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## **Coping with austerity: innovation via collaboration or retreat to the known?**

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**Box of around 100 words required in instructions for authors to highlight the implications/usefulness (impact) of the paper for policy-makers and practitioners:**

This article describes informed practice-orientated and evidence-based approaches to managing austerity through effective collaborative working. Despite general policy assumptions that sharing scarce resources with partners will create new and efficient approaches, this research found that innovation could sometimes be enabled by collaboration and also, paradoxically, be undermined by it. In order to work well, collaborative working needs to be understood at a detailed practice level and actively and effectively managed to provide positive outcomes for new ways of working while avoiding the undermining elements that signal inertia or obstruction.

*89 words*

## **COPING WITH AUSTERITY: INNOVATION VIA COLLABORATION OR RETREAT TO THE KNOWN?**

This article explores potential approaches to the management of public sector austerity through collaborative innovation. Practitioner-based insider research offers an insight into how collaborative innovation can work in the public sector, what undermines it and what impact the active management of a turbulent environment can make in creating divergent outcomes. A flexible action framework – *modelling collaborative innovation* – offers a practical means of understanding and supporting effective innovation through collaboration.

**Keywords:** austerity; collaboration; innovation; insider research

## INTRODUCTION

Public sector managers, in the UK and elsewhere, are well accustomed to dealing with cross-cutting, 'wicked-issues' (Rittel and Webber, 1973) such as poverty, chronic health problems and crime and the need to navigate increasingly complex contexts is set to continue. Yet public sector reductions are the most severe in modern memory, causing widespread staff redundancies and ongoing service cuts stretching into an increasingly difficult future of intensifying uncertainty. In this environment characterised by austerity and turbulence, the requirement to do more with less challenges public sector managers to provide services in increasingly efficient ways. *Collaboration* and *innovation* are both seen as appropriate measures to deal with resource constraints. Collaboration, in this context, requires public managers to work together across structural, organisational and / or professional boundaries while developing shared resources to deliver services more effectively and efficiently (Lowndes and Squires, 2012; Sullivan *et al.*, 2013). Individuals thus work collaboratively on behalf of their organisations or units to decide on, or perform tasks around, cross-cutting issues which are of concern to all parties involved (Vangen and Huxham, 2010). Innovation is similarly seen as a means to deliver more for less (Gillinson *et al.*, 2010). Here, individuals are required to engage in an intentional and proactive process of deliberate and informed intervention in order to enable, generate and support innovation. Through innovation, the general aim is to produce some form of qualitative change and to do things differently through the practical adoption and implementation of new ideas (Hartley, 2014; Sørensen and Torfing, 2011). However, the practical challenges involved in dealing with increasingly diverse users and contexts are hard to tackle through traditional public sector bureaucratic and professional structures.

This article draws on findings from research which sought to explore whether collaboration can offer the possibility of a supportive context for innovation to tackle increasingly difficult cross-cutting issues in the current public sector practice environment in the UK. It included three years of data gathering and interventions by one of the authors acting as a 'reflective practitioner and insider researcher' in a variety of public sector children's services collaborations. Within this research, meetings between collaborating partners - including community and acute health providers and commissioners, schools, private and voluntary sector representatives, service users and parents, play and further education providers, local authority departments, ward councillors and lead council members - provided the settings for the discussion and negotiation of multiple practice interpretations and viewpoints. The theory of collaborative advantage, which was developed from research oriented action research and which emphasises the need to continuously address contradictions, tensions and dilemmas in the management of collaborations, provided both the theoretical basis for the approach to collaboration as well as the approach to the research (Vangen and Huxham, 2010). As such, this article and the research upon which it draws, respond to calls for more 'practice-relevant scholarship' which is aimed at motivating 'improvements to action' (Antonacopoulou, 2010), sharing collaborative direction in

complex contexts (Duijn *et al.*, 2010) and to look afresh at practice with a research ‘gaze’ that enable new understandings (Lunt *et al.*, 2010). Specifically, the article aims to introduce clear practice-based insight – about the extent to which public sector collaboration enables innovation – in ways that may inform both theory and practice.

