and discuss four ordinary
local government capabilities that this study identified as mediating innovating DC. In doing so, it
offers a critique of the DC framework and extends its application to a context beyond the traditional
DC sphere of private sector firms.

6.4.2 Capabilities for local government innovation

This study identified four ordinary capabilities that interact to synthesise innovating DC within the local government context. These capabilities and their microfoundations are shown in Table 6.3 below:

Table 6.3   Examples of Capabilities and Microfoundations

Capability	Examples of Microfoundations from the Research
Interacting with the external environment	• conducting community surveys • benchmarking against other LGOs • liaising with stakeholder groups and organisations (not-for-profit sector, other levels of government, other LGOs) • creating organisational identity and 'brand' • interacting with customers in service delivery
Aligning: creating shared understanding of, and commitment to, innovation between political, management and operational levels of the organisation	• public forums with community • workshops with Elected Representatives • informal conversations between staff • promoting ideas and agendas via local media and LGO websites • cross-disciplinary project teams
Adapting: re-ordering organisational routines and resources, fostering agility and calibrating an appetite for risk	• service reviews and improvement processes • re-allocating resources to fund projects • applying for external grants • staff learning and development programs • introducing new business technologies
Engaging the Community: creating a relationship between the organisation and the local community that facilitates community authorisation of innovation	• licensing community assets to community groups to operate on behalf of the LGO • community consultation and co-design activities • community satisfaction surveys

The capabilities of 'interacting with the external environment' and 'adapting' are analogous with Teece's (2007) classification of capabilities into categories of: 'sensing' competitive threats and opportunities in the market; 'seizing' those opportunities; and 'reconfiguring' or transforming organisational resources and processes to create new products, services or processes in response to what has been 'sensed' and 'seized'. However, this thesis proposes that the capabilities of 'aligning' stakeholders and 'engaging' the community have not been identified within previous studies of innovation capability. Further, the thesis proposes that this is because these capabilities are directly pertinent to the local government sector. It also suggests that, while the capabilities of 'interacting' and 'adapting' relate to existing constructions of sensing and reconfiguring capabilities, they exhibit

distinct, context-specific properties. Each of these capabilities is discussed in the following sub-sections of this chapter.

6.4.3 Interacting with the external environment

The microfoundations that constitute 'interacting' capability in LGOs are reciprocal and continuous rather than focused on the information-gathering construct of 'sensing' that is described within the DC literature (Teece, 2007; Janssen and Alexiev, 2012; Breznik and Lahovnik, 2016; Baskarada and Koronios, 2017). 'Interacting' with the external environment captures the LGO processes of benchmarking against other LGOs and staying abreast of sectoral changes; liaising with state and federal government agencies; consultation and collaboration with other LGOs; demographic and needs analysis; and communication to and from external stakeholders.

This 'two-way' exchange between internal and external environments goes beyond 'sensing'. It implies a sharing of strategic intentions, being open to feedback and criticism and, in the case of inter-governmental liaison, seeking to actively influence or recruit potential competitors to pursue common interests. It takes LGOs beyond research and information-gathering to more proactive routines whereby the interface and meanings created between internal and external worlds are integrated.

6.4.4 Aligning

'Aligning' was identified by this investigation as a distinct, local government capability for innovation. The DC literature acknowledges the importance of aligning organisational structure, processes and strategy to generate DCs (Wang and Ahmad, 2007; Wilden, et al, 2013; Collis and Anand, 2019). Teece also describes the capability of 'reconfiguring': the ability to "recombine and to reconfigure assets and organizational structures as the enterprise grows, and as markets and technologies change" (Teece, 2007: 1335), as a key element in his analysis of DCs for innovation. However, the DC literature constructs 'aligning' and 'reconfiguring' in structural and transactional terms, rather than as a relational phenomenon, with values, emotional and ideological dimensions. It infers that having scanned the environment and identified a new market, product or service opportunity, agreement across the organisation to seize, adapt and enable innovation is implicit or, at most, leveraged via incentives. This is exemplified in statements such as *"the ability to calibrate the requirements for change and to effectuate the necessary adjustments would appear to depend on the ability to scan*

the environment, to evaluate markets and competitors, and to quickly accomplish reconfiguration and transformation ahead of competition" (Teece, Pisano, and Shuen, 1997: 521).

This thesis suggests that the political and community context in which LGOs innovate requires structural and process alignment, but, more importantly, depends on relational, 'aligning' capabilities that foster stakeholder understanding and agreement, within the organisation. More particularly, within the LGO context innovation capability is enabled by alignment between managers and elected representatives and *between* elected representatives *themselves*. The microfoundations for aligning that were identified in this research include activities, processes and resources to facilitate internal communication and interaction and to foster shared understanding and agreement. The formation of cross-disciplinary project teams, forums and briefings for elected representatives, as well as formal decision-making on the floor of Council are some of the strategies used by LGOs to arrive at agreement between staff and managers from diverse disciplines to pursue a particular strategy and to moderate the differing interests and affiliations of elected representatives. Aligning also applies to external relationships where LGOs must garner the support of their communities, which typically represent an even greater diversity of views and thus greater challenges to achieving agreement regarding innovation.

Aligning capability thus contributes to the dynamic capability of LGO innovation. It facilitates decision-making, reduces conflict regarding allocation or re-allocation of resources and streamlines the adaptation of processes and routines, all of which are important to achieving organisational innovation (O'Connor, Roos and Vickers-Willis, 2007; Wang and Ahmad, 2007; Fallon-Byrne and Harney, 2017).

Where people, systems and processes within the organisation are aligned, it is simpler for individual initiatives to surface and to be considered. It is also less complicated for those who initiate innovations to negotiate and navigate within the organisation so that their ideas for new services or business processes can be endorsed, resourced and deployed.

Equally, aligning enables decisions and policy positions for business improvement innovations to be visible, consulted on and framed within the context of shared strategic intent. At its most basic level, alignment limits the waste of energy and resources that can occur when organisational agendas are compromised by confusion, conflict or disagreement on the way forward.

This study indicates that aligning in local government is both a structural and relational phenomenon. Research participants described it as mediated by physical factors, such as organisational size, staff location and organisational processes (such as regular staff and Councillor forums) but equally, or even more importantly, by interpersonal considerations such as shared experiences and values or, in the case of elected representatives, political affiliation.

The negative impact of organisational 'silos' (where functional teams work with little cross-team or cross-organisational reference) was regularly cited in the qualitative phase of this study. The antithesis of being aligned, silos were described as:

- limiting the potential to get the greatest possible contribution from limited staff resources in smaller LGOs (Coastal Town LGO)

- limiting sharing of creative ideas or challenging established norms (Metro Fringe Rural LGO)

- leading to 'secret squirrel thinking' so that only certain parts of the organisation had the information they needed to engage in innovation (Outer Metro City LGO).

In a new interpretation of what it means to be aligned for innovation, this thesis contends that 'aligning' differs in degree from concepts such as cohesion and collaboration, which are reported in the literature (Borins, 2001; Martin, 2000; Evans, et al, 2012; Neilsen, Nesgaard Nielsen, Bamberger, Stamhus, Fonager, Larsen, Vinding, Ryom and Omland, 2012; Barroca, Sharp, Dingsøyr, Gregory, Taylor and Al Qaisi, 2019). It indicates a more nuanced construction of aligning than that reported in the DC service-industry innovation literature, which suggests that: "higher-order dynamic capabilities in services are generated as a result of collaboration between….and education of the stakeholders, which includes customers" (Agarawal and Selen, 2009: 431). While educating and informing are important elements in achieving alignment for innovation between LGO's and their community, LGOs must also build trust, engage the community in finding solutions and manage expectations to gain community authorisation.

As noted above, this thesis also proposes a different construction of alignment to that adopted in the traditional, 'production-industry' based DC literature, which focuses on the alignment of organisational structures and processes. Consistent with Bettini and Head's (2016) US study of governance in water sensitive cities, which recognised the role of 'persuasive enough' narratives and 'enough' connection between actors to enable innovation, it proposes that innovation can be mediated by aligning

strategies that result in acceptance or non-resistance. Staff, managers and elected representatives don't have to all share a passion or driving ambition for innovation. They simply need to share a 'good enough' understanding of its purpose and agree 'enough' that it provides an acceptable response to a particular problem or need and is 'worth' the risk and resources it entails so that they do not actively oppose it.

6.4.5 Adapting

The capability of 'adapting' that was identified in this study, is similar to practices of modifying routines and resources that private firms use to enable the introduction of new strategy, systems and services to create or add 'value' (Ambrosini, et al, 2009; Janssen and Alexiev, 2012; Teece, Peteraf and Leih, 2016; Walter 2020). The 'adapting' resources and routines that were identified in this study were consistent with those reported in the literature for organisations of all types. The identification of this capability in itself, does not, therefore, contribute to new DC theory.

In general, qualitative findings showed adapting to be construed by participants as an incremental rather than a transformational or disruptive process. This construction may explain the dissonance between qualitative outcomes and the quantitative findings, which fell just short of the level of significance required to establish a statistical association between being 'more innovative' and reporting a capability for 'adapting'. It is possible that the survey items that comprised the 'adapting' scale, which investigated constructs such as nimbleness and agility, did not resonate with respondents' experiences of adapting within an incremental, 'business improvement' paradigm.

It is also of interest that, while the qualitative data indicates that adaptive capacity is related to smaller organisational size – a smaller 'ship' to turn around, with a smaller 'crew' who can work-through, persuade and make changes more quickly and informally, the quantitative data presented a contradictory view. The quantitative data indicated that adapting for innovation is supported by larger organisational size and a larger pool of organisational resources.

An explanation for this dissonance may be that, while there is a perception that small size and agility foster innovation, the incremental nature of LGO innovation and its realisation through the combination or re-combination of 'ordinary' capabilities could mean that it is not agility per se that predicates innovation, but a longer-term, more considered process of adaptation, that relies on a sufficiency of resources and scale to succeed. These findings indicate the merit of further

investigation of the process of adapting by LGOs, perhaps including a quantitative study across a larger population of participants.

6.4.6 Engaging the community

The final capability for mediating LGO innovating DC that is proposed concerns the deployment of routines and resources to engage the community. While extensively addressed in the public administration literature (Head, 2007; McKinlay, et al, 2011; Howard, 2012; Moore, McDonald, McHugh-Dillon and West, 2016), engaging the community has not previously been identified within the DC literature, nor has it been framed as a capability to support innovation.

Therefore, the outcomes of this investigation of local government break new ground within both the public administration and DC fields. This includes:

   i.   proposing the capability of 'engaging with the community' as a new, local government specific construct within the DC framework

   ii.   challenging traditional interpretations of the purpose and role of community engagement in local government innovation

   iii.   recognising the challenges to authorising innovation posed by 'squeaky wheel' constituents and groups

   iv.   identifying the barriers to gaining the support of elected representatives and community for strategic and long-term innovation and the option of marketing LGO innovation

   v.   proposing a new dynamic of community capacity or 'readiness' for LGO innovation

   vi.   analysing community readiness through demographic characteristics

Drawing these themes together, it is proposed that often the outcome of engaging the community is to achieve 'enough' agreement from the community to enable decisions made by the LGO to move forward. Engaging is thus focused on creating acceptance (or absence of opposition) that will lead to 'good enough' alignment between the LGO and their community, for the community to authorise innovation.

While LGO-led strategies to consult the community and promote outcomes may support engaging an often-overlooked aspect of achieving community alignment with LGO innovation is the 'capacity' or 'readiness' of the community to understand and authorise it. The challenge for LGOs is, therefore, not

only to develop capabilities to engage with the community, but to understand and manage the dynamics of organisational and community 'readiness' to authorise LGO innovation.

