



NEIGHBOURHOODS OF THE FUTURE

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THE SHAPE OF THINGS TO COME

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What this presentation covers

- Neighbourhoods of the Future recognises an opportunity for stakeholders to collaborate across borders and sectors
- How we can move forward in a spirit of open innovation
- How you can get involved
- The new collaborative research initiative sponsored by St Mary's University, Twickenham

The story so far..... 1: The AAA White Paper

- We've identified:
 - Plenty of innovative thinking, by suppliers and users of technology
 - Innovative products – innovative in design and innovative in functionality
 - A growing interest in this vertical from the tech giants
 - A significant appetite for digital solutions at home (especially health and care) among older adults

The story so far..... 2: The AAA White Paper

- The report reveals the enormous goodwill and desire to progress that exists in the public, private and 3rd sectors
- But we've found big barriers to change requiring large scale delivery
 - Broken model of social innovation
 - Especially lack of co-creation by private-public-social partnerships
 - Failed public services innovation
 - Distraction of new public management
 - Poor understanding of centralisation/decentralisation business model issues
 - Naivety re how private sector handles complex customer identity/ ownership issues
 - Poor understanding of how co-creation/production delivers at scale
 - Unrealistic expectation that collaborative co-creation leads to delivery

Broken model of social innovation

- Contaminated by
 - Inventions, “great ideas” (often from university, sponsored by governments), “thrown over the wall” (aka “knowledge transfer”)
 - Universities often participate for wrong reason, to get research funding and publications, regardless of commercial impact
 - Assess impact by citations, but that is just people talking to each other
- Lack of co-creation involving private-public-social partnerships of innovations that are delivered at scale
 - Too often pilot is end in itself, not a means to delivery at scale
- Outcomes more focused on problems and research, not design and implementation of solutions and measurement of their effectiveness
 - Each player should meet own objectives, but only by meeting overall objectives
 - Setting these overall objectives may require serious challenging of how projects are set up, to create truly innovative but also sustainable and scalable outcome



The solution? Targeting, avoiding utility mentality

- We are surrounded by examples of massive social change created by private (mostly digital) innovation
 - Most improve customer value by targeting users prepared to do more work to get better value
- This work is increasingly digital
 - Small e.g. downloading relevant app etc.
 - More comprehensive creation of sustained engagement
- Those unwilling to use digital can still access services conventionally
 - Though they may know that this is not best, cheapest or fastest way
- Involves abandoning the “one size fits all”, utility mentality so common in public services

Public services business model innovations

- DVLA, TfL payment, OU
 - Smaller organisations (though not by commercial standards)
 - Demonstrate that public services can change how they manage customers by introducing much more self-service
 - They have been continually disruptive (from Oyster to tap and go)
 - Sometimes, non-digital customers excluded (e.g. no cash payment on buses)
- Need test-bed/pilot community where everything connects
 - Connected neighbourhood test beds
 - Innovative neighbourhoods populated by innovative institutions and individuals
 - Anchor institutions and companies committed to change – hospitals, surgeries, schools, care organisations, housing construction and management
 - Replicable at scale



Conclusions

- Public service innovations only work if truly systematic, involving managers/staff/citizens/politicians
 - Focus is policy AND delivery at scale, not just policy
 - When public services combine best practice and learning in a strongly-focused innovation, driven from the top, with clear customer benefit, it works
- Relationship with innovative ecosystem suppliers is key
 - Helps achieve innovation and improved value delivery to final customers
 - However, much public procurement is driven by cost, not value, with innovation rarely on the agenda
- Innovation unlikely to succeed unless co-production and/or collaborative / open innovation.....
 - Moves away from pre-occupation with internal efficiency and practices end-user-driven culture, focused on service effectiveness and creation of public value, with how citizens use services central, not marginal



How will it happen

- Vital role for innovative NGOs as independent honest brokers
 - Creating vision cooperatively, with no vested interest, ensuring governance and transparency, bringing parties together in open, creative dialogue AND delivery
 - Gaining managerial/political commitment from government, public service leaders and transformational private sector ecosystem members (e.g. systems)
- But – and it's a big but.....
 - Without transformative leadership in public sector, these changes won't happen
 - And such transformative leaders need political backing
 - Absence of it is why public service transformation often confined to backwaters
- There's always a way to destroy change
 - The true conservatives (with a small c) are those who resist idea of radical movement forwards for citizens prepared to opt-in
 - Leads to the levelling down we are so good at in the UK

Next steps

- Research into options, particularly industrial-scale delivery
 - Global Open Innovation Challenge
 - Neighbourhoods of the Future –pilot test bed
 - Collaborative university programme of research and innovation, with a delivery-focused version of the triple helix

Appendix 1

Public services transformation failure



In our research, we've been looking for....

