

# Report: LDC Fellowship 2015

Leadership for public sector innovation

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# 1 Overview

This is a report on the LDC fellowship I undertook in 2015 to study public sector innovation leadership: the methods used, the personal styles and skills of leaders and the context within which they are able to succeed.

Innovation, by definition, involves doing new things, or doing them in new ways, and as such the 'ways and means' are constantly evolving and adapting because we cannot be certain in advance what would work, or how. Innovation cannot occur in the absence of a learning, exploratory mindset – at both the individual and organisational level. Necessary conditions appear to be both permission and capability to run disciplined “experiments” - acting not just to deliver, but to **learn** what works, where and how. The clearest examples we saw of this were the case studies of deliberate “business experiments” run as part of business strategy cited by our professor at the Darden Business School course, and the randomised control trials of the Behavioural Insights team in the UK.

Three key opportunities appear clear to me for the public sector system as a result of my experiences:

- Innovative methods adopted from outside a system need to be adapted to that system to have powerful effect. Given the early stages of application of design thinking to policy, there are clear opportunities to extend the current body of knowledge by running our own experiments and reflecting on and sharing what we learn by doing this. We need to build capabilities across the system in both 'the basics' and skills to adapt approaches to fit context.
- We need to develop ways to lead more constructive and powerful conversations across difference in pursuit of innovation: once conflict and different perspectives are invited into the room, what are productive ways of creating conditions for constructive dialogue? We need to experiment with different approaches to doing this if we are to get ahead of our all-too-frequent 'lowest common denominator' agreements.
- We need to work together – as a system – to build the conditions within which innovation can flourish.
  - It is not a matter of fixing on or 'fetishising' particular methods or tools, as all potentially have their uses – and limitations - in different cases.
  - Locating innovation leadership in the system at its strategic heart appears important: locating it too far outside the system, or in the delivery areas of the system lessens its impact for strategic change, and can easily become an exercise in 'playing around with methods'.

## 2 Fellowship objectives and method

**Category A: Better Public Services: Mobilise our people and resources to ensure those leading complex system-wide issues are successful**

**Gain insights into the practice of innovation leadership and leadership across boundaries through:**

- Observing practical examples of innovation practice and understanding the various innovation methods involved
- Discussing leadership for innovation with both those leading and those experiencing innovation projects
- Understanding how innovation projects feed into public policy design and delivery (the innovation infrastructure)

**Research methods:**

- Formal study
- Embedded experiences
- 'Ethnographic' research and participant interviews



### Fellowship programme overview

#### **Darden Business**

#### **school**

**Formal study  
21-24 April**

Course on 'Design thinking for Innovative Business Problem Solving'

#### **New York**

**Embedded  
experiences  
27 April - 1 May**

See the real world application of innovation and design methods, leadership of innovation projects and supporting design functions.

#### **London**

**Innovation  
infrastructure  
5 - 12 May**

See how the various innovation capabilities and functions feed into policy and service design and delivery.

#### **OECD**

**International  
comparisons  
13-15 May**

Test our thinking against international evidence of innovation capability and exemplars.

# Lines of inquiry



## **Application and impact of methods**

*How are others applying innovation methods at the system level to policy and implementation design practice, and how can this improve the quality of both?*



## **What drives success?**

*What in practice are the critical success factors for enabling innovation while retaining stability in the policy-and-operational system?*



## **What does successful leadership look and feel like – from perspective of the leader and the 'led'?**

*What sort of leadership is required for system-level innovation, what does it look like in day-to-day practice, and what is the 'state of the art' for cultivating this sort of leadership?*



## **Where do innovation leadership capabilities thrive best?**

*Where are innovation leadership capabilities best placed in the system to lead across boundaries? (e.g. embedded? Clustered? Outside?)*



# 3 Experience and insights

## How are innovation methods applied?

We looked at a range of innovation approaches:

- Design thinking, focusing particularly on its application to strategy and policy (Darden Business School, Public Policy Lab, Innovation Unit, NESTA, UK Policy Lab, UNDP)
- Behavioural insights and random controlled trials (Behavioural Insights Unit, What works centres)
- Meta evidence, big data, IT driven innovation (What Works Centres, GovLab).