6.4.6.1 Considerations in 'Engaging'

The following sub-sections address considerations relating to the capability of engaging the community. This includes:

- Identification of 'engaging' as a new, local government specific, ordinary capability to support innovation

- Challenging traditional interpretations of the purpose and role of community engagement in local government innovation - engaging the community to authorise innovation

- Recognising the challenges to authorising innovation posed by 'squeaky wheel' constituents

- The challenges of gaining support from elected representatives and community for strategy and innovation

- The question of 'readiness' - community capacity to authorise LGO innovation

- Community capacity and demography - characteristics associated with 'readiness' to authorise LGO innovation: educational levels, age, population change and diversity

6.4.6.2 'Engaging the community' as a new capability within the DC framework

Unlike traditional strategic management theories, which focus on internal competencies, the DC framework recognises the inter-dependence of the firm's internal and external environments. In rare instances, this includes recognition of the potential for customers to 'co-create value'. Within the DC literature, the impact of a firm's 'customer competence' on innovation includes recognising the value of customer-collaboration in developing and testing new products and leveraging customer consultation to foster understanding and trust of novel and complex products or services (Lokshin, van Gils and Bauer, 2009).

Agarawal and Selen's (2009) study of DCs within health service organisations identifies the role of patients in the co-creation of value through their active and informed participation. This reflects the emerging re-interpretation within the DC innovation literature (in particular the literature relating to service innovation) of the relationship between internal and external competencies (Ambrosini, et al, 2009; Agarawal and Selen, 2009; Klievink and Janssen, 2009; Fallon-Byrne and Harney, 2016; Cruz-Sanchez, Sarmiento-Muñoz and Dominguez, 2020).

Extending this emerging, although limited, recognition of the value of customer engagement, this thesis contends that the capability of engaging the community plays a significant role in mediating local government innovation. Relying on foundation processes such as citizen forums, community grants programs and licensing of council community facilities to community groups, engagement between LGOs and community is, arguably, more complex than the relationship between commercial firms and their customers. At the same time, the nature and outcomes of LGO engagement with community also differs from its construction within the public administration literature. This contention is discussed in the following sub-section of this chapter.

6.4.6.3 Challenging traditional interpretations - engaging the community to 'authorise' innovation

This study recognises the value of engaging the community for innovation, yet at the same time, it challenges narratives of community governance, in which local communities are represented as the co-creators of public value (Coates and Passmore, 2008; Evans and Reid, 2013; Quick and Bryson, 2016) so that *"one can 'never have enough' community engagement"* (Grant and Drew, 2017: 219). It suggests that public value is a key driver of LGO innovation and creating a relationship between LGO's and their local communities is critical. However, it also suggests that processes aimed at engaging the community more often result in community 'authorisation' rather than collaboration or co-production of innovation.

This contention may explain differing views within the public administration literature. While some authors indicate that demand for innovation from the community is positively associated with LGO innovation (Berman, 1996; Martin, 2001; Howard, 2012; Quick and Bryson, 2017), others find *"little concrete evidence of citizen involvement in originating or shaping innovation, despite the scale of new forms of consultation"* (Newman, et al, 2001: 66). A third view suggests that the reluctance to engage the community more actively may be related to a lack of preparedness to manage new forms of contractual relationships and a conservative attitude to risk (Carr-West, et al, 2011).

This thesis suggests that the capability of engaging the community to authorise innovation represents a middle ground between the view that the community demands innovation and their engagement in its co-production is critical and the view that community has little impact on innovation. It supports the contention that citizen engagement is pursued not only for normative and instrumental purposes, but

more importantly, as a means to legitimise LGO decision-making (Head, 2007; Grant and Drew, 2017).

6.4.6.4 Recognising the challenges to authorising innovation posed by 'squeaky wheel' constituents

Engaging creates risks in relation to innovation, particularly where LGOs are providing community services. Engaging encourages community members to express expectations for services that an LGO may not have the resources or capabilities to deliver. Seeking the opinions of community members may also provide a focus for conflict between groups with opposing ideas or values. Engaging may also lead to frustration when LGOs seek feedback or ideas on matters that community members do not fully understand (Carr West, 2011). Acknowledging that risk is an inherent part of engagement, this research indicates that community discourse dominated by 'squeaky wheels' may create barriers to innovation.

'Squeaky wheels' have been identified in past studies of local government decision-making and within the public administration literature (LGMA SA, 2012; Grant and Drew, 2017). They are best described as individuals or minority groups of citizens who do not represent the views of the community, but who advocate strenuously with elected representatives and through the local media to influence LGO decisions. As one focus group reported: *"The squeaky wheel, a few community members weren't happy so obviously they get [sic] their Councillors involved and that halted the project for a good six to 12 months and we had to go through a whole new process" (Regional Rural City LGO).*

Within an environment in which citizen – and elected representative - authorisation of innovation is the major consideration, squeaky wheels pose a risk to achieving 'good enough' alignment or preventing innovative ideas from gaining authorisation: *"innovation is sometimes hampered by residents who have their own political agenda"* (Survey Respondent 40)

The 'squeaks' cannot be dismissed as 'irrelevant', either strategically or politically - as noted by Outer Metro Rural LGO "we can't send them away". Instead, LGOs must invest time and resources to manage the advocacy of squeaky wheels so that their views are incorporated into decision-making, but the impact of their opposition to new ideas and agendas is mitigated (LGMA SA, 2012; McKinlay. Pillora, Tan and von Tunzelmann, 2011).

6.4.6.5 The challenges of gaining support from elected representatives and community

This study suggests that despite LGO efforts to engage with their communities around innovation, communities, like their elected representatives, are generally more interested in operational matters, such as 'roads, rates and rubbish', than in strategic matters, such as innovation. Indeed, one participant suggested that *'the community don't give a shit' (Inner Metro),* about community strategic planning. The research revealed an almost paradoxical position regarding community engagement in innovation, which could be paraphrased as: *'we want to engage the community, but at the same time reaching out can be a poor return on investment. The community doesn't seem keen to engage about innovation, so perhaps it's not worth the effort.'*

Some local government practitioners who participated in this study (Sea Change-Tree Change) believed that new approaches to marketing their services or engaging could stimulate community interest. However, others (Coastal Town) were inclined to minimise the number of occasions that they sought to engage the community around new ideas or services on the basis that the community was 'engagement fatigued'. Others again (Regional Coastal City) preferred an embedded approach to engaging their community, where ongoing partnerships were fostered and facilities and projects were entrusted to the community to manage on behalf of the LGO.

The question of why, despite intent and effort on the part of LGOs, communities show limited interest in engaging around innovation, provides fertile ground for further investigation, particularly qualitative investigation of the lived experiences of community members. In this respect, Evans and Stoker's (2016) concept of 'latent' or 'standby' participation, which suggests that if sufficiently motivated, the untapped resource of community participation may be harnessed, is a useful construct. Investigation of approaches to stimulate community interest and engagement with local government agendas generally, and innovation in particular, would contribute to a better understanding of this dynamic.

The contribution to competitive advantage of intangible, 'positional assets', such as reputation, networks and partnerships is well-established within the DC literature (Hooley, Broderick and Moller, 1998; O'Connor, et al, 2007; Helfat and Peterof, 2009; Douglas, Jenkins and Kennedy, 2012; Pisano, 2016). There is also a body of research concerning the value to cities and regions of gaining a reputation as 'innovative' (Plowman, Ashkenasy, Gardner and Letts, 2003; Hospers, 2008; Jacob, 2015; Hawa, Pearson, Lacoon-Williamson, Hollands, Burdon and Miels, 2020). Within the public

administration literature, the advantage of having a reputation as 'innovative' in attracting resources, legitimacy and authorisation from external stakeholders has been acknowledged (Wettenhall, 1988; Newman, et al, 2001), although it remains rarely explored. This is also the case for the adoption of marketing, or social-marketing, practices which has only recently begun to generate attention and research interest (Gardiner and Brown, 1999; Gardiner, 2005; Ryan, et al, 2015).

Within the marketing discipline, the principle of identifying, segmenting and targeting the 'market' to sell particular products and services is well-established (Gardner, 2005). However, while the community engagement literature focuses on how LGOs can more effectively reach out to their communities, there is little focus on understanding what will lead to greater community acceptance or engagement with local government strategies such innovation. Qualitative findings of this study indicated that research participants linked their organisation's capacity to be more - or less - innovative, to demographic characteristics that they believed rendered their local communities more or less open to innovation. These findings are discussed below.

6.5   The question of 'readiness' - community capacity to authorise LGO innovation

6.5.1   Community attitudes towards engaging – a case of capacity?

While the local government innovation literature does not explore variables such as community receptiveness, this thesis argues that this construct is relevant to understanding the differing levels of enthusiasm with which local communities authorise LGO innovation. It suggests there is merit in exploring the growing body of research and theory in fields such as population health and community development, which focus on the propensity of communities to engage in new behaviours and adapt to change. This literature proposes constructs such as 'readiness' (Lewis, Jones and Ruck, 2005; Tri-ethnic Centre, 2014) 'social capital' (Putnam, 2000; Hambleton, 2013) and 'capacity' (Cheers, Cock, Hylton-Keele, Kruger and Trigg, 2005; Head, 2007) to explain the ability of communities to comprehend, engage and adopt new ideas and behaviours.

Drawing on this literature, this thesis finds that local government innovation is influenced more by the willingness of the community to authorise innovation, than it is influenced by community interest in initiating and co-designing innovation. As with the theme of 'aligning' capability, that was discussed in Section 6.4.4 of this chapter, 'engaging the community' may be best understood as creating the

conditions where acceptance (or absence of opposition) provides minimum - 'good enough' – authorisation to enable innovation to proceed. Despite the efforts of LGOs and the existence of instruments such as Community Strategic Plan engagement processes, authorisation of LGO-led innovation is as much a function of community 'capacity' and 'readiness' to engage or authorise as it is a function of LGO engaging capability. The question is, therefore, one of how to understand or measure community 'readiness' to authorise LGO innovation.

In this respect, it is possible that research into the role of stakeholders and collaborators in service industry innovation could benefit from the insights that this thesis offers regarding the dynamics of community and LGO co-production of LGO innovation. This would take research, such as that reported by Agarawal and Selen (: 431) who suggest that '*it is through collaboration and education of the stakeholders that additional higher-order capabilities emerge….all of which influence the service innovation outcome"*.

6.5.2   Community capacity and demography - characteristics associated with 'readiness' to authorise LGO innovation

The construct of community readiness can be assessed through a variety of lenses. Political perspectives would focus on understanding the civic maturity of the community (do they attend Council meetings, do they vote), while critical perspectives would focus on the ways that power is constructed and shared between the governing and the governed. At least one author suggests that:

the community's ability to cooperate is dependent on the level of social capital that is found within the society… the level of trust, reciprocity and networks that exist between people (Mazzarol 2011: 10).

Hambleton (2009) discusses the construct of organisational 'readiness' for adaptation, as a 'curve', or normal distribution, with councils lying along a continuum from 'adventurous', to 'cautious', to stuck. The findings of this research indicate that, just as organisational capacity for innovation is mediated by organisational characteristics and context, so too the 'readiness' of a particular community to support innovation is impacted by the characteristics of the people who comprise that community.

Participants in the qualitative phase of this study suggested that particular demographic characteristics made their local communities more, or less, likely to authorise innovation. This is consistent with previous studies that concluded that community indicators such as population growth, educational and income levels and engagement in political life are associated with innovation in

towns, cities and regions (Moon and DeLeon, 2001; Plowman, et al, 2003; Damanpour and Schneider, 2006; Hansen, 2011; Ryan, et al, 2015; Wildner, et al, 2016).

While the literature does not explain the relationship between community characteristics and innovation in terms of community readiness, this is the relationship that is proposed in this thesis. At the same time, the complexity of this relationship is reflected in the outcome that, while quantitative and qualitative findings converged around the characteristic of educational attainment, they differed in relation to characteristics of population age, population movement and diversity. These findings and their implications are discussed in the following sub-sections of this chapter.

