

Innovation Strategies in Australian Local Government

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Abstract

A culture of innovation is seen as essential if local government organisations are to effectively manage and survive in ever-changing environments. This paper provides an overview of innovation processes and outlines how they are applied in four local government organisations. State and Federal Governments heavily regulate this sphere of Australian government. A culture of innovation provides an opportunity for local government to respond to pressing local needs within legislative and financial constraints. The paper concludes that for an innovative culture to develop in local government organisations, a number of interrelated factors must combine in a synergistic way for genuine organisational change to occur. Such an innovative culture develops when creative individuals respond to external pressure for change implementing new ways of working gleaned from an extensive network, both within and between organisations. This innovation reflects their personal desire for continuous learning, builds employee capacity across flexible organisations while working with long-term, best interests of the community they serve in mind.

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Introduction

By their very nature local governments have a direct and immediate impact on the communities they serve. The way in which local government organisations innovate and change determines the impact on local economic and community development. As the level of government mandated with the responsibility of ensuring basic local services are provided and maintained local government's ability to reform and change is central to long term community success. Many local governments today go well beyond the mandated requirements set out in legislation engaging their communities in a dialogue about the nature of community life, now, and into the future (see for example Leach *et al* 1996). While research into innovation and creativity at work suggests that such strategies provide the promise to meet the challenge of how to bring about change in the work environment (West and Farr 1990) there has been much less interest in how innovation and creativity in local government organisations works to facilitate reform and change in communities.

Jones (1993, p.1) argues that local government's main role is to help local communities to learn to make strategic choices by balancing the costs and benefits of efficiency, effectiveness, economic growth, quality of life, social justice, participation and legitimacy. This role, one suspects, demands a high level of innovation if local government organisations are to be effective in their work. There is, however, little actual research on the nature of innovation in local government.

This research, therefore, asks the questions: what makes an innovative local government organisation culture? One which deals with uncertainty, brings new ideas to fruition, values creative thinking and learning, actively encourages its members to learn about new ways of working, uses a developed wealth of employee experience and competence, and brings forth new and imaginative ways of working from across the organisation to eagerly embrace change. All of which goes to making the community they serve a better place to live.

What makes an innovative organisation culture is a perennial question, one which reaches to the core of academic work in management and organisation and challenges managers in all organisations. When the innovation strategies outlined in this paper are applied, simultaneously, they create a powerful synergistic force for change enabling local government to be successful well beyond their expectations. The research then attempts to answer questions such as, how do local government organisations develop a culture of innovation to address economic and community development issues facing their community? How does innovation become embedded as a way of thinking and acting within council organisations? The research assumes that, over time, local government organisations must achieve a minimum level of innovation if they are to effectively manage economic and community development issues. Understanding the nature of innovation in local government will be essential if they are to effectively manage these issues.

In presenting our research findings this paper is divided into three parts. The first part covers the literature relating to the concept of innovation, more generally, and innovation within local government organisations, in particular. The second part outlines the innovation process in four local government organisations regarded as

being innovative. The third and final part discusses the innovation process in local government and outlines strategies to assist people working in local government organisations to be more innovative.

PART A: WHAT IS INNOVATION?

There is a lack of specific research into contemporary approaches to innovation in local government, a sphere of Australian government under constant pressure to change reform. Under the direct control of state governments the Australian systems of local government have been subject to change as a function of the pressure for change felt by the state and Federal governments (Chapman et al 1997).

The definitions of innovation outlined below give focus to this research which is interested in the way in which innovation processes become embedded in the culture of local government organisations. How do these innovative practices assist local government organisations to focus on, and bring to effect, economic and community development. These definitions recognise the process of introducing new things or methods. It is this process of introducing new things or methods into local government management and organisation that motivates this research. Importantly, what is it that facilitates and sustains the innovation process, and how can this process be encouraged in other local government organisations.

Definitions

Rogers (1998) makes the important distinction between innovation and invention. The innovative organisation does not need to have invented the new product or process they adopt (Rogers 1998). Innovation is as much about the way new ideas and products are brought to effect as it is about the uniqueness of the original concept. The difference between innovation and invention is an important distinction for this research. Local governments do not have to have invented a new product or service to be innovative. What the case studies reveal is that the process of improvement leading to sustained economic and community benefit in this sphere of government is a far more important innovative process. Their innovation is in recognising the application and implementing it in their organisation.

The literature on innovation is vast, reflecting the great interest in this subject. The desire to understand human growth and development is reflected in this study of the innovation process. It is this very process which drives the development of human society. The literature identifies the process of innovation in business as being something that is new or improved, done by an enterprise to create significantly added value either directly for the enterprise or indirectly for its customers (for example see Carnegie and Butlin 1993:3).

Van de Ven (1980:712) defines innovation as the introduction or implementation of a new product, service or policy. Rogers defines an innovation in the same vein as an idea, practice or object according to (1995:11) that is perceived as new by an individual, or other unit of adoption. It matters little whether or not the idea is objectively new as measured by the lapse of time since its first use or discovery. If the idea seems new to the individual, it is an innovation. The traditional business

definition of innovation is when, and if, the invention is first commercially introduced by a firm (Davies 1979:1).

Zaltman, Duncan and Holbeck (1973:10) provide a broader, more fundamental definition of innovation, as any idea, practice, or material artifact perceived to be new by the relevant unit of adoption. The unit of adoption can vary from a single individual to a business firm, city, or a state legislature.

West and Farr (1990:9) capture all of the characteristics of the definitions when they define innovation

‘as the intentional introduction and application within a role, group or organisation of ideas, processes, products or procedures, new to the relevant unit of adoption, designed to significantly benefit the individual, the group, organisation or wider society.’

The innovation literature also identifies ‘stages of innovation’. Pelz and Munson (1980:4-5) identify four stages:

Diagnosis is the translation of a sense of unease or an aspiration into a problem so that action toward solving it may be undertaken.

- * *Design* is the development, adoption, or borrowing of an innovating solution.
- * *Implementation* is the “payoff” stage of the innovating process; the innovation is put in place, and the process of embedding it in the organisation becomes the central activity.
- * *Stabilisation* is the period in which the innovation proves itself either a success that becomes the status quo or a practice that disappears in some shift of organisation priorities.

Of course these are never distinct stages and there is considerable iteration as the organisation rethinks and recycles back through the early stages.

Pelz and Munson (1980) also consider the level of the development of new ideas tried by organisations. Was this an idea initiated within the organisation? Something which fits both aspects of the definition of innovation. Both a novel idea never thought of before and implemented in the organisation. Or was it an adaptation of another idea? Or something tried and tested elsewhere and simply borrowed by the organisation? These distinctions of level of development are also never clear-cut. While there are observable similarities in the idea or technique the way in which individuals actually borrow ideas and techniques will be different across organisations. A reason why we find the use of vague ecological metaphors such as the concept of evolution to assist our understanding of the processes of organisational change (see, for example, Greiner 1972).

Pelz and Munson (1980) bring these two ideas together: the stage of innovating and the level of the innovating process. This relationship is set out in the figure below.

