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Business, Society and Public Services a social productivity framework

2020
Public Services Hub
at the RSA

**Business,
Society and
Public Services**
a social
productivity
framework

Henry Kippin, Heidi Hauf and Atif Shafique

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About 2020 Public Services Hub

The 2020PSH is a research and policy development hub at the RSA, created from the legacy of the 2020 Public Services Trust, the charity which convened and supported the Commission between December 2008 and its final report in September 2010. 2020PSH specialises in developing practice-based research on social productivity in public services. As part of RSA Projects, the Hub works collaboratively with local public service organisations, national sector leaders and other national partners to develop social value and social productivity thinking into local and national practice. The pressures on public services are many and varied – spending cuts, future demands, and the challenge of engaging more effectively and creatively with citizens and communities. Within this context, the 2020PSH seeks to apply a long-term, strategic perspective and develop socially productive responses in collaboration with its partners.

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All errors remain those of the authors.

Executive summary

Executive summary

Public services need to be reformed to meet the demands of the long-term, under the fiscal constraints of today. Economic growth needs to be re-kindled – but in a more sustainable form that carries public confidence and delivers fairer returns. These are the two big policy challenges of our time. Yet they are not being considered together, and risk pulling in conflicting directions.

Arguments about ‘responsible capitalism’ and public service reform are live, ongoing debates – but they have been made in different places, addressing different audiences and needs. These agendas could diverge unless they are brought together as part of a coherent narrative. In this report we argue that the concept of social productivity should frame the process.

A changing narrative for public services and economic growth

The Coalition government is rolling out a programme of public service reform built on the policy narratives of deficit reduction, open public services and the Big Society. Austerity dominates this context. The state is pulling back funding from services and reducing its direct role in provision. Citizens and civil society organisations are being asked to step up and take more responsibility. In simple terms, the prescription has been less state, more citizen.

But what does that imply for business? Until recently, its role within the new settlement has received insufficient attention, and the accounts offered have been polarising. On the one hand, business has loomed as a threat to traditional public services and social value. On the other hand, business has been lauded for efficiency and urged to grow the country back to economic prosperity.

The reality on the ground is one of inter-dependence and shared agendas. Local Enterprise Partnerships (LEPs) – jointly led by local government and local business – are not constructed to get government ‘out of the way’, but precisely to bring government, business and other important civic actors together to generate growth. The story they tell is that the state, public services and local economic growth can be mutually reinforcing.

Businesses, public services and civil society are themselves in a process of change. Just as the state is redefining its role and function, so too is

business – responding to new arguments about sustainable value creation, and growing external pressure. The public is becoming more critical of the negative social impacts associated with business, more concerned with the environmental sustainability of its underlying model, and less accepting of the way it distributes rewards. The politics of high pay and ‘predatory’ or ‘crony’ capitalism – addressed in different ways by government and opposition – illustrate both the thirst for a new way of looking at the role of business, and the fact that this notion is being taken seriously in Whitehall.

An agenda for new relationships built around social productivity

Social productivity is a concept introduced by the Commission on 2020 Public Services. It calls for a more balanced relationship between sectors of society. It looks to get beyond ideological debates on the size of the state or the ‘bigness’ of communities, and instead focuses on the social value that can be created through better relationships between citizens, society, business and public services.

Cross-party consensus is emerging around the need to re-think both the role of the state in the market, and the role of the market in delivering public services. Any new shared agenda should include:

- » *Creating new growth* – entrepreneurship and private sector innovation are key to the government’s goal of ‘rebalancing’ the economy.
- » *Delivering public services* – as public sector monopolies are broken up, the role of private and third sector enterprise, and collaboration between them in public service delivery is likely to expand.
- » *Fostering behaviour change* – the government’s ‘responsibility’ deal is encouraging voluntary pledges from business to tackle social problems related to their products or services.
- » *Less command and control* – a commitment to rowing back from a culture of government target-setting and top-down regulation and management.

Though this nascent agenda is promising, its implications are largely unexplored and untested. It needs to be bottomed out in theory and practice. Our report begins that process. Its conclusions are based on extensive desk research, one-to-one interviews, the outcomes of a high level policy roundtable, and a number of case studies, including an in-depth analysis of the Zero Carbon Hub.

Emerging theory and practice

Numerous critical accounts of the roles and responsibilities of business already exist. We take a number of the most influential of these as ‘touchpoints’ with which to navigate a contested set of ideas and practices. In particular, we look at Big Society, contemporary corporate social responsibility (CSR), enlightened enterprise, philanthrocapitalism, shared value, public entrepreneurship, the circular economy and volunteerism.

We show how the new models and relationships being sketched in theory have already started to emerge in practice. National and local government have begun to bridge public and private through new types of collaboration, new business forms and new forms of financing. Examples include social finance and the public service mutuals agenda. Developments in open data are rapidly building new markets while expanding opportunities for active citizenship.

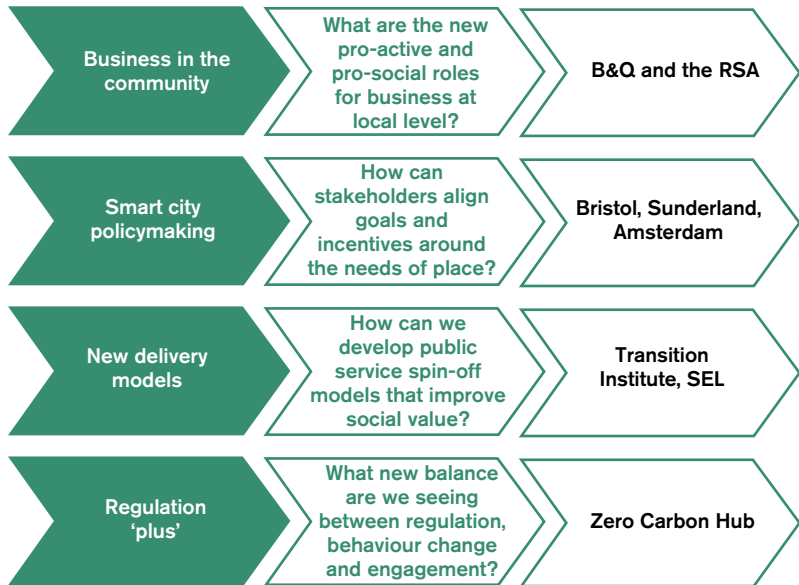
Learning from practice: case studies

The report looks in detail at four areas.

- » At a local or community level, new insights and methodologies are re-shaping what it could mean to be a community or socially-focused business. We look at B&Q’s work with the RSA on understanding and enhancing community impact.
- » At a city level, we are seeing shared goals and shared values framing new public-private-social collaborations around a ‘smart’ or ‘eco’ agenda. Cities such as Amsterdam, Bristol and Sunderland are driving this forward.

- » At a local service delivery level, the old dualism of public and private is being disrupted by a growing interest in public entrepreneurialism. A new generation of hybrid public/private delivery bodies is emerging, requiring a different kind of support from government.
- » At the level of national policy making, we look at the emergence of ‘regulation plus’ – the development of policy frameworks that combine formal and informal approaches to engagement, regulation and behaviour change.

We explore the area of ‘regulation plus’ through a detailed case study of the Zero Carbon Hub, an independent body established by the house-building sector and Government (with active support from the National House-Building Council (NHBC)) to devise and implement a policy framework capable of delivering zero-carbon new homes in the UK by 2016.



Business, public services and society: a social productivity framework

Our analysis suggests that progress is dependent on policy makers and practitioners agreeing practical advances on three related fronts.

1 New shared spaces – *Government sets the policy framework and devolves the detail.* Operational frameworks should increasingly be developed by sectors and their stakeholders. More socially productive local economies and public services require shared spaces – physical and virtual – to incubate networks, learn from each other, enable deliberation and foster relationships. Appetite for shared and integrated services has been whetted by initiatives like Total Place, smart cities and community budgets. In sectors like Further Education (FE) – where the state of the physical infrastructure is better than during previous recessions – greater sectoral and institutional autonomy could actually support more innovative use of physical and human resources.

- » *Work with the grain.* Use existing social networks, local resources and local public assets to develop collaborative spaces for local dialogue. **Example:** the RSA's Connected Communities programme is developing new methodologies to understand the flow of resources.
- » *Government has to jump first.* Recognise that the sustainability of collaborative policymaking, regulation and behaviour change requires stimulus and drive from government. **Example:** the Department of Communities and Local Government (DCLG) provided seed funding and tacit support of the Zero Carbon Hub.
- » *Collaboration is the new reality for policymaking and practice.* Create a default assumption towards collaboration in the design of new policy, the process of creating regulatory frameworks, and the processes through which local service commissioning arrangements are developed. **Example:** the Work Programme offers a living example of the potential up-and-downsides of collaborative delivery chains.

2 New shared values – *Government is uniquely placed to set the overarching policy imperative and specify the timeframe.* Public managers must be encouraged to think beyond service delivery, and consider their contribution to social and economic growth. Businesses increasingly need to think beyond the profit margin and embed social goals into their core strategy. Shared value is not only a business strategy; it should be a fundamental element of public service reform.

- » *Government can't do it all, but it can set clear goals and establish values.* Recognise the unique role of government (central and local) and public agencies in articulating the overarching aims and underpinning values that will enable change to take place.

Example: an academy school or a consortium of GP surgeries can help articulate local needs and social imperatives.

- » *Creating new shared values is about building circles of trust.* Recognise the power of networks and relationships in creating social value and stimulating growth.

Example: use FE colleges as ‘catalytic spaces’ and hubs of networked local growth.

3 New shared resources – *Resource challenges present potential risks and opportunities for public, private and civil society sectors.* This may mean less fiscal resource on the one hand, but potentially more operational freedom on the other. We argue that navigating successfully requires better communication, collaboration and integration across sectors and a social productivity approach to commissioning and procurement.

- » *Businesses and public services must re-think the resource base.* Recognise that sustainable development within a climate of austerity means looking outside of traditional resource bases.

Example: social finance and joint-ventures between mutuals or social enterprises, and the larger players.

- » *Leverage new technology and open data.* Recognise the potential of digital technology to unlock new types of relationship directly between citizens and public services, and between businesses, civil society and the public sector.

Example: Sunderland City Council's 'virtual' back office for local entrepreneurs and the Cabinet Office-sponsored Open Data Institute (ODI).

Getting from rhetoric to reality

The gap between rhetoric and reality in this area is huge. Aspirational language and political soundbites are outstripping the reality in business and public services. More needs to be done to encourage the changes that are already underway, and to provide support to new collaborative approaches that we are seeing across public services. Unlocking the 'hidden wealth' of communities and realising the latent social capacity of business will not happen by accident. We need a collaborative mindset across public, private and civil society sectors, a proactive and catalytic role for government, and a social productivity approach to policy and practice.

At the core of many of the innovative collaborations we see taking root is the idea of social value. At the time of writing, the Public Services (Social Value) Bill has very recently become law. It may help create the conditions for social enterprises and charities to secure more public contracts and create new forms of cross-sector collaboration. This will be welcome, and can only encourage the types of development we describe and advocate in this report. But it raises questions about metrics and accountability, and addresses only part of the problem. The 2020 Public Services Hub at the RSA and the Transition Institute will pick up some of these challenges through a Commission on Social Value later in 2012.

1 Introduction

1 Introduction

“On the one hand there is business, enterprise, profit seeking and markets; and on the other hand there is ‘doing good’ and charity and ‘society’. These two sets of concepts have so often been seen as fundamentally different, antagonistic and opposed. But they are not.”

Rt Hon, Vince Cable MP, March 2011¹

“You’ve been told all growth is the same, all ways of doing business are the same. But (they are) not.”

Opposition leader, Ed Miliband, September 2011²

“Enterprise is not just about markets – it’s about morals too.”

Prime Minister, David Cameron, March 2011³

The public services landscape is changing. The Coalition government is rolling out a programme of fragmented but radical reform, built on the policy narratives of deficit reduction, open public services and the Big Society – each of which has the potential to create profound and lasting change for citizens, businesses, public services and civil society. The imperatives of austerity dominate. As funding for local authorities and public services is cut, civil society and citizens are being asked to do more – to get involved in delivering services, to create community cooperatives, to volunteer, ‘give’, and to actively shape service delivery patterns through choice and voice. Civil society is being asked to step up to the plate – to offer a diverse delivery platform for services as public provision is pared back, despite the sector also feeling the pain of deep funding cuts and financial uncertainty.

¹ Business Secretary Vince Cable quoted in a speech to the Voice 11 Conference, March 2011, available at www.bis.gov.uk/news/speeches/vince-cable-social-enterprise-voice-11

² Leader of the Opposition Ed Miliband quoted in a speech to the Labour Party Conference, September 2011, available at www.labour.org.uk/ed-milibands-speech-to-labour-party-conference

³ Prime Minister David Cameron quoted in a speech to the Conservative Spring Conference, March 2011, available at www.bbc.co.uk/news/uk-politics-12657524

The missing piece in this picture has been the role of business. As policymakers have debated new roles for citizens and the state, too little attention has been paid to the part that the private sector could play within a rebalanced society. Much of the public debate rested on the assumption that the job of businesses is simply to grow – and the state should do everything it can to get out of the way and allow that to happen.

“ The gap between rhetoric and reality in this space is huge. The spectrum of relationships between business, public services and society can hardly be done justice by political soundbites or even a single policy narrative”

This picture has changed. The development of LEPs tells a mixed story about the opportunities and challenges of a more liberal and localised growth model. Moves towards a more activist industrial policy betray an admission that the state, public services and local economic growth are interdependent and can be mutually reinforcing. Major national public service reform initiatives such as the Work Programme emphasise multi-sector collaboration. And the politics of high pay and ‘predatory’ or ‘crony’ capitalism – addressed in different ways by government and opposition – illustrate both the thirst for a new way of looking at the role of business, and the fact that this notion is being taken seriously in Whitehall. Yet the fact remains that the two big policy challenges of today – public service reform and economic dynamism – are not being considered in tandem, and risk pulling in different directions.

As ever, the gap between rhetoric and reality in this space is huge. The spectrum of relationships between business, public services and society can hardly be done justice by political soundbites or even a single policy narrative. What are we seeing beneath the politics? We think that a set of distinct shifts are occurring, giving shape to ideas and practices that could form the basis of new relationships and ways of working. New insights and methodologies are re-shaping what it means to be a community or socially-focused business. At a city level, we are seeing shared goals and shared values emerge around a ‘smart’ or ‘eco’ agenda. Public services themselves are becoming test-beds for multi-sector innovation: with new

delivery models and joint-ventures reshaping service delivery landscape. At a regulatory level, we can see examples of private, public and social goals being coalesced through collaborative policy-making – what we call ‘regulation plus’.

This paper looks across these emerging trends, developing the beginnings of a framework for further analysis, policy and practice. We argue that the idea of social productivity – first introduced by the Commission on 2020 Public Services and developed by the 2020PSH – can help make sense of a complex set of challenges and opportunities, and give policymakers and practitioners a more coherent way of thinking them through. We ask:

- » What would it take for the role of business to be reconfigured around the partnership-based goals of shared value, the Big Society or social productivity?
- » If heavy-handed regulation and laissez-faire positions are off the table, what should be the new roles for government at a national and local level?
- » At different spatial and policy levels, what mix of regulation, incentives and behaviour change would be needed to create socially productive relationships?
- » Where are we seeing these types of relationships already, and what can we learn from their experiences?

From policy noise to practical application

Much has been written about the ‘opportunity’ that accompanies financial crisis in the public sector. Long-delayed decisions can be fast-tracked, service distribution and delivery can be ‘re-set’, and innovation can be mainstreamed in the cause of getting ‘more with less’. Within the broader economy, similar arguments are playing out. Now, it is said, is the opportunity to change the fundamentals of the boom-and-bust business model and realign the interests of shareholders, managers, executives and even customers around more sustainable goals.

