

# 1 *Introduction*

Can public sector organizations and public sector employees be innovative? If your answer to these questions is no, we encourage you to think again. For example, how would you explain the fact that some countries are more innovative than others? We believe that the answer to this question lies in the government: the public sector. If you are absolutely convinced that public organizations and public sector employees cannot be innovative (or that they should not be innovative), then you do not need this book.

However, if you are open to the possibility that public sector organizations and employees *can* be innovative – regardless of whether you are a public sector manager or employee, an employee of a private firm, an academic, a student, or simply a reader interested in understanding under what circumstances public organizations and employees can innovate – then this book is for you.

Although public organizations and employees can be innovative, admittedly, there *are* many challenges facing public organizations. Therefore, understanding innovative activities requires systematic thinking and a comprehensive approach. That would be our main message and contribution to the literature and practice in the book. This book will provide you with case studies, real-world examples, lessons, and implications from the practice of innovation. At the same time, however, this book aims to provide a systematic and comprehensive overview of public sector innovation, so that it will become apparent how these innovative activities are linked.

Many studies across the globe observe that public sector innovation has long been considered an “oxymoron” (Arundel & Huber, 2013; Bommert, 2010; Borins, 2002; Earl, 2003; Stewart-Weeks & Kastle, 2015). The Cambridge dictionary defines an oxymoron as “two words or phrases used together that have, or seem to have, opposite meanings.” In other words, it has commonly been assumed the public sector and innovation are incompatible. However, the same

studies also find evidence that “public sector innovation” is not an oxymoron, as it turns out that innovation is not rare in the public sector. On the contrary, public organizations are constantly innovating (though the intensity and frequency of innovations differ based on the specific national, socio-economic, technological, organizational, and demographic contexts).

For example, one study shows that more than four out of five public managers in the Australian government have reported at least one innovation within the last two years (Arundel & Huber, 2013). Surveys conducted in Europe (Arundel et al., 2015; Bloch & Bugge, 2013; Bugge & Bloch, 2016; Clausen et al., 2020), Australia (Demircioglu, 2019, 2020), South Korea (Cho & Song, 2021; Oh & Yi, 2022), and elsewhere support these findings (Raghavan et al., 2021). Many case studies and innovation awards report that not only the United States and Commonwealth countries (Borins, 2001, 2014) but also other countries such as Japan, Italy, and Turkey have reported many innovations despite challenges in their bureaucratic system (Cinar et al., 2021, 2022a, 2022b). Another study finds that the “Canadian public sector, based on rates of organisational and technological change, is not staid and unchanging. Rather it is innovative and adaptive. The public sector is leading the way in both organisational and technological change” (Earl, 2003, p. 21). These studies suggest that we should be optimistic about prospects for public sector innovation.

Chapters 1–3 are introductory but not elementary, meaning that those chapters are relevant to those without previous knowledge of public organizations, innovation, or public sector innovation. However, this information is fundamental to understanding public sector innovation, as in these early chapters we define what actually constitutes public sector innovation.

This book further provides a systematic overview, analysis, framework, and strategic directions for studying public sector innovation. This book is likely one of the first (if not the first) attempts to write a systematic overview of public sector innovation that can also be used as a classroom textbook. This text addresses an issue of considerable interest that has typically been underresearched: innovation within public administration and management. This book covers what scholars have discovered so far and what remains to be done in the study of public sector innovation. Reasons for the analysis of public sector innovation include but are not limited to: (1) the need for

more efficient, effective, and responsive bureaucracies in the context of globalization; (2) the need for greater utilization of information technologies, such as social media; (3) enhancing the legitimacy of government; (4) increased expectations for governments among citizens and other stakeholders; (5) the need for solutions to socio-economic problems and grand challenges; and (6) the need to select and train public sector employees to be more innovative.

