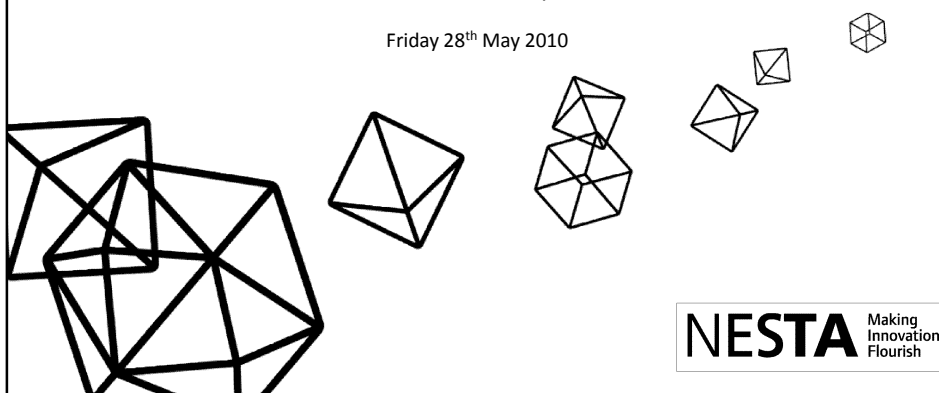


Measuring innovation in the public sector – NESTA's approach

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Friday 28th May 2010



Overview

- Background to NESTA Innovation Index
- Measuring innovation: challenges
- Innovation Index: public sector component
- Adopted methodology – survey
- Other approaches
- Conclusion

DIUS White Paper: Innovation Nation

- NESTA will:

‘... develop an Innovation Index to measure UK innovation in the round drawing on input and expertise from partners such as the ONS, DIUS, BERR, AIM, the CBI and others. A pilot index will be published in 2009 with a fuller system in place by 2010.’

Measuring innovation: conceptual challenges

- Innovation is difficult to define
- Different sectors innovate differently
- Diffusion is often more important than creation
- Innovation is now an international activity: what does ‘UK’ actually mean?
- Developing new metrics means balancing accuracy, longevity, comparability and ease of collection
- Probably requires new data
- Public services present a specific set of challenges

Measuring innovation: methodological challenges of public sector

- Size and range of organisations and activities
- What is innovation for public sector organisations?
- What are the characteristics of an innovative public sector organisation ?
- What is the unit of analysis?
- How to measure the value, output and success of innovation?

Innovation Index: public sector component

- In line with the market sector, public sector Index to:
 - track the innovation that matters most to the UK public sector and embed this understanding in innovation policymaking
 - make it easier to provide rigorous quantitative support for public sector innovation policies
 - link public sector innovation to the economic and social value it creates
 - include indicators comparable across different countries
- **Primary audiences:** those responsible for the delivery of public services in UK central government, the devolved administrations and local authorities

Supporting work

- Ongoing research and consultation including:
 - Summer 2008 NESTA publishes two exploratory projects
 - Engaging with and advising on other initiatives in the UK and internationally.
 - OECD-DIUS-Nordic-NESTA conference to share thinking and developing international co-operation
- Commissioned 4 exploratory projects – organisational scorecards (October 2009)
- Following assessment and further consultation with key stakeholders NESTA adopting a CIS survey approach.

Challenges of adopting a public sector CIS

	Mitigation
1 Compliance	<ul style="list-style-type: none">• Respondents concern that subjective judgments may be assessed against scrutiny against formal targets. NORDIC project has suggested this can be addressed through closed questions.• A commitment to anonymise survey responses would also ameliorate concerns from respondents that the data would be used to used for individual performance measurement.
2 Measuring Open and Hidden Innovation	<ul style="list-style-type: none">• Although main body will be similar to international surveys UK survey instrument will be enhanced to incorporate questions specifically tailored that will measure the levels of hidden, process and open innovation.• These questions will be developed and tested with representative organisations to ensure alignment with the key individual sector drivers.

What will survey provide?

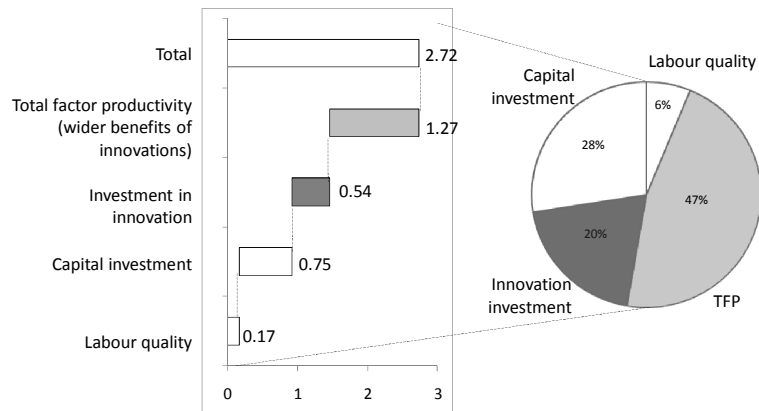
- 1 Important new dataset
 - Create a valuable source of data showing how innovative different public sector organisations are on a number of dimensions, showing levels of variation and areas where the public sector or different parts of it are weak or strong;
- 2 Link performance to outcomes
 - Allow NESTA to relate organisational innovation performance to organisational outcomes (as measured in other surveys and by audit bodies such as the NAO) – this would be an extremely valuable research tool for NESTA's ongoing work on public sector innovation;
- 3 Provide organisations to benchmark performance
 - Provide benefits to organisations completing the survey – we would provide each participant with a report that benchmarked their performance on different questions against their peers, as well as analysis relating answers to other measurements of organisational performances (e.g., health outcomes, educational value-add)

Other approaches considered within project

- 1 Growth Accounting – innovation and public sector productivity
 - Assumptions underpinning market sector growth accounting approach more difficult (methodologically and politically).
 - Need to work with ONS/UKCeGMA to develop an accurate and robust methodology to measure contribution of investment in knowledge assets and public sector productivity

Innovation contributes around two-thirds of productivity growth

Contribution to UK Market Sector productivity growth, % 2000 - 2007



NESTA

Source: Innovation Index

6

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2 Innovation Scorecard for public sector organisations

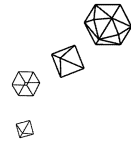
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- 3 Innovation Scorecard for projects
 - The Index be available to measure effectiveness of individual innovative projects
 - Dept of Health have commissioned an innovative project tool

Conclusion

- The survey approach will provide new data to enable policy makers and individual organisations to better focus resources through innovation
- The survey approach provides the flexibility for robust measurement at different levels.
- NESTA's proposed survey approach aligns with existing international projects including NORDIC, European Commission and OECD
- Success will be achieved through partnerships; drawing on a wide range of expertise and experience survey will address the complexity that exists in public sector



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