6.5.3 Educational attainment and receptiveness to LGO innovation

Qualitative and quantitative findings concerning the relationship between educational levels and LGO innovation were consistent with past studies (Moon and deLeon, 2001; Plowman, et al, 2003; Damanpour and Schneider, 2006; Jun and Weare, 2010; Hansen, 2011). The finding that 'more innovative' LGOs served communities with a higher proportion of citizens with university qualifications may indicate that these communities have a greater capacity to navigate LGO processes and policy, understand risk and engage with new ideas that enable community authorisation of LGO innovation. It would also be valuable to further investigate the distribution of degree level qualifications versus the size, financial resources and location of LGOs. This may indicate whether a higher level of education within the community is influencing LGO innovation, or whether LGO capacity across several dimensions, including innovation, attracts people with university qualifications to settle in that area.

6.5.4 Population age and receptiveness to innovation

Qualitative findings of this research indicated that a younger community positively influences LGO innovation. However, quantitative results showed no significant relationship between the median age of communities and LGO status of being 'more' or 'less' innovative. It may be that characteristics such as educational level or population change exert greater influence than age on receptiveness. It may also be the case that people in older age groups, for example retirees, have more free time available to engage in local matters.

6.5.5 Population change and receptiveness to innovation

The dynamic of population growth and movement has been linked to innovation in several studies (Moon and DeLeon, 2001; Plowman, et al, 2003; Damanpour and Schneider, 2006;). This conclusion is based on the premise that population change contributes to, *"a changing social, economic, and political environment"* that favours reinvention (Kearney and Scavo, 2001: 49).

The 'mixed' findings of this study both concurred with and contradicted the literature. The quantitative findings indicated that population growth and population movement were positively related to innovation. However, qualitative findings offered differing interpretations. Some participants suggested that population growth led to significant demands on organisational resources and planning to provide basic infrastructure for new communities, which left little for investment in innovation. Others, however, proposed that new people brought new ideas to their town or city or that new arrivals were more open to innovation by their LGO. Further investigation of the reasons for this divergence of views would add value to this study.

A third explanation that was not canvassed by research participants and is not evident in the literature may be that demand for new infrastructure and increased service scope which accompanies population change, encourages LGOs to identify new opportunities for innovation, particularly where resources are limited or already committed. This explanation situates the impetus for innovation within the organisation and acknowledges the influence of community, without attributing a direct demand for specific innovations to community members. In this construction, the influence of community change is indirect, but inevitable.

6.5.6 Population diversity and receptiveness to innovation

Some authors suggest homogeneity is linked to innovation (Wettenhall, 1998) while others suggest that greater diversity leads to greater innovation (Bradford, 2003; Deloitte, 2015). Qualitative and quantitative findings of this research reflected this discourse. While qualitative findings indicated that a more homogeneous population contributes to consensus on LGO innovation, quantitative findings indicated that communities with greater linguistic (and, implicitly, cultural) diversity were more likely to be served by a 'more innovative' LGO.

The lack of consistency between qualitative and quantitative findings may have arisen because of the multiple dimensions of homogeneity and 'diversity', which extend to factors such as culture, language, political views, religion, socio-economic factors, established vs newly arrived residents, etc. The abstract nature of DCs creates particular challenges in operationalising them for quantitative analysis (Janssen et al, 2014; Zahra et al, 2006) and the selection of language diversity as a proxy to operationalise 'heterogeneity' was possibly a poor choice of variable. The percentage of the population that speaks a language other than English possibly represents population change due to immigration as much as it reflects diversity of views, particularly when the validity of the assumption that people with like language hold like views is examined. A third consideration may be that the difficulties of reconciling differing community needs and views regarding innovation described by focus group participants require more complex analysis and explanation than accounting for them based on differing demographics.

An investigation that focused on the relationship between a number of these differing constructs for 'diversity' and the innovation status of LGOs would provide valuable insight into the dynamics of the relationship between 'community difference' and LGO innovation. Similarly, further quantitative analysis which subjected the data to analysis via multiple regression techniques would extend research outcomes and provide further insights into the relationship between more than one of these proxies for 'community difference' and the dependent variable of LGO innovation.

6.5.7 Conclusions about community demographics and receptiveness to authorising LGO   innovation

The lack of consistency of qualitative and quantitative research outcomes concerning the impact of community characteristics on LGO innovation highlights the complexity of this dynamic. While local government practitioners suggested several demographic factors as influencing community readiness to authorise innovation, secondary, quantitative data did not consistently concur with their lived experience. It is, perhaps, not surprising that qualitative and quantitative data converged to indicate that educational level is the key community attribute associated with receptiveness to innovation. However, quantitative findings were not consistent with research participants' perceptions regarding population age, growth and change, diversity and community receptiveness to innovation.

This divergence reflects differing views within the literature regarding the influence of community characteristics on LGO innovation. While some authors propose a weak relationship between socio-economic characteristics and LGO innovation (Burstein, 2013) others suggest a more direct influence (Moon and DeLeon, 2001; Plowman, et al, 2003; Damanpour and Schneider, 2006; Jun and Weare, 2010; Hansen, 2011). Within the pragmatist paradigm that informed the mixed methodology approach to this study, these differing interpretations of reality are not perplexing. Rather, they can be integrated to suggest interesting findings, such as the financial impacts of population growth on LGO resources for innovation being offset by the possibility of new residents' openness to innovation and change.

The divergence between quantitative and qualitative findings also highlights opportunities for further research. This includes the investigation of alternative ways to measure community readiness – for example drawing on indexes of regional adaptive capacity such as the analysis of regional adaptive capacity that informed the Australian Productivity Commission's report on Transitioning Regional Economies (2017) or social capital measures (Grootaert and van Bastelaer, 2001; Putnam, 2000) or community cohesion (Holdsworth and Hartman, 2009).

Differing subjective and objective understandings of what it is about local communities that makes them more or less open to innovation also provide LGOs with an incentive to unpack how and why they know what they believe about their community. It also offers a starting point for considering how to draw on tools developed to measure innovation capacity in the private sector (Amabile, 1990; Wang and Ahmed, 2004; Tidd, et al, 2005; OECD, 2005; Terziovski, 2010), not for profit organisations (Seelos and Mair, 2012; GivEasy, 2015) and public sector organisations (Australian Public Sector Innovation Indicators Project, 2011; O'Connor, et al, 2007; Demircioglu and Audretsch, 2017) and to integrate organisational data with community demographic data to better understand this complex dynamic.

6.6   Chapter conclusion and summary

6.6.1   A model for the local government innovation process

Drawing the threads of this inquiry together, a capability-based model for local government innovation that could guide future research and practice is proposed. The model (Figure 6.3) demonstrates the

iterative relationship between each of the ordinary capabilities and other ordinary capabilities. It also illustrates the relationship between ordinary capabilities and innovation DC. It illustrates the grounding of LGO innovation within an external environment of community readiness and stakeholder expectations and an internal environment comprising structural elements (organisational size, financial capacity and statutory responsibilities) and processual elements (politicised decision-making and attitudes to risk).

Finally, the model demonstrates the outcomes of LGO innovation: organisational sustainability and delivery of public value. These are key motivations for innovation, enabling LGOs to address future challenges and fulfil their purpose of facilitating civil society, managing public infrastructure and building community capacity. The proposed model is exhibited at Figure 6.3

Figure 6.3   A Dynamic Capabilities Model for Local Government Innovation
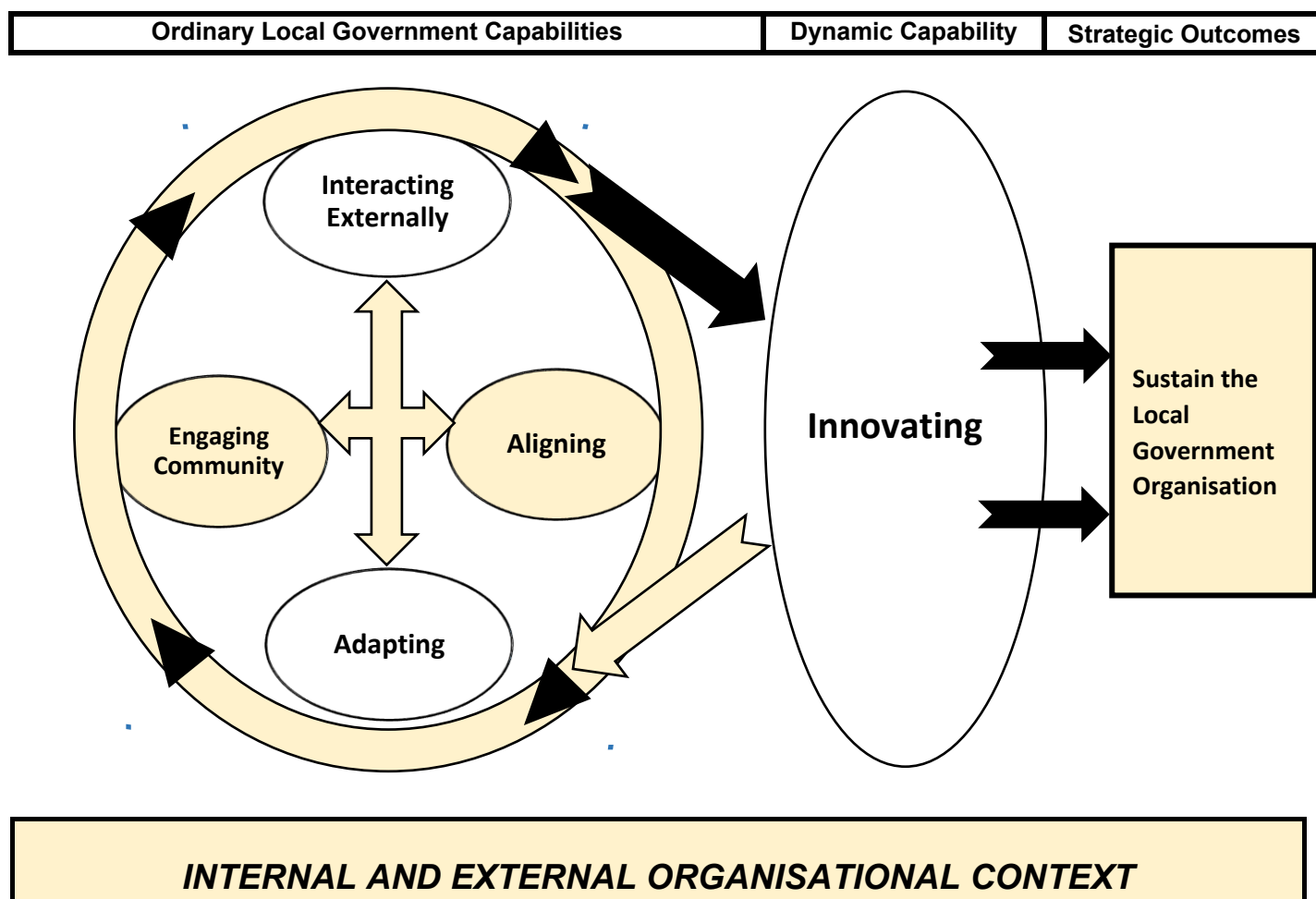
Source: Model derived from research findings – contributions of this study are highlighted in pink shading. They include: the proposal that the local government context shapes sector-specific ordinary capabilities that combine to generate innovation to sustain the organisation; the contention that capabilities are inter-related and iterative and that innovation is both a dynamic outcome of these ordinary capabilities and acts as catalyst for their reinforcement and reinvention

6.6.2 Chapter conclusion – highlighting key points of the discussion

This chapter reports on key theoretical and practical propositions concerning LGO innovation that emerged from an analysis of the findings within the context of the literature. In particular, it discusses new understandings and insights into LGO innovation that have been afforded by applying the lens of the DC framework to the empirical evidence of the study. This has led to the elaboration of existing theory concerning DC, extending the context in which it has been applied and identifying new, ordinary capabilities specific to LGOs. This thesis is not inconsistent with the contention in the literature that DCs for 'best practice' across firms exhibit commonalities, particularly "*[at] a high level of abstraction*" (Janssen, et al, 2014: 4). However, it is also assonant with the suggestion that *"the specifics of any given dynamic capability may be idiosyncratic to a firm….path dependent in its emergence…..[and develop] from many starting points and along different paths"* (Eisenhardt and Martin, 2000: 1116).

