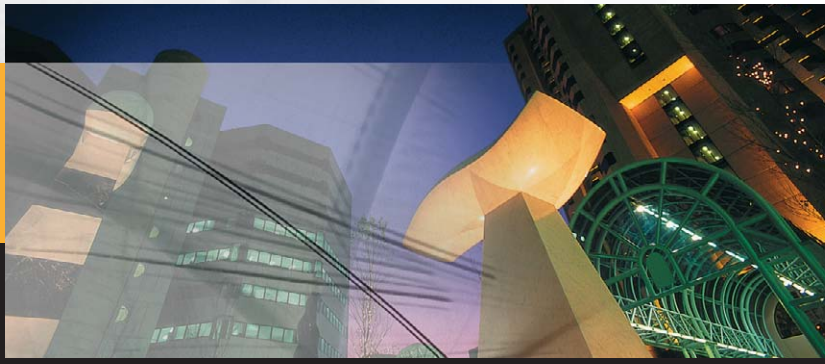
Innovation in 360 Degrees:

Promoting Social Innovation in South Australia

ADELAIDE thinkers in residence



Geoff Mulgan
Thinker in Residence 2008

Government of South Australia

Innovation in 360 Degrees: Promoting Social Innovation in South Australia

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Geoff Mulgan

Geoff Mulgan CBE currently works as director of the Young Foundation, a centre for social innovation based in London.

Under Michael Young, who spent some of his childhood in Adelaide and was a regular visitor in his old age, the Foundation's predecessor organisations undertook research on changing patterns of daily life and helped shape and establish dozens of new organisations, as varied as the Open University, Consumers Association and the school for social entrepreneurs.

Before re-launching the Young Foundation in 2005, Geoff worked in the UK Prime Minister's office and Cabinet Office between 1997 and 2004 in a variety of roles including head of policy, and director of the Government's Strategy Unit.

He also has a number of academic roles, as visiting professor at London School of Economics and Political Science, University College London, and the University of Melbourne; and visiting Fellow at the Australia New Zealand School of Government and at the UK National School of Government. He was founder and director of Demos, a think-tank rated by the Economist magazine when he left as the UK's most influential, and he has worked as a broadcaster, consultant, investment executive, newspaper columnist and academic.

Geoff's publications include *Good and Bad Power: the ideals and betrayals of government* (Penguin, 2006); *Connexity* (Harvard Business Press, 1998), *Life after politics* (ed) (Harper Collins, 1997), *Politics in an anti-political age* (Polity 1994), *Communication and control: networks and the new economies of communication* (Polity, 1991). His next book *The Art of Public Strategy: mobilising power and knowledge for the common good* will be published by Oxford University Press in late 2008.

He has been ranked as one of the UK's top 100 public intellectuals; and has lectured in over 30 countries, including to governments in Russia, China, Japan, France, Finland, Sweden and Canada. He has worked as an adviser to many governments and is an expert adviser to the European Commission and an adviser to Prime Minister Gordon Brown.

Geoff sits on many boards including the Design Council, The Work Foundation, the Health Innovation Council and Involve, and currently chairs the Carnegie Inquiry into the Future of Civil Society in the UK and Ireland. He has been profiled in several books including *The New Alchemists* by Charles Handy (Harper Collins 1998), and *Visionaries* by Jay Walljasper (Utne books 2001).

Foreword

South Australia has a long and proud history of innovation, whether social, cultural or economic.

As a Government we intend to continue this tradition and improve on it to face the challenges of the future.

During his time in Adelaide, Geoff has drawn attention to the growing importance of social innovation – new strategies, concepts, ideas and organisations that meet social needs of all kinds.

From working conditions and education to community development and health, he has shown us why social innovation matters, and how it can be applied to generate new ideas that work.

Geoff has provided guidance on models and processes for government, social innovations and future research directions for the State, which incorporate South Australia's goals, targets and existing strengths.

He has worked closely with local government, industry and schools looking at programs around the issues of urban regeneration, supporting young people in 'learning or earning', as well as ageing and Aboriginal social issues.

He has forged strong national and international links for South Australia with social innovation think-tanks including the newly launched Australian Social Innovation Exchange (ASIX).

In addition, a study of the history of innovation in South Australia has been developed as a result of his residency.

In this report, Geoff has given us some challenges as we look to the future, suggesting we need to mobilise the collective intelligence of the people of South Australia, to not only come up with new ideas, but to make the most of them.

I thank Geoff Mulgan for his inspiration and contribution to South Australia, and commend this report to anyone who shares a vision for the future of our State.

Mike Rann
Premier of South Australia
June 2008

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Summary

- This report sets out the findings from the residency of Geoff Mulgan as Adelaide Thinker in Residence in 2007–8.
- It proposes a comprehensive strategy for South Australia to build its capacity as a centre for public and social innovation, and as a social laboratory and incubator not only for Australia but also for the world.
- It shows that the state has a strong and proud history of innovation in many fields, often led by ambitious reforming state governments, and including recent initiatives on social inclusion.
- It describes lessons from innovative public and social organisations around the world, and the growing experience of running social innovation incubators and laboratories.
- It identifies priority fields for social innovation in the state, including ageing, healthcare, transitions to adulthood, regeneration and Aboriginal wellbeing.
- It makes specific recommendations for building a more comprehensive innovation system including:
  - processes to build a wider consensus on where innovation is needed (Southern Crossroads)
  - a new institution to act as a catalyst for innovation in South Australia and beyond (the Australian Centre for Social Innovation)
  - a series of sector specific programs to internalise innovation within public departments and agencies, including around ageing, healthcare, learning and regeneration
  - more active initiatives to support NGOs and civil society
  - active South Australian participation in the new Australian Social Innovation Exchange.
- It sets out the links between social innovation and the long-term goal for the state to strengthen its position in high value activities, and argues for the state to promote innovation in 360 degrees, in every sector from science and the arts to the environment, health and public services.

Introduction

The focus of my residency has been social innovation: how communities and societies innovate new ways of meeting their needs. Innovation of this kind has always happened – and particularly in South Australia. But around the world there is growing interest in how to make it more systematic and faster, improving the prospects for good ideas to become a reality.

For me, the chance to take up a residency in South Australia offered a wonderful opportunity to crystallise some emerging reflections on how government could do innovation better. The state has a great history of innovation; a scale that makes it easier to turn ideas into practice than elsewhere; and a government which is in the rare position of having the courage and confidence to think longer term.

In my inaugural lecture in Adelaide I argued that all societies need to do more to mobilise their 'collective intelligence' to cope with challenges such as ageing or climate change. That intelligence can be found in many places: in public services, universities, businesses, NGOs and of course amongst the public. But traditional models of government have been poor at making use of it.

I also argued that more rigorous methods are needed to help identify, design, nurture and grow innovations, whether amongst NGOs, community organisations or the public sector. Too much is left to chance and serendipity – which is why our societies have performed much worse in dealing with issues like homelessness and disability than they have in growing the economy, or advancing science, where there are strong institutions devoted to innovation.

During my residency I've been able to get a feel for the many assets with which the state is endowed. I've visited many parts of the state, from the APY lands to Whyalla and Port Augusta, as well as many parts of Adelaide including Playford. I've worked closely with departments – in particular Department of Education and Children's Services (DECS), Department of Further Education, Employment, Science and Technology (DFEEST), Department of the Premier and Cabinet (DPC), Department for Families and Communities (DFC), and Planning SA (PIRSA) – and with the state's universities. Much of my time was spent looking at the specifics of policy and practice in relation to social exclusion and teenagers, youth crime, urban development,

and Aboriginal affairs. I was also involved in the development of a stronger strategic capacity in government, notably with the establishment of a strong Cabinet Office in DPC. But the main concern of this report is with the system of innovation that the state can bring to bear on each of these issues. My specific recommendations focus on:

- cultivating a consensus on the really big challenges facing the state, which are likely to be the priorities for innovation, through the proposed 'Southern Crossroads' program
- developing a comprehensive policy framework for innovation, covering not just traditional approaches to R&D in science and technology but also innovation in services and in the public sector
- creating new institutions to act as catalysts for innovation, and in particular a new Australian Centre for Social Innovation based in Adelaide
- developing a pro-innovation culture within South Australia's public service, and engaging the public in innovation through challenges and prizes
- specific initiatives to back innovation within departments as part of overall strategic planning and budget setting
- making the case in Council of Australian Governments (COAG) for some states, including South Australia, to act as laboratories for the rest of Australia in priority fields like climate change and ageing.

I've also used the period of my residency to undertake more research on the dynamics of innovation, which have been published in a series of papers on, respectively, public sector innovation, growing social innovations and the characteristics of local innovation. I've been closely involved in developing an Australian Social Innovation Exchange (ASIX) – linked into the global Social Innovation Exchange (SIX) – which was launched with Deputy Prime Minister Julia Gillard in February 2008. And I've worked with academics in encouraging greater understanding of the field, in particular with a major international conference on social innovation in Adelaide in June 2008.

My work has been as a Thinker in Residence – but it's also been *about* the role that schemes like Adelaide Thinkers in Residence can play in mobilising creativity and collective intelligence to solve common problems.

It's often said that innovation is simply a matter of luck, or serendipity. But I agree with the recent comment of Harvard Professor Clayton Christensen: 'Innovation simply isn't as unpredictable as many people think' he said. 'There isn't a cookbook yet, but we're getting there.' This report doesn't offer a definitive cookbook, but it does show how South Australia can jump to the head of the field in turning ideas and experience into reality.

> 'Innovation simply isn't as unpredictable as many people think...There isn't a cookbook yet, but we're getting there.'

Making sense of social innovation

Southern ICAN

At 14, Chris already had a history of trouble with the law and a police record. He had been in trouble at school and a doctor prescribed him ADHD medication. Around the world thousands of teenagers like Chris fall out of education and drift into crime. Once they've been labelled as failures and troublemakers there's often no way back. But with the help of the Innovative Community Action Network (ICAN) program he was enrolled in, which includes a day a week of 'skills for living' and strong personal support, Chris took back control of his life. 'If I hadn't joined the program' he says 'I reckon I'd have got into some big stuff that would have landed me in jail.'

ICAN is just one example of a socially innovative program in South Australia. It has drawn on evidence from around the world on what works in re-engaging teenagers like Chris. It experimented with a range of different approaches, tailored to local circumstances. And it's probably already saving the state significant sums of money by diverting young people like Chris from a life in and out of jail and unemployment.

