**There is Method to this Madness: Public Service Innovation as Methodology**

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**Introduction**

In this article we explore the nature of public sector innovation (PSI). In particular, we look at the nature of innovation as a method that can be applied to the activities of the public sector as opposed to a series of discrete services or goods. Our focus is on the role that Public Sector Innovation Labs (PSI Labs) play in the dynamic of innovation within public administrations within Westminster systems.

The article is organized in three sections. First, we give a brief analysis of the tension that exists between the principles embedded in the Westminster and in western liberal democracies that strike a balance between the continuity and certainty of law and policy on the one hand, and the increasingly powerful imperative for change and innovation that has become front and center in these systems. Second section summarizes the current discussion around PSI and introduces our approach of understanding PSI as a methodology. And third, we look at the activity of a selection of PSI Labs to highlight their relation with innovation as methodology and finally some conclusions are offered.

**Orderly, Predictable Innovation: A Westminster Conundrum**

Westminster systems pride themselves on the specific relationship created among four critical principles: accountability, non-partisan competency of the public administration, democratic responsiveness; and the rule of law. To complicate things four three principles are dynamic and historically shifting ones and the Westminster model tends towards strongly centralised decision making.

In Westminster models, it is not unusual to see a call for innovative thinking and implementation coming from the political level, quite in keeping with the traditional role of the executive branch there. However, innovation, requires by definition some degree of – at times uncomfortable – differentiation of future action from the status quo. Hence, the risks involved in public service innovation can affect the way in which the balance among these dynamic forces is struck.

A competent and non-partisan public administration, a democratically responsive executive and multiple lines and layers of interconnected accountability (political, administrative, etc.) create a governance model where the balance depends on a framework that is orderly and predictable, creating in turn orderly and predictable relationships.

For example, what type of response can we expect from a political call for innovation if the public administration experiences increasing levels of bureaucratic activism? What is the role of non-partisan competency within the scope of innovation? If innovation – as most scholars agree – is premised on the capacity of organizations to capture ideas external to their logic and adapt them to their needs – what is the relationship between this requirement and the Westminster model premises?

**Public Service Innovation**

Change is not a novelty for the public service. While the structures of the state are designed to maintain a long-term balance in the life of the country, they are also constantly dealing with changing environments and priorities, often on a vast scale. Hence, the public service is actually used to change. But what exactly is innovation, and does innovation in the public service mean the same thing and is applied and achieved in the same way as innovation elsewhere?

Innovation as a term is often used to cover a very broad number of positive changes for an organization, irrespective of the type, magnitude and the time span of its effects. Increasingly the literature has resorted to ‘hyphenating’ innovation to clarify the concept. Early on Henderson and Clark (1990) spoke of incremental, modular, architectural and radical innovation. Christensen (2011) introduced the idea of disruptive innovation, and increasingly innovation is seen as series of steps (Keeley *et al.* 2013). Furthermore, innovation is a complex process driven by both systems and culture on the one hand, and by individuals as creators of innovation on the other. We can identify three main focuses in the innovation literature: the early authors focused on individuals as the source of innovation (Drucker 1985; Roberts and King 1996), often borrowing from the Schumpeterian idea of the entrepreneurial innovator. A second stream of thought introduced organizational elements like where in the organization the innovation comes from (Baldock and Evers 1991) or the role of sponsors (Crosby and Bryson 2005). The most recent shift in the analysis of innovation has seen the arrival on stage of environmental factors (Von Hippel 2007; Tether 2003). Often, more recent approaches incorporate at least some elements of previous ones in their analysis. So, for example, many of the writers who stress the importance of environmental variables do not discount the relevance of individual innovators, but tend to embed the latter in the broader organizational and environmental contexts.[[1]](#footnote-1)

In very general terms, innovation has been defined as **doing different things, doing things differently, or as a combination of both**. This is a workable if very general statement. However, we argue that the process of innovation in the public service is different from innovation elsewhere, and aligning knowledge produced outside of the public service with the expertise and knowledge that has matured within it can be very complicated. Defining Public Service Innovation has been complex since the inception of the field (Lynn 1997) and often our attempts do not take us beyond the general and the unspecific (Pollitt 2011) and there is a reliance on multiple approaches in developing such a definition (Kattel et al 2014). Here we explore some of the debates and proposals that have emerged from this situation. Osborne and Brown (2013: 3) note three flaws that undermine how innovation can be developed in public service:

* A flawed understanding of what innovation is
* Making innovation a prescriptive good in public services
* Using models of innovation, specifically from the manufacturing rather than service sectors

