

# INNOVATION AND THE SPIRIT OF THE NEW AMERICA

## KEYNOTE ADDRESS TO THE ASU SCHOOL OF PUBLIC AFFAIRS, ANNUAL ALUMNI LECTURE

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Good evening, distinguished guests. It is my great pleasure to be here with you tonight to celebrate the profession of public management and the people who serve it. May I start by saying that I have an unashamed bias that I declare without reservation, and that is that public service, public management, is noble work...and it ennobles us. I cannot think of anything more worthy than helping communities to grapple with the challenges of how best to design and govern our municipalities, where the vast majority of the planet's people live, encouraging prosperity and the achievement of potential and destiny, while protecting and preserving the natural and environmental wealth that we and our ancestors have been so fortunate to enjoy. It is truly an honor to be in this work with you.

Tonight I want to share some thoughts on the meaning and place of innovation in local government at this time in our history. This is not intended to be a comprehensive compendium of all the innovations that local governments have implemented in recent times, but rather a series of observations about connections, applicability and transferability of learning on innovation, and a question about how and where we shall go next. As the Chair of the Board of our newly created Alliance for Innovation, a partnership between ASU, the International City/County Management Association and the Innovation Groups, it is my deep commitment to support the vision of our new venture—to transform local government and to accelerate the pace of change and advance the work of local government worldwide.

I want to give credit at the outset to several authors whose work stimulated my thinking on this subject: Thomas Friedman for his pivotal, and now familiar, The World is Flat; Frans Johansson for The Medici Effect; Korean scholar Hunmin Kim from Ewha Womans University in Seoul; Douglas Ihrke from the University of Wisconsin-Milwaukee; James Kouzes and Barry Posner for their books Credibility and The Leadership Challenge; and especially my colleagues Bob Denhardt and Jim Svava from ASU, and Bob O'Neill, the Executive Director of the International City/County Management Association.

But first, what do we mean by innovation? In general, definitions of innovation point to something that is NEW or unusual, a breakthrough, something unique. But Frans Johansson expands this idea further in The Medici Effect...  $4+4+4=35,372$  is NEW, but has no relevance. An innovation, then, to quote Johansson, is “the creative idea become **realized**.” That is, it must be implemented, and to do so involves a series of elements that are almost limitlessly available to local government, but not always embraced. Sometimes the barriers to innovation are internal, sometimes external. The words of an old Romanian curse on this point are particularly painful: “May you have a brilliant idea and not be able convince others!” In a moment, we'll talk about what I consider to be the ten key principles of successful innovation, not just for local governments, but for all organizations, so that we can ensure that brilliant ideas are in fact implemented.

Why do we need to accelerate the pace of innovation and change in local government? Thomas Friedman describes a poster from the factory of his friend Jack Perkowski, Chairman and CEO of ASIMCO Technologies, an American auto parts manufacturer in China. It is an African proverb, translated into Mandarin and posted on the factory floor:

Every morning in Africa, a gazelle wakes up.  
It knows it must run faster than the fastest lion or it will be killed.

Every morning a lion wakes up.

It knows it must outrun the slowest gazelle or it will starve to death.

It doesn't matter whether you are a lion or a gazelle.

When the sun comes up, you better start running!

We are all in a race for survival, even in government. As further reported by Friedman, Ohio State University business professor Oded Shenkar reportedly told Business Week in 2004 that he tells American companies without hesitation: "If you still make anything labor intensive, get out now rather than bleed to death. Shaving 5% here and there won't work."

Though local governments do not face the same kind of competition for profit and cost-reduction among their industry that private sector firms do, business leaders and citizens are increasingly unwilling to sit by and watch local governments' cost of service escalate at a far more rapid rate than inflation due to our reliance on a traditional model of labor intensive service delivery. The corporate leaders of our cities, counties, and towns ask why we are not introducing the same innovations they must introduce or face the failure of their enterprise.

