

TRACKING THE DNA OF PUBLIC PRIVATE WELFARE INNOVATION

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ABSTRACT

Public Private welfare innovation - contributions to the identification of success factors of a new innovation paradigm

Rethinking public welfare will be a major task for all European welfare states. One approach to these challenges is to form public private innovation projects – making public challenges, private opportunities.

Copenhagen Living Lab have worked with the public private innovation paradigm for the last 4 year, and recently concluded a short research project for the Danish Enterprise and Construction Authority (Ministry for Economic and Business Affairs) on the topic. It's not trivial to do this kind multi stakeholder innovation project across public and private domains. But organizing the innovation process around a shared interest in user needs will help...

In this analysis we have investigated the challenges that PPI projects are facing, and searched for the key that determines success.

INTRODUCTION

This analysis is based on research in how regions, municipalities & enterprises in cooperation has initiated and organized public private innovation (PPI) projects within the welfare domain.

PPI collaborations are characterised by a relationship between the participants, which can not be described as a normal buyer -supplier relation. The participating actors are to be understood as collaborating partners that engage in a joint development process that explore new innovative solutions

on commonly defined problems.

(Analysis of public-private collaboration for innovation, EBST March 2009) The concept 'development partners' raise questions. Who they are? What are the roles and relations in the different, in the different phases of a PPI project?

Beside the focus on relations, the selected cases have been studied investigated based on an understanding of PPI projects that they broadly include 3 stages:

1. Initiation - designation of the project's focus area

2. Project development - shaping and organizing a framework for development

3. Implementation of the development activities

Finally the PPI projects rationale and criterion for success has been seen as a matter of providing solutions with effect on three bottom lines:

1. Higher citizens welfare
2. Lower government costs
3. Growth opportunities for businesses.

BACKGROUND

This paper is based on practical experiences. In Copenhagen Living Lab we are practitioners. Our aim is to develop methodology and process that works for public and private organisations when engaging in innovation. We are trained as ethnologists, designers and innovation managers.

The thought traits we follow are ground in the emerging field of user driven innovation, service design and co-creation.

DATA AND METHODS

Qualitative interviews have been conducted among key stakeholder in six Danish Public Private Innovation ini-



Figure 1: Research design

tiatives.

The basis for the data material lies - in addition to Copenhagen Living Lab's own experience of working with the welfare innovation projects in collaboration between public and private partners as well as desk research in the field - in a thorough collection of data from six OPI cases that are selected according to cover diversity in both structure and content.

The 6 cases represent a geographical spread of Fredericia, Aalborg, Copenhagen and Randers and differ in terms of:

- approaches to public private welfare innovation
- the organizational embedding of project
- professional field or welfare domain

The 6 case study projects are presented briefly in the following gray boxes:

FREDERICIA SHAPES THE FUTURE (FSF)

FSF is a local strategic effort that seeks to develop radical solutions that address the full amount of public services, within the municipality. The project is also an attempt to make the municipality a more attractive workplace with a stronger innovation culture. The project is anchored with the municipal director (with the deputy municipal director as project secretary together with the personnel manager). The project has been implemented in cooperation with MidtLab and external consultants.

GABRIEL

Gabriel is a private hold company with about 90 employees and an annual turnover of 205 million DKK. The company develops and manufactures textiles and upholstery solutions, and has an innovative and value-adding collaborative customer approach. Gabriel has been trying to establish new relationships with the regional hospital as part of business development.

THE GOOD ELDERLY LIFE

A user driven innovation project aimed at developing new solutions that increase quality of life for residents in nursing homes. DGÆ is rooted in the Health and Care Ad-

ministration (SUF), Copenhagen on Elderly center Solund and implemented in cooperation with Copenhagen Living Lab. Moreover, a number of private firms have developed specific products and services as part of the project

MORE TIME FOR THE PATIENT

A regional council supported project at the Regional Hospital of Randers. The project counts on the subprojects "Future Smart Bed" in cooperation with MidtLab and "Self-cleaning toilets" in cooperation with a private design firm; ConceptMaking - both as OPI initiatives with the involvement of several private companies.