This for me is what innovation is all about. The word gets sprayed around a lot. It's hard to be against creativity and good new ideas. But the innovation I'm interested in is quite specific: I'm interested in innovations that work in meeting social needs, and that have the potential to be replicated and grown. The ICAN program meets this definition well – and like many social innovations has the potential, when seen in the round, to pay for itself many times over. Other examples include self-help health groups and self-build housing, magazines sold by the homeless, integrated childcare, neighbourhood wardens, websites like Wikipedia, Fixmystreet and Ohmynews, complementary medicine and hospices, micro-credit and consumer cooperatives, fair trade, zero carbon housing schemes and community wind farms, restorative justice and community courts. More specifically I define social innovations as ones that:

- can be defined and potentially spread beyond their initial context, i.e. that are not wholly context-specific
- are provided by organisations, i.e. not ones that operate only in informal daily life and as aspects of lifestyles
- meet socially recognised needs, i.e. not ones that meet simply personal needs or demands
- work in circumstances where normal commercial markets have failed.

Despite the considerable amount of talk about innovation, few if any societies are doing enough to support this kind of innovation. Most of the hard money and energy is still directed to only one kind of innovation: innovation in science and physical things like new computers, drugs and materials. That's where governments invest their money, and most policy-makers assume that if only you put enough money into science it will flow through into new business opportunities and prosperity.

There is much to be said for generous investment in science, and South Australia should continue to do all it can to attract world class R&D. But this should be only part of the story, not the whole of it. If you turn the question on its head and ask which kinds of innovation deliver most value, it's not just the hardware that matters. Some fields of technology – including aerospace and pharmaceuticals – have absorbed large amounts of public money while delivering relatively little public benefit in recent decades. By contrast, much cheaper fields of innovation have had a bigger impact, ranging from new search engines like Google to new online services like Wikipedia. And often the greatest impact of all is achieved by new social models or institutions, like hospices or carbon trading markets, or the microcredit models pioneered by Nobel Prize Winner Muhammad Yunus that are now being adapted from Bangladesh for implementation in poor communities in the United States.

My research has shown that innovations of this kind grow in very different ways. Some grow in the public sector and others in the not-for-profit sector. Some are the product of social movements like environmentalism or disability rights. But the most striking feature of these innovations is that they usually happen despite the systems governing public institutions, not because of them. There are very few sources of funding for radical social innovations, few institutions devoted to supporting it, and few if any committed to growing the ones that work.

The worlds of science and technology were in roughly the same position 150 years ago, dependent on the persistence of remarkable individuals, amateurs working in their sheds and attics with modest funding from philanthropists or governments. Today by contrast scientific and technological innovation has become systematic with large-scale investment, laboratories and research centres, and smart intermediaries who link new innovations to potential uses.

I believe the time is ripe to bring some of the same energy and commitment to innovation in the social field, and that South Australia is ideally placed to be a leader. Some of the reasons why this is necessary are obvious. Many of the big shifts underway in the world – which have been the focus of other Adelaide Thinkers in Residence – mean that we can't go on with business as usual. Take ageing and the growing incidence of long-term conditions or chronic diseases. These are already putting huge strains on pension and healthcare systems, and they're particularly important for South Australia because of the relatively old population living here. But no one knows exactly which models will work in the future.

The only way to find out is to experiment and learn quickly. Or take climate change. Many aspects of this require new technologies – renewable energies and zero waste production systems. But many of the most important changes will be as much about behaviour as they are about physical things: finding ways to change lifestyles, habits of travel or work. Here too the only way to find out what works is through energetic and systematic experiment, and again South Australia is at the sharp end, likely to be affected by the problems but also likely to gain disproportionately from any solutions.

In the field of social policy too, good policy design needs to be matched by well-managed innovation. There is some evidence about what works in helping disaffected teenagers back into school, or stopping offenders from re-offending. But the evidence is far from definitive, and every society also needs to try things out, to accept that some may fail on the road to success. The new government in Canberra is showing a welcome determination not just to act on problems like street homelessness, but also to experiment and learn. That will involve some risk, but it's the only way to get better results and better value for money in the long-run.

Australia has a great history of being a laboratory for the world. It's done its fair share of innovation when it comes to new social capabilities – aged care, surf life saving and the flying doctor service just to name a few. South Australia has a particularly strong track record, as I show in the next section. But new structures and methods will be needed to

Australia has a great history of being a laboratory for the world

make the most of that tradition and apply it to today's challenges, and later in this report I set out some specific recommendations about what could be done.

I also touch on the connections between social innovation and the broader strategic choices facing the state. South Australia has always been on the distant periphery of the global economic system. Sometimes this has been to its advantage, for example helping it become a base for defence industries in WW2 and more recently. At other times its location has weakened it, encouraging dependence on commodity exports and making it slower to adopt some innovations. The recent investments in mining and defence are already having a big impact on the state's confidence and prosperity. But in the long-run the state will have to live on its wits, mining what's in peoples' heads as well as what's underground. A more ambitious social innovation strategy is partly imperative for purely social reasons. But it can also form part of broader strategy to push South Australia up value chains and into the fields where the greatest wealth will be created in the century ahead, when sectors like healthcare will account for a much larger share of GDP than IT or cars.

South Australia's history of Social Innovation

Many South Australians are aware that it has a rich history of social innovation, and has at times punched well above its weight (a longer paper on this history is available from *www.thinkers.sa.gov.au)*. It is striking that three out of Australia's ten Nobel Laureates have links to South Australia.[i] South Australia can claim a number of world first and many more Australian firsts. The Stump Jump Plough, the Rib Loc pipe, and the first pedal wireless were all South Australian inventions and all had a substantial social impact. South Australia was the first place in the world to allow women to stand as parliamentary candidates and one of the first to allow them to vote, and one of the first places to introduce universal male suffrage. In 1976, it was the first place in the world to ban rape in marriage. The list of Australian firsts by South Australia is equally impressive. It was the first state to introduce land and income taxes in 1885, home to the first irrigated settlement (Renmark in 1887), and the first place to have public archives in 1920. Yet the pace of innovation has been uneven and inconsistent. Hugh Stretton, himself a great example of South Australian creativity, wrote that 'there have been irregular cycles of strength and weakness – and wisdom and folly... in 1916 –1920, 1962-67, and 1970-75, none fulfilled all of their intentions, and most were weakened by or abandoned by later governments'.[ii]

Everywhere in Australia there is of course a long prehistory of innovation – of creative solutions to the challenges of living in a continent with a vast and varied landscape and climate. Yet innovation in the modern sense arrived with the large scale settlements and cities brought by colonisation. The idea of South Australia was itself a social innovation based on the principles of Edward Gibbon Wakefield and Robert Gouger in the 1830s. They envisaged a planned colony that maintained a balance between the sexes and between labour and capital/landowners. Religious pluralism was a hallmark of the early settlement. During the early years there was active innovation in institutions as the colony responded to perceived needs and distinguished itself from other parts of Australia. 1839 saw the Chamber of Commerce set up in Adelaide – the first in Australasia. The first census in South Australia took place in 1844 (although Indigenous people were not counted). The first public lectures in Adelaide took place after the Adelaide Mechanics Institute was founded in 1838. As the detrimental impact of colonisation was becoming apparent, the first ration depots were established at Moorundie on the River Murray in 1841 and near Port Lincoln on the Eyre Peninsula.

The second half of the century also brought lively innovation as the colony grew. Hugh Stretton has characterised this period, which included the arrival of South Australia's constitution and self-government in 1857, as one of 'legislative audacity'.[iii] In 1858, the *Real Property Act* was passed setting up a simple and inexpensive method of registering and checking property titles, the *Associations Incorporations Act* was passed in 1858 and in 1876, Trade Unions were legalised in South Australia, the first territory in the British Empire

> The idea of South Australia was itself a social innovation

to do so outside Britain. The seminal *Patent Act* was passed in 1877 and South Australia was the first state to create an agricultural college (at Roseworthy in 1883), and in 1890 the first to create a children's court.

Influential women were instrumental in some of the reforms of this period, establishing the Adelaide Children's Hospital and Maternity Relief Association in 1876, and securing admission of women to degrees at the University of Adelaide in 1881 ahead of any other Australian universities, while the District Trained Nursing Society in 1893 provided free or low cost nursing to the poorest groups.

The next key phase of social innovation in South Australia is associated with the 'systematic industrialisation' of Thomas Playford's Premiership from the 1930s onwards[iv] as a response to the Great Depression. Auditor-General John William Wainwright conceived the notion of the 'South Australia Settlement' which would keep production costs in South Australia lower than in Victoria and New South Wales, by offering economic incentives to business through the South Australian Housing Trust (SAHT) set up in 1936,[v] and the Industries Assistance Corporation in 1937. The SAHT (the brainchild of Horace Hogben) has been one of the state's most significant innovations. Susan Marsden wrote that 'It became the first Australian housing agency to bank land, build a new town, Elizabeth, supply factories to private enterprises, sell houses in the open market, buy and conserve old houses as public housing, convert warehouses into flats, buy public housing from private developers and design special housing for young married couples, pensioners and the disabled'.[vi]

Housing Trust Homes Whyalla c1950
GN 15266, History Trust of South Australia

Yet another wave of innovation took place under the, at times, extraordinary leadership of Premier Don Dunstan, both when he was Attorney General and Minister for Community Welfare and Aboriginal Affairs between 1965 and 1967/8, and in his two periods as Premier in 1967-68 and 1970 to 1979. The list of social innovations under Dunstan is extensive, and reflected his ambitions for the state: 'I'm trying to create in Adelaide the best known urban conditions in the world'.[vii] Dunstan's legislative reforms include the 1975 Sex Discrimination Act, the decriminalisation of homosexuality in 1975, and legislation to make rape in marriage a criminal offence (1976), and he set the ball rolling for the Pitjantjatjara Land Rights Act (1981). Dunstan also appointed the first Indigenous Australian governor, Sir Douglas Nicholls. Dunstan's support for the arts was made manifest on many fronts, including the creation of the South Australian Film Corporation in 1972.[viii] He even at one point promoted communes, an example of his willingness to lead public opinion and take risks. Not all of them paid off. In his book *Felicia*, Dunstan wrote that his greatest failure

was the aborted development of industrial democracy between 1972 and his premature retirement in 1979 – a bold program around which he failed to build a successful coalition.

Social innovation remains an enduring feature of South Australian society. In the 1980s, Professor Paul Hughes in the Department of Education developed new ways to improve educational outcomes for Indigenous South Australians, while in health the *Social Health Atlas* pioneered a new approach to link research with policy making. The challenge of environmental sustainability has also encouraged innovation in the driest state on the driest continent. The phenomenal growth of Trees for Life is a fabulous innovation in this respect. Likewise, the development at Christie's Walk is an interesting experiment in sustainable living, with the first straw bale houses in an Australian capital city, and the first inner city project to have its own on-site sewerage treatment.

Explaining South Australia's history of innovation

Why has South Australia been able to punch above its weight as a place for innovation? Historians have pointed to some of the factors, like the greater balance between the sexes, which explains why there were more innovations originated *by* women *for* women (and children), and the cultural climate shaped by a high ratio of religious dissenters.[ix] The 'tyranny of distance' (to use Geoffrey Blainey's phrase) may have forced the state to come up with its own solutions.