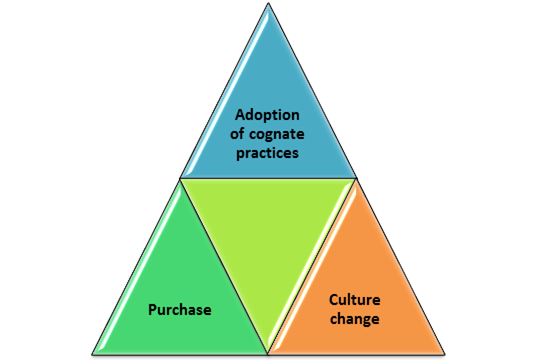
The OECD report on innovation in the public sector (OECD 2015:14) identifies three necessary characteristics of public sector innovation:

* Novelty
* Implementation
* Impact

Innovation must contain an element of newness, it must be implemented and not just theoretical and it must aim at achieving better results. This definition is normative; hence it is difficult to measure and, when we categorize innovation thus, we must rely on an *ex post* analysis. We cannot necessarily ‘plan’ for innovation, neither can we know if the change we implement will be an innovation. Van de Ven (1986: 592) had noted as much when he wrote that if they do not produce positive results, changes “are not normally called innovations, they are usually called mistakes.”[[2]](#footnote-2) So we need to be more careful about whether innovation brings improvements or not (Hartley 2005) before we offer a blanket endorsement. We should also mention that many of our definitions of PSI are the inheritance of the policy approaches adopted by public services during the 20th century and are often premised on Porter’s (1985) theory of competitive advantage. However, Porter designed that model to explain industrial production and he explicitly noted that it was not applicable to service delivery.

We should also note that public sector organizations do not innovate on a single dimension. For example, organizations that have a hard time changing their policy premises and internal logics may be quite fast in purchasing technology that may help them in their tasks as long as it does not disrupt their logic. We believe that, public sector organizations operationalize their innovation efforts in three types of spaces: 1) where there is innovation that is not producible by the organization because it is not in its expertise or capacity area (say new computers or machinery the organization does not and never will produce); 2) where achieving a cultural change is related to innovative approaches; and, finally, 3) where the organization can adopt policies and activities from cognate actors who have already implemented them.

*Figure 1. Spaces of Innovation*



|  |  |  |  |
| --- | --- | --- | --- |
|  | **Cultural Change** | **Adoption** | **Purchase** |
| *Main Activity* | Trailblazing | Mimicking, diffusion | Conforming to best practices |
| *Mechanisms Affected* | Internal logics | Processes | Tools/Instruments |
| *Change Agents* | First Movers | Followers | Managers |

This approach allows us to view the adoption of and search for innovation as a multi-dimensional situation in which we seldom would find a one-size-fits-all solution even within a single organization.

*A Bias towards Innovation*

Because its definition often has such a prescriptive flavor, there has been a very strong ‘bias’ in favor of innovation in the public service (Osborne and Brown 2011; 2013). This has often resulted in a tension between the continuous improvement approach, which is preferred in public service, and the discontinuous change one that is increasingly seen as the key to novelty and innovation by academics (Bessant 2005; Michel, Brown and Gallan 2008). Hence, we should be careful about conflating incremental innovation and incremental service development (Osborne and Brown 2013) because the skills and tools required for each are rather different and planning for either will require different strategies.

In the literature there is a debate on how we can ensure that public service organizations are innovative or, at least, are open to acquiring and utilizing innovation. In two areas we find both practitioners and academics in fairly close agreement: the first is that some change will be required in the approach of the public service to be able to tackle effectively the challenges of wicked problems and fiscal consolidation (Bourgon 2010; Directorate-General for Research and Innovation 2013; Osborne and Brown 2013; OECD 2015; Institute for Competitiveness and Prosperity 2016). The second is that change in government organizations, while needed, may still be difficult to achieve (Glor 2001; Kattel et al 2014; Hughes, Moore and Nimesh 2011) because of ‘structural’ impediments. Based on this convergence, we can speak of four main approaches to innovation in the public service.

***Approaches to Innovation in the Public Service***

Innovation has become one of those plastic words which connote so much that it means, in itself, very little. Below we identify a variety of approaches to innovation which serve to lend the concept some greater specificity.

*Organizational Environments* : The fundamental variables in these models refer to the capacity of the public sector to create the ‘right’ organizational design and foster the ‘right’ organizational culture that will maximize the chance of innovations developing. Here we have a cross-cutting approach that understands individuals as embedded in their organizations. Cooperation, knowledge diffusion, supportive cultures and rules and empowerment are seen as key enabling factors. In practice it is complicated to line up organizational design and organizational culture, especially if either (or both) do not exist in the situation. This model is also process oriented and may conflict with the normative basis of evaluation.

*Innovation as Infection*: Innovation is likened to a beneficial virus and organizations are depicted as naturally resilient to change. To ‘catch’ the innovation virus we must expose ourselves to it, work to make internal resistance mechanisms weaker and be steadfast and patient in our implementation work. The idea of ‘opening up’ an organizational culture to external inputs is only one side of the equation. A supply of innovative ideas and approaches has to be matched by a corresponding demand and adoption. This model assumes that these will emerge as a result of the exposure to new ideas but that is less than likely especially if innovation challenges central organizational tenets.

