

Stanford SOCIAL INNOVATION^{Review}

Features

Co-Creation in Government

By Francis Guillard & Tina Hallett

Stanford Social Innovation Review
Spring 2015

Copyright © 2015 by Leland Stanford Jr. University
All Rights Reserved

➔ Bringing innovation to the public sector is famously—and perhaps inherently—difficult. But efforts that open up the public sector value chain to citizens, frontline employees, and other stakeholders can deliver impressive results.

CO-CREATION in Government



IN RECENT YEARS, the method of organizational change known as co-creation has spread rapidly in the business sector. In a co-creation effort, multiple stakeholders come together to develop new practices that traditionally would have emerged only from a bureaucratic, top-down process (if, indeed, those practices would have emerged at all). Change, moreover, occurs not just at the level of an organization, but also across an entire value chain. Can public sector managers apply the same method to the seemingly intractable institutions that they oversee? We believe so.

To demonstrate what the co-creation method can achieve, let's first consider how it has begun to transform certain parts of the business world. Take, for example, the agriculture and food value chain. In the traditional model, each link in that chain is essentially transactional: At every stage of production and distribution—from selling seeds to retailing packaged foods—the interaction between participants remains limited to the buying and selling of products or services, and the role of each participant stays within well-defined boundaries. In the past 15 years, however, some of these participants have developed new forms of interaction that blur the boundaries between them and turn a transactional process into an interdependent ecosystem. In doing so, they are following the path of co-creation. A few companies, in fact, have taken that path as a matter of deliberate strategy.

In 2001, the Agribusiness Division of the Indian conglomerate ITC launched a co-creation initiative called “e-Choupal” (which means “electronic marketplace” in Hindi) as part of an effort to improve ITC’s access to high-quality soybeans. The idea behind e-Choupal was to replace the traditional sourcing process with an approach that involves assembling farmer groups in each village and providing each group with digital tools that deliver timely market data as well as locally relevant information on agronomic best practices. For farmers, this approach resulted in significant yield improvements and improved economic conditions. Use of the e-Choupal platform also led to a dramatic boost in the volume and the quality of soybeans available to ITC. (The company later extended the platform to cover wheat and other commodities.) Since its launch,

BY FRANCIS GOUILLART & TINA HALLETT

Illustration by DARREL REES



moreover, the e-Choupal initiative has helped ITC's Agribusiness Division to become a \$1.2 billion operation.

Taking a cue from ITC's effort to help farmers sell their output, BASF Agriculture Solutions in India has pursued a similar approach on the farm input side. The company initiated a community-based farmer education and engagement program called "Samruddhi." ("Samruddhi" means "prosperity" in Sanskrit.). Through the program, it works with participating farmers to identify the right mix of seeds and chemicals to use on their crops. In addition, farmers receive coaching on new agronomic practices that help them both to optimize their yield and to become better stewards of their land. An impact assessment study by the consulting firm PwC showed that participating farmers increased their yield by 25 percent and their net income by 36 percent. Thanks in part to this program, BASF has grown significantly faster than its competitors in India over the past 10 years and has become the Indian market leader within its industry.

After their early successes with the co-creation model, ITC and BASF combined forces to create One Million Smiles, a program that integrates input and output strategies to help drive productivity gains for farmers. Recently, they have begun to invite other companies (including financial services firms and telecom providers) to join the program.

As these examples illustrate, the essence of co-creation is the formation of new relationships. Co-creation starts from the experience of each actor and strives to discover new modes of interaction that will improve the experience for all actors simultaneously. That process often leads to a reconfiguration of roles: Recipients of services become service providers, and vice versa. To develop and sustain these new modes of interaction, participants typically create special platforms for community engagement (many of which incorporate supporting technology tools).

In the public sector, adoption of the co-creation method is a fairly recent development. Nonetheless, we have found ample evidence that co-creation holds real promise as a way to facilitate innovation in government. In this article, we will show how co-creation differs from the traditional model of how government operates, provide examples of public sector entities that have overcome challenges to pursuing co-creation, and draw lessons from those examples.