Unexpectedly, we also got significant insight into innovation within US federal agencies in Washington DC, as our course at Darden Business School was dominated by Washington officials working on promoting innovation within their agencies (e.g. Veterans Affairs, Department of State, US Aid, Department of Defence, Department of Health and Human Services).

Approaches and methods we saw in evidence were:

•**Experience-focused methods:** aimed at understanding and responding to user / citizen need. Use of novel approaches such as ethnographic interviewing and immersion is common (e.g. 'ride alongs' with people undertaking experiences, such as the Public Policy Lab's work on transportation for children with disabilities); 'nudge' trials by the Behavioural Insights team that draw on behavioural economic research on factors that drive peoples' perceptions and behaviour.

•**Collaboration:** joint work processes to generate collective insight and build solutions (e.g. The Darden 'poster gallery' approach drawing a diverse audience together around common qualitative and quantitative information; the Innovation Unit's collaborative council working on community wellness ); users brought in to 'judge' options at early stages (e.g. GovLab 'panels' which used notional "money" to vote); processes that bring people together to work together in novel ways (e.g. The Public Policy Lab 'speed dating' event bringing together 10 designers and 10 government policy leaders).

•**Iteration and experimentation:** The word experiment is in common use among the organisations we visited, and refers to disciplined attempts to understand what works, through iterative action and analysis. The What Works Centres are an attempt to BOTH capture what is already known AND to instigate experiments to find out through practice and experiment what works in areas where evidence does not yet exist.

I also, through serendipity, discovered a collaboration leadership approach that is applied in the modern dance field, in discussion with a cousin who lives in New York. Known as the 'critical response process', and developed by the choreographer Liz Lerman, it is a way of inviting conflict into the room in ways that are manageable and respectful. (<http://danceexchange.org/projects/critical-response-process>)

## What impact is there from use of innovative methods?

There is clearly a growing interest in applying innovative methods such as design thinking in the public service beyond the product and service design domains where it is becoming established, and extending its use into public policy and strategy.

We saw a great deal of evidence of design thinking methods (e.g. Ethnography, rapid, iterative prototyping, use of visualisation, 'building to learn') being experimented with among public policy professionals as methods, or applied to relatively small-scale problems. However, we were surprised at the paucity of examples of application to real world public policy / strategy problems.

While we saw some examples of new approaches being implemented as a result of design-thinking, particularly with the Innovation Unit in the UK, and through the UNDP, equally, we saw examples of design approaches failing to 'land'. There were examples of proposals either not being accepted higher up in government organisations, or being stalled for long periods of time, or being unwound when they appear too closely linked to the political colours of a previous administration. It would appear that the further the innovation lead entity sits from decision-makers and overall strategy setters, the greater the risk this will occur.

We wondered whether there is a degree of 'tribalism' emerging, in which innovation leaders become attached to a particular approach or set of tools. There appears to be a strong risk that this affiliation effect could undermine the collective power of bringing differing perspectives and areas of expertise around some of the complex problems colleagues are seeking to tackle.

The current state of design thinking itself is one of experimentation – learning by doing what works, what doesn't and how an approach designed in the private sector needs to be adapted to fit the public policy context. And wisdom and knowledge are very much emergent. For example, there is little focus internationally on the issue of impact, with the OECD's Observatory on Public Sector Innovation focusing more at this stage on descriptive rather than evaluative, analytical knowledge sharing. Such international sharing also exposes the extent to which one country's innovation is another's BAU.

