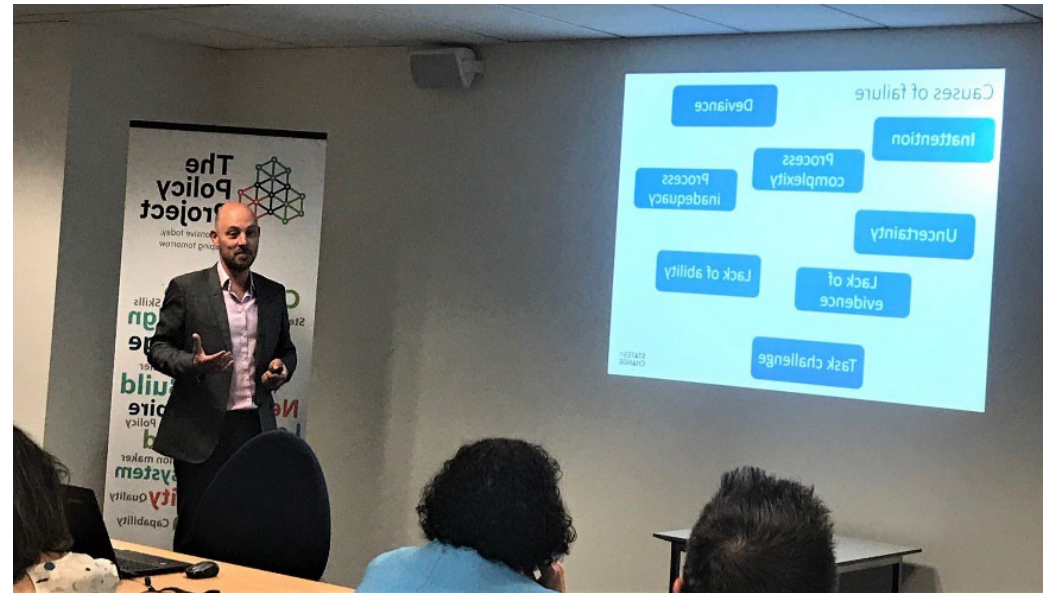


# Creating the conditions for innovation

October 2019



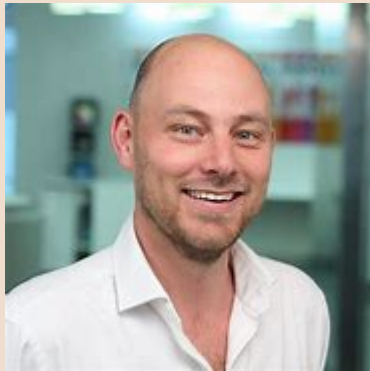
**The  
Policy  
Project**

Responsive today,  
shaping tomorrow

# Overview – the presenter

Public problems are increasingly complex and connected, which requires the public sector to tap into creative answers. Globally, there is a general sense that governments are not doing as well as they ought to in solving the biggest policy problems. Although there are pockets of innovation across the New Zealand public sector, it has yet to become a routine activity for public servants looking to develop and deliver new solutions that improve the lives of citizens.

This roundtable provided an opportunity for policy leaders to draw on Brenton Caffin's work at Nesta, in partnering with governments around the world to help build their innovation capacity. It explored how to create the conditions for experimentation in policy, as well as how to stay the course when things go wrong.



Brenton Caffin is Nesta's Executive Director, Global Innovation Partnerships, leading Nesta's work globally to help people and organisations get better at innovating for the common good.

Brenton is an innovative and strategic thinker and regularly presents to and advises national and global organisations, including UN agencies, on a wide range of issues relating to social and public sector innovation. He is an advisor to the Adelaide Festival of Ideas and former board member of the global Social Innovation Exchange and the Institute for Public Administration Australia. From 2009-2012, Brenton was the founding CEO of The Australian Centre for Social Innovation, and previously held executive positions with the South Australian Department of the Premier and Cabinet, Government Reform Commission and WorkCover. He began his career in the Australian Department of the Prime Minister and Cabinet, later consulting to Australian and British governments on public policy, performance improvement and change management. Brenton was also previously seconded to the Home Office Strategic Policy Team.