OF, BY, AND FOR STAKEHOLDERS

In the traditional model of government, a public entity receives resources through a budgetary allocation and then uses those resources to deliver services to stakeholders through a set of work processes—filing a form, responding to a customer request on the phone, and so forth. The people at the receiving end of those processes are largely passive. They might rate the quality of service they receive through a survey, for example, or they might indirectly communicate their evaluation of the service through the support or rejection of an incumbent government's policies. But they do not actively shape the design or delivery of the service.

Over the past 35 years, public sector entities have gone through several waves of change theory and change practice, all of it aimed at reconfiguring work processes. They went through Total Quality Management, business process reengineering, and "work-out" methods in the 1980s. They adopted Six Sigma methods in the 1990s.

FRANCIS GOUILLART is president of the Experience Co-Creation Partnership, a management education and consulting firm in Concord, Mass., and co-author (with Venkat Ramaswamy) of *The Power of Co-Creation: Build It With Them to Boost Growth, Productivity, and Profits* (2010).

TINA HALLETT is leader of government and public sector industry for PwC UK (formerly PricewaterhouseCoopers).

Disclosure: Francis Guillard and Tina Hallett have worked on a consulting basis with several of the organizations that they discuss in this article. Guillard has consulted to Jobcentre Plus, La Poste, and URSSAF. He is also an investor in Co-Creation Ventures LLC in Malden, Mass. Hallett has worked with Jobcentre Plus.

The authors wish to thank the following people for their cooperation in developing the article: Damian Riley of PwC UK, Raman Ramachandran of BASF, S. Sivakumar of ITC, John Paul Marks of Jobcentre Plus, Julien Tétu of La Poste, Jean-Paul Lejeune of URSSAF Picardie, and Pierre Lebon of the General Secretariat for the Modernization of Public Action (URSSAF project).

And they have pursued Lean Management techniques over the decade and a half since then. These methods have one important feature in common: They focus on improving the work-process efficiency. Because most government entities had previously not been subject to rigorous financial scrutiny, these methods have served the useful purpose of bringing the cost structure of government organizations more in line with that of their private sector counterparts.

But when it comes to productivity gains, there is growing evidence that public sector organizations have now harvested most of the proverbial low-hanging fruit. To make further gains in performance, public sector leaders need to shift their focus away from *work processes* (which revolve around tasks to be performed) and toward *human engagement processes* (which revolve around the people who do those tasks).

In a public sector co-creation initiative, a public sector entity opens its value chain to the stakeholders whom it serves. In effect, it outsources to its constituents some of the work—and hence some of the cost—of designing and delivering certain services. Stakeholders, typically organized in communities of interest, insert themselves into the public service value chain and become active participants in it. As a result, public sector employees and stakeholders essentially co-create the public sector value proposition. In its optimal form, co-creation has the dual benefit of reducing public sector costs and increasing stakeholder satisfaction.

The application of the co-creation model to public sector entities raises specific challenges. Those entities tend to be large and complex, and their leaders typically manage them from the top down. Few public sector executives are willing to take the risk of adopting a new organizational model—especially one that relies heavily on the bottom-up engagement of employees, customers, and other stakeholders. Politicians and senior public servants rarely have the patience to launch an experiment and then wait for it to unfold. Instead, they usually prefer to implement well-defined policies through standard administrative channels.

Alongside those obstacles, there are challenges that will affect any effort to bring innovation to a public sector organization. Laws and regulations—the very stuff of government—often hinder change by freezing standards, policies, or processes in place. At the level of personnel, those who gravitate toward public service tend to care less about transforming government than they do about serving their fellow citizens and maintaining a decent quality of life for themselves. Unions can also stand in the way of

innovation by, for example, insisting on their right to negotiate over the adoption of new approaches.

Despite these inherent challenges, we believe that co-creation offers a practical response to the innovation imperative that most public sector organizations face today.

STEPS TO FOLLOW

In our model of co-creation, leaders and participants make their way through a series of five steps. To illustrate those steps, we turn our attention to a successful co-creation effort that took place recently in the United Kingdom. That effort involves a pilot project conducted in the Harlesden office of Jobcentre Plus (JCP), a public sector organization that deals with unemployment.