# The Darden approach: a business school model of design thinking – relevance to the public sector

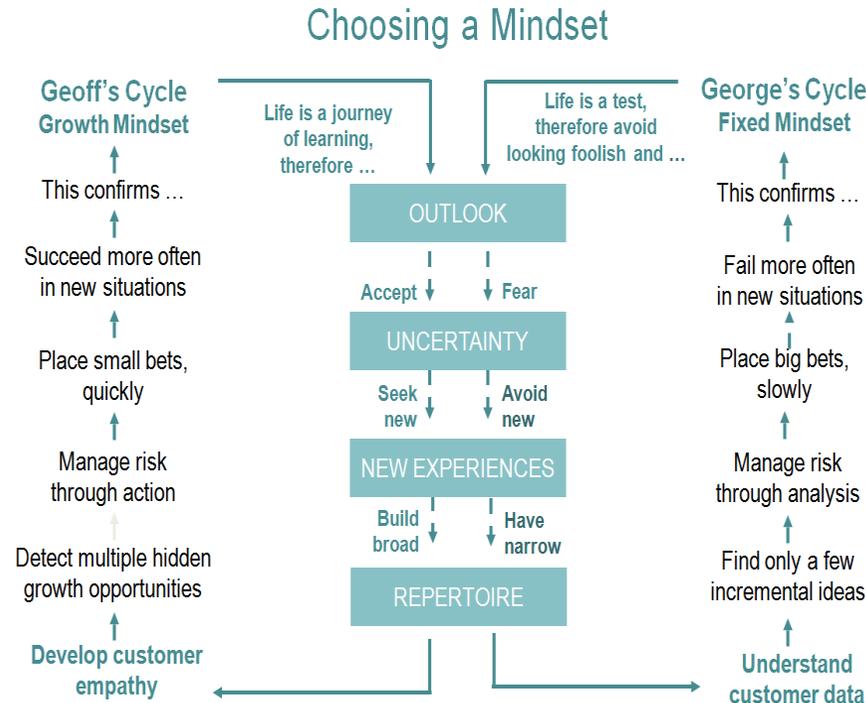
We were very struck by some fresh insights into the potential power of design thinking, during the Darden Business School course. Professor Jeanne Liedtka's approach has several features that make it particularly relevant to our current public sector challenges:

- “Anyone can apply design thinking!”: rather than focusing solely on an organisation's or the system's end customers, she asserts that we can all use design mindsets and tools to design people's experiences that WE are directly responsible for. For example:
  - **Empathy / people-centricity**: seeking to understand people's deep, **unarticulated** need, not just what they tell you they want or need
  - **Visualisation**, rather than words to express mental models and ideas (which can fall prey to arguments over definition)
  - **Iteration and experimentation**: framing proposals as experiments (hypotheses to be confirmed or disconfirmed) rather than solutions: the goal is learning what works, not 'being right'.
  - **Co-production**: thinking, talking and working “across difference”, deliberately inviting conflict into the room, surfacing and resolving it to create higher order solutions – not just lowest common denominator agreement.
- Use of 'value chain analysis' to understand the subjective experiences of all key stakeholders in an outcome (including service providers) to develop solutions that will actually work in practice.
- Use of design thinking in pursuit of 'business experiments' aimed at developing strategy along lines often referred to as 'adaptive strategy', rather than the more usual 'vision / blue-print-driven strategy'.
- Design thinking as a change management approach: Jeanne Liedtka draws from the change management formula of Beckhard and Harris, which theorises about conditions for effecting complex change (“**The amount of change = Dissatisfaction x Desirability (including clarity and detail) x Practicality > Resistance to Change**”). Design thinking, as a change management tool, has the following features:
  - Collaborative 'discovery' processes, including ethnographic research on subjective elements of the problem builds the emotional dissatisfaction needed to drive significant change
  - Prototyping can help build clarity and detail about how a change might work in practice
  - Processes to surface assumptions, develop hypotheses and test them through 'experiments' design out potential causes of failure and generate practical solutions before a policy or solution 'reaches the market'
  - Involving key players, including those likely to 'black hat' from early in the process helps them to feel invested in the change and therefore minimises their perceived loss from the change.

# Darden approach: innovation requires diversity

Jeanne Liedtka argues that in any large organisation two basic mindsets are at play: a 'growth' mindset and a 'fixed' mindset. Both are needed for innovation, and indeed for the effective functioning of the organisation, but have different kinds of roles. For innovation to succeed within this context, people need to be able to work together across their differences:

- George (fixed mindset) needs Geoff to help solve complex or 'wicked' problems which cannot be solved by linear analysis
- Geoff (growth mindset) needs George because he can help Geoff see what could be wrong about ideas so they can be fixed before they launch and fail.



