Amelia Cina and Stephen Cummings

Open innovation communication
Improving strategy implementation in the public sector

When Jørgen Knudstorp took over as CEO of the LEGO group in 2004, the toy company was in a state of decline.[1] A lack of innovation and loss of market position led to the group posting their first loss in 1998. LEGO had lost sight of the needs of their customers. "We were not making toys that were sufficiently interesting to children. We failed to innovate enough," commented executive vice-president of the group Mads Nipper (The Telegraph, 2009).

Realising a need to reconnect with their customers, LEGO launched programmes to engage users in the development of products. An online crowd-sourcing platform called 'Cuusoo' (Japanese for 'dream' or 'wish') allowed customers to interact, share and vote for ideas regarding the kind of products or services they would like to see LEGO implement. Opening lines of communication with users in this way enhanced engagement with their growing customer base and strategic developments came to be informed by the user community, propelling the company into greater sync with industry trends. Largely thanks to Cuusoo and other related projects, LEGO has come to be recognised as a world leader in toy innovation, boasting high levels of growth and posting a record profit of USD $1.87 billion in 2016.

The LEGO story, and others like it about 'open innovation', have important implications for implementation of strategy in the public sector

Organisations have traditionally relied solely on internal knowledge to drive innovation. However, this limits the flow of ideas, and can perpetuate negative groupthink (Sunstein & Hastie, 2015). Open innovation recognises that organisations can and should use both external and internal ideas to develop products and services that meet the needs of customers, community members and

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citizens (Ihl & Hilgers, 2010, Bughin & Johnson, 2008).

The Better Public Services programme was launched in 2012, aiming to drive a more efficient public sector through a collaborative and holistic approach to service delivery across ten key result areas in New Zealand. Result 10 in particular aims to place customers at the centre of service design and delivery: "People have easy access to public services, which are designed around them, when they need them" (State Services Commission, 2017). This has introduced a user-focused perspective on service delivery, and involving external stakeholders through open innovation can provide greater opportunities for public engagement with government agencies, and ensure that outcomes meet the needs of citizens.
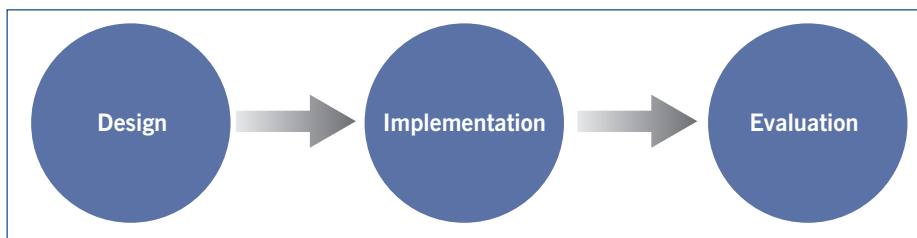
This article explores the role of open innovation and communication in the successful development and implementation of strategy, drawing on key insights from literature and a case study of international revenue agency practices. A framework for open public sector strategy implementation is developed based on the classic strategy framework of Rindova and Fombrun (1999).

Figure 1: Traditional linear "silo" model of strategic management/development

Figure 2: Preferred intergrated model of strategy development

Successful implementation requires an integrated approach to strategy in any sector