Further, inferences from the data have led to a new interpretation of the relationship between ordinary and dynamic capabilities within the relatively stable operating environment of local government. The proposal that the convergence and integration of ordinary capabilities generates the dynamic capability of 'innovating' provides a new dimension to DC theory.

The proposition that the hierarchical relationship between ordinary and dynamic capabilities within the local government context is continuous, as opposed to dialectical, has also been discussed. This, in turn, supports a key contention of this thesis that innovation is a dynamic capability rather than an 'ordinary' capability that facilitates the creation of dynamic capabilities.

The chapter demonstrates that despite efforts by LGOs to engage the community in innovation, the community plays an 'authorising', rather than 'co-producing' role. It indicates that the construct of community 'receptiveness' to innovation affects LGO innovation outcomes and it contributes some preliminary insights concerning the characteristics of communities that are more likely to be 'ready' to authorise innovation. This highlights the importance of LGOs understanding and planning strategically across the dimensions of both organisational and community capability if they wish to achieve innovation.

The contributions to theory to the practice of local government are discussed in the following, Conclusion chapter of the thesis. The limitations of the study and opportunities for further research are also discussed in the next chapter.

Chapter 7 – Thesis Conclusions, Contributions, Limitations and Opportunities for Future Research

7.1 Introduction

7.1.1 Chapter purpose and context

The final chapter draws together the threads of this thesis, re-visits the research intent and process and summarises thesis propositions. It discusses the theoretical and practical contributions of the study, considers its limitations and identifies opportunities for further research.

The central concern of this thesis is the problem of realising innovation in local government in the absence of an articulated, context-specific, theoretical framework. Interest in this issue at a practical level arose from the researcher's experiences as a local government manager, while the study was driven in a theoretical sense by an ambition to identify and explore the applicability of a strategic management framework – in this case, the Dynamic Capabilities (DC) framework - to the local government context.

The study addressed the research problem:

How do organisational and community capabilities affect local government innovation?

7.2 Review of thesis chapters

The problem of local government innovation and the context for this investigation were discussed in the Introduction chapter. This chapter also highlighted the value to both theory and practice that this study was seeking to generate.

A review of the literature presented in chapter two, provided a conceptual frame for the study. It outlined existing theory and research concerning private sector, public sector and local government innovation. It introduced the Dynamic Capabilities framework and discussed key concepts and controversies. Current concepts of community governance, including the influence of community on local government strategy, were also addressed.

The literature review revealed the limited scope of previous research into local government innovation, particularly empirical research that has applied a theoretical paradigm to understanding

this phenomenon. The potential of this study to contribute to the fields of innovation, strategic management, DC and public administration was noted.

Chapter three provided an overview of the philosophical dimensions of this study. It explored the purpose and impact of paradigms on the selection of a research methodology, noting the relationships between the research phenomenon, the research problem and the worldview of the researcher. This chapter substantiated the researcher's adoption of a pragmatist paradigm and discussed the adoption of a Mixed Methods Research (MMR) methodology to inform the design of the study.

Given the methodological and research design considerations of the exploratory sequential approach to this research and the need for a detailed discussion of design and procedures, the research methodology and research design were discussed in separate chapters. Chapter four presented the design and design-logic of the mixed method approach to addressing the research questions. This included an explanation of the four stages of empirical data collection and analysis that informed the study's exploratory sequential design.

Findings of the study were analysed and discussed within a MMR framework in chapter five. Quantitative and qualitative findings were reported in an integrated way to identify complementarities and ambiguities within the data.

Interpretation and abduction of these research findings, within the context of the academic literature, informed chapter six. This included elaboration of theory concerning the nature of innovation in local government and the capabilities that mediate achievement of the DC of innovation. It also included the development of propositions concerning the influence of the community on innovation within the local government sector.

7.3   The research paradigm, methodology and methods

This study employed a mixed methodology, within a pragmatist philosophical paradigm. It did not *"search for metaphysical truths"* (Tashakkori and Teddlie, 1998: 12), nor did it anticipate or deliver 'proofs' about LGO innovation by identifying causal relationships or predictive outcomes. Investigating the research problem from multiple perspectives was ideal, given the abstract nature of phenomena such as 'innovation', 'community receptiveness' and 'dynamic capabilities'.

The study followed an exploratory-sequential mixed methods design, comprising four stages of data collection and analysis. Mixed findings were integrated and interpreted through the lens of the DC framework to adduce thesis propositions.

Primary data were collected from the field through focus group discussions with local government practitioners and a survey administered to practitioners and elected representatives. Secondary data were collected from credible databases such as the NSW Office of Local Government's comparative data series.

Stage I of the study applied quantitative techniques to classify NSW LGOs as either 'more' or 'less' innovative, providing a basis for later data analysis. In Stage II, qualitative data concerning local government practitioners' lived experiences of innovation were collected and analysed to infer key themes and generate five constructs that operationalised elements of the process of local government innovation.

These constructs were transformed into five hypotheses concerning the relationship between organisational capabilities and LGO innovation and nine sub-hypotheses concerning the relationship between organisational and community characteristics and LGO innovation. These hypotheses and sub-hypotheses were tested in subsequent stages of the research: in Stage III via administration of a quantitative, Likert-style survey and inferential analysis of survey results; and in Stage IV by evaluating the statistical significance of the relationship between secondary data for organisational and community constructs and LGO innovation.

Integration of qualitative and quantitative findings and their interpretation within the context of relevant literature produced inferences and propositions concerning the influence of the local government context on the definition, form, purpose and practice of innovation; the operational capabilities that underpin dynamic, innovation capability; and the role of communities in LGO innovation.

7.4   Main findings

Findings of the study included the identification of two drivers of innovation, shaped by the local government context: the desire to create organisational sustainability and deliver public value. The study showed that local government practitioners conceptualise innovation as processual. They frame it as an outcome of either business improvement initiatives or individual inventiveness. In both

instances, realising innovation is dependent on support from across the organisation and therefore linking innovation to organisational directions and agendas is important.

Findings concerning the impact of organisational context indicated that LGO innovation is shaped by cultural constructs that include trust, alignment and learning; organisational attitudes to risk; the availability or capacity to re-deploy resources to support new activities; and the political and statutory environment. In structural terms, LGO innovation is associated with larger organisational size, fewer differing political affiliations between elected representatives and the existence of business systems and processes that support innovation.

The study proposed four ordinary ('operational') capabilities and suggested that within the local government context the convergence and leveraging of these ordinary capabilities creates dynamic capability for innovation. These capabilities were termed: interacting with the external environment, aligning, adapting and engaging the community. Of the four, 'aligning' emerged as the most important of these capabilities to local government innovation. 'Aligning' is a relational construct and refers to the creation of relational networks, making sure the right people are on side and reducing 'silos', rather than referring to synchronisation of systems and functions.

The capability of 'interacting with the external environment' represented an extension of the capability of 'scanning the environment' identified in the DC literature (Teece, 2007; Breznik and Lahovnik, 2014; Janssen, et al, 2014; Teece, Peteraf and Leih, 2016).

Within the local government environment, focusing externally goes beyond measuring market trends, competitor activities and consumer sentiment. It includes microfoundations such as collaborative, learning and co-delivery routines, which require investment of the LGO and result in indirect, as well as direct benefit to the organisation.

Findings concerning the role of elected representatives in innovation strategy indicated a utilitarian focus on operational matters, leaving strategic leadership for innovation to officers and managers. This resulted in the development of the concept of 'authorisation' to account for the role of elected representatives, therefore defining the mission of LGO managers and staff in traversing the terrain between innovative ideas, processes and their realisation.

Findings concerning the role of elected representatives were congruent with findings concerning the role of community in LGO innovation. Rather than enthusiastic co-design and co-delivery, the study

found there was a relatively low level of community interest in proactively contributing to local government innovation, aside from minority interest groups, which were portrayed as seeking to hamper innovation and that were dubbed 'squeaky wheels'. 'Authorisation', therefore, emerged as the key role for community in innovation, occupying a more central position than roles of co-design and co-delivery that are proposed in the participatory governance literature.

Qualitative findings concerning community characteristics that support community receptiveness to innovation indicated that in communities where population growth and change are limited, where residents are 'better educated', of younger age and share common interests and worldviews are more likely to support LGO innovation. However, there were dissonances and ambiguities between qualitative and quantitative findings, reflecting *the power of mixed methods research….to deal with diversity and divergence* (Schoonenboom and Johnson, 2017: 116). Modell (2010) also affirms the legitimacy of divergent results, contending that the probability of any two methods resulting in identical empirical data is doubtful, given that the data is based on interpretations of the lived reality of research participants.

These findings prompt reflection on the nature of practitioner perceptions regarding what makes an organisation more successful in innovation and what makes a community more supportive of innovation. They also point to opportunities for the synthesis of more comprehensive theories that account for these inconsistencies and further investigation of quantitative constructs that might be developed to test hypotheses about community.

7.5   Contributions of this thesis to theory and practice

7.5.1   Contributions to strategic management scholarship and the DC framework

Firstly, this thesis proposes that the DC framework, rarely applied outside of the private sector, is a relevant and viable tool for understanding local government innovation and developing innovation strategy. It identifies parallels between private sector pursuits of generating surplus value and gaining competitive advantage and local government pursuits of delivering public value and achieving sustainability.

Second, it elaborates DC theory by applying empirical evidence to identify ordinary capabilities specific to LGOs whose convergence enables 'innovating' dynamic capability: interacting with the

external environment, aligning, adapting and engaging the community. It proposes that these capabilities are inter-dependent and grounded in the role, structure and practice of local government. Their intersection generates innovation and yet, at the same time the organisation's innovation capability and processes loop back to enhance and embed ordinary capabilities.

Third, the thesis proposes that the local government context impacts on the ways that innovation is defined and operationalised and, therefore, on the formation and deployment of capabilities for innovation. It suggests that within this context, characteristics such as politicised decision-making, statutory and resource parameters and a limited appetite for risk, shape understanding, construction and deployment of innovation within the sector.

Fourth, this thesis suggests that the hierarchical relationship between ordinary and dynamic capabilities is best understood as continuous rather than exclusive, accounting for the intersectionality of organisational resources, processes and relationships.

Fifth, this study describes the relationship between local government organisational dynamic capabilities and the external influence of "community" in facilitating innovation. This includes synthesis of new theory regarding the role of community as 'authorisers' rather than 'co-producers' of LGO innovation, within a 'good enough' construction of alignment.

DCV studies consider 'external capabilities', such as customers and suppliers when explaining firm performance (Teece, Peteraf and Leih, 2016; Schilke, Hu and Helfat, 2018; Zhou, Zhou, Feng and Jiang, 2019), highlighting a key evolutionary feature of DCV that differentiates it from the Resource Based View and Knowledge Based View of the firm and that reflects its relationship with the Market Based View. DC theory and research regarding innovation in service industries particularly considers the key role that customers play in the process of service delivery, through cooperation, participation and consumption of service outcomes (Gallouj and Savona, 2009; Janssen and den Hartog, 2016; Toivonen, 2016). It suggests that through the transaction of consuming a service, the customer co-produces the service outcome and their experience of the service 'product', which differs to the relationship between the producers and consumers of manufactured products. As such, the characteristics of the customer – for example technological capability – have been introduced as a constituent element within the Characteristics Based model (Gallouj and Toivonen, 2011) for service innovation, especially to explain complex systems comprising various constituent services.

However, despite progressing explication, these authors and researchers do not adequately account for collaboration and co-delivery of outcomes as external capabilities that leverage Local Government innovation. This study extends the scope of the DC framework to account for the organisational processes that are required to connect with, collaborate with and win the trust of the community. It proposes that the capability of 'engaging with the community' takes on a number of unique characteristics within the local government context. It offers new perspectives on theory regarding the relationship between consumers and service providers, within the service industry literature. In proposing that the 'readiness' capability of the community and the innovation capability of the LGO are inextricably linked, it challenges the dichotomy of 'internal'/'organisational' versus 'external'/'environmental' aspects of the firm that features in the more traditional strategic management literature (Berman, 1996; Damanpour and Schneider, 2006; Hansen, 2011; Seelos and Mair, 2012).