Liedtka, Jeanne and Tim Brown, "Designing for Growth" Columbia Press

# How innovation mind-sets and methods are developing to fit the public sector context

We were struck by some key ways in which innovation approaches are developing:

- Measures to increase impact across big systems:
  - Darden Business School: application of design thinking to strategy (and by extension, policy) (see slides above)
  - UNDP Innovation Unit: use of official 'innovation champions' located at different points across the system (including differing levels of the hierarchy) to promote innovation.
  - The work of the GovLab in using information technology to address public needs – at all levels: internationally; nationally and sub-nationally
  - The New York Mayor's office implementation of a strategic plan for New York, which drives connections between silos of government down to joined-up 'experiments' on the ground in localities and local neighbourhoods
- Developing the practice of design thinking to fit the public sector context:
  - A focus on how ethics should apply to design approaches (Innovation Unit, UK). Discussion with Jo Harrington, lead designer at the unit, revealed that he has done considerable thinking (and now teaches a course at Goldsmith University London) on ethics in design – the first time I had ever heard mention of ethics in context of innovation or design thinking. One key issue appears to be that, while methods such as ethnography (as practiced in anthropological research) have well-established rigour and practice designed to avoid violating trust or inflicting psychological harm on those being studied, ethnography as practiced by private sector businesses and consultants is a more popularised form, and may not have these safeguards. When applying such approaches to the public service – particularly in the social sector - this could pose significant risks to public trust, confidence and safety which we need to explore further and respond to.
- Aligning the focus of work to government priorities:
  - Behavioural Insights draws on behavioural economics to run experiments (using randomised control trial methods) in achieving public policy outcomes by 'nudging' peoples' behaviour. All their experiments are focused on the current government's austerity platform (that is, the trials measure impact in cost reductions).
  - The I-Zone in the New York Department for Education had, as its flagship project, a high profile initiative of previous Mayor Bloomberg which established a cadre of expert teachers and educational leaders to lead across the system.

A potential risk with both approaches relates to sustainability: the more a programme or methodology is identified with a particular government administration, the more its risk when political sponsors change.

# What drives success?

As noted above, it is still early days in application of methods such as design thinking to the public sector, and only glimpses of success can be seen yet. Nonetheless, some key conditions that at this stage seem important for gaining voice and impact across the system include:

- High level sponsorship: this was a key factor in establishment of the NYC Department of Education i-zone; the New York Deputy Mayor-driven children's cabinet and young men's initiative. We also saw how changing political sponsorship can change and unpick previous achievements.
- Ability of innovation leaders to connect simultaneously deeply inside the public sector system AND out beyond it to citizens and non-government actors: leaders we spent time with showed significant depth in both areas, although to varying degrees on both sides. Benjamin Kumpf, UNDP, appeared to use to great effect his depth of background in social activism along with capacity to connect in to the UNDP corporate infrastructure. Three leaders with very deep system connections in the UK, David Albury, David Halpern and Geoff Mulgan, established their leadership positions as part of the Prime Minister's Strategy Unit under Tony Blair, and have used their deep knowledge of the system to forge fruitful working relationships with the new administration. Leadership style is also critical, as discussed further below.
- Organisational / system context is also critical to having – and maintaining - fertile ground on which to innovate. All innovation leaders appeared to struggle with this to a greater or lesser degree. Sustaining permission over time appears a particular challenge. The Darden approach to design thinking, blending business management disciplines with design thinking, appears to be a promising approach in this regard. Its insistence on applying relatively light-touch agile-style project disciplines to design projects is intended to enable the kind of organisational 'cover' needed for management to support the necessarily messy, and at times chaotic, iterative work of design and innovation. Since my return, I have also identified a particularly useful framework for organisations to use in assessing what conditions are needed to support innovation – at the level of the individual, interpersonally, and how the organisation is governed and managed: <https://failforward.org/wp-content/uploads/2014/11/Innovation-Potential-Metric.pdf>.