John-Paul Marks, who was director of JCP for the greater London region at the time, chose Harlesden as the site of a co-creation effort because of the many challenges that the community confronted. Harlesden, a suburb in West London, experienced high unemployment in the wake of the global financial crisis and the recession that followed. It also has a large immigrant population that faces linguistic and cultural barriers to employment, and it has had law enforcement problems that complicate the unemployment challenge. In Marks's view, JCP Harlesden also had significant potential for local service reform.

Traditionally, JCP offices had defined their work as consisting of three major processes. First, frontline employees help jobless people either to find a job or to receive job training, usually in conjunction with qualifying claimants for unemployment payments and managing the payment process. Second, a smaller group of JCP employees try to generate job opportunities for claimants by working with potential employers. Third, another group of employees work with external service providers—people from nonprofit organizations, for example—to prepare claimants for employment or education opportunities.

Early in 2013, a new manager arrived at JCP Harlesden with a new view of what the role of a local JCP office should be. Working with consultants from PwC and people from Making the Leap, a nonprofit organization that fosters social mobility for disadvantaged populations, the manager formed a core group of employees and gave that group a mandate to pursue a change of direction. She envisioned her JCP office as a venue where employees and outside service providers—along with the constituencies that they serve—could develop new community-based approaches to the challenge of unemployment. With that vision in mind, the group embarked on its five-step co-creation project. (See “The Path of Co-Creation” below.)

Identify target communities | The first step of any co-creative initiative is to select communities and sub-communities whose members will take part in that effort.

In Harlesden, the new manager and her group held workshops to map out the community of stakeholders whom they serve. The group identified three broad populations: JCP employees, claimants and members of claimants' support systems, and potential employers. Looking at this map, the group realized that there were numerous forms of interaction between members of those communities that JCP could attempt to facilitate—or, if necessary, to repair. Many of those interactions (the office-based interaction between claimant and advisor, for instance) were notoriously antagonistic and had been the subject of multiple large-scale reengineering efforts. Yet none of those efforts had succeeded.

The group also recognized that any attempt to improve those interactions at the level of a whole population was doomed to fail. Instead, the group focused on identifying a sub-community whose members had a specific problem to solve. Because the rate of unemployment among young Somalis was particularly high in Harlesden and because many JCP Harlesden advisors were eager to support at-risk Somali young people, the group quickly converged on a decision to target the Somali community.

Implementing that decision proved to be difficult, because public sector entities in the United Kingdom have traditionally put a premium on interacting with all constituents in the same way. The suggestion that some claimants might get special treatment caused some people in the JCP bureaucracy to raise objections. Staff members at the Harlesden office, therefore, had to campaign for the right to craft a specific approach for young Somalis. But ultimately, with the help of Marks, they received permission to proceed with that plan.

Choosing sub-communities, we have found, is both an analytical process and an emotional process. The analytical part involves forming a rational hypothesis about how a given sub-community can help generate new value for a public sector entity. That hypothesis provides the business case that senior government managers are likely to require before they will approve a co-creation project. But co-creation is also an emotional process that occurs when the employees of a public sector organization develop an interest in certain communities or certain issues. Passion is the currency of co-creation,

The Path of Co-Creation

STEP	DESCRIPTION	JOBCENTRE PLUS
Identify target communities	A public sector entity identifies specific communities (or sub-communities) with which it wants to engage	JCP Harlesden leaders decide to focus attention on specific stakeholder groups, including JCP staff members, Somali benefit claimants, and Somali employers
Build engagement platforms	The public sector entity develops one or more engagement platforms that will attract community members	The JCP Harlesden group creates the Somali Community Desk, hosts a bimonthly community forum, and holds other outreach events
Foster interactions among stakeholders	Community members use the platforms to explore new ways of interacting with each other and with other stakeholder groups	Using the newly created platforms, claimants receive back-to-work support from JCP Harlesden advisors and develop new relationships with potential employers
Enable individual experiences	By interacting in new ways, community members and other stakeholders generate experiences that are intrinsically valuable	Somali claimants find it easier and more satisfying to access employment support, and JCP Harlesden staff members find it easier and more satisfying to deliver that support
Assess new value	The public sector entity is able to show that it has gained measurable economic value as a result of its efforts	JCP Harlesden leaders verify that they have increased their rate of putting claimants to work while reducing the cost of working with claimants

and the energy that comes with allowing employees to engage with members of a specific community can be powerful. A government entity should not be a faceless collection of hyper-rational technocrats. Instead, it should be a place where employees feel free to propose (and lead) co-creation initiatives.