7.5.2   Contributions to public administration scholarship

The thesis offers the possibly controversial proposition that the community plays an 'authorising', rather than 'co-producing' role in LGO innovation. This is not because they are excluded by LGOs, but because community interest is limited and focuses on day to day, as opposed to strategic considerations.

Second, applying theory concerning 'community readiness' or capacity for change, this thesis proposes that community authorisation of LGO innovation is predicated on 'readiness for innovation' which differs between and within communities. This challenges the implicit assumption in the community governance literature that communities are homogeneous and have equal capacity to contribute to local government innovation.

Third, this thesis proposes that 'community readiness' can be assessed via analysis of demographic characteristics such as educational level, population change and population diversity. The research findings contribute preliminary insights concerning the characteristics of communities that are more likely to be 'ready' to authorise innovation.

Fourth, this thesis contributes new perspectives to the debate on challenge-based innovation and the role of local government innovation in addressing societal challenges. Despite calls for regional policy makers to play a key role in seeking innovative solutions to 'wicked problems', including climate

change, social inequality and population ageing, this area of public administration remains relatively unexplored (Bours, Wanzenbock and Frenken, 2021: 1). By establishing the relevance of the DC framework to strategy-development for LGO innovation; explaining the nature and motivations for innovation; identifying capabilities that underpin innovation DC; and the role of community, this thesis offers opportunities for LGOs to progress the development and diffusion of innovative solutions for societal challenges.

Finally, this thesis demonstrates the extent to which theory regarding LGO innovation has evolved since the early research of Bingham (1976), Wettenhall (1988) and Borins (1998). It highlights the importance of LGOs understanding and managing the dimensions of both organisational and community capability if they wish to achieve innovation.

7.5.3 Contribution to methodology

The study contributes to the field of mixed methodology, by pioneering a novel approach to selecting LGOs to participate in qualitative data collection activities and adopting a pragmatic research process that integrated mixed data in a complementary rather than confirmatory way and afforded equal weight to quantitative and qualitative findings.

While most studies into local government innovation are based on case study analysis or reviews of the literature, this study sought to elicit the views of practitioners through a variety of methods and to build an empirical understanding of what is important in LGO innovation.

7.5.4 Practical significance - contributions to practice

The first practical contribution of this study is to suggest the value of the DC framework in enabling LGOs to develop and apply capabilities that will support policy, process improvement and resource-allocation for innovation. It offers practitioners a framework for organisational analysis, benchmarking and design of innovation strategies.

Second, in recognising the implications of an increasingly competitive environment and understanding the capabilities required to move from 'sensing' in a passive way, to 'interacting' and responding dynamically, this study proposes new capabilities for local government to consider.

A third contribution derives from findings about the importance of 'aligning' diverse stakeholders within the politicised, local government environment, where innovation competes with existing priorities. The

importance of 'aligning' is likely to resonate with local government practitioners, who regularly experience both benefits and frustrations when negotiating internal and external consensus. Further, by proposing the principle of 'good enough' alignment, this study provides a minimum standard that enables LGOs to efficiently target processes and optimise their investment in aligning routines.

Fourth, the conclusion that innovation is more likely to be 'authorised' (than led) by elected representatives and senior managers indicates the benefits of both empowering staff to initiate innovation and fostering opportunities for new ideas to surface. Recognising that authorisation is facilitated when innovations are aligned to existing organisational agendas provides a focus for practitioners to construct and negotiate the adoption of innovation.

The limited interest of community in participating in LGO innovation also led to theorising that the re-positioning, branding and 'promotion' of LGOs may serve to increase community awareness and desire to engage in deliberative and co-production routines. The adoption and adaptation of private sector dynamic capabilities for marketing is suggested as an opportunity for LGOs to build a more compelling and competitive external image.

Fifth, while some findings are consistent with past research, that is those relating to local government innovation paradigms, motivating factors and the impact of institutional forms; other findings challenge established ideas about the practice of innovation. For example, by focusing on the similarities (or at the very least parallels) in motivations and processes for innovation between LGOs and private sector organisations, the study highlights opportunities to harness strategic management ideas that may be more progressive than those within the public sector.

Finally, the findings of this study concerning risk appetite provide a starting point for LGOs to review and re-calibrate their understanding of risk and the impact of the reluctance within the sector to take risks to achieve innovation. Adopting a rubric that supports an assessment of factors such as likelihood, imminence and consequences, as well as potential benefits, would enable LGOs to more objectively decide whether a particular innovation or change is 'worth the risk'.

7.6　Limitations of the research and opportunities for further research

This thesis does not seek to offer objective or universal truths concerning innovation in local government. Guided by a pragmatist paradigm, it seeks to offer a range of conclusions and propositions to interpret, describe and explain the phenomenon of local government innovation and the organisational and community dynamics that shape it. Further, rather than a critical evaluation of the study that informs this thesis arriving at a list of 'limitations', it is more useful to apply the critique to identifying opportunities for further refinement of methodology, or for future research.

The critique of this study assesses both methodological and conceptual aspects of the research process and research outcomes.

First, while offering insights that may be applicable to the broader local government sector, either nationally or internationally, this study is conducted within the parameters of time and within the context of NSW, Australia. The opportunity to extend the field of the study – and the generalisability of its findings - through investigating experiences of innovation across a broader sphere (including the not-for-profit sector which is attracting increasing research and scholarship) is clear.

Second, the adoption of the DC framework offers conceptual challenges, given its continuing evolution and criticisms that it is diffuse; lacking in constructs that enable operationalisation and measurement; and does not clearly account for the antecedents, process and outcomes of capabilities (Albort-Morant, Leal-Rodríguez, Fernández-Rodríguez, Ariza-Montes, 2018).

However, the explorative intent of the study is not aimed at confirmation or 'testing' DC theory, nor is it adopted as an a priori conceptual framework to measure LGO innovation capabilities. Instead, the DC framework is applied post-data collection as an organising paradigm, to allow for a qualitative sense-making of the processes reported by focus group participants.

Second, the initial classification of LGOs as 'more' or 'less' innovative poses methodological questions. In rejecting established methods for identifying local government innovation (Borins, 2001), this study takes a risk in legitimising the scoring method that was adopted against suggestions of subjectivity and lack of completeness. However, this risk was mitigated by transparent acknowledgement that classifications were based on a snapshot in time of a single (albeit central)

dimension of local government strategy, as well as by the validation processes applied to other quantitative stages of the study.

Indeed, the evolutionary nature of innovation was reflected in at least one instance where focus group participants at a 'less innovative' LGO had critiqued their past CSP processes, recognised them as non-innovative and were in the process of developing new strategy when the focus group was conducted. A longitudinal study of LGO innovation strategy over time to identify the development and impact of innovation capabilities would further contribute to innovation theory.

Research to develop reliable constructs for the measurement of LGO innovation would present another opportunity to contribute a new method for attributing 'innovativeness' that also overcomes the inherent problems of methods such as Borins', which rely on (self-nominated) innovation awards programs.

While subjectivity is a perennial issue in seeking LGO self-assessment of innovativeness or innovation success, the literature review showed few, if any studies that sought citizen assessment or opinions of LGO innovation. Further research, based on collection of mixed data, in particular qualitative data that captures community members' views of their LGOs 'innovativeness' would provide an alternative means of identifying innovative LGOs and constructing an independent variable that would extend the research presented in this thesis.

Third, the decision to rely on secondary data to test hypotheses regarding characteristics related to community 'receptiveness' to innovation rather than collecting primary data directly from community members may attract the criticism of failing to capture the voice of a major stakeholder – or partner – in the innovation process. While recognising the logistical constraints of identifying and accessing participants from across diverse local government areas, who are representative of their local community, this limitation does point to future opportunities to collect qualitative data on the lived experience of LGO innovation for community members, including insights into what communities expect of 'their' LGOs and what can be done to engage them more in innovation. In the latter case, further investigation of the impact of marketing and promotional initiatives on citizen engagement and authorisation of LGO innovation may also extend the contributions of this study.

Differences in research findings concerning community interest in engagement to the extensive literature on participatory governance indicate that research into the reasons for this apparent

disconnect between theory and practice and between expectations and experience regarding community participation would be valuable. This may include investigation of a more extensive range of community characteristics that impact LGO innovation than those that were derived from the qualitative data and used in this study. Further investigation of the relevance of existing indexes, such as those developed to measure regional adaptive capacity (Productivity Commission, 2017), would provide another way of exploring the dimension of community receptiveness, as would the use of digital technologies that enable geographic visualisation and mapping of community indicators.

Fourth, the decision not to conduct extensive, inferential statistical analysis of quantitative data may have limited the generalisability and predictive power of research findings. However, this decision is influenced by paradigmatic and mixed methods premises concerning the complementarity of findings and the normative nature of reality. Thus, the research quality is judged on the basis of 'convincingness' and acceptance within the context of local government practice to which it applies, while divergent results are conceived not as a failure to triangulate or confirm mixed findings but as a starting point for further research into these interesting anomalies (Schoonenboom and Johnson, 2017).

Fifth, some of the inherent controversies concerning MMR need to be acknowledged. These include: paradigmatic tensions in bringing together quantitative (positivist) and qualitative (constructivist) methods; challenges in describing and reporting studies due to the lack of a method-specific language; controversies concerning the ideal point in a study for the methods to be mixed; the question of dominance or balance between the methods; and the approach to validation, credibility or establishing research quality. These considerations have been addressed throughout the study, from adopting a clear and intentional pragmatist position from the outset, through decisions concerning the balance between the methods, to addressing questions of validation, credibility and research quality at appropriate points of the research process.

Finally, recent interest within the DC field concerning the identification of the micro-foundations that underlie ordinary and dynamic capabilities indicate that there is a rich vein of further research to be mined to identify the micro-foundations that constitute the capabilities identified in this study.

7.7 Conclusion

The purpose of this study of innovation in local government was to provide both new theory within the strategic management and public administration disciplines and practical propositions for the local government sector so that LGOs could 'see' and 'do' innovation better.

While the research questions have been answered and a number of insights and propositions concerning the phenomenon of local government innovation have emerged, final judgement of its value lies in the 'eye of the beholder' (Baxter and Jack, 2008). Thus, the true value of this thesis and the true test of its 'trustworthiness' will be determined by the response of local government practitioners to the findings, explanations and ideas that it proposes.