These may appear self-evidently progressive goals, but they are neither inevitable nor uncontested within the public and private sectors. For many public managers, the urge to generate in-house efficiencies through consolidation and retrenchment is overwhelming. For company directors, the core mission of surviving through recession is paramount. Turning crisis into opportunity within this context is extremely difficult, as business expert Stuart Hart has argued:

“Despite widespread calls for ‘reset’ and ‘reinvention’ in the throes of crisis, now that ‘stability’ has been restored the more likely scenario is modest reform and a return to ‘business as usual’ – at least until the next crisis hits.”

Stuart Hart, *Capitalism at the Crossroads*, 2010⁴

It is clear that, for innovation rather than ‘business as usual’ to be the reality, we need a new way of understanding the relationship between the goals and values of citizens, society, businesses and government. New thinking from political economists, the business community and beyond gives us some pointers. Economist Diane Coyle has called for an ‘economics of enough’. Amartya Sen has called for a change in the way we view capitalism. The RSA’s Matthew Taylor has advocated a new form of ‘enlightened enterprise’. ‘Philanthrocapitalism’ and, most recently, ‘shared value’ have become business buzzwords, suggesting new ways to frame these dynamics, and create mutually reinforcing strands of economic and social sustainability. This blending of economic and social value is also evident in debates about growth, arguably the most important issue in the wake of the financial crisis. Political initiatives such as the Coalition Government’s decision to measure subjective wellbeing indicate a growing consensus behind growth that generates both economic, social and environmental value. The economy is increasingly being seen as a means to an end, rather than an end in itself. And businesses are indeed being asked to contribute more to delivering societal wellbeing and tackling social challenges. Some are already responding.

⁴ Hart, S.L. (2010), ‘Capitalism at the Crossroads: Next Generation Business Strategies for a Post-Crisis World’, FT Press

“We need the commitment, creativity and innovation of businesses to help tackle the challenges that confront us, from worklessness to obesity, from the break-up of families to the break-down of communities, from environmental damage to economic dislocation.... I simply can not think of an area of public policy where the creative thinking of business wouldn't help in delivering a better outcome.”

Prime Minister, David Cameron, December 2010⁵

In the UK and within the public service policy world, many of these dynamics are being explored at a micro-level, around the potential of new delivery models for public services to meet need more effectively, to increase the motivation and happiness of front-line workers, and to create a new market for social goods in areas such as social care and family services. Yet as we have argued, this is only one part of a broader set of issues. If the government's plans for public service reform or fiscal retrenchment are to succeed, we need to see a deeper exploration of the role that profit-making organisations can play – not only by filling the gap left by retreating public sector in the most profitable areas, but by changing behaviours and working practices to help co-produce social outcomes, and help create sustainable new markets and collaborative solutions to enduring public problems.

This is what we attempt in the chapters below. Our findings draw on our engagement with a broad range of organisations, spanning government, local government, social enterprise and the business community. Over 40 RSA fellows came forward to contribute perspectives and put forward ideas. Their enthusiasm was shared by many of the professionals we spoke to, who believed that new interfaces between business and public services that promote growth, social value and environmental sustainability are not only possible, but urgently necessary.

⁵ Prime Minister David Cameron's speech to Business in the Community Leadership Summit in London, 02.12.11, available at www.number10.gov.uk/news/business-in-the-community-speech

Structure of the report

Social productivity

- Promotes more balanced partnerships and engagement
- Goes beyond ideological debates on the size of the state
- Services built around the capabilities of citizens and the outcomes they want.



Business, society and public services – a review

Contemporary perspectives on the relationship between business, society and public services.



Components of a social productivity framework

The key components of a social productivity model; new shared spaces, new shared values and new resource challenges.



Four case studies

Different levels of society need different relationships;

- Business/community level – B&Q & the RSA
- City level – Global smart city policy
- Public services – social enterprise, mutualism and the new public entrepreneurship
- National level – the Zero Carbon Hub.



A social productivity framework

Key challenges are addressed through the social productivity framework;

- Provide a set of diagnostic questions to apply to particular policy areas
 - Suggest cross-cutting responses to these challenges.
-

2 Changing public services and changing roles

2 Changing public services and changing roles

The Coalition government has begun radically but unevenly to re-shape the landscape of public services. Healthcare delivery is in flux; school-age education is being radically liberalised; cost-sharing arrangements are being introduced for higher education and social care; and in areas such as further education and skills, providers enjoy greater freedom, but fewer resources. New relationships between Whitehall and local government are being created based in part on a quasi-localism that allows greater freedom and spending discretion, but that also removes key public service responsibilities from the purview of town halls.

“ Healthcare delivery is in flux; school-age education is being radically liberalised; cost-sharing arrangements are being introduced for higher education and social care”

A triple narrative underpins these developments: deficit reduction, which is forcing policymakers to think of new ways to get more with less from public services; the Big Society, the government’s vision of a less bureaucratic, less statist and more community driven public service ethos; and ‘open public services’, its vision of a more diversified, liberalised and competitive supply side. These dynamics are, of course, playing out in different ways within different places, with funding cuts and sustained demand creating acute delivery challenges as well as pressures for change.

The Coalition sees a smaller state and bigger society as its long-term goal for public services. This necessarily means a more diverse supply side, with services delivered by a much broader range of public, private and third-sector organisations. Citizens are being asked to do more – to get involved in mutuals or co-operatives; to be ‘armchair auditors’ of the services they use; and to become more active members of the community. These are new roles for citizens and state at a time of austerity. The role of business within this vision is still relatively (and conceptually) underdeveloped. Yet we are seeing some emerging themes:

- » *Creating new growth* – entrepreneurship and private sector innovation are key to the government’s goal of ‘rebalancing’ the economy
- » *Delivering public services* – as public sector monopolies are broken up, the role of private and third sector enterprise in public service delivery is likely to expand.
- » *Less command and control* – a commitment to rowing back from a culture of excessive target-setting and top-down regulation and management.
- » *Fostering behaviour change* – the government’s ‘responsibility’ deal is encouraging voluntary pledges from business to tackle social problems related to their products or services.

These themes point to a role for the private sector that goes beyond simply maximising profits, delivering shareholder value or offering the lowest financial bottom line. They point to a new mix of roles and responsibilities – in which business aims and social goals are more intertwined; in which social ends can be achieved through changing business practices and greater collaboration. A series of intellectual currents underpins these themes, as we discuss below.

Shared value, social productivity and (Big) Society

In a widely cited (and critiqued) article for the Harvard Business Review, Michael Porter and Mark Kramer call for a new kind of relationship between business and social purpose, which they call ‘shared value’:

“Companies must take the lead in bringing business and society back together. The recognition is there among sophisticated business and thought leaders, and promising elements of a new model are emerging. Yet we still lack an overall framework for guiding these efforts, and most companies remain stuck in a ‘social responsibility’ mind-set in which societal issues are at the periphery.”⁶

⁶ Porter, M.E. & Kramer, M.R. (2011) ‘The Big Idea: creating shared value’ Harvard Business Review, January 2011

The idea of shared value taps into an enduring but often undervalued strain of business thinking – yet it is perhaps an idea whose time has come. There are parallels in this approach with the concept of social productivity introduced by the Commission on 2020 Public Services, and developed more recently by the 2020PSH. Social productivity is about a more balanced partnership and engagement between different stakeholders in society to achieve social goals. It looks to get beyond ideological debates on the size of the state or the ‘bigness’ of communities, and instead focuses on the social value that can be created through the interaction between citizens, society and public services.

Social productivity

According to the Commission on 2020 Public Services, social productivity is the idea that ‘public services should explicitly be judged by the extent to which they help citizens, families and communities to achieve the social outcomes they desire’.⁷ This means less focus on the particular services that are being – or have always been – delivered, and more focus on how the confluence of citizen agency, civil society and the state can collaboratively create the right conditions to improve social outcomes. It means thinking less ideologically about the role of the state, focusing instead on how citizens can be engaged, and how state, market and society can work together to solve public problems.

- » *The need for a rebalanced account of economic growth* – the relationship between citizens, state and society must be rebalanced – not rocked from state dominance to state retrenchment. This means a larger share of growth must come from SMEs, social enterprise and new businesses embedded within local communities. Within a challenging macro-economic climate, local authorities must play an enabling and catalysing role.
- » *The need to tap into the ‘hidden wealth’ of citizens* – social productivity is about services that are built around the capabilities citizens have, and the outcomes they want. Over the long-term, this means holistic approaches that

⁷ Commission on 2020 Public Services (2010), ‘From Social Security to Social Productivity: a Vision for 2020 Public Services’, London, 2020PST

hold local commissioners to account for outcomes defined by people and communities – not only the services being delivered.

- » *The need to get ‘more with less’ from local services* – the principle of co-production is key. This recognises that value can be generated more efficiently from more cooperative and collaborative relationships between the service being delivered, and the citizens and communities consuming it.
- » *The need to generate community coherence and civic responsibility* – different people and places will have very different starting points in terms of their needs, resources and capabilities. This means that the local state and public services will need to play a strong role in building capacity and supporting collective capacity where it is needed.
- » *The need for sustainable ways of meeting future demands* – emerging social and economic demands – such as an ageing society and climate change – cannot be met through our existing delivery model. So public services must get better at unlocking private and social resources and building long-term community resilience.
- » *The need to be reflexive to changing citizen behaviours* – patterns of living, learning and working are changing. For new demands to become opportunities, local authorities must get better at working with the grain of people’s lives, mobilising a broader range of (public, private and social) resources, and deploying them more intelligently within communities.

We believe that social productivity offers a more realistic and grounded model for change than the government’s Big Society proposals. But they share some common territory. A key characteristic of Big Society thinking is a desire to get beyond neo-liberal economics. The Big Society builds on developments in neuroscience, psychology and behavioural economics to expose the fallacy of what ‘nudge’ economists Richard Thaler and Cass Sunstein call ‘economic man’.⁸ It places much greater emphasis on the role of social networks in influencing our behaviour and shaping our society. This has led Big Society advocates to argue for a more social economy,

⁸ Thaler, R. & Sunstein, C. (2008) *Nudge: improving decisions about health, wealth and happiness* New Haven, Yale University Press

emphasising the social trust on which markets depend, with businesses exhibiting a much clearer social purpose.⁹

This is a significant challenge to the shareholder value maximisation model of anglo-saxon capitalism of the past three decades. Leading politicians are now challenging the financial sector on this basis. Examples include a campaign led by Jesse Norman MP to get infrastructure companies to give back some profits made from Public Finance Initiative (PFI) contracts, and economist and 2020 Commissioner, Bridget Rosewell suggesting a model of bank debt repayment that would create an infrastructure development fund for the future. David Cameron himself has called for an understanding within the business community that ‘it is their responsibility, not just the government’s responsibility, to think about the social and environmental consequences of what they do’.¹⁰ Serious attempts are being made to mainstream social finance as a means of mobilising the private sector in service delivery through payment-by-results – Peterborough’s social impact bond is the first example of this. And collaborative initiatives like the Zero Carbon Hub – profiled later in this report – are creating new vehicles to drive socially responsible commercial development, managing transitional risk and encouraging innovation.

‘Philanthrocapitalism’ author Matthew Bishop has famously argued that we are seeing a ‘revolution in capitalism in which the winners make doing good a core part of their personal and business strategies’.¹¹ The new ideas above point in a similar direction, but there are significant gaps in the picture when it comes to local finance and local economic development. None of these strands have been woven together in a way that gives practical guidance to policymakers. Public services and the private sector can and should develop more socially productive relationships. But a new framework is needed.

⁹ See for instance Jesse Norman’s campaign for a Private Finance Initiative (PFI) Rebate at www.pfi-rebate.org, and Norman’s opinion piece ‘The CBI has gone Awol on every issue that matters’ in *The Times* 01.09.2011, available at www.thetimes.co.uk/tto/opinion/thunderer/article3150908.ece

¹⁰ Prime Minister David Cameron quoted (as leader of the opposition) in a speech at the RSA in London, 23.04.07, available at www.guardian.co.uk/politics/2007/apr/23/conservatives.davidcameron

¹¹ ‘The Rich can Save the World: we should let them’, in *The Times* UK, 04.02.09

3 Business, public services and society

3 Business, public services and society

As we have argued above, much is already being said about the need for a new set of relationships between business and social goals. Yet still lacking is an operating framework for translating these intentions into something that decision makers – at the national, local and micro-level – can use. As spending cuts erode public capacity, the need for such a framework will be increasingly acute. In chapter nine we attempt to address this need. We draw lessons from four case study areas, before setting out our social productivity framework as a resource for decision-makers. But this must be built on solid theoretical foundations – a task we turn to next in picking out seven touchpoints that inform our framework.

Touchpoint 1 – The Big Society

“(Businesses) have the power, the creativity and the enterprise to help us tackle some of the most pressing challenges we face”

Prime Minister, David Cameron, December 2010¹²

Writing in Spring 2011, the 2020PSH traced the narrative of Big Society from policy idea to ‘grand narrative’ underpinning the Coalition’s vision for public services in a post-crisis age. As we noted at the time, the concept retained ‘an essential looseness, a weightlessness, which could undermine its potential to become a governing philosophy’.¹³ Little has happened to change this perspective, particularly given how the concept has been eased out of the public service reform narrative following its virtual absence from the Open Public Services white paper.

¹² Prime Minister David Cameron’s speech to Business in the Community Leadership Summit in London, 02.12.11, available at www.number10.gov.uk/news/business-in-the-community-speech

¹³ Kippin, H. & Lucas, B. (2011) ‘From Big Society to Social Productivity’ RSA 2020 Public Services Hub, available at 2020psh.org/?p=119

The concept itself has much to say about the relationship between different stakeholders in society. Commentators such as Jesse Norman and Philip Blond have argued that it sits in territory between the extremes of free-market fundamentalism and top-down statism. The Big Society stands for a more locally networked, collaborative and localised economy, in which local assets are retained and built upon, in which communities have a more tangible stake in the economy,¹⁴ and in which a culture of voluntarism and entrepreneurialism pervades the market for social goods.

What this could mean in practice is not yet clear. The Coalition's approach has been relatively hands-off, seeking to provide a framework within which others (the business community, for example) can act. One high profile example of this is the Big Society Bank (now officially renamed Big Society Capital), which is being established as a social investment vehicle with support from the 'big four' UK banks. The initiative has grown from humble origins, with £600 million in total to invest according to most estimates. The potential is there to provide catalyst funding for local social investment vehicles such as social impact bonds (around which other private and non-profit sector partners would align). But this is still early stages, with the Financial Times calling it 'a tiny acorn from which it is far from certain a giant oak will grow'.¹⁵

“ The Big Society stands for a more locally networked, collaborative and localised economy, in which local assets are retained and built upon, in which communities have a more tangible stake in the economy”

The potential of Big Society thinking to re-shape the way business works in the community is considerable. As Stephen Howard, Chief Executive of Business in the Community has noted, '77% of business leaders say they could do more to scale-up strategic support for communities across their

¹⁴ See Philip Blond's debate on Sky News in the following transcript from Sky News HD Channel, 13.02.2011, [http://skynews.skypressoffice.co.uk/newstranscripts/dermot-murnaghan-debates-big-society-phillip-blond-former-cameron-advisor-rev-peter-](http://skynews.skypressoffice.co.uk/newstranscripts/dermot-murnaghan-debates-big-society-phillip-blond-former-cameron-advisor-rev-peter-15)

¹⁵ 'Big Society Bank: just the facts' in the Financial Times, 14.02.11

businesses'.¹⁶ His organisation has consulted widely on the question of how businesses can actively shape the space provided by Big Society reforms, setting out a series of recommendations for businessfolk and policymakers. These include working collaboratively to support small and medium sized enterprises (SMEs), enable greater opportunities for staff volunteering, supporting community 'brokerage', using public procurement as a lever for smarter investment, and developing community capacity to articulate social need, and leverage private sector resource to meet it.

Touchpoint 2 – Contemporary CSR

“Let’s have corporate players like Pepsi at the table, but let’s do it in Bromley, not in the pages of a CSR document”

Director, local education and business advocacy organisation

Corporate social responsibility (CSR) is an ever-changing set of principles and practice, with different applications at local, national and international levels. Increasingly, CSR debates are located around the question of sustainability over the long term. As John Drummond, Chief Executive of Corporate Culture, has argued, ‘corporates are having to grapple with an ever-growing list of key issues that cover the three pillars of sustainability – social, environmental and economic’.¹⁷ As always, the subtext is how these ‘three pillars’ can be integrated into a *raison d’être* that is usually about maximising short-term shareholder value, and the CSR narrative can sit awkwardly alongside high profile social conflicts in the extractive industries, the financial services industry and the global clothing industry, for example. On an international scale, much CSR thinking is about creating the conditions to simultaneously take advantage of – and mitigate the negative externalities from taking advantage of – globalisation.