IDEA CLINIC

A project organization at Aalborg Hospital with the aim of turning hospital-related ideas or inventions in to products, that can be patented and sold, and concepts that can facilitate the daily work. The idea clinic cooperates with local business networks for technology transfer and commercialization.

DIGITIZING EVERYDAY STRUCTURE FOR PEOPLE WITH AUTISM (DESPA)

A demonstration project, supported by the Danish PWT Foundation (Investments in Public Welfare Technology; in Danish: ABT-fonden) with an aim of testing a handheld digital calendar (memo ActiveSync) on homes for adults with autism (or the similar traits), involving 80 residents and 80 staff in the metropolitan area. The project owner is the Social Services Department, City of Copenhagen (SOF), the technical project management is handled by Social Development SUS and Abilia (develop and produce ICT equipment) delivers the technology.

The different approaches to public private welfare innovation can be viewed as follows:

- In Fredericia municipality the total portfolio of public tasks represent the subject of innovation.
- Similarly the Idea clinic is an initiative that relates to ideas from employees, from all parts of the hospital.
- The good elderly life is an example of

a domain-specific innovation platform that is used to generate a variety of development projects, all aiming to enhance quality of life for elderly people in nursing homes.

- The innovation initiatives in Randers include two development projects, both of which are embedded in the overall vision of 'More time for patient'.
- DESPA is also domain specific, but it directly targets to test and demonstrate the effect of a concrete solution: Memo-Active.

-The Gabriel case represents a blueprint for a development cooperation initiated by a private company. The organizational anchoring of the projects is as follow:

- FFF is anchored at top management level.
- The Idea clinic is part of Aalborg Hospital and serves as an independent entity with its own innovation leader.
- The good elderly life and Despa are rooted in domain specific administrative offices on municipality level.
- The projects in Randers, is headed by a project manager, placed as staff function at board level (Finance) in collaboration with an outside counsel.
- Finally, Gabriel is a private limited company that has established an innovation department with responsibility for contributing to business development.

The various domain professionals and welfare domains related:

- FSF is a strategic executive-driven project with principle focus on the entire municipal operation.
- The Idea clinic jumps out of a scientific research-based tech transfer tradition.
- The good elderly life is based in a SOSU dominated health care environment
- The Randers projects operates in a nursing-professional context.
- Despa is rooted within the childcare domain.

The cases represent different relationships between public and private partners:

- FSF has primarily used private development consultants, but expect at a later stage to involve private players in solution development.

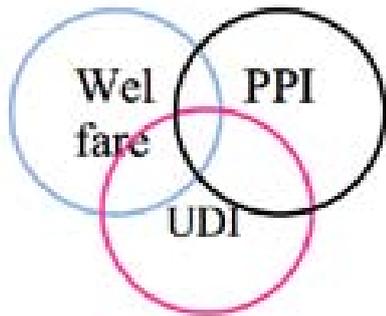


Figure 2: The nature of public private welfare innovation

- Idea Clinic collaborates with a wide range of private businesses, primarily in the role as producers.
- The Good elderly life, is partly driven by private innovation consultants, and incorporates on the solution side collaboration with 7 different companies.
- Randers hospital cooperates with a consortium of several private companies, with a manufacturer as main supplier.
- In the Despa project, an inter-municipal development consortium buys products and services from four different companies.

RESULTS

Based on the study five different generic approaches to PPI have been formulated, based on whom is initiating, the subject of innovation and the actor's motivation:

1. Vision driven
2. Service driven
3. Demand driven
4. Business driven
5. Patent and test driven

Potential and effect of PPI project may depend on approach.

