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WHY MOTIVATION MATTERS IN PUBLIC SECTOR INNOVATION

Jo Casebourne

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About the author

Jo is responsible for Nesta's research and policy work on public sector innovation. She oversees the Alliance for Useful Evidence and has recently been responsible for projects on innovation teams in government, people-powered public services, diffusion of innovation in public services, complaints as spurs for innovation in public services, and labour market innovation. Jo has spent the last 15 years conducting research on public services, welfare-to-work, employment and skills, disadvantaged groups in the labour market and work-life balance issues. Jo tweets as [@jocasebourne](#), and blogs at: www.nesta.org.uk/users/jo-casebourne

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WHY MOTIVATION MATTERS IN PUBLIC SECTOR INNOVATION

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EXECUTIVE SUMMARY

There is a clear imperative to innovate in the public sector. Yet how to harness the motivation of public servants to innovate has been overlooked.

The last decade has seen the rise of behavioural economics and a growing interest in using it, together with behavioural psychology, to understand how behaviour influences everything from day-to-day life, to work, to how the economy functions. These insights are increasingly applied in policy and in thinking about how to get the most out of people at work. In parallel, 'Cultural Theory', the sociology of organisations, and institutional theory have transformed our understanding of what motivates individuals operating within groups and organisations, and how to harness that motivation. When thinking about how to motivate public servants to innovate, it's not enough to just rely on incentives for individuals, we also need to think about the culture of the society, organisations and institutions in which they are working.

These literatures give us key insights on how to harness intrinsic motivation to encourage public sector innovation. We know that public servants draw on intrinsic motivations in their work and that what drives them is a mix of altruism and more self-interested motives. We know that innovation is more linked to intrinsic than to extrinsic motivations.

We also know that the New Public Management model does not work in harnessing the motivation of public servants. Getting the balance right between rewarding intrinsic and extrinsic motivations is not easy. However, it is a lot more likely to be successful at encouraging innovation than a model based solely on extrinsic motivations, which does not take into account what actually motivates public servants to innovate and the balance between institutional cultures and individual motivations.

Creating the right cultures in organisations will help to overcome some of the barriers to public sector innovation, particularly those resulting from a lack of leadership, skills and capacity, and risk aversion due to a fear of failure. Appealing to public service norms, empowering employees, using incentives and performance appraisals, celebrating innovation through awards, and being careful with the use of extrinsic motivations are all sensible and evidenced approaches to harnessing individual motivation to innovate.

Harnessing prosocial motivation, for instance showing public sector employees the prosocial impact of their work by enabling them to meet the beneficiaries of their work, can increase both performance and innovation in the public sector. However, the disconnect between the behavioural, cultural and public service motivation literatures and those seeking to support public sector innovation means that we have not systematically applied these insights.

There are also some big gaps in our knowledge about what works in particular circumstances. We don't know enough about how to harness the motivation of public servants to innovate. We need to get more granular in our understanding of how to harness motivation for innovation in different parts of the public sector, for different types of staff, for different kinds of innovations from incremental to radical, and at different stages of the public sector innovation process.

There are a number of ways of filling these gaps in our knowledge. We need to rigorously test ways of harnessing the motivation of public servants to innovate. We need to design experiments in the UK public sector to see what works best. These could include:

- Testing the way an organisation's mission is framed and the impact that has on innovation.
- Testing whether beneficiary contact makes it easier for public servants to see the prosocial impact of their work and whether that impacts on innovation.

We also need to rethink the design of the selection process for public servants to take into account motivation, as well as rethinking the way public servants' development is supported. We need to make sure management practices reflect the insights presented here. Collecting case studies of where this is being done well in the UK and around the world could provide inspiration to others trying to harness motivation to encourage innovation.

Staff will determine the success or failure of getting innovation to the heart of the next generation of public services. Harnessing their motivation will be a critical component of a new model of public sector innovation.

1. WHY WE NEED PUBLIC SECTOR INNOVATION

PUBLIC SECTOR INNOVATION

Public sector innovation involves creating, developing and implementing practical ideas that achieve a public benefit.¹

The lack of seriousness about public sector innovation is striking, and contrasts starkly with the worlds of science and technology (Mulgan 2009). Public sectors across many OECD countries face major productivity challenges, but most innovation funding and attention has not been directed towards trying to address the most pressing social, economic and environmental challenges. Meanwhile, demands and expectations of what public services can and should deliver are rising (Mulgan 2014).

There is clearly an imperative to innovate in the public sector. Public sector innovation matters for a number of key reasons (Potts and Kastle 2010):

- Size of public sector – the public sector makes for a large percentage of GDP in many countries. Public sector innovation can affect overall productivity growth by reducing the cost of inputs, increasing the value of outputs and through better organisation.
- Need for evolving policy to match evolving economies.
- The public sector sets the rules of the game for private sector innovation.

But public sector innovation can be hard. Public services deal with complex problems and have contradictory and multifarious demands. They need to respond quickly, whilst balancing the need for security and continuity, and must be transparent and accountable. Those trying to innovate within the public sector can face a number of barriers:

- **A lack of champions or innovation leadership** (Bason 2010, European Commission 2013).
- **Reward and incentive systems** as well as **targets and performance management processes** that don't support innovation. Government promotions rarely reward innovative staff, public sector culture often rewards people for 'turning the gears of bureaucracy rather than improving the overall machinery', and there is often a lack of incentives for encouraging new thinking among employees (Kohli and Mulgan 2010).

- **Risk aversion limits experimentation** (Hambleton and Howard 2012, Townsend 2013). Fear of failure can hold back innovators and restrict the spread of promising innovations.
- **A lack of dedicated budgets and teams** to facilitate innovation.
- **Limited knowledge and application of innovation processes and methods** (European Commission 2013).
- **Departmental silos**. In many countries the public sector is highly sectoralised, vertically and horizontally, and organisational silos remain a significant challenge (Carstensen and Bason 2012). Collaboration across departments remains difficult despite efforts at 'joined-up government' (Queensland Public Service Commission 2009).
- The **way money is allocated** to public sector organisations can dampen the desire to innovate (Kohli and Mulgan 2010).
- **Political leaders are encouraged to push for ideas that are popular with voters**, sometimes at the expense of more effective proposals (Kohli and Mulgan 2010).