Level of Innovating Process	Stage of Innovating			
	1. Diagnosis	2. Design	3. Implementation	4. Stabilisation
A. Initiation				
B. Adaptation				
C. Borrowing				

The case studies discussed in this paper suggest that the innovation process in local government cover a number of cells in this framework. It is possible with every change there is something unique about the idea, ideas from others are adapted and borrowed and the development process iterates through the stages of innovation. This is especially so over time, and with more comprehensive, organisation wide innovation.

The literature on innovation and change in organisations, and, more specifically, on local government innovation and change suggests a number of interrelated factors. These are discussed below before considering how these factors are reflected in the innovation process in four case study councils.

Innovation Strategies

The key role of creative individuals

Paradoxically, individuals are central to the innovation process within organisations. Yet an innovative culture must, by definition, embrace all members of the organisation. In fact it is the way in which particular individuals work together across organisations, sharing their creativity and enthusiasm for new ways of working that leads to organisational innovation. Kirton (1976) suggests that some individuals are more likely to innovate than others. If these individuals are well placed within the organisation hierarchy they are less constrained by others less likely to innovate. In specific situations individual differences will be less important than the interactions between situational and personal characteristics. Clearly there is an important relationship between individual and organisational characteristics affecting the development of a culture of innovation.

In providing a model of organisational innovation Amabile (1988) identifies three components that must be operating at the individual and organisational level. These components are resources, techniques and, most importantly, motivation. Resources refer to individual talent and organisational funds, materials and support. Techniques refer to individual skills and organisational skills in innovation management. Motivation refers to intrinsic task motivation of individuals and organisational motivation at the highest level in the organisation. In contrast Staw (1990:289) suggests that ‘creativity results from the combination of high variation and high selectivity. To have a creative response requires widely varied input to the problem. Yet, the wider the variety of input the more selectivity must be used to decide which of the alternatives to retain.’

Amabile (1988) provides an important overview of the qualities of individuals that influence creativity. She identified ten qualities of problem solvers that served to promote creativity and five that served to inhibit creativity. The qualities that promote creativity were:

- * Personality traits; including persistence, curiosity, energy, an intellectual honesty,
Self-motivation; being self-driven, excited by the work itself, enthusiastic, attracted by the challenge of the problem, having a sense of working on something important, and a belief in or commitment to the idea,
- * Special cognitive abilities; special talents in the problem-solver's particular field, as well as general problem-solving abilities and tactics for creative thinking,
- * Risk orientation; unconventional, attracted to the challenge, oriented toward taking risks and doing things differently,
- * Expertise in the Area; talent, experience, and acquired knowledge in the particular field,
- * Qualities of the group; synergy arising from the intellectual, personal, and social qualities of the individuals making up the project team,
- * Diverse experience; broad general knowledge and experience in a wide range of domains,
- * Social skill; good social and/or political skills, good rapport with others, being a good listener and a good team player, and being broad minded or open to others' ideas,
- * Brilliance; a high level of general intelligence;
- * Naivete; being naïve or new to the field, not biased by preconceptions or bound by old ways of doing things. (Amabile 1988:128-129)

Those qualities which inhibit creativity were:

- * Unmotivated; lack of motivation for the work, not being challenged by the problem, having a pessimistic attitude toward the likely outcome, complacent, lazy,
- * Unskilled; lack of ability or experience in the problem area,
- * Inflexible; being set in one's own ways, opinionated, unwilling to do things differently, too constrained by one's education or training,
- * Externally motivated; being primarily motivated by money, recognition, or other factors aside from the work itself, responding primarily to restrictions and goals set by others, being competitive and jealous of someone else's success.
- * Socially unskilled; lack of social or political skills, such as being a poor team player. (Amabile 1988:129)

The innovation process is one which is initiated and driven by individuals who are well placed within the organisation's hierarchy, and who are driven by an innate curiosity to find new ways of working, and have an inherent belief in their own ability to succeed. McGrath *et al* (1998) identifies the individualistic, essentially elitist risk-taking behaviour of entrepreneurs, whether they be individuals starting up new businesses or managers well placed within established organisations.

By virtue of their relatively senior position innovative managers take a broad view across, and out of, their organisation. Their disposition is such that they, metaphorically speaking, 'get on the balcony', - which Heifetz (1997, Heifetz and Laurie 1994) also suggests is a key characteristic of effective leadership. Given this 'view' and their innate curiosity they see possibilities that others would not always consider. It is this special combination of position and personality that is the cradle of innovative behaviour.

Managers displaying innovative behaviour are seen as optimists. If they are to maintain the search for new ways of working, and to continue with their efforts to implement their ideas - to be 'unreasonable' as Handy (1989) suggests - they need to maintain an optimistic stance if they are to make things happen. They need to be able to respond to the inherent pessimism and conservatism that often characterises many public sector bureaucracies. Bandura (1977) made a key contribution to our understanding of individual innovative behaviour with the concept of self-efficacy. If an individual believes in their ability to succeed they are more likely to attempt to innovate and thus bring about change in their environment.

Persistent, optimistic, well-placed individuals driven by a desire to develop new ways of working are an essential ingredient in creating an innovative organisational culture. The management literature suggest that without such individuals it is not possible for creative innovative strategies to emerge in times of crisis and change.

Responding to external pressure for change

External pressure for change is the major driver for reform in Australian local government. While some organisations seek to innovate simply to improve service delivery the deregulation of Australia's economy in the 1980s and early 1990s has meant that the public sector has had to reform its work practices in line with the reforms occurring in the non-government sector. A key policy change in microeconomic reform in the early 1990s affecting all governments was the Hilmer Report (Hilmer *et al* 1993). This Report provided the framework for the Commonwealth Government's National Competition Policy (NCP) which was embodied in the *Competition Policy Reform Bill 1995* (Parliament of Australia).

In concert with economic rationalism and managerialism, which has become known as New Public Management (Gray and Jenkins 1995, Lane 1994), this policy shift has had a significant impact on the public sector moving toward typical private sector market mechanisms for the development and delivery of services. Services traditionally seen as the exclusive domain of local government organisations.

The deregulation of the Australian economy and the subsequent microeconomic reform has been the biggest driver for change in Australian local government. There have also been other external drivers. These include the changing nature of the Australian economy, with a declining commodities based economy relative to an increasing service based economy. At the same time information technology has had a significant impact on Australian local government organisations over the last decade. They have embraced this new technology with over 98% of councils accessing the Internet (Martin 2000). The 'electronic herd', as Friedman calls them (1999) - those traders who move funds around the world chasing the best rate of return - have a

significant affect on exchange and interest rates, which have an impact throughout all Australian organisations, whether they be public or private. This impact will also be felt in local government as councils grapple with changes such as e-commerce and e-business.

It is clear that all organisations in open, western liberal democracies are affected by these changes. Naschold's (1996) discussion of the structural reforms and innovation strategies in the public sector in OECD countries, for example, explains much about the drivers for change leading to innovation in these countries.

Innovators look for, and work with, the waves of political, social, economic and technological change occurring in their environment. They adopt an open and engaging strategy learning as much as they can about what drives change and how they might come to work with it, rather than fighting a fruitless rearguard action to restore things to the way they were in some idealised past.

Encouraging experimentation and the search for new ideas

Innovators need to experiment in their search for new ideas. They need to feel a degree of freedom within their organisation to experiment, even if that means some ideas turn out to be inappropriate, for whatever reason. As long as the experimentation does not place the organisation and its divisions within a perilous situation; that it is acceptable on moral and ethical grounds; and is not prohibitive in terms of the call on resources, then such experimentation is an essential part of an innovative culture.