Even though implementation is often the last element considered in a strategy development process, and consequently under-resourced, it may be the most important part of a strategy, for even the most brilliantly conceived plan will amount to little if execution fails or is misdirected (Blahová & Knápková, 2011).
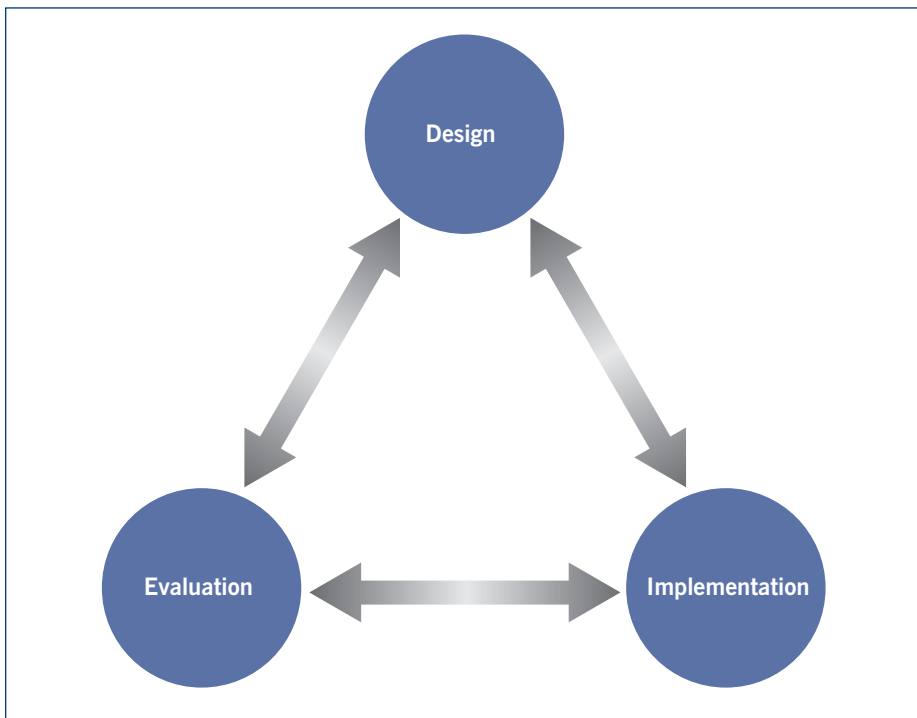
Organisations often tend to treat the implementation of strategy as a stand-alone process focusing on delivering what has been agreed and waiting until the evaluation stage to incorporate any insights gained along the way (see Galbraith, 1980; Hrebikiak & Joyce, 1984; Higgins, 1985; Pierce & Robinson, 1994).

Alternatively, a systems based or integrated approach to strategy that actively engages internal and external stakeholders can continually refresh and reiterate the approach to implementation based on insights gained through the feedback loops (see Figures 1 & 2). To be

effective in fast-moving environments strategy must be flexible and adaptable (Andrews et al., 2016). An integrated approach ensures that organisations learn more effectively and can respond to internal and external changes with agility.

Good communication can propel adaptive and effective strategy implementation

Strategic management, like other social sciences, is difficult to measure due to the large number of interacting variables present in the strategy environment (Safdari et al., 2014). This makes isolation of cause and effect problematic. To simplify the analysis, this article focuses solely on communication as a lens to examine implementation. Communication is "probably the most significant informal process within most organisations" (Workman, 1993, p. 415) and may offer valuable insight into effective implementation practices.

So what does good communication with regard to strategy design and

implementation look like? One popular view is that good communication is that which drives consensus between parties (see Woolridge & Floyd, 1990; Rapert, Velliquette & Garretson, 2002; Noble, 1999).

However, simply aiming for consensus may not be the best measure of success. Messages that are broadcast and seemingly met with consensus may not indicate agreement with or support for a strategy. It could instead be the result of a culture that is unreceptive to criticism, or due to a lack of effective channels for providing feedback. Either situation may lead to groupthink and impede an organisation's ability to engage in learning and adaptation (Milliken & Morrison, 2003).

An alternative view is that effective communication is that which promotes interaction and feedback, and it is this type of communication that is more likely to result in the effective implementation of strategy. This kind of communication provides organisations with the

opportunity to learn from failure and adapt to change. Feedback received from both external and internal sources can serve as an early warning system to pre-emptively inform management of potential barriers and allow corrective action to be taken early on (Beer & Eisenstat, 2000).

Communication that is not only useful and tailored, but also engaging is more likely to meet the needs of the audience and increase visibility and understanding of the strategy. An open-minded approach and a willingness to evaluate and incorporate insights or criticism will help to reduce any cynicism surrounding strategy discussions (Dutton et al., 1997). Audiences must know their perspectives

encourage innovation, enhance public engagement and challenge internal thinking. These diverse perspectives can offer valuable insight on how to design services that meet user needs. This is particularly relevant for revenue agencies. Everyone pays tax; therefore everyone is a customer and a member of the community of interest. An open call to contribute ideas creates the possibility that innovations can be driven by customers, something that has shown to be a critical success factor for improving voluntary compliance (Inland Revenue, 2016).

