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HR and its role in innovation
Part 2 – April 2013

Driving innovation in local government

future-fit organisations

A decorative graphic at the bottom of the page consisting of several overlapping rounded rectangles in purple, orange, blue, and green. The text 'future-fit organisations' is centered within a solid green rounded rectangle.



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Southend-on-Sea Borough Council
Sunderland City Council
London Borough of Sutton Council



Executive summary

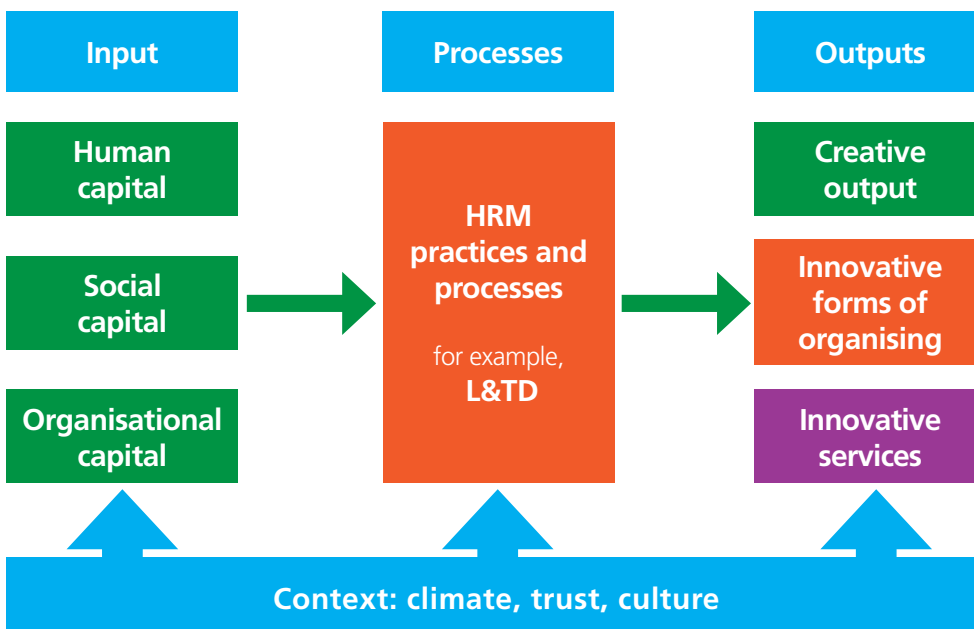
HRM – driving innovation in public services

Traditionally the public sector has struggled to implement more radical forms of innovation. However, given the cuts in government funding in the UK, developing innovative approaches to service delivery is now an essential rather than an option. In the aftermath of the financial crisis and the consequent bailout of some banks by the UK Government, huge cuts in public expenditure were imposed on the local authorities by central government. This has left many public sector managers feeling demoralised as they contemplate how to ‘feed the 5,000 with less than two loaves and a few fish’! Unfortunately we have learned from experience that demoralised and cynical workforces seldom deliver innovation. Instead, climates of trust and hope are known to be a starting point for innovation. We, as citizens of the UK, are all affected by the level of public service provision. It is important to understand what human resource management is necessary to deliver innovation. This is the focus of this second report in the series *HR and its Role in Innovation*.

Our approach – how we set about the research

Given existing knowledge about the barriers to innovation within public service provision and the need for more radical efficiency within the public sector at large, we were keen to understand what contribution, if any, HRM could make to encouraging innovation. The framework guiding all the research contained within the series is reproduced in Figure 1.

Figure 1: HRM and innovation



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This framework forms the basis of all four research reports which make up this briefing for the CIPD on innovation and HRM. It guided the way we collected data within the three organisations we studied and in all the interviews we conducted with experts. We were trying to find answers to the following questions:

- What is the relative importance of different forms of human capital within the different organisations? Are human, social and organisational capital all equally important or is one more important than another in the context of local services? Or is it a combination of all three?
- What organisational or management processes help convert these forms of capital into innovation? In these case studies, the phenomenon under investigation is innovation in services. What systems or processes help unlock these various forms of capital? What do leaders do or not do? What is the role of middle managers? And what contribution does HR make to this conversion process?
- What forms of innovation take root in these local services? Is it innovation of existing forms of delivery – allowing local services to be delivered in a more efficient and lower-cost fashion? This is an exploitative form of innovation which is about local authorities doing the same thing but in a smarter, more streamlined fashion. Or is it about more transformational forms of innovation where people are encouraged to explore different forms of organising and leadership, but forms that really challenge traditional local authority assumptions about service delivery?



What did we find?

The good news is that we found some remarkable and inspiring stories of innovation within public services and we feature just a few of them in this report, drawing on three case studies of innovation in local government.

Forms of capital

Unlocking the potential of *social capital* within local services seems to us to be key to delivering a more innovative approach to the delivery of services. What comes through from the research is the importance of galvanising this social capital – enabling people to work collaboratively, across organisational boundaries, to engage in problem-solving and thereby generating new creative solutions to the increasing demands made upon public service suppliers. By unleashing the potential of social capital we found cases where new forms of delivery are being created through service providers consulting and listening to service users, through employees sharing knowledge with partners in other organisations and by all staff collaborating across functions and divisions.

Converting social capital

But what is the magic which unlocks this latent potential and frees people up to work together? Which management actions act as catalytic *converters* to start this process?

The starting point of this conversion process seems to lie in the appointment of senior teams who demonstrate new styles of public sector leadership. Through their more open leadership behaviours, climates of trust and self-belief are created within each workplace, thereby enabling employees at all levels to start working in a more collaborative, experimental and problem-solving manner. This then allows modest cost-cutting innovations to take root incrementally, which in turn provides a new basis, mandate and confidence for the organisation to go on to explore more radical and innovative forms of transformation. HR as a function contributes to the creation and continuation of this virtuous circle as a hub which innovates in its own area of service delivery but also supports the senior team through putting in organisational development interventions to create a cultural change which results in a more creative and innovative working environment.

One of the key lessons we garnered from this research is that promulgating a sense of ‘self-belief’ and a ‘can-do’ attitude towards innovation at all levels of the workforce is as important as designing new systems and structures. Developing a new style of public leadership at senior levels is the starting point for this cultural change. For this to work these new leaders must be supported by an inspiring HR department. These need to be HR departments that praise endeavour rather than squash experimentation. HR must be prepared to energise the organisation through designing change programmes that instil a sense of pride and possibility into the workforce. HR professionals also need to lead the way by delivering innovation in HR service delivery.

So, in conclusion, what is the alchemy that unlocks the potential of this social capital?

The processes are:

- 1 **The creation of a new generation of public leaders** who are able to change the mindsets and beliefs of employees and, in so doing, create an enabling context in which innovation can flourish.
- 2 **Leaders actively fostering a climate of trust and confidence** which then nurtures a sense of shared purpose and self-belief within public sector employees at all levels.

