BearingPoint®

Accelerating Open Innovation in the Public Sector

How to take your open innovation initiatives further, faster and more effectively

BearingPoint®

Contents

Editorial

The urge to reform public administration is widely shared across Europe. Open innovation is on everyone's lips, with numerous serious and mature initiatives visible across the continent. From a range of examples, we can see organisations acting in the knowledge that working in silos is no longer an option:

- ENA, the French school of administration, now has a program to teach future leaders about open innovation
- The Royal Navy has implemented a new process to foster open innovation in traditionally classified areas such as submarines
- The European Commission is gearing up to foster open innovation research groups and task forces, with first initiatives towards its own projects and internal processes.

Despite the good will and clear impetus however, the notion of open innovation fails to thrive and flourish as successfully as in the private sector. The key stumbling block is: how to be certain about the value it brings?

This paper addresses this question head-on. We tackle the specifics of the value of open innovation in the public sector, in terms of both barriers and levers, and we provide a maturity table for open innovation projects in Europe today. We offer insights and expertise to help public actors take their Open Innovation initiatives further, faster and more effectively, as sponsors of the Village by CA, through our work mentoring start-ups and accompanying public actors with their open innovation projects.

Jérôme de Badereau
Partner, BearingPoint

This report is based on field research undertaken by representatives across BearingPoint's European offices. This resulted in over 20 interviews with public sector executives, working in senior roles in a variety of bodies from six European countries as well as the European Commission, at local, national and trans-national level, across areas including education, defence and taxation. We augmented this with the operational methods and expertise learned on projects across the public sector.

Introduction – the need to understand the value of open innovation

"The reasons not to implement open innovation are second-order: the inconvenient truth is that open innovation works." – Robert Madelin Senior Innovation Adviser to the President of the European Commission (2015-2016)

If open innovation works, what is it worth and to whom? The need for open innovation affects all industries, as the rise of digital technology has fragmented and flattened markets, creating ecosystems of suppliers and consumers. Just as in industry, public sector organisations recognise they must respond to the so-called 'Uber-isation' of society where through disintermediation, citizens expect collaboration and direct access to services. Traditional roles, core values and policy-making processes of European public administrations are challenged across central government, and regional and local level authorities, and all policy areas. "Public services can be considered as a digitally-enabled monopoly. This model is currently under threat – for example in the employment sector, from the job seeker's perspective, public agencies (such as Pôle emploi in France) are competing with other employment services and platforms. These create a loss of control, security risks and so on for administrations, which need to be tackled," says Audran Le Baron, head of fiscal management (and previously Chief Digital Officer) at the Public Finances Directorate General in France.

Many countries still work under a shadow of fiscal austerity, and situations such as Brexit and the Catalonian drive for independence indicate how a lack of engagement and innovation with citizens in the enactment of centralised government edicts can create an unnecessary backlash. With reason, the French government recently allocated €10 billion towards innovation projects; innovation features on the European Commission's 2020 agenda; and 1,500 cities across the world have engaged in open government projects such as participatory budgeting – for example in 2017, New York City is launching its 7th cycle with $1 million, while Paris just held its 3rd iteration, devoting €500 million to projects chosen by Parisians through online ballots, across a 5-year period.

The term 'open innovation' is symptom of, and a response to these transformative global trends and the situations they cause. Approaches for open, collaborative innovation enable public organisations to extend beyond traditional boundaries; they help bring new services to market more quickly; and they can result in better engagement with the citizenship. Continues Audran Le Baron, "Open innovation treats the user experience in its broadest sense, from end to end."

In practice, delivering value from open innovation seems harder in the public sector than in private organisations. Commercial businesses (for whom

deriving value from open innovation has become a condition for survival) treat value using financial metrics, but government bodies also prioritise non-financial targets such as health, security or indeed, the wellbeing of a nation. Public organisations are under no pressure to compete – indeed, they face different challenges, such as "shared competence syndrome" caused when multiple organisations are tasked with public policy delivery across a country or region.

Our interviewees confirm that open innovation brings a great deal of value for the public sector. However, it is clearly not enough to adopt open innovation approaches without a top-down understanding of how to derive their benefits from them. With value as a primary goal, this means administrations should not attempt to jump to open innovation nirvana in one leap, even if they are tempted to accelerate their efforts; rather, they are more likely to succeed in a stepwise fashion, building skills, experience and trust along the way.

On this basis, and from our research and experience, have developed a model for organisations to 'level up' in open innovation maturity. In this report, we look at the most significant brakes on open innovation today, the levers that can be applied, and a stepwise route map for delivering on its potential.

The evolving definition of open innovation: from R&D to open innovation 2.0

Professor Henry Chesbrough, of the Haas School of Business at the University of California, Berkeley, first coined the phrase 'open innovation' as follows: "*a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology.*"[1]

For many organisations, the term was initially applied to research and development processes behind closed doors. "It was about IP protection of core production, and linking research teams to universities," says Maria Nelson from the UK's Digital Catapult (Innovation Research Centre).

From these beginnings, the discipline has progressed way beyond R&D activities and Chesbrough's definition. In the public sector, open innovation means finding ways of making different stakeholders (administrations, citizens, businesses) join forces to innovate through:

- Co-working on simplified processes and building innovative policy making
- Identifying possible savings for the states by analysing budgets based on open datasets but also monetise public data in the administration and support innovation policies
- Creating new public services, designing apps tackling citizen's needs and enhancing digital access to public services

The definition continues to change based on the evolving public sector landscape, and reflecting an ongoing paradigm shift: "'Open innovation 2.0' is cross-organization, innovation processes have changed from top-down approaches to ecosystems," says Bror Salmelin, head of the Open Innovation Strategy and Policy Group (OISPG) within the European Commission.

What is holding open innovation back in the public sector?