Case Study
Inland Revenue New Zealand contacted

These trends can be related to four key insights gleaned from the study. These insights can be usefully taken and adapted to meet the needs of specific public sector strategy development processes.

1. The boundaries between public agencies and their external stakeholders are becoming increasingly permeable
More public-private partnerships and the movement towards more open government mean there are many more opportunities for open innovation to be incorporated into public service design and delivery.

Chesbrough and Appleyard (2007) note the increasing prevalence of crowd-sourcing and the concept of openness as a means of creating value. As pioneered by LEGO communities, inviting customers to co-innovate through "citizen sourcing" adds unique insight and deepens public engagement, resulting in more effective service delivery (Hilgers and Ihl, 2012).

Two revenue agencies used citizen-sourcing techniques to interact with their external stakeholders. One ran a workshop as part of their digital transformation strategy, and sought contributors from start-ups, developers, designers, tax and accounting professionals, industry experts and students. External stakeholders were invited to work together with agency staff to create solutions to achieve voluntary compliance. Another agency ran a design challenge inviting the public to submit innovative ideas to simplify the communication of tax information.

The success of these approaches, as reported by the agencies involved, demonstrates the potential for actively engaging external stakeholders as a means for improving the adaptable and effective implementation of strategy.

2. Agencies should take a flexible approach to communication that encourages discussion and feedback
The often abstract nature of strategy can result in disconnects between strategy teams and the audiences they communicate with. Several agencies identified the importance of flexible communication that varies according to the audience. Including staff in conversations about communication will enhance its effectiveness by tailoring it to their needs. Open discussion can

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are valued and the best way to demonstrate this is to regard these perspectives as having the potential to actually influence and change outcomes (Beer & Eisenstat, 2000).

It is no longer realistic or effective to implement strategy by relying solely on internal knowledge
To implement strategy successfully, organisations should incorporate open innovation to actively engage both external and internal stakeholders. Gathering and then actively using suggestions and feedback both internally and externally demonstrates a clear and present commitment to putting users and other external stakeholders at the centre of service design and delivery.

Traditionally, most of the focus when implementing strategy is on internal communication (see Dooley & Fryell, 1999; Canella & Hambrick, 1989; Beer & Eisenstat, 2000; Mann, Saunders & Smith, 2009). However, the importance of interacting with external stakeholders should not be underestimated.

Inviting external stakeholders to provide their ideas, if done effectively, can

revenue agencies from other jurisdictions to gather information about how they approached communicating their strategies to learn from their experiences. The information was provided through survey responses, direct contact and reviewing publicly available information. The Agencies who provided information were the Australian Tax Office, Canada Revenue Agency, Revenue (Ireland), Her Majesty's Revenue and Customs (United Kingdom), the Internal Revenue Service (USA) and the Inland Revenue Authority of Singapore.

Across the Agencies there were a myriad of approaches seen as good practice in strategy communication. The diversity of different communication techniques used demonstrates that there may be no single best practice way of communicating strategy and emphasises the need for flexibility.

The following analysis of these agencies, reporting on below, highlights the key trends in communicating strategy gathered from the literature our study of these revenue agencies' practices (NB: some of the names of the respective agencies are not provided to preserve their anonymity.)

clarify strategies that can often be very high level and less "present" than other daily workplace requirements. Personalising communication about strategy can make it more tangible and immediate to the user.

Encouraging feedback can improve people's understanding of a strategy and help them to make better decisions (Mann, Saunders & Smith, 2009). Giving staff the opportunity to contribute through feedback also increases their commitment to implementing the strategy and improves overall job satisfaction (Dooley & Fryell, 1999).