Charles Cameron Kingston
GN 255, History Trust of South Australia

Catherine Helen Spence. PP 2681, Photograph from State Children in Australia by C.H. Spence

But structural conditions only take us so far. Even a cursory view of the history shows the vital importance of three less structural factors. One is *political leadership*: innovation has peaked in the state when dynamic political

leaders have shown a clear willingness to experiment and innovate, for example, Charles Cameron Kingston (1893 – 1899),[x] Thomas Playford (1938 – 65), and Don Dunstan (1967-68, 1970 – 1979). Another is the role played by dynamic individuals in other fields: William Light, Catherine Helen Spence, Helen Mayo, David Unaipon, Laura Corbin to name but a few, were decisive either as the originators of ideas or in making them happen. Finally there was the influence of organisations: like Roseworthy College, the South Australian Housing Trust, the Waite Research Institute, and increasingly some government departments. This history tells us that conditions are propitious for innovation in South Australia – but it doesn't happen without drive and without deliberate cultivation.

Social innovation now

South Australia has sustained this tradition of innovation in the 2000s with process innovations like South Australia's Strategic Plan which now provides a much more rigorous and comprehensive approach to setting goals and tracking progress, structural mechanisms, such as the Executive Committee of Cabinet which has brought outsiders into government in ways that are unique amongst 'Westminster' style democracies, and policy making innovations such as the Government Reform Commission and the Social Inclusion Initiative which is now being copied at a national level.

The Social Inclusion Commissioner, Monsignor David Cappo, and the Social Inclusion Initiative are particularly good examples of policy innovation: work from the centre of government to put the spotlight on important social problems, and then undertake short-term projects in search of solutions. They work in partnership with others across government, but they also provide the fresh insights, and the space to think that is so rare in busy departments. Once their work is done – on topics ranging from homelessness to young offenders – the lead department takes over full responsibility and the Social Inclusion team moves on.

So far the results have been good: for example while nationwide homelessness numbers went up by 19% between 2001 and 2006 South Australia saw a cut of 5%. More than 2000 families were prevented from becoming homeless, 1,800 people experienced much shorter periods of rough sleeping than they otherwise would have, and 42 people who had previously been considered too hard to deal with are now safely housed. The more recent school retention initiative has already supported more than 15,000 young people and helped them engage or re-engage with learning, and radical mental health proposals are being implemented.

The Social Inclusion Initiative has focused mainly on policy innovation. But I'm also interested in more systematic ways to try out alternative approaches on the ground before they become policy. One of the big lessons of social innovation is that practice is often ahead of policy and theory: it's only by testing things out on a small scale that society is able to learn about what works and what could change. The ICAN program is a good example of how this can be done. It has primarily focused on trying out new ways of helping young people return to school or training, dealing with any specific difficulties that discourage young people from completing their

Flexible Learning Options (FLO) in the South: photographer Susanne Koen

education, from family problems to alcohol and drug abuse. Most are very small in scale, but good pointers to how the education system could better engage teenagers. For example, Tjinatjunanyi – Footprints to Freedom – is an ICAN project which is helping over a dozen local Aboriginal teenagers in the Davenport community near Port Augusta. The program, which is a collaborative effort between the state government and the Uniting Aboriginal and Islander Christian Congress, operates from a community centre, and provides a mix of literacy and numeracy classes and a day per week on cultural activities. Learning is supported by providing a healthy breakfast and lunch and regular physical activity. There's a strong emphasis on making the classes culturally relevant and involving families and the community. Each student has a mentor who provides personal support and encouragement as well as serving as a role model. Many Tjinatjunanyi students had not attended school for several years before joining the program, and are now learning new habits by coming to class four days a week. In the words of Hohaia Matthews who runs the program, 'the kids feel secure because the program has connection to the community.'

Young Mums on the Move is another ICAN project which aims to keep young pregnant women and mothers learning through a program that provides an on-campus midwife, a free crèche, a counsellor and a childcare centre, as well as transport. Following involvement in this program, 87% of students continued to be enrolled in formal education. Another good example is based in the Stuart High School, Whyalla, which has had problems in the past with poor student attendance. To turn this around, the school developed hands-on enterprise education programs including aquaculture, horticulture, building, art and cooking ventures. The Aquaculture Centre breeds Murray cod, yabbies, goldfish and guppies which it sells to the community. The enterprise also earns money through offering tours to the public and other schools which are led by student guides. The Centre has a water recycling system, which is used to grow plants in another enterprise education program – From the Ground Up. This horticultural venture includes irrigation and landscape design, with students propagating and selling plants as well as landscaping the school grounds and local homes. These practical learning programs encourage students to stay in school, because they find the work interesting and develop better relationships with their teachers. Students also gain valuable business skills

North Western ICAN: photographer Susanne Koen

while becoming engaged with the community and economy in ways that give them a sense of ownership and pride. Vicki Minnes who coordinates the program says it 'gives them something to captivate their interest and greater options for work opportunities or school based apprenticeships' and one of the participants, Paul in year 9, commented: 'I really like this program... and it's a much easier way of learning.'

I was particularly interested in this example because it had so many overlaps with the studio schools which the Young Foundation is setting up across England. These aim to integrate work and learning for 14-19 year olds, running real businesses out of the schools, and reshaping the curriculum around practical projects. Their goal is not to create an entirely different education system, but rather to reshape learning to attract a minority of students who don't thrive in traditional academic settings, or who are looking for more chances to be entrepreneurial.

South Australia also has innovative programs to re-engage and train older people. Goal 100 is an employment-based program in Whyalla that targets people at risk of long-term unemployment and links them to OneSteel, the dominant local employer that needs qualified staff. The program took on a group who at first glance looked hard to employ and provided them with a mix of support and pressure to get job ready. This included basic training in literacy, numeracy and self development, training and mentoring in some of the skills that OneSteel requires, such as mechanical and electrical servicing, as well as work placements and site visits to OneSteel, BHP Billiton and other industries. OneSteel guaranteed employment for participants who met training benchmarks, providing an important spur for them to get on top of problems including drug addiction.

Health is another field where interesting innovation is underway. South Australia like other states faces intense pressures on its health system as the population ages and the incidence of chronic conditions goes up. The GP Plus Health Networks and GP Plus Health Care Centres across Adelaide, Port Pirie and Ceduna are aiming to bring together nursing and midwifery, specialist clinics, minor medical procedures, drug and alcohol services and mental health care in ways that should make the service both more useful and better at preventing acute conditions. They are part of a world-wide shift to providing care in ways that are both more personalised and also more

integrated, helping people do more to manage their own conditions. Getting this right will mean fewer demands on hospitals but also a better quality of life for patients.

The same commitment to integration guides the Common Ground project founded by Rosanne Haggerty, a previous Adelaide Thinker in Residence, in New York and now adapted for Adelaide. The model brings together a mix of support services in ways that closely parallel the rough sleepers initiative in the UK that integrated housing, employment and services dealing with drug and alcohol problems, successfully cutting the number of people sleeping on the streets by two-thirds. Common Ground also combines people from different backgrounds, including homeless people and others on low incomes, such as students. The first site has opened on Franklin Street, and a second is being developed in Light Square with backing from Adelaide's business and philanthropic community as well as the South Australian Government.

Two hundred years ago, around the time that South Australia was founded as a state, Samuel Bentham, the brother of Jeremy, lamented that governments either ignored new inventions (a Royal Commission the decade before had concluded that there was no future in the steam train) or experimented on too large a scale, with costly and disastrous consequences. In a rare contrast, in 1830 the 'government had determined on the institution of a course of experiments to ascertain many important points in ship-building, beginning with small models, and so proceeding, step by step, through boats and small sailing vessels, before money should be spent in trials on large ones. Unfortunately', he commented, 'this extended series of experiments was abandoned because no young man to make them could be spared from any of the Dockyards.' This failure to experiment on a modest scale was odd, since 'the abortive experiments of private engineers, or private shipbuilders, rarely meet the public eye; so that the cost of preliminary efforts amongst private men remain unknown and unappreciated, while all the failures in the Royal Steam Navy have been brought to public notice'.

Many contemporary governments are equally unable to carry through the modest experiments that are so essential to improving health, education or welfare, and lurch instead between excessive risk aversion and experiment on too large a scale. South Australia has shown that it is a rare exception to this rule, simultaneously willing to embrace new knowledge and to test new models out on a small scale before extending them.

Lessons from around the world

Around the World

South Australia's recent initiatives are all welcome. But how should the state turn some very promising, but fairly small scale, innovations into something more? There is no doubt that the state has put some very important building blocks in place. But it lacks a true system for innovation. John Kao, one of the world's sharpest thinkers on innovation, has written that 'the most important characteristic of innovative firms is that they have an explicit system of innovation which pervades the whole organisation, which is visible, known about, generates a stream of new ideas, and is seen as vital to creating new value.'

Few if any governments yet meet this test. But more than most, South Australia has the potential to jump ahead and put in place structures, processes and cultures that could embed innovation into its DNA. Here I turn to what can be done, drawing on experiences from other countries.

Innovation in the public sector

Many governments now want to get smarter at innovation. They're under pressure to deliver more for less money, they have to keep up with rising public expectations, and they're being asked to deal with ever more complex issues, from protecting against avian flu to coping with financial globalisation.

Yet they've not traditionally been very good at innovation. Charles Dickens reflected a conventional wisdom which is still widespread when he wrote in his novel *Little Dorrit* about a Circumlocution Office at the heart of government which decided 'what should NOT be done', and which reliably killed any ideas which might make government better. It's said that the public sector doesn't have the competitive pressure – the burning platforms that make businesses innovate. It penalises risk-taking but doesn't reward successes. It loves uniformity and standards more than creativity.

The subtler complaint is that public sectors are bad at failure. Markets work by trying many things, most of which fail. So do science and technology (most famously when Thomas Edison tried out more than 10,000 materials before he found the right one for the filament in light bulbs). As the great writer on design Henry Petroski put it 'form follows failure', and talk to any great entrepreneur and they'll eagerly tell you about their mistakes as well as their successes. Yet in public policy, although failures are common, they are harder to admit and it's harder to institutionalise fast learning from these failures.

But it would be wrong to conclude that public sectors can't innovate. For all the constraints on innovation it's hardly a wasteland. The Internet came from DARPA, the World Wide Web from CERN, both public agencies. Some of the most innovative achievements of recent times came from public bodies – like the elimination of smallpox by Donald Henderson and his team at the World Health Organisation (WHO), or NASA's moon landing (a very rare example of a public agency using competing teams). The histories of innovation show that until the late 19th century the most important technological innovations in communications, materials or energy came from wealthy patrons, governments or from the military, not from business. The idea that markets are the only 'innovation machines', to use the economist William Baumol's phrase, is a very recent one and one that's flawed.