Successful public private welfare innovation projects need to have a grip on:

1. Public Private Innovation (PPI) (framework & process)
2. User driven innovation (UDI) (method)
3. Welfare challenges (purpose)

An overall grip can lead to the formulation of strategies for PPI on welfare issues that relate to:

- Program Level
- Institutional & organizational level
- Project Level

In the following the different dimension will be unfold, and finally an overall strategy for PPI on welfare will be

formulated.
PPI

Designing successful PPI projects is question on how to establish a *framework* that increases the likelihood of public and private actors shaping PPI *development partnerships*, and how to stimulate the *design, organization and implementation* of PPI projects that increase the chance of developing *value-added solutions for all stakeholders*.

A key issue seems to be who is initiating the projects, how appropriate partners are found and decide on.

The study shows that if PPI projects on welfare are to deliver in line with the challenges ahead, there is a need for a more efficient stimulation of private companies' participation in radical welfare innovations. This will require a better understanding of 'multi stakeholder alignment'.

A firm understanding of the innovations paragraph associated to PPI is necessary:

- The need for addressing the three bottom lines has to be explicit, understood and accepted.

To some extent citizens have a tendency to view quality of welfare as a matter of resources. More resources equal higher quality. This view also applies for many welfare professionals.

On the other hand most private companies see the public sector as the paying customer, when engaging in PPI. This potentially creates projects that increase public cost instead of decreasing them.

- Addressing three bottom lines simultaneous increase the project complexity. PPI projects have a strong need for multi stake holder alignments. The driving interests behind collaboration must be clear and acknowledged.

- The alignment of stakeholder inter-

ests is best meet when applying user centered & iterative methods. Taking the users perspectives create opportunities for finding a positional match, between public and private stakeholders. Aligning interests among different types of partners is enabled through the creation of new reframed positions build on user insights.

The financial and legal framework supporting the collaboration has to be clear. Many issues relating to competition and state aid may arise. But also perception of how to frame PPI projects may cause barriers for success.

- It seems critical for projects addressing welfare challenges, to initiate the process with a *problem investigation focus*. Surface appearance of the problem seldom contains the insights necessary for identifying possibilities for new radical solutions.

There is a lack of funding opportunities for this kind of *prejects (Darsø 2001) or reframing (Normann 2001)*, and there maybe also be a limited understanding of the necessity.

It is notable that a broader problem investigation project can create insights that are useful beyond local challenges. This might add to the understanding of the lack of local motivation for initiating – and represent a potential for coordinated efforts beyond the limit of municipalities.

Ethnographic methods provide a useful tool for the initial problem investigation, reframing welfare challenges.

- On the legal side the EU promoted framework of *Pre Commercial Procurement (PCP)* represent a potential valuable legal framework for PPI projects, as it can help project overcome issues relating to competition and state aid. Still this framework builds on the premise, that a clear

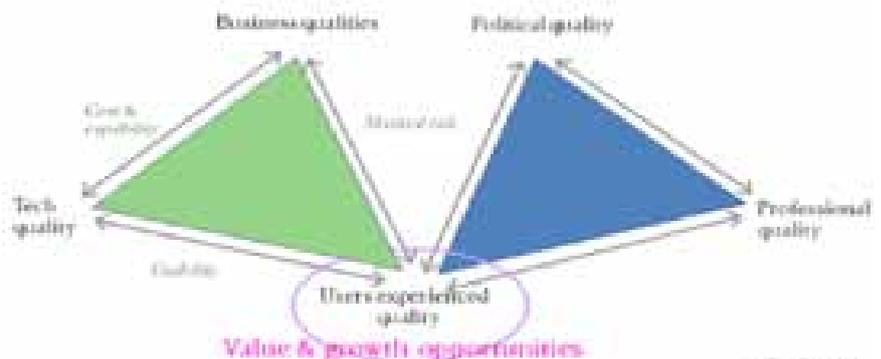


Figure 3: The user perspective as point of alignment



Figure 4: PPI main phases and key activities

problem understanding is available from the set out.