# What does successful innovation leadership look and feel like?

We were privileged to benefit from research on innovation leadership which informed the Darden Business School course, and observe a number of innovation leaders in action, and discuss their practice with them. There were some striking similarities in styles, values and personal qualities. In a nutshell, the model of leadership is variously described as facilitative, collaborative, 'host leader', curatorial, in stark contrast to the more traditional 'command-control', visionary leadership styles. This sort of style appear common both for system leaders, who create the conditions within which innovation can flourish, as well as for those leaders who are leading innovation work itself.

David Jackson of the Innovation Unit UK, summed it up well, in the context of describing what he has learned from supporting development of education system leaders.

*"System leadership requires enacted rather than positional authority. Influence rather than control, modeling rather than directing. System leaders:*

- *are **journey-taking, journey-making and journey-shaping** men and women. They do not wait for solutions and plans before they act. They generate new perspectives and insights through enactment, through starting the journey. They learn their way forward with and through others*
- *have a **growth mind-set** and see the most complex challenges as learning opportunities – learning about the challenge, learning about the context, learning about the people and actors who populate the context.*
- *are **deeply relational** and can empathise with others' perspectives. They are deep listeners. This not only draws people to the work, it is also essential to the task and it enables system leaders to broker new relationships amongst diverse actors. Peter Senge tell us that 'changing systems is about changing the relationships amongst people who form those systems.'*
- *are **enrollers and capacity-builders**. System leadership is both an individual and a collective role. It expands its scope and influence through the collective. System leaders create opportunities for joint work and authentic analysis of past practices – both activities that can liberate creative energies and challenge historical assumptions. In so doing they also distribute leadership opportunities – creating space for new system leaders to grow.*
- *are **climate changers**. At one level this involves culture-building and the cauterising of toxic elements in the pervading culture. It also means establishing a climate of professional generosity and exchange. System leaders make professional learning and practice more public and shared (as has long been the case in law and medicine). A system will only thrive through the collective and cumulative contributions of multiple generous (gifted and gifting) participants and stakeholders.*
- *are **expert facilitators**. They draw together, enable, and open out, not instruct or command or demand or close down. Many system leaders have a repertoire of tools and protocols that can be used to encourage good process and to shift mental models that inhibit our creativity and sense of possibility. Such work builds collaborative capital and establishes trust. Whoever said that effective collaboration requires trust didn't quite frame it correctly. Good collaboration around real work issues builds trust.*
- *are **co-designers** and use co-construction to facilitate shared vision-building. There is much written about how activities like these contribute to building social capital and shared purposes, but system leaders know how to do this, not because they have a set of techniques that they have learned, but because it is a belief system that they live out. "*

## Where do innovation leadership capabilities thrive best?

We observed a number of different models for the location of innovation leadership – each with relative advantages, as well as disadvantages:

- Leading from the outside – as system ‘ex-insiders’ as well as system outsiders
- Leading from the centre of the system – as seasoned insiders, as well as outsiders
- Half-way between

While we also looked at a model of distributed leadership, used by the UK Head of the Policy Profession, we did not observe directly the distributed parts of the system.

# Outside-in and inside-out system leadership on innovation

## Leading from the outside



The leading innovation partner for public services



THE BEHAVIOURAL INSIGHTS TEAM

IN PARTNERSHIP WITH  Cabinet Office



## Leading from the centre of the system



UK Cabinet Office:



# Outside-in leadership



## What we saw

London: ex-insiders who can trade on their 'insider' networks and reputation to lead through influence

New York: Innovation experts from outside the system, who trade on the novelty of their expertise

A mixture of organisational structures: foundations; charities; consultancy models.

## What we learned

Trusted outsiders drawn 'inside' – but with limits (e.g. Policy profession: What works centres responsible for some delivery – and it helps if you're jointly funded by Govt!); Innovation Unit: capacity to transcend reactive contracting role)

Complete 'outsiders' struggle to lead strategically across the system and get beyond a reactive 'contracting' model

It's hard to get the 'real oil' on what's actually happening inside the system

# Inside-out leadership



## What we saw

Darden Business School MBA programme: Building innovation leadership into BAU through disciplined “business experiments”

UNDP

UK Cabinet Office Policy Lab: Promotion and training on innovation tools and methods

I-Zone, Department of Education, NY

## What we learned

The ‘centre’ needs to hold in tension stability and innovation (Geoff and George)

Locating innovation at the centre of the system can stimulate significant energy across the system (UNDP) – particularly if driven by outsiders with grass-roots cred.