*Intrapreneurshi*p: Relies on the existing but underutilized networks of innovators who are already extant in bureaucratic structures. By triggering and fostering the emergence of these networks we can harness their potential and creativity. Intrapreneurs can bring innovative logics and practice to the public service while filtering them through their understanding of the ‘administrative lens.’ Intrapreneurial processes often rely on powerful internal sponsors (hence on an already partially innovative leadership) and on the emergence of auspicious windows of opportunity. Neither of these conditions can be secured as a matter of course, nor do they apply to all organizations.

*Adaptive systems*: These models rely on the development of a new narrative integrating in the public service’s decision-making process the increasing number of stakeholders. The roles and goals of governments shift and broaden. The multiple sites of engagement the old model considered points of tension are seen as opportunities for open governance and knowledge creation. The discourse around adaptive systems is a powerful one and is in line with citizen-centered and co-design logics. However, in practice it requires an even deeper initial shift in the culture of a public sector organization.

For government organizations, a certain level of risk-aversion, especially as it related to mistakes affecting the public, and blame avoidance have long been recognized as limiting factors to the promotion and adoption of innovation. It is also understood that the capacity for innovation directly affects the resilience of an organization and it will affect the likelihood of public services being delivered in more citizen-centered and responsive ways. Recently the Institute of Public Administration of Canada (IPAC) engaged in a nation-wide discussion table on Public Service Innovation.

*Innovation as Process:*Innovating is more than having a great idea. It involves the capacity of the organization to execute a variety of complex tasks. Management must be able to tolerate risk and accept the cycles of discovery-prototyping-testing that precede success; it must also be able to recognize potentially applicable innovation ideas. Finally, the innovation must meet with approval from the users.

*Lack of Innovation Examples***:** A second challenge is related to the capacity of the public service to showcase the innovation that already exists within its organizational units. The most powerful driver of innovation is diffusion. The lack of well-organized methods to share the challenges and successes of existing innovative processes is a major obstacle in developing a sustainable model of innovative practice within the public service.

*Innovation Units vs Diffused Innovation***:** Innovation is a task for which the line department is not well suited. The creation of nudge units, innovation hubs, innovation labs both concentrates innovation resources and separates them from the ‘main body’ of government. This carries both risks and benefits: while it reduces the pressures and barriers that innovators face, it may result in limiting the diffusion of an innovative mentality in the public service at large.

In this sense, the process of innovation in public service organizations is an important part of the current and at least of the near future of these structures. As such it presents an interesting testing ground for organizational and cultural change, especially as far whether structural heretics can be more easily innovative than other organizations.

Here, we propose to define innovation as an operative method that is purposefully aimed at the implementation of changes that will improve the products, services, and structures of an organization. By defining innovation in this manner, we can focus on the method used to shape that process and the critical components and resources that are used without jettisoning the ‘positive’ intent of change but without falling necessarily in a positive a priori bias. We also argue that there are three separate core elements that affect the path towards innovation of any organization: innovativeness, innovation and innovations.

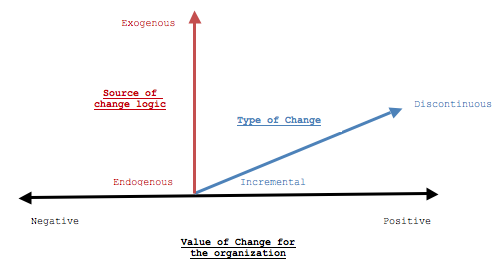
1) Innovativeness is a mindset and is part of the organizational culture;

2) Innovation is a method based on innovativeness and is part of the operational activities of the organization; and

3) Innovations are the results/products achieved applying the innovation method.

These three elements help us to explore the dynamics of change that exist in an organization. While it is not possible to determine what the final result of a change initiative will be, it is possible to foster the preconditions that lead to it. In particular, we can begin from a simple graphic representation of change dynamics in an organization like the one presented in Figure1 below. We look at innovation as belonging in the field of organizational change but we hope to enrich this view with a finer analysis of the principles, practices and activity of change agents. To begin with, we categorize change along three dimensions tied to the organization: whether the change is positive or negative for the organization, network or system where the change logic falls in an exogenous-endogenous continuum, and finally where the actual change falls in an incremental-discontinuous dimension. We should note that these are more general mapping strategies than precise diagnostic tools. Nonetheless they allow us to orient ourselves in this area of analysis.