Whilst it is impossible to estimate the impact of CSR activities at ground level across these contexts, it is clear that – at boardroom level at

¹⁶ Business in the Community, ‘Businesses respond to the Government’s aspiration of the Big Society’, accessed Dec 2011, available at www.bitc.org.uk/business_and_the_big_society

¹⁷ John Drummond is quoted in The Guardian 26.04.10, available at www.guardian.co.uk/sustainability/blog/sustainable-business-csr

least – some multinational companies are rethinking what it means to do good whilst continuing to prosper. The Chief Executive of General Electric (GE) captures this sentiment perfectly, holding that ‘we are going to solve tough customer and global problems and make money doing it’. GE’s EcoMagination initiative is one commonly cited example, with an ambition of \$10 billion cumulative investment in clean technologies between 2010 and 2015.¹⁸

For some of the most forward-thinking companies (or at least those that publicise their intentions most effectively), this balance is key. Chief Executive of PepsiCo, Indra Nooyi prefaces the company’s 2009 ‘Performance with Purpose’ CSR report with the maxim ‘at PepsiCo we believe that what is good for society and what is good for business can and should be the same thing’.¹⁹ Similarly clothing company Timberland has actively worked to decrease emissions, improve factory conditions, promote sustainable primary good sourcing and use more renewable energy, reporting a 38% emissions reduction between 2006 and 2010.²⁰

Whilst such efforts should be applauded, they only nibble at the edges of industries that service the wants and needs of people around the world, but that also contribute to increasingly entrenched global inequalities and a feeling of disconnectedness between local communities and national and global economies. Debates around the financial services industry illustrate this starkly. In 2009, UK thinktank the New Economics Foundation (NEF) released a report estimating the social value of different professions, calculating that, for ever £1 generated, bankers destroy £7 worth of social value. This compared dramatically with childcare workers, who they estimated to create £7.50–£9 of social value for every £1 they were paid.²¹

¹⁸ See for example www.ecomagination.com/press

¹⁹ PepsiCo (2009), ‘Performance with Purpose: investing in sustainable growth’, Corporate citizenship overview 2009, available at www.pepsico.com/download/PepsiCo_2009_Sustainability_Report_Overview.pdf

²⁰ See for example <http://responsibility.timberland.com/reporting/goals-and-progress>

²¹ New Economics Foundation (2009), ‘A Bit Rich: calculating the real value to society of different professions’, available at <http://neweconomics.org>

Beyond CSR in the financial industry?

The HSBC Climate Partnership offers an example of ‘beyond-CSR’ in the financial industry. The five-year programme between HSBC and global research institutes (Earthwatch, the Climate Group, Smithsonian Tropical Research Institute and WWF), has engaged with a third of HSBC employees worldwide to foster understanding and action on climate change.

According to partner institute reports, the investment has made a contribution to scientific understanding of how the world’s degraded forest ecosystems are responding to climate change, but has also created value for HSBC – translating the significant investment in employee engagement into tangible benefits for the bank.

Investing in employee training through programmes like these could foster a more sustainable culture within traditionally profit-focused organisations

Reference: ‘Embedding sustainability into the business, the HSBC climate change partnership’ (2011), available at <http://greenwisebusiness.co.uk/news/>

Touchpoint 3 – Enlightened enterprise

‘Enlightened enterprise’ is the RSA’s own take on what a new set of relationships between business and society might look like. In a speech in 2011, the organisation’s Chief Executive, Matthew Taylor argued that austere times required a new framework for business thinking drawing on approaches such as shared value.²² Citing examples such as PepsiCo, Diaego and UK home improvement business, B&Q, he noted that,

“exploring the hidden value which exists in brands and which can be leveraged to enhance lives and benefit society is becoming a major spur for innovative business thinking.”

So how can this be done? Firstly, by acknowledging that business already plays a pro-active role in market, preference and behaviour shaping, as insights from behavioural economics and neuroscience – some developed

²² Evidence in this section taken from www.thersa.org/events/video/vision-videos/matthew-taylor2

in the RSA's own Social Brain project – have shown us. Marketing and branding departments already understand this very well, but as yet, their techniques and often nuanced understandings of market behaviour have rarely been translated into creating a framework for pursuing positive social change alongside profitmaking.

The key to achieving this is a focus on downstream corporate responsibility. This is about shaping what 'the customer wants and does'; techniques that sit within a three-pronged typology of 'enlightened enterprise'.

- » *Upstream* – concerned with the sourcing of primary goods and materials
- » *Midstream* – concerned (as in traditional CSR) with what the company 'does'
- » *Downstream* – what people do with products and services after purchasing them

It is arguably the downstream element that constitutes the missing piece of most CSR or corporate sustainability strategies. We know more now than ever about the things that drive us, and the incentives we respond to. But how can these insights be brought into the business world beyond the short term and consumer-focused imperatives of marketing and advertising departments?

Voluntary agreements are part of the answer. The most recent illustration in UK public policy is the controversial Public Health Responsibility Deal, which aims to include fast food firms, drinks makers and supermarket chains in shaping the Coalition's approach to public health, reducing the likelihood of them being subjected to further legislation. As Stephen Dorrell, chair of the House of Commons health select committee, has argued, "partnership with commercial organisations has a place" but, "those with a financial interest must not be allowed to set the agenda."²³ Exploring what, then, is the right place for this collaboration to take place is a key agenda. These questions are the focus of a strand of thinking

²³ See 'MPs deride Lansley's 'nudging' deal with food and drink firms' in the Guardian, 02.11.11, available at www.guardian.co.uk/politics/2011/nov/02/mps-deride-lansley-food-and-drink-firms

within the RSA being explored through a programme of events and within the organisation's Enterprise team.

Touchpoint 4 – Philanthrocapitalism

“...(new partnerships) should be able to connect those of us who work in philanthropy with one another, with those in the citizen sector, in the private sector, and in government.”

Kavita Ramdas, Stanford University²⁴

Philanthrocapitalism, a term given prominence in 2009 by U.S. authors Matthew Bishop and Michael Green, is about blending the investment techniques of the private sector with the charitable aims of the non-profit sector – in effect creating a cadre of ‘venture philanthropists’²⁵ that can mobilise huge personal wealth and maximise its social impact. It is, as historian Tristram Hunt has argued, a ‘transposition of the corporate model into the charitable sector’,²⁶ not without its inherent problems or contradictions, but reflective of a growing trend exemplified by the behaviour of individuals such as Bill Gates, Warren Buffet and Bill Clinton. More recently, philanthrocapitalism has been becoming more collective and structured. This is seen by the rise of ‘giving circles’ in the US, where ‘communities of philanthropists’ pool their resources to achieve a greater impact. The rise of social capital intermediaries is also aiding this development.²⁷

The relevance of philanthrocapitalism to this report lies in its relationship with government and public services. Matthew Bishop has talked of the ‘leveraging’ potential of capitalism, citing efforts by the Gates Foundation to influence pharmaceutical companies to redirect their research and

²⁴ Ramdas K. (2011), ‘Point-Counterpoint: Philanthrocapitalism’, Stanford Social Innovation Review, available at www.ssireview.org/point_counterpoint/philanthrocapitalism

²⁵ ‘The birth of philanthrocapitalism’ in The Economist, 23.02.2006, available at www.economist.com/node/5517656

²⁶ ‘The Business of Giving’ in The Guardian, 17.04.11 available at www.guardian.co.uk/commentisfree/2008/apr/17/3

²⁷ Arrilaga-Andreessen, L. (2012), ‘Giving 2.0: Getting Together to Give’, Stanford Social Innovation Review Winter 2012. Also see Meehan, B. & Jonker, K. (2012), ‘The Rise of Social Capital Market Intermediaries’, Stanford Social Innovation Review Winter 2012

development efforts towards ‘discovering, say, a vaccine for malaria rather than a cure for baldness’.²⁸ More directly, Bishop has cited New York Mayor Michael Bloomberg as advocating the use of philanthropic capital to finance pilot projects that are perhaps too risky for public investment.²⁹

Organisations such as NESTA and (perhaps in future) the aforementioned Big Society Capital partly fulfil the same purpose – offering a place for quirky, innovative policy initiatives to find development finance and a place for incubation and growth. This is in stark contrast to the way high-street finance has dried up following the financial crisis, and indeed we might see the financial industry as the most obvious counter-example in the UK.

Touchpoint 5 – Shared value

“There is something viscerally attractive about it, but it’s hard to analyse what it really means...”

Local Government consultant

Shared value is a concept that takes much of the contemporary CSR and Big Society thinking (and indeed, the thinking of the previous four ‘touchpoints’ discussed above) to its logical conclusion. Its creators Michael Porter and Mark Kramer go beyond narratives of responsibility and philanthropy, and instead argue that the next ‘major transformation in business thinking’ is about ‘creating economic value in a way that also creates value for society by addressing its needs and challenges’.³⁰ This is conceptually different, because it attempts to blend economic and social goals as part of the same strategy – rather than what its authors characterise as ameliorating social externalities in a relatively piecemeal way through CSR programmes. From the authors:

²⁸ ‘A Tarnished Capitalism Still Serves Philanthropy’ in the New York Times, 11.11.08 available at www.nytimes.com/2008/11/11/giving/11MARKET.html

²⁹ ‘Matthew Bishop on Partnering Philanthrocapitalism with Government’ in Public Innovators, 20.11.08, available at <http://publicinnovators.com/blog/matthew-bishop-partnering-philanthrocapitalism-government>

³⁰ Porter, M.E. & Kramer, M.R. (2011) ‘The Big Idea: creating shared value’ Harvard Business Review, January 2011

“The concept of shared value... recognises that societal needs, not just conventional economic needs, define markets. It also recognises that social harms or weaknesses frequently create internal costs for firms – such as wasted energy or raw materials, costly accidents, and the need for remedial training to compensate for inadequacies in education. And addressing societal harms and constraints does not necessarily raise costs for firms, because they can innovate through using new technologies, operating methods and management approaches – and as a result, increase their productivity and expand their markets.”³¹

As critics have noted, shared value is in its infancy as an operational framework. The Economist’s Schumpeter column asks if shared value is really saying anything new, arguing that ‘emerging world giants such as Hindustan Unilever and Tata are well aware that they are in the business of creating and shaping markets’.³² But for others, the entwining of social and economic ends is more revolutionary. Swiss multinational Nestle has, for example, adopted Porter and Kramer’s model as a central part of its corporate strategy, perhaps self-consciously marking a shift in thinking from CSR (and, indeed, the ethical controversy Nestle has attracted in the past), to a culture in which the company’s aims are tied more explicitly to a broader social mission. For Chairman Peter Brabeck-Letmathe, ‘it is not enough to create value for the stakeholder... you also have to create value for the society at large which allows you to act’.³³ Others who appear to be embracing this thinking at a rhetorical level at least include Adidas, who have partnered with Grameen Bank to produce a low-cost shoe for distribution in rural Bangladesh,³⁴ and Heinz, who are promoting a ‘micronutrient’ campaign in partnership with the World Health Organisation and UNICEF.³⁵

³¹ Ibid.

³² ‘Oh Mr Porter’ Schumpeter column in The Economist, 10.03.11 available at www.economist.com/node/18330445

³³ Quote taken from the transcript of an interview with Peter Brabeck-Letmathe at the (U.S.) Council on Foreign Relations, 22.03.11 available at www.cfr.org/business-and-foreign-policy/conversation-peter-brabeck-letmathe/p24466

³⁴ ‘Thinking out of the shoe box? Adidas joint venture company with Grameen aims to contribute to improvements in health’, in CSR Asia, 02.07.10, available at www.csr-asia.com/index.php?id=13566

³⁵ Heinz Micronutrient Campaign Partners, available at www.heinz.com/sustainability/heinz-micronutrient-campaign.aspx

At a conceptual level, shared value thinking offers a way to get beyond narrow, economic ways of thinking about the role of business in society. It represents a shift away from a neo-liberal ‘profit-is-good’ approach – driven by the argument that our key economic priority should be to maximise shareholder value, which will then trickle down to society – towards a ‘profit-for-good’ model, where value is purposely shared horizontally. This new thinking has appealed to the international business community as it looks for ways to deal with the future ‘triple bottom line’ of people, planet and profit.³⁶ In doing so, it puts the emphasis squarely on companies to catalyse change in this area. According to a recent Accenture report this means ‘a company that has overcome the traditional strategic and operational divisions between advancing the performance of the enterprise and promoting the wellbeing of citizens and communities’.³⁷ The role of government – hitherto to create favourable conditions for growth and a low burden of taxation – is now to understand what shared value is, and to ‘regulate in ways that enable... rather than work against it’.

Touchpoint 6 – Public entrepreneurship

“Our response to (public service) shrinkage can take three forms. Either we simply accept poorer and smaller public services. Or we protest and demand that the state continues to do what it always does. Or we opt for the less apathetic and unrealistic option which is to explore ways in which citizens and services can work together to accommodate the decline in funding.”

Adam Lent, RSA³⁸

³⁶ ‘First make money. Also, do good’ in The New York Times, 13.08.11 available at www.nytimes.com/2011/08/14/business/shared-value-gains-in-corporate-responsibility-efforts.html?pagewanted=all

³⁷ Accenture (2011) ‘Business at its Best: driving sustainable value creation’ available at www.accenture.com/us-en/Pages/insight-business-best-sustainable-value-summary.aspx

³⁸ Lent, A. (2011) ‘Beyond mutualism and towards the ‘big economy’ in Policy Network (2011) ‘What Mutualism means for Labour’ available at www.policy-network.net/publications/4078/What-mutualism-means-for-Labour

Public entrepreneurship is about a shift in thinking about the role of public services and public spending – away from being seen as a ‘drain’ on resources or a way of spending down national wealth, towards seeing government and public services as a catalyst for growth in the economy as a whole. As Lord Andrew Adonis has argued, ‘we need to break away from a view of public services that focuses on the efficient and effective distribution of state resources and instead focus on the opportunities to improve people’s lives, wherever these opportunities exist and whoever is best placed to take advantage of them’.³⁹ A recent report from the Brussels-based Government of the Future centre reinforces this ethos, arguing that governments must ‘get beyond enablement’ of private sector growth and start thinking about driving public value through new collaborations between government, businesses and citizens.⁴⁰

Public entrepreneurship is probably best exemplified in the UK by the social enterprise and mutual movements, which both advocate approaches to service delivery that spin-off public provision into organisational forms arguably better placed to think entrepreneurially and straddle the public-private margin. These approaches also cut across traditional party lines, as Labour’s co-operative council collective and the Coalition’s mutual task-force exemplify. Such approaches draw from a raft of policy reports from thinkers across the political spectrum arguing that new amalgams of local enterprise, public services and civil society represent the best way to build sustainable local economies in the wake of the financial crisis.⁴¹

The impact of this thinking is already being felt within key national service networks. As Cabinet Office Minister, Francis Maude has stated, ‘This is the future, in five, ten, fifteen years’ time what we think of as the NHS will be delivered by a multitude of independent organisations like Central Surrey Health with lots of different forms, doing things differently, finding ways to make

³⁹ ‘Public Service Entrepreneurs’ in Ethos Magazine Spring 2011 available at www.ethosjournal.com/home/item/214-public-service-entrepreneurs

⁴⁰ Government of the Future Centre (2011) ‘Driving Public Entrepreneurship: government as a catalyst for innovation and growth in Europe’ available at www.accenture.com/gb-en/Pages/insight-driving-public-entrepreneurship.aspx

⁴¹ See for example Singh, A. (2010) ‘The Venture Society’, ResPublica, available at www.respublica.org.uk/documents/umf_The%20Venture%20Society.pdf and Mazzucato, M. (2011) ‘The Entrepreneurial State’, Demos, available at www.demos.co.uk/files/Entrepreneurial_State_-_web.pdf?1310116014

money go further and improving quality'.⁴² Some even argue that a 'fourth sector' of the economy is emerging, as socially-minded entrepreneurs begin to blur traditional lines between profit and non-profit – and between public and private – and form 'for-benefit' organisations that could potentially reshape capitalism and public service delivery.⁴³ In the US, 'community operated and oriented plans' (COOPs) have straddled the public-private divide in the health-care reform debate by operating as businesses, like other insurers, but being consumer-governed and directing their profits to improving well-being and quality of life, and ensuring low premiums.⁴⁴ This blending of co-operative, mutual, for-profit and non-profit models could potentially promote citizen ownership of services when austerity limits public funding, and could ensure the opening of public services isn't 'hijacked' by narrow profit-maximisation.

