

# Taxing times

Successful innovation strategies in the change-fatigued public sector? It can be done, says **Paul Sloane** – just look at Her Majesty's Revenue and Customs (HMRC)



**P**ublic sector reform is the holy grail of modern politics. If we could create a streamlined, efficient public sector that delivered better service with fewer direct resources we could slice billions of pounds off

public spending and add significant value to our economy. But how do we do it?

Maybe the answer is less external interference and more internal reform and innovation. If the leadership, culture and processes within government organisations became more creative and entrepreneurial then performance would be transformed. It can be done. Let's take an example. If you have renewed your car tax online you will have benefited from a tremendous innovation implemented by the DVLA. The agency worked with IBM to automate car tax renewal over the internet. The system is sophisticated – it has to check MOT status, insurance status and relief eligibility. But it is easy for motorists to use. The project cost some £38m. It took 18 months to implement and it went live on time and within budget. Some 19 million people will use it in the next year. The projected savings are massive – some 30 per cent of administration costs. But the real benefit is in improved customer service. Instead of queuing at a post office the user can complete the application at home whenever they like.

There is an opportunity to innovate in all operations and activities, in every method, process, service, partnership, procurement, interaction with the customer, etc. So what is preventing innovation in the public sector? According to a detailed report by the National Audit Office ('Achieving innovation in central government organisations', July 2006) the innovation process in government agencies is top-down and dominated by senior management. Contributions from lower-level staff are not valued as important. This is in stark contrast to the leading innovative companies where staff ideas are critical to filling the innovation pipeline with creative initiatives. The main barriers to innovation, which the report

identifies, are a reluctance to embrace new ways of working, fragmentation between departments, the multiplicity of stakeholders whose approvals are needed, difficulty in freeing resources for innovation and the perceived risk of public failure.

HMRC is tackling this issue with a new initiative called 'angels and dragons', which encourages all staff to submit suggestions to a panel of experts which can cut through the bureaucracy and immediately release funds for the development of the idea. Employees submit ideas for new ways to do things in HMRC using an intranet site. After some initial feedback they are assigned a coach who helps them prepare a one-page summary document containing costs and benefits and a presentation to be given in front of the panel of 'angels' and 'dragons'. An early suggestion that was approved involved replacing tedious manual keying-in of documents with scanning. The quick approval process is key to the HMRC scheme. The National Audit Office report criticised cumbersome approval procedures in many government agencies and recommended that review processes should be proportionate to the risks that the innovations pose. It also advised that reversible innovations should be tested speedily and on a small scale before being rolled out more widely if successful.

Ultimately the challenge in improving innovation in the public sector is a leadership issue. It requires determined leaders to change a culture which is risk averse and complacent into one that is restless for improvement. Successful leaders in innovative government agencies empower their people to question how things are done. They are comfortable with managing risk and know that innovation involves experimentation and some failures. They fight inertia by galvanising people. They allocate resources for innovation, and establish processes for idea generation, evaluation and implementation. Their battle is a tough one, but the ultimate prize is a more effective organisation ■

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