*Figure 2. Change Dynamics within an Organization*



Because innovation is defined as a positive change, our next focus is on the ‘positive’ quadrant, developing a matrix based on the two remaining dimensions that help us map organizational activities related to types of change

*Table 2. Innovation Activities in an Organization*

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | *Type of Change* | |
|  |  | **Incremental** | **Discontinuous** |
| *Change Logic* | **Exogenous** | Intrapreneurship | Discontinuous Change |
| **Endogenous** | Agility | Internal ‘Reset’ |

The matrix presents ideal types but in reality change processes in an organization are likely to involve a blending of these types and would include both temporal and functional shifts in a specific change initiative. For example environmental policy in North America has examples of all of these activities taking place. This is even more likely to happen when we consider that the two dimensions that form our matrix cannot be reduced to tidy, discrete binomial categories, but are a continuum where boundaries are difficult to define and measure. Therefore we use these categories as a mapping tool to tackle the question of how to operationalize the diffusion of innovative ideas within the public service.

In the next section we explore the role of labs, hubs and other structures that are designed to promote innovation either within or in cooperation with public sector organizations.

**Labs, Hubs and Nudge Units: The Spaces of Innovation**

Increasingly, innovation appears to be undergoing a process of quasi-agencification. Many public administrations have resorted to developing special structures that have been tasked with mapping and experimenting with innovative pathways for the larger administrative unit. Innovation hubs, nudge units, public and social innovation labs, and other units tasked with enabling new ways of thinking about and implementing responses to the tasks of the public administration have become a very important part of day-to-day operations. In this section, we provide a few examples of these units, which we generally call public sector innovation labs (PSI Labs).

Within the last fifteen years PSI Labs have been established at a rapidly increasing rate across diverse jurisdictional settings. In our analysis approximately 100 potential PSI Labs have been uncovered in both developing and developed countries on all continents, with most being established after 2011. Although originating in Scandinavia and the United Kingdom the PSI Lab model has been adopted by governments, academic institutions or civil society in South Africa, Colombia, France, Singapore, Malaysia, the United States and more.

The evidence that we present has been collected from the limited literature published on the subject and through an examination of fifteen PSI Labs. It is worth noting that the majority of the literature on PSI Labs has been produced by the labs themselves and is heavily biased in their favor. There have also been few critical evaluations of PSI Labs as a mechanism or tool for achieving public sector objectives, although some individual labs or projects have undergone reviews. This may indicate that that those who are establishing PSI Labs are doing so without a full understanding of their value. The relative newness of PSI Labs and their considerable variety in terms of their structure and output makes understanding their value even more difficult. Therefore, to understand why PSI Labs have been so widely adopted, we must rely principally on the explanations provided by champions of the PSI Lab model who are seeking to justify their own existence. Thus all explanations must be taken with a grain of salt with full recognition that the value of PSI Labs as a tool for public sector innovation has not been comparatively evaluated.

We analyze fifteen labs here: MindLab (Denmark), Design Council (UK), the What Works Policy Centres (UK), the UK Government Policy Lab (UK), Warwick Policy Lab (UK), Evidence for Policy Design (US), Wagner Innovation Labs (US), ChangeLabs (US), GovLabs (US), Public Policy Labs (US), the MaRS Solutions Lab (Canada), the Privy Council Office Innovation Hub (Canada), Kennisland (the Netherlands), and DesignGov (Australia).

These labs were chosen because they represent the countries that have pursued a more rigorous public innovation agenda and have been international leaders for the PSI Lab model. They also represent a range of PSI Lab structures: not-for-profit private labs (Design Council, Public Policy Labs), for-profit private labs (GovLabs, Kennisland, MaRS Solutions Lab), university based labs (Warwick Policy Lab, Evidence for Policy Design, Wagner Innovation Labs, ChangeLabs), internal public sector labs (UK Government Policy Lab, the Innovation Hub), and public sector labs working on the periphery of government (MindLab, What Works Policy Centres, DesignGov). Lastly, some of these labs were chosen because of their prominence in the literature. By examining these fifteen labs in greater detail, patterns have become apparent that are useful for understand what PSI Labs are and why they have emerged as a tool for pursing public sector innovation.

As can be gleaned from the list above, the literature offers no common term used to refer to public sector innovation labs. Broadly, PSI Labs are experimental policy making spaces that advance policy solutions that have been developed through change methodologies in order to deliver meaningful results, prove a policy’s effectiveness and create momentum on an array of social, economic or environmental problems (Allio, 2014).

They represent collaborative places where stakeholders can engage in a workshop process to understand complex problems and try to design new approaches and solutions. These labs provide an opportunity to develop prototypes that participants can design and test before making large investments (Bellefontaine, 2012:1).

