04 Move fast and fix things

Think piece from the 2019 Public service: state of transformation report

Commissioning and innovation are two terms that belong together, yet all too often they remain separated, unless it is to describe the inability of the former to achieve the latter. In this piece I'll explore why they are normally used as either/or terms and share some learning from places that are actively trying to put an 'and' between them.

Scale

The Government spends more than £250 billion of taxpayers' money every year, providing services, fixing problems or improving communities up and down the land. The risks of getting it wrong are high-profile, destructive and far-reaching. The benefits of getting it right include improved quality of life, innovation and value for money.

When services or contracts go wrong, as we have seen in recent times, they can go spectacularly wrong, ending lives, destroying families, ruining communities. Hope is lost and future expectations evaporate. Carillion, Grenfell, Baby P, Kids Company, Winterbourne View… these and many more besides have entered the cultural lexicon as synonyms for failure. More recently we've seen media coverage around the failure of the East Coast mainline rail franchise,

the part-privatisation of the probation service and the G4S-run Birmingham prison.

I'll start by applying the RSA's model of change for helping to improve commissioning and drive innovation in public services – why do we often get it so wrong, and what are some commissioners doing to get it right?

Is service failure inevitable?

A slew of reports into many of these failures start to unpick some of the common threads, ultimately concluding that the way we currently commission and procure these services or providers is not fit for purpose. Crucially, as Liam Halligan reports,[1] the Public Administration and Constitutional Affairs Committee (PACAC) has found that the public sector has become 'too reliant on a small handful of big businesses', which are effectively 'too big to fail' as they run 'vast swathes of public services with little effective competition'. At the point at which it went bust, Carillion alone held nearly 500 Government contracts, owed £1.2 billion to sub-contractors and had a pension deficit of £800 million. It's time to move beyond the axiom that 'no one ever got fired for employing IBM'.

Little wonder that Liam Halligan argues that the UK's public-sector procurement chaos is a long-standing, cross-party problem: 'this is about delivering decent public services and securing some semblance of value for taxpayers – goals that are widely shared across the political spectrum'. Michael King, the Local Government Ombudsman, argued that the public sector 'can outsource the service but it cannot outsource its responsibilities'.[2] Ideas that help square that circle, and in so doing improve the mechanism through which that £250 billion is spent, are at a premium. How might we, for example, engage citizens in the process, liberate the creativity

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The RSA model of change
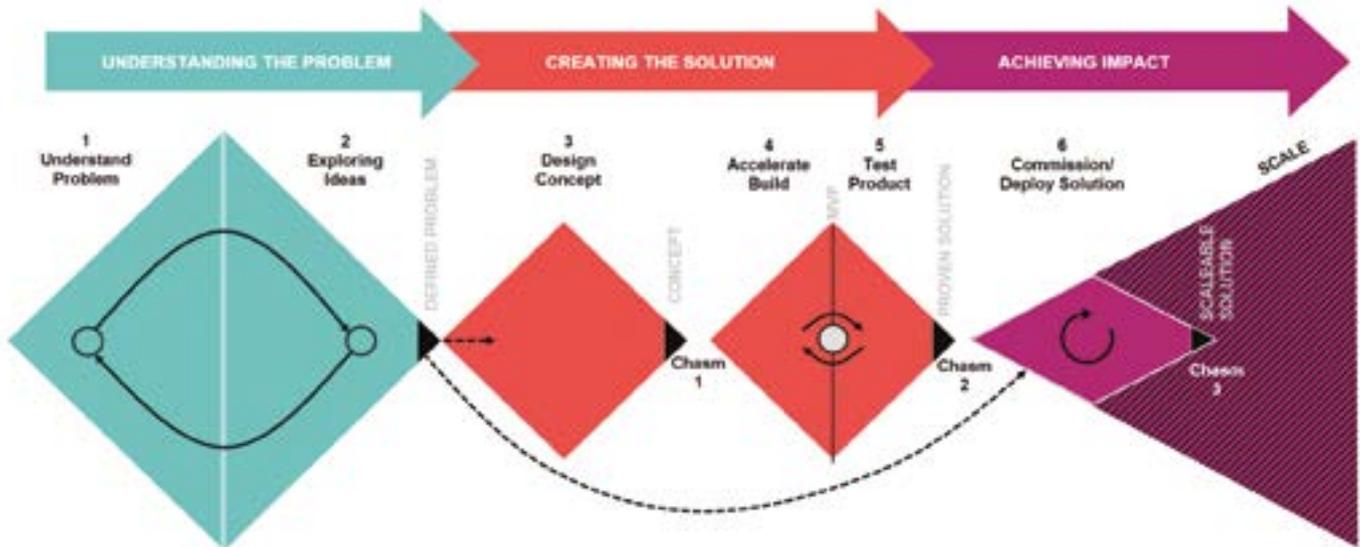
of a broad range of potential providers, or change the legal framework around contracting? Identifying, testing and implementing practical steps such as these stands to have a major impact, reducing the risk of failure and increasing public value.