A lot has been written on the role of leadership, building skills and capacity, and experimentation and risk in enabling public sector innovation. But how to harness the motivation of public servants has been much less examined in the literature on public sector innovation.

Public sector innovation has not caught up with developments in behavioural economics and psychology, or in 'Cultural Theory',² the sociology of organisations, and institutional theory. Together, these have transformed our understanding of what motivates individuals operating within groups and organisations, and how to harness that motivation. We now need to better understand how to motivate public servants to innovate and what enabling conditions, cultures and incentives are needed to do so. How can we learn from these literatures about what might work in the public sector?

2. WHAT DO WE KNOW ABOUT INDIVIDUAL MOTIVATION AND BEHAVIOUR?

BEHAVIOURAL ECONOMICS

Behavioural economics applies psychological insights into human behaviour to explain economic decision making.

The last decade has seen the rise of behavioural economics and a growing interest in using it, together with behavioural psychology, to understand how behaviour influences everything from day-to-day life, to work, to how the economy functions. These insights are increasingly being applied in policy and in thinking about how to get the most out of people at work. So, what do we know about individual motivation and behaviour?

a. Flow

In his classic book *Flow*, Mihaly Csikszentmihalyi (2002) defines flow as the state in which people are so involved in an activity that nothing else seems to matter. He describes how there is a difference between pleasure and deep enjoyment, which occurs when you're confronted with a task that you have a chance of completing, can concentrate on what you're doing, and have clear goals and immediate feedback.

Csikszentmihalyi describes how deep but effortless involvement removes the worries and frustrations of everyday life, and gives you a sense of control. Your sense of self disappears (but returns more strongly afterwards), as your sense of time is altered. Enjoyment really appears at the boundary between boredom and anxiety – when challenges are perfectly balanced with a person's ability to act.

In his book *Redirect: the surprising new science of psychological change*, Timothy Wilson (2011) also stresses the importance of making time in our lives to pursue what gives us a sense of purpose. Whilst this seems obvious advice, he argues that people often forget to follow it when choosing careers or how to spend their free time.

There is good news when thinking about flow and purpose in a work context, as jobs are actually easier to enjoy than free time. Like flow activities, they have built in goals, feedback, rules and challenges (Gardner et al., 2002). Work can be designed to give people a sense of purpose and to help them to achieve a flow-like state, at least some of the time.

b. Intrinsic and extrinsic motivation

INTRINSIC AND EXTRINSIC MOTIVATION

There are two forms of motivation: intrinsic motivation that is driven by an interest or enjoyment of the task itself, and extrinsic motivation where external incentives such as financial reward are used to motivate people to act.

Clay Shirky (2011) has argued that intrinsic motivations are fundamental to human nature and that satisfying them satisfies us. People gravitate towards experiences that they find rewarding.

He argues that behavioural psychology and economics have shown that people's behaviour cannot be fully explained by their response to markets. We don't act rationally in the way traditional economics expects us to and money can actually remove intrinsic motivations to do something. Shirky shows how people behave differently if they are doing something for love or money, and how their attitude to something changes if they are being paid.

Drive by Daniel Pink (2011) also draws on the traditions of behavioural economics and psychology to argue that business has not caught up with what we now know about what motivates individuals. He gives powerful examples of why carrot and stick approaches often don't work, as the desired behaviour tends to disappear once incentives are removed. Instead people need autonomy, to work towards mastery (striving to get better at something), and purpose (feeling they are contributing to a purpose greater than ourselves).

c. Creativity

CREATIVITY

Any act, idea or product that changes an existing domain, or that transforms an existing domain into a new one.³

In Creativity: The psychology of discovery and invention (Czikszentmihalyi 2013) Mihaly Czikszentmihalyi builds on his earlier work (Czikszentmihalyi 2002 and Gardner et al., 2002) to examine what we really mean by creativity.

Creativity was originally conceptualised in the literature as an enduring and stable personality trait but over time this conceptualisation has changed and the importance of intrinsic motivation being conducive to creativity has been recognised (Amabile and Pillemer 2012, Anderson et al., 2014 and Hennessey and Amabile 2010).

Amabile (1998) has argued that creativity is made up of thinking imaginatively, expertise and motivation. Expertise and creative thinking are the raw ingredients, but motivation determines what someone will actually do. One of the key findings of a major review of the literature on creativity was that:

“ People are most creative when they are motivated primarily by the interest, enjoyment, satisfaction, and challenge of the work itself—i.e., by intrinsic motivation. ”

(Hennessey and Amabile 2010, p590)

Runco (2014) argues that innovation is the implementation of creativity by bringing new ideas into use. So, whilst innovation depends on creativity, creativity and innovation are not the same thing. Innovation is one application of creative thinking, but creative thinking is not necessarily innovative. He argues that those who want innovative employees should employ people with creative potential and should encourage creative thinking.

Amabile (1998) highlights how there are a number of managerial practices that affect creativity:

- **Challenge**, the right level of stretch.
 - **Autonomy** to choose one's own way of working towards stable goals.
 - **Resources**, allowing time for exploration.
 - Work group features, such as having **diverse teams** rather than homogenous ones
 - **Supervisory encouragement**, and **organisational support** for experimentation and creativity.
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3. WHAT DO WE KNOW ABOUT GROUP MOTIVATION AND BEHAVIOUR?