Touchpoint 7 – The circular economy

“The circular economy represents a development strategy that maximises resource efficiency and minimises waste production, within the context of sustainable economic and social development.”

Gev Eduljee, SITA UK⁴⁵

The circular economy, (also referred to as cradle to cradle or closed-loop systems) is a new way of thinking about the traditional business model and how we consume natural resources. It is based on the premise that waste in a linear system of production and consumption alternatively can be seen as a resource and reused, making the system circular.⁴⁶ This concept

⁴² Francis Maude interviewed in 'Brilliant' social enterprise is future of NHS, says Maude' in Social Enterprise 29.09.11, available at www.socialenterpriselive.com/section/news/public-services/20100929/brilliant%E2%80%99-social-enterprise-future-nhs-says-maude

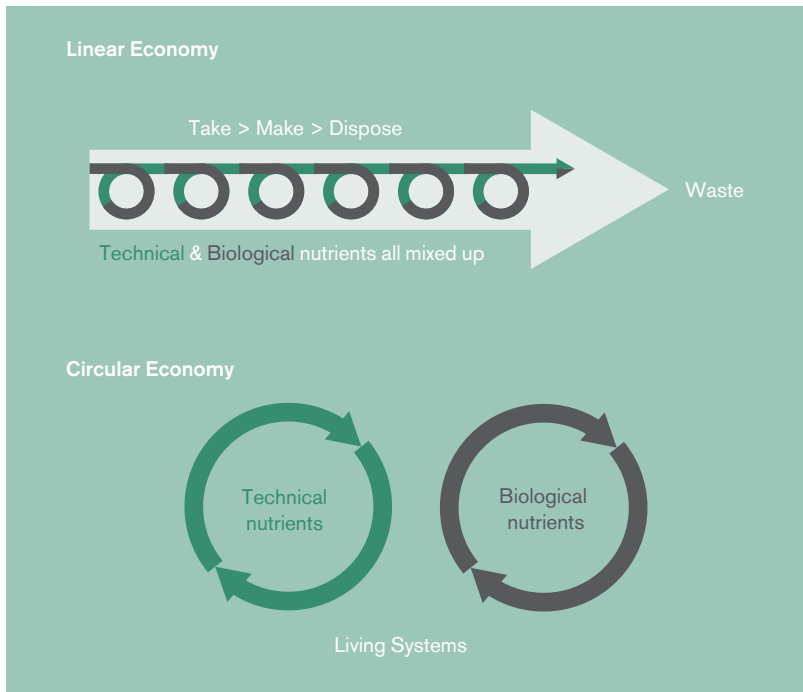
⁴³ Sabeti, H. (2011), 'The For-Benefit Enterprise', Harvard Business Review, November 2011

⁴⁴ Ibid.

⁴⁵ Gev Eduljee, SITA UK quoted in 2011 Green Alliance publication, 'Reinventing the wheel: a circular economy for resource security', available at www.green-alliance.org.uk/grea_p.aspx?id=6044

⁴⁶ See also New Economics Foundation (2010), 'Enough is Enough: Ideas for a Sustainable Economy in a World of Finite Resources', available at http://neweconomics.org/sites/neweconomics.org/files/EnoughIsEnough_FullReport.pdf. Also see 'Imagining a new, sustainable capitalism' in the Guardian 24.03.11, available at www.guardian.co.uk/sustainable-business/blog/kingfisher-ceo-ian-cheshire-sustainable-capitalism

has clear resonance when considering finite natural resources; many of the throw-away items we use today incorporate once cheap primary materials (e.g. copper), that are now in short supply and at very high cost. There are savings (both economic and environmental) to be made if materials can be collected and reused, as evidenced in the now globally essential recycling industry.



Reference: Adapted from Graham Pritchard / Ellen MacArthur Foundation (2010), available at www.ellenmacarthurfoundation.org/about/circular-economy/rethinking-the-economy

Taken a step further, if the item traditionally produced for throw away consumption is redesigned to make collection and recycling of the primary materials easier, then we begin to see the traditional business model in a new light. Interface modular carpets pioneered leasing traditionally consumable products as a service (industrial carpets), which included

replacement at the end of product life, allowing the primary materials to be collected, broken down and reused by the company. This reduces both the cost of primary resources and waste disposal and also forces designers to think about what consumers really want and need and how best this can be delivered.⁴⁷

Applied at a broader economic scale, the circular economy offers a sustainable model for development, especially in resources intensive countries and the developing world where economic and social growth is essential but natural resources often limited. In 2004 the Chinese government announced a desire to move the country's economic development toward a circular economy, recognising that the rate of resource consumption was unsustainable and potentially limiting to China's long-term growth.⁴⁸ The key behind the circular economy is re-designing the way we deliver products and services by re-thinking what people and communities actually need and want. Applied to public services, the circular economy offers a model of thinking that focuses on bottom-up, systems-based design as a way of meeting rising demand with fewer resources and gaining better social and environmental outcomes.

These seven touchpoints represent different approaches borne from different intellectual traditions, but nevertheless conjoin at the kernel of a common idea: that the relationship between business, public services and society must change, and that this re-formed set of relationships is key to helping to negotiate economic downturn, to create public value and to reform public services around the needs and values of citizens. These approaches:

- » Increase the onus on sector stakeholders themselves to take the lead in new models of regulation, behaviour change and shared value, as

⁴⁷ See also New Economics Foundation (2010), 'Enough is Enough: Ideas for a Sustainable Economy in a World of Finite Resources', available at http://neweconomics.org/sites/neweconomics.org/files/EnoughIsEnough_FullReport.pdf. Also see 'Imagining a new, sustainable capitalism' in the Guardian 24.03.11, available at www.guardian.co.uk/sustainable-business/blog/kingfisher-ceo-ian-cheshire-sustainable-capitalism

⁴⁸ Jianyu, Z. (2004), 'Approaching circular economy' in China Daily, 10.01.04, available at www.chinadaily.com.cn/english/doc/2004-10/01/content_379348.htm

government retreats from top-down control and the limits of new public management become clearer.

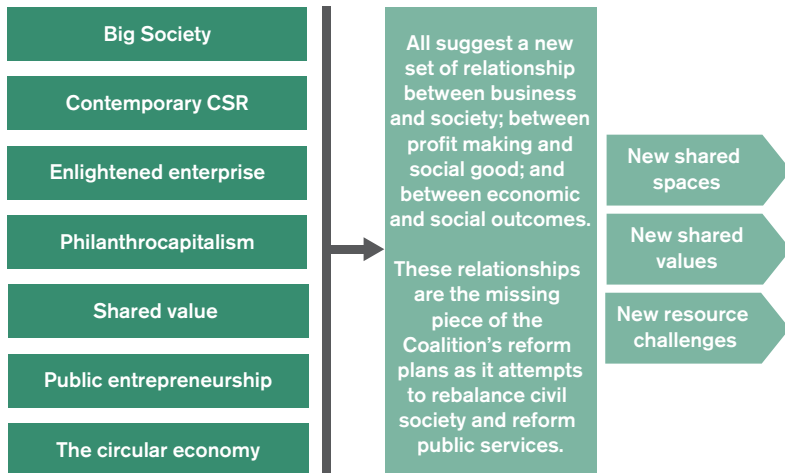
- » Force businesses to think beyond the profit line: about how their core mission and purpose impacts upon local wellbeing, and how they can find profit in doing social ‘good’.
- » Encourage public service entrepreneurs to look beyond the traditional arenas of public and third sector to mobilise new resources – and at the potential of SMEs and local business to collaboratively generate better outcomes for communities.
- » Urge businesses (both those already engaged within public service ecosystem and those currently outside it) to be proactive – not only responding to social pressure to ‘do better’ – but to begin creating the right conditions for shared value and shared goals.

We have argued that these emerging narratives have not yet been developed into operational frameworks that make sense at the policy level or at the front line. Yet as the public-private-social mix within public service delivery begins to shift, it is vital that we begin to do this.

4 New directions for business and public services

4 New directions for business and public services

In the following pages we present *new shared spaces*, *new shared values*, and *new shared resource challenges* as the three key directions for government, public services, businesses and citizens to align around. We look at how these are playing out across four case studies at different levels of business-public services-government interaction, before drawing out the lessons from these case studies as part of a toolkit for policymakers. Our central case study in particular – the Zero Carbon Hub – demonstrates in detail how these new and collaborative forms of value-creation and regulation can, when combined with a long-term policy vision, help solve complex policy challenges in an economically, environmentally and socially sustainable manner.



New shared spaces

- » Government setting the policy framework and devolving the detail
- » Operational frameworks increasingly developed by stakeholders
- » Diversity being encouraged within the public service provider market.

Across a range of public service sectors, we are seeing a shift in tone from the Coalition government. In place of the largely managerial, command-and-control approach of the previous administration, we are seeing an over-arching policy ‘vision’ combined with an onus on sector stakeholders to set out their own means of achieving it. This is a form of co-evolution, whereby public service providers are charged with helping to shape their own agendas in concert with officials. For example, the 2020PSH work with the Learning and Skills Improvement Service (LSIS) has been driven by an invitation for the further education sector to articulate its own long-term vision in the face of broad changes in national patterns of funding and governance. Recent debates over planning policy illustrate similar processes at work, with the Guardian’s Simon Jenkins railing at a ‘hijacking’ of the system by ‘a group of practitioners, mostly builders and developers’.⁴⁹ And in areas such as criminal justice, we are seeing payment-by-results emerging as the dominant ‘mood music’ from the Cabinet Office, but with little in terms of strict guidance about how this could be worked through and applied outside of Her Majesty’s Prison (HMP) Peterborough’s initial pilot initiative.⁵⁰ This is the new shared space – the space shared between policymakers and public service stakeholders into which new, collaborative relationships must be developed. Whitehall have set the tone, but there is still little in terms of operational frameworks to guide these processes.

⁴⁹ ‘Call this planning reform? It’s a recipe for civil war’ in The Guardian, 13.09.11 available at www.guardian.co.uk/commentisfree/2011/sep/13/planning-reform-recipe-civil-war

⁵⁰ See for example Matthew Taylor’s critique of PBR to date at www.matthewtaylorsblog.com/thersa/pbr-high-hopes-big-questions

New shared values

- » Public managers thinking beyond service delivery and about contribution to growth
- » Businesses thinking about how to combine profit margin and social goals
- » Local economic and social goals are intertwined with austerity and recovery.

For businesses, shared value is about thinking about profit with purpose, and embedding social goals within their core purpose and function. For public managers, the challenge is to go beyond the delivery of services and functions; instead thinking about how public spending and service delivery can be a catalyst for building capability and stimulating economic growth. It is easy to read an idealistic tone into much of the literature on each of these dynamics. Yet as the UK's economic prospects remain fragile, the reality is that simple economic solvency is itself becoming a key shared value. This throws these high-level debates into sharp relief: is now the right time to re-think a defunct model of business-in-society, as the banking crisis suggests? Or is now the time to think pragmatically and allow the business of making money to be an end in itself and help drive recovery? The middle ground between these perspectives is where we think shared values can be found. Sustainable businesses need thriving communities and citizens as their clients, customers and workers. Thriving local economies require people to feel entrepreneurialism and risk-taking are rewarded and embraced. This is the terrain upon which new shared values must be developed.

New shared resource challenges

- » Spending cuts mean less resource but more operational freedom
- » Big Society imperative is to mobilise non-fiscal resource
- » The private sector also feeling the pinch of austerity.

The development of these ‘new shared spaces’ and ‘new shared values’ is shaped by changing patterns of resource – both financial and non-financial. Here, the picture is continuously evolving. The Coalition’s self-imposed spending constraints make fiscal resource harder to come by. Public managers must increasingly justify what they spend, and must think innovatively about new ways of getting ‘more with less’. This over-arching imperative leads into an increasing emphasis on market mechanisms, so that many service providers are feeling the pinch of spending constraint, but potential new operational freedoms as government removes some of the strings that have traditionally been attached to funding flows. The Localism white paper, ‘New Challenges, New Chances’ from Department for Business, Innovation and Skills (BIS), and the Schools white paper all provide examples of this ‘power shift to the front line’.⁵¹ In parallel to this trend, the ‘Big Society’ has been the policy umbrella housing a range of initiatives looking to better mobilise and incorporate non-fiscal resource into providing public goods. This is about public services better unlocking what David Halpern has called the ‘hidden wealth’ of communities, and, of course, the extent to which this kind of ‘bottom-up’ resource can replace public sector provision of particular services is obviously extremely contentious. For businesses as well, resource patterns are changing. Rising inflation, high-level unemployment and wages in stasis has been a recipe for poor shareholder returns for much of the corporate world, as Goldman Sachs recently demonstrated by estimating a drop in bonuses of around 20% in 2011.⁵² At a local level, businesses remain worried about the effect of austerity on their client base. As one PwC report recently stated, ‘there is a persistent feeling amongst the public of uncertainty around the future and an expectation that the worst is still to come’.⁵³ For public, private and social sectors, shared resource challenges are increasingly evident.

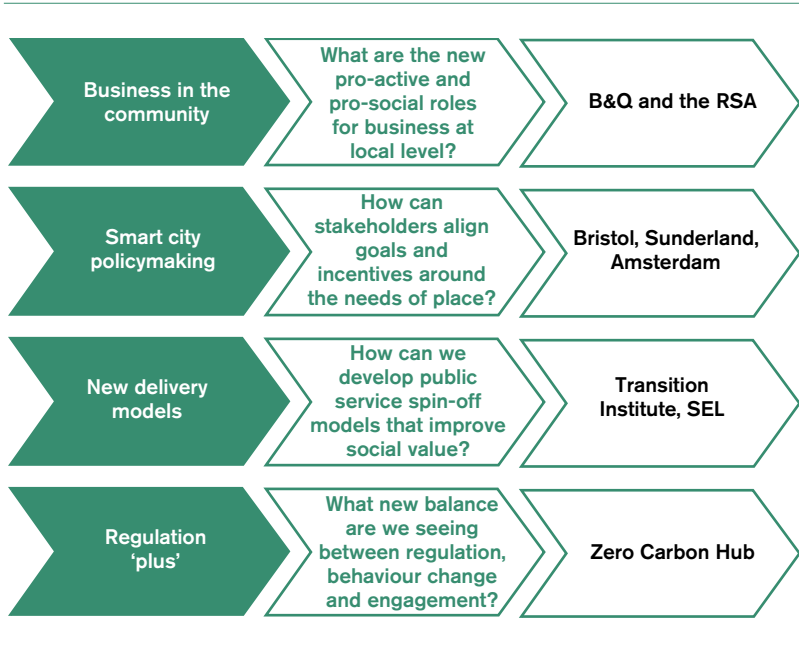
51 Foreword by the Prime Minister and Deputy Prime Minister in ‘The Importance of Teaching: the schools white paper 2010’ available at www.education.gov.uk/publications/eOrderingDownload/CM-7980.pdf

52 ‘Wall Street pay enters bear market as profits drop’ Reuters reported in Yahoo Financial News. 18.10.11, available at <http://finance.yahoo.com/news/Wall-Street-pay-enters-bear-rb-1961602495.html?x=0>

53 PWC (2011) ‘Spending Review: one year on’ available at www.pwc.co.uk/eng/publications/spending-review--one-year-on.html

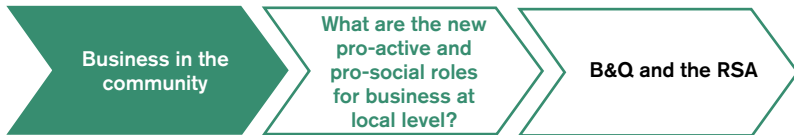
“For businesses, shared value is about thinking about profit with purpose, and embedding social goals within their core purpose and function”

The confluence of shared spaces, shared values and resource challenges represents new territory for public services. This is evident at a number of levels: for businesses understanding the imperative to go beyond traditional behaviours; across localities looking for new and more sustainable ways of working; for public service delivery models that have ‘spun out’ or diversified from the public sector; and within the policymaking and regulatory space. We explore the implications of practice at these levels below in three snapshot case studies, before presenting a detailed study of the Zero Carbon Hub – a collaborative government-public services-business-and-civil society organisation that embodies the challenges and opportunities of this new policy territory.