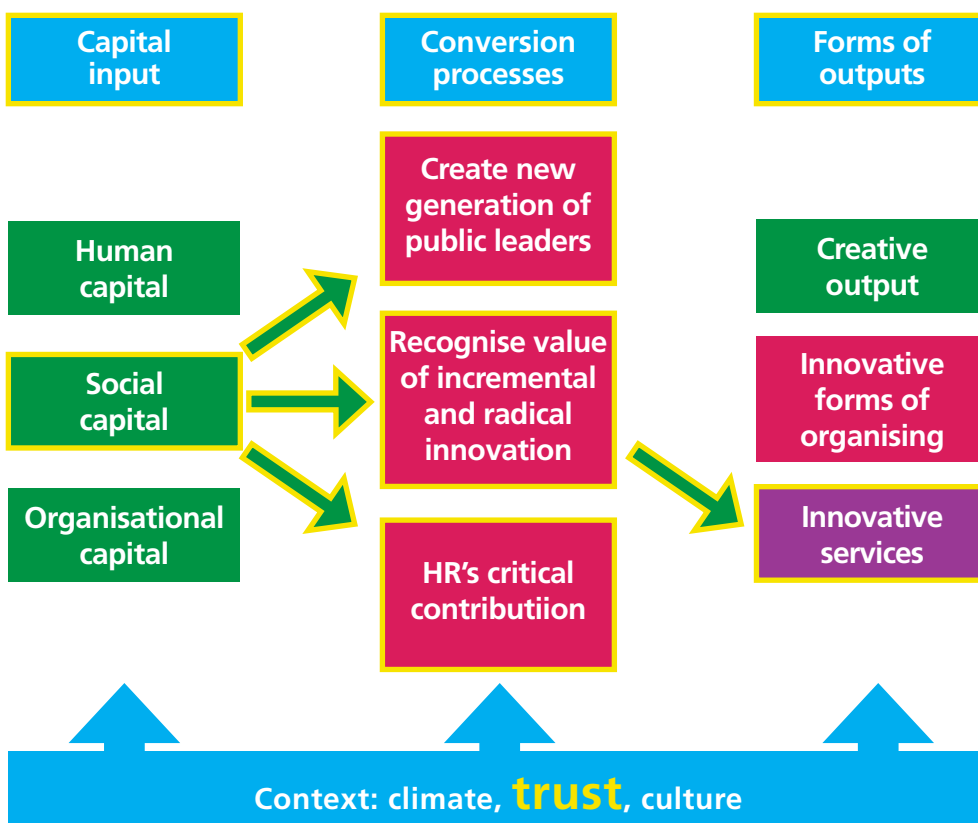
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- 3 **And from the beginning, these leaders visibly recognise the value of both incremental and radical forms of innovation.** Both of these forms may occur either simultaneously or sequentially depending upon the particular public sector context. 'Humble innovation', implemented incrementally, can act as a *springboard* for more 'radical transformations' in services. The success of implementing humble innovation can create the enabling conditions in which more radical and transformational forms of innovation can start to take root.
- 4 **In all of this HR's critical contribution** to the creation of an innovative culture is both recognised, developed and supported by their senior management colleagues. HR are able to help create and implement a new vision, culture and values for public services but also be a role model for the rest of the organisation by being the first to redesign the HR service approach.

The report first considers the economic, social and political background to our renewed interest in innovation in service delivery in the public sector and then goes on to consider each of the five HR drivers in turn. We then present the three specific case studies, which act as examples of the broader trends we identified. We then consider the importance of social capital before investigating in depth each conversion process that catalyses that capital to deliver innovation.

Figure 2: HRM and innovation in public services





Background

'I've worked in local government for 28 years and this phase we are about to embark on for the next spending review, we've never seen anything like it. Local authorities are going to have to significantly change and there is no way of getting around it – it's going to happen. It's about how we support our staff and bring them through it because the job for life that the council used to be is absolutely not the case anymore.'

Annette Madden, Executive Head of Children's Services Redesign, Sutton

'Sometimes adversity breeds advantage and opportunity. The burning platform. But sometimes you do need that kind of impetus. We've got to save huge sums of money. We've got to do something differently. We can't carry on as we are. There's a kind of momentum building.'

Dean Shoemith, Executive Head of HR, Sutton

Given the cuts in government expenditure, there is an indisputable need for public services to be delivered in 'new, better and cheaper ways' (NESTA 2011). Major, long-term and potentially expensive social challenges such as an ageing and growing population, coupled with the increase in associated long-term health conditions, meant the need for innovative service provision was a central governmental concern even without the financial crisis and subsequent recession. In 2008 the UK Cabinet Office said that the *'government must embrace a new culture that celebrates local innovation'* and a White Paper called Innovation Nation stated that innovation in public services is *'essential to meet the economic and social challenges of the 21st century'* (NESTA 2009b). The Cabinet Secretary, Sir Gus O'Donnell, speaking at a conference on transformational leadership, said that the challenge of *'delivering more with less'* could only be done *'if we're very innovative'* (Shifrin 2008). However, following the Government's bailout of the banks creating government debt, the consequent severity and proposed longevity of the public spending cuts have meant that enabling innovation has become the key capability for senior teams in the public sector.

So, the Coalition Government has subsequently talked about 'The Innovation Imperative' and the *'need to accelerate innovation in the public services in order to tackle the current economic and social challenges that face the UK'* (Osborne and Brown 2011). The Department of Health sponsored the NHS Institute for Innovation and Improvement to promote and embed innovation and improvement in the NHS and the National School of Government created a Whitehall Innovation Hub to capture and disseminate learning about public sector innovation (NESTA 2009b). In addition, since the Coalition Government came to power, public sector organisations have been *'required to compete for business alongside private, charity and voluntary sector organisations'* (Schoeman et al 2012).

But what is innovation in the public sector? What does it look like in practice?

Innovation in the public sector is about *'new processes, new services and new governance and contractual models'* (Schoeman et al 2012). Others take a more general approach, defining innovation as *'change associated with the creation and adaptation of ideas that are new-to-world, new-to-nation/region, new-to-industry or new-to-firm'* (NESTA 2009a).

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So far so good. However, the problem is that there are a number of barriers to innovation within the public sector. Table 1 summarises these issues.

Table 1: Barriers to innovation

Barriers	
Public services are organised into silos	Public services are organised into silos that do not co-operate (NESTA 2009b).
Evaluation systems are not designed to support innovation	Traditional monitoring, inspections and audits of performance which are meant to drive improvement often have the opposite effect and suffocate innovation (NESTA 2009b).
Users of public services are rarely invited to engage in the innovation process	Users of public services are rarely invited to engage in the innovation process. Smaller-scale and local ideas around innovation are seldom heard, potentially leading to the disengagement of public service employees and service users in the community.
'A fetish for new shiny stuff' results in inappropriate allocation of scarce resources	At central levels there can be 'a fetish for new shiny stuff' that results in the wasting of a lot of money in an attempt to 'improve' things which didn't necessarily need improving. In January 2012 the National Audit Office revealed that the previous government wasted £32 billion on poorly procured infrastructure projects, mainly to address needs which didn't really exist (Ware 2012).
Lack of 'disciplined systems of innovation'	Lack of 'disciplined systems of innovation' – compared with the private sector there is no systematic process for thinking about innovation, few managers have been trained in innovation techniques (NESTA 2009b, Munro 2012).
Narrow focus on financial measures of value	Innovation in the public sector needs to be assessed for its social as well as economic value. Unlike private sector organisations, the impact of successful innovations may not be reflected in immediate financial outputs (NESTA 2011).
Complexity of being required to meet multiple and competing social and political objectives	Public sector organisations have 'multiple, intangible, social and political objectives'. These objectives are set for them by various and diverse stakeholder groups such as voters, politicians, trade unions, audit bodies, regulatory bodies, and so on. Each stakeholder may place incompatible demands on the organisation (Currie et al 2008). The Accelerating Innovation in Local Government (AIIIG) project found that considerations such as the frequency of elections and the stability of the council, plus politicians' attitudes to risk made a difference as to whether radical innovation could be contemplated (Munro 2012).

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While these barriers are a constraint and the recession and the prospect of continuing cuts seem demoralising, the severity of the situation also seems to be galvanising others to develop new approaches. One of these approaches is called *radical efficiency* (NESTA 2010). This model argues that it is not just about delivering 'more for less' from existing services but instead it is about '*different, better, low cost services*' (p8). This requires senior managers to think about four different questions:

- 1 Where are the new *thinkers* (or other sources of knowledge) offering different perspectives on the delivery of services?
- 2 How can we think creatively about *customers*? For instance, thinking about customers and suppliers as equal partners in the co-production of services. This could include a range of things such as: thinking about users as partners in delivery; identifying and reaching out to previous non-users.
- 3 Considering new *suppliers* is about rethinking who might be best suited to deliver parts of a service. Examples of new suppliers include partnerships with the private sector, such as Virgin Health's move into the provision of publicly funded health care.
- 4 How can we use new *resources*? This is not just about finances but instead prompting people to rethink the way local authorities use buildings, people or technology to deliver service.

Having now described the broad canvas of innovation in public services, we go on to look at three case studies which illustrate organisations that have managed to overcome barriers to innovation in the public sector.