For example, Inland Revenue New Zealand communicates its strategy to staff in a number of different ways. Recently, an interactive strategy toolkit was designed following discussions with senior leaders to help them understand, contribute to, and use the corporate strategy within their teams. This represented a move away from "talking at people" to encouraging people to contribute through discussions about "what does this mean for me" and how the strategy should be used. Cathy Swanson, Senior Strategist at Inland Revenue said "We initially trialled the use of the toolkit with a business area's leadership team. The feedback was that the toolkit's questions opened up leaders' eyes to the difference between what they were assuming about the strategy, and what they could actively do to make it real within the broader planning process."

Some agencies preferred group-wide meetings supplemented with digital tools to give everyone the opportunity to contribute, and others chose a team-based approach. One agency used their intranet to enable staff to submit ideas in response to strategic initiatives. A dedicated team evaluated the ideas and suggestions and passed them on to those responsible for operational decision making to consider. This approach generated positive responses from agency staff: "It is a great feeling to know that your idea is being taken forward and being developed. The bonus for me has been that it has generated great enthusiasm and that colleagues want to get involved". As a result, key decision makers had access to a wider variety of viewpoints, increasing both the quality of decision

making and staff commitment to implementation.

3. *Evaluating the impact of communication will help determine whether the different needs of stakeholders are being met*
Measuring success through the quantity and quality of feedback will help to determine whether key messages have been received, and subsequently, whether the audience's needs are being met.

When agencies were asked what they thought made communication successful, they most often said it needed to be proactive, constant, cohesive and concise. Communication that was well-coordinated and integrated was also cited as a key factor to successful implementation. Two agencies identified two-way communication as important to give people the opportunity to ask questions, make comments, and give feedback. This approach not only helps to ensure that messages are clear and accessible, but also enhances implementation by increasing its agility and user-centricity.

Several agencies used quantitative measures to evaluate the success of communication. For internal audiences, Inland Revenue used click-through rates and comments on intranet blog posts to monitor staff engagement. One agency used an online application during large organisation-wide events to monitor response rates and quantify engagement in real time. The application enabled live interaction with speakers, encouraging audiences to submit comments and vote for popular questions and feedback.

Another agency used an employee engagement survey focusing on staff perceptions of their ability to contribute their viewpoints and whether they thought the agency was open to ideas. Benchmarking

general engagement levels with staff can enable the success of communication efforts to be monitored and tailored where necessary.

4. *Rethinking the model: communicating strategy in the public sector needs to incorporate external stakeholder insights*
The classic model of communicating strategy, as outlined by Rindova and Fombrun (1999), focuses on stimulating interactions with external stakeholders (Figure 3). In this model, organisations need to challenge and modify their *definitions of success* and be willing to change *allocations of resources* to respond to the needs of their external stakeholders. Strategy must therefore be communicated externally (*strategic projections*) so that feedback is received from external stakeholders about environmental conditions and trends (*the industry paradigm*). Implementation and design

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plans (*the strategic plot*) can then be adjusted accordingly.

In the private sector, strategy has traditionally focused on achieving competitive advantage. Hence, adapting the Rindova and Fombrun model requires considering what the public sector equivalent of competitive advantage might be (Figure 4).