The striking pattern when we analyze these PSI Labs is the very large variance we find in where they are embedded, the services they provide, their way of operating and so forth. Some attempts have been made at rationalizing and organizing the nature of these PSI Labs. In Canada recently the Public Policy Forum (2013) produced a simplified but useful summary table to help conceptualize the different forms of PSI Labs. However, this table does not encompass all types of PSI Labs and tables like these create an illusion that lab design is inflexible and that the structure of the labs will depend on whether it is inside or outside of the government which is counter to the principles and objectives of PSI Labs. PSI Labs pride themselves on being maximally flexible to respond to the local context.[[3]](#footnote-3)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Government Involvement & Leadership** | **Resource Needed from Government** | **Risk to Government** | **Scope of Impact** | **Example of Outcomes** |
| **Government Centred** | Government led development and operation | Funding, space, leadership and implementation | Poor project selection. Lack of implementation | Improved government policy and efficiency of service delivery | MindLab business registration process |
| **Civil Society Centred** | Government does not engage in the operation of the lab | Minimal; support and guidance during start-up (information, connections) | Problem is not addressed in absence of government involvement | Impact in issues area outside of government involvement | Sustainable Food Lab, sustainable sourcing of farmed food by multinational corporations |
| **Collaborative** | Government partners with other organization with equal standing in the lab | Funding and leadership-level input | Partnership risks (i.e. government does not command the ability to make decisions in the lab process) | Most likely to generate transformational change | Australia CSI lab on redesign of system of supports for homeless men |

Source: Canada’s Public Policy Forum. 2013.

Our, perhaps less ambitious, objective is to provide a summary of what ‘core elements’ or ‘guiding principles’ matter to those in the literature. In our analysis we have developed a list of ten interrelated ‘core elements’ or ‘guiding principles.’ We found that PSI Labs:

* **are focused on systemic problems** – PSI Labs should be seeking to tackle complex problems by looking at the system as a whole in order to prescribe solutions addressing the core of the problem rather than its symptoms. This is a commonly accepted principle (Keiboom 2014; Public Policy Forum 2013; Baeck, Colligan, and Puttick 2014).
* **employ change methodologies** – the use of change methodologies to overcome systemic problems is the common denominator in all definitions of PSI Labs. This is achieved by using a variety of methodologies such as design thinking, behavioural economics, systems/complexity thinking;
* **are action-oriented** - They are places where research and evidence is used to pursue system change through action (not just a ‘think tank’ but a ‘do tank’);
* **are user-focused** - ; “the needs of the end-user are steering the direction of the work process to make sure the solutions are covering their needs” (Keiboom 2014).
* **are driven by evidence** – this includes both qualitative and quantitative evidence, along with simulation and real time evidence;
* **engage with a range of stakeholders to solve problems** – PSI Labs seek to approach a broad number of stakeholders to open up “government to voices and ideas from outside the system, often adapting the open innovation and challenge-led approaches more commonly seen in the private sector and making use of strong communications and engagement strategies” (Baeck, Colligan, and Puttick 2014);
* **their teams are interdisciplinary and work collaboratively** – in PSI Labs we find researchers, facilitators and designers with varied and interdisciplinary backgrounds;
* **their solutions are meant to be scalable** – because these labs are anchored to the idea of prototyping, their solutions are designed to be scaled up; and
* **they are seeking to transform the way the public sector approaches innovation** – the generally common notion about changing the approach of the public sector to innovation could be summed up by saying that PSI Labs are meant to “transform the processes, skills and culture of government” (Baeck, Colligan, and Puttick 2014). However, aside from the broad set of actual innovation activities that the PSI Labs execute (consultancy services, training programs and workshops, secondments and placements, and network building), many labs also provide these as additional or complementary services so their fit in a definition may be complex.
* **are independent from government** – the independence of PSI Labs from undue government interference is seen as a key component of their work (Public Policy Forum 2013).

PSI Labs exist in academic, government, private sector, and non-profit settings. They are a particular kind of work space that breaks down hierarchy and engages people in divergent and creative thinking. Innovation labs make use of collaborative technologies such as Web 2.0, as well as highly visual approaches like storyboarding, which enables participants with varied skill-sets to come to a common understanding of a challenge, and then explore, design, and test user-centred solutions for potential use across the system. Often innovation labs utilize methodological techniques such as ethnography or action research to work directly with people who are impacted by the policy or program.

In tailoring space usage to the nature of the work, innovation labs incorporate collaborative space and heads-down space as well as flexible furniture configurations to accommodate creativity and future needs. Combining this with cutting-edge collaborative tools and technology sends the message that the lab is an experimental space where traditional thinking and intolerance to risk, silos, and resource flows, are interrupted thus encouraging participants to look at problems in new ways. The end result is that the space and the philosophy work together to create what is known as an innovation ecosystem (Bellefontaine, 2012: 2). The main elements of this ecosystem are:

(1) consciousness to be aware of the need for innovation;

(2) co-creation to leverage creative thinking;