"The inherent tension between the public sector and innovation goes back to Weber and the rationale for state action which is the rule of law: ours is to ensure equal treatment thus the public mandate and the scope for innovation is very limited." – Peter Droll, Director, Industrial Technologies, DG Research and Innovation at the European Commission

When we asked our interview panel about the barriers to open innovation, two responses stood out, namely a lack of engagement and a resistance to give up power (Figure) – while these answers are not statistical, they are nonetheless indicative. There may sometimes be tangible reasons behind these responses (such as concerns about job cuts), but equally often, they can be based on less tangible fears – which can be made worse if early efforts at open innovation are sub-optimal.

Even success stories can reinforce fears about being more open. As one interviewee recalls: "When the DGFiP organised a hackathon around opening source code for its tax calculation tool, it achieved remarkable results: a participant found a way to speed up calculations from three months to three hours." While these results justified the hackathon, it raised questions around why the department was not able to deliver them without external intervention, which initially made the organisation less comfortable about running such events again, before realising it was a necessary cost of making open innovation happen.

Such situations can discourage stakeholders from starting down the track to open innovation, but deeper challenges run across many public organisations. So, what are the root causes putting the brakes on open innovation?

Major barriers identified by our panel to foster open innovation in the public sector

From theory to practicality – open innovation at a European level

"Some members are only tentatively engaged in innovation approaches today" – Bror Salmelin, head of the Open Innovation Strategy and Policy Group (OISPG) within the European Commission.

"Open Innovation should transform not only how we innovate, but how we work" – M. Troussard, Head of Foresight & Behavioural Insights at the Joint Research Centre, EU Policy Lab

Across the European Union, open innovation initiatives are taking place at a local, national and regional level: part of the challenge is how different areas of the EU are at different stages on a complex, multi-dimensional journey. The European Commission sees its role as observer and driver, sharing approaches to policy setting alongside delivery. The notion of value is seen as essential to setting measurable objectives: to drive this forward, the commission has set up the EU Policy Lab – described as "a collaborative and experimental space for innovative policy-making" and focusing on:

- Foresight exploring long-term futures and creates shared visions for policy-making
- Behavioural Insights to understand how humans behave and make decisions in their lives
- Design Thinking deploying people- and solution-centred processes to drive innovation.

One example is a project which helps national and regional administrations optimise use of European Investment and Structural Funds (ESIF). This project, run in partnership with European Commission Directorate General for Regional Policy (DG REGIO), looks to share information between peer groups to understand problems and devise potential solutions by way of workshops, webinars, training residencies and other collaborative activity.

As well as oversight activity, the EC can intervene in very practical ways. For example, open innovation teams can be brought into complex projects where 'conventional' approaches have failed – this approach has delivered results in improving the competitiveness of the textiles sector, for example.

Through its OIPG group run by Bror Salmelin, the commission is looking to lead future thinking by developing open innovation 2.0, which goes beyond Chesbrough's definitions to deeper levels of collaboration and shared value.

Slow speed of existing processes, rules and practices

Public organisations exist because nations need them and as such, are not impacted by the market pressures that drive the private sector. Public sector organisations can be slow, often operating in a linear fashion that runs counter to swift decision making. They are regulated by rule of law, based on principles of equal treatment and federated control, each of which can run counter to notions of openness and innovation. The public sector is designed to withstand change, rather than create it – and conformity with procedure, rather than rapid experiment, guides many activities.

Programmes and projects can be highly controlled, with collaboration operating within a hierarchical management and delivery structure. The governance-based mindset of government can result in creating new frameworks, which slow innovation. Open innovation requires new combinations of mindsets, skills and experience, which may not be in the right places at the right time, and might not be allocated in the right way. "We need a catalysing governance, like in the art world, with an exhibition team where the curator is responsible for quality. We need curators for innovation," says Bror Salmelin, head of the Open Innovation Strategy and Policy Group (OISPG) within the European Commission.

As the philosophy is still relatively new, skills and experience need to be learned on the job by strategists and delivery teams alike. Agile project management methodologies that underpin open innovation approaches, are the exception not the norm, which makes it hard to build long-term projects. Several recent initiatives highlight how the creation of new ecosystems can rely on voluntary work and personal dedication, illustrating the fragility of the model. When the French National School of Administration (Ecole Nationale d'Administration, ENA) organised a hackathontogether with Ecole 42 for example, as with most hackathons, participants were asked to work weekends. The same was true for the creation of a learning laboratory to educate on innovation: it took two years, as people were overworked.

This challenge increases when national, regional and local needs are considered: the constraints of each create inertia, particularly when agendas and expectations continue to be set from head office. "You need to secure sponsors across the decision chain," says Cédric Lambert, Digital Project Manager. "It is hard to commit to a project when all the meetings are at 9am, in Paris!" This fragmentation leads to the 'shared competence syndrome' we saw in the introduction – and organisations working at the level of the European Union gain an additional layer on top of their national coordination needs.

"The lack of engagement to take responsibility" is the major obstacle

Public market landscape & lack of funding innovation

Public procurement rules are the number one barrier against public bodies funding open innovation projects requiring quick decisions, investment in ideas and experimentation with the risk of failure. Financing frameworks designed around traditional models (such as annual budget cycles) can take months or years to deliver resources. Meanwhile, though procurement offices are a key support to innovation, they are found at the bottom of the public sector organisational chart, away from decision makers.

For initiatives to exist autonomously, they need a combination of loans, joint investment and share ownership, and indeed, injection of skills rather than just subsidies – which explains why so few models exist: "Only the Future Investment Programme (Programme d'Investissement d'Avenir, PIA) and DINSIC offer innovative financing models: for example, DINSIC can distribute funds without needing to apply the commercial rules which assure Return on Investment (ROI) in the private sector," says Audran Le Baron of the French Public Finances Directorate General (DGFiP).

Efforts to be commercial or customer-centric may be wrong-footed: for example, a report on the value of open data in 2013[2] reaffirmed the need to enable free access to data. Yet, examples of innovative funding allowing open innovation continue to appear, even in highly classified policy areas such as defence, as illustrated by the UK's Royal Navy [see box-out].

Can National Security services benefit from open innovation?