Despite a growing interest in public sector innovation, no systematic book exists on public sector innovation. Unfortunately, existing studies focus on only one or a few aspects of public sector innovation, overlooking the bigger picture of how these various concepts are related. In addition, scholars (and particularly students and young academics) may not be familiar with the subfields of public sector innovation or possible future research directions. As Demircioglu (2017, p. 804) points out: “there is no comprehensive and systematic textbook on public sector innovation [other than with a compilation of chapters on innovation]. This seems unfortunate given the importance of innovation in public organizations. Although similar books exist in the field of public management reforms (e.g., Lægrend & Christensen, 2013; Pollitt & Bouckaert, 2011), no such books exist for public sector innovation.”

In addition to the theoretical and academic need for a book on public sector innovation, there is considerable interest in this topic among decision-makers and policymakers in public, private, and non-profit organizations, and universities and research centers. Due to the increasing importance of innovative activity, public sector employees are expected to be innovative (Bason, 2010; Bugge & Bloch, 2016; Damanpour et al., 2009; Demircioglu & Audretsch, 2017, 2020; Serrat, 2017; van der Wal, 2017). This book provides a systematic approach to understanding innovative activities in the public sector that should be of great interest to practitioners. Many existing studies on public sector innovation focus on innovation only at the government/national level using a national level of analysis (e.g., Altshuler & Behn, 1997; Borins, 2009), and most studies treat public sector innovation as a policy strategy and goal rather than as a management tool and technique (e.g., Fagerberg et al., 2006; Leyden & Link, 1992; Link & Siegel, 2007). This book, in contrast, analyzes innovation at every level – from the individual to the national and international – and considers management tools and techniques in the public sector.

This book also offers insights into how organizational and political leaders can encourage innovation in public organizations.

Studies of public sector innovation claim that public sector innovation is still undertheorized despite increasing research (Chen et al., 2021). Thus, this study also offers theoretical advancements in the study of innovation by developing concepts such as innovation context, typologies, rationales, conditions, sources, and outcomes. Likewise, despite the importance of innovation for public organizations, Vigoda-Gadot et al. (2005, p. 58) argues that “it is quite surprising to find that the topic of innovation has played only a minor role in the discussion about the renewal of public administration. Moreover, the vast body of knowledge about innovation, entrepreneurship, and proactiveness in business management has never been used extensively in public management,” suggesting that researchers should further investigate public sector innovation.

In a similar vein, Stewart-Weeks and Kastle observe: “Many leaders and others in the public sector want innovation but fear its impact on settled patterns of control, power, and authority; the contest between persistence and disruption is never easy and has to be waged anew for each project and, often, within and across projects” (2015, p. 65). We agree with this statement. In fact, while writing this book, we have engaged in many conversations with public managers worldwide, particularly in the Asia-Pacific region. We have learned from their experiences that there are often barriers to implementing innovations in public organizations. Innovation often requires changing mindsets and motivating employees, among other requirements. However, there are many other dimensions of innovative activities. This book examines these many dimensions, including such topics as where innovative ideas come from, the government’s role in innovation, and the ethics of innovations.

### **Target Audience**

The target audience for this book includes academics, policymakers, and practitioners. First, this book will be highly relevant to scholars, including professors, postdocs, researchers, graduate students interested in public sector innovation, and those writing research papers and dissertations on public sector innovation. In addition, this book will be relevant to advanced undergraduate students interested in learning

about public sector innovation more systematically. Instructors of public management and public sector innovation may assign several chapters of this book, such as Chapter 2, “What Is Public Sector Innovation?,” and Chapter 6, “Why Public Sector Innovation?,” as required or optional reading.

A second target audience includes policymakers and practitioners who are interested in or have a mandate to engage in public sector innovation and need to understand the basics of public sector innovation, such as how the relevant concepts correlate and interact (e.g., the relationship between sources of innovation and the benefits of innovation). These include public officials in federal, state, and local governments, employees in international organizations (e.g., the Organisation for Economic Co-operation and Development [OECD] and the United Nations), employees of businesses and consulting firms, community leaders, and concerned citizens interested in learning about innovative activities in the public sector. This book provides some guidelines and lessons for students and practitioners through the case studies presented throughout the book.