Kottler (1994) refers to the idea of 'productive risk taking' in his study of advanced group leadership. The assessment by the innovator that there will be a productive outcome in the long run to measured risk taking. Brockhaus (1998) identified the risk taking propensity of entrepreneurs as a characteristic of their success. These entrepreneurs are prepared to enter into uncertainty and to manage ambiguity to achieve their outcomes. This behaviour occurs regardless of the organisational setting in which they work.

A characteristic of innovators and their experimentation is the constant search for new ideas. Experimentation for innovators is more than a one off event. It is a series of sporadic, seemingly unrelated events over time. Innovators are constantly searching for new ideas linking their learning over time. It is a constant, never ending process. In some individuals it verges on obsessive behaviour.

Networking with other organisations

The role that networks play in mitigating environmental uncertainty and promoting social learning of adaptive responses among linked organisations needs to be considered in the innovation process. Little is currently known about if, how, and why networks may affect organisations' efforts to transform themselves when confronted by environmental changes that threaten their survival (Kraatz 1998). By explaining the innovation process we may be in a position to understand how organisations transformed themselves in the face of environmental uncertainty.

Kraatz's (1998) study of learning and change in 230 private American colleges supported two arguments. The first that strong ties to other organisations mitigate uncertainty and promote adaptation by increasing communication and information sharing. The second that networks can promote social learning of adaptive responses, rather than other, less productive, forms of interorganisational imitation.

Networks play a role in mitigating environmental uncertainty and promoting social learning of adaptive responses among linked organisations. Findings revealed significant, if not overpowering support for the argument that, strong ties are particularly valuable in promoting adaptation. These ties create high-capacity information links between organisations and engender a motivation for information sharing, mitigating uncertainty and allowing a focal organisation to vicariously benefit from the insights and experiences of its peers. Colleges tended to adopt professional programs that had previously been adopted by others in the same consortium, apparently being influenced by the information received through these social ties. Change in many local government organisations follows the same path. They learn from each other at conferences and seminars and implement their own version of an innovation developed by another council.

Kraatz (1998, p.621) looked at innovation through imitation. He concluded that strong ties to other organisations mitigate uncertainty and promote adaptation by increasing communication and information sharing; and, networks can promote social learning of adaptive responses, rather than other, less productive, forms of interorganisational imitation. His study of 230 private colleges in the United States provides parallels for understanding innovation in Australian local government. He argues that stable social relationships mitigate bandwagon and status-driven imitation processes, which thrive under conditions of low information. Organisations would be less likely to adapt their core features in response to fads. Research results support the social learning explanation. An organisation's chance of imitating was increased by the performance of early adopters of a similar program, by a budgetary crisis (which he argues provokes search behaviour). The size and prestige of an early adopter does not make them more likely to be imitated (does not support status-driven theory). In addition growing prevalence of a particular program did not increase its chances of adoption nor did the geographic proximity to the source underscoring importance of interorganisational learning.

Kraatz (1998) notes that 'an essential, integrating theme in the diverse literature on adaptation has been the drive to identify the principal forces to promote, prevent, or otherwise shape organisations' attempts to transform themselves in response to environmental change.'(p. 621). In local government transformation and change one of these principal forces is the way in which local government organisations learn from each other. It is this process of learning and innovation that is of interest in this research.

Recent research by Kloot and Martin (2000) confirms the important role interorganisational networks play in the innovation process in Australian local government. They found that local governments pay more attention to the way neighbouring, and similar local governments address new issues than through benchmarking and reviewing their own processes in isolation.

Kraatz (1998) also presents three alternate perspectives on the nature of this intranetworking, or innovation by imitation, include; bandwagon; status-driven; and, social learning. He argues that stable social relationships mitigate bandwagon and status-driven imitation processes, which thrive under conditions of low information. Organisations would be less likely to adapt their core features in response to fads. Research results support the social learning explanation. An organisation's chance of imitating was increased by the performance of early adopters of a similar program, by a budgetary crisis (he argues provokes search behaviour). The size and prestige of an early adopter does not make them more likely to be imitated (does not support status-driven theory). In addition growing prevalence of a particular program did not increase its chances of adoption nor did the geographic proximity to the source underscoring importance of interorganisational learning

Being part of a wider network of local government councils provides significant opportunities for innovation for those councils who encourage their staff to mix with other councils learning about new and different ways of working. It is the seed-bed of much change in Australian local government

Building on absorptive capacity

Innovators looked beyond their own organisation for inventions and innovative processes that can be applied in their own place. Cohen and Levinthal (1990) argue that 'the ability of a firm to recognise the value of new, external information, assimilate it, and apply it to commercial ends is critical to its innovative capabilities'. They refer to this capability as the 'firms absorptive capacity and suggest that it is largely a function of the firms level of prior related knowledge' (p. 128). (p 128) In acknowledging that outside sources of knowledge are often critical to the innovation process Cohen and Levinthal (1990) refer to March and Simon's (1958) earlier observation that 'most innovation results from borrowing rather than from invention.' (p 128).

In a system of local government where there are well over 600 local authorities operating under largely similar legislative frameworks, at the same level of economic and community development, with similar levels of education and professional training and technology use (Martin 1999) it is not surprising that innovators look to other local government organisations for new ideas about how to improve the delivery of value for money services to their community (Kloot and Martin 1999). Cohen and Levinthal's (1990:128) view that 'the ability to evaluate and utilise outside knowledge is largely a function of the level of prior related knowledge' is of interest to this research. This reflects the adage that 'learning begets learning'.

It is not enough just to network with colleagues across the local government industry. It must be matched by a personal desire to learn more about the way things are done in this industry. Cohen and Levinthal's findings suggest that there are long term pay-offs for Australian local government when it invests in the education and training of its employees, at all levels. It adds value to this investment when it encourages employees to network with other local governments in order to learn new ways of working.

Building Innovative Capacity

Building innovative capacity is a conscious strategy to qualitatively improve the human capital that is the organisation's employees. The key words are building and capacity. Innovative capacity must be built in an organisation, and where one starts to build will be different for different organisations. For some organisations - using a structural metaphor - it will mean building from the ground up, for others it will mean remodelling, or creating an addition. The idea of building something suggests that a plan, or a picture of the finished product is in the builder's mind. In organisational terms having such a picture goes to the heart of the innovative organisation. Optimistic managers with a vision of the future, of what is possible in organisational terms, are key drivers in building innovative capacity.

Capacity is a more elusive concept. Emery (1974) raises this issue in his important work on the structuring of work. He believes that redundancy in work groups is an important factor which allows for creativity and innovation to emerge. In a critique of Tayloristic job design, where work is broken up into ever decreasing pieces, the capacity to try new ways of working is lost people are resigned to doing straightforward highly repetitive tasks. We are not suggesting that the more redundancy there is the more capacity there is for innovation. Rather there is an optimum level of redundancy, or thinking time beyond the immediate demands of the job, that enable innovation to occur. Our view is that managers who actively encourage creative thinking and action during redundant periods are creating the opportunity for innovation.

Innovation occurs when people develop new insights into ways of working. Building capacity refers to this process of enabling people to acquire and to develop new insights into the way they work and problem solve. While absorptive capacity refers primarily to individual learning, building innovative capacity refers to organisational learning (Senge 1990).