Unfortunately, however, public innovation is patchy, uneven and more likely to happen despite how public sectors are organised rather than because of their systems. Contemporary governments, including South Australia's, are full of specialists in HR, finance, IT and performance management but not of expert innovators. It's rare to find board members responsible for ensuring a pipeline of promising new models, rare to find clarity about what counts as success or acceptable risk, rare to find a public sector leader who can explain what they spend on innovation or what they should spend (is it zero, the 2-3% that's spent by developed economies on R&D, or the 20-30% that is more typical for a biotechnology company?). Nor are there strong systems for growing the best innovations, and in each of the cases described in the section above there is no clear route map to spreading the models state wide.

In the private sector 50-80% of productivity gain comes from innovation and the public sector is unlikely to be different (though we'd need sounder metrics than currently exist to know for certain). There is simply no way to keep up with public expectations, to get better value for money, or to solve the deep and wicked problems if you just whip the existing system harder. Public innovation also matters for a less obvious reason. The biggest sectors of this century are no longer cars, computers, steel and ships – they're health, education and care, all sectors where government is a major player. So any state which wants a sustainably competitive economy needs to support innovation in these fields too, and not just through the subsidies for hardware that dominated innovation in the latter decades of the last century.

Readiness for the future

South Australia has been unusually focused on being prepared for the future. Many governments operate in an eternal present, but through South Australia's Strategic Plan and Adelaide Thinkers in Residence, it's kept ahead of the curve. I argue that all competent and responsible organisations manage to keep their values and principles in sight while focusing simultaneously on three different horizons of decision making:

- The **short-term** horizon of day to day crises and issues, from the pressures of media and politics, to problems like strikes or IT crashes.

- The **medium-term** horizon of existing policies and programs – where performance and successful implementation are paramount, but most spending and program delivery is already set. Innovation is likely to be incremental, but there is lots of scope for involving frontline staff, the public and managers in improving existing systems. The kaizen models developed by W Edward Deming remain models of how collective intelligence can be applied to continuous improvement, in anything from reorganising reception services in doctor's surgeries to adapting school curriculums.
- The **longer-term** horizon where new policies and strategic innovations become ever more critical to survival and success; and the generational horizon of issues like pensions and climate change where governments increasingly have to look 50 years into the future.

This is where governments and states can most distinguish themselves, and the dramatic turnarounds of recent years in places as varied as Finland and Estonia, Singapore and Malaysia, have all depended on political leaders, and government machines, that have invested heavily in the long-term.

One of my roles as Thinker in Residence has been to advise on building up a stronger strategic capacity within the government. The strengthening of the Cabinet Office within DPC in 2007-8 is a very major step in this direction, and, among other things will help the state to make the most of COAG. I've also advised on the use of new ways of thinking about public value to guide strategic and spending decisions – which was the subject of a major conference led by Warren McCann in August 2007.

South Australia's Strategic Plan provides a very strong base from which to keep all parts of government focused on outcomes that matter. But by its nature it is primarily about the medium-term. One of my recommendations is for a more systematic approach to building consensus on the long-term challenges facing the state, beyond the timescale of the Plan. The Australia 2020 event showed some of the advantages of bringing a wide range of participants into a conversation about the

long-term – and situating the end date far enough into the future so that people don't act defensively in relation to their interests. In the recommendations section I suggest how a similar process could happen in South Australia.

The job of leading innovation is bound to fall between politicians and officials. In South Australia several exemplary political leaders played decisive roles – from Playford to Dunstan to Rann. In other countries outstanding recent examples include Jaime Lerner, the mayor of Curitiba in Brazil in the 1970s and 1980s who developed the theory of urban acupuncture – using small projects to unleash creative energies – and refashioned his city's transport system using dedicated lanes for buses in ways that inspired hundreds of other cities. Ken Livingstone, the former mayor of London, pushed through a new approach to traffic congestion, inspired by Singapore but with a very different technology. Edi Rama in Tirana painted the houses bright colours – a cheap symbol of change. Antanas Mockus in Bogota in the 2000s, pioneered extensive cycling networks, once mooned at an audience of students to get their attention and hired over 400 mime artists to control traffic by mocking bad drivers and illegal pedestrians (he also launched a 'Night for Women' when the city's men were asked to stay at home and look after the children – and most did – and even asked the public to pay an extra 10% in voluntary taxes – again, to the surprise of many, 63,000 did). The best politicians follow Franklin Delano Roosevelt who, when faced with the mass unemployment of the 1930s, said that he would try anything. 'If it fails,' he said, 'admit it frankly and try another. But above all, try something.'

In other places officials have taken it on themselves to be the key entrepreneurs within the system. Tan Chin Nam in Singapore or Bill Bratton in New York or Norman Glass in the United Kingdom Treasury who created a large scale new service for under-5s. In Australia many high profile officials have won fame by pioneering new policies. The Harvard Kennedy School of Government has developed a Government Innovation Network, a portal of examples of government innovation many of which were led by officials, and shows promise as a potential future repository of experience.

Feeding into both officials and politicians there are then many channels: frontline staff and managers (for example providing ideas on how to adjust welfare to work programs); provinces and cities which serve as laboratories for new ideas (for example, in the way that Perth has pioneered approaches to cutting car use); businesses that have shown governments how to reshape customer service and contact centres; the universities (which gave the UK government a method for spectrum auctions which raised tens of billions of pounds and is set to do so again next year); or civil society which has so often pioneered the new.

> 'If it fails,...admit it frankly and try another. But above all, try something.'

Lessons from around the world

South Australia can now look at many examples of governments that have attempted to organise innovation more effectively, and capture these many different channels. Denmark's Ministry of Finance has a unit to promote new ideas – like plans to create a single account for financial transactions with citizens and its industry ministry has an internal consultancy, Mindlab, to promote creativity. In Finland, the main technology agency, SITRA, has turned its attention to public innovation. Britain's Treasury had an 'Invest to Save Budget' to back promising innovations that crossed organisational boundaries, and there is now a social enterprise investment fund in health. The UK's latest Science and Technology White Paper in February 2008 committed to establishing a Public Services Innovation Laboratory, which will be launched later this year, alongside an innovation collaborative for local government. Radical new ideas for advancing innovation in health will be announced to accompany the 60th anniversary of the National Health Service this summer.

In New York, the state and city support the Centre for Court Innovation which develops and tests new approaches, like specialised courts for drug offences and domestic violence. Singapore's Prime Minister's office ran an 'Enterprise Challenge' program for new innovations which it claims will achieve savings ten times greater than its costs.

Some bigger players are also getting involved. The European Commission will shortly set out ideas on widening its innovation strategies to encompass civic action and public services, and China is setting up an innovation laboratory working with local areas to pioneer new models that can then be replicated. There are also many innovation models in civil society, particularly supported by US Foundations. Recent examples include the Rockefeller partnership with InnoCentive and the Omiyar Foundation's support for innovations around use of web technology.

All of these are pointers to the future – but they remain small and fairly marginal. They're not remotely on the same scale as government support for R&D in technology and science. And many are quite institutionally fragile. This matters because public innovation requires patience and persistence. When innovations emerge they're rarely as effective as mature older models which have had years to accumulate improvements. Cars in the 1880s were far less effective or reliable than horses (and any serious performance management person would have cut their funding without a second thought). But give the innovation a few years and it may be dramatically more effective – as Rosabeth Moss Kanter put it 'every success can look like a failure in the middle.'

> ...'every success can look like a failure in the middle.'

Seven elements of an innovative public service

The challenge for South Australia is to move beyond the fragments to put in place a more comprehensive system for innovation. I argued in my interim report that there needed to be a combination of:

- authority
- structures
- processes
- culture change.

Here I identify some of the elements that can come together in a comprehensive system of innovation, before turning to more specific recommendations.

The first ingredient has to be **leadership** – without license and encouragement from the top why risk your career? So we need leaders who walk the talk, visibly celebrating creativity, promoting innovators, and accepting that there will sometimes be failures on the road to greater successes. Premiers like Mike Rann and Don Dunstan play a vital role in signalling that innovation matters. So do Chief Executives who visibly engage with radical innovations, and are willing to handle the failures that are bound to accompany the successes. But the role of leadership extends to every level – to the junior manager or principal – and whether they encourage their staff to use their imagination to improve services.

Symbols can help too. I was hugely impressed by the Cheonggyecheon project in Seoul launched

and completed by Mayor Lee Myung Bak in the middle of this decade, which recovered a 6 mile river from the centre of Seoul that had been covered with a two tier highway. Completing the consultation, design and execution in little over two years not only won huge support (Lee was elected President last fall), and a Venice Bienalle award, it also symbolised a creative can-do culture and resonated with a city that has become such an innovator in software, games and popular culture.

South Australia's A-Teams are a very different example closer to home. With strong support from the very top, they bring together young people from Government, universities, NGOs and business, to investigate pressing issues and come up with creative recommendations. As a device they signal that leaders are committed to innovation, as well as giving younger officials the chance to demonstrate their problem-solving abilities, and their skill in mobilising supporters both inside and outside government.

The second ingredient is deliberate **investment** to turn creative ideas from half-baked to fully-baked. I've recommended a rough benchmark of 1% of turnover for pilots, demonstration projects and pathfinders (this was also, for example, the figure set by the US Health and Human Services department to cover the costs of innovation as well as evaluation and measurement). In times of rapid change the figure needs to be significantly higher – not easy when public budgets are under pressure, but in the long-term the only way to keep costs under control.

The third ingredient is **good methods**. Linus Pauling, twice a Nobel Prize winner, said that the only way to get good ideas is to have lots of ideas and discard the bad ones. Some of them will come from understanding the people who are solving their problems against the odds; the ex-prisoners who do not re-offend; the 18 year olds without any qualifications who nevertheless find jobs (this is the theory of 'positive deviance', first developed by experts working on child nutrition in Vietnam). Other approaches twin different fields (airport designers with hospital managers, online bankers with victim support), or encourage developers and designers to engage with the toughest, most extreme customers to force more lateral solutions – like communications for the most remote communities, or technologies for the most disabled. These often generate important insights into improving services for more typical users.

The Young Foundation is currently working on a systematic survey of methods for innovation which will be available online later this year. We're looking at the lessons learned in everything from public policy pilots to creative uses of open source technology like New Zealand's police legislation wiki (draft legislation was, for a time, put online for the public to comment and amend). We're interested in how professional leaders pioneer new models, and how design companies like IDEO use ethnography to chart service journeys, how social entrepreneurs look out for underused assets, and at the systematic methods from venture capital like Bell Mason. All of these have a role in helping the public sector widen its menu of possibilities, and many of them can be used by institutions for promoting innovation in South Australia.