Brenton has degrees in economics and international relations and a Master of Public Administration from Flinders University, where his research focused on public sector innovation.

# Nobel Memorial Prize winners



## Experimental approach to alleviating poverty



Brenton started the presentation by referencing the 2019 winners of the Nobel Memorial Prize - Esther Duflo and Abhijit Banerjee, economics professors at Massachusetts Institute of Technology. They won the Nobel Memorial Prize for their experimental approach to alleviating global poverty.

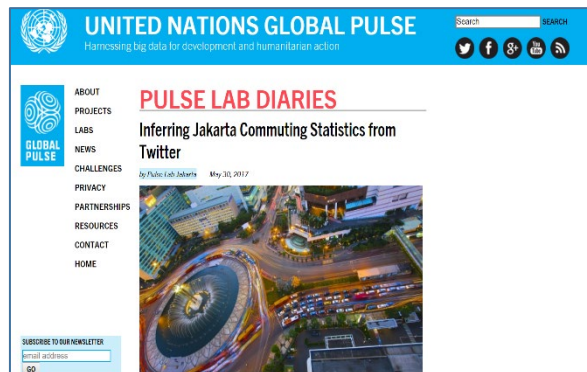
Duflo and Banerjee conceive of the fight against poverty as “a set of concrete problems that, once properly identified and understood, can be solved one at a time”. This approach involves dividing the issue into smaller, more manageable, questions. They have shown that these smaller, more precise, questions are often best answered via carefully designed experiments among the people who are most affected.

For example, Duflo and Banerjee looked at whether parents in developing countries gave their children deworming pills, which prevent parasitic infections. For years the cost of pills was subsidised to encourage people to use them — with the medicine often costing less than a US dollar. But they found that it made a vast difference if the cost was reduced from almost nothing to nothing at all: the take-up rate shot up from 18% to 75%. So this relatively small tweak caused a profound shift in behavior.

# What does innovation look like?

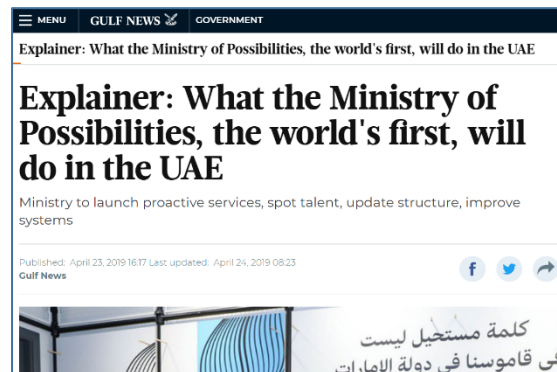
“Innovation is a systematic way to turn ideas into testable hypotheses to find out what works and what doesn’t to make people’s lives better”

Brenton provided examples of what innovation in government looks like around the world ...



## Pulse Lab: Jakarta

Pulse Lab Jakarta has been experimenting with using the locational information from social media on mobile devices to reveal commuting patterns. This information helps provide regular updates to track the rhythm of the city and best optimise public transport for the people of greater Jakarta.



## Ministry of Possibilities: UAE

The United Arab Emirates’ Ministry of Possibilities is the world’s first virtual ministry (with no minister). It provides a sandbox for federal and local government teams and the private sector to come together to tackle critical issues through experimentation and find proactive and disruptive solutions.