The research, which spanned three years, began by investigating whether and where collaboration impacted on innovation and what enabled it to take place if it did take place. The operational conditions for enabling innovation via collaboration were then identified and described alongside a parallel explanation of a pattern of cumulative difficulties in achieving it. This initial investigation showed that innovation via collaboration does take place in the public sector, but suggested that it may be rare, tends to be small scale and is easily undermined. Two broadly different approaches to managing external turbulence were subsequently identified and conceptualized - *modelling collaborative innovation* and *retreat to the known*. The actions and processes inherent in the two approaches interact, reinforce each-other and accumulate to result in significantly *divergent outcomes* for innovation in practice, despite starting from similar turbulent working environments. The outcomes therefore tend to either support new ways of delivering services and working together or, alternatively, result in relative inaction or the discontinuation of effective joint working.

In what follows, we provide a very brief overview of the findings from this research focusing on explicating the two broadly different approaches and the resulting divergent outcomes. We start however, by identifying a framework of local organisational context, process and actions through which the day to day practice environment of this research may be understood. We conclude by looking at the implications for practice and for further research in this area.

### ***Understanding the practice environment***

The impact of continuing austerity, uncertainty and complexity is central to understanding the public sector practice environment and the operation of innovation in these challenging circumstances. Following a series of high profile child deaths, legislation (Children Act, 2004 and Childcare Act, 2006) and guidance (Every Child Matters framework, 2004 onwards) were put in place in an attempt to deliver cultural change in children’s services, establishing a national blueprint for the delivery of integrated services. Significant reviews as diverse as those by Frank Field (2010), Graham Allen (2011) and Eileen Munro (2011) address these cross-sector issues, while policy think tanks continue to target the slippery issues around reform and saving public money through effective partnership. While change across sectors was seen as vital, there remained little explanation of how this might happen, what would work successfully in practice and what practices would be best avoided. This study investigated the way day to day multi-agency practice tackled these complex issues of social policy and explored whether collaboration could be observed to enable innovation.

In order to investigate the detailed practice issues, we developed a research framework of *context, process* and *actions* to explore particular organisational and management approaches to collaboration and innovation in a variety of multi-agency settings (Diamond, 2013). The research framework captures the following:

- *Context*: describes local multi-agency practice conditions – for instance whether local practice included a majority of fixed monopoly provision or was more cross-cutting and flexible;
- *Process*: describes the localised operational culture of practice, policy and management – for instance using tight top down controls to preserve organisational structures and systems or using a range of different practice backgrounds to challenge assumptions and manage interagency tensions;
- *Actions*: describes individual behaviours in either undermining or nurturing collaborative working – for instance by, limiting staff interactions with other agencies or engaging in collaborative learning to explore new ways to deliver services.

Through extensive analysis of the empirical research captured in this detailed framework, the two concepts – *modelling collaborative innovation* and *retreat to the known* – emerged to describe the differing outcomes in the public sector management of an austere and challenging external environment. These concepts essentially model where similar external environments of turbulence and austerity can produce either incremental and self-reinforcing positive enabling conditions for collaborative innovation or a set of undermining conditions which side-line or discontinue collaborative working and facilitate a retreat to more familiar management processes. In what follows, we use this detailed understanding of multi-agency practice and differing organisational and management approaches to challenging circumstances to develop the two concepts in more detail.

### ***Modelling collaborative innovation***

The concept of *modelling collaborative innovation* captures the idea that deliberately framing an enabling local context and promoting particular sense-making processes in collaborative meetings can influence and nurture particular expectations and behaviours. The modelling collaborative innovation action cycle (Figure 1) seeks to illustrate how participants – such as those involved in this study – can ‘act into’ effective collaborative behaviours and negotiate and establish flexible processes to create effective conditions for collaborative innovation. It suggests that there are some key processes, actions and behaviours that foster collaborative innovation.

*Insert figure 1 about here*

The modelling collaborative innovation action cycle illustrates an incremental process model incorporating typical elements of practice that have the potential to deal with turbulence and complexity and create the conditions for new joint approaches. The first element in the cycle – **clarify expectations of joint working** – emphasises the importance of the sense-making processes involved in collaborative meetings. Importantly, the focus here is not on agreeing aims which is often perceived as a logical first, albeit difficult, step in practice (Vangen and Huxham, 2012). Rather, the study suggests that it may more usefully be about negotiating operational processes to establish a basis for interactions between participants. Core process issues such as sharing (or limiting) information between organisations, for instance, highlights and clarifies the commitment for participants.