a. Group motivation

CULTURAL THEORY

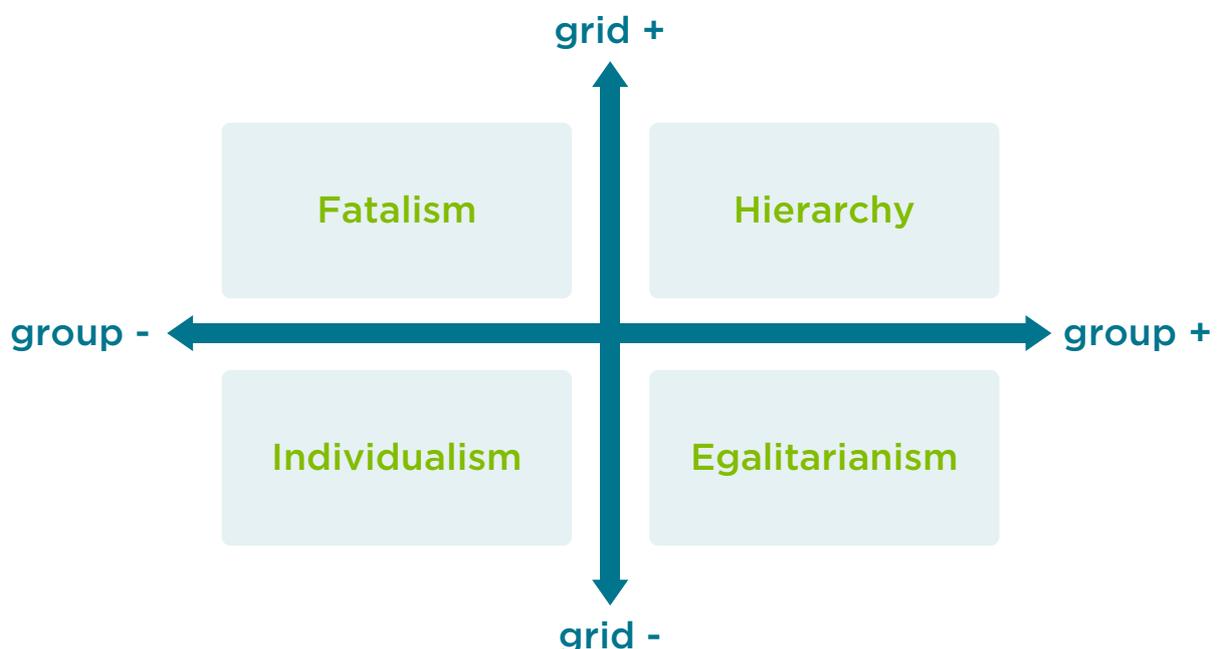
Cultural Theory examines how culture as shared language, values, symbols, attitudes, beliefs, ideals, norms, skills, customs, and world view shapes how individuals behave and what motivates them.⁴

Those writing about flow, intrinsic and extrinsic motivation and creativity draw on traditions of behavioural psychology and focus on the individual as the unit of analysis. For them, culture may be seen as a simplistic agglomeration of individual behaviours, values and beliefs. In contrast, anthropologists see culture as an important domain and view individual motivation as a function of the larger society that individuals are members of (Munro 1997).

Cultural Theory treats the organisation or group as the unit of analysis, examining how culture as shared language, values, symbols, attitudes, beliefs, ideals, norms, skills, customs, and world view (Wedenoja and Sobo 1997) shapes how individuals behave and what motivates them.

Grid-group cultural theory emerged with the work of anthropologist Mary Douglas at the beginning of 1970s. Its main claims are that culture matters and that there are a limited number of cultural types – combinations of interpersonal relations, cultural biases and behavioural strategies (Mamadouh 1999). Any culture can be mapped on two dimensions known as grid and group in a simple two-by-two matrix (Mulgan 2007b) (see Figure 1).

Figure 1 Grid/Group Cultural Types



The group dimension is the degree to which individuals understand themselves to be incorporated into, and defined by, bound units. The grid dimension is the degree to which patterns of interactions in individuals' lives are ruled by externally imposed prescriptions like rules, norms, laws and traditions (Jenkins-Smith 2012). This leads to four main cultural types within the two-by-two matrix that guide individuals, which proponents of the theory argue can be applied anywhere at any time, because the two dimensions are universal.

The first of these cultural types is **Hierarchy** (high grid/high group). People in this type put the welfare of the group before their own. They are very aware whether other people are members of the group or are outsiders. They like people to have defined roles and put great value on procedures, authority, stability and order.

At the opposite side of the two-by-two matrix is **Individualism** (low grid/low group). These people experience little if any group identity, do not feel bound by structural prescriptions, dislike constraints, and tend to think that people should fend for themselves.

In between these two extremes is **Egalitarianism** (low grid/high group). These people seek strong group identities and prefer minimal external prescriptions. They tend to want a society based on equality within a group rather than one defined by rank and status. They have a powerful sense of social solidarity and vest authority within the community.

Finally, and also in between these two extremes, is **Fatalism** (high grid/low group). These people feel subject to binding external constraints and feel excluded from the membership of groups. They believe they have little control over their lives and are ruled by chance, not choice.

b. Organisations, institutions and professions

How do these cultural types relate to motivation? The view here is that societies and organisations shape our beliefs or as Mamadouh puts it: *"In a way institutions do the thinking for us"* (1999, p397). Thinking about cultural types helps us make sense of differences in how people see the world, and what motivates and drives them. Mulgan (2007b) argues that government culture tends towards hierarchy, but that the best institutions and societies achieve a rough and ready balance between the different cultural types. When thinking about how to motivate public servants to innovate, it's not enough to just rely on incentives for individuals, we must also think about the culture of the society, organisation, institution and profession in which they are working.

Michel Crozier published *The Bureaucratic Phenomenon* in 1964 (Crozier 1964, Grey 2012) establishing the sociology of organisations and developing an approach to the study of them. When thinking about individual motivation it's important to recognise that individuals are acting within organisations and face constraints, which limit their level of agency. This is not to say that people in organisations have no agency, but rather that how motivated an individual is will depend on the organisational context that they are working within, and how easy it is to find the spaces to exercise inventiveness. This is the 'wiggle room' within organisations in general, and bureaucracies in particular, where individuals can exercise their intrinsic motivation.