5 Re-aligning business and community values

5 Re-aligning business and community values



“Most innovation that is good for society is good for business...”

David Sproul, CEO, Deloitte UK⁵⁴

The changing shape of business in the community is well illustrated by a new working partnership between home improvement firm B&Q and the RSA’s Connected Communities project. The goal – aligning business development with strategies that can support community ‘connectivity’ – is being pursued as part of B&Q’s efforts to understand its ‘Community Footprint’ – that is, the socio-economic impact its activities have on the communities in which it operates. Business in the Community (BITC) has championed this approach.⁵⁵

B&Q’s Community Footprint has been measured across five domains. The first is *Relationships*. As work by the RSA has shown,⁵⁶ community prosperity and resilience hinges on the strength and quality of its social networks. Businesses can help build strong relationships by facilitating new and diverse connections between people, sustaining existing connections, and using its relationship with customers to benefit local communities. By acting

⁵⁴ ‘Business in the Community, Deloitte and BP launch ambitious social enterprise project to create 1,000 new jobs in the Olympic host boroughs’ in Business in the Community, 20.09.11, available at www.bitc.org.uk/media_centre/bitc_news_press_releases/bitc_launch_arc.html

⁵⁵ Business in the Community, ‘Community Footprint’, accessed December 2011, available at www.bitc.org.uk/community/community_footprint/index.html

⁵⁶ See RSA Projects, www.thersa.org/projects/connected-communities

Domain	Purpose	Benefits for community	Benefits for business
Relationships	Building strong, connected communities.	Increased levels of social capital, resilience, well-being, trust, and employment opportunities.	Higher levels of trust from customers and lower transaction costs. A well-connected community also provides business opportunities and makes the transmission of positive experiences of the business easier and wider.
Skills	To build healthy communities, increase skills and confidence and enhance people's efficacy and autonomy.	People's skills, confidence and employability are enhanced. Hard to reach and disadvantaged groups, such as the long-term unemployed, benefit themselves and the local economy.	Customers will in turn be more likely to spend money on the service (e.g. DIY), and businesses may benefit if local skills shortages are addressed.
Supply chain	To support local traders, create local jobs and support local industry.	A stronger local economy and increased local employment.	Access to new markets. Local economic development also means more consumer spending power, directly benefiting local sites. Businesses can also reduce their ecological footprint and ensure ethical supply chains, which consumers are increasingly demanding.
Services	Providing high-quality, reasonably priced products and services, and meeting local needs and aspirations.	More products and services that directly benefit local needs and ambitions.	Builds trust with brand and ensures competitiveness.
Good Neighbour	Aligning goals to local ambitions and values.	Sustainable lifestyles are promoted, and citizens are empowered to feel they can influence local decision-making.	Enhances the local legitimacy of the business and allows it to establish a positive local role.

as local ‘hubs’ or community spaces for interaction and learning, B&Q stores help build these relationships. The second domain is *Skills*. B&Q provides opportunities for customers to improve their skills (e.g. through *You Can Do It* classes), empowers and supports staff to build customers’ skills, and works with its partners, including charities, to improve the skills and confidence of a broad range of people, including socially excluded groups. By supporting local traders, employing local people and buttressing local clusters of industry, businesses can also ‘localise’ the third domain – *Supply Chain*.

The *Services* businesses provide should also be shaped by a desire to benefit the community in which they operate, for example by providing goods and services that are high-quality and good value, and congruent with local needs and aspirations. Finally, business should be *Good Neighbours* by aligning core business goals with local values and ambitions, and helping local citizens realise ambitions for their neighbourhoods. The idea of the Community Footprint model is to encourage community co-production alongside creating new opportunities for the business. This is illustrated in the table above.⁵⁷

Key lessons from the B&Q Community Footprint Initiative

A recent report by Business in the Community argues that a value shift is occurring in our political, economic and cultural arrangements. It claims that the ‘blind consumerism’ that characterised neo-liberal orthodoxy for over forty years is increasingly being challenged by a more mobilised citizenry eager to exercise their right to consumer choice: we are demanding more local growth, and more ethical, environmentally-sound business practices. At the same time, astute policymakers and business leaders are beginning to recognise that the very same demands can increase the bonds between communities, businesses and public services.⁵⁸ So does the experience of B&Q’s Community Footprint Initiative support this? We outline some lessons below.

⁵⁷ Table and previous text based on recent RSA working paper created in partnership with B&Q. Neumark T., Norris E., Marcus G. & Broome S. (2012), ‘The Community Footprint: shared value for business and communities’, RSA Projects, available at www.thersa.org/__data/assets/pdf_file/0010/569494/The-Community-Footprint.pdf

⁵⁸ Business in the Community (2011), ‘Visioning the Future – Transforming Business – the Forces for Change – drivers and trends’, pp26–29, available at: www.bitc.org.uk/resources/publications/visioning_the_future.html

- » *Embed community goals into core business strategy.* As one interviewee emphasised, “B&Q’s community initiatives used to be rather ad hoc. It was after we aligned our social goals with our core business strategy that we were able to develop an effective community strategy.” This is the defining characteristic of a shared value approach, and, for Porter *et al*, it is this blending of shareholder and stakeholder value that distinguishes creating shared value from typical CSR or philanthropic enterprises. The business case for this is also very strong: as the RSA report highlights, customers who think B&Q contributes to their local community are likely to spend, on average, double that of customers that do not. As one interviewee put it, “it is hard to argue with the tangible business benefits” of shared value models.

“Executives need to understand that a new paradigm for doing business will require fundamental changes to mindsets, behaviours, and business models”

Ram Nidumolu *et al.*, *Stanford Innovation Review*, 2012⁵⁹

- » *Diffuse new organisational culture across the business chain.* As we heard from a senior B&Q representative, “a key internal factor that enabled effective community engagement was the direct involvement of Board members in the initiatives.” But a major challenge, according to the same interviewee, was the variation in micro-organisational cultures across individual stores. While some adopted a robust community strategy, other stores were highly sales-oriented. Business experts suggest two mechanisms for meeting these challenges. Firstly, ‘emotive’ methods could be employed, for example providing peer inspiration and utilising effective change agents or role models to encourage a paradigm shift across the business chain. Second, community goals could be embedded into the company’s organisational identity – its core mission and purpose – which in turn could help shape the thinking of employees.⁶⁰ For those we spoke to, these are long-term processes.

⁵⁹ Nidumolu R., Kramer K. & Zeitz J. (2012), ‘Connecting Heart to Head’, in *Stanford Social Innovation Review*, Winter 2012, p. 45

⁶⁰ *Ibid.* p. 46

- » *Collaboration is the key to sustainability.* Our interviews made clear that good communication, strong networks and a clearly defined set of relationships between stakeholders are vital in making any kind of ‘shared value’ initiative sustainable. One interviewee called this a ‘structured approach’ – giving a sense that, although collaboration, fluidity and informality define the process, they must be underpinned by a framework that can provide coherence and maintain the focus on shared goals and shared values. Budget and time are, of course, major barriers. But this is where support networks and the idea of ‘shared spaces’ could make a difference – through offering a space for business support and capacity development (i.e. through local F.E. colleges or business peers) that could be leveraged by businesses in return for their own participation down the line.

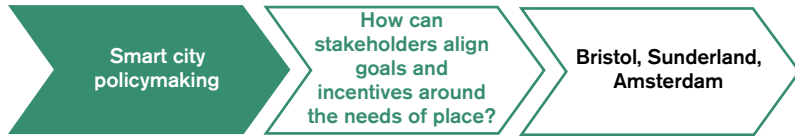
“Relationships with Government – local and national – are essential.”

Senior B&Q Officer

- » *Government has a crucial role to play.* Our interviews suggested that more could be done by Whitehall to appreciate the opportunities provided by businesses such as B&Q that embed social goals into their business practices – particularly since these businesses can put practical substance into public policy and public service reform narratives such as the ‘Big Society’. As one interviewee argued, “businesses like B&Q can offer the translation of top line aspirations and government policy from a vision into practical delivery.” To achieve this, “it will be important to help change the perception held by Whitehall of businesses and their role within local communities.” This ties into the wider argument of the report – that the economy and public services need to be considered together by Government: and this understanding and direction from Whitehall could be a valuable asset for businesses that would like to generate greater social value.

6 New collaboration at a city level

6 New collaboration at a city level



“Place remains the central axis of our time – more important to the world economy and our individual lives than ever before”

Richard Florida, ‘Who’s Your City?’, 2008⁶¹

In his bestselling book ‘Who’s Your City’, celebrated U.S. academic Richard Florida makes the case for cities (and what he calls ‘megaregions’ – clusters of cities) as the engines of economic growth, incubators of tomorrows skills and aptitudes, and hubs of social and economic wellbeing. Cities are, he argues, ‘smart spots’ in the map of global innovation; places around which ‘the world economy of the future is likely to take shape’.⁶² Professor Florida’s analysis has clearly resonated within the Coalition government, for whom localism (in degrees) and a retreat from regional economic and social planning (near-wholesale) have been leitmotifs. LEPs, Special Enterprise Zones and the promise of directly elected mayors in 12 cities all point to a more localised and less top-down policy agenda, with its own new challenges and opportunities for local stakeholders.

Cities such as Bristol, Sunderland and Glasgow are drawing on the idea of the ‘smart city’ as a vehicle to drive civic renewal, socio-economic development and ‘greener’ growth within this newly liberalised environment. The term ‘smart city’ encapsulates six interrelated themes: smart economy, environment, governance, lifestyle, transport and community. It emphasises the role of new technology in driving energy efficiency,

⁶¹ Florida, R. (2008) *Who’s Your City: how the creative economy is making where to live the most important decision of your life*, New York, Basic Books

⁶² *Ibid.*

environmentally aware behaviour change and better connected infrastructure and back-office functionality.

Advocates of smart city thinking point to the potential of these initiatives to create huge downstream gains: massive efficiency savings, new local jobs and, over the long-term, more desirable cities in which to live and work.⁶³ According to Allied Business Intelligence (ABI), global spending on smart city projects will climb from US\$8.1 billion in 2010 to US\$39.5 billion in 2016. Over one hundred initiatives are currently underway – 38 in Europe, 35 in North America, 21 in Asia Pacific, six in the Middle East and Africa, and two in Latin America. One recent report notes two factors driving progress: ‘for the first time we are seeing systematic integration within cities and technologies helping to distribute energy generation and management, resulting in lower level governance’.⁶⁴

Smart cities initiatives showcase an emerging set of relationships that seek to coalesce business, public and social goals around a single, coherent vision for cities. Getting ‘smart’ is the mobilising theme, but under the surface is the potential of convergence around key spatial issues such as employment and labour market policy, skills and human capacity development, community resilience and sustainable economic growth. Through leveraging ‘smart’ technologies, policymakers open up the potential to push not only environmental goals, but also new models of engaging with citizens and businesses, and delivering public services. In Sunderland for example, a high-profile partnership with IBM is creating a cloud computing infrastructure that could save over £1m a year in operational costs and provide back office functionality for local start-up enterprises. In Bristol, investment from the European Commission is enabling the development of smart grid, smart transport and smart data initiatives which could potentially improve energy efficiency and drive connectivity across the city. These and other initiatives take a lead from Amsterdam, which has used stringent emissions targets to mobilise businesses and public agencies collaborative initiatives such as ‘Climate Street’ and ‘Ship to Grid’.⁶⁵

⁶³ See for example, ABI research, Smart Cities Market Data, available at www.abiresearch.com/research/1008146-Smart_Cities_Market_Data?

⁶⁴ ‘Smart Cities: can they work?’ in The Guardian, 01.06.11, available at www.guardian.co.uk/sustainable-business/amsterdam-smart-cities-work

⁶⁵ See for example Amsterdam Smart City, available at www.amsterdamsmartcity.com/#/en

Smart cities: some international examples

In Amsterdam, Netherlands, a ‘flesh and bones’ approach is being used to promote positive behaviour change and build a smart, sustainable city. The ‘bones’ are provided by the hard-infrastructure of its smart electrical grid and technologies, while local communities and citizens impart the ‘flesh’ by injecting purpose into environmental initiatives – creating a powerful, inter-linked system that has achieved pilot energy savings of 13%.⁶⁶

In Bristol, UK, plans are being developed to use smart grids, meters, transport and data to add both social and economic value to organisations and services, and drive efficiency and behaviour change in order to simultaneously reduce Bristol’s carbon footprint and make economic savings.⁶⁷

In Songdo, South Korea, the standardisation of IT infrastructure will be used to develop smart, sustainable growth and ‘an environmentally sound and socially inclusive ecosystem’ connecting citizens, businesses, and government services to promote behaviour change and provide improved citizen services and e-government.⁶⁸

In Stockholm, Sweden, fibre-optic networks and high-speed broadband are being used to facilitate ‘open access’ networks to drive government efficiency and provide citizens with an e-platform to access and shape services.⁶⁹

In Manchester, UK, the EU-supported SMARTiP project is seeking to use a public-private-people partnership (PPPP) approach to develop a ‘smart city’ ecosystem built around Internet-enabled services that facilitate citizen empowerment and co-production, and incentivise sustainability and behaviour change.⁷⁰

66 ‘Amsterdam Smart City’ in World Bank Blogs, 24.12.11, available at <http://blogs.worldbank.org/sustainablecities/node/537#>

67 See Connecting Bristol, available at www.connectingbristol.org

68 Philip Carter, Bill Rojas and Mayur Sahni (2011), ‘Delivering Next-Generation Citizen Services: Assessing the Environmental, Social and Economic Impact of Intelligent X on Future Cities and Communities’, IDC (sponsored by Cisco), June 2011. www.cisco.com/web/strategy/docs/scc/whitepaper_cisco_scc_idc.pdf Also www.songdo.com

69 See City of Stockholm, ‘A sustainable city’, available at <http://international.stockholm.se/Stockholm-by-theme/A-sustainable-city>

70 See Manchester Digital Development Agency, ‘SMARTiP’, available at www.manchesterdda.com/smartip

In Masdar, UAE, the city promoting a vision of zero-emissions through acting as a global hub for renewable and clean technologies by providing companies with an open technology platform to test, co-develop and validate their technologies – allowing them to build sustainable and commercially viable business models.⁷¹

In Jatkasaari, Finland, the Low2No project has used a range of information communication strategies using smart technology, including in-street displays and ‘home assistants’, to effectively deliver important information about resource use to citizens and city planners, thereby promoting behaviour change. Jatkasaari has experienced a 37% reduction of personal carbon footprint compared to other areas of Helsinki.⁷²

In Eindhoven, Netherlands, the Brainport Model is harnessing public-private partnerships and collaboration between businesses, government, citizens groups and individuals through an open innovation platform for the co-design of profitable technology solutions with both economic and social value added. The Brainport Health Innovation (BHI) project is one example of this.⁷³

In Sunderland, UK, the City council is working with IBM to build a citywide ‘Cloud’ computing platform that will generate economic savings, enable citizens to access services quicker through a low-cost, secure and accessible platform, and benefit businesses by enabling them to build capacity without expending resources on training and infrastructure. This could also help facilitate a low-carbon and good-growth economy.⁷⁴

Creating shared goals? Some lessons from smart cities

Smart cities provide an example of shared vision, a coherent set of policy and financial incentives, and an umbrella concept or ‘brand’ around which new relationships between business, government and society are being mobilised and sustained. Our interviews generated some essential lessons

⁷¹ See Masdar City, available at www.masdarcity.ae/en

⁷² Arup UrbanLife, ‘The smart solution for cities: Transforming power-hungry urban areas into low-carbon smart cities via the creative use of technologies’, p. 18–19. available at www.arup.com/urbanlife

⁷³ Intelligent Community, ‘Eindhoven, Netherlands (2011)’ 09.02.2011, available at www.intelligentcommunity.org

⁷⁴ See IBM (2011), ‘City of Sunderland Selects IBM to Deliver UK’s First Smarter City on a Cloud’, available at www-03.ibm.com/press/uk/en

that have emerged from the design and implementation of these initiatives. Yet they have also told us about some fundamental barriers to progress – some of which have yet to be negotiated even by global front-runners and leading industry players. These are sketched out below:

- » *A new convergence is driving change* – the development of smart cities can be seen as a response to a new convergence of pressures: on the public finances, on commercial returns, and on citizens and the environment. Public managers know that infrastructure cannot be maintained and modified without new, hybrid investment models. Corporate players know that ‘greening’ local infrastructure represents a new business opportunity. National and regional governments are increasingly looking for growth opportunities around green technology. All are responding to the need to maintain public services and a standard of living for people within some of the world’s major cities. A blending of these imperatives is creating fertile ground for new ways to stimulate sustainable innovation and growth. One interviewee told us that “everyone wants to become the new Silicon Valley”. The only way this could happen is by tapping into the potential of cross-sector collaboration and convergence.