## Experimentation Direction: Canada

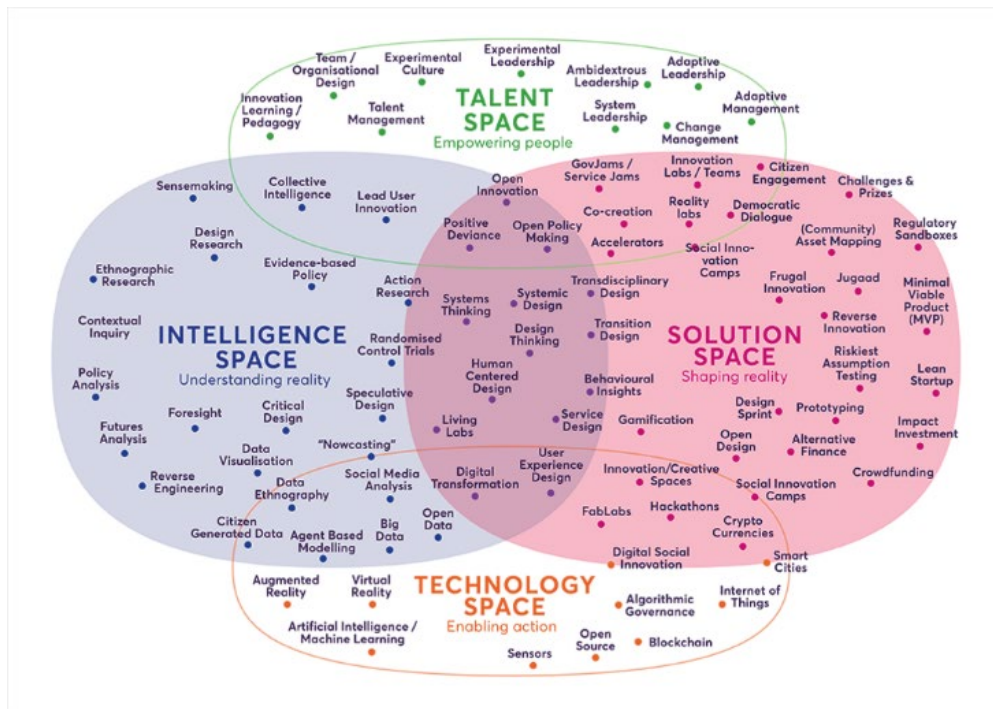
In Canada, each minister is directed to dedicate 1% of their budget to experimenting with new approaches and measuring impact to instill a culture of measurement, evaluation and innovation in program and policy design and delivery. This direction recognises the link between experimentation and more effective policy making.

# Applying an experimental approach

Brenton spoke about the range of innovation methods that are available. Nesta has identified over 100 innovation methods each with their own advantages and disadvantages (see diagram one).

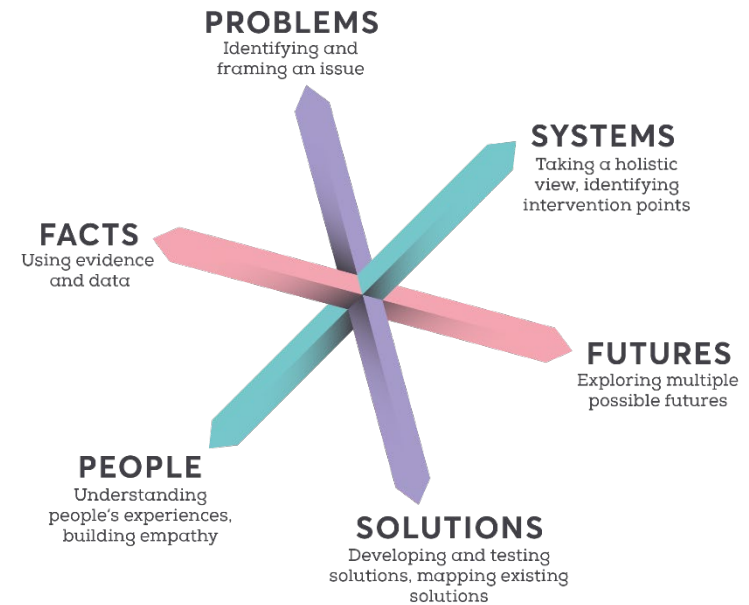
Policy practitioners are not short of innovation methods to choose from. The challenge is to choose the right method for the right problem for the right reason. Often we choose the method that we are most comfortable with and under-invest in other methods. By focusing on one particular method we can limit the range of possible solutions – as “if all you have is a hammer, then every problem looks like a nail”.

Diagram 1 – Landscape of innovation approaches



Nesta has developed six principles to assist practitioners with unpacking policy issues from multiple perspectives that cut across the different types of innovation methods (see diagram two). The principles are grouped in pairs – showing the contrasting dynamics that need to be considered. For example, considering a policy issue from the perspective of facts using the evidence and data available, as well as exploring the multiple possible futures.

