

**Paper Title: Disruptive innovations to enhance productivity of Canadian public sector**

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## **Introduction**

This paper debates that certain critical segments of public sector including not-for-profits, have severely lagged in innovations, continuous process improvement and have thus been unable to provide much needed creativity and productivity enhancements to overcome serious financial resources and service delivery challenges.

The paper presents a number of facts responsible for lack of innovation and out-side-the-box thinking that result in chronic low performance of the public sector. It argues that disruptive innovation is crucial for moving forward to prevent failing of strained critical systems and overcoming productivity crisis in the public sector.

“A disruptive innovation<sup>1</sup> is an innovation that helps create a new market and value network, and eventually goes on to disrupt an existing market and value network (over a few years or decades), displacing an earlier technology”. Some examples of disruptive innovation in technology can be iPod replacing the erstwhile Walkman, digital photography replacing film photography and flat screen television replacing the tube TVs.

Though many examples can be brought forward to illustrate the point, for the purpose of this paper we will use the example of cancer care in Canada which in the words of Cancer Advocacy

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<sup>1</sup> [http://en.wikipedia.org/wiki/Disruptive\\_innovation](http://en.wikipedia.org/wiki/Disruptive_innovation)

Coalition of Canada (CACC) is “haphazard, outdated and needs to be overhauled<sup>2</sup>”. For the past decade or so, the province of Ontario has been struggling to reduce the wait times for radiation therapy services for cancer patients but has so far failed to achieve the desired targets in wait times. The Cancer Quality Council of Ontario in their final report of the Roundtable on Waiting Times Measurement released in 2004 says that “delays in access to cancer services can seriously jeopardize patients’ chances for successful treatment<sup>3</sup>.” Despite knowing the problem, having the willingness to resolve it, the desired outcomes (reduction in wait times) could not be achieved. According to the most recent Cancer System Quality Index report<sup>4</sup> released in May 2013 ‘not a single hospital met the provincial target of 85 per cent of patients beginning chemotherapy treatment within 28 days of receiving a consultation’.

In authors’ views, this particular problem and many other issues that plague Canadian public sector in general and healthcare sector in particular cannot be resolved through conventional approaches and keeping the existing practices intact. The authors assert that efficient service delivery, particularly reduced waiting times in health services are only possible by overhauling the health sector through fundamental changes in the processes. If the current models of services delivery and process improvement are kept intact, the change would only be marginal or increment which has serious consequences for the clients. Achieving desired outcomes in public sector service delivery requires drastic changes in approach and learning from the processes in very different sectors might be helpful. Learning from a completely different sector can provide valuable insights that can inspire innovation in the health sector. In this regard, the example of Great Ormond Street Hospital for Children, UK is very relevant. “The hospital’s surgical and intensive care units wanted to improve and speed up the handover process of patients from their

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<sup>2</sup> (<http://www.cbc.ca/news/health/story/2008/02/12/cancercare-report.html>)

<sup>3</sup> <http://www.cqco.ca/common/pages/UserFile.aspx?fileId=93624>

<sup>4</sup> [http://www.thestar.com/life/health\\_wellness/2013/05/15/cancer\\_care\\_report\\_lauds\\_improvements\\_but\\_highlights\\_issues\\_with\\_wait\\_times.html](http://www.thestar.com/life/health_wellness/2013/05/15/cancer_care_report_lauds_improvements_but_highlights_issues_with_wait_times.html)