Senge (1990:10) notes that

‘the discipline of team learning starts with “dialogue”, the capacity of members of a team to suspend assumptions and enter into a genuine “thinking together.” To the Greeks *dia-logos* meant a free-flowing of meaning through a group, allowing the group to discover insights not attainable individually.’

Creating a dialogue amongst the council employees about how we could do things differently, more efficiently and effectively, will build capacity within the organisation.

Senge (1990) suggests that learning occurs when ‘the five disciplines develop as an ensemble’ (p. 12). He regards systems thinking as the process which brings disparate disciplines together to form the learning organisation. The concepts of synergy and critical mass help us to understand how innovation becomes embedded in organisational culture.

In his study of the nature of innovation in Silicon Valley Hamel (1999) realised that the ideas, resources and ability circulate freely in that community coming together in

combinations most likely to generate innovation and wealth. Hamel believes that traditional companies must move from resource allocation, a system mainly focussed on avoiding risk, to resource attraction, a system which nurtures innovation. Traditional organisations like local government should be able to innovate more readily than many small organisations in an unstructured way because the traditional organisation already has the resources, a market, and communication network with key stakeholders as well as first call on the capability of the people who work for them.

Innovators network externally and internally. It is not enough to gain new ideas from elsewhere. Innovators need to work within their council to bring these new ideas into fruition. Building employee capacity by working across divisional structures builds an innovative culture.

Managing flexible organisation structures

There is much debate in the management and organisation theory literature on the structuring of organisations (see for example, Mintzberg 1979). At its most general level this debate concludes that it is a contingent concept in that it depends on a number of factors relating to size, technology, product and so on.

The key organisation design issue for innovative management is whether or not there is sufficient flexibility within the structure to allow for people to work across the divisions of the organisation so they can develop innovative ways of working. After a lifetime of observing entrepreneurs Drucker (1998:149) concluded that 'what all the successful entrepreneurs I have met have in common is not a certain kind of personality but a commitment to the systematic practice of innovation.' In his review of the systematic practice of innovation Drucker (1998) cites the development of the computer, which required no fewer than six separate strands of knowledge. Although the necessary knowledge was available as early as 1918 it was not until 1946 'when all the elements suddenly converge' and 'there is tremendous excitement and activity' (Drucker 1998:156) that the first computer appeared. Innovation across local government organisations has these same 'convergence' characteristics. Flexible organisation structures are essential if this convergence is to work.

Given the rules of organisation design the formal structure will be appropriate in the great majority of work situations where there is an optimal working relationship for known issues and problems which occur on a predictable and routine basis. Innovation, as a process, however, is typically outside of these known and predictable parameters. By its very nature, something which is perceived to be new or different, innovation will not always fit with the preconceived notions of how work is to be carried out and thus organisations designed to bring these innovations to fruition.

So the reality of organisation design and the process of innovation is that for innovation to occur there must be a preparedness for managers and individuals within divisions to work across formal divisional boundaries if they are to entertain new ideas, to experiment and to build new ways of working.

The political reality of life in many divisionalised organisations is a major impediment to organisational flexibility. While we have identified the key role of well placed individuals, that is managers with positional authority who play a key role in

innovation, often the creativity and ideas comes from those people actually carrying out the work. People doing the work, over time, see different ways of carrying out their tasks to those who originally conceived how it should be done (Emery 1974). This view of their job or task can be used to the organisation's advantage through competent management, or it can be used to frustrate the organisation where managers fail to recognise its potential and the choices are left to the employees (see Mechanic's 1962 early identification of this phenomena).

Senior managers, whose role it is to work across the divisions of council's organisation are less prone to malevolent political games played by middle managers protecting their turf because these senior managers have legitimacy in leading the innovation process. The leadership challenge for senior managers is to create flexible structures and work practices such that people up and down the hierarchy can work with their peers across the council organisation (Heifetz 1994, 1997).

Having a long-term community focus

While there is an argument that individuals innovate for the sake of it, the main drivers for innovation relate to higher order goals. Typically those embodied in the vision to which a council aspires. Emery (1974) notes, one of the key factors in creating valued work in organisations is to be able to link that work with a sense of purpose as to why one is putting their heart and soul into the job. Conversely, work that is boring and repetitive, where the employee cannot make a connection with what they are doing and higher goals, means that they come to lack motivation and interest in the job. An innovative organisation makes the connection for all employees with what they do and why it is done. The challenge for local government leaders is to take this broad view and to make this connection for people who may be more inwardly focussed and not able to see why they are doing what they are doing for their community.

Innovation in local government

Bingham's (1976) research on the adoption of technological innovations in local government in the United States provides important information on this process. He identifies three variables contributing to the adoption of innovation by local government; namely, community environment, organisational environment, and organisational characteristics. When combined with demand for new ways of working, products or services, innovation is more likely to occur. Bingham (1976:216) notes that community environment effects innovation adoption significantly, but only indirectly.

'The community environment is a significant determinant of all three intervening variables but is not the direct determinants of innovation adoption.'

This is an important finding guiding this research. The proposition being that, fundamentally, what is happening in the broader environment is the driving force for change within local government organisations. In the case studies reported below, we have to ask, what was happening in the broader community that caused the organisation to respond?

Importantly Bingham (1976) found that the most constant relationship in the adoption of innovation by local government was the relationship between the community environment and demand. This environment generates demand variables and works through organisational factors to affect the adoption of innovation. Not surprisingly then, organisational characteristics and organisational environment 'are the major direct determinants of innovation adoption and thus offer the policy maker the best theory is for intervention.' (Bingham 1976:216).

Bingham's (1976:216) definition of the organisational environment in the United States is equally relevant in the Australian local government setting.

'This environment consists of its industry, market, etc. For the public organisation, it consists of its relationship with other governmental units, the private sector as it effects the organisation, and other similar entities. In other words, the organisational environment is that environment within which the organisation operates above and beyond the local community.'

This definition of organisational environment in relation to Australian local government is most relevant. As the Australian system is under the direct control of state governments the nature of the political, legislative, and administrative environment at the state level has as a significant influence on individual local authorities. Also, through Australia's federal system government, and its mechanisms for revenue sharing, the Commonwealth government also has an interest and influences the workings of local government organisations. In fact, in the light of state and local government relations in Australia in the 1990s the organisational environment, as defined by Bingham, has been a major factor impacting on change within local government organisations.

Bingham (1976:11) notes that much of the diffusion research surrounding the adoption of innovation suggest that organisational characteristics play an important role. He notes that organisation characteristics such as size, structure, and professionalism often affect innovation adoption. Bingham also notes that the organisation theory literature is resplendent with many arguments about why organisations are in a constant state of change. For example, when decision-makers identify a performance gap, they are perceiving the difference between what the organisation is doing now and what they believe it should be doing in the future, they are identifying a basis for change. Other factors identified include the degree of formality in the organisation, its complexity and the way in which rules and procedures interrelate with this complexity. Centrality in decision making will also stifle innovation. Equally, the higher up the organisation decision making takes place the more centralised decision making is and the less likely innovation will occur.