**Boost trust through agreeing a local framework** emphasises the importance of trust building recognising that when individuals are required to work together across organizational boundaries in new or different ways, trust may often be low. In practice, it may be possible to build trust incrementally on the basis of low risk actions and modest expectations (Vangen and Huxham, 2003). The research suggests that modest positive outcomes can be developed by using a range of modelling and framing processes to tackle suspicion and competition and so present further opportunities for participants to progress joint issues. **Systemise risk** builds on this development of trust and highlights the importance of explicitly and self-consciously framing collaborative attitudes and behaviours such as regularly asking for advice, engaging in discussion on practice detail and explaining individual agency policies and issues to tackle the perception of risk by participants in collaboration.

To build trust and manage risk, it is necessary to **empower participants to advocate for process** and so this element refers to the positive presence of empowered and committed actors to drive the process of collaboration. The study highlighted less formal discussion processes, substantial scrutiny and open discussion of complex cross-boundary areas where participants were able to champion effective processes to provide a developing basis for involvement and interaction. Questions over autonomy and control became central where participants experienced conflicts in interest or tensions between the collaboration and home organisation. **Reassure home organisations** picks up on this issue. If home organisations do not identify with the collaborative model, then even with committed individuals, effective joint practice may be limited to small scale successes “off the mainstream radar”. Ways of highlighting any successful collaborative work undertaken and emphasising positive boosts to the credibility, reputation and resources of the individuals and organisations involved were seen as effective means of reassuring home organisations. **Nurture the process through negotiation** comprises a combined range of nurturing activities with the handling of tensions inevitably raised through the collaboration process. Some nurturing in the current study had a harder edge to it, for instance where political manoeuvring needed responses on a range of levels which approached manipulation to preserve a positive joint focus. These pragmatic and contingent leadership activities are



consistent with extant research which highlights the need for collaborative leadership that is simultaneously facilitative and authoritative in nature (Vangen and Huxham, 2003).

**Trial low-key new joint practices** describes a means of using negotiated experimentation to provide small wins and develop effective practice as an integral part of a collaborative learning approach. The study showed that when successful low level joint ventures were undertaken, they generated useful practice knowledge and boosted collaborative relationships. **Model new collaborative relationships** refers to deliberately created effective operating conditions for the collaboration, allowing the participants to realign their roles within the collaborative event. The study showed that, where this worked well, it enabled individuals to put joint outcomes or wicked issues above their organisational identities in the special or temporary circumstance of collaboration. To **learn from trials** suggests that it is possible to enable a further cycle of experiential learning based on collaborative action. Seeing cross-cutting problems from new perspectives, building solutions on success or on understanding failures, can drive effective mechanisms to support changed practice. The study suggested that building on these differences in contribution and handling the tensions arising from these complex cross-organisational environments can enable the achievement of collaborative advantage (Vangen and Huxham, 2010).

Developing on from this, the element, **construct more innovative practice**, describes the establishment of routines and practices of continuing collaboration and potential innovation. This will be an interactive and iterative localised process, different in each collaboration, with each set of participants working with its own dynamic problems and requiring local solutions. Lastly, the notion of **develop expectations of collaborative innovation** is based on the cumulative experiences of the modelling action cycle. 'Acting into' an effective collaboration, the study suggests, can provide a useful frame for supportive practice which can become accepted behaviour. If expectations are accurate to some degree, participants in a collaboration may be able to build on the results and continue to construct effective meaning from the model. Further cycles of active nurturing, reflecting, learning and acting continue the maintenance of collaborative conditions which support and enable innovation.

### **Retreat to the known**

Conversely, the study showed that the same turbulent external financial environment underpinning the positive modelling collaborative innovation action cycle could also produce passive or active undermining conditions which inhibited innovation. Negative reinforcing cycles of undermining management action, inaction and collaborative inertia can easily destroy trust and lead to a downward spiral and *retreat to the known*. This concept – as summarized below – uses the management practice found in both traditional public sector hierarchical control and more market-based New Public Management (Osborne, 2010). The same research framework of *context, process* and *behaviours* is used to emphasise the same challenging external environment as a base.