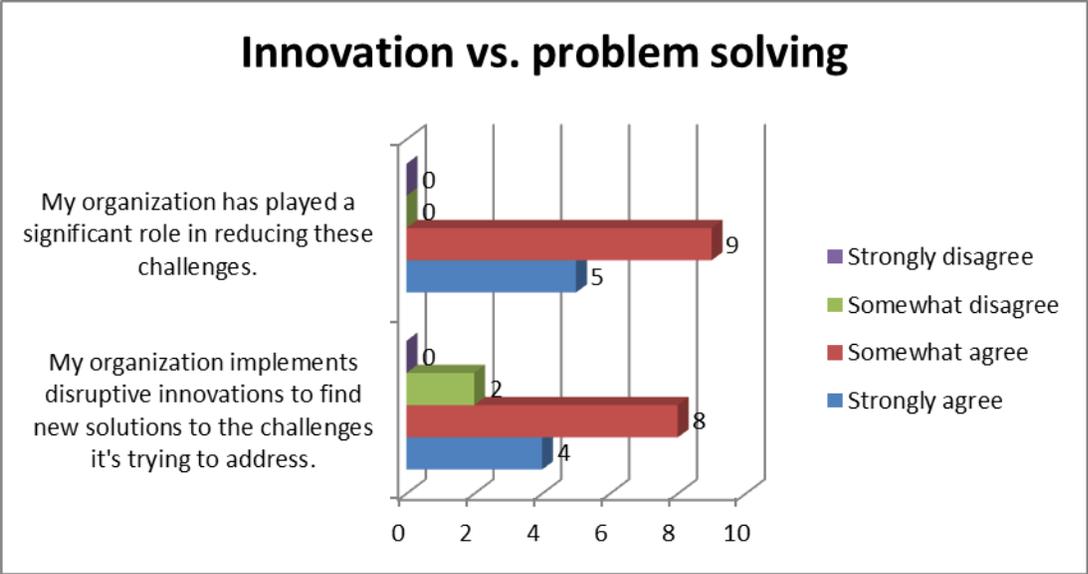
operating theatre to the intensive care unit (ICU) following heart surgery. It could take 30 minutes to untangle and unplug all the wires and tubes from a patient and then transfer them to the ICU. Recognising the similarities with the handover disciplines visible in the pit of a Formula One racing team, they invited the McLaren and Ferrari racing teams to work with them to examine how their processes could be speedier, safe, more structured and thus effective. The staff at Great Ormond Street Hospital report the team enabled them to review what they did with a fresh pair of eyes and helped developed a new protocol. Following the adoption of the protocol, an industrial psychologist monitored 27 operations and found that the number of technical errors and information handover mistakes were almost halved<sup>5</sup>”.

The paper presents evidence gathered through a survey and builds upon national statistics that show how Canada’s public sector and its proxies (which include a large segment of the not-for-profit sector) have lagged innovations and process improvement over the last several decades. Human Endeavour carried out a survey titled: ‘Measuring Disruptive Innovation in Human Service Organizations’. The survey included important public sector entities and not-for-profits operating in education, health and social services sector. Some of the key findings of the survey are as follows.

Of all the organizations interviewed only 28 percent strongly agreed with the statement that they had used disruptive innovation to find new solutions to the challenges they were trying to address while 57 percent only somewhat agreed to the statement. These responses are directly proportionate to their responses for the next question, which was about these organizations’ ability to play a significant role in reducing the challenges they faced. Only 35 percent strongly agreed to the statement that their organization played a significant role in reducing the challenges they were trying to address. While 64 per cent somewhat agreed to the statement.

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<sup>5</sup> The case study has been taken from: <http://asq.org/healthcare-use/why-quality/great-ormond-street-hospital.html>



When asked if their organization looked for creative and innovative individuals at the time of hiring, about 53 per cent strongly agreed with the statement but when asked if the employees in their organization were appraised for creativity and innovation in their annual performance evaluation, only 30 per cent strongly agreed to the statement and 38 per cent somewhat agreed. This shows that organizations actively look for creativity and innovation at the time of hiring but then don't encourage their staff to use these traits which results in employees becoming stagnant and not finding new solutions to the old problems.

In the survey, 50 percent of the participants strongly agreed to the statement that the leadership in their organization is known to generating innovative ideas for services, products and procedures. The remaining 50 percent somewhat agreed to the statement but none of the respondents disagreed or strongly disagreed with the statement.

However, when asked about identifying barriers in the way of their using innovative approaches many identified that management itself was a problem in the way of using innovative approaches to be more effective. The survey sheds some light on the reasons why public sector entities do

not encourage innovation to address the challenges in service delivery. Another barrier identified by the respondents was the nature of their work i.e. human services. Those involved in human services want to protect their clients from any harm which might be caused by unnecessary risk taking. Human service organizations, at some level consider the client risk linked directly to the organizational risk as it can result into litigation or legal action if clients are put in the harm's way. This can cost human service organizations in multiple ways which may include some people losing their jobs.