Analysing the challenge

We've been looking at this challenge recently through the lens of our model of change – 'think like a system, act like an entrepreneur' – which is the RSA's account of how we might better understand the world and go about making change within it. It is also a response to why we see that policy, and social change, often fails. You won't be surprised to hear that our conclusions clearly map onto the way the public sector buys stuff – from paper to services.

Our analysis is that commissioning processes all too often...

● **are linear, path-dependent and slow.** By the time the process concludes, the world has changed, the context has changed and, in a procurement terms, the range of available solutions will also have changed. A recent PACAC report (see link in footnote 2) concluded that 'competitions exist in which bidding processes take over 18 months and require the equivalent of twelve A4 boxes of information'.

● **assume that it is possible to define all the needs of the service in a specification**. The requirement to prepare a detailed specification to commission against (e.g. to provide a refuse collection service or provide services for autistic children) provides a sense of certainty and an ability to compare submissions on both cost and quality. Yet if it's not in the spec, it's not getting done – without a costly contract variation. This crowds out innovation and collaboration.

● **are not 'solution-agnostic'.** Too often, commissioners start with the end in mind, yet this also crowds out innovation. We shouldn't expect our commissioners and those charged with spending to be solution experts – how can anyone know the infinite number of potential solutions to a problem? Of course, we're working in a world where we have to make decisions based on imperfect knowledge, but we can expect commissioners to curate a process that achieves a deep understanding of the problem and moves iteratively and flexibly towards a solution. This absolutely fits the RSA's notion of acting 'entrepreneurially'.

● **build in a combative relationship between commissioner and supplier.** Value is extracted through the contracting process rather than created through collaboration and mutual learning. A 2018 review by the Public Accounts Committee makes clear that

the changes to the probation service 'have weakened local partnership working and local accountability, meaning there is less joined-up working and collaboration at a local level'.[3] This is the destruction of public value – value extraction not value creation. Working effectively across complex systems requires collaboration across organisations, built on trust and a degree of give-and-take.

- **prioritise management of risk and reputation over experimentation and innovation.** The Institute for Government found that 'providers concerned about their financial survival are generally unwilling to take on further risks by doing things differently'.[4] A recent study of payment-by-results programmes notes that 'because of the financial risk transfer to providers' these programmes have 'been more likely to stifle innovation' than stimulate it.[5]

- **don't reflect the characteristics of complex systems.** As 'wicked problems' are never solved you can't commission a solution. And if you tried, you can never know which elements of what you have commissioned will work, since you have imperfect information, there is no easy way to test a potential solution, and you can't predict the unintended consequences of intervening in complexity. To quote the recent review of Community Rehabilitation Companies, part of the £3.7 billion Transforming Rehabilitation programme, 'we are not convinced that CRCs should carry full responsibility for poor performance in reducing reoffending as many of the factors that impact on reoffending are outside the control of probation services'.[6]

- **treat all problems alike.** It is clear that any attempt to treat the procurement of, say, latex gloves for the NHS, places in a hostel for those presenting as homeless, repairs to social housing, a service for young people with autism, or a quality-of-life survey for residents of a town, is unlikely to be successful in all instances if the same prescriptive process is used.

Ironically, the very efforts that are designed to manage and mitigate risk end up making service failure more likely – not necessarily the large-scale, catastrophic failures outlined above, but, more perniciously, the failure to secure public value for money. Each and every contract that is based on any of the assumptions above will be sub-optimal and in some way fail to solve the presenting problem.

Not all problems are created equal

It is worth digging into the nature of the problem a little deeper. The Cynefin framework, developed by Dave Snowden, distinguishes four types of situations or problems.

The first, chaotic problems – riot or disaster, for example – are situations that need stabilizing before anything else can be done. Next, simple problems have clear cause and effect relationships and known solutions. The NHS can buy latex gloves to prevent the spread of disease. Complicated problems have knowable cause and effect relationships that can be uncovered even if they are not immediately apparent. Crossrail is hugely complicated but it is an achievable proposition, even accounting for the unknowns that are encountered along the way. Economic judgements of value for money are relatively straightforward in both these scenarios.