The study proposes that the *context* contributing to a *retreat to the known* is more likely to include monopoly service provision or single agency commissioning power, a focus on centralised control mechanisms and closed agency decision making. In addition, single agency hierarchical management structures tend to reinforce routines and emphasise vertical resourcing, particularly in times of scarcity. This then can erode trust in collaborative working and substitute a simplified rational planning approach to policy implementation.

*Processes* in this model are centred around the protection of organisational territory, profession or individual position, the reduction of external threats, an aversion to risk and a focus on short term financial efficiency gains. In similar operational process conditions to these, solving wicked cross cutting issues becomes a longer term aim which needs to sit on a shelf until for example, a recession or financial crisis has passed. The combination of a concentration on protecting territory and focusing on internal co-ordination can mean that systems become rigid and self-replicating, despite repeated service reductions and structural down-sizing. In addition, the sense of further and deeper reductions at an ever faster pace can work against the process of looking for different approaches with strategic and operational partners.

*Behaviours and actions* likely in this set of self-reinforcing operating conditions are most likely centralised efficiencies and targeted single agency redesign or reductions, emphasising rational planning targets and quantitative objectives. The practice of using past technical approaches to tackle different operating environments tend to lock managers into behaviours which may have been useful previously but which serve to undermine innovation. An emphasis on closing ranks and looking inward to single agency efficiencies for answers can lead to a limitation of staff interactions with other agencies, undermining inter-organisational trust, building tensions and prompting individual managers to prioritise career approaches based on compliance with their home organisation.

The consequence of this self-reinforcing spiral of external threat, closed context, defensive preservation processes and limited interactive behaviours is most likely a retreat to core single agency services, a focus on statutory requirements and strictly protected resources. Raising the stakes of collaborative innovation and avoiding risk may serve to pull decisions further up the management control hierarchy where reputations and careers are based on success rather than low key practice trials. Public sector organisations forced down a narrowing financial path are more likely to access traditional structural options, even when contemplating mergers or joint ventures. The focus on safe bets and core services can mean that high profile traditional programmes might be continued at the expense of more innovative solutions to wicked problems, allowing the austerity agenda to further marginalise innovation.

As complexity and turbulence increases, behaviours that reinforce a retreat to known actions and approaches are increasingly likely and become increasingly self-reinforcing. A

downward spiral of retreat to familiar management activities and habitual organisational approaches take a similar form to the *collaborative innovation action cycle* but instead reinforces a range of undermining behaviours, processes and contexts. This self-reinforcing spiral contributes to a culture which possesses fewer and fewer of the conditions which were identified to enable collaborative innovation. In this way, the downward spiral that constitutes a *retreat to the known* shows the impact of external uncertainty and financial crisis contributing to tighter single agency control and the minimising of risk, moving the focus of attention away from opportunities for collaborative innovation that could provide alternative answers to threats of uncertainty.

### ***Divergent outcomes***

Collaboration, then, is seen in this study as key to the way innovation can work in the public sector. Effective collaboration was seen to underpin and sustain innovation. Difficulties with achieving effective collaborative working was seen to undermine the possibilities for innovation. Interestingly, the two emerging concepts of *modelling collaborative innovation* and *retreat to the known* developed from the same uncertain public sector environment. This then suggests that it is the different management approaches to managing external turbulence and collaboration that cumulatively may result in very separate outcomes. Figure 2 shows the elements of local *context, processes* and *actions* that made up these increasingly divergent outcomes from a common base. In practice, these elements are likely to interact and reinforce each other in far more complex and dynamic ways. However, the contrast illustrates the way that minor organisational behaviours and policies in a local context can create a range of active management characteristics that result in significantly different operational conditions despite being based on the same external environment of austerity and turbulence.

*Insert figure 2 about here*

The self-reinforcing multiple characteristics described in these *divergent outcomes* begin to deconstruct the detailed mechanics of how collaborative innovation is achieved – or not achieved – in practice. These divergent paths (based on relatively minor actions, common behaviours and low key local cultural contexts which deal with similar challenging environments) interact, reinforce and accumulate to become either a set of supportive or undermining conditions for collaborative innovation.