Case study 1

Southend-on-Sea Borough Council – creating and implementing a new vision and culture

A new CEO arrived in 2005 to find a demoralised and poorly performing local authority and resolved to address these issues. With the help of HR he launched a cultural change programme called the *'Inspiring Programme'*, which featured cultural enquiry workshops using groups from a mix of directorates and levels. Together these groups of people worked to define the current culture, the desired future culture and the behaviours that would underpin such a cultural vision. In this they were supported by the consultants PwC. To overcome the cynicism the aim was to engage and involve staff in all aspects of the change process. The key thing was for people to show 'passion' – as long as they had passion, whether positive or negative, it was possible to work with that energy. Helped by the fact that the council was in a parlous state, the CEO used this 'burning platform' to send out a clear message that things had to change. Change objectives were written into people's performance objectives. The newly appointed senior team came across as 'authentic' and managed to create a sense of expectation and excitement out of the challenge that lay ahead for the council.

The People and Organisational Development (POD) Team at Southend was born out of the cultural change initiative – the *'Inspiring Programme'*. As soon as the CEO arrived HR was elevated onto the senior management team. The HR director is seen as the CEO's *'trusted lieutenant...we wouldn't have done what we've done if that relationship wasn't there.'* Neil Keeler, Group Manager People and Organisational Development, Southend, and all the POD Team have been seen as crucial in driving the whole process forwards.

To support the cultural change the POD Team introduced a coaching initiative, which particularly impressed the research team in terms of its ability to enable innovation.

Southend introduced an internal coaching initiative in partnership with a business consultancy, Go MAD Thinking, which particularly impressed the research team in terms of its ability to enable innovation. The Go M.A.D.® Framework and methodology was delivered under licence by the POD Team; it encouraged people to think of different ways of delivering services. Using 'possibility thinking' and other tools and techniques from across the Go M.A.D.® Framework, its solutions-based approach helps people to take time out to think through ideas and see that there are lots of different ways of achieving the same thing. People are further supported in the implementation of these changes through ongoing coaching sessions.

The combination of support with the tools to dare to think differently all increased the confidence of staff to take the steps to try something different.

'Now the staff feel that their creativity is being valued; staff are very keen on learning new things; they've never been stifled.' Ellie Hal-Feard, Manager – Marigold Family Resource Centre, Southend

The talent pool initiative replaced the previous 'at risk' register. This much more positive name and concept meant that people whose jobs were to be made redundant had their skills and expertise reviewed to allow HR to build a positive picture of what their contribution could be in other jobs around the organisation. Staff labelled it as a 'positive experience', a 'chance to think'. Staff were also given a four-week trial in any possible job to try it out. HR say that this approach enabled them to retain good people and to develop a more proactive approach to the redeployment necessary in any restructuring.

The POD Team set up *'Exchange'*, which acted as a conduit between the CEO and middle managers. This was a monthly meeting for middle managers to come together to network. Other development opportunities included the *'Talking Heads'* initiative, which invited regular guest speakers from outside the world of Southend and/or local government to come and address senior and middle managers



over lunch. Staff forums were created which can be focused around particular minority groups, such as LGBT, and line managers get a clear briefing that they are expected to allow their staff to attend.

To recognise progress and celebrate excellence there is also a 'STARS' event, which 400 staff attend and 300 receive a personal certificate recognising their contribution to innovative service delivery, personal development and change. This 100% fully sponsored awards event celebrates success stories and also measures the council's success against benchmark measures from other local authorities. Interviewees said to us that when they were nominated they started to '*feel part of the innovating crowd doing stuff*' (Ashley Dalton, Community Engagement and Stakeholder Management, Southend). Front-line staff are nominated by members of the public and/or colleagues, thereby building connections with the local community, and support functions are nominated for awards by their internal customers.

Southend as a council has gone on to win a number of awards, culminating in LGC Council of the Year 2012.

Case study 2

Sunderland City Council – the innovation bargain

Sunderland City Council, like every local authority in the UK, has faced a financial restructuring of unprecedented proportions. Under the Government's deficit reduction strategy the council had to initially reduce spending by £58 million by 2012 but this was increased to £100 million. That was about 27% of its overall budget. Given that it operates in an area of relative economic decline where unemployment is high, the option of making large-scale reductions in the workforce was one which was difficult to contemplate.

Sunderland examined all of the options and decided that it needed to reshape both the workforce and service delivery. They decided to do this with a commitment to no compulsory redundancies and developed a strategy based on three key components:

- strengths-based assessment of the entire workforce to enable their skills to be matched to suitable roles as vacancies arose
- a freeze on external recruitment except for the most specialised roles and even then after an extensive internal skills assessment
- a new business delivery model to centralise functions and departments, to avoid unnecessary duplication.

'We could have done redundancy, we chose not to do redundancy for a whole bunch of well-rehearsed reasons but primarily because it does not fit with our values first and foremost and it is therefore not going to meet the needs of the organisation. It would have a significant and dramatic effect on the city and it wouldn't enable us to make sure that we could keep the talent that we needed and in the places that we needed it to go forward.' Sue Stanhope, Director of HR and OD

There were many responses to the requirement for budget cuts but most of them were focused around the Internal Jobs Market (IJM)/SWITCH programme as a fulcrum of innovation and the enabler of innovative processes. A self-assessment tool was developed which helps identify employees' personal strengths and their qualifications and experience and then this information is used to ensure they are matched to jobs that play to their strengths. When a vacancy arises a decision is made as to whether a replacement is necessary or if a reorganisation of tasks can help to save money and so that position can be removed. The freeze on external recruitment means that managers are encouraged to find the skills to fill posts internally. So, people who have been through the assessment system can be matched to vacancies which match their strengths. The IJM maintains a pool of people who can

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be considered for vacancies. Staff who are matched to a role are invited to apply, offered training if needed and even allowed to trial a job before deciding whether to accept it. Displaced employees who do not find a permanent role this way become part of the SWITCH team, where they are allocated to projects and secondments.

Kathryn Younger, lead HR business partner for the programme, explains the challenge:

'If we stopped doing external recruitment we would still need to fill key roles and we would do that by filling from within and so we developed the internal jobs market, which was about matching our current workforce to vacancies against strengths that would be assessed by online personality assessment and that was the first part of it and it has worked very well.'

IJM/SWITCH has allowed the council to radically reshape and redesign services while also allowing them to offer job, rather than role, security to their workforce. It has also allowed them to develop a flexible and adaptable workforce better suited to meet future challenges.

As a result of IJM/SWITCH, the council has reduced the workforce from 8,500 to 6,500. Dave Rippon, Head of OD and Workforce Development, is aiming to get below 6,000 while protecting front-line services:

'The strengths we measure are personal strengths but also strengths in terms of experience, their qualifications, stuff people might have done in the past. The way I would see us moving in the future, as we become more dynamic in the way we change the organisation, is to develop a much more fluid workforce.'

A number of key areas of service redesign have been especially facilitated by IJM/SWITCH and the extended use of technology including eldercare and children's services. Also, all customer services have been integrated into a building in the centre of the city in order to reduce duplication and silo working and to provide a consistent and convenient service to the community. New solutions have also been developed in relation to key resident services, such as blue disabled badging, refuse collection and the use of technology in libraries and leisure centres.

Customers as well as employees have been used as a form of social capital to reinvent services with the assurance that it will not impact anyone's job security.

'We are actually going out asking our customers what their needs, wants and preferences are and shaping services more aligned to that. I think that is a really big shift away from how we used to do it...we are really going out there listening and actively involving our customers and shaping services to meet their needs. I think that's been a big change. But also with our employees as well because we have recognised the importance of employee engagement in shaping services.' (Liz St Louis, Head of Customer Service Development)

A decision was made to not replace the system for monitoring flexible working. As well as being outdated, it required a lot of administration so people were allowed to monitor their own flexi-time in conjunction with their managers instead. This seemed to result in few repercussions and is indicative of the levels of trust within the organisation which have been fostered by the way in which the council has approached the budget cuts.