Meanwhile, China is racing the US and the European Union to the top, and they are gaining aggressively because they are not only very entrepreneurial, but they have figured out how to access innovations in manufacturing, distribution, supply chaining, and disaggregation of processes that were developed abroad, but can be done much more cheaply in places like China and India, with hundreds of thousands of graduates in math, engineering, and the sciences each year, and a lower cost of labor. China is also destroying the environment and polluting the air and waters of the earth with alarming speed that will affect us all. Ninety percent of their fields are drying up or have been turned into deserts, according to a recent article in Outside magazine. The jobs that have been offshored to them are jobs that residents of our communities, and their children and grandchildren, can no longer look forward to. We in local government have operated too long as if we are isolated from these environmental and social

consequences, but it only takes an outbreak of SARS or bird flu to remind us how fragile our distance and separation are. I won't debate the politics of offshoring of American companies...that horse is well out of the barn. But we must face the enormity of the situation, and we must work with American business as our full partners, and not go on as if it were their problem, and not ours to solve. And while we have little impact on the ability of American businesses to compete with offshore labor costs, we do have a tremendous opportunity to help build and strengthen the infrastructure of innovation in this country. All of us have an investment in stimulating an environment for radical innovation—not only because it is demanded by our citizen-customers, but also because it is imperative to the survival of our quality of life.

I don't mean to imply that local governments in the US are not already innovating and implementing relevant, imaginative new strategies for fulfilling their missions. This impressive foundation provides an excellent base from which to launch the next level. Let's look at the chain of forces that Thomas Friedman cites have led to the flattening of the world, and highlight some of the ways that local governments have already begun to apply these forces.

Friedman's Force #1 was the fall of the Berlin Wall in 1989, which shifted the world from a two-system economic environment, with free-market capitalism on one side, and centralized authoritarian communism on the other, to a single predominant economic system supporting democratic, free-market forces. Local governments have similarly moved from a strongly centralized funding of service delivery to a decidedly more entrepreneurial system, with many, like Carrollton, Texas, moving toward competitivizing service delivery.

Force #2 was Netscape, and the explosive success of web browsers, which enabled users, independent of time and geography, to access each other's knowledge about anything and everything. The early web browser technology, originated by Jim Clark and Mark Andreessen working at the National Center for

Supercomputing Applications at the University of Illinois, was founded on a basis of trust and integrity, with an assumption that the early users, all researchers, would quickly help to improve it. The developers of the original technology called Mosaic that became Netscape realized, as Mark Andreessen said, that “if anyone is going to use it, everyone is going to use it.” The only question was how fast it would spread. Their interest in recruiting people to use it at little or no cost assumed that people would use it wisely, and by using it, would quickly expand the database of knowledge available for browsing, thereby increasing the value of the browser technology. They were right. Our predecessor to the Alliance for Innovation, the Innovation Groups, was an early adopter and a pioneer in providing an on-line Knowledge Center using web browsing technology to not only connect people with documents, but also to connect them with one another, and to help solve problems virtually. It worked. Today, multiple networks of like-minded individuals and organizations in interest networks use the Knowledge Center to query one another quickly and efficiently about their knowledge, their experiences, and their new ideas.

Friedman’s Force # 3 is the development of Work Flow Software, which connected systems such as different email or word processing systems with each other. Local governments throughout the US now use work flow software, for example, to connect completely independent, standalone technology systems in public and private not-for-profit agencies to improve the efficiency of service delivery to mentally ill homeless individuals who often do not carry identification and cannot recall where they are. Federal officials at HUD have, in fact, strongly encouraged such interconnectivity in order to provide seamless and less duplicative assistance to such individuals no matter where they may enter the social service system.