"Through collaboration, it proved that innovative ways of working can deliver benefits across the enterprise. We are seeking to achieve an event that re-shapes the market to provide new opportunities for everybody, and capability transformation for the Navy." – Commander Peter Pipkin, Unmanned Warriors'

By their nature, national security and defence rely on secrecy but can nonetheless benefit from open innovation approaches. Following its Strategic and Security and Defence Department Review in 2015, the UK's Ministry of Defence (MoD) put in place a bold new agency earlier in 2017, aimed at fostering innovation across the department.

With over 3,000 staff and overseeing £400m (2%) of the MoD's budget, the Defence Science and Technology Laboratory, directed by Dr Simon Cholerton, was created to focus on two topics: technology readiness level (TRL) research for new technology ideas, and 'horizon scanning' innovation through the agency's innovation and research insights unit (IRIS). The agency covers all aspects from 'pure' science through to commissioning and logistical factors.

To illustrate how open innovation can benefit military services, in 2016 the Royal Navy in Scotland held a three-week open innovation exercise. Known as 'Unmanned Warriors', the activity was a hackathon under operational conditions, bringing together researchers, industry and other partners. Fifty different systems were involved in the largest ever deployment of oceanographic robotic systems.

Security is a major concern for the DSTL, focusing attention on longer-term thinking, partnerships and commissioning, as well as managing higher numbers of internal personnel – this drives recruitment and retention of high-quality staff. Innovation needs are always balanced with the overall goal to protect service personnel. The organisation's next step is to create a Challenge Panel to review progress and provide direct, independent advice to government ministers based on the latest developments.

Meanwhile the French defence organisation (la Direction générale de l'armement, DGA), recently announced [3] it would be allocating €723 million from its industrial partnership funds towards innovation, as well as a new €50 million funding program for startups seen as strategic, for example in aeronautical or naval engineering. The DGA also launched a call for projects based on smaller frameworks, an open data initiative and a number of incubator projects.

Risk-aversity as the default status

As public organisations provide the backbone of a nation's services and infrastructure, they are geared up to manage (or avoid) risk, delivering on security and safety goals as a top priority. Risk management principles are deep in the psyche of public sector leaders, politicians and civil servants. While this is a positive, it may also be detrimental to innovation efforts due to problems reconciling potential failure with public(-facing) responsibility. "It is hard to allow for error in public administration, but if we don't have room for error, we will never have innovation as it goes against the public accountability of civil servants," says Nathalie Loiseau, former Director of l'ENA, now Minister of European Affairs in France.

Data security criteria are particularly relevant, given how much of open innovation is derived from data. Public organisations are subjected to the highest levels of security, to protect both national secrets and citizen information. Security regulations are often set by third-party public bodies, with little flexibility or scope, causing challenges to initiatives as well as feeding a phobia against risk taking.

Regulatory issues link strongly to trust between parties, which is a pre-requisite for collaborative activity, particularly at a regional level. However, existing regulations either do not take open innovation into account, or go against its principles – for example, the WTO anti-trust regulations were seen by several interviewees as being counter to open innovation, and in most countries, executive-level decisions have to be trace-able, by law.

Discomfort releasing private information to third parties

Public organisations can see the 'data transparency' pre-requisite of open innovation as a step too far, not only for classified or personal data, but also procurement or management data. They will not always trust external groups, including other public bodies. "Opening towards other cantons is not a problem, but there are reservations between cantons and federal organisations," illustrates Dr Bernhard Knechtenhofer, Head of Projects & Management Support for the Department of Defence, Civil Protection and Sports in Switzerland.

Innovation requires alignment between all parties, not least by sharing responsibilities and dealing with problems together rather than avoiding them, for example by not participating in an initiative. However, even if an organisation sets a strategy for being open and transparent, individual sub-departments may have policies and practices that conflict with this, and indeed each other's, strategic goals.

As organisations open up, conflicts become more complex as different groups find themselves in mis-alignment, within and across ministries, at local community levels, across institutions and with commercial partners. If an organisation is already challenged reaching internal agreement on key ideas, it will struggle further as it opens itself to external stakeholders.

These fundamentals help us understand why open innovation is still seen as a challenge by those dedicated to reforming the European public sector. The underlying cause is the notion of value: while increasingly, measures of value in the public sector are made in terms of ROI, open innovation can still be presented as no more than a cost through time taken, the number of meetings, efforts required to bring others on board, without clear benefits.

We look at what is behind this, and what to do about it, next.

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– Nathalie Loiseau,
former Director of l’ENA, now Minister of European Affairs in France

Broadening the concept of value is key

"Measuring open innovation is like trying to measure mist."
– Brian Macaulay, Lead Economist at UK's Digital Catapult (Innovation Research Centre)

Given the current level of understanding of open innovation, its benefits need to be both tangible and measurable. Frequently they are not, not least because of how public bodies treat concepts of value, but also due to their focus on short-term criteria rather than broader goals. Longer-term measures are more important for open innovation, but inevitably harder to gauge (and to present in a positive light) early on: explains Peter Fischer, Delegate of the Government for IT-Steering of the Federal Administration in Switzerland, "Value can only be determined after the result from the innovation process is clear, meaning that innovation has been implemented, which allows for a measurable outcome."

Open innovation doesn't fit with traditional models of value, making innovation hard to measure as each stakeholder group sets different criteria. Politicians might measure it in terms of numbers of start-ups, or its impact on employment levels. At a project level meanwhile, measures might include whether an application has been delivered or the scope of an API. The citizenship might consider value in terms of time to access a service (e.g. to file tax returns). And so on.

As a result, we need to treat the value of open innovation more broadly, considering qualitative criteria alongside economic or quantitative measures. Brian Macaulay, Lead Economist at UK's Digital Catapult (Innovation Research Centre), provides a topical example: "Distributed ledger alters business models and business structures: you can't measure that on input/output as it's too small, and not longitudinal. If we did a snapshot now, we'd say it had no impact." Against this background, to what does a good ROI equate? We have learned that alongside economic value, the broader value of a service, the ability to deliver services and engagement with stakeholders, all play a part.