Diagram 2 – Six principles to explore the unobvious



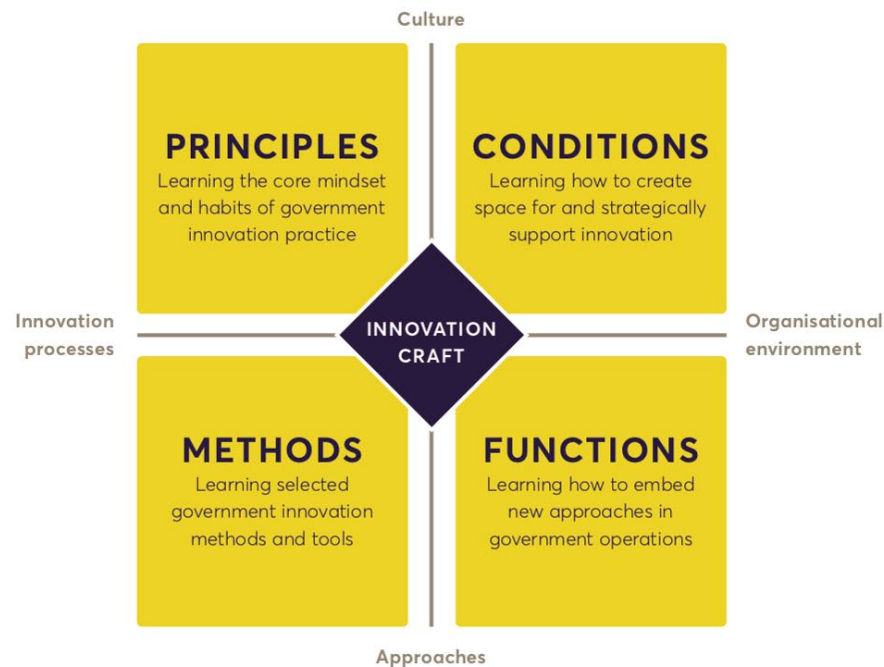
“We have overdeveloped muscles in some methods while we underinvest in others. We need a blended set of muscles to practice experimentation”

# Embedding innovation in government

Brenton commented that he's often asked at what point innovation in becoming mainstream, stops being innovation. He explained that ideally innovation does become business as usual. But in order for that to happen, government needs to create the space for innovation craft. This involves embedding innovation in the processes, approaches, culture and organisational environment of government through:

- Learning to use a range of different **methods** and tools.
- Integrating innovation within the **functions** of government. For example, is money allocated for innovation as part of the budget process? Is innovation part of mainstream policy making or seen as something that is done on the side?
- Creating **conditions** which support innovation. For example, do teams have the permission and space to innovate? Are teams supported when innovation doesn't go to plan?
- Shifting attitudes and mindsets to align with the **principles** of experimentation. For example, move beyond avoiding failure to having open conversations about good and bad failure.

Diagram 3 – Creating space for innovation craft



# Innovation skills and attitudes

Brenton discussed the habits that underpin innovation. Nesta interviewed 40 innovation teams across the world to identify the competencies required for innovation craft. They found that public sector innovators combine key skills and attitudes to drive innovation in government.

Diagram 4 – Innovation skills and attitudes



The key innovation skills are:

- **Accelerating learning** through exploring and iterating new ideas to inform and validate solutions. This competency is normally associated with innovation, but alone is not enough.
- **Working together** through engaging with citizens and stakeholders to build a coalition for ideas.
- **Leading change** through mobilising resources and legitimacy to make it happen. This is the difference between a good idea and implementing change that creates value.

These skills are underpinned by the attitudes of agile, action-oriented, curious, reflective, courageous, outcomes-focused, imaginative, resilient, and empathetic.

# The role of leaders

“The country needs and unless I mistake its temper the country demands bold persistent experimentation. It is common sense to take a method and try it. If it fails admit it frankly and try another. But above all try something”

– Franklin D. Roosevelt

Brenton discussed how leaders can create the conditions for innovation through ...