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Complex challenges, however, are characterized by unknown unknowns – they are emergent and dynamic, and any interventions in these situations change the interrelationships within the system in ways that can't be predicted.

The challenge for commissioning is to recognise that not all problems are created equal and to respond accordingly. Failures arise from thinking that there is an existing solution to a complex problem; thinking you already know what that solution is; thinking the solution can be described in detail; and thinking value can be extracted from the relationship with a provider who is working to implement that solution.

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How might we be more entrepreneurial with commissioning?

Christian Bason, former head of MindLab, Denmark, notes: 'In the private sector, the innovation challenge is largely about opportunities: how to identify them and leverage them for competitive advantage... In the public sector, the innovation challenge is much more about problems: how to define them, what to do about them, and how to know whether they are being fixed or not...'. How might we achieve this by commissioning more entrepreneurially around complex challenges?
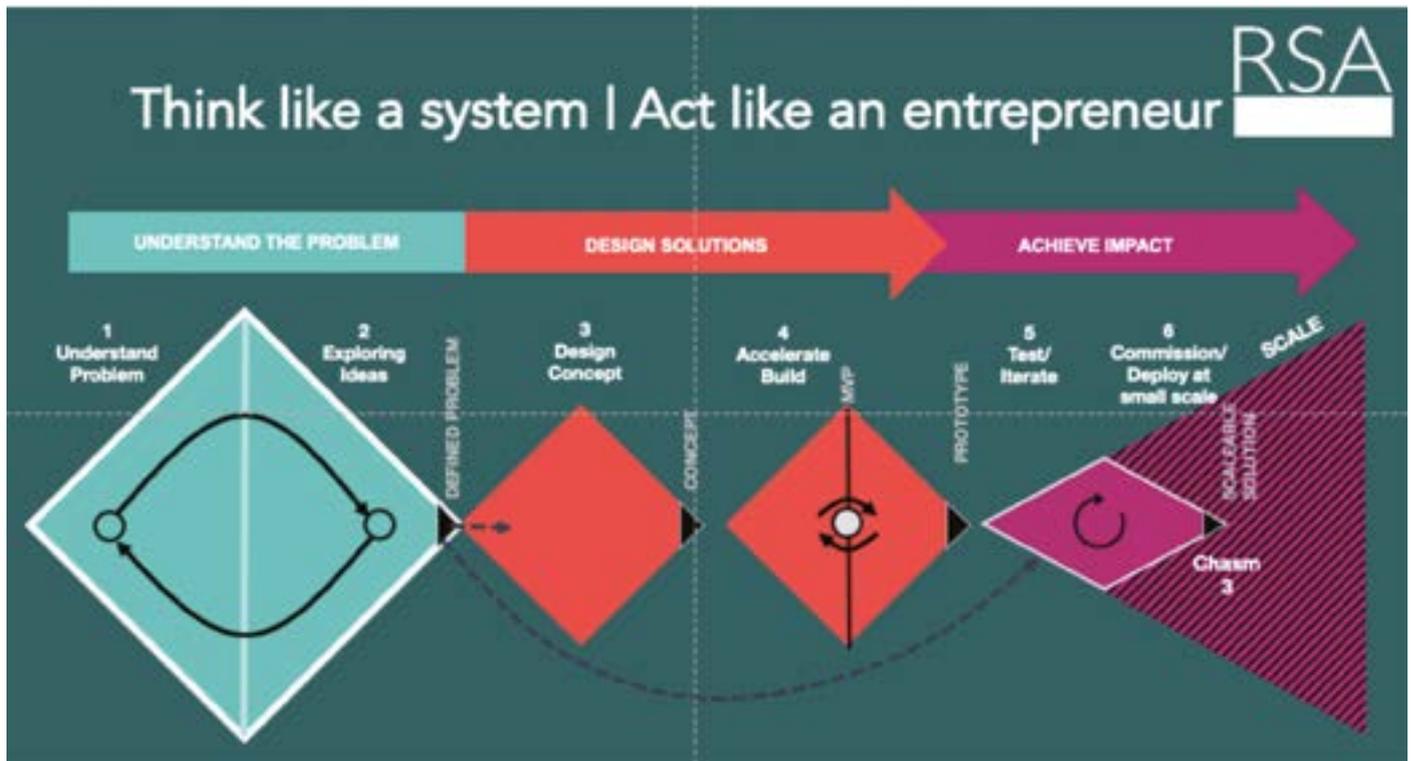
Too often we judge a process by the outcomes yet when we are intervening in complex, dynamic systems we can never reach a point where we say 'that outcome has been achieved'. Ambitious outcomes such as 'all people in Newcastle are healthy' or 'all people in Plymouth get a good start in life' galvanise and drive action but the

level of complexity and interrelating parts means that we can never know that an intervention will be successful, or an outcome ultimately achieved. With no clear cause-and-effect relationship between intervention and response, we need to work collaboratively to learn from our work whether in-house or commissioned. What happens when we commission or

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take actions around homelessness, domestic violence or obesity? How does the system respond? The primary consideration has to be to learn from the interventions that are commissioned, adding to the body of knowledge of how the system works.