Economic value

Financial costs and economic benefits can be associated with any project and indeed, it is a good thing if an open innovation project can demonstrate a clear cost/benefit. Benefits in terms of internal productivity, process efficiency and so on are applicable, as well as project management criteria such as delivery times – a late

project will result in increasing costs, undermining its ROI. Beyond these lie broader economic measures, such as:

- Leaner, and therefore less costly, procurement practices.
- Creation (and therefore economic benefit) of new markets
- Time saved by citizens, for example around form filling
- Improved employer ranking and therefore attractiveness to staff

Thinking more broadly, we can consider opportunity costs, i.e. the cost of not doing something, or the cost of taking resource from another project thus preventing it from delivering. These criteria might be less straightforward to measure, but can also be assigned a monetary figure.

Broader service value

Some open innovation benefits are felt in less tangible ways, such as citizen wellbeing or positive behaviour. For example, simplification of tax declarations can engender better fiscal responsibility and, potentially, reduce fraud. Such benefits can be age related, but these can be down to presenting a service in a way that best fits its demographic: open innovation can drive diversity into service delivery, for example enabling groups to deliver tax returns in different ways.

Service improvements can also have knock-on effects or consequences, which may require innovative thinking. An improved passport service, for example, could result in more international travel and therefore, more potential paperwork. Dr Simon Cholerton, Director of Defence Science and Technology for the UK Ministry of Defence, offers a defence-related example: "If we replace some guided missiles with lasers, ships will be less likely to get zapped so more likely to win the war. But also, if our vessels are better protected, we'll need fewer of them."

Ability to deliver services

An organisation can measure service effectiveness at several levels. For example, from the perspective of the citizen, user experience is paramount. Raising the taxation example still higher, at-source taxation might do away with forms altogether, simplifying the service for both the public body and its external stakeholders but this would have ramifications, in terms of taxation's influence on citizen and business behaviour.

The ability to deliver new services quickly encourages feedback, feeding the innovation process. As a result, an overall measure can be speed of innovation, which acts as a virtuous circle, improving services and generating new sources of value. With initiatives such as the Open Government Partnership or Innovation Fellows [see box-out], governments can test such trade-offs 'live' and learn how to create additional value-generating services.

Innovation Fellows

In 2016, together with government partners Etalab and Liberté Living Lab, and financed by the Future Investment Programme (Programme d'Investissement d'Avenir, PIA), the French government launched the Innovation Fellows (Entrepreneurs d'intérêt général) initiative. Inspired by an initiative from the US Obama administration, the initial goal was to engage 12 entrepreneurs across a short (10-month) period, linking them to leading-edge public departments to apply their digital expertise to tackle issues of broad importance.

A total of nine projects were launched, including:

- a 'chatbot' for the general public to make enquiries of Court of Auditors data reports
- a crowd-sourced database of listed monuments, for the Ministry of Culture and Communication
- use of predictive data analytics to ensure good use of funds and counter fraud, for the Ministry of Finance

A second round of the initiative was launched at the end of 2017, involving 25 entrepreneurs.

Broader engagement

Open innovation benefits can be as much about the 'open' as the 'innovation'. Many interviewees talked about how their projects had increased awareness, either within the department (improving reputation), or across the administrative area (transportation, postal services [See box-out]). For example, the "Government startups" initiative created in France by Etalab and the French Office of the CIO (Direction Interministérielle du Numérique et du Système d'Information et de Communication de l'Etat, DINSIC) show both joint ventures and intrapreneurship in action.

Even though stakeholder engagement can be difficult to measure in economic terms, it is nonetheless beneficial to both the process and the outcome. Cross-border collaboration benefits international relations for example, and citizen participation not only helps improve services but also, at a much deeper level, increases democratic legitimacy.

Overall, open innovation engenders better innovation, for example moving traditional mindsets to more experimental, test-and-learn-based thinking. This is not just an empty statement: the digitally-enabled, flattening world we live in works better, and therefore more innovatively, if we are more open and collaborative in our projects.

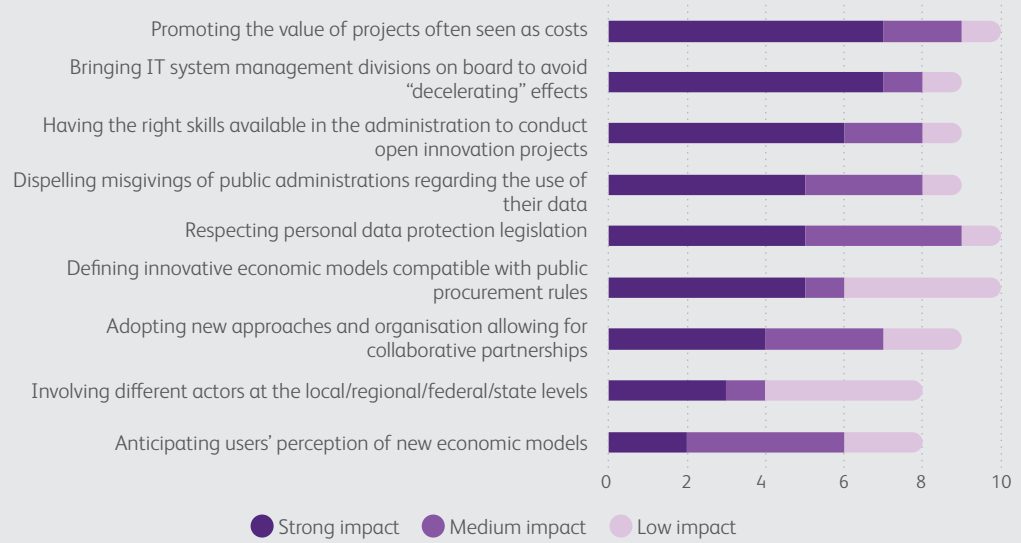
Postal services are open to open innovation

The Swiss Post organisation has seen significant success in open innovation. The innovation process has delivered several benefits to the service, for example researching how post boxes could be used as data hubs or for other uses, such as a key sharing between neighbours.