“Public managers know that infrastructure cannot be maintained and modified without new, hybrid investment models”

- » *Embryonic change can lead to step change* – despite the increasing visibility of smart cities initiatives, most experts acknowledge that few – if any – could be classified as more than pilots. Yet this is partly because most of the policy focus to date has been generated by large scale initiatives involving some of the world’s largest companies. However, real change is happening on a more organic scale – via mobile technology, wireless networks and open data. As one analyst from the London School of Economics’ Cities centre argued, “we are seeing a relative shortage of success in translating top-down vision into reality, but bottom-up, everyday... it is happening already”. This implies a different role for government and public services – not only with

mobilising finance to facilitate large-scale infrastructural change, but also ‘opening up’ space for innovation: promoting entrepreneurship, opening up data sets and decision-making processes; ensuring semantic and process interoperability and trusting the ability of citizens to drive change.

- » *Dealing with fragmentation is central to progress* – it is axiomatic that policy and service fragmentation makes creating shared goals more difficult. Even at a city level, diverse funding, process and accountability structures can undermine the ability of city leaders to make decisions with holistic impact. This can be exacerbated by outsourcing and third-party ownership, as illustrated by the example of one city trying to build consensus around the need for an Oyster Card-style single transport payment device, and realising that the implementation of the scheme has been resisted by independent transport providers, for whom the costs of installing ‘reading’ devices has been prohibitive. This raises important issues about the way in which potentially discordant interests are brought together. One international expert told us that “nothing is joined up- that’s the problem. That’s why China is doing so well... but the question is how can you join things up without compelling people to do it?” Government obviously has a key role, but as we discuss below, this may be in the development of shared spaces and local brokerage as well as directly hothousing new initiatives.

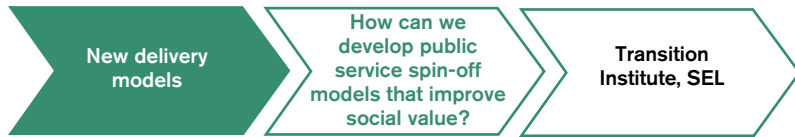
- » *Commissioning and procurement can unlock innovation* – our research on smart cities echoes much of what we have heard in other parts of the public services ecosystem: that smarter commissioning and procurement can foster innovation through the creative use of public budgets. As one recent study noted, European public procurement budgets ‘make up approximately 17% of GDP’.⁷⁵ What smart cities initiatives show is that building in strategic incentives within these processes can help shape local markets around shared long-term

⁷⁵ Government of the Future Centre (2011) ‘Public Innovation: government as a catalyst for innovation and growth in Europe’ available at www.accenture.com/SiteCollectionDocuments/PDF/Accenture_2011_GoTFC_Research-Driving_Public_Entrepreneurship.pdf

goals. As one representative from Smart 2020 argued, “cities are increasingly creating overarching policy incentives that address the major challenges”, but “policy and regulation must match before you can even think about getting businesses involved.” This perspective speaks to the need for policy consistency between national and local government (another key theme from our discussions), but also to the need to weave through these consistent principles into the design stage of service commissioning and procurement processes.

7 Social productivity at the coalface: new delivery models for public services

7 Social productivity at the coalface: new delivery models for public services



The Coalition government has been explicit and vocal in its promotion of supply-side diversity and new delivery models for public services – accelerating a trend promoted initially by the previous Labour administration. Charities and civil society organisations, mutuals and co-operatives, social enterprise and for-profit businesses have all been part of this narrative, offering the potential of creativity and innovation at the delivery coalface, higher levels of staff satisfaction, and the potential of greater social and economic value for ‘less’ public sector input.

In its final report, the Commission on 2020 Public Services called for a ‘shift in culture’ and debates around new delivery models partly characterise the beginnings of this shift: away from the delivery of essentially the same types of service through different mechanisms and different types of delivery organisation, towards a model based more obviously around fostering local partnerships and actively cultivating public service markets. The policy context has changed – now more ‘open public services’ than ‘Big Society’ – but the underlying goal remains consistent. As the Open Public Services white paper published in July 2011 notes,

“We do not have an ideological presumption that only one sector should run services: high quality services can be provided by the public sector, the voluntary and community sector, or the private sector... That is why we believe that wherever possible, public

*services should be open to a range of providers competing to offer a better service.*⁷⁶

There is now a raft of opinion and evidence available supporting the case for a ‘mixed economy’ or plurality of delivery models for public services, with origins across the political spectrum. As the Innovation Unit wrote in 2009, ‘there is evidence to suggest that (mutual and co-operatives) can improve services’ cost-effectiveness, the way they harness the creativity and energy of staff and citizens and their ability to contribute to local communities and economies’.⁷⁷ Some in Labour local government have promoted a ‘co-operative councils’ approach, based partly on Lambeth’s own vision of creating a new type of citizen-service engagement in the borough through co-operative and co-productive service delivery models. More recently, Minister for Civil Society, Nick Hurd has reinforced the government’s position in an open letter supporting ‘the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services’.⁷⁸

Fiscal austerity and a faltering economy provide a testing backdrop against which to develop this new, more diverse public services delivery ecosystem. Experts contrast the positive noises being made in central and local government with the lack of real resources and support on the ground. As one social entrepreneur based in the south-west of England told us, “the gap between government communication and reality is sometimes quite stark and quite scary”. Yet austerity also provides an opportunity to make a clearer case for the value of public service diversity, and the attendant benefits of ‘spinning out’ service provision into mutual or other social enterprise models. Recent work by the Transition Institute supporting the Public Services (Social Value) Bill (which has recently gone

⁷⁶ HM Government (2011), ‘Open Public Services White Paper’, July 2011 available at www.cabinetoffice.gov.uk/sites/default/files/resources/open-public-services-white-paper.pdf

⁷⁷ Craig, J., Horne, M. & Morgan, D. (2009) ‘The Engagement Ethic: the potential of co-operatives and mutual governance for public services’ Innovation Unit, available at www.innovationunit.org/sites/default/files/Engagement%20ethic.pdf

⁷⁸ See Cabinet Office letter by Nick Hurd MP, 11.10.11, available at <https://update.cabinetoffice.gov.uk/sites/default/files/resources/open-civil-society.pdf>

through Parliament) argues that, in future, the ‘social impact and ethos of an organisation will become crucial aspects of public service commissioning and procurement’.⁷⁹

This broad policy push from a number of directions has the potential to create new markets for social goods at the local level, and implies a different style of relationship between local entrepreneurs, public managers, civil society organisation and citizens. There are still many barriers to the creation of these healthy local social markets – including access to finance and business development support, communication across the different ‘worlds’ of business and (local) government, and a public sector culture that predisposes towards in-house delivery or traditional outsourcing in many cases. Practitioners raise serious questions about the impact of these issues on the capacity and sustainability of these ‘alternative’ delivery bodies – rendered especially acute within the context of often severe local budget cuts.

“ Experts contrast the positive noises being made in central and local government with the lack of real resources and support on the ground”

But as one participant in our expert roundtable argued, “the only thing we shouldn’t consider going forward with is the system we use now”. We know the limitations of a top-down universal service delivery model. We know that alternative service provision will not in itself transform social and economic outcomes for citizens. But aligned with more engaged, ‘co-created’ and personalised commissioning processes, they could very well make inroads into some of the most entrenched social problems in the UK’s marginalised communities. Social enterprises like Turning Point (through their Connected Care initiatives) and Participle (through their Circle and LIFE pilots) have led the way in this sense, showing how both commissioning and delivery can be explicitly citizen-centric. Organisations such as Shared Lives Plus and Mutual Ventures have made the case for the

⁷⁹ Khan, S., Oxenham, J. & Potter, D. (2011), ‘Social Value Ethos: Lessons from practitioners embedding a social value ethos into public service spin outs’, Transition Institute, available at www.transitioninstitute.org.uk/wp-content/uploads/2011/11/Social-Value-Ethos.pdf

potential of personal budgets to ‘positively disrupt monolithic systems’⁸⁰ and provide opportunities for community enterprise and new models of peer-to-peer service delivery.

“A lot will be driven by personal budgets... you will get plurality based on aggregated choices and a transfer away from preferred providers. So it’s down to individuals to decide what the market mix will be.”

Senior manager, sector enterprise body

Much depends on the vision and creativity of local leadership, and the way in which this open and collaborative approach translates into commissioning and service procurement processes. Social enterprises and public service ‘spin outs’ must cope with a huge amount of financial uncertainty, and know that they must embrace the risks inherent in being more independent organisations with potentially less solid funding base and less job security. Yet the very same financial uncertainty is felt at executive level within departments and councils. For Chief Financial Officers, the question is: ‘where is the business case?’ As one local government financial planning expert told us, ‘(decision-makers) often need a clearer business case and a clearer route map of how this could happen. We need to force directors to say “yes, I buy into this.”’

Shared delivery, shared goals? Lessons from social enterprise

The development of social enterprise, mutuals and diverse new delivery models is exciting territory for public services. Governments have, in the recent past, put great emphasis on the capacity of civil society organisations to deliver services – with Labour placing huge intellectual and financial capital behind the ‘third sector’. Government funding of charities increased from £8.4 billion to £12.8 billion between 2000/1 and 2007/8, but today the context is very different. We characterised this in *From Big Society to Social Productivity* as a tangible shift: from a government that seriously

⁸⁰ From a forthcoming RSA paper on personalisation and social care innovation by Alex Fox and Henry Kippin

developed supply-side capacity, yet never really got beyond ‘transfer’ of services from the public to third sector; to a context in which enthusiasm for disruptive innovation is high, but there is less central government activity supporting this.⁸¹ This means a different type of relationship between public service businesses and government at both local and national levels – in which securing public contracts and working effectively with government is as important as ever, but the need to think entrepreneurially, cultivate better networks and maximise engagement is arguably even more vital. As we look to explore the new shared space, shared values and resource challenges, we need to heed the following lessons:

- » *Local social networks are the lifeblood of social value* – interviewees consistently told us that good networks are vital to the financial sustainability of local social enterprise, and a vital part of understanding the types of services that citizens and consumers want and need. As one London-based social entrepreneur told us, “social value and social enterprise must start with the community... if you’re going to do this, start at the bottom”. Sustainable businesses have long been adept at understanding and responding to the changing needs of the consumer, but the same has not always been said about public services – which have traditionally been organised around the principle of delivering universal services to a relatively passive citizenry. The RSA’s Connected Communities programme shows the potential of generating a deeper understanding of the lives and relationships people have within a locality – in particular understanding how public services can better support and enhance the ‘hidden wealth’ and knowledge of that they often ignore. Delivering services in partnership with community embedded social enterprise can be the most effective way of doing this.
- » *New networks need a shared space* – many of the people we spoke to articulated a need for a shared space – but often for different reasons. For many local enterprises, the value of clustering and working together

⁸¹ Kippin, H. & Lucas, B. (2011) ‘From Big Society to Social Productivity’ RSA Projects & 2020 Public Services Hub

(especially on public sector procurement deals) is self-evident. For others, a space to communicate more effectively and create shared goals across public, private and ‘third’ sectors is needed. For most, the value of networks and communication – just being involved in the ‘right’ conversations – is golden, particularly within a context where local policies around growth and social well-being are being formulated in realtime. One senior service practitioner called these ‘circles of trust’, within which innovative new businesses can be incubated, social issues deliberated, and better relationships created between local stakeholders. For some, the need for this space is acute if social enterprise and new service delivery models are to secure the investment that would allow them to survive and grow. As one national expert argued, ‘during the (development or spin-out) process there is absolutely nothing for an investor, and that’s where businesses need the support and the networks’.

Rhetoric vs reality in service delivery?

Several interviewees for this report spoke of a gap between rhetoric and reality in the social enterprise and public service mutuals agenda.

There is certainly no lack of support and advocacy from central government and a range of councils, but the reality is that some procurement processes (particularly those involving upfront bonds) can still pose high barriers for smaller organisations. As one recent Financial Times report notes, mutual organisation Central Surrey Health losing out to a private sector rival in a recent bid for health services sets this out starkly.

Many in the social enterprise and ‘third’ sector point to the potential of the public services (social value) bill and ‘social value commissioning’ to rebalance the playing field to the advantage of organisations like Central Surrey Health in future.

Reference: ‘How Surrey Tender led to a Rethink’, Financial Times, 06.02.2012

- » *But who are the honest brokers?* – we found a tangible sense across the spectrum of public and private practitioners that, to develop this idea of shared space, a degree of support and brokerage is needed. This could

be individuals – social entrepreneurs or ‘social market intermediaries’ who can help negotiate shared interests between stakeholders, mediate difficult conversations and facilitate meetings between sometimes awkward partners. Some of those self-styled figures told us not to ‘ignore what is already there’ – tapping into the latent capacity of communities, and building on networks of local business and civil society that already exist. For some, the honest broker should be embodied as an organisation or institution. The RSA sees itself as such an institution at a national level, pulling in a diverse network of fellows and providing a literal ‘shared space’ for debate and deliberation. At the local level, we have proposed that further education colleges could be this ‘catalytic space’ – offering a neutral hub at which networks of young people, educationalists, entrepreneurs and practitioners could converge. As one national public finance expert asked, “there are lots of models and lots of complexity – where are the honest brokers that can help make sense of it all?”

- » *More collaborative commissioning is key* – for most of the entrepreneurs and local public sector leaders we spoke to, the commissioning question is crucial. Many argue that a more collaborative and outward-focus (as opposed to a pervading culture of consolidation and perpetuation of existing service arrangements) is being undermined by financial job-security worries at the very time when heads of service need to think more creatively about better ways to create social value through council services. As one director of a mutual told us, ‘in this environment, it is difficult to start the creative destruction process if local authority managers are involved in constant re-structuring processes’. The commissioning of services is the effective starting point for any new form of contractual relationship between the public sector and local businesses. But from this point onwards, many lament a lack of adequate support, logistical frameworks or even metrics to articulate their value – undermining the potential of both new spin-out businesses themselves, and the commissioning processes that risk ignoring the potential value of alternative delivery mechanisms.

“The things government need to procure now are things they have never procured before...”

Social entrepreneur, south of England

At a national level, the policy ‘noise’ is quietly positive, with the Cabinet Office hosting a mutuals information service and a £10 million Mutuals Support Programme fund for business and professional advice. As Minister Francis Maude has argued, ‘mutuals can provide better, more effective public services’.⁸² Yet without supporting local commissioning processes as well as new enterprises themselves, change at the local level will be stunted.

