



Capital Ideas

How to Generate Innovation in the Public Sector

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Executive summary

We see innovation in action every day in our lives. Whether it's listening to music on a cell phone, or taking the latest medication to help tackle an ailment, our lives are better and easier as a result of the work to create new products and services.

When we think of innovation, most of us think of the private sector. And that's hardly surprising since private-sector innovation accounts for more than 85 percent of economic growth in the United States.¹

But innovation is needed just as much in the public sector. Some of the impetus for innovation comes from new challenges such as childhood obesity, or climate change. Others come from public demands—public services can easily become stuck with outdated and ineffective approaches. And still more urgency emerges from fiscal pressures: as money gets tighter, public agencies will have to find more efficient ways to conduct the census or administer social security, improve workplace safety, or tackle crime. Public-sector productivity matters just as much for future prosperity in these days of fiscal tightness as private-sector productivity.

Finding the right way to tackle these issues is rarely straightforward. But it nearly always requires a cycle of coming up with new ideas, testing whether they actually work, and scaling up those ideas that are most effective.

We know from other fields—such as science and medicine—that innovation doesn't just happen by accident. There are well developed systems to foster innovation in the commercial sector. Yet too often in the public sector, even though there is a great deal of talk of the need to be innovative, there is little specific action. It's still rare for innovation to be at all institutionalized in government budgets, roles, and processes. And it's even rarer to find officials and politicians who are aware of the full range of tools that they could be using to accelerate the development and spread of better ideas.

This report looks at the actions that leaders in the public sector can take to ensure that there is a constant flow of promising ideas into the federal government. Across government, we recommend that Congress and the Obama administration work together to:

1. **Identify priority fields for innovation:** The government must first identify the fields of public action where innovation is most needed. These may be ones where problems are intensifying—such as climate change or aging. They may be fields where the evidence points to underperformance—such as schooling. Or they may be fields where new technologies and knowledge are opening up new opportunities. Some innovation happens through serendipity. But scarce time and resources need to be focused where the returns are likely to be greatest.
2. **Open up the space for ideas:** The second priority should be to widen the range of options, creating more space for creative and entrepreneurial solutions. This report identifies many tools that the federal government can use both inside agencies and to mobilize social entrepreneurs, the public, and others to help generate promising ideas.
3. **Finance innovation:** We propose a broad target that at least 1 percent of agency budgets should be used to develop, test, and scale up new and better ways of doing things in the public sector. There are a wide range of ways that the government can use financing to spur innovation, from very small grants for ideas from frontline staff to stage-gate investment models.
4. **Fix incentives:** Existing incentive frameworks dampen public servants' desire to come up with newer, potentially better ways of doing things. We need greater recognition that new methods may be both more effective and more efficient than existing programs and initiatives.
5. **Change the culture:** Innovation has to be supported from the top, and senior leadership in the executive and the legislative branches should signal that they recognize that some ideas will fail, and that's acceptable—as Franklin D. Roosevelt first proposed in the 1930s. The need to recruit large numbers of federal employees over the next few years provides an opportunity to change federal employees' skill set. Future federal employees need to be clear that they should be constantly looking for better ways to accomplish government goals.

6. **Grow what works:** There should be a much stronger focus in government on trying to scale up ideas that work—even if that means closing down popular programs or initiatives that have been less effective in the past. Our accompanying report, “Scaling New Heights: How to Spot Small Successes in the Public Sector and Make Them Big,” recommends building a social innovation mentorship program and creating Institutes for Effective Innovations to help the scaling process.

Action is also needed in each government agency. Effective agencies need to become better at generating great ideas—both from within and from beyond their boundaries. We set out a series of techniques to generate promising ideas under five themes:

- Unleashing the creative talents of agency staff
- Setting up dedicated teams responsible for promoting innovation
- Diverting a small proportion of agency budgets to harnessing innovation
- Collaborating with outsiders to help solve problems
- Looking at issues from different perspectives to notice things you wouldn't otherwise

This report includes more than 20 different ways that public agencies are promoting the generation of great ideas. Few public-sector organizations will wish to implement all of them. Instead, leaders should establish what they think will work best in their organization under each theme—and focus energy on implementing those. It is, in effect, a menu of practical ways in which organizations can help to generate a flow of great ideas. By choosing elements from each of these five themes, public-sector organizations will be able to ensure that there is a strong flow of great ideas on how to improve the way they go about their business.