Although public sector innovation has generated tremendous interest among scholars, graduate students, and practitioners in recent years, there has been little effort to study the essential aspects of public sector innovation in a systematic, holistic, and integrated analysis. Other books typically focus on one or (at most) several aspects of public sector innovation, such as collaborative innovation (e.g., Torfing & Triantafyllou, 2016) and the effects of leadership and capacity on public sector innovation (Bekkers et al., 2011). What sets this book apart is that it provides a systematic way of thinking about important and novel questions regarding public sector innovation. Current or future public management scholars and students will find this book relevant and vital because it identifies and articulates the most critical and compelling themes and topics, research gaps, and future directions in the field. Thus, this book identifies and provides some guidelines and potential research topics for those interested in contributing to the scholarly literature in the form of articles, book chapters, and books, as well as for thought leaders and decision-makers in public policy and business fields.

To sum up, this book is written with the target audience of (1) academics with either a broad or specific interest in public sector innovation, (2) scholars or students who are interested in developing a

research agenda about public sector innovation and writing research papers on public sector innovation, (3) instructors who teach or would like to teach a course or a section of a course about public sector innovation, and (4) the policy and practitioner community. This book may be considered an academic book but it avoids jargon; each chapter links to the scholarly literature (e.g., to show some important underlying frameworks) and practical implications. Our goal is for the book to be scholarly, relevant, lively, and interesting to a broad audience of readers as well as to the specific audience engaged in the study of public sector innovation. This book is primarily scholarly but is written in a manner that speaks to a broad audience of nonspecialists. The book aims to translate insights from scholarly literature and experience and synthesize those ideas into a coherent framework that is accessible and compelling to policymakers and practitioners.

## Organization

The book is organized into thirteen chapters, as detailed in the accompanying book outline. The introductory chapter, Chapter 1, has explained why this book is essential and timely, why we should care about public sector innovation, and why innovation matters for the public sector. Chapter 2, “What Is Public Sector Innovation?,” defines innovation and the public sector. This chapter also differentiates innovation from similar concepts, such as public management reforms, organizational change, invention, creativity, entrepreneurship, and improvement. Chapter 3, “Public versus Private,” explores similarities and differences between public and private sector innovation, along with the potential implications of innovative activities. Understanding the difference between the public and private sector is crucial and has implications for market and government failure, which we explore further in Chapter 10.

Chapter 4, “The Context of Public Sector Innovation,” discusses the importance of contexts, such as national, political, social, organizational, and demographic, and how context has potential implications for innovative activities. Chapter 5, “Innovation Typologies,” analyzes the heterogeneity inherent in innovative activity and provides a typology distinguishing different types of innovations. This chapter draws on fundamental concepts from the innovation literature to define innovation types and explain innovation typology, including

radical, incremental, complex, and open innovations. Chapter 6, “Why Public Sector Innovation?,” explains the importance and necessity of innovative activity in the public sector. Some examples and real-world insights, such as the role of governments in innovative activities, are given in this chapter.

Chapter 7, “Drivers and Conditions for Innovation,” analyzes why some individuals, groups, organizations, and nations engage in innovative activities while others do not. Based on the context and involvement of actors, there may be different conditions conducive to public sector innovation. Chapter 8, “Sources of Knowledge and Collaborative Innovation,” first identifies sources for innovative activity in the public sector. Significant sources of innovation include top down (such as from government and organizational leaders), bottom up (such as from employee work groups), and external (such as from industry, business stakeholders, universities, and members of the public). Chapter 9, “Barriers to Public Sector Innovation,” explores major barriers to public sector innovation and how and why barriers exist in the public sector context. We also discuss the relationship between barriers to innovation and other innovative activities, such as implementing public sector innovations. For instance, we compare two types of barriers: deterrent versus revealing. We discuss under what circumstances barriers are negatively associated with innovation and under what circumstances barriers are positively associated with public sector innovation.