Friedman’s Force #4 is Open Sourcing of software, which fostered self-organizing collaborative communities founded on continuously improving intellectual property owned by no one. Because open source software is openly

and freely shared, it is constantly improved by its users, and is made available free to anyone. In return, users who develop an enhancement make that improvement available to everyone for free. They do not do it for money, but for the respect of their intellectual peers and for the ability to create something valued. Such innovations as Wikipedia, despite their ups and downs, have created user-defined and user-“owned” acceleration of the relevance and value of open domain technology. Today’s new format in test-market Gannett newspapers and media such as Current TV are built on the equivalent user-generated content. As a side note, your former publisher of the Arizona Republic, Sue Clark-Johnson, is now the Executive Publisher for the entire Gannett organization, and is also the newly elected Chairman of the Board of the Newspaper Association of America, only the second woman (after the legendary Katherine Graham) to hold the position. At a recent dinner with her in Washington DC, Sue outlined for me her strategic vision for Gannett based on—you guessed it—reader-provided content and creating the newspaper as a kind of commons, a means of connectivity among readers. Open sourcing has created the 21<sup>st</sup> century’s intellectual commons, much as the public libraries of the 19<sup>th</sup> century opened the knowledge base to any member of society who could read. Local governments today are experimenting with blogs, citizen-run radio, community-access television programming with viewer-produced content, and e-zines built on citizen-provided content to engage citizens and connect them in new definitions of community.

Force #5 is Outsourcing, taking a specific, limited function (research, call centers, publishing, etc.) and having someone else perform the function. Increasingly common in local government, agencies have contracted out functions as diverse as custodial services, solid waste management, transportation, human resources management, fire departments, police and detention services, and medical care for indigents, as some examples. As long as quality standards and efficient performance can be maintained at a lower cost, local governments will continue to widely utilize outsourcing to deliver services.

Force #6 is Offshoring, in which an organization takes its entire operation and moves it offshore. China's joining the World Trade Organization took the world to an entirely new level of offshoring...once production moved to China, it was only a short leap until production was integrated into fast-moving global supply chains which manufactured, packaged, stored, transported and distributed, all using real-time technology at a lower cost. Local governments in the U.S. have not readily adopted offshoring for obvious reasons...many citizens, employee labor unions, and elected officials do not tolerate public services being done remotely by non-nationals. I expect, however, that enterprising local governments will soon find ways to offshore entire functions and processes of government, invisibly and without objection, and will need to do so because of rising costs and declining revenues.

Force #7 is Supply Chaining. The 800-pound gorilla of supply chaining, of course, is WalMart, where the transaction in which you buy a product is monitored by the bar code on the purchased good, which electronically and automatically sends a signal to produce another one, which is then picked, packed, shipped, delivered, and distributed onto the shelf within hours or days. The more these supply chains proliferate and control larger and larger market shares of the consumer goods and services market, the more they force the adoption of common standards. In local government, one of the areas that has been successfully vertically integrated in a limited kind of supply chain is building permitting. As a permittee, your builder can call the IVR (interactive voice recorder) or contact the Building Department in many cities online and automatically generate an inspection request, which is read by all departments who require a review of the plans and an inspection, is fulfilled by an inspector using a PDA that contains a digital image of your plans, and then the PDA wirelessly downloads the inspection results back from the field to not only all the agencies that need the information, but also to your builder, vastly improving the efficiency and cycle time for your project. Theoretically, that automated

successful inspection report could electronically trigger a request for the plumbing or painting or electrical subcontractor, the next person in the supply chain of building your house, to get to work. Again, there is clearly more that local governments could be doing to exploit this force for the benefit of citizens.

Force #8 Friedman calls Insourcing, which means bringing entirely independent functions inhouse in order to create more powerful integrated supply chains. An example of this in the business world is UPS, which not only picks up that Toshiba laptop that you have sent in a work order to Toshiba to repair, but UPS now has Toshiba-certified computer repair technicians, and through a contract with Toshiba, will actually complete the repair and handle delivering the laptop back to you, the customer, repaired to Toshiba's standards. By reducing the number of separate transactions to complete the work, UPS makes money for itself and Toshiba, and increases value to customers. In 1996, UPS launched an entire business line which will go into a company and analyze all the processes—production, packaging, delivery--then will redesign and manage an entire global supply chain for you, and will even finance the changes needed to implement it. Of course, consulting firm CH2MHill made news recently by contracting to provide virtually all the basic government functions for a newly-formed Georgia town—a perfect example of insourcing. If they can deliver quality at a lower cost, why not?