Bingham (1976:12) also notes the important work of Rogers and Shoemaker who highlight the role of certain types of individuals in organisations for the diffusion of innovation to occur. People who are more educated, more cosmopolitan, more likely to be the opinion leaders, and more professionally oriented, are those more likely to contribute to the innovation process. This view is consistent with the characteristics outlined earlier in this paper.

Out of his review of organisational characteristics impacting on the innovation process Bingham (1976:12) framed eight hypotheses relating organisational characteristics to innovation adoption. These hypotheses were:

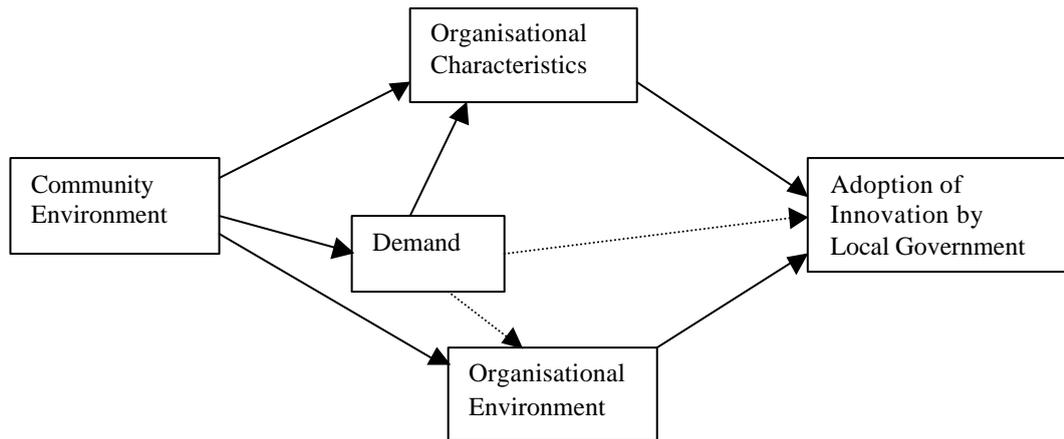
1. The adoption of innovation is positively related to an appointed (versus elected) decision making body.
2. Governmental units directed by elected officials have a high propensity to adopt innovation based on their value.
3. A formal decision making structure is negatively related to the adoption of innovation.
4. A centralised decision making structure is negatively related the adoption of innovation.
5. Organisational size is positively related to the adoption of innovation.
6. The level of organisational funding is positively related to the adoption of innovation.
7. The presence of a large number of professionally oriented individuals in an organisation is positively related to the adoption of innovation.
8. The presence of a civil service structure and/or employee unions is negatively related the adoption of innovation.

From these hypotheses Bingham's (1976:213-213) research concluded 'the characteristics of the organisation, with the exception of organisational size, do not generally affect adoption levels.' This is an important finding relevant to Australian local government. A characteristic of change across the Australian system in recent years has been to restructure and amalgamated local governments into larger units.

Bingham provides a number of important conclusions concerning the adoption of innovation by local government. He makes the distinction between the process -- product of invention. While there is regularity and predictability in the adoption of process innovations, product innovations are adopted on a more regular basis. The research reported in this paper is more interested in the adoption of process innovations within council organisations which lead to improvements in local economic and community development.

Importantly, when considering the Australian system of local government Bingham's findings, in relation to the organisational environment, are most pertinent. He found that intergovernmental assistance, fiscal and otherwise, and resource levels are the most important direct contributors to innovation commitment. He noted 'resource availability in one form or another was found to be directly or indirectly related to all process and service innovations. In those cases where intergovernmental aid was specifically available, this assistance also proved to be an important contributor.' (Bingham 1976:214).

Bingham model for the adoption all technological innovation in local government is also applicable to adoption of innovation processes, more generally, in local government. His model of innovation is set out below.



A Model for the Adoption of Technological Innovation by Local Government
(Bingham 1976:215)

PART B: CASE STUDIES

Research strategy

The selection of case study councils for this research was initially based on those councils applying for innovation awards under the Commonwealth Government's national awards for innovation in local government. Applications were obtained from all councils who made submissions in the category of engineering, infrastructure and urban design in 1998. Several other local government organisations were approached on the basis of recognition for innovative activities under other schemes, such as Wollongong City Council, a recipient of numerous awards from the Australian Quality Council. The Richmond River Shire Council was also the recipient of the 1995 A. R. Bluett Memorial Trust Awards.

The majority of applications under the Commonwealth government's national awards for innovation in local government are for the development of new techniques or for specific projects. Very little is revealed in these applications about the impact of these new techniques or the development of specific projects on the culture of the particular local government organisation. This aspect is a more difficult to assess and goes beyond the purpose of the Commonwealth's national awards. It is this effect, however, which is of interest to this research.

All of the case study councils are involved in innovative processes, and have been so over an extended period of time. They are not organisations who have necessarily invented new techniques, although maybe using and attributed via success to such techniques. Importantly they are organisations who having changed the way they function as a result of this innovation. On the basis of the innovation literature, reported above, into the nature of innovation, in general, and innovation in local government, in particular, a semi-structured interview schedule was prepared to guide the interview with each case study council.

Four local governments were selected for this research. Wollongong City Council and Richmond River Shire Council in NSW; the City of Whittlesea in Victoria; and, Ipswich City Council in Queensland. Each Council was visited in order to identify how the innovation strategies identified in the literature were applied at these Councils.

A brief description of each case study council is provided below covering:

- * The context for reform; usually economic pressure for change
- * The players; the individuals driving the change
- * The particular innovation strategy; and
- * The organisational outcome.

Wollongong City Council, NSW.

Wollongong City Council, located some 90 kilometres south of Sydney, is commonly referred to as 'Steel City' because of the extensive steel making activities of the Broken Hill Proprietary (BHP) company in that City. A major factor in the development of the steel industry in Wollongong was the availability of coking coal beneath the escarpment surrounding Wollongong. Both of these industries have experienced dramatic change over the last two decades resulting in downsizing and restructuring which has created the need for economic readjustment programs creating employment difficulties for the region.

In response to these broader environmental changes Wollongong City Council has focused both on the improvement of external service delivery and internal organisational processes. It is the innovation occurring with internal organisational processes that Wollongong City Council is best known for, having won numerous national awards throughout the 1990s. This is, in fact, recognition of the way in which the Council organisation has re-focused itself to ensure high-quality services are delivered to its community.

Importantly Wollongong City Council has had a stable senior executive team throughout the 1990s. There has only been one external appointment to the top 15 executive positions since 1993. This stability is regarded as important in the change process in Wollongong, seen as a long-term organisational change strategy, not a quick fix response to pressing community problems.

Two key individual drivers for a quality culture in the Council organisation are the Chief Executive Officer and the Quality Improvement Manager. These two managers both grew up in Wollongong and have known each other since their early school days. This is seen as important by the Quality Improvement Manager as he has had primary responsibility for the development and implementation of quality processes within the Council organisation. As the champion for quality this manager has received continuous support from the CEO ever since the Council embarked on this process of innovation.

Wollongong chose the quality improvement strategy in large part because it complimented the Council's decision not to use redundancies and retrenchment as the

basis for restructuring and reforming the Council organisation. This has proven to be a very successful strategy in terms of this requirement

It is a focus on continuous improvement via quality management processes that is innovative within Wollongong City Council and of interest to this research. Led by a CEO born and bred in Wollongong the City Council undertook their decade long innovation around quality management processes in response to the long term changes occurring in the City's economic structure evident in the mid 1980s. Playing its role in concert with State and Federal government initiatives to address economic and labour market restructuring the City Council sought to improve the prospects of people living in Wollongong.