Yet another reason identified by the respondents was lack of guaranteed funding or availability or any special grants for trying new approaches. Based on the survey findings, the authors of this paper conclude that calculated risk-taking is possible in human services without putting client at risk and simultaneously trying new models of service delivery if these services have guaranteed funding or special grants are available for innovation.

It is pertinent to mention that various influential national entities have been raising voice for an immediate need to pay attention to productivity improvement. The Conference Board of Canada in its 'How Canada Performs' report card of 2011 gave Canada a "D" grade on innovation, ranking it 14th out of 17 nations. The Conference Board also gave a dollar figure to the collective productivity loss which is \$8,500 per capita below where they would be if we had matched the U.S. on productivity"<sup>6</sup>. The chart below depicts differences in business productivity between the United States and Canada.

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<sup>6</sup> <http://business.financialpost.com/2012/06/25/weak-productivity-innovation-gap-pose-challenges-to-canadas-economy-conference-board/>



Source: Bank of Montreal<sup>7</sup>

The Organization for Economic Co-operation and Development, in its June 2012 report, cited lagging business innovation and low productivity as threats to Canadian growth. While, some experts argued that “the lack of impetus on the government’s part to invest in the process improvements is essentially risk aversion<sup>8</sup>”, some have observed that the challenge is how benchmarks are set and who determines them.

The issue measuring productivity in public sector is getting greater attention of researchers and investigators within Canada. According to a Financial Post article, “there is no mechanism exists to measure productivity in the public sector the way it’s measured in the private sector. The basic formula for measuring multifactor productivity (output produced divided by hours worked and all other relevant inputs) doesn’t hold water in the public sector, where service outputs are difficult to define<sup>9</sup>”. There is greater need to create a framework that allows productivity measurement in public sector that will help bring efficiency in this sector and improve service delivery.

The authors observe that absence of productivity measurement in the public and non-profit sector is mainly due to the lack of clear concept of, and an agreement over terms like *productivity*,

<sup>7</sup> Bank of Montreal. Canada’s Disturbing Productivity Performance, 2010, by Dr. Sherry Cooper

<sup>8</sup> <http://business.financialpost.com/2012/11/20/ottawa-wants-better-productivity-so-why-not-measure-its-own/>

<sup>9</sup> <http://business.financialpost.com/2012/11/20/ottawa-wants-better-productivity-so-why-not-measure-its-own/>

*productivity improvement, innovation, improvisation* and their correlation. That's an area which demands greater investigation from academics, researchers and investigators.

The authors believe the lack of innovation is a result of public sector's traditional risk averse behaviour where the fear of failure impedes ventures and efforts are not made to take, promote or support endeavours that could enhance productivity by process improvement or disruptive innovations.

The authors acknowledge that there is realization and conversations do take place about the need and value of innovation; however, these talks do not translate into critical discourse which leads to public policy articulation and action. The absence of official interest and consequent lack of funding is hindering the potential efficiency revolution in the public and the non-profit sector.

**Conclusion:**

The paper concludes with the assertion that delays in delivery of critical services have serious implications for individuals and families. Public sector entities should introduce drastic changes to overhaul the system. They should also look at the processes of other more competitive sectors for inspiration and insights. Core public sector agencies as well as their proxies (non-profit entities with assured or almost definite funding), particularly in health, and education lack innovation and avoid risk-taking. Measured and calculated risk taking and innovation to improve services should be encouraged.

The Canadian public sector needs to take initiatives that help define and measure its productivity. It will only be after this defining and reckoning step that any discourse leading to policy action is possible. The much desired service-delivery improvements and productivity gains cannot and will not happen without first defining, benchmarking, and then regular and sustained measuring of productivity. Once the productivity measurement is instituted, innovation to enhance it will automatically follow and fall in place.

**Authors:**

**Noor Din** migrated to Canada in 1990 and obtained Master's Degree in Computer Engineering from University of Toronto. After having worked for two decades in technology industry in Pakistan and Canada, he founded Human Endeavour ([www.humanendeavour.org](http://www.humanendeavour.org)) in 2004 to bring much needed innovations in health, economic and social sectors and to implement community lead but in a participatory approach with existing services providers to make a meaningful change for the marginalized community members. He is currently the CEO of Human Endeavour. He is also an independent research affiliate with CERIS Metropolis Centre at York University.

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