'The flexi-system, we had an antiquated flexi-system that used a machine from The Beamish Museum! [Laughter]. About three or four admin posts...just running the flexi-system and sending copies of paper all over the place, batch-naming and doing corrections and things. So we couldn't spend 100 grand replacing it. Instead we just switched it off and people just managed their own flexi with their manager using a spreadsheet.' (HR Team Focus Group)

The council has sought to explore and exploit the flexibility offered by the IJM/SWITCH programme and its unique employment security commitment to secure major changes in working practices. It has allowed for the merger of services, the closure and rationalisation of others and has helped it to exploit new technology and to use human, social and organisational capital in a more strategic way.

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The role of HR in supporting transformation is a key asset for the organisation. Senior HR people are seen to lead and deliver on the programme and to encourage a spirit of innovation and collaboration when delivering both strategic and tactical services. Tracy Palmer, Head of Human Resources Management, explains:

'I suppose that being part of the management team we all collectively look at all of HR and OD and how that could help the organisation achieve its aims and objectives but specifically one of the things I am looking at is how we can streamline, make far more simple, our own processes and procedures and policies so they better support outcomes at work.'

As Head of Transformation Programmes and Projects, Andrew Seekings plays a key role in supporting and challenging the council's transformation HR approach and ensuring that an innovative focus is maintained. This is a key aspect of the organisational capital helping to support and promote innovation.

John Rawling (Deputy Director of HR and OD) sees leadership behaviour as critical in driving the transformation of Sunderland and getting the maximum benefit out of the IJM/SWITCH and the various other innovation assets. Aligned to this are the behaviours of the workforce in general, as Kathryn Younger explains:

'I guess one of the key behaviours is really flexibility because it doesn't need to be about having... all that creativity themselves but it is about having the flexibility to adapt to things that come their way or to suggestions that are made by others or to build on other people's ideas and having the confidence to...implement things when they do come up.'

Because the changes required were so radical and a lot of organisational energy needed to be devoted to it, the leadership was anxious to ensure that employees and especially managers were aligned with what is essentially a values-driven programme.

'I think one of the things that has prompted our innovation around workforce...has been the fact that we have our very explicit values, and those values mean that some of the conventional options are not acceptable, and so we are not going to do mass redundancies and we are not going to do mass downgradings of jobs, and so those options are simply not open to us, and we have to find another way of reorganising and downsizing our workforce, and the fact that we have been very explicit about that and with the workforce, and with the trade unions means that they can see that we are serious about that because we are doing things that are perceived by many as being more difficult than the easy conventional routes, and we are doing that because we are serious about our values and about keeping that alignment of our HR practices with our values.' (John Rawling, Deputy Director of HR and OD)

Sunderland City Council has opted for a high-road strategy in effecting the necessary restructuring required of local government. It has retained most employees, it has refused to implement compulsory redundancies and it has ensured that a pool of employees with supporting skills can be harnessed for organisational transformation. In redesigning services and engaging with customers, it has reshaped the contract between employees and the council in a way which helps drive innovation and which licences experimentation and the search for change. By removing the principal barrier to engagement – that of uncertainty over jobs and livelihoods – the council has tapped into the creativity and innovation within its workforce and its community. HR has played and continues to play a major role.

'...do you see the fact that you have to save all this money and all these pressures as a negative thing or do you see it as the most exciting thing we've ever done in HR? In local government it is the most exciting time to be in HR...in an organisation that's trying to innovate its way through this process. All this stuff matching strengths around an internal jobs market...if we'd knocked on doors five or six years ago and suggested that, it would have been seen as too risky. Now it's too risky not to do it.' (Dave Rippon, Head of OD and Workforce Development)



Case study 3

London Borough of Sutton Council – innovating through sharing services with partners

The shared service was the brainchild of the chief executives of the two boroughs. *'The senior HR position at Merton became vacant. They could have gone out into the open market to fill the post, but the chief executive had the vision and confidence to try something different. He had a conversation with our chief executive and this is where it took us'* (Edge Online 2010). They were mindful of the Gershon report, which urged councils to achieve efficiencies by sharing back-office functions. The chief executives were already working together through the Sutton and Merton Primary Care Trust. The two boroughs are adjoining so the partnership made sense. Sutton has been Liberal Democrat for a long time and Merton had a minority Conservative administration (at the time but since 2010 has had a minority Labour Administration) but they have a lot in common. They both receive the lowest level of central government grant and face similar financial pressures as they serve communities in which pockets of deprivation are surrounded by suburban affluence.

The shared services was part of the *Smarter Services Sutton* programme, which introduced new ways of working while reducing expenditure through: channel migration, Big Society projects, changes to employees' terms and conditions of employment, strategic procurement partnerships, business process re-engineering and organisational redesign.

In July 2008 the Sutton Council Executive received a report on the proposed shared service. A number of models were possible for the delivery of shared services, including: shared procurement, in-sourcing, informal secondments, lead or host organisation, and a joint venture company. The lead/host borough model was considered to be the most suitable and sustainable after careful options analysis. A lead/host model means that one organisation hosts (provides) the service to both partners. The principle of Sutton being the host borough for an HR shared service was approved by Merton's cabinet in January 2009 as well as Sutton's Executive Committee. The actions were put in place to realise the shared service: the employment and service delivery model for the shared HR service; and detailed legal work to develop a clear collaboration agreement between the two boroughs for the delivery of the HR shared service. There was also consultation with the affected employees and their trade unions about the employment transfer measures required to deliver the shared service.

Work was done to formalise the shared service arrangements between the two boroughs, including charging and re-charging. It was decided that the contractual elements of the relations, including charging, would be dealt with through a formal collaboration agreement – specialist legal advice was sought by both boroughs to produce a clear and effective collaboration agreement.

In October 2009 the shared HR service was launched – one of the country's biggest (in terms of scale and complexity) HR shared services programmes and the first between two unitary authorities. There were a small number of redundancies as a result of the merger, with options for early retirement and voluntary severance also applied. Merton staff were TUPE-transferred (with protected terms and conditions of employment) to Sutton on 1 October 2009. A post-TUPE reorganisation occurred to assimilate HR staff into a single, shared HR service and this aimed to be operational from 1 February 2010.

They achieved savings in excess of £1 million across the shared HR services. The total budget prior to the shared services was £5 million, so that's an efficiency saving of 20%. The transformation programme was achieved via organisational redesign, de-layering and efficiency from eradication of duplication.

Merton's HR service was externally assessed as 'poor' in 2007 and by 2010 was re-assessed as 'good' by the Audit Commission. The executive head of HR said in 2009: *'Innovation is another core council value. This ground-breaking project is at the leading edge of shared services work in London and beyond. No other London boroughs have achieved the efficiencies referred to in this report through the transformation of HR services through a shared service delivery model'* (London Borough of Sutton 2009).



Several years on, the executive head of HR thinks the shared service has been successful because of levels of trust and also the size of the partnership:

'...if you don't have trust between your partners the relationship won't go anywhere – they've got to trust one another – they've got to have common business objectives – they've got to have a common vision to be able to get there because otherwise...the partnership just won't succeed. I have a view that the bigger the partnership becomes in terms of numbers, the harder that is to achieve because you have different partners who want different outcomes or have different sets of expectations – I've seen elsewhere in London some larger partnerships actually not succeed because I think the complexity of it and the scale of it becomes too large to succeed to start with, so I think small is beautiful to start with and then if you can get others to join as you build momentum, that's fine, but if you make the scale of it too significant to start with, you're not going to get the partners all aligned, all in the same place all at the same time.'

In 2010 there were 11,500 people in the two councils and 100 in the HR function.

The second phase of the HR shared services programme was the *Trinity Project*. Dean Shoesmith initiated the development of this three-borough strategic HR information system and payroll integration. This went live for the three partners on 1 April 2012 with a new HRIS/payroll system (iTrent) and an externalised payroll service for each council. Sutton led the partnership, comprising Sutton, Merton and the Royal Borough of Kingston.

A governing board was headed by Sutton's director of resources and included Shoesmith, finance representatives from all three councils and representatives from HR, payroll, appraisal and recruitment. They drew up their shared vision, agreed on a payroll provider – which also has a seat on the governing board – and decided who is responsible for what. It was recognised that *Project Trinity* and its outcomes will represent a cultural change for staff and training, via e-learning, will be tailored to meet their requirements.