In 1997 Wollongong City Council received a national Australian Quality Award, the first local government authority in Australia to do so. This prestigious award acknowledges the significant work undertaken by both management and staff to implement a quality culture, based on continuous improvement and customer service. It is this commitment to developing a quality culture that is truly innovative in Wollongong City Council.

In 1990 Council management identified four key principles on which to base its quality program. These principles are still the basis for Wollongong's program, and are:

- Customer focus
- Continuous improvement
- Teamwork
- Data and measurement

These principles are seen as interrelated drivers for change and were developed out of extensive staff consultation - through focus groups, discussions, and one-on-one meetings with supervisors. The process of consultation was based on the belief that creating unity within the Council organisation comes from strategies of 'getting together'. When combined with extensive community consultation and continuing community feedback - not to compromise on a clean green city - the strategic vision for the City was clear.

Wollongong City Council reports (REF) that the innovation around quality management processes in their organisation have enabled the Council to address important issues relating to the economic restructuring of the City. It has enabled the Council to do this in an industrial context relatively free of the levels of conflict found in other industrial settings, including other local governments.

That the four key principles referred to above are in fact the basis of Council management is evident in Wollongong City's employment agreement with its staff. The Council has a 'free standing' enterprise bargaining agreement, one that it is not supported by employment awards (a common practice in other local government organisations), and one which guarantees employment security (something the Council has been able to deliver on).

The important economic outcomes are that Wollongong Council has played a major part facilitating and providing services its community such that restructuring has been able to occur making the City a viable and sought after place to live and do business.

Richmond River Shire Council, NSW

The Richmond River Shire Council, with 30% of the Shire taken up with non-revenue producing state forests and national parks, and a low population density, encompasses some 2460km² and is situated between the shires of Ballina in the north, Maclean to the south and Kyogle to the west. With a population just over 10,000 people (a high proportion of which is over 55 years, and under 5 years); an economy based on dairying (and more recently, production of beef cattle); and cane growing, the Shire has developed a culture of innovation in order to enhance its financial prospects and meet the demand for community services. In recent years tourism has also become a major economic driver in the Shire known for its beautiful hinterland and coastal scenery.

The Richmond River Shire was formed in 1976 when the smaller shires of Tomki and Woodburn were amalgamated. However, in the early 1980s the Council realised that even with the economies from amalgamation revenue at that time would not be sufficient to fund new capital works. In 1983-84 the NSW State Government allowed Richmond River Shire Council to increase its rates by 11.7% and 17.26% respectively. Even with these large increases the Council realised that revenue from rates would be insufficient to meet the needs of the Shire.

At this time the Council made the decision to establish a number of business enterprises to generate additional revenue to meet Shire needs. These included winning tenders for road repair outside of the Shire; private subdivision work; expansion of its blue metal quarry so as to sell direct to the public; and the development of a prestressed concrete plant after the only private company making such products ceased operation. The Shire also negotiated the Australia wide rights for new bridge module known as the 'Doolan Deck'. This product has become part of the Council's bridge building enterprises.

The Shire also utilised the skills of its workshop employees by rebuilding old road plant. Largely bought from auction by a team of Council workers this plant has, for example, been used in the commercial development of the Council's quarry, which was valued at several million dollars in 1995. The plant acquired and rebuilt for this development was valued at ten times the original purchase price.

The key players in the development of Richmond River Shire's business development strategy were the councillors in the mid 1980s who established, and subsequently, maintained this policy over two decades. The senior managers within the Council at the time, and since, have also played a key role in establishing this innovative, entrepreneurial culture. Importantly, the staff who make up these enterprises (from which there is very little employee turnover) have also played a central role in developing this culture. There is, however, one key figure who has been with the Council throughout this period and who has systematically developed a culture of innovation in the business enterprises he is responsible for. Occupying a senior

management position he has the vision and personal drive over two decades necessary to ensure a successful and effective business development strategy for the Richmond River Shire Council

The Business Development Manager, previously the Shire Engineer, has been the key driver for the development of Richmond River Shire's innovative culture. As a long serving senior manager he has been instrumental in building business success along with a committed, equally long serving workforce. This workforce was acutely aware of the lack of employment opportunities in the Shire and were also keen to make the business activities with which they were associated a success.

Richmond River Shire Council, the recipient of the A R Bluett Memorial Trust Award in 1995, is an innovative Council undertaking business development activities in response to environmental pressures, including the need to fund local infrastructure such as roads and an extensive bridge network. These activities include bridge building, pre-stressed concrete manufacturing, a workshop, quarrying, constructing bridge modules, and hiring Council plant. The role of Business Enterprises for Richmond River Shire Council is 'to provide innovative products and services to supplement the revenue base of Council in the provision of services to the wider Community' (Richmond River Shire Council 1995)

The spirit of the Richmond River Shire Council's approach to business development is captured in the Council sponsored video, "Building Bridges". This title represents the Council's attempt over the last two decades of to fund works and services through the construction of bridges for neighbouring councils and the road traffic authority in New South Wales. As a marketing strategy the production of such videos is rare in local government, and institution which does not see itself in business as the Richmond River Shire Council does with its Business Enterprise development strategy.

The Richmond River Shire Council is now the lowest rating Council in its class in New South Wales (11.5% in 1995/95) and its debt ration is among the lowest in the State. Their success, in fact, has created a dilemma in the negotiations with the Casino City Council - the Council they ring-fence - over a possible amalgamation of the two local governments. Casino relies on rates to fund 46% of annual Council expenditure and Richmond River Shire Council's rates are only 70% of the rates charged by Casino City Council. It will be a tragic irony if Richmond River Shire Council's innovation in developing its business enterprises become an impediment to a harmonious amalgamation with its neighbour.

The Richmond River Shire Council has been able to develop its business enterprise activities to fund the construction and maintenance of infrastructure, to reduce debt and to keep rates relatively low. At the same time the Council has increased its staff from 124 employees in 1993 to 147 in 1995, a significant reversal of the trend in government, generally, and local government, in particular, at this time.

The Council's sound financial position has meant that it is now in a position to develop its vision of building on the natural attributes of the area by the preservation and enhancement of its physical, social, economic and cultural environment. With over a thousand kilometres of unsealed roads in the Shire maintaining these assets is

the biggest expenditure item. In fact, the cost of maintaining such a network of roads exceeds Council's income from rates.

Richmond River Shire Council has succeeded with competitive market based activities while maintaining a high level of service to their community in ways where many other governments have failed. This success has been based on the strong belief of councillors and senior managers that such a strategy for organisational development providing high quality services to its community was possible.

City of Whittlesea, Victoria

The City of Whittlesea, a largely urban council on the northern perimeter of metropolitan Melbourne, was one of the few Victorian councils largely untouched in the wholesale amalgamation of councils in that State in the mid 1990s when 216 councils were reduced in number to 78. As a council with a relatively large geographic spread and a rapidly expanding population at the time of the amalgamations Whittlesea was regarded as being of an optimal size for the demands facing it and thus spared upheaval that comes with council amalgamations. Nevertheless the City of Whittlesea was subject to the 20% rate cut and subsequent rate capping which placed great pressure on the City's ability to meet the infrastructure requirements of rapid urban development. The main driver for change is this rapid urban development and Council's restricted ability to fund the necessary infrastructure to support such development.