Build engagement platforms | The second step is to provide targeted communities with physical or virtual platforms where community members can engage with each other.

Once the JCP group had opted to focus on the Somali community, the group started exploring how it could bring together the disparate members of that community. To achieve that goal, the group needed to provide a structure in which local Somalis could collaborate on ways to solve shared problems. In other words (to use the language of co-creation), the group had to create an *engagement platform* for that community.

After holding a series of workshops with Somali community members, the JCP group concluded that linking disparate populations would be crucial to solving the problem of Somali youth unemployment. Many young Somalis, for example, have a history of gang activity, and their judicial record makes it difficult to find employers who will hire them. Harlesden, meanwhile, is the site of several small, Somali-owned craft shops that could provide training or employment opportunities. What if JCP Harlesden could help bring together those young people and the owners of those shops? Members of the JCP group also knew that local Somali groups could provide coaching to Somali claimants and advice to service providers. The problem, in short, was not a lack of support but a lack of connection between various parts of the Somali community.

Today, JCP Harlesden hosts the Somali Community Desk—a dedicated area within the agency’s office where people from a local community group deliver an array of services. The Community Desk serves as a liaison between claimants with limited English-language skills and JCP staff members. It also functions as a clearing-house for services available from other Somali support groups. (The JCP team identified a half-dozen such organizations in the Harlesden area. Thanks to the co-creation effort, those groups began to form connections to one another that did not exist previously.) Members of the JCP team credit the Community Desk with building trust, breaking down communication barriers, and encouraging claimants to take advantage of the services offered by JCP and by the local Somali organizations.

Engagement platforms can take other forms. At JCP Harlesden, staff members put on a community forum at the agency every two months, and they regularly hold outreach events with Somali organizations at other locations.

Foster interactions among stakeholders | In the third step, participants use the new engagement platform (or platforms) to enable new kinds of relationships.

Instead of reengineering existing forms of interaction between unemployed Somali young people, JCP employment advisors, and other stakeholders, the JCP group in Harlesden worked to facilitate new forms of interaction between those populations. The group put an emphasis, for example, on building more effective connections between claimants and employers. On the claimant side, that effort involved helping job candidates to articulate their skills and work experience, coaching them on issues related to physical appearance and personal presentation, and engaging them in practice interviews.

On the employer side, this work entailed explaining the law enforcement complications faced by some candidates, motivating employers to hire at-risk young people, and offering support to deal with any post-hire issues that might arise. By coaching both claimants and employers, JCP Harlesden fundamentally changed the nature of the claimant-employer interaction.

Enable new experiences | The fourth step involves ensuring that new interactions lead to valuable experiences for all stakeholders—experiences that intrinsically improve the quality of their lives.

At JCP Harlesden, customized outreach to young Somalis through the Somali Community Desk has led to a significant growth in their willingness to work with job advisors. Encouraging members of this population to engage with the UK social system had historically been a major challenge, but advisors are now able to hold regular meetings with them. Many of them, moreover, have now found jobs (often with the help of elders in the local Somali community). Overall, there has been a measurable increase in the levels of satisfaction among Somali claimants, who feel a greater sense of engagement with JCP, and among JCP advisors, who have a greater sense that they are doing useful work.

Assess new value | The fifth and last step of co-creation is to verify that the sponsoring organization has generated new value—measurable economic value, in particular—as a result of its effort. (The idea here is that an organization should be able to compute a return on the investment made in its co-creation project.)

With the co-creation initiative at JCP Harlesden, the evidence of value took the form of two important data points: There was a significant increase in the center’s rate of back-to-work success, and there was a modest but promising reduction in the unemployment benefits that the center paid out. Those achievements, in turn, allowed leaders at JCP Harlesden to conclude that they should deploy the co-creation model in other areas of their organization.