In his study of organisational change in government, Kelman (2005) described how organisations may resist change because there is an inherent tension between organising and innovating. Organisations develop structures, training, a culture and incentives to do their current job well. But this commitment to, and identification with, current practice has consequences for the ability of an organisation to change. Change upsets power relationships and repeated exposure to the status quo makes it hard for people to hear signals for change. He argues that bureaucracies in particular resist change as rules and hierarchy stifle innovation. This is greater still in government organisations as resistance is easier given the turnover of political leadership, and because failure is punished more than excellence is rewarded. Goals may be vague and multiple, making following the rules and having strong hierarchies more important.

In this organisational context individuals may resist change because:

- Behaviours can become embedded as **habits** that are hard to break with.
- The organisation **rewards behavioural consistency**.
- The **exposure effect** means people like what they are used to and are suspicious of upheavals.
- Change may have a **personal cost**, individuals may lose something through it, or at very least may need to spend time learning something new.
- People underestimate the **gap between actual and desired performance**.
- Institutional theory (a branch of political science) includes studies of how 'institutional logics' can influence behaviour and motivation. Institutional logics are the cultural beliefs and rules that shape the behaviours of actors, thereby defining the meaning of organisations (Dunn and Jones 2010). Although clearly highly related, this literature has had little interplay with the literature on cultural studies of organisations (Hinings 2012). Studies of institutional logics focus on professional motivations and behaviours, and how where and with whom workers identify causes their motivations to shift.

Hinings (2012) describes how this field has seen an increasing interest in beliefs, values and systems of meaning, how they are shared between actors and shape fields, organisations and institutional work. This has shown the role of professions in shaping motivation, and how organisational subcultures can shape innovations and behaviour.

Dunn and Jones (2010) have shown how professions have sets of shared rules and beliefs and plural logics that provide actors with vocabularies, identities, and rationales for action. These logics are not fixed and can change over time, and are supported by distinct groups and interests.

4. WHAT DO WE KNOW ABOUT MOTIVATION IN THE PUBLIC SECTOR?

Having looked at how motivation works at the individual and group level, what do we know about how motivation works within a public sector context?

a. How motivation works in the public sector

Our assumptions about what drives public servants are important, as they guide the systems we put in place to try and motivate them. We tend to think of public servants as either ‘knights’ or ‘knaves’ (Le Grand 2006). If we think of public servants as knights driven by altruism to serve the public then we design systems to support them and to appeal to their values. If we assume public servants are knaves driven primarily by their own interests who are not to be trusted, then we must match the pay of the private sector and design extensive inspection and regulation systems to ensure they behave as policymakers want them to do (Le Grand 2006, Mulgan 2009). What does the evidence tell us about what actually drives public servants?

Altruism is indeed a strong driver for those working in the public sector. Since Richard Titmuss (1971) first studied the altruism involved in giving blood, we’ve known that altruistic motivations are powerful drivers, and can take a variety of forms, such as compassion, duty or a desire to conform. We also know that people contribute more to the provision of public good than is explained by pure self-interest (Crewson 1997) and that altruistic service motivations are alive and well in the public sector.

Studies have confirmed that those working in the public sector rank being of service to the community more highly than personal gain. This is (to a lesser extent) born out by their actual behaviour (Le Grand 2006, Mulgan 2009, Steele 1999). However, this research also shows that public servants are not driven by altruism alone. Altruism combines with more self-interested motivations, and the way these combine affect behaviour in different ways (Le Grand 2006). Thresholds, levels and doses matter – people are altruistic only up to a point and they then require other rewards (like recognition, autonomy or a good work-life balance) to sustain altruism (Mulgan 2009).

In their study of the literature on public service workforces, Needham et al., (2014) describe an altruistic ‘public service ethos’ that captures intrinsic motivations as distinct from extrinsic motivations such as reward or fear of sanctions. However, this ethos still sits alongside motivations that advance an individual’s self-interest, such as the self-esteem that comes from working in the public interest. They argue that:

“ Better understanding the bundle of incentives that motivate people to serve the public is part of the workforce challenge for 21st Century public services. ”

(Needham et al., 2014, p6).

Wong et al., (2010) examined the changing motivations of individuals in the modern employment 'deal'. They found that frontline public sector workers had complex, multi-faceted motivation that reflected their identification with different 'levels' of the organisation (their team, their profession, their unit (e.g., hospital or University), and their system (e.g., police or social work). These motivations could conflict with each other, for instance when putting public service ethos (e.g., the needs of service users or professional pride) before the needs of a service to cut costs.

Rosenblatt (2011) argues that understanding different types of motivation means knowing which incentives to use to tap into motivation:

“ One of the most important questions to ask is what makes employees want to innovate, and how can it be built upon to achieve the goals of the organisation? ”

(Rosenblatt 2011, p209)

Motivation is the force that energises, directs and sustains behaviour (Perry and Hondeghem 2008), but in different circumstances and times, people act according to different motivations. We know that public service employees who are intrinsically motivated tend to have higher levels of organisational commitment, and greater productivity, which improves overall organisational performance (Crewson 1997). But motivations can change over time and what starts as extrinsic can become intrinsic (Rosenblatt 2011). Local social norms – such as what constitutes fairness – and cultural traditions will affect public service motivation, and these vary from society to society (Perry and Hondeghem 2008).

In their review of 20 years of research into public service motivation, Perry and Hondeghem (2008) found four types of individual orientations or identities:

- **Samaritans** who empathise with underprivileged people.
- **Communitarians** put civic duty and public service at the core of their identities.
- **Patriots** are focused on doing their duty and working for the public good.
- **Humanitarians** are most interested in social justice.

They also describe how institutions impart rules and norms that shape values and guide behaviours. Whether public service motivation actually drives behaviour will depend on a number of factors, such as alignment with incentive systems and factors such as goal content and goal intensity. However, little research has studied how work environments can cultivate public service motivation (Grant 2008).

b. Why the New Public Management model doesn't work

NEW PUBLIC MANAGEMENT

New Public Management describes government policies, from the 1980s onwards, which aimed to modernise the public sector and make it more efficient.