Chapter 10, “National Systems of Innovation and Market and Government Failure,” focuses on the government’s role in spurring innovative activity, how and why market failure occurs, and how the government’s role is crucial in dealing with market failure. Likewise, we explore how and why government failure occurs, such as when governments lead innovation. Chapter 11, “Outcomes of Public Sector Innovation,” explains how particular public sector innovations positively or negatively affect organizations and individuals, such as organizational performance and individual job satisfaction. This chapter also explains how and why analyzing innovation outcomes is crucial. Without analysis of the impact of innovative activity, we cannot assess whether a particular innovation is worthwhile. Chapter 12, “Ethics and Public Sector Innovation,” deals with a relatively unexplored question: How are public sector innovations associated with ethics? There is little work that examines the ethics of innovative activities in the public sector.

Chapter 13, “Conclusions,” summarizes the most salient findings, main insights, and critical “takeaways” from the book. In addition, this chapter offers some guidelines about innovative activities in the public sector. Thus, this chapter offers potentially fruitful themes and topics for researchers interested in undertaking future research on public sector innovation. Overall, the main point of this chapter is that innovative activities matter for numerous reasons, particularly given the complex problems confronting contemporary society, which emanate at least partially from a high degree of globalization and technological change and have increased the extent to which countries, organizations, and employees are interrelated.

## Conclusion

At least five disparate academic fields have emerged that contribute to the study of public sector innovation: public administration and management (which focuses on the management, operationalization, and big questions of government), innovation (which focuses on the role of innovation and research for public policy), business administration (which focuses on organization theory and behavior), economics (which focuses on the actions of human beings and organizations), and public policy (which focuses on what and how governments do or not do). As there is a paucity of knowledge about the intersection of these fields, we believe that this book will pioneer the intersection of these five essential fields at their most relevant and compelling point: the role of innovation in the management of public organizations. As readers will see throughout the book, we provide examples of innovations and their roles in the private sector context as well as in the public sector context. Although people realized that innovation was crucial for the United States, particularly in the private sector, in the 1970s and 1980s, there was little analysis of other national and geographic contexts, such as in the Asia-Pacific. However, over the next four decades, research on innovative activity increased, and we can now provide examples from virtually every national and cultural context. This contemporary work focuses on the role of nationally and regionally specific institutions and contexts in innovative activity. This introductory chapter has provided a coherent road map and synopsis of the substantive chapters and contents of the book, how each chapter is related, and the main lessons and takeaways concerning public sector innovation.



## *Conclusion*

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There is an early argument that there is no playbook for public sector innovation (Roessner, 1977) because which strategies for public sector innovation will prove to be effective and those that should be avoided remain vague and uncertain. Still, the empirical evidence, particularly in recent decades, flies in the face of skeptics and doubters rejecting the reality and potential of public sector innovation. In this regard, this book can be a playbook for public sector innovation.

## 2 | *What Is Public Sector Innovation?*

### Introduction and Definitions

Public sector, public organizations, or government refers to the general government organizations owned and funded by the government. While some studies consider state-owned enterprises as public organizations, they may include or exclude state-owned enterprises (Christensen et al., 2007). However, almost all public sector definitions exclude privately owned companies aiming to make profits from the concept of the public sector. Therefore, government ministries or departments and agencies that are not privately owned are public organizations. Public schools, universities funded by states, and public hospitals can also be considered as public organizations.

However, public services and the public sector are not the same, as private, nonprofit organizations can provide public services without being public organizations. Thus, “public service” is broader than the public sector. Perry and Wise (1990, p. 368) state: “Public service is often used as a synonym for government service embracing all those who work in the public sector. But public service signifies much more than one’s locus of employment.” According to many studies, public service is an attitude and feeling of duty, so employees in nonprofit and even private organizations can contribute to society and citizens even if they are not working in public organizations (Denhardt & Denhardt, 2015; Perry, 2020; Perry & Wise, 1990; Piatak et al., 2020). In other words, the public service is broader than the public sector (or organizations) and does not refer to sectoral differences.

However, a website from the Office of the Prime Minister in Malta defines public service and public organizations differently:

The Public Service is not the same as the public sector. The term “public sector” refers to all government organisations and their employees, as distinct from the private sector (private companies, non-government organisations, and their employees). The Public Service consists of ministries