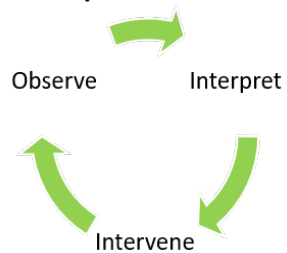
## A leadership style that supports innovation

This involves exercising networked governance and adaptive leadership

### Networked governance is characterised by:

- Context that is continuously changing
- Populations that are diverse
- Needs/problems that are complex, volatile and prone to risk
- Strategy that is shaped by civil society
- Governance through networks, partnerships and civil leadership
- Public value as a key concept

### Adaptive leadership is based on:



## Pushing through feelings of discomfort

Innovation can feel uncomfortable because it involves trying something new

### Empathic data challenge

“To employees long accustomed to being told to be rational and objective... connecting with customers can feel too close, uncomfortably emotive, sometimes overwhelmingly affecting”.<sup>1</sup>

### Iteration challenge

“Design methods ask employees not to race to the finish line, not to converge on an answer as quickly as possible, and instead to widen the set of options ...it can feel like “spinning wheels” because it kind of is”.<sup>2</sup>

### Learning to fail forward

“... iterative prototyping and testing work best when they produce lots of negative results, outcomes that show you what does not work. But piling up seemingly unsuccessful outcomes does not feel good to most people”.<sup>3</sup>

## Creating space for innovation

Simple steps can help create space to innovate in organisations

- Provide teams with the permission and time to innovate
- Identify and challenge phantom rules and procedures that are identified as standing in the way of innovation
- Challenge excuses provided for why it can't be done
- Identify deficits and be supportive in building teams up



A cohort of Victorian public servants working on an innovation project crowd sourced a list of micro-actions their leaders could do each week to support innovation.

1 – Austin, R. & Bason, C. (2018) The Right Way to Lead Design Thinking. HBR

2 – Ibid

3 – Ibid

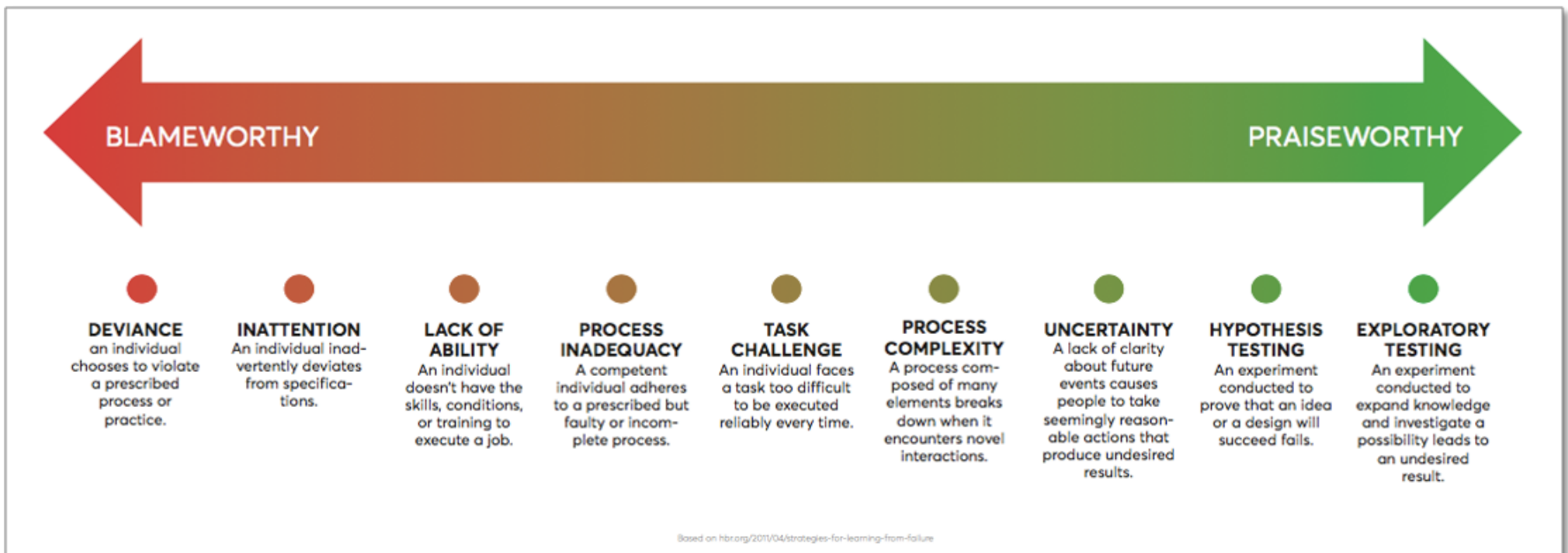


# Good and bad failure

Brenton commented that often innovation is seen as the riskier option, but the status quo also contains risk and can cause harm. He explained that we don't want so much change that it exceeds people's limit of what they can handle, but at the same time we don't want too little change because then we're not doing what needs to be done. Instead, we want an environment that can distinguish between praiseworthy and blameworthy failure (see diagram five).

