Public-sector innovation

Rationale and objectives

Innovation in the public sector refers to significant improvements to public administration and/or services. It can be defined as the implementation by a public sector organisation of new or significantly improved process, methods or services aimed at improving a public sector unit's operations or outcomes.

Public sector innovation involves significant improvements in the services that government has a responsibility to provide, including those delivered by third parties. It covers both the content of these services and the instruments used to deliver them. OECD countries pursue various types of innovation in public service delivery. Many of these approaches create services that are more user-focused, are better defined and better target user demand. Innovation can alter both the supply of services, by improving their characteristics, and demand for services, by introducing new ways to articulate demand for and procure them. Civil servants and public employees are at the core of these new ideas and approaches to achieve better service delivery.

Today, citizens are more informed and have come to expect more from their governments. Technology has transformed the way citizens interact with their governments and lead to more sophisticated demands. These increased expectations combined with new challenges due to complex issues and fiscal pressures require more innovative approaches in the public sector. However, knowledge and application of public sector innovation and its results, costs, and enabling environment, is still fragmented. Public sector innovation is only occasionally institutionalised in government budgets, roles and processes, and the full range of tools available to policy makers for accelerating innovation is applied inconsistently.

Major aspects and instruments

To help governments in their pursuit of enabling more innovative practices, the OECD has developed an integrated framework for mapping existing approaches and policies that support public sector innovation.

The OECD's Observatory of Public Sector Innovation (OPSI) helps collect and analyse best innovative practices in the public sector. As shown from numerous cases in the OPSI database, countries have adopted various approaches at the national level to foster public sector innovation. They range from how specific functions in government such as human resources management can support innovation, to the role that processes like public sector regulations and budgeting can play, to what kinds of risk management strategies governments can adopt and by establishing dedicated organisations to encourage and develop innovative practices. The OPSI framework differs from the conceptual framework adopted for the STI Outlook and designed for the purposes of mapping the policy mix for innovation (Kergroach *et al*., 2016 forthcoming). Both frameworks are however compatible, the former combining strategic objectives and policy instruments that the latter differentiates.

a) *Human Resource Management*: People, in particular front-line staff, are at the centre of innovation, and their ability to innovate is directly affected by HR policies, practices, training and development, and performance evaluation and management. Belgium's Out of Office innovation has established a network of satellite offices closer to employees' homes, reducing office space costs while improving the work/life balance of federal employees.

b) *Rules, procedures and regulations*: While there is limited evidence that government rules, procedures and regulations are a constraint to innovation, public servants may perceive or understand them as such. Extensive reviews of laws have been carried out by some countries (e.g. Australia) to identify rule based barriers to innovation. Organisational culture, human resources, risk management and behavioural science may provide insights into how these perceptions could be corrected.

c) ***Budgeting***: Due to the inherent risks of innovating, more flexible funding, resource procurement, financial procedures, and partnerships are necessary to enable public sector innovation. In Denmark, funds for public sector efficiency are awarded on a competitive basis to promote the scaling up of innovation pilots. France's future investment fund focuses on stimulating innovative projects and strengthening innovation capacities across government.

d) ***Knowledge Management***: Accurate and timely performance information is important to support the innovative capacity of organisations to identify and learn from successes and failures. Cases in OPSI's database highlight horizontal information sharing and management practices across organisational hierarchies as a key enabler for innovation. In Portugal, the Common Knowledge Network is a collaborative platform to promote the sharing of best-practices and information about modernisation, innovation, and simplification of public administration.

e) ***Innovation organisations***: The quality and effectiveness of institutional arrangements supporting innovation, such as formal mandates, dedicated organisations, innovation laboratories, or articulation of formal responsibilities, affect the capacity to innovate. OPSI cases have shown that collaboration and coordination frameworks can help reach across organisational boundaries to other sectors or citizens. Denmark's cross-ministerial MindLab is an example, which works with citizens, public sector organisations, and private companies to co-design and prototype innovative public service solutions.

f) ***Managing risk and uncertainty***: Approaches and tools to manage risk in innovation may help correct course early, avoid failures, and minimise potential negative impacts such as unanticipated costs. Co-creation, prototyping and pilots have been used as tools where limited testing of an innovation and the involvement of users in early stages have enabled countries to identify policy shortcomings and develop corrective and better targeted solutions.

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