In addition, it has raised awareness about the postal service. "Almost everyone in Switzerland has heard about the Swiss Post drone project[4] in Lugano," says Thierry Golliard, Director Open Innovation & Corporate Venturing statt Head of Development & Innovation at Swiss Post. This has led to businesses seeing Swiss Post as a potential innovation partner, directly requesting collaboration on use cases.

It has also shone a light on the potential for collaboration between national, cantonal and communal administrations, whose autonomy engenders a need to use open innovation to the benefit of all parties.

Major levers identified by our panel to foster open innovation in the public sector



“Open innovation increases political legitimacy as people get educated about the complexity of policy making; thus open innovation can generate a more mature society.”

– Robert Madelin, Senior Innovation Adviser to the President of the European Commission (2015-2016)

Open Innovation follows a maturity model

"Intuitively, open innovation can be defined by how it happens in action, for example the hackathon for brainstorming 'out of the box' ideas. Hackathons (such as impots.gouv, held in June 2014) enable you to start with a clean sheet, opening to the masses, out of which can come very new ideas which can feed a project." – Audran Le Baron, French Public Finances Directorate General (DGFiP)

Given the inherent nature of public sector bodies, it can be counterproductive to attempt 'advanced class' activities if an organisation, and its stakeholders, have not already experienced, learned and gained experience from less complex types of open innovation.

A public organisation will require different strategies depending on the level it is at, for two reasons. First that it should look at achieving the best it can, given its current level of skills and experience; and second that certain strategy elements will be more appropriate than others, to help the shift to the next level. We can consider these factors across four dimensions:

- Thinking – the vision for how open innovation is to be delivered
- Structure – resourcing in terms of objectives, roles and responsibilities
- Tools – enablers and accelerators, including open and flexible technology models
- Processes – both internal and external, driving both success and value

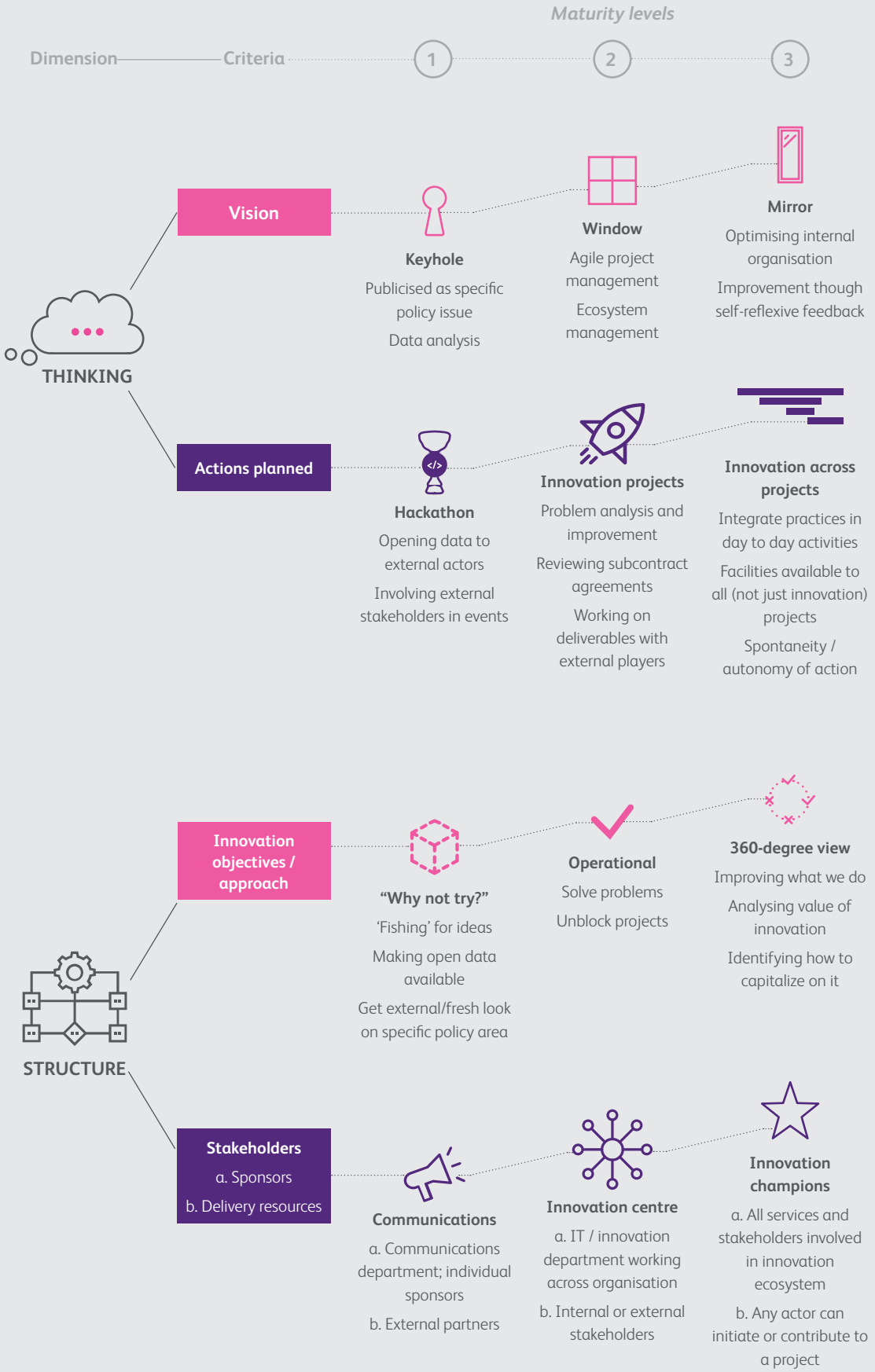
The table shows how and where the factors apply, depending on an organisation's level of open innovation maturity.