The fourth ingredient is pulls, **effective demand** for innovations that work. The great virtue of governments is that they can make things big quickly, passing laws and creating new programs. But there are many barriers in the way of adoption and no guarantee that if you build a better mousetrap the world will beat a path to your door. There are cultural and cognitive barriers, vested interests, laziness and sheer inertia, and there's no public service where it's easy to close the underperforming old to make way for the promising new. In some countries much effort is going into how to improve diffusion. The least likely to succeed are best practice websites. Some quite draconian methods can work – the UK's National Institute for Clinical Excellence specifies which health treatments are value for money, including new innovations, and is making it harder for commissioners to ignore its findings. There are also softer methods like collaboratives that bring together people

working in a field like cancer care to share and discuss experiences and innovations. The methods can also be financial – the UK health service is looking at financial incentives for the adoption of successful innovations, and the recent White Paper committed to much more active use of public procurement to back innovations, and lots of work is underway to help commissioners commission for innovation. But the pulls can also come from elsewhere. Sometimes users pioneer their own solutions – like disabled people demanding and now getting personal budgets, or patients organised around common diseases like diabetes, heart disease or MS.

For South Australia and other states the most important way to create pulls will be through budget setting processes, and reviews of South Australia's Strategic Plan. Budget bids from departments and agencies should be required to show which successful innovations are being scaled up, and which less effective program are being scaled down. I believe that Treasuries have a vital role to play in innovation – with teams specialising in judging 'what works', and making the planning of public spending more rigorous in achieving value for money.

A related need is for a wide enough **change margin**. It's easy to talk about innovation – harder to fund it, and even harder to finance growing the ideas that work. Within any organisation there will be a varying appetite for the future. The change margin is the proportion of future spending which is open to change. This margin partly reflects the flexibility of organisations and procedures and is partly a matter of budgets – whether they are designed in such a way that new programs have a good chance of being funded. In most governments this margin is pretty narrow: past commitments soak up all available resources, and any growth in revenues is taken up by pay increments or inflation. Few can free up more than 1% or 2% of spending within a year. Much of the machinery of government tends towards rigid allocations where the criteria for anything new are far more demanding than for what exists. External shocks and political catharsis can unlock resources. But the best governments also cultivate their own change margin, setting aside resources for new initiatives and programs, promoting newcomers and opening up services to competitive pressures. These are the ones that have mastered how to refuel while in mid-air.

The fifth ingredient is **connectors**, people to link demand and supply, push and pull, which we call in/out organisations. They're institutions which are sufficiently inside the system to understand its priorities and how power and money are organised, but sufficiently outside to pick up on ideas from all sources (and to be 'plausibly deniable' if things go wrong). High technology industries are full of intermediaries on the edge of universities, in venture capital or innovation exchanges finding links between inventions and possible uses. In the public field there are very few. The Social Inclusion Initiative, the proposed Australian Centre for Social Innovation and Australian Social Innovation Exchange (ASIX) are examples of what can be done, and Australia has another very interesting model – set up in the private sector

– in the Innovation Exchange which primarily works with technology companies but has a model well-suited to social purposes. These connectors can work as scouts and scanners, looking for promising models anywhere in the world and helping adapt them to meet needs.

Sixth, innovations need to be measured and **evaluated**. Evidence-based government is much better than anecdote-based government, hunch-based government or prejudice-based government. South Australia has shown a welcome commitment to evaluating its programs, and to following the principle that evaluation should be separated from line management, as happens in structures like the World Bank's Operations Evaluation Department (OED) or the UK's Audit Commission. Other methods which can help speed up learning include communities of practice which provide a safe space for dissenting opinions, peer reviews which use outsiders to comment on strategies and implementation, pre-mortems – reviewing a prospective program with the assumption that it has failed,[xi] and role plays which bring out the dynamics of situations that otherwise get buried in analysis.[xii] But in establishing new machineries for innovation it's important to recognise that pilots and prototypes rarely generate unambiguous evidence. It's unwise to measure too quickly – pulling green shoots up to see how strong their roots are – and academics are very aware of the risks of such strange things as 'Hawthorne effects' or 'Ashenfelter dips' which can distort results. A classic example of the pitfalls of evaluation is the High/Scope Perry pre-school program and similar programs launched in the US in

> ...innovations need to be measured and evaluated.

the 1960s. For ten years or so, the evaluations were generally negative: only later did their impressive paybacks in terms of better education and lower crime become clear, a history that may be being repeated with the UK's Surestart. So evaluation needs public servants with a feel for real life innovations rather than just taking numbers at face value.

Seventh, there needs to be a smart approach to **risk**. It is commonly said that innovation is impossible in the public sector because of an unforgiving media, or brutal oppositions in parliament, that will shoot first and ask questions afterwards. The world is certainly on course to ever greater transparency, and ever greater pressures on public servants to justify their actions. Even without those pressures we should be wary of the wrong kinds of innovation: we don't want civil servants experimenting continuously with traffic lights or taxes or pensions, or schools shaped by the latest brainstorm. But innovators shouldn't be risk-blind or risk- averse or intimidated by the barriers. Instead they need to be smart. It's bound to be easier to take risks when there's a consensus that things aren't working (a burning platform makes the status quo seem even more risky than trying something new); easier when ministers are honest that they are experimenting with a range of options, rather than pretending that all will succeed; easier when the public can choose whether or not to take part, and easier where the innovation

is managed at one remove from the state, a business or NGO, so that if things go wrong they can share the blame.

Eighth, governments sometimes need the courage to orchestrate **systemic change**, like the shift to a low carbon economy, or to personalised public services with rich user feedback, recognising that these profound ideas can unleash waves of smaller innovations in their wake. Systemic change always involves several sectors working in tandem – with government, business, NGOs and movements working in the same direction, and it usually takes a long time. Much of what's happening in South Australia demonstrates an appetite to consider innovations that go beyond the incremental: radically different ways of organising energy or waste, early years provision or health. This is hard to do, but it's where government can create the greatest value for its citizens.

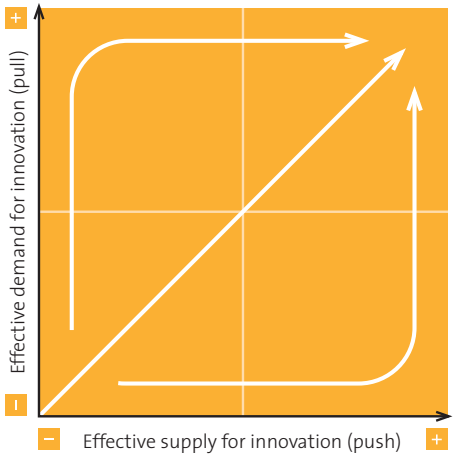
Innovation in civil society

Innovation in government increasingly overlaps with innovation in civil society, part of a much broader realignment of states and societies which, since 1989, has left civil society more prominent in shaping policy, delivering services, and campaigning for change. Voluntary organisations and NGOs have always played an important role in innovation, as was clear from the history of South Australia. But in recent years this role has returned to the fore, and governments have become more aware of the potential role the sector can play in innovation, partly because it is less constrained by rules and accountability than public organisations. Imaginative foundations like the Smith Family, strong NGOs like the Brotherhood of St Lawrence, and enterprises like Work Ventures have been at the forefront of innovation in many fields. At the same time social enterprise and social entrepreneurship have become more visible over the last decade. Many people in business are looking for ways to have a more positive impact on the societies around them. People in the NGO sector are looking for new ways to grow and trade. And entrepreneurial public officials are looking to social enterprise as a way to combine greater freedom to experiment with strong values.

South Australia has a lively NGO sector, and prominent peak organisations including the South Australian Council of Social Service (SACOSS). But it lacks the systematic supports which could make the most of that sector. In research undertaken during my residency I tried to clarify the conditions that help NGOs drive and grow social innovations. This work[xiii] showed that growth, as in the public sector, depends on the combination of: pull in the form of **effective demand**, which means someone or some institution willing to pay for the new idea (that could be the state or commonwealth contracting for a new service; or the public buying it direct, like street papers sold by the homeless or fair trade); and push in the form of **effective supply**, which comes from turning promising ideas into really good ones by piloting them, improving them with the involvement of beneficiaries, and then promoting them.

The challenge is to find the best strategies that connect pull to push, and give innovations an institutional home. This chart summarises the different routes that innovations can take. In some cases there may be demand but inadequate supply. There's plenty of interest in better ways of cutting youth crime for example, but too few really effective and proven models. Alternatively there may be supply but no demand – this was the case a few years ago with ideas around carbon trading which had been developed in some detail, but no governments had the courage to make them happen.

Many routes to growth and impact



Many promising innovations have foundered because critical links were missing. For example, there might be a wide recognition of a need – but not on the part of organisations with power and money. There might be plenty of innovative ideas, but a failure to communicate them widely or adequately develop them. There might be no organisations with the capacity to implement the innovation effectively. Or there might be a failure to adapt quickly enough when unexpected results occur.

If demand is weak, the priority may be advocacy rather than organisational growth. If supply is weak, the priority may be further development of the innovation itself rather than more emphasis on communication. Our research also looked at the various organisational options for growing social innovations – from uncontrolled diffusion, through franchising, federations and licensing to growing new organisations or aiming to be taken over by existing ones.

Understanding these options in detail will be vital for any new institutions devoted to social innovation in South Australia. Ideally they need to be at home with many different kinds of strategy – sometimes developing ideas as new enterprises, sometimes feeding them into existing ones, and sometimes promoting them for anyone to pick up. This pragmatism is needed in part because the systems for supporting and spreading innovations that start in civil society are under-developed. There are fragile markets for the results of social innovation – even the innovations with the clearest evidence of successful impact are not guaranteed to find reliable funders and purchasers. There are under-developed capital markets to provide finance for social entrepreneurs and other organisations trying to put good social innovations into practice, and then grow them, though social finance

is beginning to become more mainstream in some countries, notably the USA and UK. And there are under-developed labour pools from which to draw managers and others to help with growth. These are some of the reasons why I advocate new institutions that can address these weaknesses – developing skills and methods, and acting more deliberately to connect the promising ideas and the potential users of those ideas.

Fortunately South Australia can learn from the many experiments that have been underway over the last decade around the world. Some of these have been designed to back individual social entrepreneurs. The UK has probably gone further than anywhere else with new funds (like UnLtd, a £100m endowment, Futurebuilders and the health department's Social Enterprise Investment Fund), new legal structures (the Community Interest Company), units within government (in the department for industry, the health department and the communities department as well as the Cabinet Office), support networks (like the Community Action Network), and training (like the School for Social Entrepreneurs). The US also has extensive supports, though mainly provided by foundations and through bodies like LISC. Barack Obama has already publicly committed to establishing a fund to support social entrepreneurs if he is elected.

These moves have filled an important gap, and funds which back imaginative individuals without too many strings attached can greatly help in encouraging innovation. However it's not enough just to back entrepreneurial individuals. Ideas have their biggest impact when they come to be shared by many people

> Innovation often happens best when the 'bees'...can be connected with the 'trees'

and organisations. The people who are best at coming up with ideas aren't usually the best at putting them into practice on any scale. More systemic change usually involves collaboration across sectoral boundaries, involving public policy as well as business.