The next section looks at the implications of the study for public sector practice in dealing with the current environment of austerity, complexity and uncertainty alongside the potential for further research in this area.

## IMPLICATIONS FOR PRACTICE AND FURTHER RESEARCH

The research conceptualised in this paper offers ways to both identify and enable conditions for collaborative innovation and a means of understanding the makeup of stalled or failed attempts in practice. The potential different outcomes that may result from the cumulative application of minor actions and processes in a local context have also been identified. However, the research also points to the complexity of dealing with the issue of collaborative innovation within an uncertain environment. Despite general policy assumptions that sharing resources with partners will create new and efficient approaches, the research found that innovation could sometimes be enabled by collaboration and also, paradoxically, be undermined by it. Collaborative working needs to be understood at a detailed practice level and actively and effectively managed to provide positive outcomes for new ways of working while avoiding the undermining elements that signal inertia or obstruction.

Innovation is keenly pursued by government and its partners as a means of reducing expenditure and meeting the developing and challenging cross sector problems of a diverse post-modern society. The idea that a turbulent environment can foster innovation is based on Schumpeter's 'positive disruption' (Schumpeter, 1934) where creative destruction enables new models to replace outmoded approaches, unsettling existing patterns and providing opportunities for learning (Peters, 2011; Caperchione *et al.*, 2014). In this approach, organisations forced to defend resources and interests – crises or 'nonequilibrium situations' (Benson, 1975) - can either compete or collaborate to manage scarce assets or find new ways of delivering products or services. However, collaborations set up to deal with crises can quickly become unstable because of significant issues being dealt with by individual organisations as a result of the uncertain environment. These include pressures to tighten executive controls (Peters, 2011; Sullivan *et al.*, 2013), a developing defensiveness and a resistance to sharing knowledge and inadequate reflection on staff practice (Hudson, 2004). All of these issues resulting from environmental austerity and turbulence were found in the research.

The gap between general policy rhetoric on partnership and the need for individual organisations to succeed means that there must be clear and significant mutual benefit to justify the investment of scarce resources in collaboration (Hudson, 1987; Vangen and Huxham, 2003). Collaborative innovation is an uncertain outcome to invest in when individual organisations are under increasing pressure to deliver much more for much less. However, highly innovative public sector organisations do appear to have an external orientation and promote and learn from cross sector working at middle manager or front line levels (Osborne, 1998; Borins, 2001). There is an urgent need to understand and describe how this successful approach works in order to look at new ways of working in a changing public sector world.

Innovation as a transient, complex and iterative process is often seen as unsuited to a traditional public sector regime. Attempts to innovate without changing underlying or rigid structures, processes and behaviours are unlikely to be effective. However, collaboration provides important opportunities for public sector managers to use the possibilities that emerge from working across boundaries, recombining concepts and practices from different disciplines to develop new learning. The study found that collaborative innovation was at its most effective when tackling difficult problems across agencies that required a different approach and when the focus was on a new area of work. Effective collaborative innovation in this approach is an active process, dependent on context and resulting from shared understandings and actions of the participants. This complexity and dynamism in collaborations required a process of nurturing alongside handling the tensions involved (Vangen and Huxham, 2010). Uprooting embedded elements from everyday practice could be seen as artificial, however, so the focus on modelling collaboration is offered as one of a set of potential 'conceptual handles' (Huxham and Vangen, 2005) for practitioners to rehearse future situations in reflective practice.

This article takes the position that active and informed management can make a significant difference in dealing with demands for austerity in a complex cross-cutting public sector environment. It suggests that effective collaborative practice can reduce duplication and share risk, generate additional resources and enable shared learning which can sometimes result in the creation of new approaches through effective collaboration. The study also suggests that innovation is somewhat infrequent and transient. In the cases where innovation was achieved, it was supported by openness and adaptability to diverse skills and experiences in collaborative practice. Successful collaborative innovations were supported by combining diverse knowledge and practice experience, making positive use of inter-organisational tensions and applying organisational learning to achieve positive result. To help ensure that, in practice, public sector innovations become less 'accidental and episodic' (Sørensen and Torfing, 2012), vanishing with the political or managerial fortunes of those who championed them, concepts around enabling and embedding an effective, systematic and adaptable local culture of collaboration resilient to ongoing turbulence and austerity should be explored.