The way incentives were designed within the public sector through the era of New Public Management (NPM) – characterised by efficiency, accountability, performance measurement and rational planning – was based on understanding public servants as knaves, and using a market driven model relying almost exclusively on extrinsic motivation to incentivise public servants.

However, there is a growing recognition within the public service motivation literature that the market model with its reliance on extrinsic motivators such as performance-related pay may crowd-out intrinsic motivation and 'public service ethos' for those working in the public sector (Burgess et. al., 2002, Kidson 2013, Perry and Hondeghem 2008, Pink 2011, Wright 2007).

The NPM model can lead to measured goals replacing traditional norms, 'If I do this, I get that' makes people focus on the 'that' not the 'this' (Perry and Hondeghem 2008). Individuals with strong intrinsic motivations are likely to provide valuable behaviours that the NPM model does not encourage, such as cooperation, interpersonal citizenship behaviour, greater commitment and greater productivity (Perry and Hondeghem 2008). The NPM model can lead to people feeling resentful and not trusted. It risks de-motivating public servants completely (one Dutch study found the closer the level of supervision, the less work effort), as they become less committed to the service, or worse, as they turn from knights into knaves and become more likely to pursue their own self-interest (Le Grand 2006).

Adopting this model is increasingly being seen as inappropriate and indeed, counterproductive (Osborne and Brown 2011, Sorensen and Torfing 2012, Townsend 2013). As Crewson (1997) points out:

“ The use of monetary incentive systems remains a dominant feature in public organisations even though their utility continues to be debated by the academic community. ”

(Crewson 1997, p499).

“ Both this research and earlier research consistently show that public sector employees have different motivations and expectations than their private sector counterparts. ”

(Crewson 1997, p514).

British longitudinal data from the NHS and higher education also found that individuals are attracted to the public sector by intrinsic rather than extrinsic rewards, but found evidence that extrinsic rewards were crowding out intrinsic ones:

“ Our findings reveal that extrinsic rewards such as earnings, job security and working hours are either insignificant in influencing the transition probability into the public sector or they exert a negative effect. ”

(Georgellis et al., 2011, p17⁵).

Given the very different institutional environments, and the different incentives to innovate, simply transferring lessons from a market-driven model into the public sector was unlikely to be an effective approach. Unlike the private sector, the public sector is not driven by having to add value to the consumer and does not need to change and reinvent itself in order to survive (Potts and Kastle 2010, Townsend 2013).

However, in the private sector too, there is an increasing recognition that people are searching for meaning in their jobs, and are not driven by extrinsic motivations alone. Many successful companies have realised that it is not the prospect of bonuses and promotion, but the freedom to experiment and develop, which are the key motivational factors for staff.

It is not possible to simply roll-back the NPM model which is now deeply enmeshed in public services. Neither is it sensible to become nostalgic for traditional bureaucracies, some aspects of which also crowded out intrinsic motivations (Perry and Hondeghem 2008). Instead, some have suggested that science (which straddles both the public and private sector) offers a better model of how to motivate public servants to innovate and to encourage risk and experimentation (Potts and Kastle 2010). There are a number of key similarities between science and innovation in the public sector (Potts and Kastle 2010):

- Both have **reputational capital**. Risk-taking in science and in the public sector is rewarded by career advancement rather than money.
- Both are **inherently conservative** and new frameworks only arise when existing ones are sufficiently challenged.
- **Controlled experimentation** occurs in both science and public sector, to **minimise unintended harm** rather than to maximise expected value-added.

5. HOW PUBLIC SERVICE MOTIVATION CAN BE HARNESSSED TO ENCOURAGE INNOVATION

So what does all of this mean for how public service motivation can be harnessed to encourage innovation?

a. Developing a culture of innovation in public sector organisations

Leadership

Innovation leadership is critical in creating a shared vision and setting the tone for an organisation, inspiring and enabling execution. Bason (2010) has described four different types of innovation leadership roles:

- The **visionary** (politician).
- The **knowledge engineer** (institution head) – they can embed co-creation within their organisation.
- The **enabler** (top executive).
- The **360 degree innovator** (mid-level manager). Middle managers are critical as they are managing down, up, and out – both within (to colleagues) and outside of their organisation (to external stakeholders). This means that they can drive innovation in these four directions and are the ones that ensure that things actually get done.

There are a number of things that leaders can do to encourage innovation. They can help improve awareness of innovation, set the right incentives, help to overcome bureaucracy and ensure that proven innovations are spread (European Commission 2013, Hambleton and Howard 2012).

Crucial to all of this is creating a shared vision and setting a tone that encourages innovation. Leaders can do this by demonstrating emotional commitment and modelling appropriate behaviour. This can help to change a prevailing culture that has discouraged innovation and can help to manage people's fears of change or failure. It can also help to 'spread the spirit of innovation' (Hambleton and Howard 2012).

Leaders can build the skills and capacity needed for public sector innovation such as getting the right people in, identifying latent talent, empowering emerging leaders whom they recognise as having strong collaborative skills, and giving them permission to take initiative, explore and experiment. This means empowering the 360 degree innovators (Bason 2010) or 'boundary-spanners' who can work between organisations, between levels of the organisation and between sectors (Hambleton and Howard 2012, p37).

Leaders can also encourage risk and experimentation, insulating innovators from potential attack from vested interests and the media, to ensure that an innovation is given time to develop and take root, or to fail and start afresh. Leadership is therefore about ‘giving people the encouragement to experiment along with permission to fail’ (Hambleton and Howard 2012, p40).

This all requires a different leadership style from more traditional approaches to developing and implementing public policy (Christiansen and Bunt 2012), one that adopts a transformational, rather than a transactional, approach:

“ This means exhibiting a kind of behaviour that engages with people’s emotions, passions, enthusiasms and fears, rather than leading through the logic of incentives and bartering. ”

(Hambleton and Howard 2012, p38).