Social entrepreneurs' problem, which they share with small NGOs, is the lack of power and resources to turn ideas to scale – to have the impact they really desire. Innovation often happens best when the 'bees', the creative but often small scale organisations, social entrepreneurs and activists, can be connected with the 'trees' the big organisations in business and the public sector which have the capacity to act but are usually less good at creative solutions. A good deal of

experimentation is now underway to improve these links. The UK has created an Innovation Exchange to link third sector organisations to commissioners in the public sector. The US has a wide range of funding programs and support programs for NGOs, including local Community Development Corporations. There are also several examples of 'innovation laboratories', mainly designed to support social entrepreneurs and enterprises: Pittsburgh created a social innovation accelerator in the early 2000s (whose founder, Tim Zak, now runs the Carnegie Mellon University in Adelaide); Cleveland created a Civic Innovation Lab in 2003. The HopeLab has worked on technological supports for people with chronic illnesses. Robert Wood Johnson Foundation 'Pioneer Porfolio' backs high risk, high rewards projects that could change health. Canada has created a Social Innovation Generator with support from the Province of Ontario and the McConnell Foundation, and a physical incubator in MaRS in Toronto which combines social innovators with innovators in medical research in a very impressive city centre building. South Korea has a very creative organisation called the Hope Institute, which develops new innovations, and encourages citizen participation in design. The Social Innovation Exchange (SIX), whose Australian arm was launched in February, provides a route for South Australia to learn from these many models.

In parallel with these moves to incubate new social projects much work is underway to create new sources of 'social finance' providing capital for social ventures. Examples include the Acumen Fund in the US, and Impetus, Bridges and CAN Breakthrough in the UK. Rockefeller has funded a study into the creation of a social stock exchange, using the UK as the possible base for such a market. Most of these ventures are primarily designed to grow existing social enterprises rather than focusing on innovation, but they are significant in that many are trying to find ways to combine social and financial returns.

Together all of these are pointing towards a more comprehensive approach to civic innovation that includes support for enterprising individuals and small groups, finance to grow existing NGOs, incubators for promising ideas, and much stronger networks linking public sector policy makers and commissioners with the people experimenting on the ground.

Current innovation challenges for South Australia

Innovation is never good in itself. Some innovations can be damaging. And sometimes the public can legitimately ask for things to be left as they are. Innovation is most urgent where there is a gap between what's needed and the capacity of existing models. So a starting point for any innovation program is clarity about priorities. In my periods as an Adelaide Thinker in Residence I identified five particularly important fields where innovation is needed:

- ageing
- healthcare
- learning and young people's transitions to adulthood
- urban regeneration, and
- Aboriginal wellbeing.

There are of course many others – including the social adaptation to climate change. But these five fields all illustrate both the potential, and the challenge, of a more systematic approach to innovation.

Ageing

The great boon of longevity means that populations all across the world are growing older. The 2006 Census shows that this process is happening faster in South Australia than anywhere else in the country – the average age was 39 years, and 15.4% of the population is over 65 years old. While the forecasts are being constantly revised, current projections suggest that by 2026, the state will have 200,000 people over 75 years and 300,000 by 2050.

All over the world ageing is being seen both as an opportunity and as a challenge. It's an opportunity for all the individuals leading longer lives to explore the many ways in which their lives can become richer, and it's an opportunity for communities to tap new resources in the form of volunteers and leaders. But it's also a challenge as it places pressure on pension systems, health services and requires different approaches to transport and work. Some of these pressures can be seen vividly in the new Ageing Atlas that's been developed by Planning SA.

A particular issue that I looked at in my residency is the link between ageing and housing and urban planning (this was also the topic of a successful conference with Planning SA). An ageing population will need more homes as well as more suitable housing. Evidence suggests that baby boomers want the option of growing old in their own homes and communities, rather than in traditional retirement villages on the suburban edge.

These empty-nesters and divorced or widowed older people will require smaller houses, and nearby services that support their independence. At the moment the market isn't adequately providing for these shifting demands, though at the top end the wealthy can buy much higher quality housing and support services. There is considerable scope for new policies that would make it easier for people to stay in and around their homes – providing architectural options for adapting existing homes or building new ones next to them, providing new variants of reverse mortgages, providing shared care, and shared assistive technologies.

In the UK I have been working over the last year on other possible new innovations that could help people stay longer in their own homes. One set of projects is about living richer lives. Often old people's horizons close in, particularly after the death of a spouse. We're experimenting with a new approach which recruits volunteers to act as counsellors for other older people, using a method that's based on cognitive behavioural therapy, to encourage a more optimistic outlook on life. The program is called Living Life to the Full, and is starting in Manchester and Tyneside. Other new projects focus on befriending – ensuring the isolated elderly get visits and someone to talk to on the phone. In one option they would be linked to English language students in other parts of the world wanting someone to talk to for colloquial English. Another idea is to employ street concierges to check on and assist older people, helping them to access services. The street concierge would usually be a young older person employed for a few hours each week, taking in deliveries, looking after public spaces, and in some cases helping with simple housing problems. Sweden has a Fixer Sven program providing a free handy-man service for the over 75s, and claims that it saves money by reducing falls that result in visits to hospital. Another project aims to make it easier for children to support their ageing parents, by providing access to a range of support services. A new website and phone based service called First Stop brings together a group of NGOs in a comprehensive advisory service at the point when older people may need to go into a home.

These are just a few examples. South Australia is very well placed to become a laboratory for Australia as a whole, testing and demonstrating which models of this kind can be effective in improving older people's lives. Carefully designed, these can also pay dividends: for example making it easier for families to build smaller homes for parents next to family homes, thus driving up housing densities and containing the state's environmental footprint; keeping older people happy and healthy in ways that reduce their vulnerability to disease. The state should consider the scope for action in this area with an integrated innovation program on ageing issues, exploring win/win options linking housing, planning, care and finance, potentially led by Planning SA.

Healthcare and long-term conditions

In healthcare the biggest challenges of the next two decades aren't primarily about how to manage hospitals, or waiting lists. Instead they're about how to help a growing

population with long-term, chronic diseases – from diabetes and MS to heart disease and cancers. Most of the care provided in this century won't come from hospitals, or doctors, or clinics – it will be provided by people themselves, and by those around them day in and day out, supported by the health services, informed by the best knowledge available, and with periodic visits to clinicians – and it will require new skills of self-responsibility and cooperation, as well as support networks constructed around the frail elderly or disabled children.

As Professor Ilona Kickbush has shown, health is undergoing a radical transformation as governments think about it in a much broader way, looking at everything from the impact of the environment on health (from fried chicken outlets to urban planning) to personal prevention. By 2030 it is estimated that the incidence of chronic disease in the over 65s will more than double. Globally in 2001 chronic diseases contributed approximately 60% of the 56.6 million deaths in the world and around 46% of the overall burden of disease. This burden is expected to increase to 56% by 2020. In the US more than three-quarters of hospital admissions are now for treatment of chronic conditions, as are 88% of filled prescriptions and about 70% of physician visits.[xiv]

Most of our health systems were designed for acute incidents and hospitals still dominate health policy. But long-term conditions require a very different perspective. An increasing proportion of chronic diseases are the result of individual, social and environmental factors, many of which are in principle preventable if behaviours can be changed. Once chronic disease has set in, many long-term treatments depend as much if not more on the actions of the patient than on those of the medical staff. Patients can no longer be treated as the passive recipients of recommended standardised routines, but must be involved in creating support packages tailored to their specific characters and needs. Prevention and management of chronic illnesses require action that cuts across organisational boundaries: health providers, other public agencies, employers and the voluntary sector.

Some of the emerging principles of the 21st century health system are already quite clear (and some of these will be described in the forthcoming 60th anniversary review of the UK National Health Service):

- the shift from focusing on illness to wellbeing
- long-term conditions as well as acute ones
- prevention as well as cure
- personalisation
- a greater emphasis on self-care and mutual care
- much more information and feedback.

This is another field where South Australia is well-placed to act as a laboratory and experimenter. The state has very strong capacities in healthcare and research, including in the main universities. Recent innovations like GP Plus show an appetite for creative and

more holistic solutions, and decision-makers in the state are clear about the importance of alleviating the pressures on hospitals through better ways of pre-empting and preventing problems before they become acute. In the UK the forthcoming NHS review will set out a comprehensive approach to innovation combining new funding streams, new ways of organising commissioning and purchasing, new ways of supporting scientific research and its diffusion, and new prizes for innovators. Several of these ideas will be well-suited for adaptation to an Australian context, and the state should investigate the scope for more systematic innovation around long-term conditions through funding to allow GPs, nurses and other social entrepreneurs to demonstrate new models, with assessment to determine the impact on other parts of the system, including savings to the acute sector.

Skills and the workforce

As South Australia's economy picks up after a period of relatively slow growth the state will need not only more trained nurses, carers and other health workers to provide support for the growing population of elderly people but also more trained mechanics, engineers, planners and technicians in the growing mining and defence industries. Attracting skilled migrants is one way to meet these demands, but South Australia will be competing with other states and other countries for such people. The long-term priority therefore has to be improved education and training for people born and brought up in the state.

Upper Spencer ICAN

South Australia has legislated that from January 2009 young people will be required to remain in education or training until the age of 17 years, which will make it even more imperative that strong pathways are in place to meet the needs and motivations of young people. A continued emphasis on literacy and numeracy and academic excellence will be vital for most pupils. But there also need to be options for young people who are less attracted by traditional pedagogy. My work on education in several countries has convinced me that many systems need to do much better in cultivating social or non-cognitive skills as well as formal qualifications. In knowledge intensive and service based economies these are the attributes that are becoming particularly important for employers – but they're often lacking amongst young people.

At the Young Foundation we've suggested that these 'SEED' skills need to become part of the mainstream curriculum:

- social intelligence – understanding how to work with other people, to understand their perspectives and feelings
- emotional resilience – the ability to cope with shocks, to set goals and stick to them
- enterprising behaviour – the ability to be creative and 'can-do'
- disciplines – both inner discipline and outer discipline, that are often fostered best in sports.

These skills are vital for success in life as well as in work. They're gained less through formal teaching and pedagogy and more through doing real life projects, with other young people and adults. I favour a much more systematic use of enterprise projects within schools and in out-of-school activity, running small businesses or social enterprises; running campaigns or programs in the community.

As described above, there are excellent examples of this already on the ground in South Australia, from Stuart High School in Whyalla to CaFE Enfield in Adelaide. Projects of this kind will be helped by bringing in more people mid-career to work as teachers in schools. One possibility is to introduce a variant of the Teach Next program (initiated by the Young Foundation and Teach First in the UK) which offers a quick route for getting experienced people into the classroom. There are also opportunities for the state to introduce schools on the Studio School model, as one way to implement the new Commonwealth Government's commitments on vocational skills.