Force #9 is called In-Forming. That dominant search engine Google not only connects you with information about friends, colleagues, and business associates, it gives you information about them that they may not even be aware is knowable. Meanwhile, Google is keeping data about what and whom you are looking for and will link you up with advertisers and service providers based on your unique personal preferences. It can facilitate your forming private or public gatherings on the internet regardless of geography or time. In the newly flat world, you can't hide—someone, somewhere is googling you. And in the newly flat world, the generations that follow us not only expect to be found, they post

themselves to make it easier to be found through MySpace, Facebook, and similar mechanisms. They will expect us in local government to find them as well, hence the enormous popularity of local government use of CRM or Customer-Relationship Management software to connect citizens with the specific information and services that they are interested in, quickly and automatically, without any intervention or contact from a government worker required. And I might add that one of the many heart-wrenching stories that came out of this week's tragedy at Virginia Tech was the story of a page on Facebook called "I'm ok" that was posted within minutes of the shootings where students could let family and friends quickly know their loved ones were unharmed. In-forming in real, human terms.

Force #10 Friedman refers to as The Steroids, all the technology that amplifies and turbocharges all the other forces to make them digital, mobile, personal and virtual. Where we not so long ago were fascinated by cell phones that could allow us to monitor and send email, we have migrated to the ubiquitous smartphones, in which you can be doing research—and perhaps are—right now from your seat about what I am saying, and may in fact be sending me an email with your question with a weblink imbedded, and a videostream of a related presentation going on somewhere right now around the globe. And you can bet that during the next public meeting of your City Council or your State Legislature, a lobbyist or concerned citizen is sending the Mayor or the Assemblywoman an email with a caustic question to pose to staff during the presentation... It **is** the playing field, and it is NOT level!

And of course, for these innovations to cross the Tipping Point that Malcolm Gladwell introduced us to and truly become a dominant force, we need not only the idea, but the cadres of talented managers, consultants, CEO's and line workers who are comfortable enough with the innovations to imbed them in our daily lives. That has already happened in society, but what will it take for that to happen in local government?

I would propose that there are ten key principles for successful innovation in local government.

1. **Build on vision and values.** There is surprisingly little correlation between technical expertise and successful innovation. The correlation, it seems, is with passion. Innovation is successful more often when guided by core values and a vision for better outcomes and results for those served. James Kouzes and Barry Posner tell us that innovation grows from the heart, and from the imagination, not the technical body of knowledge.
2. **Create and sustain a culture of innovation.** A culture of innovation demands many things...among them diversity. Exposure to differing perspectives, cultures, and thought patterns exponentially increases the opportunity to see something in an entirely new way.

The corollary to this, according to Johansson, is that a culture of innovation requires that we systematically break down associative barriers—those filters that cause us to associate familiar things in familiar ways. Great chefs have learned to do this... you and I might be predisposed to think of a salad or perhaps a pasta sauce when we think of a tomato. But how about thinking about a tomato and a Chinese stir fry or a fruit salad? My husband and I recently dined in San Diego at a fabulous new neighborhood restaurant that bills itself as Latin-Asian Fusion—innovative and delicious! Similarly, we limit our thinking, and our innovation, because of what we already believe. What you know is the enemy of what might be... When Charles Darwin chronicled his observations in the Galapagos Islands, he asked an eminent zoologist, John Gould, to do the taxonomy on the birds he found, because Darwin was a geologist and felt ill-equipped to judge whether the specimens he was finding were of any value. Gould identified the birds as 13 new species of finches, but it took Darwin to recognize that the 13 different species developed independently on 13 different islands because they were adapting to different conditions, which led to his breakthrough theory of

evolution. Gould couldn't see it, because his knowledge base only led him to see and catalogue the differences, failing to postulate an innovative reason for the differences. What he knew was the enemy of what he might see...

Another fundamental truth of creating a culture of innovation is that we must put innovators together. Putting innovators together into teams creates powerful synergy and the piling on of one idea onto another. When our organization embarked on an SAP ERP implementation three years ago, we put the implementation team off site together...they successfully completed the entire implementation in a record 12 months and on budget, with 3000 affected users and 180 separate software applications touched.

