



A DISCUSSION ON

POLICY INNOVATION IN THE CANADIAN PUBLIC SECTOR

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Introduction

Today, the challenges facing governments are increasingly more complex and interconnected leading many jurisdictions to focus more attention on innovation. In early 2015, the Institute of Public Administration of Canada (IPAC) launched a pan-Canadian national dialogue on policy innovation and new approaches to service delivery in the public service. The process included broad circulation of a discussion paper, on-line engagement through social media and a series of events hosted by many of IPAC's 18 regional chapters across the country. Our goal was to gain insights and experience from those public servants and organizations that are actively engaged in designing and implementing policy innovation.

To frame the dialogue we put forward four key questions:

- Is the Canadian public service equipped for the emergence of more complex policy issues? If not, how could it be better equipped?
- What are the best examples we have today of new and innovative approaches?
- What will be the future role of policy and other instruments and how will they be developed?
- What are the obstacles and challenges to innovation faced by public service and how can they be overcome?

The preliminary results of this dialogue were presented at the IPAC National Conference held in August 2015 in Halifax where an entire day was dedicated to this topic (both plenary and workshop sessions). Since that time local events have continued to take place across the country and their results have also been fed into this process. We have also taken into consideration the recent work of others such as the policy innovation conference hosted by the Federal, Provincial and Territorial Clerks and Cabinet Secretaries at Toronto's MaRS Discovery District (PCO, 2015).

Here we aim at bringing together the results of these discussions in a synthetic fashion and linking these perspectives to the broader theoretical framework of policy innovation. As interest and attention grows, we offer this discussion paper to help those seeking to gain a better understanding of policy innovation. We anticipate that this paper will help to inform and guide future activities of our Institute (both regional and national events and conferences) and support engagement with our partners. Further, we believe it raises concepts and suggestions that will help to continue this important conversation.

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“Innovation has nothing to do with how many R & D dollars you have. It's about the people you have, how you're led, and how much you get it.”

Steve Jobs

Understanding Policy Innovation

Public administrations have not always been clear about what constitutes innovation and how it can be applied to the public sector. However it is understood that innovation in public service is generally different from innovation elsewhere. In fact it has become very challenging when we attempt to apply models of innovation from the private sector to the public sector.



What is Innovation?

Innovation can be defined as doing different things, doing things differently, or as a combination of both. We often think of innovation as the creation and delivery of truly new ideas which entails taking a certain amount of risk. However, it is important to recognize that most innovations are actually value-added approaches where existing ideas/processes are revised or changed. There is a growing understanding that innovation is a complex process that is driven by both systems and culture on the one hand, and by individuals as creators of innovation on the other.

What is Policy Innovation?

Innovation is a complex process and especially so when applied to the notion of public policy (whether during the development or implementation stages). While there is no generally shared definition of policy innovation, we can consider policy innovation as a type of policy dynamic. We know that the most common feature of policy innovation is an incremental pace. We also recognize that 'major' innovations are difficult because in risk-averse environments such as those found in government, there are a variety of limiting factors - from the influence of the actors, to the structural features of the organization, to the political dimensions. This is a marked distinction from innovation that is often found in the private sector.

Approaches to Innovation in the Public Sector

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.
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.
Intrapreneurship	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. Intra-preneurs can bring innovative logics and practice to the public service while filtering them through their understanding of the 'administrative lens.'
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. What the old model would have considered points of tension (the multiple sites of engagement) are seen as opportunities for open governance and knowledge creation.

Challenges to Policy Innovation

For government organizations, risk-aversion has long been recognized as a limiting factor to the promotion and adoption of innovation. We must also recognize other challenges and preconditions that can slow down or impede the creation, recognition and implementation of innovative public policy approaches.¹

Innovation as Process – Innovating is not just about coming up with a great idea. It involves the capacity of the organization to execute a variety of complex tasks. Innovation-friendly environments depend on both material and cultural resources to be effective. Management must be able to tolerate risk and accept the cycles of discovery-prototyping-testing that precede success. The process of nurturing an innovative idea from its creation to its successful implementation is predicated on multiple variables and poor performance in any of the areas can degrade the chances of success. An enterprise-wide or government-wide approach to innovation is likely to result in the best results for innovation in this area.



Innovation Units vs Diffused Innovation – Innovation is another task for which the line department may not be well suited. Many organizations have chosen to focus on innovation through the creation of nudge units, innovation hubs, innovation labs and the like. While this provides special attention and focus for an important initiative, it can also lead to unintentional consequences. For example, organizations may be ‘left behind’ in their capacity to generate innovative responses internally, becoming more dependent on innovation units and their personnel.

Lack of Innovation Examples – A third 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.

Policy Innovation in Canada

Canada could be considered one of the early adopters of policy innovation. Governments across the nation have been actively advancing groundbreaking approaches to the development and implementation of public policy and services. During IPAC’s national dialogue on this topic some key points were raised by those actively engaged in the process including:

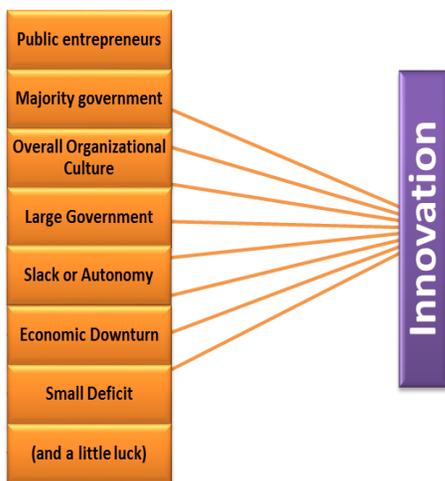
- ✓ It is vital to consider policy innovation not just to keep pace with the forces of change, but also to leverage them to keep improving the quality of our public service.
- ✓ At the same time, we do not just innovate for the sake of innovating or to save money. We must always aim to provide the best, most efficient ways of delivering services and we must aim to offer these services to the public in a way that fosters a cycle of continuous improvement.
- ✓ To ensure that innovation is taken up public service organizations will need to attract new talent and to foster the innovators who already are public employees.
- ✓ A critical part of future innovation will be the ability to cooperate, co-develop and co-produce a whole range of products and service with other government organization, stakeholders and citizens.
- ✓ We need to give public servants the “permission” to innovate and take risks: leaders must take responsibility for enabling the innovative nature of their organizations.

¹ The Australian Public Sector Innovation unit in 2011 developed a long list of barriers to public sector innovation including risk, short-term focus, failure of leadership, policies and procedures, efficiency and resources, and external opposition. <http://innovation.govspace.gov.au/barriers/>

- ✓ Policy innovation will be crosscutting. It will bring together not only administrations but also stakeholders in the private and NGO sectors.
- ✓ Most recent approaches to policy innovation tend to focus on the increased complexity and interconnectedness of administrative problems. In turn, this often leads the discussion towards the need for a culture of cooperation and horizontality enabled by appropriate tools and strategies;
- ✓ Data analytics emerges often as both a tool and a strategic approach for policy innovation. It is seen as a key enabler for both the management of increasingly complex problem and as the tool necessary for connecting diffused expertise with the demand for solutions.
- ✓ Approaches embedding the deliberate marriage of intentionality and openness, like design thinking and intrapreneurship, are becoming increasingly central to the discourse around innovation in general and policy innovation specifically.

That said, we should remember that we already have a fair amount of examples of innovation in our public service. For example, every year, the IPAC Award for Innovative Management (sponsored by IBM), recognizes innovators who are changing the face of public service in Canada. An analysis of these awards was recently undertaken (Bernier, Hafi and Deschamp 2012) with an eye at discovering what type of environments led to policy innovation. A series of positive correlations between innovation and several key parameters were identified as illustrated in Figure 6.

Figure 6. *The Formula for Innovation in the Public Sector*



A key result was the recognition that innovators see opportunity where others see risk. This will be especially important at a time when wicked problems will not only require different approaches to be tackled, but also more horizontality and cooperation. Having a cadre of innovators who can mobilize others around them shifting the perspective of the change at hand from a risk to an opportunity will be a critical advantage. Public service innovation is an approach to activities that in many ways will be different from innovation in other sectors.

The IPAC - IBM Award for Innovative Management recognizes innovators who are changing the face of public service in Canada. Recent winners include:

- 🇺🇸 **Customer Service Revolution** by the City of Markham has dramatically shifted away from transactional service delivery toward empowering front line staff to create exceptional customer experiences and to focus on interactions.
- 🇺🇸 Alberta's Ministry of Environment and Sustainable Resource Development expedited a **New Authorizations Process** to better manage natural disasters. The team found opportunities to restructure, integrate, facilitate parallel workflows, accept more risk, eliminate redundancy and locate decision points close to where work was performed.
- 🇺🇸 Revenu Québec developed an expert system called **RESTO** that electronically monitors mandatory billing in Quebec's restaurant sector along with an automated inspection process. RESTO is geared toward wiping out tax evasion and under-the-table work in Québec's restaurant sector, which costs taxpayers tax payers an estimated \$419 million in lost tax revenue every year.
- 🇺🇸 The City of Nanaimo have begun using an **e-Town Hall Budget Meeting** that is designed to enhance community understanding of local challenges and priorities, garner innovative ideas from the public, and gather community input. Departing from traditional practices, residents participate in live meetings using various mediums including Facebook, Twitter, telephone, website submissions and face-to-face interaction.



Observations & Opportunities

By looking at how Canadian jurisdictions have tackled the discourse around policy innovation we can consolidate some critical concepts in a set of statements that reflect major trends across the country:

1

Policy Innovation is definitely one of the top areas of focus for Canadian Governments at all levels and virtually all have already made significant investments in this area.

2

There is a strong sense that the future of policy innovation will be a multi-layered and cooperative one; although there has been limited effort at integration between different levels of Government (particularly with municipal jurisdictions).

3

There is a growing interest (and need) to share expertise and experience with one another. A meta-network linking these efforts and formalizing these relationships is needed perhaps through the development of a 'community of practice'.

4

We have witnessed a strong surge in the creation of specific innovation hubs, labs, and centers. It will be important to monitor and track how different approaches support the promotion of innovation across the respective organizations.

5

Many believe that it is imperative to ensure that policy innovation is recognized for its many benefits (improved outcomes, greater engagement, etc.) and not categorized as a purely cost saving approach.

The Way Forward

IPAC is committed to supporting the advancement of policy innovation in Canada's public sector. Through our research agenda we will encourage the development and dissemination of knowledge and best practices in this area. We will also work closely with our National Board of Directors and 18 Regional Groups from across the country to profile policy innovation in local and national events and conferences. Our national awards program will be enhanced to ensure that we are identifying, recognizing and sharing the best examples of policy innovation. Additionally, we will engage with our government and corporate partners to explore the opportunities to enable and support the creation of a community of practice for those actively involved in policy innovation across the country.



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