Practices that prime practitioners' awareness and self-consciousness to make do in times of ambiguity and uncertainty (Weick, 1995) need to be identified and nurtured. To that end, effectively managed collaboration can provide an opportunity to construct the kinds of self-reinforcing, reflective and supportive conditions that enable innovation through modelling effective and active practice. This article has offered an insight into how collaborative innovation can work in the public sector, what undermines it and what impact a turbulent external environment can have. Understanding the differing results possible from contrasting approaches through the *divergent outcomes* model could enable practitioners and managers to assess context, process and actions to decide approach, validity and focus in collaborative situations.

The emergent theory underpinning the conceptualisations around collaborative innovation could be further described and evidenced and used to deepen and widen understanding of collaboration and its impact on innovation, learning from and informing practice. This could contribute to the call for a systematic evidence base about what works for innovation in public services and in collaborative innovation (Hartley, 2014). Undoubtedly, collaborative innovation offers opportunities for the public sector to reinvent itself, to tackle cross-cutting issues and to use more adaptive and flexible practice-based mechanisms for the future. But it is never likely to be easy in practice. The new and emerging conceptualisations and models described in this article can be used as part of a continuous process of ‘nurturing’ (Vangen and Huxham, 2010) with the view to improve public sector engagement with effective collaborative innovation. The possibilities for addressing wicked issues and a turbulent environment through these models are exciting. Substituting the current race to apply the same old solutions to new problems with more informed practice-orientated and evidence-based approaches could signal both useful research and effective new ways of working.

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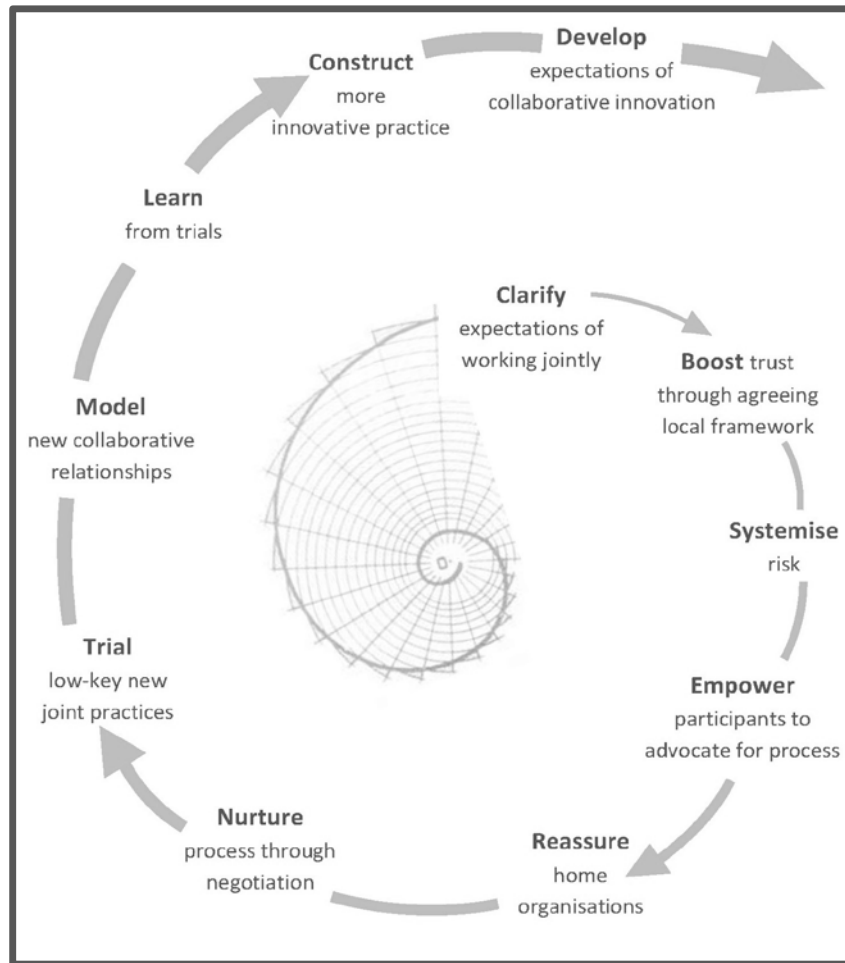