These case studies demonstrate the potential for policymakers, businesses, civil society and citizens to stake out a new set of relationships. Smart city policymaking offers some nascent attempts to use new technology and public-private-civic partnerships to make significant, multidimensional downstream gains: including efficiency savings; sustainable growth; positive behaviour change, and co-productive public services. New forms of business engagement in the community show how businesses can embed community goals into their core business and be a partner in the livelihoods of the communities they serve. At the coalface, new public service delivery models – a mixed economy of mutuals, co-operatives, charities, social enterprises and ‘for-benefit’ organisations that straddle the profit-nonprofit and public-private divide – point to the potential for greater co-production, social value, and collaborative commissioning processes that can better navigate the pressures of declining public funding.

Below we profile the Zero Carbon Hub – a collaborative initiative and national ‘shared space’ for policy development and regulation built around the long term goal of zero carbon home building. It exhibits many of the characteristics we have highlighted above within a ‘regulation plus’ approach that we believe has the potential to characterise a new type of policymaking process for other areas of public service provision.

⁸² ‘Backing for mutuals to enhance public services’ in Cabinet Office 05.12.11 available at www.cabinetoffice.gov.uk/news/backing-mutuals-enhance-public-services

8 Regulation plus – a new model for policymaking

8 Regulation plus – a new model for policymaking



The Zero Carbon Hub (Hub) was established in 2008 with the aim of making new homes in the UK carbon neutral by 2016. The Hub and the key developments that preceded it provide valuable lessons about how a new set of relationships between government, business and society can take shape through the creation of ‘shared spaces’, new forms of value-added regulation, and long-term collaborative policy visions. These lessons have the potential to extend beyond climate change policy and benefit a range of other complex policy challenges.

Drivers toward zero carbon homes policy

Based on overwhelming scientific evidence indicating that climate change is an urgent issue posing serious threats to the UK economy, environment and citizen wellbeing, policy-makers understand the pressing need for long-term policy guidance. The UK Government has set a significant reduction in greenhouse gas (GHG) emissions as part of its domestic and international obligations. To achieve this, the Government highlighted that the construction industry has a pivotal role to play. The Committee on Climate Change has concluded that emissions from construction, including housing, must fall to near zero if the UK is to meet its goals. Homes have a long lifespan, and independent of other construction, represent more than a quarter of the UK’s GHG emissions. Targeting new homes at the point of build avoids the need for subsequent retrofitting, which can be more costly and potentially less effective, and prevents ‘lock in’ of high emission housing stock for the future.

Industry studies have shown that government intervention and regulation is critical to achieving zero carbon targets.⁸³ The Stern Review recognised that government intervention via regulation can reduce uncertainty, complexity and transaction costs as well as induce technical innovation.⁸⁴ Impact assessments have also shown that regulation needs to be applied without imposing an excessive burden on industry.⁸⁵ Against this backdrop, in 2007 the UK Government began a series of policy consultations that would lead to the establishment of the Zero Carbon Hub and a process of developing building regulations that has been collaborative and effective in both the policy outcomes and also the improvement of cross-sector relationships and understanding.

Need for the Zero Carbon Hub

In mid-2007 the UK Government set out an ambitious timetable for progressive improvement of building regulations in three steps, with a clear deadline: zero carbon new homes by 2016.⁸⁶ By late 2007 the Department for Communities and Local Government (DCLG) and the Home Builders Federation (HBF) established the 2016 Taskforce, co-chaired by both organisations and comprising of members from local government, the energy supply industry, the construction industry and environmental organisations. The Taskforce was charged with implementing step changes to building regulations, identifying the barriers to achieving the 2016 zero carbon target, and putting in place measures to address them.

Around the same time the Callcutt Review of House-building Delivery, an independent and holistic review of the house-building industry, highlighted the disjointed nature of the house-building industry and how this impacted the supply of new homes.⁸⁷ The Review endorsed the

⁸³ DCLG, Building a Greener Future: policy statement (2007), available at www.communities.gov.uk/publications/planningandbuilding/building-a-greener

⁸⁴ Stern Review on the Economics of Climate Change (2006), available at www.direct.gov.uk/en/NI11/Newsroom/DG_064854

⁸⁵ DCLG, Zero carbon homes Impact assessment (2011), available at www.communities.gov.uk/documents/planningandbuilding/pdf/1905485.pdf

⁸⁶ DCLG, Planning Portal, available at www.planningportal.gov.uk/buildingregulations/approveddocuments/part1

⁸⁷ Callcutt Review (2007), available at www.communities.gov.uk/archived/publications/housing/thecallcuttreview

Government's 2016 zero carbon targets, recommending that an independent, representative and inclusive organisation was needed to drive the low carbon new homes agenda. The Government (through DCLG) sponsored the establishment of an independent body representing government, industry and environmental stakeholders to support the Taskforce with its aims. The organisation would be a public-private partnership. As a result, the Zero Carbon Hub was established in mid-2008.

Why the Zero Carbon Hub model worked

» *Context* – the scene for zero carbon homes was set.

“With this level of political focus and support we are entering a period of opportunity, not only for the industry, but also for people who use and live in the buildings we are designing and constructing.”

Sir John Harman, Co-chair Sustainable Buildings Task Group, 2004⁸⁸

The Hub was created during a period of ambitious UK policy commitments on climate change. Emerging recognition across the political spectrum, business and society that action was required to reduce carbon emissions and improve energy efficiency, paved the way for a series of Government-led reviews, committees and task groups focused on how to achieve the change required. This environment provided fertile ground for emerging collaboration and holistic, long-term action on low or zero carbon homes. Prior to the establishment of the Hub, several key steps were taken which provided the foundations for Hub progress.

In 2003, the Sustainable Buildings Task Group (SBTG) and the Government's Better Building Summit explored broader sustainability issues facing the building industry and established that despite some interest in low carbon technology from the house-building industry there were several barriers to change. These included the complexity of existing building regulations; the fragmented nature of the industry; no significant

⁸⁸ Better buildings – better lives (2004), Sustainable Buildings Task Group Report, available at www.bis.gov.uk/files/file15151.pdf

interest from investors and shareholders; no common definition of low or zero carbon homes (LZH); no regulations in place requiring a national standard; and little or no consumer demand.

The SBTG was an important milestone leading up to the creation of the Hub as it brought together government, industry and environmental interests for the first time. In 2006, the industry-wide Code for Sustainable Building (CSB) and Code for Sustainable Homes (CSH) were launched as voluntary national standards for sustainable design and low carbon new homes. The CSH in particular marked an important departure from previous building regulations and voluntary standards by setting a long-term trajectory toward zero carbon homes, thus providing greater policy certainty for the house-building industry.

“ Essentially this build-up period established a community of stakeholders brought together by a focus on shared outcomes and a common goal: zero carbon new homes”

By 2008, when the Hub was established, Government had set a clear 10-year goal for zero carbon homes, house-builders and environmental groups had been included in policy consultations and all stakeholders realised the need to be involved in the implementation of ambitious targets. The multitude of working groups and government-led and sponsored reviews facilitated key relationships and those involved gained a better understanding of the complex nature of the building industry and its diverse stakeholders.

Not all aspects outlined above can be easily replicated in other policy areas, but recognising that ‘good timing’ was a contributing factor, there are some important lessons to learn. The five-year period of Government-led policy discussions and consultations that led to the creation of the Hub, provided the time necessary for relationships to develop, complex concepts to be understood and ideas to become realistic goals. Essentially this build-up period established a community of stakeholders brought together by a focus on shared outcomes and a common goal: zero carbon new homes. This allowed stakeholders to avoid an environment of lobbying, vested interests and disputes, and instead establish a shared vision and greater understanding of the issues.

- » *Vision* – a clear and consistent policy framework.

“What’s needed is a new form of industrial policy, one that signals ambition, helps develop future capabilities and secures sustainable growth...Setting a vision doesn’t mean state diktat and five-year plans. It means business plans that recognise the world’s an uncertain place, and that have flexibility built in. It means Whitehall setting the broad direction, but letting innovation flourish underneath it.”

John Cridland, Director General, Confederation of Business Interests (CBI), 2011⁸⁹

By 2016 (the zero carbon target date), the Hub will have had eight years to work with stakeholders and develop a feasible programme that allows businesses to plan and invest sustainably and in a cost effective manner. Timing has proved an essential aspect in the Hub’s success so far. As explained during an interview with a member of the Hub, ‘from the outset there was just enough time to feel the goal was achievable, yet not enough time to take away the sense of urgency needed at task group meetings to get a result’.⁹⁰

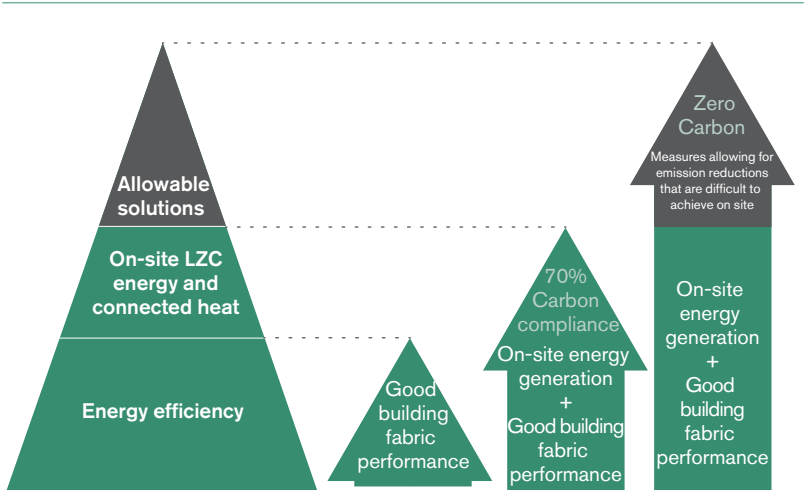
More than providing an impetus for action within the Hub’s task groups, the clarity given by a long-term policy goal gave all stakeholders, especially the house-building industry, investors and the supply chain, some regulatory stability and confidence to invest in change. Given the UK building industry’s disjointed nature, and the policy and market complexity within which it operates, clear and consistent policy provided companies with some stability from which to grow and adapt their business along sustainable lines. Most home builders also agree that appropriate levels of regulation are required to achieve zero carbon national standards and a level playing field.⁹¹ There is no evidence that emissions from new homes would have reduced to the level required in the absence of government intervention.

⁸⁹ CBI conference (2011) www.cbi.org.uk/media-centre/speeches/2011/11/john-cridlands-speech-to-cbi-east-midlands-annual-dinner

⁹⁰ All quotes in this chapter, unless otherwise referenced, in this report are taken from interviews conducted with Zero Carbon Hub staff during the period of research (September – December 2011)

⁹¹ Adeyeye, K., Osmani, M. & Brown C (2007) ‘Energy conservation and building design: the environmental legislation push and pull factors’ *Structural Survey*, 25 (5). pp. 375–390

A clear and collaborative definition for zero carbon homes was another important early enabler for the Hub. A lack of clarity over existing definitions threatened not only the ability to deliver the Government’s ambitious housing targets, but also created confusion and a lack of action amongst house-builders. To help the Government respond to these concerns, the UK Green Building Council established a task group to bring together stakeholders and recommend a common zero carbon home definition. An agreement on a revised definition of zero carbon homes was achieved across government departments, environmental groups and industry and gave long-term stability to the process and a firm base from which the Hub could move forward. The definition of zero carbon homes, illustrated in the pyramid diagram below, has helped focus the work of the Hub and its diverse stakeholders, and facilitated progress in areas traditionally hampered by polarised views on desired outcomes.



Explainer: The new definition is represented by the Zero Carbon Hierarchy triangle. Zero carbon is made up of three parts, Energy Efficiency, Carbon Compliance and Allowable Solutions.

Reference: adapted from Zero Carbon Hub, available at www.zerocarbonhub.org/definition.aspx?page=4

Providing a long-term, clear policy goal, created from a collaborative base, has provided stability and trust, facilitating stakeholders to collaborate and focus on the best policy outcomes. Undoubtedly this contributed to the progress achieved by the Hub so far. By understanding how business needs to manage risk and invest sustainably, Government has also created valuable relationships with the sector and better policy outcomes.

» *Collaboration*: providing the space for people to work together.

“The Zero Carbon Hub has led a large-scale review of evidence, working with industry, green groups and other experts. The Government has considered with care the findings from this work, and we intend to use the Hub’s recommendations...”

Rt Hon Grant Shapps MP, Minister for Housing and Local Government, 2011⁹²

Developing the Hub as the implementing and administrative body for new zero carbon homes policy was a crucial design element in the policy’s success. The Hub provided neutral ground or ‘shared space’ in which all stakeholders could be part of collaborative action rather than focus their resources on lobbying centralised government departments and disputing policy elements. This ‘shared space’ also provided the Government with an opportunity to endorse and observe the policy development by practitioners and experts, but remain at arms-length from Hub decisions and recommendations. The explicit and tacit support given to the Hub by Government – directly funding and sending observers, and referencing its work in ministerial statements – has not only created a new relationship with the building industry but also established the Hub’s credibility, which in turn encouraged more industry and environmental groups to collaborate with it.

Collaboration quickly became the Hub’s *modus operandi*. It employed methodologies that worked well in a complex policy situation, including adhering to a clear timeline, conducting expert task group meetings, small group consultations and dispute resolution, open consultations and travelling

⁹² Ministerial Statement (2011), www.communities.gov.uk/statements/housing/1905608

‘road shows’ amongst others. This collaboration has helped the Hub define the problems, identify resources available for tackling those problems, and mobilise resources that may not have been realised without a broad approach. The shared value achieved through collaboration has also established a new operating environment for the sector, created through trusted professional relationships and knowledge sharing that will enhance ongoing policy implementation and deliver better outcomes in other policy areas.

“ The Hub’s collaborative practices have added significant value to the zero carbon new homes policy implementation”

Establishing a long-term policy goal and inviting stakeholders directly involved in desired outcomes to help implement it, has achieved an effective delivery plan and smarter regulation – what 2020PSH has termed ‘regulation plus’. The ‘plus’ refers both to effective outcomes achieved through more appropriate regulation and also the value added during the process, creating outcomes beyond those initially anticipated. An example may be the increased understanding created within the house-building industry itself, helping to join-up what is a very diverse sector, ranging from very large companies operating nationally to very small businesses serving individual local markets.

Strong facilitation and leadership was also important in enabling a credible, expertise-driven process. As one member of the Hub stated, ‘having the right organisations and personalities around the Hub table has been a major part of the success story.’ The sharing of resources and current knowledge, for example through secondments, also added value to Hub’s work. As a Hub secondee told us, ‘we also became ambassadors for the work and broadened the Hub network, extending its reach’.

The Hub’s collaborative practices have added significant value to the zero carbon new homes policy implementation. The Hub provided a ‘shared space’ for all stakeholders to contribute to policy development, supported by both government and business. It established a new dialogue across the industry and between traditionally polarised interest groups, creating new and deeper shared knowledge and awareness of complex policy issues in the process.

What can be learned from the Zero Carbon Hub?

