

by Keith Goffin
Professor of Innovation and New Product Development

Dr David Baxter
Senior Research Fellow in Innovation

Dr Magnus Schoeman
Visiting Fellow

Collaborate to Innovate

“ Innovation is something that many governments strive to support, in both the private and public sectors. By bridging the two sectors and creating novel partnerships, public sector expenditure can be reduced. ”

The financial crisis has left many countries with significant national debt and consequently public sector budgets are under pressure. This is having a major impact on the ability of governments to deliver public services and so governments are facing the question: how can the availability and quality of public services be maintained at the same time as saving costs? Innovation can play a key role in addressing this question and this article focuses on a particular form of innovation - new partnerships between the public sector and commercial organisations, which we term 'commercialisation'. This article discusses how such partnerships can be stimulated, and the barriers that must be overcome to achieve commercialisation.

An important issue is the nature of innovation in public sector organisations, as this is often misunderstood. The definition of innovation most frequently used by the UK government is "the successful exploitation of new ideas", but this is too generic to support public sector organisations that want to innovate. More clarity is needed. There are of course different levels of innovation, from incremental (changes to existing services) to radical (creating new services or completely new ways of delivering services), and transformational (innovation which completely changes the way the system works). Much of the innovation in the UK public sector is incremental, for example the improvement of service delivery, or the reduction of costs through outsourcing.

However, although incremental innovation is important, it will be more radical innovations that are needed to ease the pressure on public sector budgets. Until now, partnerships with the private sector have mainly been based on financial initiatives but commercialisation opens up new opportunities.

Commercialisation is different in that it looks to combine the capabilities of public and private partners in a unique way that enables the generation of new services (which neither partner could develop alone), and in a way that the revenues are shared (allowing a financial advantage for the public sector). In our research we have looked in detail at how such successful partnerships arose and the new services that resulted (see Figure 1).

Figure 1 - Met Office case study

In 2001 the Met Office started developing a method to predict the level of demand for healthcare, based on weather conditions (for example, cold weather makes certain respiratory conditions much worse). A free-of-charge service for hospital emergency departments was launched that helped them predict the changes in demand for their services.

However, when government funding ran out and hospitals were asked to pay for the service, the vast majority stopped using it. A chance meeting at a 2006 conference led to the Met Office starting discussions with Medixine, a small Finnish tele-health company. Working together, they created an automated telephone system that alerts at-risk patients of upcoming adverse weather conditions, asks if they have adequate medication, and advises them to wrap up warm and stay indoors.

This service has proved a big success, with around 40,000 patients now signed up. Medixine market the service and gain revenue for every patient they sign up, which is shared with the Met Office. In addition, the NHS benefits from a significant reduction in costly hospital admissions. The service demonstrates that both public sector and commercial partners can benefit from commercialisation.

Commercialisation holds promise; a number of projects, like the Met Office example, have shown that relationships with commercial partners can lead to significant and shared revenues. However, there are some barriers to successful implementation. To investigate these we conducted a survey of UK civil servants. The results showed that commercial partnerships are perceived by civil servants to be of growing importance. However, the respondents to the survey also perceived that potential conflicts of interest, low awareness, and a lack of experience of managing such relationships were hindering the public sector. In particular, it was felt that there was not enough information available to public sector managers on how to make commercialisation work.

Innovation is something that many governments strive to support, in both the private and public sectors. By bridging the two sectors and creating novel partnerships, public sector expenditure can be reduced. It also offers a real alternative to selling off public assets. It will remain to be seen whether the government will make the most of this opportunity. MF

For further information contact the authors at k.goffin@cranfield.ac.uk or d.baxter@cranfield.ac.uk