The City of Whittlesea has a dynamic and innovative senior management team, the main drivers for change in this Council. Several key players in this team include the Director of Organisation Development who has a wide brief facilitating communication across the Council (including a sophisticated integrated computing strategy) and who assists in much of the important analytical work underpinning the driving project, Innovation 2010. The Director of Community Services also works closely with the Director of Organisation Development and the City's Planning and Development Director. The latter is a key driver for change, a professional with a long-term interest in finding new and enhanced ways of improving the community planning and development process. The recipient of several travel grants to study innovative planning processes in other parts of the world he has subsequently published a book based on these experiences (Turnbull 1998c), thus capturing his ideas in one source and making them available to other local government planning professionals.

The City of Whittlesea instigated the Innovation 2010 Project to assess the future infrastructure costs in the municipality to the year 2010. The purpose of this study was to examine the existing and future needs of infrastructure and service provision and develop innovative strategies to meet these requirements. The process was broad in scope, analysing demographic changes at the municipal and precinct level utilising this information to determine future infrastructure, maintenance and service provision costs. This process provided Council with a strategic financial plan to match the provision of infrastructure into the next millennium. The project team also included research students from the University of Melbourne and consultants.

The innovation in this case study relates to the comprehensiveness and inclusiveness of this planning project. Using the knowledge gained from study tours by the three Directors - mentioned in the last section – along with the support of the CEO, the Council was able to present to the State Government (as they were required to do with their ‘Municipal Strategic Statement’) and their community a well documented vision for the future in a rapidly expanding urban community.

In addition to the Innovation 2010 Project the City also has a number of initiatives which reflect their innovative approach to local government. They have negotiated with land developers to preserve centuries-old River Redgums such that they are now regarded by the developers as key assets in their marketing strategies for this land. Preservation rates have moved for 10 to 70 % of these trees as well as young trees needed to maintain the species in the area.

The City’s new ‘first-of-its-kind integrated computing solution’ provides community services staff with more time to spend working with the community rather than on administering the community services program.

Other innovative projects include:

- * An award winning multilingual fire prevention brochure, now in use by Victoria’s Country Fire Authority;
- * An amnesty on dog and cat registration, which prompted 5,000 new registrations and helped win the Australasian Ranger of the Year Award;
- * A Maternal and Child Health Service with the highest participation rate in Melbourne’s northern region;
- * An award winning anti-litter campaign for sports venues;
- * A street light audit system which cuts costs and the number of faulty lights;
- * Comprehensive guides to local manufacturing, tourism attractions and retail outlets, guiding industrial and retail customers to local suppliers;
- * Streamlined over-the-counter issue of planning permits; and,
- * A fast moving system of approvals for new projects which generate jobs and investment. (Local Government Management 1999)

Whittlesea City Council continues to be a leader in urban development in Australia today. The Council is laying out well planned, people and community friendly, award winning projects. The culture of innovation created in the Council will ensure the community has every opportunity to obtain the best value for money services in their growing city.

Ipswich City Council, Qld

In the 1980s the city of Ipswich was more exposed to the effects of globalisation and a changing Australian economy than most Australian fringe cities. Situated some 40 kilometres west of Brisbane Ipswich suffered from a downturn in traditional commodity based industries along with a winding back of State Government services, especially those relating to railways maintenance and engineering.

Ipswich has always been affected by its proximity with the larger metropolis of Brisbane. Over the last two decades this has been further exacerbated by the continuing strong urban development along the south-east Queensland coast. Improved road access has meant that people living in Ipswich community can more easily access the major retail centres up and down the south-east coastal fringe. This economic drain, in an already low socio-economic community, meant that local business were not able to compete and to employ low people in their businesses. It was these economic factors which caused the Ipswich City Council to look to new ways of encouraging economic development in their City.

The key players in Ipswich City Council's innovative information technology and economic development strategy have been the elected members and the senior management team over the last decade. The CEO and the current Economic Development Manager remain as two important drivers of innovation. In 1992 the previous Economic Development Manager (who had been Deputy Premier in the WA Government, and who had the support of what was then a Labour run Council) and the current Economic Development Manager, who was the Director of Research and Development in the early 1990s, collaborated on a number of information technology projects. This collaboration led to the development of Ipswich City Council's Internet service provider Global Info Links. This business unit now employs 30 people and is one of the largest internet providers in SE Queensland. Importantly the Director of Research and Development was an information technology officer in the Council's computing department in the 1980s when the Council established its internal intranet system.

The Economic Development Manager and the Director of Research and Development were both open to new ways of working with information technology and travelled to conferences on the subject and read widely to inform themselves of the latest developments. With a supportive CEO, who was dealing with the pressing issues relating to a community suffering decline and dislocation as a result of economic changes, they established an Internet service provider, as one of many initiatives designed to address the economic and social issues facing the community. This emphasis on information technology as the vehicle for change led to the development of the Ipswich 'Economy Model'

Researched and developed by the Ipswich City Council, the Ipswich Economy Model initially grew out of the need to obtain investment in the Springfield estate development. The Model is an innovative tool utilised to analyse the local economy and to perform economic impact studies of special events, business and industry establishments, as well as residential developments occurring in Ipswich. Ipswich City Council is the first organisation in Australia using an economy model based specifically on a Local Government's electoral boundaries to produce the required information to:

- * formulate improved strategic plans to attract new businesses;
- * provide programs, policies and procedures to support current and emerging businesses;
- * undertake comparative and trend analysis to determine suitable benchmarks and identify the most effective means of economy improvement; and

- * market to the community the economic information obtained to raise the awareness of the opportunities that need to be capitalised on to improve economic viability.

In 1995 after amalgamation with a neighbouring shire and in response to the rapidly changing economic situation in Ipswich there was substantial change in the type of councillors elected. Only one councillor was aligned with the Labour Party, the remaining eleven classing themselves as independents. All of whom have access to the Internet and now use it to communicate with the Council to gather information to assist them in their role. Over the next few years the Council continued with its information technology led economic development strategy. Part of this strategy was to ensure the people of Ipswich had access to the Internet.

In 1998 three free Internet information sessions run by the Council had over 700 people turn up at each session. By the end of that year 65% of Ipswich households with children 15 years or older were connected to the Internet. The Council supported schools by supplying over 120 modems in the first year of operation (1995). This was a long term economic development strategy that required a critical mass of local users. Ipswich City Council played a key role in establishing the local network and then used it to facilitate local business development. This development has included getting businesses together in 'clusters' to integrate service delivery. The 'Special Events' cluster, for example, includes car hire, flowers, photographs and local clubs.

Ipswich's sophisticated development of information technology has meant there are many other uses within Council in addition to the Ipswich Economy Model. The Council's 'Cross-Service Integration Team' uses information technology to ensure that services offered across the Council are as seamless as possible.