Projects of this kind can amplify the good work already done by ICAN and others. It will also be vital for schools and colleges to ready themselves for changing patterns of jobs demand. One example is the need for a well trained early childhood workforce. This requires different skills than school teaching, with a greater emphasis on understanding the physical development of young children and the inclusion of their families in day-to-day operations. To manage the demand for skills, this industry requires more opportunity for existing staff to upgrade their qualifications. For example, a person working in an early childhood centre should be able to undertake online courses, access other flexible learning options and be released from work to attend class so they can progress from a Certificate IV to a degree while continuously contributing their skills to the industry. As South Australia has the most advanced early childhood sector in the country, it is the ideal test bed for innovation in this field. More broadly there is scope for DECS to manage innovation in a more systematic way, financing experiments on the cutting edge of education, and organising collaborative learning.

Urban regeneration

I began my career working on urban regeneration in London and much of my work over the last decade has been concerned with regenerating urban communities in the UK and elsewhere. De-industrialisation has

left many communities suffering from high unemployment, derelict land and a clutch of social problems that usually come in their wake. Some have turned themselves around, finding new sources of employment, upgrading public infrastructures and dealing with everything from high crime and drugs to poor health, while others have languished.

South Australia is fortunate in not having any communities with the depth of problems faced in areas like Glasgow in the UK, Detroit in the US or Marseilles in France. But it has suffered from some parallel problems of decline, and I spent some of my residency in Playford working with the many people planning and implementing the ambitious program of regeneration underway there. The Playford North Urban Renewal Project (PNURP) was announced by Premier Mike Rann in February 2006. The $1 billion urban regeneration project for the northern suburbs is designed to revitalise one of Adelaide's most socially disadvantaged communities. The project will increase the population from 13,000 to 30,000, including more than 4,000 new homes, with a strong provision of affordable housing, improved community facilities, including schools and training facilities, shopping, health and welfare, safety and crime prevention programs, and better transport.

Working with the various agencies involved I was keen to explore the connections between things. Past regeneration tended to put too much emphasis on physical change and not enough on the soft factors – skills, attitudes and social capital. That's why I welcomed the emphasis on a new superschool, job opportunities for teenagers and engaging the community in the planning process. I was also interested in sequencing. Sometimes communities need to see clear results in terms of physical improvements and lower crime before a dynamic of economic improvement can be set in motion. I also wrote in my interim report about the need to keep structures and processes simple. At times I found excessively complex decision-making structures – insufficient collaboration and information sharing, and a rather silo-ed approach to implementation which I feared might mitigate against success. Since then some progress has been made in streamlining.

Developments of this kind also pose challenges for finance and planning. Ideally there is scope to invest in infrastructures and new health and other facilities with returns coming back through rising land values. Some countries have tried to capture these gains with devices like Development Land Taxes and 'Tax improvement financing'. These are difficult to get right and can have perverse effects. But they help to ensure that private developers don't get windfall gains which should properly return to the public.

Playford is one example of how the state is coping with its housing challenges, now that a long period of relative population stability is likely to change, with potentially rapid growth in numbers. South Australia has suffered from a shortage in the overall supply of housing and a public housing system that is declining in size and becoming more concentrated in certain areas. The lack of public housing is exacerbated by the difficult economic position of the South

Australian Housing Trust (SAHT) which has had to commit to divesting 8,000 properties over the next decade to keep the remainder of their stock viable. As in many cities, planners face the challenge of creating more affordable and social housing within the city while also avoiding excessive concentrations of public and social housing in the one area, which risk exacerbating unemployment and social problems (people are more likely to remain unemployed if they live in areas with high unemployment).

The most promising projects therefore aim to bring together lower densities of public housing alongside improvements to the stock. One example (which won an award for excellence in urban renewal from the Urban Development Institute of Australia) is the Salisbury North Urban Improvement Project (SNUIP), which renovated over 500 SAHT properties, while removing another 500 SAHT properties to make way for 800 new allotments for primarily private housing. The SNUIP has also provided an opportunity to upgrade roads and footpaths and build new community facilities, including reserves and playgrounds and recreational facilities for the area's youth. Various similar projects are being planned. To help maintain levels of public housing that are reduced in these developments, the South Australian Government has established an Affordable Housing Innovations Fund to support joint projects with non-government organisations to develop housing for people on low to moderate incomes across the state, which helps to decrease the density of social housing in certain areas by spreading them out across the state. The Department for Families and Communities has shown itself adept at imaginative innovation and will hopefully extend its work, which is already being followed around the world.

Aboriginal issues

Outsiders are wary of offering advice on the complex issues around Aboriginal affairs. I wrote in my interim report on the parallels I saw with Indigenous communities in New Zealand (the Maori), Scandinavia (the Sami people of northern Sweden and Finland), Canada (the Inuit) and India (the Adivasis). Although the local conditions in each of these cases are radically different, there are some overlaps with the issues in Australia, including a similar mix of arguments over land rights, social exclusion and political empowerment. One message is that, in all of these cases, indigenous communities still struggle for respect and recognition, and are proud of their own traditions. Even after centuries of

cohabitation, people continue to walk in two worlds, and learn how to negotiate two very different sets of values and institutions.

This year is of course a very important one for anyone concerned with improving the life outcomes of Aboriginal communities. The parliamentary apology from Prime Minister Rudd has had a profound effect upon the people and families directly effected by the past removal policies of Australian Governments, as well as reverberating around the world. Within South Australia the appointment of the Commissioner for Aboriginal Engagement, Mr Klynton Wanganeen, and a ten member South Australian Aboriginal Advisory Council to advise Government on high level policy, emerging issues, and consultation with the Aboriginal community, are important steps forward. They mean that the state is now seen as a leader – not least in demonstrating Aboriginal engagement at the highest levels of government.

One of the biggest issues they will face is how to ensure that the fruits of economic growth benefit Aboriginal communities. New models for doing this will be closely watched across Australia. The work of Parry Agius – Director of the Native Title Unit – to bring together 26 Native Title claimant groups to form a Congress has created an important platform which could make it easier for the South Australian Government and business to work creatively together. With 23 million hectares of Aboriginal land in South Australia there should be no shortage of business opportunities and win-win options.

> Even after centuries of cohabitation, people continue to walk in two worlds...

Some policy experiment will be needed to unlock these opportunities. Bill Moss, former CEO of the Macquarie Bank and founder of Gunya Australia, has recently suggested a model which aims to encourage investment through tax incentives, similar to those used successfully in the Australian film industry, to develop cottage industries for community job creation. There will also be scope for intermediary bodies to provide services for mining and other companies – ensuring a high involvement of people from Aboriginal backgrounds.

The Goal 100 program in Whyalla, described earlier, provides another model, showing how jobs in a major employer can be targeted at a marginalized group. Another healthy sign for the future was the recent commitment of the ETSA Utilities CEO, Lou Owens, to join the Corporate Leaders for Indigenous Employment Commonwealth Initiative with a detailed plan to establish an ETSA apprentice training facility on the Davenport Aboriginal Community. This initiative will provide clearer pathways for young people involved in programs such as the Tjinatjunanyi – Footprints to Freedom ICAN program which I described earlier.

As the state as a whole thinks more confidently about its future options, there would be advantage in an equivalent exercise for Aboriginal communities. In my discussions around the state I was struck how little shared sense there was of possible futures, whether good or bad. On the ground fatalism was widespread, despite recent progress on important indicators of health and crime. Too many policies seemed to stop and start without a sense of the long-term direction of change.

These scattered initiatives also suggest that there may be a need for a more systematic mechanism to develop innovative responses to problems in Aboriginal communities. South Australia has a relatively small Aboriginal population of 26,000, over half of whom live in the Adelaide metropolitan area. This should make some of the challenges manageable. For example, in the 2006 Census there were 9,292 Aboriginal young people aged between 0-14 years. Similarly the right interventions with very small groups of teenagers could sharply reduce the incidence of crime, or unemployment. A partnership between the state, local communities and the mining and other industries to invest in, and then spread, promising innovations would do much to ensure that the benefits of new growth are widely shared.

Overall diagnosis and Recommendations

South Australia is a highly creative state, with strong traditions and considerable current capacities. The priority now is to build a more systematic approach to innovation; to focus on practical action and avoid the temptations of process; to become better at mainstreaming successful innovations; and to improve links across the sectors.

South Australia has an important potential role as a laboratory for the nation, feeding into the Council of Australian Governments (COAG) and serving as a pathfinder that can help the whole of Australia get faster to the future.

Recommendation

1. **Southern Crossroads: what will we wish we had done?**

The first priority is a shared view of where innovation is most needed. I suggested a program of events which should aim to forge as wide a consensus as possible about the big challenges facing the state and where these are most likely to need innovation. There are many examples of this being done successfully, for example in Canadian provinces such as Alberta or US states such as Oregon. At a national level the Australia 2020 process provides a useful prompt.

The aim should not be an open-ended talking shop but rather a process to advise on the priorities for change:

- What issues are likely to become more pressing over the next 10-20 years?
- Where are costs rising?
- Where are new possibilities entering the picture, eg. from technology?

Some of the issues are likely to be unavoidable – water, climate change, adapting to ageing, and investing in human capital. But the aim should be to have an open process that is sufficiently flexible that it can focus on new issues as well as familiar ones. Many stakeholders could contribute to the preparation for an event or series of events. Universities can prepare briefing papers as can NGOs, businesses (some of which have their own foresight and planning teams) and government agencies.

South Australia's Strategic Plan provides a good starting point – and will help point towards the targets where current methods are most likely to fall short. But what I'm suggesting would look over a significantly longer time horizon than the Plan. Experience suggests that processes of this kind work best if they are pitched beyond the planning horizon of most organisations. If you ask people to consider options 12-20 years into the future they are much more likely to be open and honest than if you look only 5-10

years into the future. In the latter case people instinctively protect their interests and current practices, rather than thinking of the common interest.

The process could be enhanced by using well-established methods for engaging the public in complex decisions. Examples include the methods developed by America Speaks, Canada's Citizen Assemblies, citizen's juries and deliberative polls. Representative samples of the public engaged to deliberate on big choices – such as where to invest future surpluses – can help to build consensus about what needs to be done, especially if they are covered by the media.

Adelaide is very well-endowed with excellent event organisers, and people who understand how web technology can be used to engage a wide range of people from across the state. I've suggested the working title Southern Crossroads since the state is in many respects at a crossroads with important new opportunities coming into sight, particularly thanks to mining, but also critical choices to make about where to invest any surpluses. Above all the question to ask should be: what in 2025 would we wished we had done?

Recommendation

2. Creating an Australian Centre for Social Innovation

The second recommendation is for a new institution to support and orchestrate practical social innovation. Where the Social Inclusion Initiative is focused on public policy, South Australia also needs an institution that addresses problems through practical projects – demonstrating new models that work at meeting social needs. This would be the Australian Centre for Social Innovation, based in Adelaide.