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Appendices

Appendix 1- Scores from assessment of Community Strategic Plans

COMPARISON OF OBJECTIVES AND VISION STATEMENTS: COMMUNITY STRATEGIC PLANS VS MANAGEMENT PLAN						
Local Government Organisation	Vision CSP1 vs CSP2	Vision CSP1 vs Mgt Plan	CSP1 vs CSP2 KRAs	CSP1 vs Mgt Plan KRAs	TOTAL	NSW OLG 'Group'
LGO	Excluded from analysis		Focus Group LGO's		Invited to participate in Focus Group, declined	
	Excluded	excluded	excluded	excluded	n/a	4
	Excluded	excluded	excluded	excluded	n/a	2
	Excluded	excluded	excluded	excluded	n/a	4
	Excluded	excluded	excluded	excluded	n/a	9
	Excluded	excluded	excluded	excluded	n/a	9
	Excluded	excluded	excluded	excluded	n/a	10
	Excluded	excluded	excluded	excluded	n/a	5
	Excluded	excluded	excluded	excluded	n/a	3
	Excluded	excluded	excluded	excluded	n/a	5
	Excluded	excluded	excluded	excluded	n/a	4
Inner Metro	1	1	1	1	4	3
Regional Coastal City	1	1	1	1	4	5
Coastal Town	1	1	1	1	4	4
	1	0.5	1	1	3.5	3
	1	1	0.5	1	3.5	7
	0	1	1	1	3	4
	1	0	1	1	3	3
	0	1	1	1	3	3

	0	1	1	1	**3**	4
	0	1	1	1	**3**	4
	1	1	0	1	**3**	5
	0	1	1	1	**3**	4
	0	1	1	1	**3**	4
	0	1	1	1	**3**	4
	0.5	1	0.5	1	**3**	10
	0.5	1	0.5	1	**3**	1
	0	0.5	1	1	**2.5**	5
	0	1	0.5	1	**2.5**	7
	0	0.5	1	1	**2.5**	2
	0	1	0.5	1	**2.5**	3
	0	1	0.5	1	**2.5**	5
🟨	0	1	0.5	1	**2.5**	4
	1	0	0.5	1	**2.5**	4
	0	0.5	1	1	**2.5**	6
	0	1	1	0.5	**2.5**	3
	0.5	1	0.5	1	**2.5**	4
	1	0.5	0.5	0.5	**2.5**	6
	0	1	0	1	**2**	4
	0	1	0	1	**2**	7
	0	0	1	1	**2**	2
	0	1	0.5	0.5	**2**	2
🟨	1	0	0	1	**2**	2
🟨	0	1	0	1	**2**	2
	0	1	0	1	**2**	2
	0	1	0	1	**2**	2
	1	0	1	0	**2**	3
	0	0.5	0.5	1	**2**	7
	0	1	0	1	**2**	9

	0	0	1	1	**2**	10
	1	1	0	0	**2**	11
	0	1	0	1	**2**	2
	0	1	0.5	0.5	**2**	3
	0	1	0	1	**2**	3
	0	1	0	1	**2**	3
	0	1	0	1	**2**	4
	0	1	0	1	**2**	4
	0.5	1	0	0.5	**2**	4
	1	0	0	1	**2**	4
	0	0	1	1	**2**	7
	0	0	1	1	**2**	7
	0	0	1	1	**2**	9
	0	1	0.5	0.5	**2**	2
	0	1	0	1	**2**	3
	0	1	0	1	**2**	4
	0	0	1	1	**2**	4
	0	1	0	1	**2**	4
	0	1	0.5	1	**2**	7
	1	1	0	0	**2**	8
	1	1	0	0	**2**	10
	1	1	0	0	**2**	10
	0	1	0	1	**2**	11
	0	1	0	1	**2**	11
	0	0	1	0.5	**1.5**	2
	1	0	0	0.5	**1.5**	4
	0	0	0.5	1	**1.5**	5
	0	0.5	0	1	**1.5**	2
	0	0.5	0	1	**1.5**	9
Regional Rural City	0	0	0	1	**1**	4

	0	0.5	0	0.5	**1**	7
Outer Metro City	0	0	1	0	**1**	3
	0	0	0.5	0.5	**1**	3
	0	0	0	1	**1**	3
	0	1	0	0	**1**	4
	0	0	0	1	**1**	4
	0	0.5	0	0.5	**1**	4
	0	0	0	1	**1**	10
	0	0	0	1	**1**	11
	0	0	0	1	**1**	11
	0	0	0	1	**1**	2
	0	1	0	0	**1**	2
	0	0	0	1	**1**	3
	0	0	0.5	0.5	**1**	3
	0	0	0	1	**1**	5
Metro Fringe Rural	0	0	0.5	0.5	**1**	6
	0	0	0	1	**1**	9
	0	0	0	1	**1**	10
	0	0.5	0	0.5	**1**	10
	0	0	0	1	**1**	10
	0	0	0	1	**1**	11
	0	0	1	0	**1**	11
	0	0	0	1	**1**	11
	0	0	0	1	**1**	4
	0	0	1	0	**1**	4
	0	0.5	0	0.5	**1**	4
	0	0	1	0	**1**	4
	0	0	0	1	**1**	8
	0	0	0	1	**1**	4

	0	0	0	1	**1**	8
	0	0	0	1	**1**	8
	0	0	0	1	**1**	9
	0	0	0	1	**1**	9
	0	0	0	1	**1**	9
	0	0	0.5	0.5	**1**	9
	0	0	0	1	**1**	9
	0	0	0	1	**1**	9
	0	0.5	0	0.5	**1**	9
	0	0	0	1	**1**	9
	0	0	0	1	**1**	10
	0	0	0.5	0.5	**1**	10
	0	0.5	0	0.5	**1**	10
	0	0	0	1	**1**	10
	0	0	0	1	**1**	10
	0	0.5	0	0.5	**1**	10
	0	0	0	1	**1**	10
	0	0	0	1	**1**	10
	0	0	0	1	**1**	10
	0	0.5	0	0.5	**1**	10
	0	0	0	1	**1**	11
	0	0	0	1	**1**	11
	0	0.5	0	0.5	**1**	11
	0	0.5	0	0.5	**1**	10
	0	0.5	0	0.5	**1**	11
	0	0	0	1	**1**	11
	0	0.5	0	0.5	**1**	11
	0	0	1	0	**1**	11
	0	0	0	1	**1**	11
	0	0	0.5	0	**0.5**	3

Sea Change-Tree Change	0	0	0	0.5	**0.5**	5
	0	0	0	0.5	**0.5**	9
	0	0	0	0.5	**0.5**	9
	0	0	0.5	0	**0.5**	9
	0	0	0.5	0	**0.5**	9
	0	0	0.5	0	**0.5**	10
	0	0	0	0.5	**0.5**	10
	0.5	0	0	0	**0.5**	10
	0	0	0	0.5	**0.5**	11
	0	0	0	0	**0**	9
	0	0	0	0	**0**	9
	0	0	0	0	**0**	10
	0	0	0	0	**0**	10
	0	0	0	0	**0**	11
	0	0	0	0	**0**	11

Appendix 2 - Focus group discussion pilot - November 2015 - feedback and commentary

- Be really conscious of my role with the focus groups as 'researcher' NOT 'practitioner" – need to disengage from my role as LG practitioner
- Provide handout for participants with definitions: innovation; dynamic capabilities
- Sending focus group discussion questions to participants prior to the focus group does not mean that they will have looked at them before the group
- Provide overview to participants of how their focus group fits in with the overall research project
- Explain how focus groups work, the process
- Clarify my expectations and 'focus group rules' (no judgements, everyone has a chance to speak, no cutting people off or interrupting them, learning environment for everyone, etc)
- Clarify the importance of trust within the group – honest opinions, non-disclosure, confidentiality – "if everyone bashed 'my' annual plan or 'my' CSP process, then I might get pretty upset"
- Clarify how the focus group discussion can assist the Council officers who are participating – great (and not often provided) opportunity to reflect on process of CSP
- **Participant Consent Form** – need to include an additional 'consent' – participants consent to have their focus group discussion audio-taped
- **Participant Information Sheet** – fine, but questions re the level of 'nth degree' ethical considerations
- **Focus Group Discussion Protocol**
- Think about trying to capture participants' views on their aspirations re innovation in the CSP and the reality of innovative outcomes (or not)
- Focus more on 'innovation' – focus group questions seem to be more about CSP – innovation is implicit but needs to be more explicit
- Need to re-visit 'dynamic capabilities' to ensure the framework is more clearly linked to the focus group questions – more explicit
- Be sure to probe beyond the first question – ask "why"?
- Should Q3 *Tell me about the approach your council is taking to implementing your Community Strategic Plan* be asked / answered first – start with the here and now and then go back to the "how did you do it the first time"?
- Recognised that Q3 is the 'meatiest' question
- Don't just have dot points for the trigger questions that underpin each of the focus group areas for discussion – too hard to relate responses back to Qs for future reference
- Look at broadening out who participates in the focus groups – finance, workforce planning and asset management planning people too?
- Or run two different groups – one for strategic planners and a second for 'other' planners?
- Importance of observing the group interaction and discourse as well as the 'answers' – are they agreeing? Who isn't? How to draw that out
- Need to have clear focus on timing and stick to time – don't go overtime – be conscious of value of people's time

Appendix 3 - Focus group discussion protocol

University of Wollongong

Research Project: Innovation in Local Government: Organisational and Community Dynamics

Researcher: Jennifer Thompson

Focus Group Discussion Protocol (Version 4 - January 2016)

1. **How does your organisation approach innovation?**

   What systems, programs or resources do you have that initiate, support and embed innovation?

2. **How does your organisation draw on those capabilities to achieve innovation in your community strategic planning processes?**

3. **How does your organisation share learning and support the development of knowledge, skills and attitudes to achieve innovation?**

4. **How do your organisation's culture and leadership impact on innovation?**

5. **How do your Councillors influence innovation in and by your organisation?**

6. **What could your organisation do differently if you wanted to become more innovative in your approach to corporate and strategic planning?**

7. **How does your Council engage with your local community in your community strategic planning processes?**

8. **How does your local community influence your organisation and/or Council in relation to innovation?**

9. **Is there anything else you'd like to say about innovation in / by your organisation?**

Appendix 4 - Example – coding and thematic analysis

Focus Group 3   *Regional Coastal City - a 'More Innovative' LGO*

Quote - Page in Transcript	Code	Theme	Thematic Network (Construct)
P6 P17 P22 P37 P23 P25 P28 P37	Seek to be authentic Respect for everyone Culture of inclusion and co-operation Hierarchy doesn't count Shared values GM front and centre in difficult times Invest in leadership development Encourage staff to offer new ideas and take risks	**Enabling Leadership**	**Business Systems and Processes to Support Innovation**
P1 P1 P2 P2 P8 P17 P59 P61	Innovation philosophy Business review programs Business improvement principles Continuous improvement – whole of business Internal and external review Good governance and administrative systems support decision-making Systematic framework for innovation Harness technology to change the business	**Business Improvement programs**	
P64 P24 P49 P50	'Best value' and priorities - innovation Targets for performance improvement Good quality data - data-based argument Measure community support / satisfaction	**Measure Performance**	

P13 P37 P34 P63	Create innovation culture All staff involved Expose staff to new, external and diverse business practices Empower staff - permission to innovate	**Formal Processes to Engage Staff in Innovation**	
P6 P10 P14 P20 P29	Invest in future sustainability Cost-benefit analysis Invest in business improvement Innovation generates savings – invest to save Fund overseas travel for learning about best-practice	**Availability of Resources to Support Innovation**	
P4 P16 P16 P62 P31 P31	Seek best practice and design own solutions Open to change and adaptation Critical thinking leads to change Cultural change required for innovation Organisational change - new structure Test new structures – people acting	**Adaptability and Agility**	
P31	Larger organisation – opportunities for workforce development	**Scale and Structure**	
P3 P9 P15 P15 P17 P37 P65	Challenge the norm Take risks Take problems on – front foot Confidence enables exploration of innovation Councillors' trust in staff builds risk tolerance for innovation Empower staff to take risks LGOs less open to risk than private sector	**Appetite for risk**	
P8 P25 P28 P26 P29 P46 P46	Organisational value to be open and enquiring Invest in learning and development for all staff Leadership development - future leaders Invest in 'soft skills' learning Evaluate, improve L&D programs Councillor learning and development Staff and Councillors learn together	**Organisational Learning**	**Adaptability, Agility and Risk Appetite**
P33 P65	Shift resources around as required - free up for innovation Redeploy resources – overcome risk averse culture of local government	**Ability to Re-deploy Resources**	

P17 P17 P43 P44 P44 P50	Stable / long-term Council Council has courage to make decisions Collaborative Councillors - multiple parties but no game playing Councillors culture of respect - consensus Councillor culture of respect - ideas generated Remove politics from decision-making	**Alignment Between Elected Representatives**	
P17 P17 P17 P42 P43 P41 P50 P65 P44	Spend time with Councillors Give Councillors quality information Trust builds risk tolerance and supports innovation Give Councillors quality information – new ideas Give Councillors quality information – trust in management Mutual respect between staff and Councillors Focus on solutions - rational, evidence-based Trust of Councillors enables risk - trust not to fail Speed of trust - responsiveness to Councillor requests	**Alignment Between Elected Representatives and Managers**	**Alignment**
P 2 P3 P3 P22 P22 P24 P24 P38 P39 P63	Involve cross-section of staff - all levels Seek inspiration for innovation from within organisation Seek to develop own solutions Consult and collaborate on problem-solving Avoid adversarial approach – 'deliberate' don't negotiate Joint decision-making between managers and staff Work with the unions Avoid working in **silos** Engage younger staff to encourage innovative ideas Need staff engaged for organisation to get to the next level	**Alignment Between Managers and Staff**	
P6 P6	Community organisations seen as 'partners'	**Alignment Between Community and LGO**	