Brenton discussed creating a rhetoric about failure which is shared among citizens, ministers and public servants. This involves rehearsing a different language that recognises the risk of not trying something new, acknowledges we may not have the answer but are experimenting to find the answer, being transparent about what we are testing and our findings (good and bad), and distinguishes between praiseworthy and blameworthy failure. This is not necessarily a new rhetoric – in 1832 the UK Observer included a headline quote from Thomas Macaulay MP in the House of Commons that “Government is an experimental science – its conclusions are the creatures of experience”.

Diagram five – 50 shades of failure



# Providing space for innovation

There was discussion on some of the common barriers and challenges to innovation in government. Brenton provided examples of workarounds that have been successful in other jurisdictions to provide space for innovation.



## Legislation can inhibit what's possible when it comes to experimentation

The UK's *Children and Social Work Act 2017* includes a power to innovate provision. Local authorities can apply to the Minister for exemptions or modifications to children's social care legislation to enable them to test new ways of working. A review of the operation of the exemption found that in 40% of cases the Minister granted the exemption, and in the other 60% of cases the exemption was not granted because there was nothing in the legislation stopping the local authority applying the new way of working.



## Experimentation can take more time up front which doesn't fit well within a three-year electoral cycle

Having a portfolio of both short-term and long-term projects addresses any pressures associated with the electoral cycle. Public announcements can still be made for long-term projects but need to be reframed from delivering the solution to exploring a possible policy issue. Nine months for example to explore an intractable policy issue that has been around for the past 20 years isn't that long when considered in the broader context. The Australian Centre for Social Innovation when experimenting with interventions for child protection, were able to apply an experimental approach to recommend proven interventions within two years.



## The standard budget processes weren't designed with experimentation in mind

The Welsh government set up an Innovate to Save fund. The fund supports new ideas that have the potential to improve public services and generate cashable savings in Wales. Through grant funding, non-financial support and repayable loans, the Innovate to Save fund supports public and third sector organisations to prototype, trial, scale and evaluate innovative projects. The fund means that projects don't need to go through the normal budget processes to receive funding.

# Concluding discussion

Brenton concluded by sharing his vision for the world where experimental problem solving is no longer Nobel-Prize worthy. A question and answer session followed the presentation and the main points that were discussed are summarised below.

- Involve the Minister in the process of experimentation. For example, in the UK the Policy Lab invited ministers to attend their workshops and interviews with users.
- Don't be afraid to say when you don't know whether an intervention will work or not. This is the starting point for a conversation about experimentation.
- It's important to maximise the learning from what works and what doesn't. We don't know whether an intervention will create better or worse conditions than the status quo until we've tested it, and need to approach this work with the best of endeavours.
- When planning, prepare for a series of interventions to be tested and developed rather than one policy solution.
- Be transparent about what you're testing and publish the results – good and bad. This helps sensitise people to the concept of trying different things to find what works.



## Want to get help or find out more?

The [States of Change](#) learning programme is a practice-led experience that embeds innovation capability and helps public servants become better problem solvers. Over six months, teams take part in the programme alongside their day jobs and learn how to take an experimental approach to problem solving. This involves exploring problems from new perspectives, and then testing and iterating possible solutions in order to quickly learn what works and what doesn't. Importantly, participants learn how to help create the right conditions for innovation to happen.

You can find a wealth of information and resources about innovation on [Nesta's website](#) and subscribe to their weekly newsletter to keep up-to-date. Check out the [help me innovate](#) pages of Nesta's website.

The [PowerPoint slides](#) from Brenton's presentation are available on the [Policy Project's website](#). Here you will also find information and resources on how to develop your policy skills and deliver great policy advice.

For any other help or to share lessons or training material please [email the Policy Project](#).