Toward that end, those leaders have put in place several additional engagement platforms. The purpose of the Staff Autonomy platform, for example, is to develop a new model of interaction between claimants and JCP advisors. Using this platform, advisors can select two claimants who they believe are particularly motivated to find work. They then provide each claimant with customized support, even going so far as to call employers directly to find work for the claimant. Each advisor collaborates with a selected claimant to develop an action plan. Together, the advisor and the claimant follow that plan until the claimant gets a job. Because advisors and claimants choose to take part in the program, both parties have an investment in ensuring that it succeeds. In fact, according to JCP Harlesden, the Staff Autonomy platform has helped many claimants find new jobs within just a few weeks of starting their action plan.

The School Engagement platform, meanwhile, is preventive in nature. It tries to instill a desire to work in high-school-age students who might otherwise assume that they will drift into unemployment after school. Through this platform, JCP advisors persuade local merchants to provide brief work experience opportunities to those students. (An additional benefit is that students develop skills that they will need to seek employment later.) The Skills-Matching platform aims to align the training that claimants receive from local nonprofit service providers with the job skills that employers actually require. And the High-Barriers platform helps advisors deal with

difficult claimants (those with law enforcement issues, for example) by providing an integrated, case-specific support system that brings in probation officers and service providers who specialize in working with populations of this type. The latter two platforms, in particular, have helped to produce an increase in the number of claimants who are able to find work.

OBSTACLES TO OVERCOME

Those who seek to apply the co-creation model to government entities must reckon with challenges that rarely apply to private sector co-creation initiatives. Here, we will focus on four such challenges. In each case, we will draw on examples of co-creation projects to show that it's possible to surmount these obstacles.

The rigidity of government | Public sector entities have a duty to ensure compliance with laws and regulations, which are by definition non-negotiable. Government agencies are statutorily barred, for example, from paying unemployment compensation to unqualified claimants or from offering a favorable deal to a specific taxpayer. The terms of any given law are cast in stone. Still, our work shows that ample opportunity exists for co-creation in the application of such laws.

Consider the French social security administration—the Union for the Recovery of Social Security and Family Support Contributions, which is known by its French acronym, URSSAF. Its mandate is to collect social security taxes from employers. Those taxes feed the French system of subsidies for health care, retirement, housing, and unemployment, and the French state sets the employer contribution rates by law. URSSAF officials are proud of their group's reputation as the toughest agency in the French government when it comes to collecting taxes. Today, URSSAF is conducting a co-creation experiment that focuses on the trucking industry in the province of Picardy. Through that experiment, the agency aims to transform itself from a hard-nosed, compliance-oriented organization into a promoter of local business.

Trucking is one of the main industries in Picardy. (A heavily traveled highway that links Paris to northern Europe passes through the region.) In the past, the importance of that industry—or of any industry—had no influence on how rigorously URSSAF would apply the law. As a result, the agency often played a win-lose game in which over-zealous collection efforts risked causing a company to shut down. But with its new, more collaborative approach in Picardy, URSSAF has begun to put less emphasis on enforcement than on helping the local trucking industry grow. For URSSAF, after all, a growing industry is likely to yield increased tax revenue.

Along with the trucking trade association, URSSAF conducted a series of co-creation workshops that brought together agency employees and trucking company managers. (Also supporting this effort was the General Secretariat for the Modernization of Public Action, a consulting arm of the French government.) URSSAF employees discovered that many of those managers found it hard to understand the agency's complex compliance requirements. When a driver receives a reimbursement for the cost of lunch, for example, does it count as a "premium" or as an "indemnity"? (The state taxes those forms of payment differently.) Managers of small trucking companies also divulged that the very thought of interacting with URSSAF intimidated them. Previously, their only interaction with URSSAF had taken the form of audits that almost invariably resulted

in fines. Indeed, persuading these managers to attend the workshops in the first place had proved to be a big challenge.