Locating innovation leadership within an organisation but outside its strategic core can weaken its impact and increase vulnerability

It’s easier to foster ‘playing with innovation methods’ than to drive them into day-to-day practice

Walking the talk matters – being centrally located in the system provides entree, but all eyes are on performance.

Location with a ‘foot in each camp’, as is the case with the Behavioural Insights team (funded through private and public monies), appears to bring the benefits of both positions. The team is drawn into the public sector ‘fold’ and retains fresh insight and direct access to decision-makers and Ministers, while able also to exercise leverage and lobby from outside.

# 4 Learning and impact

Three key opportunities appear clear to me for the public sector system as a result of my experiences:

1. Innovative methods adopted from outside a system need to be adapted to that system to have powerful effect. Given the early stages of application of design thinking to policy, there are clear opportunities to extend the current body of knowledge by running our own experiments and reflecting on and sharing what we learn by doing this. We do not yet know for certain what aspects of design thinking and other innovation methods might make the most positive impact in the system in particular cases, and have an opportunity to build that knowledge through “acting to learn”. We need to build capabilities across the system in both ‘the basics’ and skills to adapt approaches to fit the context. A particular concern is how we build practice that is ethical – particularly in the social sector.
2. We need to develop ways to lead more constructive and powerful conversations across difference in pursuit of innovation: once conflict and different perspectives are invited into the room, what are productive ways of creating conditions for constructive dialogue? We need to experiment with different approaches to doing this if we are to get ahead of our all-too-frequent ‘lowest common denominator’ agreements. Experimenting with approaches, including those from outside our system might be productive: for example, the ‘critical response method’ used in the dance world, and Ruku Ao, from the drama field, a facilitative leadership programme for government officials provided by Toi Whakaari, the New Zealand School of Drama.
3. We need to work together – as a system – to build the conditions within which innovation can flourish.
  - It is not a matter of fixing on or ‘fetishising’ particular methods or tools, as all potentially have their uses – and limitations - in different cases. As Professor Liedtka points out, for many of the complicated problems we have, our well-established linear, analytical methods are entirely fit for purpose in helping us to identify new and better solutions, and novel methods are unlikely to be the most efficient. Even within the set of approaches we studied in our fellowship, we saw a potential danger: that fixing on any one method is likely to quickly fall prey to the wrong kind of mindset for an innovation culture: a “being smart is being right” mindset, rather than what is required: a learning mindset and experimenter’s disposition.
  - Locating innovation leadership in the system at its strategic heart appears important: locating it too far outside the system, or in the delivery areas of the system lessens its impact for strategic change, and can easily become an exercise in ‘playing around with methods’. However, as noted above, capacity to deeply connect upwards and across the system from the ‘centre’ then becomes a significant challenge in terms of practice and leadership style.

# 5 Programme

## Charlottesville, Virginia



Executive course: Design thinking for Innovative Business Problem Solving

<http://www.darden.virginia.edu/>

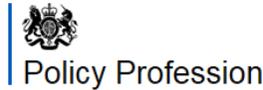
## New York



Discussion with 2 founders of the Department of Education innovation unit (i-zone). Currently undergoing restructuring

<http://thegovlab.org>  
<http://izonenyc.org>  
<http://www.nyc.gov/ceo>  
<http://publicpolicylab.org>  
<http://www.undp.org/innovation>

## London



<http://www.innovationunit.org>  
<http://www.behaviouralinsights.co.uk>  
<http://www.gov.uk/government/organisations/civil-service-policy-profession>  
<http://www.openpolicy.blog.gov.uk/>  
<http://whatworksgrowth.org>  
[www.eif.org.uk](http://www.eif.org.uk)  
<http://www.nesta.org.uk/>  
<http://www.instituteforgovernment.org.uk>

## Paris



<http://www.oecd.org/gov/public-innovation>  
<http://www.oecd.org/governance/observatory-public-sector-innovation>

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