The project has delivered transformation and efficiency with improved productivity through business process re-engineering. It has saved £605,000 per annum across the partnership – the total saving will be £6.1 million for the life of the ten-year programme.

Dean Shoesmith also led the creation of the London Boroughs' Recruitment Partnership (LBRP) in 2005 – which is a framework contract for the provision of recruitment and resourcing solutions to London boroughs and other public sector partners. Research by Penna has shown that the LBRP framework is the largest (in financial value) in local government – offering best value and quality to the 28-strong partnership. The framework provides up to £1.5 million savings per year (HR Excellence Awards 2013).

Shoesmith (2012) reflected that in order to deliver efficiency, they had to tackle the following issues:

- shared procurement
- economy of scale
- business process re-engineering
- structural reform
- sharing expertise – staff knowledge management
- reduced overheads
- manage service demand 'peaks' and troughs'.

Importantly, the unions were said to have identified with the 'authenticity' of all this change, as Shoesmith commented: *'I think it's quite important the authenticity of what Sutton stands for as an employer but also as a local authority and what we've done to calibrate our HR activity with those strategic drivers.'* As a consequence of this stance, they decided not to follow the 'dismiss and re-engage' approach to terms and conditions review partly due to the fact that 70% of employees are also local residents. This has been an important stance as they had no grievances brought during all of these changes.



Key capital input – the importance of unleashing the potential of social capital in a local services environment

'I think the greatest strength that local councils have is partnership working, being able to work collaboratively.' **Kim Brown, Joint Head of HR Policy Development, Sutton**

Social capital is about people using networks, working relationships and collaborations in a way that allows them to be more productive as a result of these relationships. Adler and Kwon (2002) define social capital as *'the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations'* (p23). Dekker and Uslaner (2001) argue that social capital is fundamentally about how people interact with each other.

In each interview we asked about the importance of intellectual capital, social capital and organisational capital and every time social capital was highlighted as the critical resource for making innovation happen in public services. The understanding of how social capital frees up innovation in the public sector is one of the most significant contributions of this research. For the suggestion within each interview was that there is no lack of competence, but instead it is a matter of mobilising existing knowledge and skills within new forms of collaborative working.

This is an important finding because, as a response to the problems caused by the spending cuts, central government in the UK is expecting services to work in partnership with other providers. In Scotland, for instance, the *Christie Commission Report* published in 2011 identified 'unprecedented challenges' to the public sector in terms of sharply reduced budgets and increased demand from a changing demography and growing social needs. The commission's report concluded that nothing less than an urgent and sustained programme of reform embracing a new *collaborative culture* will allow Scotland to deal with a fiscal landscape where budgets will not return to 2010 levels for 16 years. Public services are expected to increasingly work together, sharing central services as a way of reducing costs and learning from each other to ensure best practice and efficient and effective service delivery.

There is also a need for internal divisions to work more effectively with one another inside existing authorities. However, commentators have noted that cross-functional decision-making is rare in the public sector – *'one of today's main obstacles to public problem-solving is silo thinking'* (Aagaard 2011). Yet cross-fertilisation of ideas is energising for innovation. NESTA (2009a) says that the content, strength and density of social interactions within and outside an organisation influence innovation and exposure to a variety of approaches and perspectives and is likely to facilitate the processes which lead to creativity and innovation.

The benefits of cross-functional working include: 1) over the last five years, Sutton saved £5 million through different ways of procuring agency workers: *'that needs close collaboration between procurement and HR to be able to do that. So, it's no man is an island, isn't it?'* (Dean Shoemith, Executive Head of HR, Sutton); 2) partnering with London boroughs for recruitment advertising has saved £1.5 million across the London boroughs. Staff at Sutton talked about a collegiate style of working, but equally some noted that the downside of this is 'over-consultation', which means that change tends to be incremental and with less momentum than one might like. Yet overall Sutton believes that the advantages of cross-divisional co-operation outweigh the disadvantages: *'The ability to pull together as an organisation and draw on knowledge and experience across the organisation is absolutely critical'* (Peter Andrews, Pay and Rewards Manager, Sutton).

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As well as delivering cost savings, collaborations also produced creative thinking. In Sutton, when thinking about the integration of shared services with other boroughs, the traditional route would have been to bring together a group of the most senior managers who would try to work through the proposition. Instead, lead practitioners in each authority got together and came up with ideas: *'It created a framework of free thinking because there was no one looking over your shoulder; you could come up with an idea, discard it and we looked at all sorts of alternative models and eventually ended up where we are now'* (Peter Andrews, Pay and Rewards Manager, Sutton). Formal management meetings are still held with senior teams but alongside more informal drop-in centres with coffee mornings with the senior management:

'One of the things this has done is to promote the idea that it's not just about staff coming to management saying "this is a problem"; staff are also saying what the solution is as well. So it has sort of broken down the silos and the hierarchy.'

John Hill, Head of Public Protection and Development, Merton

In Southend, in order to encourage innovation, they decided to make time for people to think differently within their everyday job. Local managers talked about the difficulty of finding time to think differently: *'Sometimes I am so overwhelmed with the delivery on a day-to-day basis – some of my best ideas have been while pushing a pram around the park on maternity leave!'* (Ellie Hal-Fead, Manager – Marigold Family Resource Centre, Southend). Local managers in the social services department gave examples of administrative staff being given cover by the manager for a few hours to allow them to try to make changes or experiment with new ways of working. The managers had to be prepared to step in and cover for their staff in order to free up their time. This demonstrated their commitment to letting innovation happen. They also encouraged those same managers to 'tap into different worlds' by bringing in visiting speakers on leadership at lunchtime to deliver a series of inspirational talks from outside the world of local authorities. As Ellie Hal-Fead, Manager – Marigold Family Resource Centre, Southend, expressed it: *'Changes are about being involved, being asked for ideas, being invited to contribute.'*

We now go on to consider the key conversion processes which enable public sector workers to start working differently and collaboratively towards a new future.



Key conversion process 1 – create a generation of new public leaders

As earlier research by NESTA (2009a) found, successful leaders of innovation used an optimistic, inspiring and open style of communication, encouraging constructive feedback and a participative and collaborative style of management. These leadership traits have been found to encourage risk-taking and the nurturing of innovation.

In our research we particularly observed the way in which first-class leaders of innovation use their power positively to change mindsets and beliefs. This is not simply about senior leaders developing new strategies and instigating change but also about them, as individuals, using their personal behaviours and everyday actions to model the culture they are trying to create.

In order to act as role models this new generation needs to be visible themselves as leaders, visiting every part of the organisation as regularly as possible to demonstrate they care about all employees and are interested in every service. When the new CEO of Southend Council joined, he made a point of personally visiting council services, including the crematorium, and *'no one had ever visited there'* (Joanna Ruffle, Head of HR and Communications, Southend).

All three leaders of the councils we researched spent a considerable amount of time and effort creating a shared sense of purpose amongst employees, politicians and the local community. In Sunderland they established the values of the council as 'proud', 'decent' and 'TOGETHER'. This use of the word 'together' emphasised that everyone in the geographic area of Sunderland city was united in this campaign to preserve jobs while at the same time managing cuts. It sent a message to the local population that said it would only be by uniting community and council 'together' that they would find a way through the cuts.

Similarly in Southend, as part of a cultural change programme that preceded the financial crisis and public spending cuts, the new CEO emphasised the importance of breaking down the silo thinking and actively encouraged people to see themselves as working for the whole council, not just departments such as social services or education. In Southend Council's case, the employees we spoke to said that before this cultural change programme they had better and closer working relationships with contractors than they had with fellow council workers in different divisions. People were more likely to say that they worked for social services or education than they were to say that they worked for Southend Council:

'Before I never had a sense of how I related to the council as a whole.'

Ellie Hal-Fead, Manager – Marigold Family Resource Centre, Southend

The central message was that everyone is responsible for the growth of the organisation.