Generating ideas is only one part of the innovation cycle. Our companion report focuses on how to scale up those ideas that have been proven to be effective.

“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, governor of New York, *Looking Forward* (1933).

The six-stage cycle of social innovation

Innovation in the private sector follows a process from invention to wide adoption of new goods or services. Social innovation follows a similar cycle and there are six stages from inception to impact.²

These stages are not always sequential—some innovations can jump a stage or two—and there can be feedback loops between them:

1. Prompts, inspirations, and diagnoses. Solutions derive from problems. The impetuses for social innovation are therefore often social problems: funding crises, systemic failures, tragedies. These prompts can be founts of creative inspiration, but must be accurately diagnosed in order to identify the root causes of particular problems. New technologies or knowledge can also sometimes act as prompts.

2. Proposals and ideas. Once a problem or a new possibility is understood, social innovators set about generating ideas for solutions.

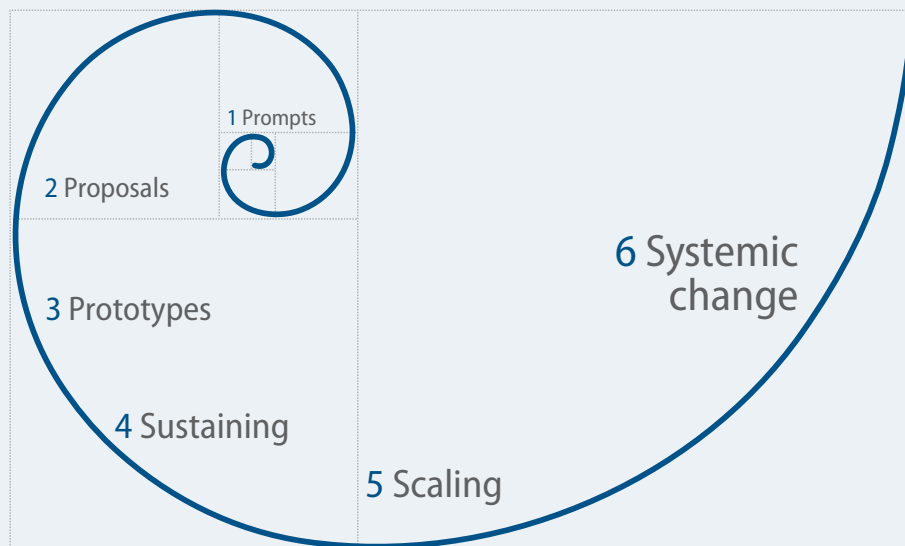
3. Prototyping and pilots. This is the testing stage. Whether through controlled trials or just running an idea up the flag-

pole and seeing if anyone salutes, the refining and prototyping process is critical for social innovation. Ideas are battle-tested, supportive coalitions emerge, internecine conflicts get smoothed out, and success benchmarks become formalized.

4. Sustaining. Here, the training wheels come off and the road to long-term viability is paved. That means finding revenue streams, writing supportive legislation, and assembling the human and technical resources to put the air beneath the wings of innovation. The idea often has to become simpler at this stage.

5. Scaling and diffusion. The idea takes off here, reaping social economies of scale through expansion, replication, and diffusion. There is no profit motive to drive social innovation across the globe like in the private sector. Social solutions often require government intervention and public-private partnerships to grow.

6. Systemic change. This is the end-game of social innovation. An idea, or many ideas in concert, become so entrenched that they give birth to new modes of thinking, new architectures, and ultimately entirely new frameworks.



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About the Young Foundation

The Young Foundation is a center for innovation and entrepreneurship based in London. Over the past five decades it helped give birth to dozens of new social enterprises, public organizations, and private companies, which have together changed the lives of hundreds of millions of people. It currently combines research, social venturing, and work with national and local governments around the world, as well as hosting the global social innovation network SIX.

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