Following the workshops, URSSAF and the trade association began working with trucking company managers to develop a series of Internet-based tools that guide companies through their interactions with the agency. Managers, for instance, can now seek advice from URSSAF on how to handle the changes in reporting requirements that come with expanding their business. URSSAF and the trade association have also approached other government agencies (including the French unemployment office and local branches of the national retirement pension fund) about jointly developing a new system that would support each company through the various stages of its life cycle.

The experiment in Picardy is just beginning. But early results suggest that there has been an improvement in the experience of taxpayers, who report that URSSAF now supports their efforts to grow and no longer takes a narrow compliance-oriented view of its role. URSSAF agents, meanwhile, say that being able to serve as a partner in economic development gives them a higher sense of purpose.

The problem of politics | In any attempt to bring innovation to government through multi-stakeholder collaboration, the reality of partisanship and ideological division looms as a potential barrier. At a time when that reality seems to preclude any form of across-the-aisle cooperation, is it possible for politicians to support—rather than hinder—co-creation? In fact, there is evidence that co-creation initiatives can bring politicians and citizens together around common goals.

One example of that dynamic is a co-creation initiative currently under way in Malden, Mass., a city just north of Boston. In late 2012, a small group of investors—some of them ardent Democrats, others passionate Republicans—came together to test whether they could create a bipartisan agenda on a local scale. They created a fund called Co-Creation Ventures (CCV) and identified Malden as a good place to conduct their experiment. The city, they noted, is a melting pot that encompasses both Democratic and Republican constituencies. It has a fairly high poverty rate (15 percent), as well as a diverse population that includes many immigrants. Both its mayor and its US congresswoman are Democrats, as are most other local elected officials. But Malden also has a powerful contingent of Republican-leaning businesspeople who have built successful enterprises in the city.

A team hired to run CCV identified food service as a potential economic engine for the city. With the aim of helping to create a new industry cluster around food, the CCV team ran a series of workshops that brought together stakeholders from multiple communities over the course of a year. Malden was already home to a commissary (shared kitchen) that served many of the food trucks that plied the streets of Boston. Largely thanks to earlier waves of Irish and Italian immigration, the city also had thriving traditions related to baking, meat preparation, and coffee making. In addition, more recent immigrants from Asia, Latin America, and elsewhere had brought their food traditions with them, making Malden a culinary destination that embraces a variety of cuisines.

The CCV initiative incorporates two platforms—one physical, the other financial. First, under the umbrella name Stock Pot Malden, CCV has invested in the development of two commissaries where food truck operators and food product entrepreneurs prepare their food side by side. Second, CCV manages a fund that takes a minority equity position

in some of those enterprises. Through these platforms, participating entrepreneurs also receive guidance from the CCV team on how to develop their business plan. In addition, they collaborate with each other by exchanging best practices, sharing staffing resources and sourcing arrangements, teaming up at catering events and food truck festivals, and jointly running certification classes for new employees.

Today, the shared kitchen is the largest food truck hub in the Boston area, with 20 food truck businesses and a roughly equal number of food product entrepreneurs under its roof. Democrats and Republicans alike, both in Malden and elsewhere in Massachusetts, have praised the CCV effort. The Malden experiment shows that, at least at a local level, use of the co-creation model can facilitate a project that combines a traditional Democratic goal (promoting diversity and economic opportunity) with a traditional Republican approach (relying on private capital and free-market forces).

The matter of scale | Pursuing co-creation in, say, a single employment agency office is one thing. But doing so in a city- or statewide fashion, and in a way that involves stakeholders as a whole, is something else. Many people are understandably suspicious of any government's ability to engage large groups of citizens in co-creation projects. In that context, it's useful to consider that there are two types of engagement platforms that come into play in public sector co-creation. The first one involves town meetings, workshops, and other forms of in-person

discussion. The second involves deploying technology to accommodate civic participation on a large scale. Well-publicized government failures—the early malfunctioning of the website developed for the US Affordable Care Act, for example—raise doubts in this area. Yet some governments are successfully using technology to implement large-scale co-creation efforts.