As part of the cultural change programme at Southend 'cultural enquiry' workshops were set up which mixed up all the different directorates and levels and got people together to start having conversations about what needed to be different. In these workshops they defined the current culture, identified what they wanted to keep but also what the future culture should be and, from that, identified what new behaviours were needed. One manager commented that before these workshops took place, no one had asked him his view of the council in 16 years.

Reinforcing this sense of shared responsibility and common purpose was the move away from the 'lone hero' model of leadership. Instead, successful leaders of innovating councils worked towards more of a *distributed* or *shared* model of leadership where middle managers were empowered to take decisions. In Southend the new CEO told his middle managers, *'You are all my leaders'*. Also, by removing a layer of managers towards the top of the organisation, in effect, all line managers were 'promoted' within the council, which created what was called *'a rising tide of expectations'* (Neil Keeler, Group Manager, People

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and Organisational Development, Southend) that they were important and could make a difference. This apparently beat the cynics. In Southend they also recognised that inspiring the middle and local managers was the way to build a climate of trust, without which their attempts at innovation would falter. Lower-level managers felt treated like equals. Previously in Southend lower-level managers said there had been a gap between what senior managers did and what people further down the organisation were told was going on. Nevertheless, this increased communication and sense of responsibility amongst lower and middle levels brought with it a new requirement for managers. They had to face up to being treated as an adult and as an equal, rather than protected and cloistered from reality as had been the case under the previous culture.

'Increased communication is a double-edged sword. Previously you felt safe and sound, whereas now you're aware but it is more worrying – but it does mean you're involved. There are no surprises.'

Ellie Hal-Fead, Manager – Marigold Family Resource Centre, Southend

The importance of lower-level managers was also recognised in Sutton:

'I think the line management population is absolutely critical because they are probably the level at which a lot of the ideas can come forward from and they're also the level at which in the end, if we are trying to implement change, that's the level that's got to be committed and will be the key to delivering that change.' **Peter Andrews, Pay and Rewards Manager, Sutton**

What became clear from our research is that successful leaders of innovative local authorities do not just issue strategic plans. It is what they do with their leadership that nurtures an enabling environment in which innovation can flourish. To use a gardening analogy, they act more as landscape gardeners, not just landscape architects. The senior managers who were successful in bringing in innovation in these authorities were out there in the garden tending to the soil, the watering of the plants and the pruning. They were in the garden every day, not just behaving as the engineers or designers and surveying from afar. They knew their organisations like a gardener knows their gardens. In Southend they remarked upon the senior team's *'lack of ego'* and their willingness to show vulnerability: *'I don't know where this journey will take us'* (Joanna Ruffle, Head of HR and Communications, Southend).

We go on to consider four of the things we found that these 'gardener leaders' actively attend to on an ongoing basis: a climate of trust; the use of social capital to promote learning across networks; the encouragement of both incremental and radical innovation; and the judicious deployment of HR capabilities in promoting both cultural change and service delivery.

But before we do that, does any of this change of leadership style really make a difference to service delivery, or is it just the feel-good factor that emerges from a better workplace climate? The HR director at Southend told us that before the new CEO joined in 2005, they got the leadership team together to discuss the risk of special measures and it was the first time in about six years that they had ever been together as a group. At that time, the former senior team was tasked with saving £1 million that year and they struggled to achieve that. As a result of creating inspiring leadership across the whole organisation over the next seven years, they have grown so that they now save £10 million every year and they get together as a team every month.



Key conversion process 2 – foster a climate of trust

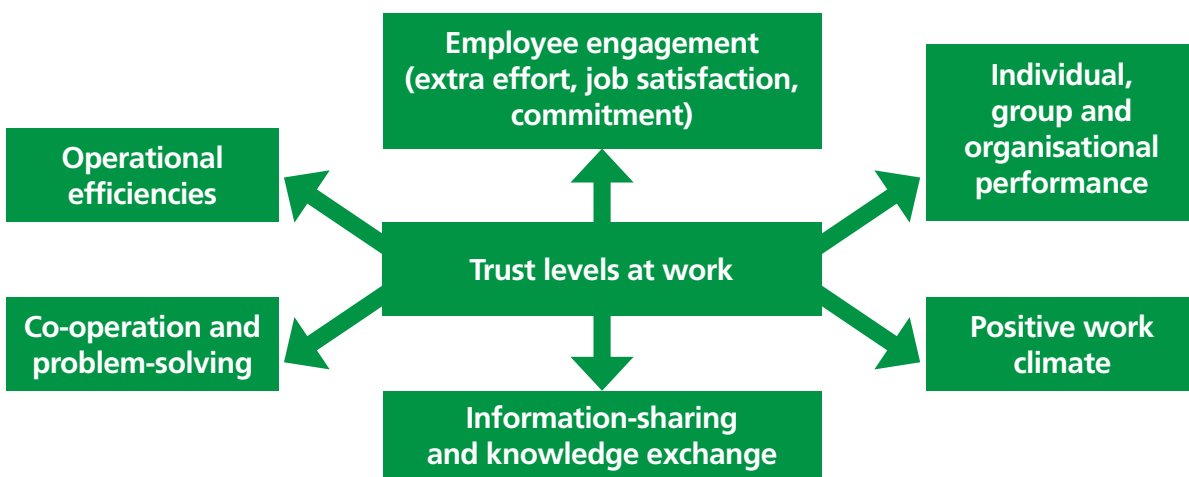
Trust in the workplace has returned as an issue for concern in the twenty-first century. Even when we were in a period of growth before the financial crisis, research showed that lower levels of employees in both the public and private sectors reported very high trust in their local line manager but low trust in their senior managers (Hope Hailey et al 2010). The reasons for these differences were that employees believed senior managers were becoming more detached from the concerns and daily lives of the general workforce in both the private and public sector. Those surveyed also felt that there was an increasing centralisation and intensification of reporting and monitoring systems, which lower and middle levels interpreted as a result of not being trusted by their superiors. Since then the global financial crisis, public shock over MPs and their expense scandals, the phone hacking practices of the press and the BBC scandals have all created a sense of distrust at societal levels, elements of which employees bring with them as a form of contagion into their daily working lives. In sum, before the public sector cuts were ever announced, trust had already taken a bashing in local and national government workplaces (Hope Hailey et al 2012).

Trust is an important ingredient for innovation in local government because it is linked to an employee’s willingness to take a risk. Trust is about an individual being willing to accept a certain level of vulnerability and uncertainty because they believe that the person asking them to take a risk is well intentioned towards them and will protect them from any negative effects of the risk-taking (Rousseau et al 1998). To try something different or radical takes personal courage on the part of most people. For senior managers to be able to break down the barriers smothering innovation in local services, they have to be able to persuade middle and lower levels that they can trust their bosses and trust each other.

So trust is essentially about the relationship between a trustor and a trustee and the willingness of both sides to take a risk because they believe in the goodwill and benevolence of the other party. People gauge the trustworthiness of the other person or organisation by four measures: *ability* – do I think this person is capable of doing their job; *benevolence* – do I think this person is bothered about me or are they entirely self-serving; *integrity* – can I detect some moral code that underpins their actions and that I can identify with; and *predictability* – can I detect a pattern in their behaviours that suggests they will demonstrate the other three factors on a consistent basis (Dietz and den Hartog 2006).

The benefits of trust are well researched, as Figure 3 demonstrates.

Figure 3: Benefits of trust (Dietz and Gillespie 2011)



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Given the evidence that high trust levels encourage co-operation and problem-solving, plus information-sharing and knowledge exchange, trust is a critical asset for generating innovation in the workplace (Dietz and Gillespie 2011).