- Major public service innovations which
 - Involved big change to business model (who does what, how etc.), delivered on a sustained basis (i.e. not just pilots, though learning from these is important)
 - Which greatly changed how customers/citizens, public sector workers, the private sector (large and small companies) delivered, not just designed
 - Made significant use of digital technology to achieve the change
 - Greatly improved delivery quality/scope relative to cost, even if delivery involved significant self-service
- We found few examples



Public services transformation failure

- Piecemeal
 - Inappropriate model (private sector siloed techniques, manufacturing)
 - No transformative vision for the model
- The “new public management” was a severe distraction
 - Piecemeal adoption of private sector management techniques, often from manufacturing rather than service industries
 - Focused on internal efficiency, top-down and driven by policy and public spending necessities, rather than bottom-up, based upon expressed need
 - Failed because of its focus on technical tools of implementation and on saving costs without a clear business logic to validate it and which would lead to big improvements in quality of service



Public service transformation - Decentralisation?

- Most private sector business model innovations centralised, use digital technology, but many benefits achieved by user self-service
 - Even where self-service not to the fore in the private sector, decentralisation to front-line staff within clear boundaries is supported by highly centralised IT which provides data on how decentralisation is working (as in contact centres)
 - Combination of centralisation of management and IT-supported decentralisation helps support innovative and customer-oriented cultures
 - Optimal degree of centralisation or decentralisation determined by the market, though often only after a long competitive battle between companies with different degrees of centralisation



Public service transformation - Naivety?

- Naive interpretation of how private sector views and manages customers in complex situations, both in business to consumer and business to business markets
 - As if customers always represent positive value and as if the benefits they require are easy to identify and provide
- Managing citizens as customers said to be difficult because the beneficiaries can include direct end users, unwilling or coerced users, multiple users of a service, citizens who indirectly benefit from a service and future users of a service
 - Many areas of private sector, such as complex financial services or advanced engineering maintenance services, which share these characteristics.



Public service transformation - Co-production?

- Many private sector business model innovations involve customer taking greater part....
 - From service innovation (e.g. using information from customers to help company develop deeper understanding of customer, or by customers engaging in deep interactions with suppliers focused on product or service design)
 - To service delivery
- In public services, co-production often superficial, emphasis on citizen 'voice', not self-service
 - Creates lots of input but little change in output
 - Unclear if public service delivery/value creation for citizens and communities understood by politicians/public service professionals
 - Politicians committed to user engagement in a vague form, while public services professionals may not want to share power by engaging citizens
- Co-production has its problems
 - e.g. individual failures get intense public criticism, even if overall service better



Public service transformation – Open/collaborative innovation?

- Being experimented with in many parts of the world, with some success in smaller projects
- Lessons from private sector business model innovation is that a strong, customer-focused and top-down strategy is best way to produce significant, lasting and beneficial innovation
- Unless open innovation highly focused and breaks through problem of “too much input, little output”, unlikely to do more than play peripheral role

Appendix 2

The digital older adult



Welcome to the digital (older) adult, who

- Prefers the digital option, because it gives them
 - Control
 - Choice
 - Peace of mind
 - Less disruption
- Opts for digital option wherever they can, in private sector
- In public services, this person is faced with a wall of paper, people (who think they know better) and opaqueness in public services
 - Because public services management believes that this is the only way to make sure everyone gets what they need
- Utility mentality leads to great levelling down of service standards
 - Levelling up of costs
 - Resistance to variety of approaches to user incentives (e.g. digital service at a premium), charging users, fraud management



The opportunity

- For older adults, we need a digital-only (or nearly) channel
 - Not only saves cost, but also delivers better service
 - This will have risks, but usually no greater than the risks of poor service delivered by existing real channels
- The next generation of older adults contains a much higher proportion of digital older adults than previous generations
 - They will be entering the high cost zone of public sector services steadily over the next ten years
- So now is the time to start business model innovation for them

Defining a “digital-first” option for services

- It must work
 - Not just at interface with the customer but throughout delivery chain
- It needs
 - New business models
 - Total digital transformation
 - Total focus on outputs/delivery, not clever inputs and discussions
 - More open attitude to data, so everyone can see what’s working
 - And individuals can see what is working for them
 - Centres of excellence – ones which we all regard as excellent, because of what they **deliver**, how they deliver it, how efficiently and how comprehensively (scope, breadth, depth)
- And most of all
 - Governance - to maintain focus, balance and pace