Competitive advantage may remain a suitable term for the ultimate outcome if one subscribes to the view that public sector agencies compete with each other for human capital and a fixed source of central government funding (Matthews & Schulman, 2005). However, this may not hold up in practice given the relatively long annual cycle of funding allocation and strong influence of policy in New Zealand and other similar countries. Research from Hansen and Ferlie (2016) suggests that
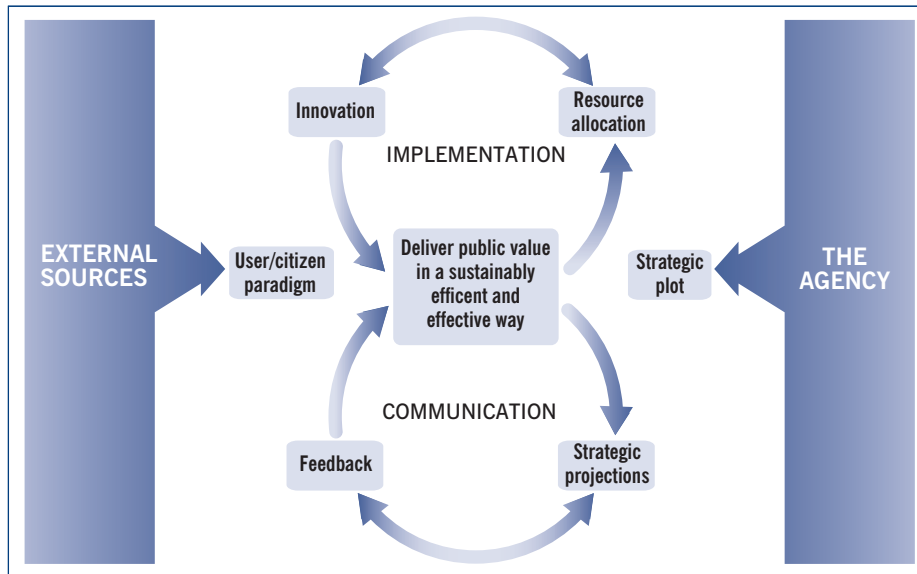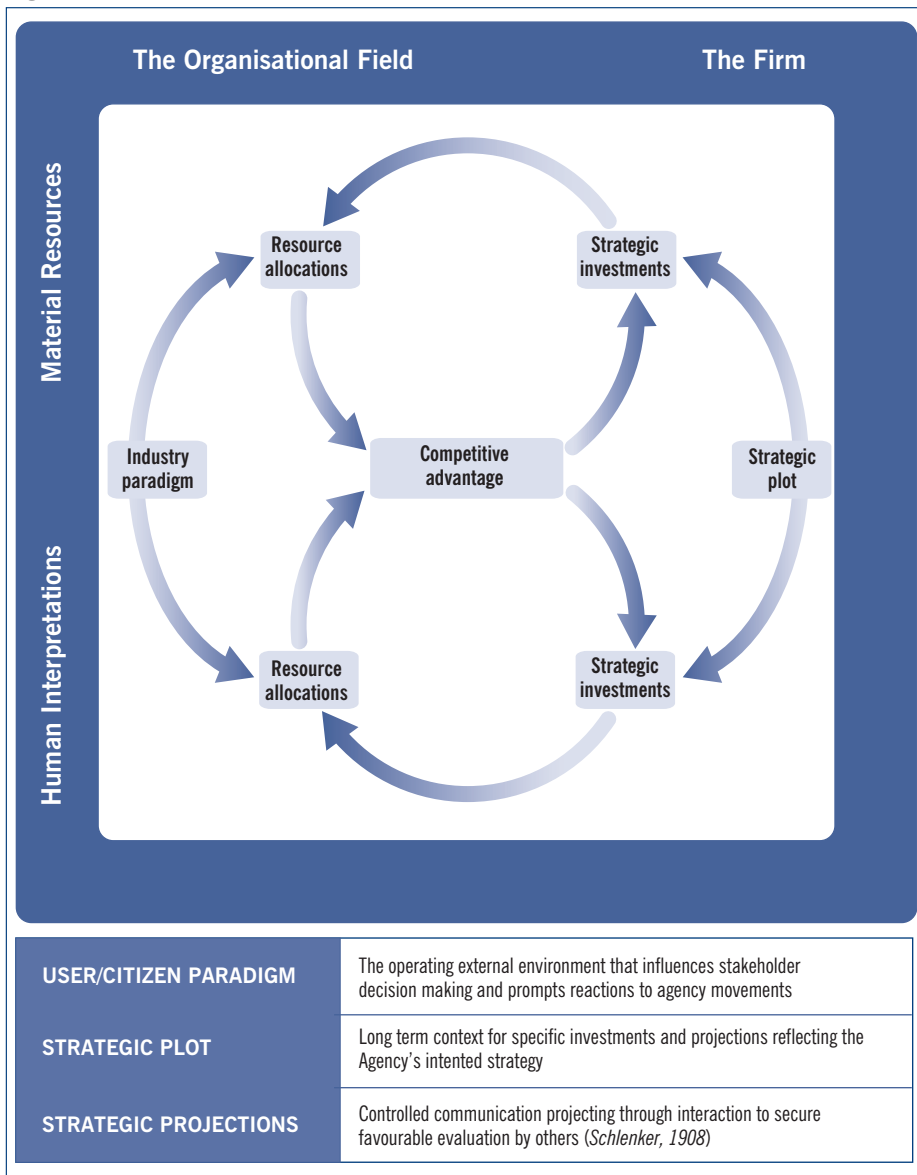
Figure 3