In the case studies, this link between innovation, risk-taking and trust is very evident. We found that a senior team's ability to foster a climate of trust is critical to encourage experimentation across services:

'It comes back to that culture of innovation – about people being trusted to say something silly, to do something daft, to push the boundaries, to go off and look at something that's utterly different. There's a big part about people having trust that their colleagues and the environment they can do that in is a safe one.' **Neil Keeler, Group Manager People and Organisational Development, Southend**

It is vital that people experience downward trust for them to be prepared to take risks at a local level without the risk of repudiation:

'I do believe that leadership is important in innovation and I think, I feel, and this is me personally speaking, even though I have a reasonably senior role, that if I had a manager or leader who did not trust me to be able to do all the things I could do or take risks, then it wouldn't happen.' **Kim Brown, Joint Head of HR Policy Development, Sutton**

It is also important for partnership working. As one of the Sutton HR managers explained, in sharing recruitment activities with 33 London boroughs and sharing an HR function with Merton Council, they learned to trust horizontally:

'Yes, you can trust another manager with your budget even though they are not employed by you and you can give advice to two different organisations, you can.' **Kim Brown, Joint Head of HR Policy Development, Sutton**

Staff in Southend also said that trust is an important catalyst which gave them the courage to start working with communities and partners in a way they would not have thought possible. They placed a great deal of trust in their CEO because they saw him as 'authentic', putting the community first but keeping employees central in that mission, respecting staff and showing empathy for their concerns. In essence, they believed he would protect them if some of the experimentation went wrong. He was perceived as essentially benevolent in his attitude towards employees. Being honest and open with staff is also seen as important in Sutton/Merton:

'I think one of the things I do like is that we never try to dress up why savings and changes are needed – if it's for brutal reasons we do tell it like it is and I think that carries an awful lot of weight for staff – they'd far rather be told how it is on the ground rather than something being dressed up and not being given the true picture – I think there's no substitute for honesty and directness sometimes.' **John Hill, Head of Public Protection and Development, Merton**

One way of demonstrating *benevolence* towards staff is in the choices councils made over how to handle job cuts. According to staff, a sense of dignity helped them feel respected by senior managers. So, instead of using transactional HRM accounting language, such as 'at risk' or 'surplus', to describe staff whose jobs had been made redundant, our cases employed a more positive image of 'talent pools' or 'talent management'. Their choice of language helped reshape how employees perceived the experience.

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Instead of being branded as 'surplus to requirements', when their job disappeared people were told they were being put into a *talent* pool and assessed for their skills and potential redeployment within the organisation.

'We could have done redundancy. We chose not to do redundancy for a whole bunch of well-rehearsed reasons but primarily because it does not fit with our values first and foremost and it is therefore not going to meet the needs of the organisation. It would have had a significant and dramatic effect upon the city.' **Sue Stanhope, Director of HR and OD, Sunderland**

This created within the workforce a completely different way of seeing and thinking about redundancy. It became more about the attitude of: *'Great, what skills have we now got that are freed up and how could we use them to the community's benefit in other parts of the organisation?'* Staff still felt able to express their doubts and speak up: *'I still feel comfortable in being able to say "I am sorry – I don't think we are going the right route here"'* (Recruitment Team Focus Group, Sutton Council).

High-trust environments give employees a sense of self-belief, courage and confidence: *'I can do this, I can think differently and I am trusted to do so.'* One manager in Sutton Council described it as:

'You get that kind of excitement because I think with innovation you get that kind of waking up where every day is kind of different because you are going to be challenged and you are going to do something about it and you will do things differently as a result to get that reward...'
Kim Brown, Joint Head of HR Policy Development, Sutton

The focus group from the Recruitment Team at Sutton said: *'...our head of transactional services is very much about being on message and ensuring that we are very customer-service-focused and delivering to the customer and I suppose we've all sort of got that attitude within our team – can-do attitude is very important'.*

So high trust both up and down the organisation led to a confidence at all levels in their own competence to create and innovate their way through difficult times. This sense of self-belief and trust in others enabled staff to start collaborating across internal divisions and organisational boundaries and utilising social capital for productive outcomes.



Key conversion process 3 – recognise the value of both incremental and radical forms of innovation

'Innovation is for me very much a collaborative process where you get people together that are doing the job. You provide an environment where it's okay for them to do that and try to make it fun. You want something where people can actually speak up and come up with those wild and wacky ideas no matter what they are and not feel daft for doing that. Because that is what you get from those kind of sessions – you can get some fantastic ideas that could just come out of the fact that someone comes out with something and it can be a seed that leads to something further down the line.' **Annette Madden, Executive Head of Children's Services Redesign, Sutton**

One of the central concepts within innovation research is the idea of 'organisational ambidexterity'. This is an organisation's ability to simultaneously explore new experimental ways of working while also fully exploiting existing services using innovative approaches to maximising efficiency. So, *exploring* is associated with experimentation and radical new solutions, whereas *exploiting* is the idea of continually refining and improving. (The third report in this CIPD series will consider these concepts in more depth.) The ideas around these two forms of innovation guided our collection of data for this report.

Gibson and Birkinshaw (2004) said that leaders play a key role in fostering ambidexterity by encouraging a supportive organisational context characterised by discipline, support, stretch and trust. Jansen et al (2008) found that a shared vision, shared values, collective aspiration and goals, and contingency rewards are key influences for organisational ambidexterity.

What we found in the case studies is that innovation often has to start incrementally, a speed of approach that matched the risk aversion encouraged by the continual inspection, auditing and monitoring of the public services. As one person put it:

'Well I suppose culturally local government doesn't like big bang change. It likes to do things slowly and incrementally and part of that is the culture but it's the politics as well and one has an impact upon the other.' **Annette Madden, Executive Head of Children's Services Redesign, Sutton**

However, this modest or 'humble' innovation (that either seeks continual improvement or cost savings within existing service models) can also be a vital starting point for bigger transformations.

First, by being encouraged and praised for achieving small changes, staff can gain sufficient confidence to take greater risks next time. Second, by making performance improvements through small-scale exploitative innovation (for instance through cost-cutting or greater productivity), councils can demonstrate financial success to their various stakeholders and thereby gain permission to try more radical experiments in changing service delivery. It is also important to remember that what might seem like small-scale change to the private sector might be transformational in the context of local government. How radical an innovation is should be measured relative to its context. Joanna Ruffle, Head of HR and Communications at Southend, talked about the need to do *'lots of basic stuff because there was no single magic bullet'*.

'Explorative' innovation is also being encouraged in all three councils. Both Sutton and Sunderland have initiatives to encourage entrepreneurialism amongst staff. The Sutton Innovation Challenge was described as being a bit like the TV programme *Dragon's Den*. There is a central funding pot and anyone can put up a business case for consideration. Similarly, entrepreneurial clubs have been set up:

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'It was about the chief exec saying we've got some people who are natural entrepreneurs and like the whole Alan Sugar thing where you give someone something and they've got their ideas and they might just be able to deliver services more effectively, more cost-effectively, different ways of delivering things...so we embarked upon a conversation with staff around entrepreneurialism. The chief exec started it with his blog and then he had about 20 people in a room talking about what it meant, how it could make a difference to the business etc. Then to take it a step further they were offered four sessions on how to put together a business case, how to do finance.'

Kim Brown, Joint Head of HR Policy Development, Sutton

Southend introduced a coaching initiative which particularly impressed the research team in terms of its ability to enable innovation. Called GO MAD and delivered by an external provider, it encouraged people to think of different ways of delivering services. At first people had to think of ten different ways of improving delivery, and then another ten and then another ten. This is called 'possibility thinking'. It is positioned as a solutions-based approach which helps people to take time out to think through ideas and see that there are lots of different ways of achieving the same thing. People are further supported in the implementation of these changes through ongoing coaching sessions. This combination of *personal support* coupled with the *tools* to 'dare to think differently' all increase the confidence of staff to take the first steps towards more radical innovation. It also emphasises the responsibility of middle and lower levels of employees in making radical change happen. One manager described the coaching process as being about putting her member of staff *'at the centre of achieving this change'*. The overall reaction of her team is:

'Now the staff feel that their creativity is being valued. Staff are very keen on learning new things. They've never been stifled.' **Ellie Hal-Fead, Manager – Marigold Family Resource Centre, Southend**

At Sutton the *Smarter Service* reviews incorporated thinking from managers who were from outside the council and from the private sector. This is to prevent the review process from being too insular and to encourage people to 'look outside the box'.

What is clear from the case study research is that in local services the attention given initially to 'humble' innovation often creates an enabling environment for more creative innovation to take root. In creative firms it may be possible for people to simultaneously explore and exploit. In the public sector, permission to move to more creative forms of innovation is only given once one has demonstrated the performance benefits of exploiting existing resources in a more innovative fashion. This is called sequential ambidexterity.