In cultivating a culture of innovation, we also have to build support for risk-taking by encouraging a quantity of new ideas...the best indicator of the **quality** of ideas, it turns out, is the **quantity** of ideas. The more new ideas your team generates, the greater the likelihood that one of the ideas will be truly remarkable. Reward and celebrate the generation of ideas, and you will get more. In research done by Hunmin Kim on winners of the Harvard Kennedy School of Government Innovation in Government Awards, the majority of award-winning innovations were small but creative ideas that eventually had significant impact, and many ideas were generated before one was focused on.

And finally, in creating a culture of innovation, we have to cultivate organizations that are nimble and flexible, with decentralized decision-making and demonstrated trust. The successful innovators in the Harvard award program intentionally decentralized their decision-making to empower individuals, both inside the organization and outside, to generate and implement new ideas. Like many communities, we run a Citizens' Academy, but in addition to giving information about what our County does, we also teach a leadership curriculum in the program, and empower all participants in our 12-week program by requiring them to come up with a project to improve County government, and several of these have been implemented.

3. **Use a significant crisis or opportunity to innovate.** In the Harvard study, Hunmin Kim found that 66% of the award winners reported that a problem or crisis preceded their innovation. Crisis stimulates our thinking and compresses our available time for study, favoring action. We are cautioned to focus on the challenge and not on the innovation in building an innovation out of a crisis, however, because enthusiastic problem-solvers may tend to be dazzled by the innovation and miss its unique relevance for the situation at hand. Many local governments report using techniques such as examining reverse assumptions to find an innovation in a crisis. Reverse assumptions require that we consider what might make the problem worse, and then work backwards. Reversing the assumption that trained, professional emergency personnel are needed to respond in emergencies has led to the growth of Citizen Emergency Response Team volunteers in many communities, including ours, and their response in emergencies like floods and sustained paralyzing snowstorms, both of which we have suffered in the past three years, has been truly life-saving.

4. **Create collaborations.** In the Harvard study, 65% of the Innovation Awards were for collaborations, and 90% of them formed formal partnerships following the introduction of the innovation. Bringing diverse interests together expands the likelihood that ideas will bear fruit. Like Open Source technology, collaborations improve the ideas and share power. Yuma, Arizona has trained hundreds of citizens in Edward De Bono's Six Thinking Hats program, and has brought them into the decision-making process at the highest levels, helping to solve, through collaboration, problems that were seemingly at impasse for years, in some cases.

5. **Identify and nurture a champion.** In the Harvard study, 90% of the successful innovations had a high profile champion—either an elected official, a manager or key department head, or a citizen leader. Like the angel investors that provide seed capital for entrepreneurial ventures, the champion gives moral support and hope to the innovator, enhances the credibility of the innovation and can remove or neutralize the organizational barriers. We are

fortunate to have living in our community the former CEO of Southwest Airlines, Howard Putnam, who speaks all over the world on change and effective leadership practice. Howard has freely dedicated his time to me as a volunteer mentor, and did so when he lived in Texas to our colleague Tom Muehlenbeck, the City Manager of Plano and my predecessor as the Chair of the Board of the Innovation Groups. Howard also served as one of the original members of my County's Organizational Effectiveness Committee, a group of corporate CEO's appointed by our County Commission to help advise me and the Board about best practices in business. More than ten years ago, it was Howard and those CEO's, not me, that convinced our Board to take the time to develop a breakthrough vision and a values statement that continue to effectively guide our organization today.

6. **Seek out innovation at the intersection of seemingly unrelated fields or concepts.** Frans Johansson in The Medici Effect describes the explosive growth in the number of opportunities for unique combinations, and therefore innovation, at the intersection of seemingly diverse and unrelated concepts and fields. The mathematical number of unique combinations allowed by the structure, instruments, and vocal patterns of rock music and classical music each result in about 2400 different combinations, but Johansson points out that when the two forms—rock and classical music—are combined, as with new artists such as Josh Groban and Il Divo or the 80's sensation "Tubular Bells", the resulting number of possible unique combinations reaches six million or more. Our own Alliance for Innovation is just such a creation at the intersection. We have created a partnership between ASU, the International City-County Management Association, and the Innovation Groups that is stronger and more innovative than any of us could be alone. ASU brings the discipline of an academic research focus; ICMA brings a market of 8,000 member executives who can rapidly introduce change into the practice; and the Innovation Groups bring a collective of the entire employee and elected official complement of 400+ of the most progressive local governments in the US. We have yet to really explore the

reaches of AFI's potential for innovation, and we look forward to where that journey will lead.