Building the capacity and skills needed for innovation

Future public services will require a different set of workforce roles from those in the past and these roles will be more ‘relational’ (Needham et al., 2014). What kind of public servants are good at relationships? Mulgan argues that:

“ Relational approaches require skills that are distinct from those of management and delivery. They require greater empathy, a better ability to see things from the point of view of others, stronger skills in both communication and listening, and skills of mobilisation, including particular skills in how to organise coalitions for change, particularly where the goal is to change cultures. Management becomes as much about mobilisation as about control through the line. Most of these skills are better learned by experience and reflection than by formal pedagogy, since they involve judgment about people. ”

(Mulgan 2012, p29).

For public sector innovation to flourish, as well as having a relational approach, public servants will need a new range of skills. The competencies and mind-sets needed for innovation are not the same as those required for stable, daily operations and frontline service delivery (Cartensen and Bason 2012).

Encouraging experimentation

Creating a culture to support innovation also means putting experimentation at the heart of the public sector (European Commission 2013, Christiansen and Bunt 2012) and challenging negative attitudes to risk and failure.

There is good reason that the public sector has a cautious attitude towards risk and failure. Public sector innovators face the political consequences of failure and have to contend with social equity issues when experimenting in a way that private sector innovators do not (Potts and Kastle 2010). There is also understandable 'loss aversion' in the public sector, as the personal cost of being associated with failure is more severe and certain than the potential benefits of being associated with success. This can mean it is safest to stick with the status quo (Townsend 2013). It's also harder to know if risk is paying off, as it's harder to find quantitative metrics in the public sector (as you can't just look at profit) (Townsend 2013).

Recent research has shown a number of different forms of fear arising from perceptions of risk (Hambleton and Howard 2012, p39):

- **Fear of failure** – of what happens if things go 'wrong'.
- **Fear of departing from the norm** – 'best practice' can discourage fresh thinking.
- **Fear of freedom** – becoming too dependent on rules and procedures, and losing confidence in your own judgement.
- **Fear of the new** – of not being able to cope in unknown situations.
- **Fear of friction with colleagues** – that not everyone else is 'up for this'.
- **Fear of 'the other'** – being used to working with colleagues like oneself (such as other local authority professionals).

Reliance on New Public Management (NPM) models also contributed to the stamping out of risk in the public sector. The relentless focus on efficiency crowded out innovation, as the same static approaches were maintained in constantly changing environments. This meant that services became less effective over time (Townsend 2013). NPM also promoted competition rather than collaboration between managers, and suppressed knowledge and competencies, whilst tailored budgets made it hard to experiment with innovative alternatives. Failed experiments were seen as a waste of resources (Townsend 2013), though ironically ossification of services or the rolling out of untested approaches were not.

Challenging this perception of risk and becoming an experimental government is a key element of an innovative public sector (Mulgan 2009). Research has shown (Potts and Kastle 2010, Queensland Public Service Commission 2009, Townsend 2013) that this can be done by:

- **Leadership taking responsibility for failure** so that employees feel safe to experiment and take risks.
- **Reward structures aligned with the potential benefit** of the innovation results and not just an acknowledgement of the cost.
- **Recognising staff successes**, even in project failures.
- **Building narratives** about successful innovative risk-taking.
- Providing **greater training/emphasis on risk management**, rather than risk avoidance.

b) Harnessing the motivation of individual public servants to innovate

Harnessing intrinsic motivation

“*Motivating professional public servants to be innovative requires careful consideration of the range of incentives and disincentives that operate simultaneously within an organisation, both intrinsic and extrinsic.*”

(OECD 2014b, p15.)

How public sector organisations can cultivate motivation has been overlooked (Grant 2008). But there are some lessons in the literature on how public sector managers can apply what we know about public sector motivation to encourage innovation. Managers need to appeal to and inculcate public service norms and values as a basis for guiding behaviour (Perry and Hondeghe 2008). This means:

- Looking for those driven by **intrinsic motivation when recruiting**.
- Supporting people to **learn the organisational values** (that are consistent with employees' public service values) on joining.
- Structuring jobs so that **employees can see the prosocial impact** of their work.
- Showing **how tasks connect to the larger mission**.
- Allowing employees an increased **role in organisational decision making**.
- **Valuing appropriate behaviours** within appraisals.

But will such management practices actually encourage innovation? It seems so. In a literature review to understand the characteristics and behaviours associated with innovative people in organisations, Patterson et al., (2009) found that innovative people are intrinsically motivated by change and that extrinsic rewards do not necessarily enhance innovation. This is also the case within a public sector context. Recent research has shown that in the public sector, intrinsic motivations are positively related to innovation (whereas evidence of a positive relationship between innovation and extrinsic motivations is mixed) (Rosenblatt 2011).

Fernandez and Moldogaziev (2012) have studied how employee empowerment can be used to encourage innovation in the public sector. They found that empowering frontline staff to exercise their judgement, giving them skills and resources to get the job done and holding them accountable for results, led to employees working harder and trying to improve their performance by seeking out new and better ways of doing things. In this review of innovation among frontline employees in the US government, Fernandez and Moldogaziev found that communicating goals and priorities to employees and offering feedback encouraged innovation. Giving people discretion to change work processes and giving them opportunities to acquire job-related knowledge and skills also encouraged them to innovate (using inclination to innovate as a measure, rather than whether they actually had come up with an innovation).

In his study of leading public sector innovation, Bason (2010, p130) suggests three ways of building both intrinsic and extrinsic motivation:

1. **Building incentives for innovation** into organisational, team and individual targets and metrics.
2. **Tying at least some part of salary/bonuses/career development to metrics.**
3. **Celebrating and valuing innovative thinking** and results publicly (e.g., through awards).

He argues, however, that the most powerful motivator may be supporting and inviting people to innovate and then acting on their ideas.

Performance appraisal can also help to harness motivation to innovate. Mulgan (2009 and 2012) highlights how quite a few public services are moving towards a dual system of appraisals, with one part focusing on outputs and outcomes, whilst the other examines relational performance (measured through 360-degree feedback, including from stakeholders).