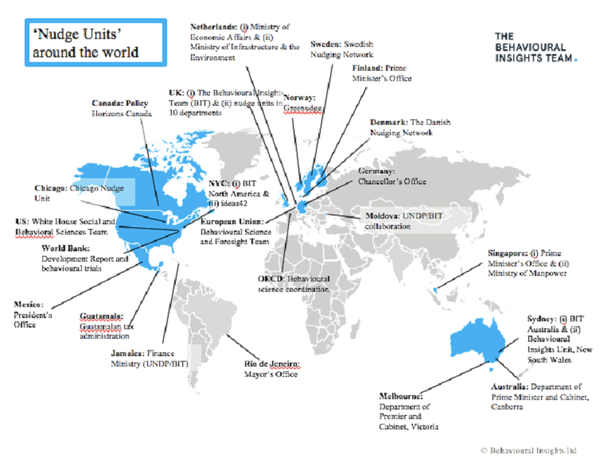
(3) capacity to generate and implement new ideas; and

(4) courage to lead innovation at all levels (Bason, 2010: 22).

These labs are about framing the opportunity of innovation by reducing hierarchy, focusing on design approaches, promoting appropriate levels of risk taking in the organizations, horizontality and the like (Westley et al, 2011; Torjman, 2012).

The expansion of these hubs and labs may actually be seen (at least in part) as an attempt by public administrators to overcome both some of structural (for example lack of horizontality) and of the process (risk aversion and blame avoidance ) challenges. Alongside these policy and innovation units we find the growth of nudge units. Their recent growth is further proof that this approach is becoming increasingly accepted in governments around the world even if their highest concentration if found in Anglo-Saxon and Nordic countries.

*Figure 3. Nudge Units around the World*



Source: <https://pbs.twimg.com/media/CQpDogUU8AAXJ0W.png>

In sum, innovation in the public sector has become a critical priority. However, the creation of spaces of innovation is often flanked by activities that can be either connected or disconnected from the specific unit as is the case with hackathons.

*Select Innovation Units*

Here we provide an overview of some among the best known innovation emerged during the past decade. We should note that some in countries such units have emerged at the centre of government, while in others they were created in departments or outside government in not-for-profit organizations. So we find a broadly diverse set of organizations in this space. We should also note that alongside these innovation units we find a variety of actors who employ tools like hackathons to tackle complex policy challenges. Centers like the Evidence for Policy Design (EPoD) at Harvard’s Kennedy School, Ryerson University in Toronto,

MindLab: Innovation Lab as Public Change Agent

The Danish MindLab functions as a platform for cross-governmental collaboration, both horizontally across key ministries and vertically between the state and local level. Funded by a variety of Danish public institutions,[[4]](#footnote-4) it collaborates closely with senior managers and staff within the owner’s organizations to provide new insights, new solutions, and new understandings to the owners regarding their work with policy development and policy implementation.

The MindLab, focuses on experimenting with and transforming the very functioning of government itself—including the procedural, administrative, political and democratic processes and practices, including policy by using a range of qualitative, ethnographic, and anthropological methods, combined with design methods such as rapid prototyping, experimentation, human-centred design, and testing (Christiansen and Sabroe, 2015:3).

The MindLab sees itself as a dedicated explorative space for discovering new ways of addressing problems and designing the appropriate process to develop new ideas into practical outcomes. For example, starting in 2013, MindLab and the Danish Ministry of Employment refocused the implementation of reforms related to social benefits, early retirement, and flexible jobs. In order to develop these new approaches to policy, partnerships were entered into with various municipalities, whereby ethnographic methods were used to engage citizens, caseworkers, middle managers and job centre managers. This point of departure created numerous practical challenges for municipalities in their implementation of the intentions underlying the reform. Therefore it became necessary to balance expectations of the implementation process by illustrating the challenges, conditions, extent and implications of the changes. This knowledge starting point enabled national decision-makers and local practitioners to co-analyze insights, co-create new ideas, and co-design a number of supporting activities and areas of focus to deal productively with the implementation process of the reform (Christiansen and Sabroe, 2015:5-6). Additionally, this approach worked to create joint ownership across central and local government and encouraging teamwork between these two jurisdictional levels. As a result, a series of new projects and partnerships are in place with the aim of creating an entirely new approach to public policy in the Ministry of Employment.

Federal Government of Canada’s Central Innovation Hub

In February 2015 the federal government opened the Canada’s Central Innovation Hub, fulfilling a promise made in June 2013’s *Blueprint 2020* roadmap to modernize Canada’s federal public service and federal government in Canada in which the hub is supposed to play a key role in encouraging innovation among Canada’s risk-averse bureaucrats (May, 2015:1).

The innovation hub team will offer advice and expertise, and the ability to test the latest tools and ideas to help departments deal with thorny policy and service delivery issues. While Privy Council Office officials would not say what kind of projects the innovation hub is working on and developing, it did indicate that it will support departments in trying new approaches such as behavioural or nudge economics, big data, and social innovation. It will also be working with departments that have their own innovation centres, such as the “change lab” at Employment and Social Development Canada.