P20	Empower and trust community organisations - delegate decisions		
P23	Resource community to manage services and facilities on behalf of Council		
P41	Resource community with data and information to inform decision-making		
P41	Listen to the community Bring community on the journey - two-way process		
P47/49	Transparency to community about problems and issues Council is facing		
P47/49	Articulate 'the why' Give community tools to have a say		
P50	Collaborate with community - fund and facilitate community-driven services		
P55	Recognise and respect community expertise		
P55	Provide resources and opportunities for community to share expertise		
P55	Formal advisory committee structures		
P67	Don't waste the community's time		
P68			
P2/4	Look nationally and internationally for leading practice and learn how they do it	**Focus on Industry and Environment**	
P4	Adapt leading practice ideas		
P5	External partnerships and collaboration		
P8	External review of performance Compare KPIs to other NSW LGO performance		**External Focus**
P14	Staff secondments from other Councils		
P34	Contract out functions		
P52	Scan the external environment - scan the region and beyond		
P57			
P14	Aware of place in the 'market' and industry	**Reputation and Sense of Competition**	
P15	Compete against other LGOs to deliver value for money		
P16	Sustainability depends on reputation for effectiveness Critical of other LGOs		
P18	See self as better than neighbouring LGOs		
P44			

P30	Need to live up to your reputation		
P5 P7 P11	OLG does not add value Leverage reputation to win grant funding Encourage community to advocate for local issues with NSW and Australian government	**Relationship with Other Tiers of Government**	
P56 P56 P57 P57 P57	Not culturally diverse community Large Indigenous population Aging population Loss of young people to study / work in city Dispersed population - villages	**Community Receptiveness** **Characteristics**	**Community Receptiveness**
P10 P13 P47 P47 P48 P49 P50	Put effort into winning over / convincing community on issues so they'll work with Council Prove Council is delivering value to the community Multi-method Community Engagement Statistically valid representation of community Trust means community supports and works with Council Resource Community Engagement Recognise shared value of Lake with community	**Community Engagement with Local Government**	

Research Questionnaire:

Innovation in Local Government – Organisational and Community Dynamics

1.   INFORMATION FOR PARTICIPANTS

About the research

You are invited to participate in a study conducted by a post-graduate student researcher, Jenny Thompson, who is completing a PhD at the University of Wollongong.

The purpose of the research is to increase understanding of innovation in local government.

The research program includes a series of focus group discussions with groups of local government professionals across a number of NSW Councils, as well as a questionnaire completed by people who are working in local government.

The researcher also works in the local government sector, although her role as a researcher is independent of her employment role. Information concerning the student and her supervisors – as well as contact details – is available on the final page of this document.

What does participation in the study involve?

If you would like to contribute to this research, please complete the short questionnaire below. The questionnaire asks about your experiences of innovation in relation to your Council's Community Strategic Plan. The questionnaire has 20 items and should take between 10 to 15 minutes to complete.

The information you provide will be aggregated by the researcher, along with other data collected, and research findings will be written up as a doctoral thesis, which will be published. There is also a possibility that the outcomes of this research will provide the basis for future presentations and/or publications in local government media.

Participation is voluntary and you are free to stop completing the questionnaire at any point in time and to withdraw any answers or information you have provided to that point. You will not be asked to provide your name, however the researcher is requesting that you provide the name of your Council and your role there, as part of the demographic data collected at the beginning of the questionnaire. All information you provide will be recorded and reported in a non-identifying manner, so your privacy and the confidentiality of the information you provide will be maintained at all times.

The questionnaire will also be distributed via e-mail, post-Conference, for those who would prefer to complete it online. Your support in assisting distribution of the online questionnaire within your organisation would be appreciated.

Risks, inconveniences and discomforts

Apart from the investment of your time to participate in the study, the only foreseeable risk for you from your participation in this study is that you may feel concerned that your comments could be interpreted as criticism of your Council or community. The researcher will ensure that all feedback and commentary is presented in a non-identifying manner, that is respectful of the reputation of your Council and yourself. All completed questionnaires will be kept in a secure container at all times, to ensure confidentiality and privacy.

Possible benefits of the research

This research will benefit the local government sector, by producing an evidence-based analysis that will increase capacity to innovate. It will also provide research insights into a phenomenon (innovation) within a particular context (local government) and the dynamics of the relationship between council and community in achieving innovation. A preliminary literature review indicates this topic has not been subject to extensive academic research. Participants and participating councils will have access to the research outcomes and may use this information for internal process improvement and organisational learning.

Ethics review and complaints

This study has been reviewed by the Human Research Ethics Committee (Social Science, Humanities and Behavioural Science) of the University of Wollongong. If you have any concerns or complaints regarding the way this research has been conducted, you can contact the University of Wollongong Ethics Officer on (02)42 213386 or

rso-ethics@uow.edu.au.

What do you do next if you'd like to participate?

If you would like to take part in this study, please provide answers to the questions below. Completed surveys can be returned to a 'drop box' at the LG NSW Conference Registration Desk – or directly to Jenny Thompson, at the Conference. If you would prefer to do the survey online, or would like to assist with distributing the online survey, please drop your business card into the 'drop box' at the LG NSW Conference Registration Desk.

2.   DEMOGRAPHIC INFORMATION

1. What is the name of the Council that you work for, or where you are a Councillor?

_____

2. What is your current role with your organisation (please circle the option below that best describes your role):
   a) Councillor
   b) General Manager
   c) Senior Manager
   d) Other – please advise _____

3. In what **year** did you commence working in local government? _____

4. In what **year** did you commence working in your current role / position? _____

3.   SURVEY ITEMS

The following items are designed to gain your opinions regarding innovation by the Council you work for, or where you are a Councillor. The researcher would like you to rate the extent to which you agree or disagree with each of the 20 statements.

Please circle one response to each of the statements below.

1. My Council took an innovative approach to developing our current Community Strategic Plan				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2. My Council's current Community Strategic Plan is taking our business in new directions				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3. My Council is able to scale up successful innovation in one area of the organisation, so that the innovation can be implemented across the whole organisation				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

4. My Council is agile and nimble when it comes to deploying (or redeploying) resources to support innovation				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

5. My Council has systems and processes in place to collect Councillors', Council Managers' and Council Officers' ideas and suggestions for innovation in our business				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

6. My Council's Community Strategic Plan is based on vision and outcomes, that are shared by Councillors, Council Managers, Council Officers and community				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

7. My local community works collaboratively with Council to achieve the outcomes of our Community Strategic Plan				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

8. My community is keen to see Council do innovative things				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

9. My community has good capacity to support Council to do innovative things and achieve innovative outcomes				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

10. My Council has systems and processes in place to collect and evaluate feedback from the community regarding our achievement against the outcomes of our Community Strategic Plan				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

11. I would describe my Council as a 'learning organisation', where Councillors, Managers and Council Officers reflect on their practice, share ideas and provide feedback, to discover new ways of doing things				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

12. At my Council, Councillors, Managers and Council Officers always work together to achieve innovative outcomes from the Community Strategic Plan				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

13. Councillors at my Council embrace innovation				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

14. My Council has been known to take risks to achieve innovative outcomes				

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

15. My Council collaborates regularly with a range of stakeholders, to help us to introduce new services and/or to reinvent existing services

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

16. My Council is well supported by other tiers of government when it comes to innovation

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

17. The Integrated Planning and Reporting framework has provided clear guidance for planning for innovation by my Council

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

18. My Council looks at best practice from other Councils to get ideas for innovation

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

19. My Council regularly compares our performance against other, neighbouring Councils, to see how we stack up

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

20. Being innovative is part of my Council's reputation or 'brand', that we use to promote our organisation and/or Local Government Area

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

Are there any final observations or comments you would like to make about innovation in or by your Council?

THANK YOU FOR YOUR CONTRIBUTION!!

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Appendix 6 – Relationship between survey items and scales

AGGREGATION OF SURVEY ITEMS TO SCALES

Item No.	Survey Items	Scale
Q1 Q2 Q3 Q5 Q10	• **My Council took an innovative approach to developing our current Community Strategic Plan** • **My Council's current Community Strategic Plan is taking our business in new directions** • **My Council is able to scale up successful innovation in one area of the organisation, so that the innovation can be implemented across the whole organisation** • **My Council has systems and processes in place to collect Councillors', Council Managers' and Council Officers' ideas and suggestions for innovation in our business** • **My Council has systems and processes in place to collect and evaluate feedback from the community regarding our achievement against the outcomes of our Community Strategic Plan**	**Scale 1 - Business Systems and Processes to Support Innovation**
Q6 Q7 Q8 Q9 Q12	• **My Council's Community Strategic Plan is based on vision and outcomes, that are shared by Councillors, Council Managers, Council Officers and community** • **My local community works collaboratively with Council to achieve the outcomes of our Community Strategic Plan** • **My community is keen to see Council do innovative things** • **My community has good capacity to support Council to do innovative things and achieve innovative outcomes** • **At my Council, Councillors, Managers and Council Officers always work together to achieve innovative outcomes from the Community Strategic Plan**	**Scale 2 - Alignment Council, Managers, Staff and Community**
Q4 Q11 Q13 Q14	• **My Council is agile and nimble when it comes to deploying (or redeploying) resources to support innovation** • **I would describe my Council as a 'learning organisation', where Councillors, Managers and Council Officers reflect on their practice, share ideas and provide feedback, to discover new ways of doing things** • **Councillors at my Council embrace innovation** • **My Council has been known to take risks to achieve innovative outcomes**	**Scale 3 - Adaptation, Change and Risk**

Q16 Q17	• My Council is well supported by other tiers of government when it comes to innovation • The Integrated Planning and Reporting framework has provided clear guidance for planning for innovation by my Council	**Scale 4 - Relationship to Other Levels of Government**
Q15 Q18 Q19 Q20	• My Council collaborates regularly with a range of stakeholders, to help us to introduce new services and/or to reinvent existing services • My Council looks at best practice from other Councils to get ideas for innovation • My Council regularly compares our performance against other, neighbouring Councils, to see how we stack up • Being innovative is part of my Council's reputation or 'brand', that we use to promote our organisation and/or Local Government Area	**Scale 5 - External Focus**

Appendix 7 – Focus group participant demographics

Local Government Organisation	Participant Role Descriptions	Number of Years in Local Government	Number of Years in Current Role
1. Inner Metro	- Director Community Development - Manager Corporate & Community Strategy - Manager Place Management - Manager Strategic Planning	First Focus Group conducted – participant data regarding years of service was not collected	First Focus Group conducted – participant data regarding years of service was not collected
2. Coastal Town	- Communication Liaison Officer - Manager Strategic Planning - General Manager	18 11 37	7 4 9
3. Regional Coastal City	- Manager Integrated Planning - General Manager - Manager Organisational Performance - Manager Community Planning - Director City Strategy	29 47 11 19 34	8 10 1 9 14
4. Regional Rural City	- Events Officer - Senior Project Engineer - Team Leader – Leisure Facilities - Corporate Planner	8 4 15 17	4 4 7 5
5. Metro Fringe Rural	- Executive Director Community & Corporate Services - Manager Technology, Information & Corporate Strategy - Manager Community Outcomes	18 14 29	7 6 4
6. Outer Metro City	- Manager Corporate Strategy & Economic Development - Corporate Planner - Coordinator IP&R	33 21 14	1 12 1
7. Tree Change / Sea Change	- Director Corporate Services - Manager Financial Services - Manager Corporate Governance	21 30 43	1 12 11

Appendix 8 – Focus groups – detailed analysis

Appendix 8 has been redacted due to confidentiality

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Appendix 9 – Sample memos and reflective notes

Appendix 9 has been redacted due to confidentiality

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Appendix 10 – Demographics – survey respondents