In a similar way to which prizes have been used to recognise, reward and encourage innovation in science, one way of incentivising intrinsic motivation to innovate in the public sector is through the use of innovation awards (Queensland Public Service Commission 2009, Bason 2010, Puttick et al., 2014). In the UK the Civil Service Awards celebrate the achievements made by civil servants ‘as they strive to lead, drive efficiency, think innovatively and help build a better government’.⁶ Awards have been shown to encourage innovation and recognise accomplishment (although they can be a de-motivator if leaders have not clarified the type of behaviour they intend to encourage) (Rosenblatt 2011). Awards are also an important way of overcoming risk aversion. By providing widespread publicity, acknowledgement and retelling of innovation risk-taking examples, organisations can move toward a more positive perception of risk (Townsend 2013, p30).

Which brings us to the thorny question of extrinsic motivations and how to handle pay and reward. If not handled carefully, pay can erode intrinsic motivations and getting the balance right between rewarding intrinsic and extrinsic motivations is difficult (Le Grand 2006). Pay as a motivator and signaller has to be used with great care. Relativities should not be too visible and the right balance is needed between individual and team performance (Mulgan 2009). Townsend (2013) has argued that:

“ To encourage experimentation, the recognition or even the adoption of innovation, a public manager must see it as both beneficial personally and to the public good. This requires a reward structure that is aligned with the potential benefit of the innovation results and not just an acknowledgement of the cost. ”

(Townsend, 2013, p31)

Harnessing prosocial motivation

PROSOCIAL MOTIVATION

The desire to benefit others, which encourages people to consider others' perspectives.⁷

“*Intrinsic motivation can be impacted by the way that staff are made aware of the impact of their work – how close they are to the beneficiaries of the policies that they develop, how they see value created as a result of their ideas and their labour.*”

(OECD 2014b, p15.)

Protecting and promoting the wellbeing of other people is a universal value. Research shows that when employees have beneficiary contact, they perceive greater prosocial impact, as they can see and understand the tangible, meaningful consequences of their contributions for other people (Grant 2012).

But public sector employees often lack opportunities to see the prosocial impact of their jobs and rarely see first-hand how they have made a difference to people's lives. Instead they are often exposed to extensive negative feedback (Grant 2008). Leadership alone is not enough to deal with this problem. A vision needs to be more than rhetoric and to establish the prosocial impact of a vision, even transformational leaders may need more than words. Grant has argued that people need actual exposure to the human beings affected by their contributions (Grant 2012). Messages highlighting prosocial impact are more compelling when delivered directly by beneficiaries. Beneficiary contact makes the people effected more cognitively accessible and emotional vivid – it makes the vision more tangible (Grant 2012).

A number of experiments have been conducted that have proven the link between beneficiary contact and performance in the public sector. A longitudinal experiment in a university fundraising organisation showed that those who interacted with a beneficiary displayed significantly greater persistence and job performance a month later (Grant et al., 2007). Fundraising callers meeting a fellowship student who benefitted from the funds significantly increased the amount of donation money compared to a control group (Grant 2008).

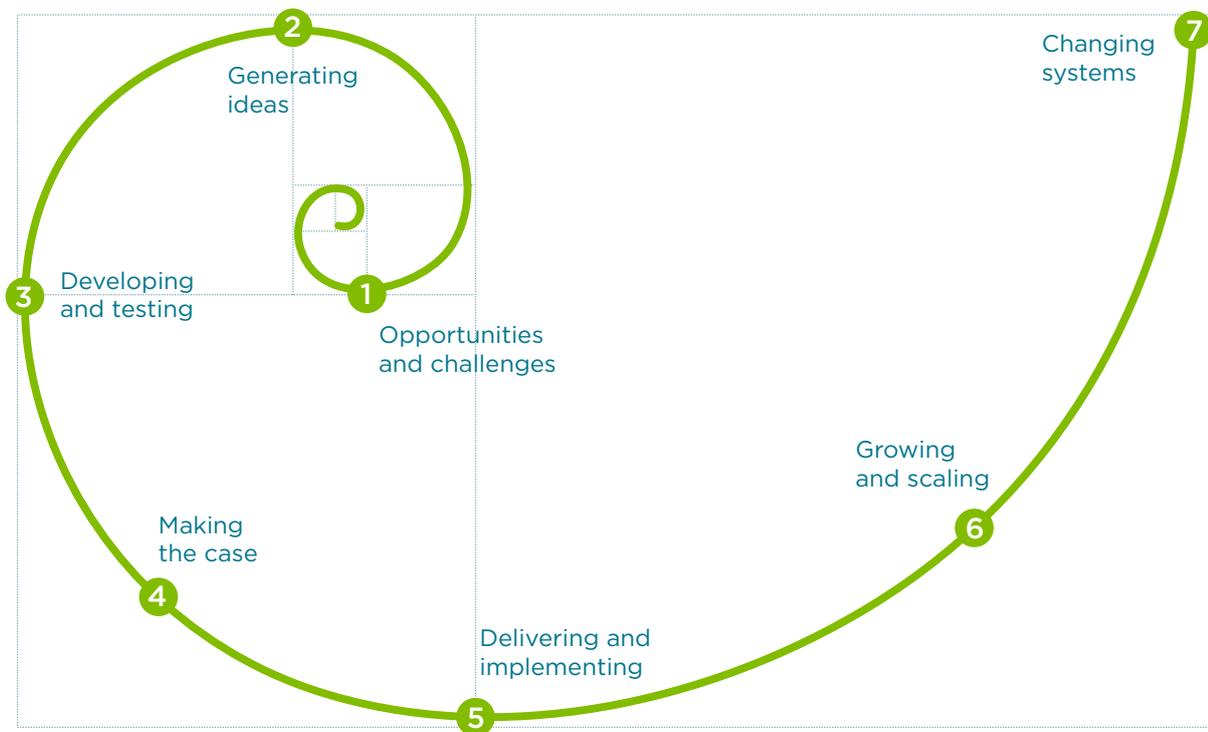
But it is not just performance in the public sector that improves through harnessing prosocial motivation. The relationship between creativity, innovation and intrinsic motivation is also enhanced by prosocial motivation (Grant and Berry 2011). Intrinsically motivated employees use interest to determine which ideas to pursue and that leads them to novel ideas, but not necessarily useful ones (as they engage in exploration and view new ideas as ends in themselves) (Amabile and Pillemer 2012, Grant and Berry 2011). However, when employees focus their attention on others they are more likely to come up with *useful* things – creativity rather than just novelty. Public sector managers need to cultivate conditions for prosocial motivation as well as intrinsic motivation if they want to support and encourage creativity and innovation (Grant and Berry 2011).