7. **Demonstrate courage.** As Alvin Toffler wrote in his important book Power Shift, it's not enough to be right, we have to be effective. We can't rest on knowing our solution is right...we have to lead by example and model the way as Kouzes and Posner advised, and we have to be willing to sacrifice, demonstrate flexibility and have courage over the long haul. The creators of Apache software, which allows a single server to host thousands of virtual websites (your Amazon.com search first goes through Apache), did it for free. IBM, the largest computer company in the world, eventually admitted that its engineers could not outdo the ad hoc collection of characters that made up Apache and since they failed to beat them, joined them. Talk about courage! Those characters that made up Apache had it in spades.

8. **Execute past failure.** The difference between a creative individual and a successful innovator is often the discipline to keep going and keep trying. Legendary American author Jack London is said to have submitted more than 600 articles and stories before the first one was accepted for publication! Picasso produced more than 20,000 pieces of art, only a fraction of which we know about today. Keep at it, and consider using a pilot program to demonstrate the effectiveness of your innovation. Some 30% of the Harvard award-winners used pilot programs to build support and improve the idea before widely implementing.

9. **Cultivate the credibility of the leader.** Wisconsin's Ihrke found that credibility of the leader was strongly correlated with successful innovation. The credible leader can guide the organization toward innovation, can attract innovators to the team, and inspires confidence from the elected governing body. Credibility, according to Ihrke and to Kouzes and Posner, involves envisioning the future and using that vision to inspire others, but also involves building a track record of following through with implementation of new and exciting ideas.

10. **And finally, the most important principle of successful innovation in local government...Share the gift.** Like the viral dissemination of information through browsers and open source technology, innovations in local government will need to replicate quickly because that lion is running faster than we are... Innovations will become better, more relevant and have more impact to the extent that we can accelerate their adoption worldwide. And we will help through AFI. We must help to ensure that the tools, the training, the equipment, and the human infrastructure of systems and processes are provided for all to operate effectively in the post-innovation world. Though the light bulb was invented in 1879, it took decades for it to produce significantly greater efficiency, because buildings had to be redesigned, work flows changed, and people re-oriented to the notion that work could continue after dark. It is our task to integrate employees, citizens, business people and elected leaders into the process of identifying and improving the innovations as well as delivering the innovative services. Why not empower them to **be** the innovation (like the Southwest Airlines passenger who has become the ticket agent, dutifully racing to print off his or her boarding pass 24 hours ahead of the flight in order to get that coveted A line-up...)? As we said, the web created the opportunity for an intellectual commons, where users create and share knowledge freely...the web also enabled the birth of Napster, the first true entertainment commons, which went from zero to 60 million visitors per month in less than a year before it was taken down by legal action.

What does this all mean for the next evolution of innovation in local government? Perhaps it means that like Netscape and Napster and Apache, the next wave in local government will be for us to become the **service commons**, where we will all connect, convene, focus and empower our citizen/customers to serve themselves. As we said earlier, our labor costs alone are making us increasingly obsolete, and one way to make service virtual, personal, and cost-effective is to

create systems and processes where citizens become their own service providers—for themselves, and for one another.

And ironically, that notion of government as the service commons is essentially the very origin of democratic government—collections of people who banded together in community to serve each other. Perhaps we are destined, as T.S. Eliot wrote, to return to the beginning...

“We shall never cease from exploration  
And the end of all our exploring  
Will be to arrive where we started  
And know the place for the very first time.”

Ladies and gentlemen, I thank you for your kind attention tonight, and wish each of you an exciting and prosperous future.