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Innovation in the Public Sector

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Introduction

- Innovation generates economic growth and prosperity.
- In the private-sector, innovative behavior occurs through entrepreneurial action.
- It is less clear to what extent entrepreneurial action is possible or advisable in the public sector.
- The purpose of my remarks is:
 - to lay out the fundamental nature of private-sector and public-sector entrepreneurship, and
 - to explore way to stimulate innovation in government through public-sector entrepreneurial action.

Who is the private-sector entrepreneur?

- Alternative views:
 - Risk taker
 - Capitalist
 - Innovator
 - Decision maker
 - Industrial leader
 - Manager
 - Coordinator of resources
 - Owner
 - Contractor
 - Arbitrageur

Essential qualities of the private-sector entrepreneur

- An innovator who willingly bears the risk associated with uncertainty.
 - Simple risk versus uncertainty
 - Motivation of the private-sector entrepreneur
 - Profits
 - Desire to create, to achieve

How does innovation occur?

- Innovation is fundamentally a creative process in which general knowledge is converted to economic useful knowledge
- Innovation occurs through the entrepreneur's knowledge network:
 - Heterogeneous, experiential social relationships that engender a creative spirit as to how new knowledge can be applied

Additional requirements for private-sector entrepreneurial success

- Access to capital
- Ability to act

Who is the public-sector entrepreneur?

- Essential character is the same as the private-sector entrepreneur:
 - An innovator who willingly bears the risk associated with uncertainty.
- But the institutional environment differs. Hence:
 - Motivation
 - Career enhancement
 - Desire for create, to achieve
 - Constitutional, legal, and political constraints on access to resources and ability to act

What does the public-sector entrepreneur do?

- Internal/direct public-sector entrepreneurship
- External/indirect public-sector entrepreneurship

Types of internal/direct public-sector entrepreneurship

- Revenue enhancements
- Public service production innovations
- Public service output innovations

Government initiated public-sector entrepreneurship programs

- **White House Open Government Initiative**
 - www.whitehouse.gov/open
 - www.data.gov/about
 - Purpose
 - To increase public access to US federal government databases
 - To create virtual communities to foster innovation in both the private and public sectors
 - Value
 - Enhances public-sector entrepreneurial knowledge network

Government initiated public-sector entrepreneurship programs

- **White House Champions of Change**
 - www.whitehouse.gov/champions
 - Purpose
 - To highlight and reward through recognition public –focused innovative activities
 - Value
 - Enhances public-sector entrepreneurial knowledge network

Government initiated public-sector entrepreneurship programs

- **Entrepreneur-in-Residence Act of 2012**
 - www.govtrack.us/congress/bills/112/hr6119
 - www.govtrack.us/congress/bills/112/s3222
 - Purpose
 - To place 30 established entrepreneurs in US federal government agencies
 - Value
 - Died in committee
 - Would have enhanced public-sector entrepreneurial knowledge network

Government initiated public-sector entrepreneurship programs

- **Office of Personnel Management's Innovation Lab**
 - www.actgov.org/knowledgebank/documentsandpresentations/Documents/Shared%20Interest%20Groups/Human%20Capital%20SIG/OPM%20Innovation%20Lab%20Overview%20-%20OPM%2001-10-13.pdf
 - Purpose
 - To serve as an experimental lab and incubator for improving the day-to-day operations of the civil service
 - Value
 - Enhances funding
 - Enhances authority to act
 - Enhances public-sector entrepreneurial knowledge network

Government initiated public-sector entrepreneurship programs

- **OECD Public Sector & eGovernment Programs**
 - www.oecd.org/gov/public-innovation
 - Purpose
 - To develop a better understanding of how to innovate government functions,
 - To measure the effect of innovation on government performance and delivery, and
 - To explore how governments can best use information and communication technologies.
 - Value
 - Enhances public-sector entrepreneurial knowledge network

Government initiated public-sector entrepreneurship programs

- **EERE Public R&D Evaluation Program**

- www1.eere.energy.gov/analysis/pe_index.html

- Purpose

- To measure and evaluate the impact of programs in the US Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE) by:
 - Assessing whether planned technical goals were met and commercialization and market results were achieved, and
 - Identifying opportunities for continuous improvements in its programs.

- Value

- Provides method for determining success in the absence of market feedback

Private-sector initiated public-sector entrepreneurship programs

- Value
 - Enhances public-sector entrepreneurial knowledge network
- Examples
 - **Partnership for Public Service**
 - ourpublicservice.org/OPS/publications/viewcontentdetails.php?id=208
 - **Deloitte's GovLab**
 - www.deloitte.com/us/govlab
 - **Unisys Center for Innovation in Government**
 - www.unisys.com/unisys/ri/info.jsp?id=16300001
 - **Ash Center for Democratic Governance & Innovation**
 - www.ash.harvard.edu/Home/Programs/Innovations-in-Government
 - <http://www.innovations.harvard.edu>
 - **Alliance for Innovation**
 - transformgov.org/en/home

Conclusions (part 1)

- Public-sector entrepreneurship is about engaging in goal-oriented innovative behavior in the face of uncertainty.
- Innovation is essentially a creative process requiring that the public-sector entrepreneur have access to a diverse knowledge network.
- Public-sector entrepreneurs are subject to potentially limiting constitutional, legal, and political constraints that reduce their access to resources and inhibit their ability to act entrepreneurially.

Conclusions (part 2)

- General policy recommendations:
 - Create the ideas – by enhancing public-sector entrepreneurial knowledge networks,
 - Create the possibility – by allocating resources, and
 - Create the ability – by providing the authority to act.
- Concomitant recommendations:
 - Bundle entrepreneurial activities to reduce perceived incidence of failure,
 - Educate the public as to the benefits but inherent uncertainty risk of innovations, and
 - Include hold-harmless structures where innovative failure would result in significant cost to constituencies.

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- **For background information:**
 - Leyden, D. P., & Link, A. N. (forthcoming). *Public Sector Entrepreneurship*. New York: Oxford University Press.