Key conversion process 4 – HR’s critical contribution

In local government it is the most exciting time to be in HR...in an organisation that’s trying to innovate its way through this process.’

Dave Rippon, Head of OD and Workforce Development, Sunderland

How did HR support these initiatives? Earlier research from NESTA (2009b) outlined the HR characteristics of ‘high-performing, innovative sectors’. In particular they highlight the importance of culture and leadership, partnering and networking, allocating resources and investment to encourage innovation and rewarding and incentivising teams and individuals who deliver innovative outcomes.

Examining the three HR functions in the case study councils, we found three different models of HR supporting innovation.

In **Southend-on-Sea Borough Council**, HR and OD were creating and implementing a new vision of the local authority using a classical organisational development approach. What is impressive, though, is that the starting point for this change process was an organisation with low morale and high cynicism amongst the workforce and one that had been potentially heading for special measures. In the space of just six years, they have built an award-winning culture. (Full details of their approach are described in Case Study 1).

The People and Organisational Development (POD) Team at Southend were born out of the cultural change initiative – the *‘Inspiring Programme’*. As soon as the CEO arrived, HR was elevated onto the senior management team. The HR director is seen as the CEO’s *‘trusted lieutenant...we wouldn’t have done what we’ve done if that relationship wasn’t there’* (Neil Keeler, Group Manager People and Organisational Development, Southend) and all the POD Team have been seen as crucial in driving the whole process forward. The HR director recruited the POD Team based on their attitudes and enthusiasm. She chose people with atypical OD backgrounds, concentrating instead on how they had potential to *‘positively infect’* (Joanna Ruffle, Head of HR and Communications, Southend) other people with their enthusiasm. Senior managers said *‘they couldn’t have done it without them’* (Ashley Dalton, Community Engagement and Stakeholder Management, Southend), that the POD were crucial in bringing people together across the organisation, finding new tools to make it happen and allowing the workforce to see that anyone is free to access training or bespoke support from the POD Team. One of POD’s guiding principles is the need to treat all people as adults and assume their positive intent until proved otherwise.

‘I’m constantly surprised by how much creativity there is.’

Joanna Ruffle, Head of HR and Communications, Southend

The second example of HR supporting innovation is the unorthodox stance taken to the management of public spending cuts by **Sunderland City Council**. Challenging the norm of *cuts = redundancies*, the HR department rallied behind the chief executive’s decision to stick to the council’s values of *‘proud, decent and together’*. This meant refusing to implement the ‘knee-jerk’ response of cutting jobs in response to the drastic cuts on public funding. Using ‘evidence-based management’ techniques and labour market analysis, the HR department managed to avoid making staff redundant for the first round of public spending cuts. They combined a community-centred value-led approach with the hard skills of labour economics to come up with innovative HR solutions to the spending crisis:

‘We are not about HR in isolation; we’re actually about the outcomes we’re going to achieve for the people in the city, particularly vulnerable people out there who need support. Because that’s what the council is here for; to deliver the community leadership that the city needs.’

Dave Rippon, Head of OD and Workforce Development, Sunderland

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HR led on the town hall briefings which explained the executive management team's vision and schemes and on 'selling the good stories' (Andrew Seekings, Head of Transformation Programmes and Projects). HR's role is to be the conscience of the organisation and to ensure that their innovative approach to managing the cuts is not diluted. HR has looked at each issue facing the council from a perspective of identifying the right HR process but also what fits SCC's values:

'We've tried to do the changes collaboratively, to get buy-in and to do it straightforwardly, not the slickest or fastest but thinking long term...HR have also been open and honest about their frustrations but also been personable and humorous because there are a lot of egos...The change has been done in a very clever, quiet way and it has become embedded.'

Sarah Reed, Assistant Chief Executive, Sunderland

The internal jobs market and the SWITCH Team have been the most 'visible manifestation' of the council's efforts to maintain trust during the cuts. A team of SWITCH support officers meets one-to-one with everyone affected to 'focus on the positives', advising them on selection processes for other jobs and, in extreme circumstances, offering counselling. In addition the council's much vaunted leadership training programme has concentrated on transformational and authentic models of leadership. Most recently the chief executive's enthusiasm has been for more collaborative and distributed forms of leadership.

Sunderland's performance management policies and objectives for heads of each service have been revised to account for the need for more cross-functional collaboration. Pay and benefits have been re-examined in pursuit of savings, such as replacing car mileage benefits with flexible working, compressed or variable working hours, and the option to 'buy' extra annual leave of up to two weeks. A blog from the chief executive and numerous other communication efforts have provided employees with information on the bigger picture – 'if you understand that, you can make informed choices' (Sue Stanhope, Director of HR and OD).

In **Sutton Council** in London we see a bold and courageous move on the part of the HR director to set up partnerships and shared service arrangements with other London boroughs. This 'first mover' stance not only acted as a role model for HR functions within other boroughs, but also as a 'proof of concept' piece for other departments within Sutton to start finding their own ways of saving costs through service innovation.

'There's something about HR leading by example, not just telling the rest of the organisation what to do, and I think the trick for any sort of lead HR person is to demonstrate authenticity and some leadership in their own role. So we in HR have gone through our own review; we have a shared service with our colleagues in Merton. We were the first major bit of the council to undergo any significant transformation and so we lead from the front. I think that's quite important.'

Dean Shoesmith, Executive Head of HR, Sutton

The HR director said it is important not to underestimate the cultural issues in partnering to deliver shared services. These issues include the perception of some staff in HR that they are working for two 'masters'; therefore it is important to create a 'one team' ethos and break down the 'us' and 'them' silos. Similarly, staff had misgivings about whether it was truly a 'shared' service or, in effect, a takeover by Sutton as the lead borough. Working across different organisations meant that different group and political dynamics emerged as the implementation went on. Underpinning this was a need to build organisational capability through really making the HR business partner approach work across both boroughs. Discipline and focus came from concentrating on the needs of the customer, not from the self-interests of the staff in the HR departments.

sustainable organisation performance



From this bold approach other improvements have been made within the service. Speaking of recruitment, Sutton HR staff said: *'We are completely changing the model of delivery so that we have a constant online presence. We are not reacting with some ill-thought-through random advertisement. We do it on a much more strategic and collective basis, much more like campaign management...the vision we have is for us to have an online presence so we are constantly recruiting, especially for our hard-to-fill roles like social workers...'*

The recruitment department have also engineered their systems so that the transactional work is online, which frees up the recruitment team to undertake more consultancy and advisory work, such as advising managers on things such as appropriate talent-pooling.

The fact that HR is a role model for the rest of the organisation has allowed its senior team to challenge other departments to be innovative in their own area:

'I also share it internally with other managers. "Look this is what we've done in HR around working with other boroughs and getting a strategic alignment for our procurement, working together on our process re-engineering. Couldn't you do the same thing for gritting or couldn't you do the same for tree felling?" or whatever else it might be that we have to do.'

Dean Shoemith, Executive Head of HR, Sutton

'We will probably have managers in the organisations who are used to delivering services where in the future they may be commissioning services and that requires a different skill set and different ways of thinking.'

Peter Andrews, Pay and Rewards Manager, Sutton

Overall the HR team reflected that the lessons they have learned are that:

- 1 HR needs to establish a clear business case for the changes.
- 2 There needs to be an acceptance that a behavioural and cultural change is necessary to support the systems and structures change in order to really reap the benefits.
- 3 But, in the first instance, innovation needs to be made manageable and you must not over-aspire in your ambitions!



Appendix 1: Methodology

We held face-to-face or telephone interviews and conducted focus groups with a total of 28 people from the following organisations: Merton Council, London Borough of Sutton Council, Southend-on-Sea Borough Council, Sunderland City Council. We also interviewed Joan Munro from City University London, who is leading the Accelerating Innovation in Local Government Research Project, and Douglas Shirlaw, who is Chief Digital Officer for COSLA (Convention of Scottish Local Authorities).



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