UK Behavioural Insights Team

In 2010, the UK Cabinet Office created the Behavioural Insights Team (BIT) a social purpose company that is jointly owned by the UK Government, Nesta (the innovation charity), and the employees who work for BIT. Nudge units utilize knowledge and principles of behavioural economics and became particularly popular after the publication of *Nudge* (Thaler and Sunstein 2008). The book argued that by presenting choices better, people make wiser decisions without losing their freedom of choice (Chalabi, 2013:1).

The BIT team includes 13 individuals from academia, policy making and marketing and “applies insights from academic research in behavioural economics and psychology to public policy and services” (Chalabi, 2013:2). For example, a trial project with the Court Services showed how sending personalized text messages was six times more effective than sending final warning letters to people to pay their fines. The Courts Service estimate that this will save some 150,000 bailiff interventions and save 30 million pounds a year once it is rolled out across the country (Chalabi, 2013:2). While some results appear to support the capacity that nudging has to improve outcomes there remain issues with the process.

UK Policy Lab

Parallel with the development of the nudge unit in Whitehall, open government rose to be one of the core areas of action for the UK Government. One manifestation of this new approach to open government and open policy is the UK government’s Policy Lab which began its operation on April 1st, 2014. The Policy Lab is practical. It is not a strategy unit, but rather an experimental space that is trying out new techniques and seeing what works. In fact the Policy Lab has a lot in common with the Government Digital Service (GDS) in that both share a relentless focus on the end-user or customer experience and expertise in service design and prototyping to test ideas (Siodmok, 2014:2). The Policy Lab uses a range of new approaches and tools that include ethnographic research, user-centred design, advanced analytics of large unstructured data, rapid prototyping, and iterative development in policy in an effort to determine which approaches are the most useful and effective in improving the pace and quality of policy development.

Another important characteristic of the Policy Lab is its collaborative approach. In keeping with the growing consensus that ‘wicked’ policy issues require increased cooperation, the people who work in the Policy Lab believe that better policy making comes from bringing together new perspectives—both within and outside of Whitehall. The Policy Lab sits both literally and metaphorically in the same spaces as Open Policy Making, harnessing the best ideas available to policymakers, wherever they come from (Siodmok, 2014:4)

While the Policy lab is a space to think differently and come up with new ideas and try them out, and fail and try again, they also want to be ahead of the game in identifying the best ideas, the best techniques, and the most interesting people with whom they should be working. A good example of this is a project they are working on with the Home Office and Sussex and Surrey police on improving the victim’s experience in reporting crime. As part of this policing project, the Policy Lab is combining small data from ethnographic research (which gives them both the victim’s and the police officer’s view of reporting a crime) with big data that the police can access (Siodmok, 2014:3).

Warwick Policy Lab

The Warwick Policy Lab was created to exploit the capacity and knowledge of academia to tackle complex modern problems. The shared vision by the Warwick Policy Lab on how policy was to be constructed was clear from the beginning: policy development was driven by evidence and not ideology. It would involve citizens and service users in its projects, as well as a broad range of experts and other interested parties from the public and private sectors. Ultimately, the WPL would generate “innovative, cost-effective, and implementable policy solutions” (Benita and Muthoo, 2013:1).

NYU ‘s Wagner Innovation Labs

The Wagner Innovation Labs are a new series of policy experiments that seek to marry theory and practice to promote informed, evidence-based, decision-making in a complex world. Each project reflects NYU Wagner’s broad commitment to bring together scholars, thinkers, and practitioners, both figuratively and literally, to improve the way policy is made.

As an example we can think of the reports developed by NYU Wagner and the Center For an Urban Future profiling the best policy innovations from cities across the United States and around the world offering a roadmap to mayors, and other municipal officials in this area. The reports, which were funded by Citi Community Development, draw upon hundreds of interviews with mayors, agency chiefs, policy experts, academics, business leaders, labour unions, and philanthropic foundations, to identify some of the boldest and most innovative urban policy reforms of the past decade (wagner.nyu.edu/labs/mayoral).

The MaRS Solutions Lab

The last group of labs on the continuum of government labs and university labs is the so-called Partners/Labs. These organizations often operate with a broader definition of the notion of innovation than the universe of government ones, falling more generally in the area of social innovation. The MaRS Solutions Lab is a very good example of these labs. Located in Toronto, Ontario, Canada it aims at tackling complex social and economic challenges that require systems change by convening stakeholders from across society to develop, prototype, and scale new solutions. Among the partners who work with MaRS, are government, foundations, corporations, NGOs, to name only a few. This cooperation is key to MaRS because the best solutions “are created with society, not just for society.”

MaRS builds capacity for social change by working with governments to create new policies, redesign public services, and create learning communities. Four challenges are currently being tackled at MaRS:

* The future of health;
* The future of food;
* The future of work and learning and
* The future of government.