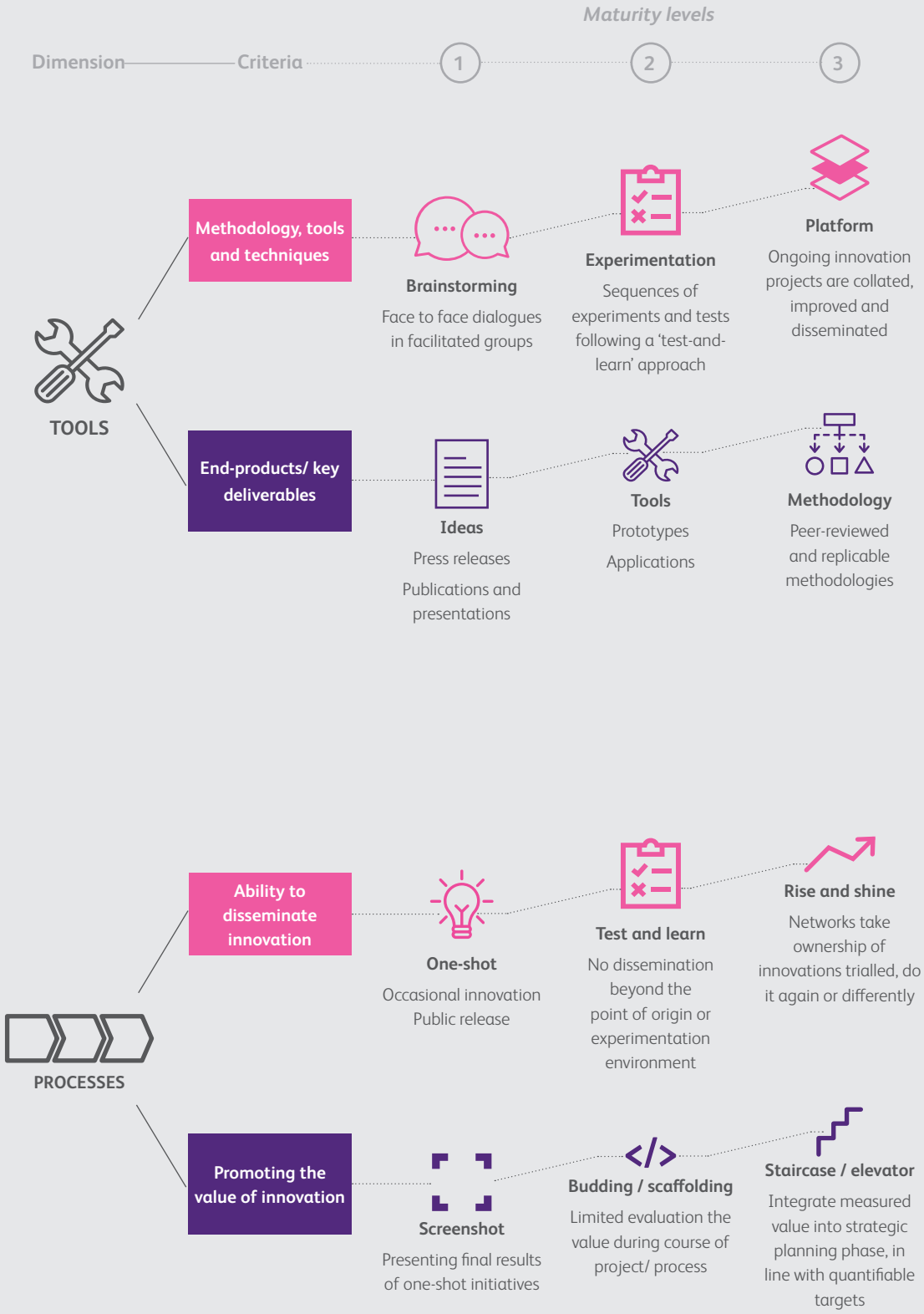
Open Innovation tools and techniques

Organisations can use several tools and techniques to deliver on open innovation. These include:

- Hackathons – Individuals and start-ups are invited to a collaborative event, online or in person, with a goal to brainstorm and develop innovative solutions to an existing challenge
- Incubators – an organisation can host, support and indeed, provide finance to start-ups. Organisations can interact with such companies to assist their activities and benefit from their results
- Accelerators – processes around taking new ideas and testing them quickly so they can be assessed for value
- Shared spaces – can be used for incubation or simply co-working, enabling innovation to happen and for people to network
- Living labs – Integrates research and innovation activities in real-life communities and situations.
- Ideation platforms – Internal or external platforms that enables third parties to design and build new products and services
- Open API – Creation of interfaces to an organisation's online software offerings
- Beta testing platforms – Provision of software tools to enable a third party to test ideas and new software, for example around an open data interface

Note that partner stakeholders can include service recipients, such as citizens, businesses or suppliers.


Maturity levels
Dimension
Criteria
1
2
3
THINKING
Vision
Keyhole
Publicised as specific policy issue
Data analysis
Window
Agile project management
Ecosystem management
Mirror
Optimising internal organisation
Improvement though self-reflexive feedback
Actions planned
Hackathon
Opening data to external actors
Involving external stakeholders in events
Innovation projects
Problem analysis and improvement
Reviewing subcontract agreements
Working on deliverables with external players
Innovation across projects
Integrate practices in day to day activities
Facilities available to all (not just innovation) projects
Spontaneity / autonomy of action
STRUCTURE
Innovation objectives / approach
"Why not try?"
'Fishing' for ideas
Making open data available
Get external/fresh look on specific policy area
Operational
Solve problems
Unblock projects
360-degree view
Improving what we do
Analysing value of innovation
Identifying how to capitalize on it
Stakeholders
a. Sponsors
b. Delivery resources
Communications
a. Communications department; individual sponsors
b. External partners
Innovation centre
a. IT / innovation department working across organisation
b. Internal or external stakeholders
Innovation champions
a. All services and stakeholders involved in innovation ecosystem
b. Any actor can initiate or contribute to a project