The state of Rio Grande do Sul in southern Brazil, for example, uses technology-based platforms to engage citizens in co-constructing an economic agenda. Through the state's Digital Cabinet initiative, citizens work with public sector managers to establish development priorities. They can interact with the state government via four channels. The first one, called Collaborative Agenda, is a live process in which the governor of Rio Grande do Sul visits several cities and conducts workshops that allow open-ended discussion with citizens. The second channel is The Governor Asks, an online tool through which the governor formulates a problem in the form of a question; citizens then use the tool to propose potential solutions. The state also invites selected respondents to meet with the governor to discuss their proposals and to participate in the design of the chosen solution. The third channel, called The Governor Responds, provides answers to questions posed by citizens. In some cases, the governor answers a citizen's question in a video clip and, where appropriate, announces measures to deal with the matter raised by that question. The fourth channel, The Government

Principles of Co-Creation

Co-creation projects, by necessity, will vary from one case to the next. Yet there are five broad rules that leaders should bear in mind as they apply this approach to public sector entities.

TAKE A BROAD VIEW. The wider the scope of a co-creation initiative, the more likely that effort is to unleash powerful forces of co-creation. To achieve real and lasting change, leaders should formulate a broad economic, social, or environmental agenda that captures people's imagination. Managers at JCP Harlesden, for example, could have viewed their problem narrowly as one of removing people from the town's current unemployment benefit roll. But had they done so, they would not have been able to launch programs that aim to shrink the pool of future benefit claimants. Those programs, after all, do nothing to reduce immediate costs for JCP.

WORK FROM THE BOTTOM UP. In a public sector co-creation project, transformation takes place mostly at the front lines. Success arises from a series of discrete initiatives in which communities of stakeholders painstakingly work through local issues. In the traditional model of organizational transformation, leaders experiment with the design of a new approach

in one or two locations and then roll it out to other locations to achieve buy-in. In a co-creation project, by contrast, people at each location develop their own operating model, and scaling up occurs through the peer-to-peer sharing of locally generated ideas and practices.

TRUST THE PROCESS. Public sector executives need to suppress their instinct to control every step of the co-creation process. To be sure, that process is not random: Leaders need to identify which communities to engage and which platforms to use in mobilizing those communities. But the goal of a co-creation project is not to arrive at a predetermined result. Real human beings, acting as a community, have a way of going in unpredictable directions. Indeed, they often achieve better outcomes than anyone could have anticipated.

PUT PEOPLE FIRST. Co-creation is people-centric, not process-centric. In many cases, the idea for a co-creation project comes from an employee or customer who has

gone through a painful or exhilarating experience while interacting with a government entity. Some public sector managers find it difficult to accept this principle because they assume that such ideas will not be scalable at a city-, state-, or agency-wide level. Typically, though, co-creation initiatives start with a small group of people, and only later do managers launch engagement platforms to extend them to a large community.

LEVERAGE TECHNOLOGY. In the early stages of co-creation, live meetings and workshops generally work best as engagement platforms. But as the number of participants and the volume of interactions increase, introducing some kind of digital platform becomes indispensable. The sequencing here is important: Human engagement should precede digital engagement. Early on, nothing can replace live interaction between flesh-and-blood people. Then, as momentum develops, co-creation project leaders should implement digital tools—especially tools that have an interactive, social component. (Co-creation, in fact, is the “killer app” of social software investment.)

Listens, uses social media to enable an ongoing dialogue that helps the governor and his team to identify emerging issues.

The co-creative use of technology also occurs at the city level. Porto Alegre, the capital of Rio Grande do Sul, has been a pioneer in participatory budgeting since 1989. Through a process that combines live and technology-based platforms, the city enlists citizens to help allocate about \$200 million per year in discretionary spending. Most of that amount goes toward construction projects. City managers provide a line-by-line description of each project, its cost, its potential benefits, the disruption that it is likely to cause, and its estimated schedule for completion. Citizens can then provide guidance on project selection or suggest project modifications, either live at local town meetings or electronically through the city's website. Using this input, city managers continuously update their plans for each project. The live meetings mobilize about 50,000 people annually (out of a population of 1.5 million), and the proportion of citizens who take part in them grows every year. Studies by the World Bank and other institutions have credited the Porto Alegre participatory budgeting process with helping to reduce inequality in the city—by, for example, facilitating the construction of schools and sewers in the most disadvantaged areas of the city.