Its spirit should be action oriented, starting projects small in order to learn quickly about what works, rather than depending too much on analysis. These projects should initially be focused on social policy, and they should initially be closely linked to South Australia's Strategic Plan's priorities, and in particular ones where existing models are not adequate for meeting the Plan's ambitions – eg. new models of affordable housing finance; educational activities for disaffected teenagers; or new approaches to eldercare. The centre should only work on projects which can be put into practice relatively quickly, albeit on a small scale. It would need to be able to provide some modest funding and some direct support to develop and implement promising innovations through linking in a network of advisers. It should not, and could not, provide the majority of funding for projects, since the success of innovations will depend on the presence of other partners willing to make them succeed. These may be South Australian government departments, local councils, NGOs, businesses or universities. Its work would have some parallels with the various innovation incubators established in the US (such as Cincinnati), in Canada (such as MaRS in Toronto) and Launchpad in the Young Foundation in London.

Its second function should be to recognise and celebrate other social innovations happening

in the state – either through formal prizes or some other method of badging. These might include such innovations as GP Plus, ICAN in education or Goal 100. It should aim to hold highly visible events to showcase these and could run more public processes, working with a media partner to secure nominations. Some of this work can link into the new Social Innovation Exchange which was launched during the period of my residency and which is hosted by the Young Foundation. This now links several hundred organisations around the world and is hosting events in several continents during 2008 (including in Lisbon, Seoul, Beijing, Brussels and San Francisco). It is also providing a clearing house and portal for the many methods being used by social innovators worldwide. Its Australian arm ASIX was launched by Deputy Prime Minister Julia Gillard in February 2008, and should provide a strong ally for any new centre in South Australia.

Once established a new centre should aim to act not just as a creator of new organisations and projects but also as a centre for knowledge and learning, using relatively light touch methods to build the field of social innovation in the state, and in time across the country:

- organising peer learning groups in individual fields (eg. healthcare), potentially with the Australia and New Zealand School of Government (ANZSOG)
- hosting events with international innovators, and providing a link into SIX and ASIX, with university partners
- in time, running courses in conjunction with partners, including potentially Carnegie Mellon University and other universities.

In the medium term the centre could also evolve as a centre that houses innovative social initiatives. There are many models of this kind – from the Mezzanine and Hub in London to the Centre for Social Innovation in Canada. Run well these can cross-pollinate and build up a critical mass of dynamic civic organisations.

This model, with its focus on practical replicable models, would be realistic given the likely scale of resources, but would also fill a space which no other institutions across Australia are currently filling, Within the state it would clearly complement rather than duplicate the work of others – in particular the Social Inclusion Initiative. It would also complement the new Australian Social Innovation Exchange (ASIX).

To work well, a centre of this kind will need an entrepreneurial director who can use an initial commitment of funding and support to leverage in more, as well as strong networks. The National Endowment for Science Technology and the Arts (NESTA) in the UK and ASIX have already committed to provide advice, and the new centre would be well placed to build up a network of advisers and collaborators around the world.

Recommendation

3. An Innovation Statement

Third, South Australia needs to set out a clear overall approach to innovation. This needs to provide a public articulation of why innovation is a necessity for the state, and why it's the only way to sustain the competitiveness of industries, the efficiency of public services and a high quality of life. Much of the innovation that matters will come from elsewhere – not just in Australia but worldwide – and all institutions need to become more adept at learning quickly from best and emerging practice. A statement needs to address the priorities for science – identifying the priority fields where the state has the best prospects of building up a comparative advantage. Sometimes that should be where the state already has strengths and needs to deepen them – like defence and mining. Sometimes it should be where the state faces particularly intense problems and needs to build up new strengths, as in the case of water. Specifically it should focus on:

- **business** – and in particular how to support the diffusion and takeup of innovations amongst SMEs, since most larger firms will be able to manage their own research, development and adoption
- the **public sector** – explaining not just the measures described in this report but others like the Premier's prize and public sector week
- **NGOs** – with new supports and engagement
- **the public** – where I favour some initiatives which try to tap into public ideas and creativity, like NESTA's Big Green Challenge in the UK which offered fairly modest sums of money to support promising ideas around climate change.

Recommendation

4. Innovation strategies within departments

Much of the work of public innovation will need to be led within departments as part of their day-to-day business. Many departments are already involved in innovation – but none has a comprehensive and systematic approach to innovation.

I've indicated that budget allocations need to be made to make this happen – with a rough initial goal of 1% of turnover to be directed to developing and testing new models that may become mainstream in the future. Within departments these will need to be guided by dedicated teams with experience of making things happen, and learning quickly from successes and failures. They'll need champions amongst senior management and ideally should be integrated with mainstream decision-making processes – allocating budgets, staff, defining and reconsidering strategic objectives. In time the need for dedicated teams and budgets should reduce as innovation becomes integrated within the day-to-day work of departments.

A good example is the case of personal budgets for people with disabilities. This idea has been pioneered in several countries with some promising early results. Making the idea mainstream will require a combination of:

- policy innovation – designing the rules governing money, advice, responsibility etc.
- trials and pilots – to find out about unintended consequences, and how different groups respond
- the creation of new ventures – to manage, and support people with personal budgets
- evaluations – addressing a range of factors from cost, through health outcomes to personal satisfaction
- policy tools to implement successful versions of personal budgets on a larger scale.

All departments need the capacity to do all of these things well – and the capacity to draw on the expertise of NGOs, universities and business for the tasks they are less well placed to do. In other governments one or two lead departments have acted as trailblazers for others, showing how more systematic management of innovation can pay dividends. The same will be needed in South Australia.

Recommendation

5. Other machinery of government changes

I've already indicated that systematic approaches to innovation depend on strong processes within government, and within departments, that evaluate effectiveness and shift resources from less effective to more effective models. I support moves to create stronger program review mechanisms which look at effectiveness – thus widening the change margin and allowing the public sector to better adapt to change. There are many models for doing this, from the Comprehensive Spending Reviews undertaken in the UK to the strategic reviews now underway in the Canadian government. These require a fair amount of political nerve if they are to cut existing programs as well as creating new ones.

I've also suggested some roles for the new Public Sector Performance Commission (PSPC) in promoting innovation within the public sector, ensuring appraisals and promotions take account of innovation, and helping civil servants to become acclimatised to innovation and how to manage it. ANZSOG and Carnegie Mellon University provide ideal collaborators.

Recommendation

6. Deepening the relationship with civil society

NGOs in South Australia as elsewhere are often involved in innovating to meet changing needs. But the ways in which they are supported are often antithetical to this role. A more systematic and reciprocal relationship would include:

- overt funding for innovative NGO led projects with clear differentiation between funding for innovations and funding for service delivery

- a strong emphasis on beneficiary or user involvement in the design and implementation of new models
- new forms of support aimed at social entrepreneurs as well as existing NGOs, including potentially a school for social entrepreneurs working on critical social issues
- stable funding: a constant complaint in many countries is that NGOs are treated worse than either businesses or the public sector in terms of contract conditions. Many would perform better with a move away from short term annual contracts for service delivery or specific project work, to medium or longer-term contracts with agreed milestones. Many NGOs are also bogged down in unnecessary reporting to deliver these short-term contracts. A shift to longer-term contracts as part of a more explicit compact between government and the sector, could do much to encourage them to direct their creativity and energies to delivering better services rather than servicing bureaucracy.

Conclusions

Conclusions

Joanna is bright and keen, but admits things have gone wrong for her. 'I haven't been to school at all for years', says Joanna. 'I had family problems and then I got in with the wrong crowd.' She is now a participant in the ICAN Step into Learning program where, as she puts it, 'you get to work at your own pace and there's always someone there to show you. For people who don't get on in normal school and don't go, I'd pretty much guarantee they'd come here every day.'

The innovations I'm interested in are ones that touch people's lives, and help people realise their full potential. Even amidst the prosperity of South Australia too many people still hit blocks and barriers that hold them back.

All of the examples I've given, and the recommendations I've made, are attempts to mobilise the state's collective intelligence to better meet the needs of people like Joanna. In the past, governments might have relied on the intelligence of their elites – officials, business leaders and academics. But now we know that intelligence is widely spread, and all of us are smarter than any of us. That's why innovative programs need to be cast wide – mobilising the imagination of communities as well as the knowledge of experts. This indeed is what democracy is increasingly about. It's no longer just about electing people to do things for us. It's about how we also share in the job of governing ourselves.

More effective methods for social innovation will deliver direct benefits to the people most excluded from prosperity, as well as saving resources for the state in the long-term. But they also form part of a bigger picture. Everything I have described fits within a longer-term ambition for South Australia to become an exemplar of innovation in 360 degrees, living by its wits as well as making the most of its resources. A good milestone may be the two hundredth anniversary of the founding of the state which is roughly a generation away. By then the state should aspire to have built an even stronger economy, based not only on defence and mining, but also on success in many other tradeable high value activities. A very strong human capital base will be critical for making this happen, as will continuing efforts to make the state a centre of ideas and creativity, and a hub for world class institutions.

Social innovation is only one part of this larger story. But much of what we know about the 21st century economy suggests that the boundaries between the social and the economic are crumbling, in fields as diverse as health and the environment. The places that can crack the challenge of being as innovative in 360 degrees, in their society as well as in their economy, are the ones that look most likely to thrive.

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I was also fortunate in being able to meet literally hundreds of inspiring people working in public services, schools, community organisations and universities across the state. Their optimism about the state's potential certainly rubbed off onto me.

Finally I want to thank Mike Rann. Before I arrived I had been impressed by his style as Premier – it takes some courage to institute a program like Adelaide Thinkers in Residence. But I've been even more impressed by seeing him and his colleagues in action at close hand, and observing the seriousness of purpose with which they're dealing with issues as varied as climate change and Aboriginal wellbeing.

The role of Thinker in Residence is unusual, even unique. For me it's been an extraordinary privilege – but also one that's prompted me to wonder about just how much many other governments would benefit from doing something similar.

Partners and Sponsors

- Department of the Premier and Cabinet
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- Planning SA, PIRSA
- University of Adelaide
- City of Playford
- Government Reform Commission
- University of South Australia

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ii Stretton, H. (2002) 'Foreword' in Whitelock, D. (2000) *Adelaide: Sense of Difference* 3rd edition (p.xii)

iii Ibid

iv I'd like to thank Stewart Sweeney in his on-going doctoral work at the University of Adelaide for his input into this section. He coined the term 'systematic industrialisation', which links the Playford era with the principles of Wakefield and Gouger

v For a fuller history of the SA Housing Trust see: Marsden, S. (1986) *Business, charity and sentiment: the South Australian Housing Trust, 1936-1986*, Wakefield Press, SA

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vii Ibid (p.135)

viii It is also interesting to note some of the 'failed' innovations under Dunstan, such as his attempts to build a new city at Monarto. Also, Stewart Sweeney argues that Dunstan's plans for 'industrial democracy' were potentially the most radical of his plans, and yet were not fully realised.

ix Whitelock, D. (2000) *Adelaide: Sense of Difference* 3rd edition (p.302)

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bringing world-class thinkers to Adelaide to assist with the strategic development and promotion of South Australia

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