The PCP framework seems to have its root in a natural science research tradition. For that reason there might be a need to adapt the framework to the welfare domains, which are more related to humanities and social sciences. Welfare can to a high extent be characterized as services - more than products.

The PCP framework suggests, in its original format, participation of multiple developers in parallel. This approach may be too expensive for local PPI projects. But combined with an initial *problem investigation project* PCP provides a valid framework for larger projects with a clear ambition of scalability.

- *Competitive dialogue* represents a better understood and less complicated framework for collaboration characterized by a high degree of uncertainty, in 1:1 projects. The tender form “competitive dialogue” is a crossover between an ordinary restricted demand and negotiating. Competitive dialogue can be used by public entities when they are dealing with complex contracts.

Competitive dialogue enables the provision of an intended purchase, and can, for example by using phase separation pave the way for development (phase 1) and the purchase of a pre unknown solution (phase 2).

The PPI process.

PPI project can be seen as consisting of four main phases:

1. Problem investigation & project development
2. Opportunity identification
3. Partner search
4. Solution development

An equal focus on all phases is important for success. The management and facilitation of the process represent specific competences – complex (iterative) project management, multi stakeholder alignment, service design and user driven innovation - which are to

be acknowledged, by both private and public partners.

UDI

User-driven innovation (UDI) is about increasing the chance of success when innovating, by leading the process on the basis of insight into user needs.

A user driven innovation process shall produce knowledge on user needs and involve users in the development of new solutions.

The methods and tools of user-driven innovation are after years of practice relatively well-known, even do the number of well trained business practitioners is still limited.

The critical issue when applying UDI methodology to public private welfare innovation is the ability to choose and exploit tools according to PPI phases and project scope. Another critical issue related to that, is the ability to scope PPI project according to an innovation strategy.

- Innovation Strategy:

There is a lack of well developed welfare innovation strategies. This lead to an even lesser developed strategy for PPI in the welfare domain. The lack of strategies for welfare innovation may be related to the relatively weak understanding of service innovation.

Applying a service view on welfare innovation reveal four overall approaches to service innovation (*Bettencourt 2010*):

1. New service innovation
2. Core service innovation
3. Service delivery innovation
4. Supplementary service innovation

- If we consider innovation the process of creating boundaries that define a space, which direct the search for relevant combinations of technology (in the broadest sense), the innovation strategies provide the scale by which projects are framed. Innovation strategies must provide a framework that leads the projects towards relevant combinations. It does so by defining objectives and gaming rules. PPI, as described above, can be seen

as a set of rules. The objectives define the ‘landscape’ to be explored, and depend on the strategic ambitions: Radical changes, new services, enhancements, improved delivery options or reduced costs?

Depending on strategy the scope of a project will be broad or narrow.

A narrow project scope seems to be preferred as it is easier to envision the outcome. This means that PPI project may be limited to help *existing public services* to increase quality or cut costs

- taking a value chain approach.

To enable radical project it is necessary with a broader scope – preferable a value star approach.

- A better understanding on how to formulate welfare innovation strategies and how to use the right UDI methods can reduce the perceived risk in radical innovation projects. This may contribute to the necessary raise of the bar.

Applying Innovative ethnography (*Copenhagen Living Lab, 2009*) make it possible to gain a deep understanding of causes underlying the challenges from the individuals point of view, identifying opportunities trough re-framing and guiding the solution development.

WELFARE CHALLENGES

It can, from a rational perspective, seem important to identify and prioritize the key welfare problems, to get the most out of development resources (value for money). But maybe the key challenges are evident?

A Danish magazine (*Mandag Morgen, 2010*) has formulated the overall challenges as follow:

- Bridging the welfare gap: How do we create coherence between public expectations and the wealth that comes?
- The inclusive society: “How do we create a more effective prevention effort in the social sphere?”



Figure 5: Value chain vs. value star

- Knowledge and Growth: “How do we develop an elementary school, which matches the future need of society and students’?”
- Hands enough: How can we get people, who for one or more reasons are out of work, in employment today?
- Healthy relationships: How do we create coherence in the health sector and between health and other related sectors - in example for elders so they experience seamless process?