The role of unions | In many countries, unions have a significant presence in the public sector. Do strong unions make it difficult, or indeed impossible, to pursue co-creation in government? Conflict between agency managers and union leaders clearly presents a big challenge. But we have found that even when labor relations are tense, co-creation can still work.

The transformation of La Poste—the French post office—is a case in point. In 2008, La Poste initiated a large-scale co-creation effort. Faced with a dramatic reduction of mail volume, the agency needed to reduce costs while also increasing its parcels and banking businesses. By the end of 2012, La Poste had reduced the average wait time for purchasing a registered letter from 8.3 minutes to 1.4 minutes, it had increased the number of hours when local post offices are open for business by 40 percent, and it had raised the level of customer satisfaction with wait times from 50 percent to 79 percent and overall customer satisfaction from 82 percent to 94 percent. Remarkably, moreover, the number of La Poste employees dropped by nearly 10,000 during that four-year period.

La Poste has long been a bastion of strong, and occasionally militant, unions. Why did the unions of La Poste go along with this transformation? The principles of co-creation, as it happens, also apply to the management of unions: Members of a union, given a platform to engage with peers and customers, will transform the operating model of that institution. Simply put, they will challenge the rigid, top-down logic of their union in the same way that employees will challenge the rigid, top-down logic of a large corporation or government agency for which they work.

In the co-creation project undertaken by La Poste, senior managers gave local post offices four broad goals for service and financial performance, and local employees could use their discretion to develop measures to achieve each goal. Throughout that process, people at the local level relied on a tool called “the co-created strategy map and scorecard.” The project also empowered employees to make changes to the physical layout of their post office and to make decisions on allocating resources to various customer segments.

Employees can now help to determine, for example, how many tellers will serve regular consumers and how many will serve business customers at any given time. These operational details, as it turns out, were often more salient to employees than the issues—such as working hours and pay levels—that had been a source of conflict at the national level for years.

When La Poste initiated its transformation program, the effort focused on three post office locations in southeastern France, including one in the center of Lyon that was known for being the site of hard-core union activism. As employees at that post office started engaging with their managers on how that facility should operate, local union representatives simultaneously began selling union managers in Paris on the merit of the co-creation approach.

Over time, the breadth of issues tackled by the co-creation project expanded dramatically. At first, for example, La Poste managers prohibited any discussion of when local branches would be open for business. That issue, they assumed, would be too politically sensitive for unionized employees. But when those employees started talking with customers about ways to improve service, they discovered that increasing the number of hours that a post office was open was at the top of many customers' wish list. Employees then went to their managers and suggested scheduling changes to accommodate those customer requests. Many employees also offered to adjust their own schedules to provide coverage during extended hours of operation. Union managers were originally reluctant to compromise on the issue of working hours—an important bargaining chip at the national level—but ultimately they yielded to the views of their members. With their support, La Poste and its employees co-created a new schedule under which employees work during evening hours and on weekends.

MORE WITH LESS

Public sector organizations face a huge innovation challenge. Trust in government is at an all-time low in many countries, and the resources allocated to public sector entities have been steadily decreasing for years. At the same time, those entities are expected to play an ever-larger role in driving economic growth. Simply put, people in government must aim to do more with less. Now that the public sector has largely tapped the productivity gains that are feasible through work-process reengineering efforts, its greatest source of value lies in using the imagination of frontline and back-office employees—and in inviting them to engage with stakeholders (clients, customers, citizens) in new ways. Managers will have to let go of their control over government processes, and public employees will have to take responsibility for their own future. Making that shift will require the adoption of new structures and new tools, but mostly it will require an unwavering commitment to co-creation as an indispensable method of innovation. (See “Principles of Co-Creation” on page 46.)

The need to do more with less requires a profound transformation of the role of the public sector. The practice of co-creation can provide a powerful response to this challenge by enabling government entities to migrate from a process-centric operating model to a people-centric model. Public sector leaders must overcome significant obstacles in order to develop and sustain effective co-creation platforms. Ultimately, however, when men and women in the public sector are able to embark on a joint quest for the creation of new value, there is no limit to what they can accomplish. ■