The hallmark of these challenges is the focus on co-production and co-operation among the various actors.

The Public Policy Lab

Another example of this approach towards co-production is the Public Policy Lab, a not-for-profit organization located in Brooklyn, New York which aims at improving the design and delivery of public services. The Public Policy Lab engages in research at the intersection of policy and user-centered design. They examine how policy goals and public services can be assessed through the experience of their users. They identify best practices from the design professionals that can bring value to the public sector. Once this has been determined, the Lab then engages directly with government leaders and designers in projects to improve service delivery ([www.publicpolicylab.org](http://www.publicpolicylab.orrrg)).

The process of co-design, or co-creation connects bureaucrats with an outside-in perspective on current practices; it opens public servants’ eyes to the experience of their users; and it helps public servants to see how services could be made more valuable to people, while utilizing people’s own networks and resources, thus reducing costs (Bason, 2015:2).

Once the Lab identifies an area for investigation, they develop a three-part research program: (1) They evaluate best practices and current programs in the policy arena; (2) They investigate the needs, preferences, and current experience of the intended users of the policy initiative; and (3) They propose real-world mechanisms for delivering policy aims in a user-centered fashion. The Lab is currently working on three important projects:

* Communications and Service Delivery by Public Agencies;
* Service Design in the Public Sector; and
* Metrics for Citizen Experience

The focus of the Lab is the development of better overall conditions for the American people.

As the foregoing indicates, policy innovation labs present a diverse set of functions, objectives and importantly, organizational-structural distinctions including ownership (state, non-profit, and for-profit). What they share in common is that they provide, in different ways, a relatively risk-free space (for government) for experimentation in policy creation including co-creation/construction.

**Conclusion**

There are two main thrusts in the literature that explain the reasons behind the emergence of PSI Labs. On the one hand, we have authors who explain the recent growth in these labs as a response to the barriers to innovation that exist within public sector organizations. On the other hand, and in a cognate fashion, another explanation focuses on the fact that the methodologies used in PSI Labs allow for a more holistic problem definition, and, close engagement with users generate policies and services that are more in-line with the needs of the public.

Various barriers to public sector innovation have been identified. One barrier is the lack of vision and leadership at the political or bureaucratic level to commit to public sector innovation. Another, and perhaps the most significant barrier, is that despite the rhetoric of innovation and the latitude to take risks, the reality is that failure, endemic to taking risks, remained problematic to public servants wishing to preserve and build careers and to the political leadership subject to scrutiny by media and opposition scanning for any opportunity to give profile to errors. The structure and dynamic of accountability in the Westminster system, discourages serious innovation and favours incrementalism. PSI’s, to a significant degree, though perhaps not absolutely, provide a space for experimentation where the risk to government is minimized.

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***Appendix 1 – Innovation Units***

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| --- | --- | --- | --- | --- |
| **Unit** | **Primary Activity** | **Primary Partners** | **Main Tools** | **Country** |
| Mindlab | Public and Social Innovation | Danish government departments, other Jurisdictions | Qualitative, ethnographic, and anthropological methods, combined with design methods such as rapid prototyping, experimentation, human-centred design, and testing | DK |
| Central Innovation Hub | Public Sector Innovation | Canadian federal departments, other innovation units | Behavioural or nudge economics, big data, and social innovation | CND (Federal Government) |
| Behavioural Innovation Team | Nudging | UK Government | Nudging | UK |
| Policy Lab | Open Government | UK Government | Practical end-user or customer experience focus, prototyping, design | UK |
| Warwick Policy Lab | Policy Innovation | Academia, knowledge | Academic knowledge | UK |
| NYU ‘s Wagner Innovation Labs | Social and Policy Innovation | Government, academia, private partners | Connecting scholars, thinkers, and practitioners | USA |
| MaRS Solutions Lab | Social and Policy Innovation | Government actors, private actors, NGOs, foundations | Co-production and co-operation | CND |
| Public Policy Lab | Social and Policy Innovation | Government actors | Co-production; co-development | USA |

1. Almost ironically, while PSI has reduced its focus on the evolutionary dynamics of change, the literature about private sector innovation has redoubled its focus on evolutionary change. [↑](#footnote-ref-1)
2. The Oslo Manual defines innovation as a “new or significantly improved process or product.” Of course this definition conflates newness and improvement. [↑](#footnote-ref-2)
3. For an example you can read this piece: Siobhan Benita and Abhinay Muthoo. How we set up the perfect policy lab: aligning academic and Whitehall, The Guardian, retrieved from <http://www.theguardian.com/public-leaders-network/2013/jun/25/how-warwick-perfect-policy-lab> [↑](#footnote-ref-3)
4. Including the Ministry of Business and Growth, Ministry of Employment, and Ministry of Education and the Municipality of Odense, the third largest city in Denmark. [↑](#footnote-ref-4)