Maturity levels
Dimension
Criteria
1
2
3
TOOLS
Methodology, tools and techniques
Brainstorming
Face to face dialogues in facilitated groups
Experimentation
Sequences of experiments and tests following a 'test-and-learn' approach
Platform
Ongoing innovation projects are collated, improved and disseminated
End-products/ key deliverables
Ideas
Press releases
Publications and presentations
Tools
Prototypes
Applications
Methodology
Peer-reviewed and replicable methodologies
PROCESSES
Ability to disseminate innovation
One-shot
Occasional innovation
Public release
Test and learn
No dissemination beyond the point of origin or experimentation environment
Rise and shine
Networks take ownership of innovations trialled, do it again or differently
Promoting the value of innovation
Screenshot
Presenting final results of one-shot initiatives
Budding / scaffolding
Limited evaluation the value during course of project/ process
Staircase / elevator
Integrate measured value into strategic planning phase, in line with quantifiable targets

Taking open innovation forward

"In the highly ordered 'French garden' of public-sector France, there's never a good moment to innovate. Which is why you need a policy of direct assistance to stimulate innovation, and you must work as a network." – Nathalie Loiseau, former Director of l'ENA, now Minister of European Affairs in France

At BearingPoint, we have been helping public organisations across Europe move beyond the theory and deliver on the benefits of open innovation, as they implement reforms and deploy measures on the ground. From these experiences and from our interviewees, we have drawn several lessons about how to go further with open innovation:

Start at the top – an organisation's leadership team needs to buy into the notions of open innovation, with a mindset based on the reality that they can't do everything themselves. This includes being open to new ideas and ways of thinking, not just as a useful technique but because the approach is fundamental to progress. High-level buy-in is required from the outset, otherwise projects may run out of steam or lack sufficient priority, potentially jeopardising subsequent efforts.

Set clear priorities – open innovation success is predicated on clarity of open innovation goals, how they will be delivered, and how to measure success. As well as project success, factors include exposure gained from being first in a field, or indeed having a reputation for innovation. Criteria need to be focused on the long-term rather than short-term, extending use of traditional tools such as MAREVA to encompass these aspects.

Put the governance cart before the horse – governance should fit the needs of open innovation, not the reverse. Rather than hiding behind regulations, administrations should advocate regulatory change so that open innovation can happen within a framework of governance, including data security.

Start with the citizen experience – engage citizens early, not only to drive service innovation but also to disrupt the organisation's strategic thinking. "Today's administrations are having to think about their core functions and the value they bring: for example, should tax offices be providing online services, or should they offer the tools, such that users can take the initiative and develop their own services?" asks Audran Le Baron of the French Public Finances Directorate General (DGFiP). Public engagement can further influence how public policy is created and enacted, the resulting understanding connecting to principles of nation and democracy.

Open the organisation to innovation – open innovation needs an organisation's attitudes, structures and mechanisms to be aligned with being both open and innovative, which means flatter hierarchies and highly dynamic, yet tightly controlled agile processes. Statutory rewards schemes, personal objectives, room layouts (such as ENA's dedicated 'brain juice' room)

and internal marketing assets (e.g. posters and t-shirts) can be based around open innovation, increasing demand and influencing positive progress.

Open up communications – in the open world, the rate of innovation depends on the level of communication between participants. As well as their peers and with service users, public organisations can connect with industry and open communities to drive cross-fertilisation, increase know-how and generate new ideas. Innovation can be a messy business, so all participants need to be singing from the same hymn sheet in terms of expectations. An understanding of innovation-oriented programmes (such as PIA and DINSIC in France for state-funded start-ups), can help ensure that open innovation goals do not get lost as it is adopted by the administration.

Engage the right stakeholders, right – treat innovation partners as peers, with sufficient space to develop, and offer a return on their contribution according to their own value measures. Activities need to provide transparent feedback to participants, for example hackathon contributors. Aspects such as IP ownership, financial participation and data monetisation are to be considered in advance, as norms do not yet exist. The influence of public procurement services should be elevated to peer level, and these considered as an accelerator to open innovation.

Grow skills and experience – senior leaders can be given direct coaching and 'reverse mentoring' on digitization and innovation, even as organisations drive their open innovation activities forward, augmenting existing skills through recruitment and training. Outside of business as usual, organisations can be encouraging innovation by instilling a right to experiment and providing time for non-core activity.

Frame and foster senior leaders' innovation ecosystems – beyond innovation projects and internal innovation governance, engage with peer senior leaders from services facing same challenges. Set-up regular meeting points to build a durable framework in which peers can share and draw comparisons and thus trigger a knock-on effect. Innovation "peering" can help identify solutions and common opportunities along with breaking down barriers and lending credibility to existing initiatives.

Major levers identified by our panel to foster open innovation in their organisation or country

Levers in public organisations

- Securing of core competencies due to perceived threatening situation
- Within the organisation, developing horizontal communities
- Evolving from a control administration to a service administration
- Discovering new common goals and increasing transparency
- Rethinking/strengthening the core business as an end-to-end service for citizens
- Promoting innovative public procurement offices as an innovation factor
- Defending the values of the public sector

Levers at country and European levels

- Disseminating open innovation to other areas by a knock-on effect
- Promoting public service values and strategies for better public service
- Enthusiasm to provide services to the final user
- Relying on civil society to introduce disruption in policy-making
- Seeking external funding through innovation programs
- Perception of threats to the existing public service model
- Spontaneous culture of cooperation among the digital natives
- Confidence of public services to reveal their procedures to citizens
- Healthy emulation between European member states
- Positive experiences of researchers and civil society actors embedded into public administration teams

Spinning up the open innovation flywheel

"The most significant lever is to take the initiative: you have to throw yourself in the deep end!"
– Cédric Lambert, Digital Project Manager

Making open innovation happen is like spinning up a flywheel. In earlier stages, it requires more effort, but as it spins faster it creates its own momentum. To enable the wheel to spin, it is important to have a clear idea of:

- Executive sponsorship from representatives of the organisation and outside, who will have an interest in driving open innovation efforts forward
- Planned benefits of open innovation, defined to engender good-will from stakeholder groups, even if they cannot be articulated purely in terms of economic value.
- Potential early risks of pushing service delivery outside business as usual, as open innovation moves beyond the boundaries of the norm.
- How open innovation initiatives fit with the roadmaps, timelines and other constraints of the organisation

The journey to open innovation should not be embarked upon lightly. From the outset organisations should adopt a spirit of experiment in terms of what open-ness, and what innovation approaches, work best – for example, local authorities will require different collaboration models to international bodies. As you increase speed, you will need to increase resources in terms of skills, money and technology, to maximise chances of success. Once critical speed is reached, innovation can start driving the organisation, rather than the other way around as agility, experimentation and learning become the norm, not the exception.