Figure 4

USER/CITIZEN PARADIGM	The operating external environment that influences stakeholder decision making and prompts reactions to agency movements
STRATEGIC PLOT	Long term context for specific investments and projections reflecting the Agency's intented strategy
STRATEGIC PROJECTIONS	Controlled communication projecting through interaction to secure favourable evaluation by others (*Schlenker, 1908*)

competitive advantage only applies to public sector organisations where the agency has a high degree of administrative autonomy, performance-based budgets

and market-like competition. Revenue agencies typically do not meet these criteria.

With these kind of constraints in mind, Kaplan (2001) suggests the ultimate outcome for not-for-profits is "how effectively and efficiently they meet the needs of their constituencies". Further, this meeting of needs must be sustainable, i.e. public services must be continually improved to ensure they serve the needs of future generations. The core aim of strategy in the public sector can therefore defined as *delivering public value in a sustainably efficient and effective way.*

Thus, for revenue agencies specifically, competitive advantage may be redefined as how effectively and efficiently the agency delivers public value by collecting and distributing citizen revenue (see Figure 4).

As a result of this adaptation, the model shown in Figure 4 reflects this study's findings with regard to effective communication of strategy. It draws a clear link between implementation and strategy communication. The emergent nature of strategy development is demonstrated through the constant feedback loop by an agency continually communicating and incorporating feedback from external sources into future iterations of strategy. The importance of open innovation is identified by drawing on external sources to provide feedback and suggest innovations in collaboration with the agency. Actively seeking 'live' feedback in this way can influence allocation of resources and subsequently influences the strategy at the implementation stage. These processes together ensure that an agency may deliver public value in a sustainably efficient and effective way through its strategy.

Conclusions

Effective strategy implementation is not easy – it is highly complex, with a significant number of interacting variables. Focusing on the role of communication shows that effective implementation (and by association effective strategy development) increasingly requires focussed interaction with internal and external stakeholders to improve their understanding of the strategy and ensure the resulting products

and services meet their needs and achieve their value-adding potential. Opening up to innovation from outside the organisation via feedback is a crucial part of this evolving way of thinking. But it requires a challenging change of mindset. It requires Agencies and their strategists to embrace rather than resist other perspectives, even at late stages in the standard development horizon of strategy, and to learn and adapt quickly based on insights from stakeholders outside of the traditional corporate realms.

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EVENTS

School of Government
Te Kura Kawanatanga

Title	Speaker	Date
Assessing the Child Poverty Reduction Bill – is it on target?	**Professor Jonathan Boston,** *School of Government*	**Monday 12th February** 12:30pm – 1:30pm Rutherford House, 8th floor common area. **RSVPs not required.**
Adaptive and anticipatory governance: simulation as an implementation tool	**Professor Jonathan Boston,** *School of Government* and **Dr Peter Edwards,** *Scion Forestry Research*	**Wednesday 14th February** 12:30pm – 1:30pm Government Buildings, lecture theatre 3 RSVP: maggy.hope@vuw.ac.nz
Leadership, power and conflict in the 'core executives' of Westminster system democracies	**Professor Patrick Dunleavy,** *London School of Economics*	**Thursday 15th February** 12:30pm – 1:30pm Rutherford House, Mezzanine level room 3, 23 Lambton Quay RSVP: maggy.hope@vuw.ac.nz

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