Role and Tenure – Survey Respondents

Current Role in Local Government	Number of Respondents	% of Respondents
Councillor	40	40
General Manager	12	12
Senior Manager	22	22
Corporate / Business Planner	3	3
CSP Team Member	3	3
Other *	19	20
TOTAL	**99****	**100**
Years in Local Government		
0-4 years	23	23
5-8 years	11	11
9-12 years	11	11
13-16 years	7	7
17-20 years	15	16
21+ years	32	32
TOTAL	**99****	**100**

* 'Other' included Administrator, Former Councillor, Member of LAC, Library staff

** Although 99 respondents commenced the survey and provided demographic information, 96 surveys were partially completed (beyond the demographics) and 92 fully completed

Appendix 11 – Qualitative data – comments from survey responses

Appendix 11 has been redacted due to confidentiality

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Appendix 12 – Survey – descriptive statistics – percentages and means

**Agreement with Survey Items – 'More' versus 'Less' Innovative LGOs**

Scale / Construct	Question	% Agree – 'More' Innovative LGOs	% Agree – 'Less' Innovative LGOs
Business systems and processes that support innovation	Q1 My Council took an innovative approach to developing our current Community Strategic Plan	87%	60%
Business systems and processes that support innovation	Q2 My Council's current Community Strategic Plan is taking our business in new directions	76%	56%
Business systems and processes that support innovation	Q3 My Council is able to scale up successful innovation in one area of the organisation, so that the innovation can be implemented across the whole organisation	75%	63%
Adaptability, agility and appetite for risk	Q4 My Council is agile and nimble when it comes to deploying (or redeploying) resources to support innovation	60%	43%
Business systems and processes that support innovation	Q5 My Council has systems and processes in place to collect Councillors', Council Managers' and Council Officers' ideas and suggestions for innovation in our business	75%	68%
Alignment between elected representatives, managers, staff and community on decision-making about innovation	Q6 My Council's Community Strategic Plan is based on vision and outcomes, that are shared by Councillors, Council Managers, Council Officers and community	91%	82%
Alignment between elected representatives, managers, staff and community on decision-making about innovation	Q7 My local community works collaboratively with Council to achieve the outcomes of our Community Strategic Plan	73%	67%
Alignment between elected representatives, managers, staff and community on decision-making about innovation	Q8 My community is keen to see Council do innovative things	91%	79%
Alignment between elected representatives, managers, staff and	Q9 My community has good capacity to support Council to do innovative things and achieve innovative outcomes	73%	73%

community on decision-making about innovation			
Business systems and processes to support innovation	Q10 My Council has systems and processes in place to collect and evaluate feedback from the community regarding our achievement against the outcomes of our Community Strategic Plan	88%	69%
Adaptability, agility and appetite for risk	Q11 I would describe my Council as a 'learning organisation', where Councillors, Managers and Council Officers reflect on their practice, share ideas and provide feedback, to discover new ways of doing things	84%	63%
Alignment between elected representatives, managers, staff and community on decision-making about innovation	Q12 At my Council, Councillors, Managers and Council Officers always work together to achieve innovative outcomes from the Community Strategic Plan	71%	54%
Adaptability, agility and appetite for risk	Q13 Councillors at my Council embrace innovation	68%	73%
Adaptability, agility and appetite for risk	Q14 My Council has been known to take risks to achieve innovative outcomes	63%	53%
External Focus on the environment and industry	Q15 My Council collaborates regularly with a range of stakeholders, to help us to introduce new services and/or to reinvent existing services	84%	75%
External Focus on the environment and industry	Q16 My Council is well supported by other tiers of government when it comes to innovation	34%	29%
External Focus on the environment and industry	Q17 The Integrated Planning and Reporting framework has provided clear guidance for planning for innovation by my Council	54%	58%
External Focus on the environment and industry	Q18 My Council looks at best practice from other Councils to get ideas for innovation	79%	90%
External Focus on the environment and industry	Q19 My Council regularly compares our performance against other, neighbouring Councils, to see how we stack up	84%	79%
External Focus on the environment and industry	Q20 Being innovative is part of my Council's reputation or 'brand', that we use to promote our organisation and/or Local Government Area	75%	57%

Agreement with Survey Items – Mean Response - 'More' versus 'Less' Innovative LGOs

Scale	Question	Mean Response 'More' Innovative LGOs	Mean Response 'Less' Innovative LGOs
Business systems and processes that support innovation	**Q1** My Council took an innovative approach to developing our current Community Strategic Plan	4.17	3.64
Business systems and processes that support innovation	**Q2** My Council's current Community Strategic Plan is taking our business in new directions	3.93	3.48
Business systems and processes that support innovation	**Q3** My Council is able to scale up successful innovation in one area of the organisation, so that the innovation can be implemented across the whole organisation	3.82	3.57
Adaptability, agility and appetite for risk	**Q4** My Council is agile and nimble when it comes to deploying (or redeploying) resources to support innovation	3.62	3.33
Business systems and processes that support innovation	**Q5** My Council has systems and processes in place to collect Councillors', Council Managers' and Council Officers' ideas and suggestions for innovation in our business	3.81	3.31
Alignment between elected representatives, managers, staff and community on decision-making about innovation	**Q6** My Council's Community Strategic Plan is based on vision and outcomes, that are shared by Councillors, Council Managers, Council Officers and community	4.20	3.88
Alignment between elected representatives, managers, staff and community on decision-making about innovation	**Q7** My local community works collaboratively with Council to achieve the outcomes of our Community Strategic Plan	3.91	3.71
Alignment between elected representatives, managers, staff and community on decision-making about innovation	**Q8** My community is keen to see Council do innovative things	4.16	4.08
Alignment between elected representatives, managers, staff and community on decision-making about innovation	**Q9** My community has good capacity to support Council to do innovative things and achieve innovative outcomes	3.98	3.77
Business systems and processes to support innovation	**Q10** My Council has systems and processes in place to collect and evaluate feedback from the community regarding our achievement	4.05	3.71

	against the outcomes of our Community Strategic Plan		
Adaptability, agility and appetite for risk	**Q11** I would describe my Council as a 'learning organisation', where Councillors, Managers and Council Officers reflect on their practice, share ideas and provide feedback, to discover new ways of doing things	4.07	3.54
Alignment between elected representatives, managers, staff and community on decision-making about innovation	**Q12** At my Council, Councillors, Managers and Council Officers always work together to achieve innovative outcomes from the Community Strategic Plan	3.80	3.52
Adaptability, agility and appetite for risk	**Q13** Councillors at my Council embrace innovation	3.82	3.69
Adaptability, agility and appetite for risk	**Q14** My Council has been known to take risks to achieve innovative outcomes	3.70	3.40
External Focus on the environment and industry	**Q15** My Council collaborates regularly with a range of stakeholders, to help us to introduce new services and/or to reinvent existing services	4.00	3.85
External Focus on the environment and industry	**Q16** My Council is well supported by other tiers of government when it comes to innovation	3.14	3.00
External Focus on the environment and industry	**Q17** The Integrated Planning and Reporting framework has provided clear guidance for planning for innovation by my Council	3.53	3.54
External Focus on the environment and industry	**Q18** My Council looks at best practice from other Councils to get ideas for innovation	3.95	4.08
External Focus on the environment and industry	**Q19** My Council regularly compares our performance against other, neighbouring Councils, to see how we stack up	4.05	3.73
External Focus on the environment and industry	**Q20** Being innovative is part of my Council's reputation or 'brand', that we use to promote our organisation and/or Local Government Area	3.95	3.48

Mean by Question - More Innovative vs Less Innovative vs All LGOs
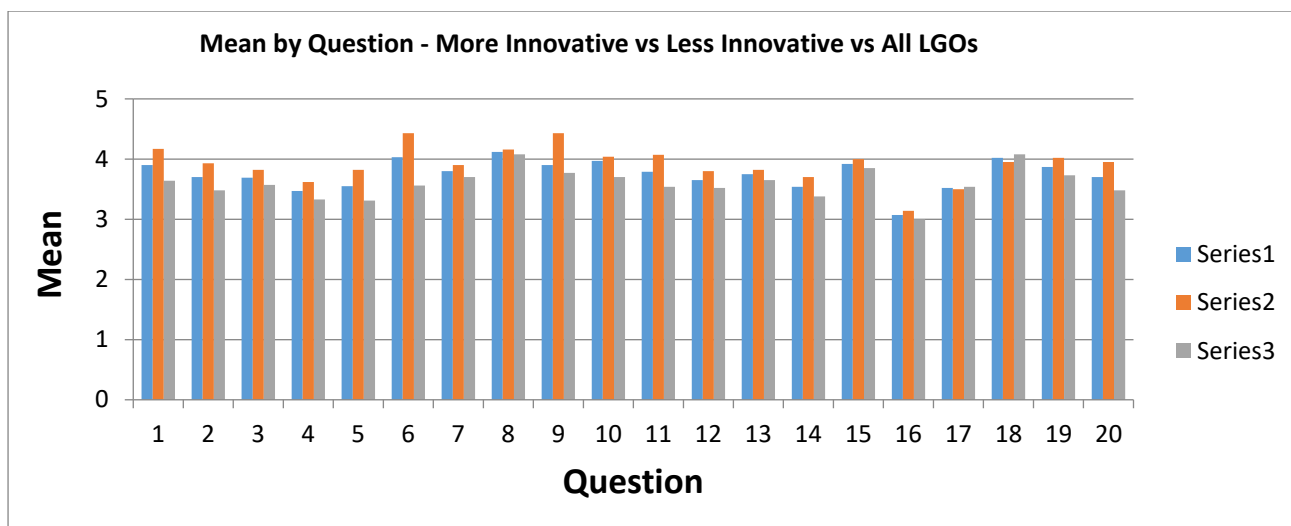
Series 1 = All LGOs; Series 2 = 'More' Innovative LGOs; Series 3 = 'Less' innovative LGOs

SURVEY QUESTIONS

1. My Council took an innovative approach to developing our current Community Strategic Plan				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2. My Council's current Community Strategic Plan is taking our business in new directions				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3. My Council is able to scale up successful innovation in one area of the organisation, so that the innovation can be implemented across the whole organisation				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

4. My Council is agile and nimble when it comes to deploying (or redeploying) resources to support innovation				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

5. My Council has systems and processes in place to collect Councillors', Council Managers' and Council Officers' ideas and suggestions for innovation in our business				
Strongly	Agree	Neutral	Disagree	Strongly

Agree				Disagree

6. My Council's Community Strategic Plan is based on vision and outcomes, that are shared by Councillors, Council Managers, Council Officers and community

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

7. My local community works collaboratively with Council to achieve the outcomes of our Community Strategic Plan

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

8. My community is keen to see Council do innovative things

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

9. My community has good capacity to support Council to do innovative things and achieve innovative outcomes

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

10. My Council has systems and processes in place to collect and evaluate feedback from the community regarding our achievement against the outcomes of our Community Strategic Plan

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

11. I would describe my Council as a 'learning organisation', where Councillors, Managers and Council Officers reflect on their practice, share ideas and provide feedback, to discover new ways of doing things

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

12. At my Council, Councillors, Managers and Council Officers always work together to achieve innovative outcomes from the Community Strategic Plan

Strongly	Agree	Neutral	Disagree	Strongly

Agree				Disagree

13. Councillors at my Council embrace innovation				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

14. My Council has been known to take risks to achieve innovative outcomes				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

15. My Council collaborates regularly with a range of stakeholders, to help us to introduce new services and/or to reinvent existing services				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

16. My Council is well supported by other tiers of government when it comes to innovation				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

17. The Integrated Planning and Reporting framework has provided clear guidance for planning for innovation by my Council				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

18. My Council looks at best practice from other Councils to get ideas for innovation				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

19. My Council regularly compares our performance against other, neighbouring Councils, to see how we stack up				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

20. Being innovative is part of my Council's reputation or 'brand', that we

use to promote our organisation and/or Local Government Area				
Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

Are there any final observations or comments you would like to make about innovation in or by your Council?

THANK YOU FOR YOUR CONTRIBUTION!!