Getting granular about harnessing motivation

However, all of this only tells us how to harness motivation to encourage public sector innovation at a general level. We know little about what works in particular circumstances.

The mechanisms needed to harness motivation to innovate will surely be different in different parts of the public sector. How to do this in health is likely to differ from how best to do this in education or policing. How to harness motivation to innovate will also surely be different for frontline staff or senior policymakers. Motivation for more incremental innovation that develops, refines and improves existing systems is likely to be different from what motivates people to engage in more radical or disruptive innovation. What motivates people at different stages of the public sector innovation process is also likely to be different. The figure below sets out a conceptualisation of the process of public sector innovation. The process moves from the left to the right of the spiral.

Figure 2 The public sector innovation process



Source: Mulgan 2014.

How can motivation drive innovation at each stage of the innovation process? What motivates public servants at the stage of:

- **Opportunities and challenges, and generating ideas:** how can the motivation and creativity of public servants be harnessed to think about challenges to public services and new opportunities, and to come up with more and better innovative ideas? We need to understand how to motivate public servants to diagnose problems, to be open to and come up with new ideas, and to be open to using new methods to do so. Increased engagement with citizens and users of services could both enhance the prosocial motivation of public servants and help to better identify problems and come up with new solutions.
- **Developing and testing:** how can the motivation of public servants be harnessed to try things out, or to use more formal pilots, prototypes and experiments (using methods like randomised controlled trials)?
- **Making the case, and delivering and implementing:** how can the motivation of public servants be tapped into to sharpen and streamline ideas and to find ways of incorporating them into everyday practice? How can public servants be motivated to stop what doesn't work rather than just adding new services?
- **Growing and scaling:** what motivates public servants to adopt innovations? To take on ideas which have been proven to work and to implement them? What motivates public servants to spread ideas that work and to use the evidence base to diffuse them?
- **Changing systems:** how can those who play a key role in system design and delivery be motivated to work together, often over long periods of time, facing many frustrations along the way, to change whole systems?

These questions do not yet have answers.

6. WHY MOTIVATION MATTERS IN PUBLIC SECTOR INNOVATION

When thinking about how to support innovation in the public sector, not enough attention has been paid to motivation. We know that public servants draw on intrinsic motivations in their work and that what drives them is a mix of altruism and more self-interested motives. We know that innovation is more closely linked to intrinsic than to extrinsic motivations.

We also know that the New Public Management model does not work in harnessing the motivations of public servants. Getting the balance right between rewarding intrinsic and extrinsic motivations is not easy. However, it is a lot more likely to be successful at encouraging innovation than a model based solely on extrinsic motivations, which does not take into account what actually motivates public servants to innovate, or the balance between organisational and institutional cultures and individual motivations.

Creating the right cultures in organisations will help to overcome some of the barriers to public sector innovation, particularly those resulting from a lack of leadership, skills and capacity, and risk aversion due to a fear of failure. Appealing to public service norms, empowering employees, using incentives and performance appraisals, celebrating innovation through awards, and being careful with the use of extrinsic motivations are all sensible and evidenced approaches to harnessing individual motivation to innovate. Harnessing prosocial motivation, for instance by showing public sector employees their prosocial impact through meeting the beneficiaries of their work face-to-face, can increase both performance and innovation in the public sector.

However, the disconnect between the behavioural, cultural and public service motivation literatures and those seeking to support public sector innovation means that we have not yet systematically applied these insights.

There are also some large gaps in our knowledge. We don't yet know enough about how best to harness the motivation of public servants to innovate. We also need to get more granular in our understanding of how to harness motivation for innovation in different parts of the public sector, for different types of staff, for different kinds of innovations from incremental to radical, and at different stages of the public sector innovation process.

There are a number of ways of filling in these gaps in our knowledge. We need to rigorously test ways of harnessing the motivation of public servants to innovate. We need to design experiments in the UK public sector to see what works best. These could include:

- **Testing the way the organisation's mission is framed** and the impact that has on innovation.
- Testing whether **beneficiary contact** makes it easier for public servants to see the prosocial impact of their work and whether that **impacts on innovation**.

We also need to rethink ways of designing the selection process for public servants to take into account motivation, and the way public servants' development is supported. We need to make sure management practices reflect the insights presented here. Collecting case studies of where this is being done well in the UK and around the world could provide inspiration to others trying to harness motivation to encourage innovation.

In the OECD's recent 'Call to action' for governments to promote and enable public sector innovation Action 1 is 'People matter.' It recognises that:

“ Governments must invest in the capacity and capabilities of civil servants as the catalysts of innovation. This includes building the culture, incentives and norms to facilitate new ways of working. ”

(OECD 2014a, p1)

Staff will determine the success or failure of getting innovation to the heart of the next generation of public services. Harnessing their motivation will be a critical component of a new model of public sector innovation.

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ENDNOTES

1. Mulgan 2014.
2. Not to be confused with culture theory.
3. Csikszentmihalyi 2013.
4. Wedenoja and Sobo 1997.
5. Page number refers to online version: http://eprints.bournemouth.ac.uk/16577/1/Crowding_Out_Intrinsic_Motivation__Georgellis_final.pdf
6. <http://www.civilserviceawards.com/>
7. De Dreu, Weingart, and Kwon, 2000, cited in Grant and Berry 2011.

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Nesta

1 Plough Place
London EC4A 1DE

research@nesta.org.uk

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