In The Art of the Possible in Public Procurement, Villeneuve-Smith and Blake observe that 'for all of this desire amongst commissioners to think afresh, there can be a countervailing force... That barrier is often perceived to be procurement – with regulations and iron-bound processes acting to stifle reform, hamper innovation and maintain the status quo'.[7] Such blind maintenance of the status quo in the face of compelling evidence for change is our definition of the 'immune response to change' in action. The 'computer says

Think like a system | Act like an entrepreneur — RSA

UNDERSTAND THE PROBLEM | DESIGN SOLUTIONS | ACHIEVE IMPACT

1 Understand Problem · 2 Exploring Ideas · 3 Design Concept · 4 Accelerate Build · 5 Test/Iterate · 6 Commission/Deploy at small scale · SCALE

no' mindset, of overbearing bureaucratic processes crowding out common sense. In recent work we have been exploring this notion – reasons why things can't or shouldn't happen, whether or not they make sense.

Yet sometimes the immune response activates with good cause to ensure our organisations and systems remain healthy: to safeguard lives, spend public funds without any impropriety, avoid career-limiting mistakes that are likely to play out publicly, prevent fraud and corruption. The irony is that processes intended to manage risk have been exposed by the collapse of Carillion, bearing as it did almost £7 billion of liabilities – the largest trade insolvency in UK history. The very risk that the 'immune response' was trying to protect against still manifested itself. We need a rethink, a new way of doing things that leverages the best of the present and introduces innovative practice alongside this. Such an approach would enable flexible and responsive investment in a problem, one that incorporates a much wider range of perspectives on that problem..

Thinking and behaving entrepreneurially in public services is anathema to most. But our conception of the 'entrepreneur' in the public sector is about judicious and not ubiquitous risk-taking. It's about acting flexibly, seeking and harnessing the opportunity for change, working to overcome the barriers highlighted above. In addressing complex challenges, we need to iterate our way towards a solution, each step informing the next. As we have seen, this is

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a far cry from the dry and static specifications against which a path-dependent procurement process is subsequently managed. We can't expect our commissioners to downplay risk and value for money; indeed, we want them to care about these things more than ever. But we do need to find new ways of mitigating risk

that enable an appropriate level of experimentation in complex scenarios, one that is based on a much more nuanced definition of risk.

A new framework?

In our work with CivTech, GovTech, the Government Innovation Lab in Northern Ireland, and others, we have seen the components of such an approach. In particular, we see that risk can be mitigated by a range of measures, such as engaging users and beneficiaries in understanding the problem; having break points at each stage of the process; investing in early-stage concept development to open up the market. Collectively these approaches provide assurances at each stage of the process. We shouldn't ask our commissioners to be solution experts, but we can expect them to be problem experts.

These insights, and others, were captured in a framework we published in our report Move Fast and Fix Things.[8] The 'invest to solve' framework was the result of applying our 'think like a system, act like an entrepreneur' model of change to identify opportunities to try new ways of commissioning. Our next step is to test this framework in live contexts in localities and develop it over the coming months as part of our Public Entrepreneur programme. Please get in touch if you would like to work with us on this.

For more information, please contact Ian Burbidge, Associate Director, RSA at Ian.Burbidge@rsa.org.uk

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Ian Burbidge

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1 https://unherd.com/2018/08/real-culprits-behind-carillions-collapse/

2 https://publications.parliament.uk/pa/cm201719/cmselect/cmpubadm/748/748.pdf

3 https://publications.parliament.uk/pa/cm201719/cmselect/cmjust/482/482.pdf

4 https://publications.parliament.uk/pa/cm201719/cmselect/cmpubadm/748/74807.htm

5 https://policy.bristoluniversitypress.co.uk/payment-by-results-and-social-impact-bonds

https://www.bbc.co.uk/news/uk-44973258

https://www.bwbllp.com/file/the-art-of-the-possible-in-public-procurement-pdf

6 https://www.thersa.org/discover/publications-and-articles/reports/move-fast-and-fix-things

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