Clearly, nation-states and the European Union have a role to play. They can offer incentives for open innovation, for example, smart cities can be catalysed through funding and political support, and tax impediments can be removed for startups (though long-term success cannot be built on subsidies, as we have already noted). Governance rules (for example, around data protection) and decentralisation policy can give open innovation freedom to thrive, increasing autonomy and collaboration regionally and locally.

Meanwhile we have the idea of 'state as a platform'– state-provided digital tools supporting public-service ecosystems can be offered to universities and startups alike, including shared data sources (e.g. geographic information, weather), knowledge transfer capabilities and so on.

To help these efforts, organisations can look at several tools and initiatives. For example, existing planning and ROI tools, such as the MAREVA tool in France (mandated for public projects) can support measuring non-financial benefits of strategic assets alongside economic measures of technology-related ROI. [See box-out]

MAREVA 2 broadens value measurement for complex public IT projects

The MAREVA (Méthode d'Analyse et de REmontée de la VAleur) project management methodology was developed in response to conflicting needs to modernize information systems, alongside budgetary constraints and increasing pressure for public sector projects to demonstrate ROI.

It was aimed to help organizations develop their programme, portfolio and project management competences, whilst standardizing, simplifying and de-risking best practice. Initially conceived by BearingPoint in 2005, it is now mandated for all public-sector IT projects with budgets of over €9 million.

The good news is, efficiency and open innovation go hand in hand. Speed and scalability both depend on platform-based approaches – building on a stable set of resources (including open source technologies) is the only way to progress quickly.

A bigger question is, how to address a topic such as value?

The enhanced MAREVA 2 revisits the core principles of complex project delivery based on two strategic goals: first, an increased focus on results, and second, an appreciation that public-facing projects require other success measures than financial value, depending on the issues they address.

The measures incorporated into MAREVA 2 to measure and manage ROI for all large-scale public projects apply equally to open innovation projects. Equally, adoption of these measures as a norm goes a long way towards easing the adoption of open innovation methodologies.

"Open innovation fosters a state that is open to citizens, to communities, to the private sector, to Europe. We need a revolution in thinking, from 'them' to 'us'." – Nathalie Loiseau, former Director of l'ENA, now Minister of European Affairs in France

From our own experiences, we have learned how such exercises benefit the whole ecosystem, and how it is important it is to drive projects from the top and ensure they are resourced over the term. Through our sponsoring of le Village by Crédit Agricole, an incubator, and our startup mentoring program, we continue to contribute to building ecosystems between start-ups, companies and public bodies.

Open Innovation cannot happen as a one-off transformation or initiative, but a new way of thinking: organisations serious about it should set themselves tangible and achievable goals that enable them to 'level up' in terms of both maturity and skill levels. Organisations can achieve breakthrough by whole-heartedly focusing on realistic goals with tangible value delivery at the core. To move into the future, organisations need to make a clear break with the past.

Hospital of the Future

Healthcare is an area of increasing complexity, as changing medical needs and technology advances make traditional approaches to innovation redundant. Hospitals operate at the front lines of this two-edged opportunity, facing overwhelming pressure to respond to healthcare requirements even as new e-health solutions appear seemingly every day.

Tackling these challenges head-on, the Digital Hospital of the Future is a joint initiative between the Greater Paris University Hospitals (Assistance Publique – Hôpitaux de Paris, AP-HP), the largest university hospital group in Europe, and Nantes University Hospital (CHU de Nantes).

As a key partner, BearingPoint is contributing directly to strategy, planning and implementation, with a goal to identify which key technological and organisational innovations can yield successful outcomes for hospitals across the next decade (2025-2035). The initiative is based on collaborative partnership approaches and economic models, to drive:

- Digital Ecosystem Management – co-designing innovation as part of a digital ecosystem involving patients, health professionals and partners
- Improving the Patient Experience – developing new relationships between patients and the hospital, improving access to services and the effectiveness of care pathways
- Systematising '4P' medicine – facilitating healthcare professionals across Personalised, Predictive, Preventive and Participatory service delivery
- Smart hospitals – buildings that are modular and adaptable to change, sustainable, secure and promoting service excellence
- Infrastructure platforms – interoperable, interconnected and secure transport and service platform to support the needs of all stakeholders

A Call for Expressions of Interest (CEI) between June and October 2017 achieved unprecedented levels of international response, gathering more than 380 project proposals from over 10 countries (including France, the USA, Canada, Japan, Germany, UK, Austria, Belgium, the Netherlands and Switzerland), of which 70% were start-ups or small and medium businesses. The closing event for the CEI, held at CA's Le Village innovation centre, was attended by more than 80 participants. The CEI represents the first phase of a planned open innovation approach , in which stakeholders collaborated both on selection criteria and shortlisting of candidates.

The Village by Crédit Agricole

"Incubating is not enough, now you have to coach. With Le Village we are creating such an environment, always asking the question: does what we bring add value?" – Eric Falque, BearingPoint

Founded by Crédit Agricole in 2014, Le Village by CA is a start-up incubator that supports projects with high potential value. Benefiting from a cutting edge technological environment and located in the heart of each region, start-ups operate in an innovative ecosystem open to a variety of private and public partners.

1,200 applications

90 start-ups in residence

5.5 positions created per start-up on average over two years

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Notes

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BearingPoint is an independent management and technology consultancy with European roots and a global reach. The company operates in three units: Consulting, Solutions and Ventures. Consulting covers the advisory business; Solutions provides the tools for successful digital transformation, regulatory technology and advanced analytics; Ventures drives the financing and development of start-ups. BearingPoint's clients include many of the world's leading companies and organizations. The firm has a global consulting network with more than 10,000 people and supports clients in over 75 countries, engaging with them to achieve measurable and sustainable success.

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