At an overall level the challenges are obvious, and prioritization may not create added value.

But beneath the top level challenges a number of key problems are to be identified and prioritized, in order to address the complex welfare problems. There are a number of characteristics and cultures that influence the amount and type of potential PPI projects within the respective welfare domains (*own analysis of ABT project portfolio, 2010*). The various conditions and characteristics within the different welfare domains means, that PPI projects might benefit from a domain specific designed. There seem to be very different starting points for PPI projects depending on what welfare domains, they are realized within.

The major areas of welfare consist of tasks which are defined in relation to:

- Children & youth care, development and training
- Assistance for mentally, physically or socially disadvantaged
- Treatment of sick
- Assistance to elderly

These are all tasks which deal with various kinds of services. Services understood as someone assisting others with something - typically undertaken by people, for and with people.

The analysis has identified four prominent welfare cultures:

1. The administrative culture where overhead is reduced through the use of IT & digitalization
2. The repair or treatment culture, where citizens are cured by means of devices and drugs
3. The compensating or caring culture, where citizens get help in doing things they themselves can not and utilize aid devices
4. The educational culture where people are stimulated to grow by means

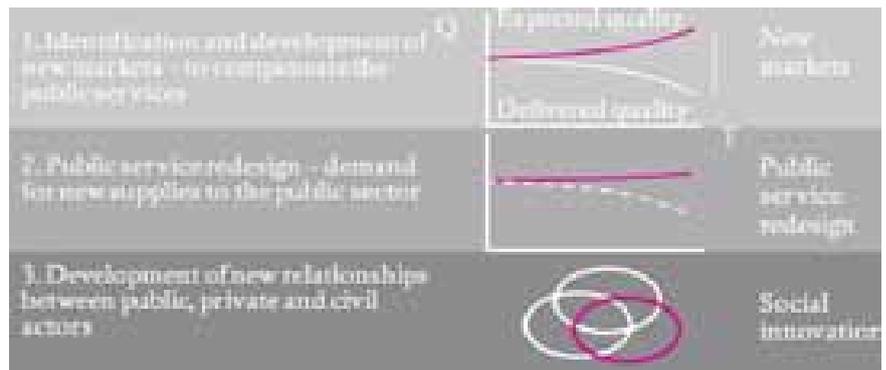


Figure 6: An overall strategy for welfare innovation

of progression plans, sensory stimuli, and processes

The way welfare PPI has been developed so far has left most of the potentials within the educational culture untouched.

A new service paradigm for PPI is needed, if we are to realize the full potential.

MARKET, GOVERNMENT & FAMILY

In the end welfare innovation has to be viewed in relation to the most fundamental design criteria – who is providing welfare?

If we are to form radical new solutions, we have to reconsider the distribution of welfare tasks between market, government & family.

Strategies for public private welfare innovation need to be aware of the full scope of means for forming the welfare of tomorrow.

TOWARDS AN OVERALL WELFARE STRATEGY

The analysis suggests a set of PPI principles to be used to outline possible models for organizational structures to facilitate the expansion of PPI within the welfare domain.

The principles suggest that PPI models shall:

1. Stimulate real collaboration process involving public and private actors.
2. Provide solutions to welfare problems.
3. Frame and organize cooperation that ensures the development of mutually valuable solutions.
4. Adapt to the different welfare areas specific culture.
5. Focus on needs of citizens and increase the perceived welfare, regardless of vendor.

6. Help to define the ‘real’ scope and align scope and methodology.

7. Apply citizen-centric methods.

8. Address problem investigating and platforms for citizen involvement as infrastructure

The sustainable welfare solutions of the future will most of all depend on citizens’ and users’ experiences and behaviour – and only secondly on how the professional system is designed within.

This triggers the need for:

- Radical solutions
- Avoiding making existing services the starting point
- A plurality of new solutions.