Figure 1: Modelling collaborative innovation: Cycle of action

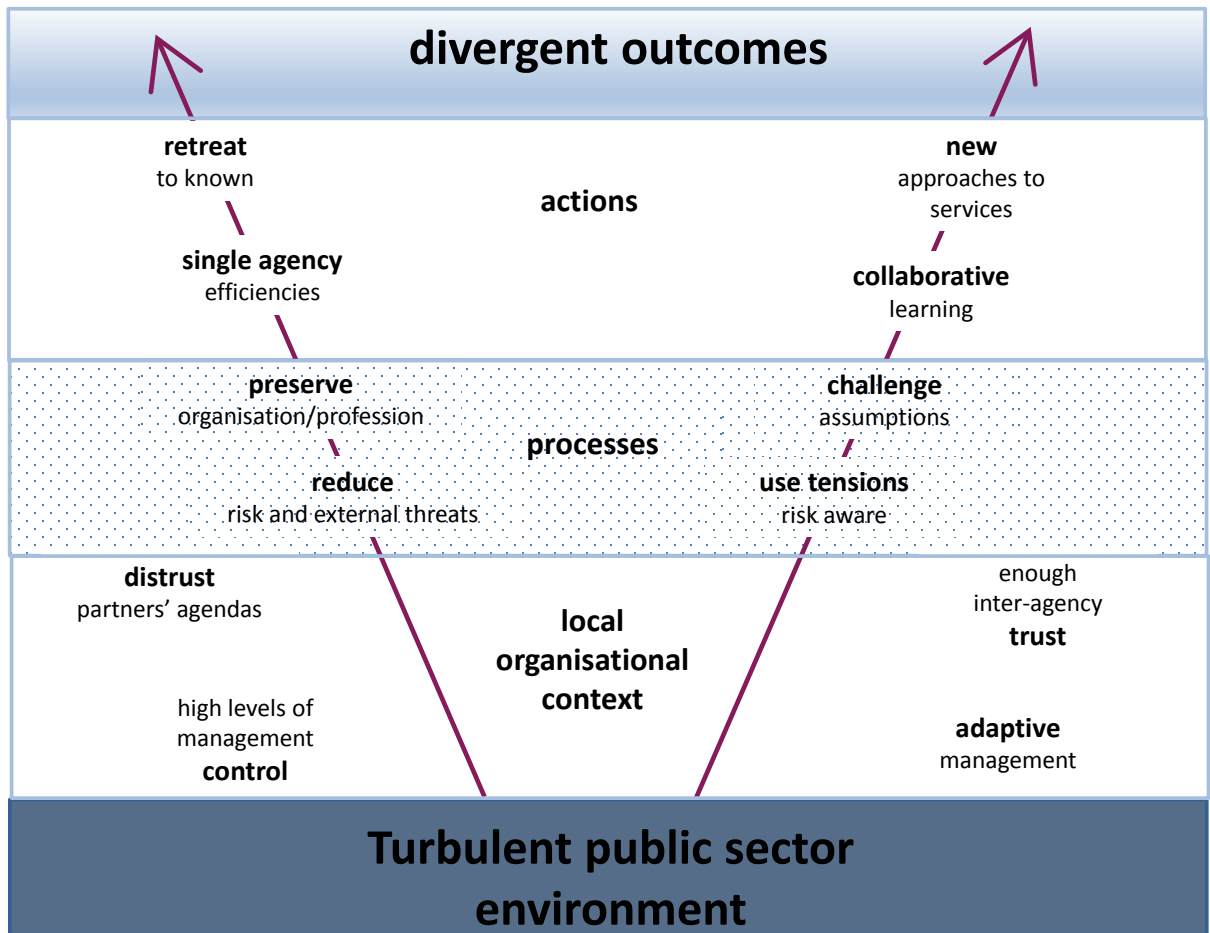


Figure 2: Managing external turbulence: Divergent outcomes