'Global Info-Links is Australia's leading community based Internet provider and offers an integrated information technology and communications hub. Importantly this information technology has been used by Council to facilitate the economic, social and cultural development. Global Info-Links is the catalyst for further economic development in the region and was a major factor in The University of Queensland decision to establish a 'cyber-uni' campus in Ipswich' (<http://www.ipswich.qld.gov.au/>). Having renovated an old health facility the University of Queensland and the Council have created a state of the art higher education facility which is now a major source of economic activity in Ipswich.

The Ipswich City Council was the first local authority in Australia to provide access to the Internet, facilitating education, training, employment and business links. This decision, based on recommendations of creative and innovative managers has meant that the Ipswich community is well placed into the new millennium to take advantage of what will be a central feature of all our lives.

These case studies of innovation in Australian local government demonstrate that this process does not follow hard and fast rules. Innovation is a function of the context in which it is developed. In some local government organisations, for example, what might be seen as innovative may in fact be routine in other organisations. Being innovative is a perception based on what has occurred in the past and beliefs about what the organisation is doing differently to encounter the future. Ironically it is often

difficult, or not a preoccupation for those engaging in new and innovative practises to identify that they are being innovative. It is only some time after the event that those driving the innovation realise that this has occurred, or is occurring, and that the culture of the organisation has changed, fundamentally.

This paradox suggests that local government managers need to develop 'metacognitive' skills around the strategic choices available in their organisation. It is only when individual managers are able to 'stand outside of their organisation', metaphorically speaking, to see the way in which their organisation works that they are able to select innovative practises appropriate to their organisation's situation.

PART C: DEVELOPING AN INNOVATIVE CULTURE IN LOCAL GOVERNMENT

In all of the case studies outlined in this report three important factors contributing to an innovative culture were the same. Firstly, each council was clearly focussed on assisting their community address difficult issues relating to significant local economic restructuring. Secondly, they were constantly looking to learn new ways of doing things, and thirdly they maintained flexible organisations allowing ideas and people to move between functional areas of council to get the job done. In terms of the remaining factors identified at the outset of this research each case study council responded positively but in ways in ways which reflected their needs and circumstances at the time.

Well placed, optimistic managers able to influence key strategic choices in their council were also found in each council. In Wollongong the CEO and the Quality Improvement Manager built a supportive senior management team which worked well with a number of councils over a decade or more to ensure the Council organisation got better at serving its community. This continuous improvement program has become embedded in the organisation's culture such that many more employees feel empowered to find new ways of working.

The CEO at Ipswich City Council provided the political support for the Economic Development Manager, also over an extended period, to develop the Council's information technology and telecommunications based economic development strategy to the extent that it is a national leader in this aspect of local government work. So to at Whittlesea where the CEO supported a triumvirate of the Directors of Organisational Development, Planning, and Community Services. These three were also well placed and optimistic in there attitude to their work in the City.

In the Richmond River Shire key individuals included the elected council of the day, the CEO and the senior managers. As is often the case in rural councils the decisions made at this council to embark on a business development strategy were done in concert with the elected members. Nevertheless the Shire Engineer, as he then was, played a key role in establishing early on council business activities such that he became the Manager of Business Enterprises in the Shire.

All of the case study councils were facing significant external pressure for change. Three were confronting a common driver of change in local government, a declining

local economy brought about by broader national and international economic restructuring. Wollongong was affected by a decline in demand for steel and coal; Ipswich with a decline in commodity based, and government service industries; and Richmond River with declining rural industries. Only Whittlesea was under pressure of cornucopia with high demand for home sites in this northern corridor of metropolitan Melbourne. The context is the key driver for change and innovation. While there are general trends in these drivers each community is unique and the local government has to respond accordingly.

Experimentation was a common strategy in all case study councils. Importantly this experimentation is a process which encourages people to look for new ways of working, often with only a vague sense as to what it is they are trying to achieve. The spirit which drives them is based on values and key principles, rather than concrete outcomes. This is because they are learning as they proceed and are comfortable living with the uncertainty and ambiguity this creates. Wollongong experimented with continuous improvement through well established quality management processes. Ipswich explored the possibilities of information technology based strategies when the application of this technology was in its early stages across all industries. Whittlesea's experimentation was with the practices of urban town planning and community involvement. This reflected their quite specific need to plan for and develop the infrastructure for a rapidly expanding city. Conversely Richmond River Shire was to experiment with revenue raising, Council owned and run enterprises to help raise much needed resources to simply maintain their community assets.

The search for new ideas in innovative councils is constant and carried out by individuals who develop a passion, a habit for such inquiry. Importantly it is done with a collective spirit and there is much dialogue within the council organisation as ideas are put forward, debated, discarded or adopted. The quality process employed at Wollongong is based on the premise that we can find patterns in the way we work and thus try new and better ways of working. The fact that after nearly a decade of this innovation strategy the Council adopted as its latest theme 'data and measurement', something usually found in the early stages of a quality process intervention, suggests a continual searching for new ideas in the basic processes of the Council. The dramatic technological advances in the information technology industry meant that Ipswich was never sitting still when it comes to keeping in touch with these developments. They are constantly participating in industry conferences and seminars, world wide, to ensure they are aware of the latest development and are taking these into consideration in their Council. Whittlesea's general strategy of encouraging Directors to undertake overseas study tours and to report on these to their colleagues on their return is a good example the constant search for new ideas in the innovative local government organisation. Richmond River's search for new ideas is similar to Wollongong in that it is a focus on how the organisation can use its own resources to improve on the way they work. Their strategy of buying second hand plant and using the skills of their own workforce to recondition this equipment to use in the Shire's commercially oriented quarry is an example of the use of employees creativity and innovation to find new ways of working.

These examples of the search for new ideas also reveal the orientation of networking in these case study councils. Wollongong and Richmond River Shire have a primary focus on internal networks while Ipswich, most certainly, and Whittlesea, to a lesser

extent, are oriented to external networks. Of course all case study councils have both internal and external networks with which to find out about new ways of working. The CEO of Wollongong, for example, is well known as someone who takes an active role in the industry within Australia and who works with agencies in developing countries exploring new ways of working to improve local government management.

Cohen and Levinthal's (1990) concept of 'absorptive capacity' is most apparent in these case study councils, chosen for this research because they were recognised as innovators over an extended period of time. Simply stated this notion is that 'learning begets learning'. The converse might be crudely stated as 'ignorance is bliss'. The more the key players in these councils learnt about the strategy they were developing to address real local issues the more they realised they needed to know thus setting them on a never ending path of learning. These councils are very good examples of learning organisations (Senge 1990).

All of the councils built capacity in the competence of their employees, albeit in different ways reflecting their unique approach. Importantly this competence is a combination of knowledge and skills, and the ability and attitude to implement change. To learn about the benefits of quality processes people need to understand the basis, or principles of these processes. The Quality Improvement Manager at Wollongong City Council, for example, has the ability explain the concepts that underpin quality improvement processes in straightforward ways to people across his organisation. The economic Development Manager at Ipswich started his career at the Council in the information technology department. This meant he was able to see how this technology could be applied for economic development purposes. He is also known for his ability to successfully communicate these ideas to others. The style of management at Whittlesea where Directors look beyond their council for new ideas and then create a discussion within the Council about how these ideas might be used in their Council is an excellent strategy of building capacity in employees. The value of tacit, taken for granted knowledge should not be undervalued in local government organisations. The managerial challenge is both to build this capacity and to ensure it is accessed for the good of the community the council serves.

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