The goal for all new homes to be zero carbon by 2016 is one of the most ambitious environmental policies Government has introduced in the past decade. It provided both an opportunity and an imperative for cross-sector collaboration and a different approach to the traditional relationships between the house-building industry, environmental groups and government. This Hub case study has highlighted a number of valuable lessons for different areas of policy development. Three broad areas where the Hub created additional value in the policy development process have been outlined;

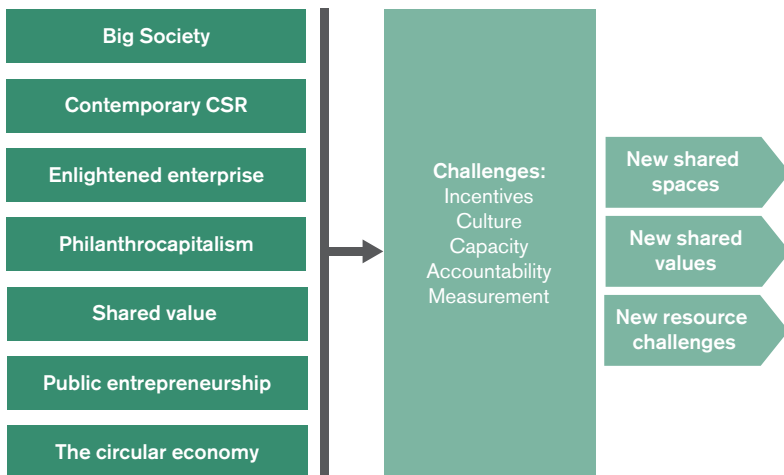
- » *Context – the scene for zero carbon homes was set.* The Government-led policy discussions and consultations that led to the creation of the Hub provided the necessary timeframe for relationships to develop, complex concepts to be understood and ideas to become realistic goals. Essentially this established a focus on shared outcomes and a community of stakeholders brought together by a common goal: zero carbon new homes.
- » *Vision – a clear and consistent policy framework.* Effective timeframes, a long-term, clear and consistent policy goal and appropriate levels of regulation provided stability to the industry and allowed stakeholders to build new relationships and focus on delivering the best policy outcomes. A clear and collaboratively agreed definition for zero carbon homes also laid the foundations for effective action.
- » *Collaboration – providing the space for people to work together.* Collaboration has helped the Hub define the problems, identify resources to tackle them and mobilise resources that may not have been realised without a broad approach. The ‘shared space’ created by the Hub has developed a new operating environment for the sector, through trusted professional relationships and knowledge sharing, which will enhance ongoing policy implementation in the sector and may assist in delivering better outcomes in other policy areas.

9 Business, public services and society: a social productivity framework

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The case studies presented above show in practice some of what we have argued in principle: that new sets of thinking and practice are emerging at the interface between business, public services and society. They take different forms at different levels, but the themes of shared space, shared values and shared resource constraints run through them all as critical enablers. They are the three elements which must be the basis for reform.

Many of our interviewees for this report were optimistic – engaging in exciting new initiatives, and feeling a sense of edging towards new practice, in which emerging business models and reforming public services reinforce each other, and in which there is a productive interface, rather than a barrier, between them. But many were not so sanguine. They argued that substantial progress is blocked by major impediments. Unless these are tackled, the new practice will be restricted to small pockets, and ultimately marginalised.



Our research suggests that there are five major challenges. They are the critical questions that policy makers must answer as they set about putting the social productivity framework into practice.

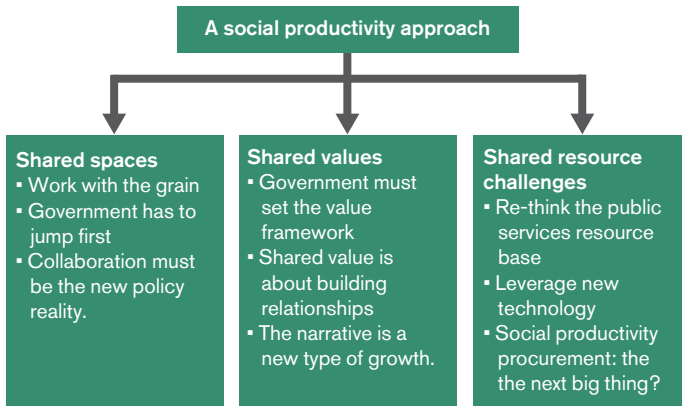
- » **Incentives** – financial and behavioural incentives differ across public, private and third sectors – how can a new model understand this diversity and begin to coalesce these incentives? What might an enabling role for government look like?
- » **Culture** – different cultures of delivery, management and accountability can be a significant barrier to collaboration across and even within sectors – what kind of national and local brokerage is needed in this space?
- » **Capacity** – new forms of collaboration between business, public services and society will require new skill sets and new organisational capacities. What are these, and who’s role is it to facilitate or provide?
- » **Accountability** – democratic accountability is vital to the legitimacy of social change. How can policymakers ensure that the voice of the citizen counts in change at the local and national levels?
- » **Measurement** – shared goals, sometimes embedded in payment by results commissioning, require measurement indices that synergise working. How can these indices be developed collaboratively? To what extent can social value provide a focus for this?

Each challenge raises different and difficult questions for how the social productivity framework should be implemented in practice. We have outlined some of these in the table below. We suggest that policy makers use the challenges as a diagnostic to apply to their particular policy areas. In the following section, we suggest some cross-cutting responses to these challenges and indicate how they could shape the development of policy more broadly.

	Incentives	Culture
Shared spaces	What incentives are needed to bring stakeholders together?	How can different organisational cultures work together?
	To what extent does government need to catalyse or seed-fund?	Is there a need for brokerage at different levels, or mediated collaboration?
	How sustainable are the incentives for stakeholders if public funding is unavailable?	To what extent is the goal itself communicated clearly?
Shared values	What incentives are needed for policymakers to re-think their business or operational models?	How can different organisational cultures across public, private and social sectors be mediated?
	What are the test cases and benchmarks for shared value thinking, and how can be innovation be communicated across sector boundaries?	Is there a role for (central and local) government in setting the framework and leading by example?
		How should it engage with on-the-ground innovation offer?
Shared resources	What financial incentives are needed to think about new mixes of fiscal/social/private resource?	What shifts in culture are needed to blend formal and informal ways of working?
	Is austerity enough of a burning platform itself?	How can citizens be engaged as more than simply consumers?
	What government incentives encourage public and private leaders to mobilise new resources?	What could be the role of local public sector organisations and local elected politicians in supporting this?

Capacity	Accountability	Measurement
<p>What human and organisational capacity development is needed for collaborative policymaking?</p> <p>Where are information asymmetries and capacity deficits, and what role is there for government in helping to iron them out?</p> <p>Could existing public assets help?</p>	<p>How democratic is shared space negotiation?</p> <p>Do all stakeholders have a fair say?</p> <p>Where does the international buck stop?</p> <p>Can digital technology facilitate more open and accountable policy spaces?</p>	<p>How can mutually acceptable performance metrics & benchmarks be created?</p> <p>What evidence base is needed, and is there a need for government to set frameworks and common standards?</p>
<p>Does the capacity exist for public business leaders to look beyond traditional horizons?</p> <p>If not, what skills and aptitudes are needed, and what could be the role of the learning and skills sector in helping to provide these (see 2020PSH work with LSIS)</p>	<p>What is the role of the citizen in shaping shared values and social goals?</p> <p>Who is accountable for meeting them?</p> <p>Is the voice of citizens audible enough, and what are the means of redress within collaborative regulation & policy?</p>	<p>Can shared goals be codified and measured in a way that makes sense across institutional boundaries?</p> <p>What would it take to do this? (2020PSH is exploring there issues in a social value commission later in 2012)</p>
<p>Does sufficient strategic capacity exist across stakeholders to think long-term about creative ways of generating and utilising resources?</p> <p>If not, what external enabling could be mobilised in support?</p>	<p>How can government and public sector mobilise non-fiscal resources in a sustainable and open way?</p> <p>What is the role of shared value vehicles or joint-ventures in service delivery?</p> <p>Are local structures in place to create these relationships?</p>	<p>How can new approaches to shared value and economic social resources be codified?</p> <p>Can a model of social productivity help form the terms of measurement and accountability?</p>

New shared spaces



Work with the grain – Use existing social networks, local resources and local public assets to develop collaborative spaces for local dialogue.

Without social networks, relationships between business, the public sector and interlocutors such as social enterprises or business support organisations cannot function. A national helpline, like that for the development of mutuals, is not enough. National, sectoral and local actors must be proactive in drawing on existing assets to create the new shared spaces appropriate to their needs.

» *Public assets such as local FE colleges and universities can offer a neutral space for dialogue.* The 2020PSH work with LSIS and the FE and skills sector shows an appetite for a new type of relationship between local educational institutions and the growth and enterprise agenda. HE institutions such as the University of Liverpool and the University of Sheffield are building these dynamics into new initiatives to broaden their community embeddedness and impact. These types of institutions offer authoritative spaces for dialogue and brokerage.

- » *Social network analysis can identify ‘hidden wealth’ and latent community resource.* The RSA’s Connected Communities programme is developing new methodologies to understand the flow of resources, patterns of life and work and community hubs-and-spokes around which new, collaborative public service delivery models can be designed. As community budgets and more personalised commissioning (e.g. through personal budgets and integrated family-centred services) are rolled out, a deep understanding of these networks will be vital.
- » *Local employers can help drive social value within communities.* As we have discussed, the idea of business playing a proactive and positive role in the community is not new. But in the light of resource constraints and cuts to some local services, their role could become increasingly important beyond the need to create jobs. Could local businesses, for example, make better use of live and dormant business assets for public benefit? Could they help sustain library facilities through sponsorship tie-ups, investment or shared facilities? For forward thinking businesses such as B&Q, being socially proactive is having a positive impact on their financial bottom-line.

Government has to jump first – Recognise that the sustainability of collaborative policymaking, regulation and behaviour change requires stimulus and drive from government.

Where government has put change in motion – in the Zero Carbon Hub or Amsterdam’s smart city programme, for example – ‘jumping first’ has been the catalyst for multi-stakeholder commitment, inward investment and a more sustainable ‘shared space’ in which complex and multidimensional issues can be debated in an open and constructive way.

- » *Command and control might be dead, but the role of government is not.* Government at all levels has to strike a balance: between enabling ‘shared space’ for innovation and collaborative policymaking, and acting as provocateur and catalyst for the new, emerging models of policy and regulation. This means a central role for government as seed funder, incubator, and as the actor that can give legitimacy and longevity to collaborative initiatives.

- » *Government must jump first, but a shared responsibility must drive regulation, policy and practice.* If the onus is on government to provide stimulus and a value framework, the responsibility must subsequently be extended across stakeholders within the shared spaces they help to create. Without this, incentives to collaborate will weaken, leaving government ‘holding the ring’, designing the policy and driving the implementation.

Collaboration is the new reality for policymaking and practice – Create a default assumption towards collaboration in the design of new policy, the process of creating regulatory frameworks, and the processes through which local service commissioning arrangements are developed.

In the regulatory space, we have called this ‘regulation plus’: a collaborative process that has the ability to generate a consensual basis for regulation, but also begin to change the behaviour of stakeholders involved.

- » *Collaborative delivery means re-thinking the value chain.* The Work Programme offers an example of the potential up-and-downsides of collaborative delivery chains that go beyond traditional outsourcing, or service transfer. Those social enterprises and charities (in this case sub-contractors) we spoke to emphasised the need to re-think the value chain beyond financial accounting, and around clearer communication and shared goals – most importantly, the needs of the citizen. Crucially, these facets of better relationships must be developed at the design stage – not as an afterthought. In effect, this means agreeing at the outset a clearly measurable social value chain.
- » *Coalition government needs a policy development process in its own image.* Political sniping notwithstanding, it is clear that governing in coalition requires a new approach to policy design – subject to greater levels of deliberation and political bargaining. This has ostensibly been behind closed doors, but the fact that policy has leaked, and key areas of debate have *de facto* taken place in the media is perhaps something to be welcomed. The 2020PSH and the RSA have advocated a more

‘open’ policymaking process, mirroring the emphasis on open data in the Cabinet Office and other areas of government.

- » *‘Regulation plus’ should be the end-goal.* Environmental policy and regulation offers an example of a sector in which established (and sometimes competing) interests are being brought together in new ‘shared spaces’. This report has showcased the Zero Carbon Hub, but organisations such as Scottish Natural Heritage (SNH) are also exploring the potential of a similar approach in collaboration with 2020PSH that gets beyond stakeholder management, and begins to create a more coherent set of incentives around which organisations can not only coalesce, but use as a marker to begin changing organisational behaviour.

New shared values

Government can’t do it all, but it can set clear goals and establish values –

Recognise the unique role of government (central and local) in articulating the overarching aims and underpinning values that will enable change to take place.

Much of the shared value narrative has come from the (US) business community, and whilst UK politicians are now actively exploring this territory, their approach to-date has largely been about creating ‘light touch’ ways to curb excess or stimulate markets. But government’s role could be much more positive. It is uniquely placed to set out the overarching policy imperative (as is the case to different degrees with payment by results or open public services) or specify the timeframe (as in the case of zero carbon home-building).

- » *Government must inject democratic values* – The role of government is crucial to the idea of shared value because it provides the democratic narrative and the citizen-focus. This has most immediate relevance at a local level – where local authorities and local public agencies (such as an academy school, an FE college or a consortium of GP surgeries) can help articulate the local needs and social imperatives that can help shape shared value business models.

- » *Cities can be the testbed for shared value policy* – Smart city initiatives in the UK, Europe and the US offer a nascent example of coalescing public, private and social goals around the future of a place. This new ‘convergence’ could be strengthened in the UK by the advent of elected mayors for some of England’s major cities. As 2020PSH has argued, city policy (and the role of mayors in particular) offers the ‘opportunity to cohere fragments of an exciting future together into something which could be much more powerful – a new social and economic strategy for urban England’.⁹³

- » *A clear framework is about coherence, not top-down control.* As the wind-back from what many have characterised as a ‘statist’ approach under Labour continues, it is clear that institutional autonomy is the new end-goal for public services at a local level. For some people we spoke to, this looks like fragmentation – with the potential to undermine holistic, cross-service initiatives and stunt the development of shared goals across the spectrum of local stakeholders. There should be an onus on these new institutional actors to demonstrate generous approaches to partnership. As some mandated forms of collaboration disappear (such as Local Strategic Partnerships in some areas), creating new ‘shared spaces’ that can help to cohere an increasingly diverse public service landscape will be vital.

Creating shared value is about building circles of trust – Recognise the power of networks and relationships in creating social value and stimulating growth.

For economist Paul Ormerod, ‘the crucial challenge is to understand and respond to the fact that networks are important and arguably becoming increasingly so’.⁹⁴ Yet mutually reinforcing networks are not created by accident, nor are they sustainable without active brokerage, common understandings, and the ability of actors to learn new capacities and adapt to new ways of thinking. Government or public services cannot – and

⁹³ See Lucas, B. ‘What Next for Mayoral Governance: Mayors in 2020’ forthcoming in an Institute for Government publication on the future of mayors in the UK

⁹⁴ Ormerod, P. (2010) ‘N Squared: public policy and the power of networks’ London, RSA

arguably *should* not – play all of these roles, and indeed some new support organisations such as the Transition Institute are stepping into the gap with limited resources but a creative approach. What lessons can we learn from their experiences?

- » *Shared value relationships need honest brokers.* We have argued that good social networks are the ‘lifeblood’ of social value – knitting together the local citizens, businesses, civil society organisations that could create new delivery models for local services, and contribute to a more collaborative commissioning and procurement culture. Yet for these relationships (what one interviewee called ‘circles of trust’) to be sustainable, honest brokers are often essential. Organisations like the Transition Institute and Mutual Ventures are attempting to provide this kind of function, creating a bridge between central government, local authorities and (new and potential) social enterprises. They will be increasingly vital as the idea of open public services gains traction in different localities.
- » *New relationships between business and public services need a common language.* ‘We just speak totally different languages’ is a common perspective heard during the interviews we conducted for this project. This is probably unsurprising, and something that public service reformers are well aware of as a barrier to collaboration and integration between service silos. New collaborative governance arrangements such as health and wellbeing boards will need to create their own ways of dealing with this; and the problem is just as acute across public, private and third sectors. It goes beyond questions of language to questions of metrics and datasets. We heard that in some areas, the LEP and the local council are drawing on different economic data.
- » *Building capacity is key.* Much of the shared value agenda rests on the notion that organisations and individuals across the private, public and social sectors could (and should) leave their comfort zones and do things differently. This often requires a new set of skills and aptitudes such as business development support, social impact techniques or

(most importantly) organisational change management. It is not obvious where this support comes from within a period of cutbacks and consolidation, but we think that utilising latent public assets could be part of the answer. In our 2011 report for the LSIS, we proposed FE colleges as ‘catalytic spaces’ and hubs of ‘networked local growth’ – places that could offer resources and networks to help build these capacities at a local level.

New shared resource challenges

Businesses and public services must re-think the resource base –

Recognise that sustainable development within the new austerity means looking outside of traditional resource bases and considering circular value creation.

For businesses, the challenge is to develop new business models that both meet the demands of customers, but also help sustain or improve the social outcomes that ensure they can keep buying products and services in the future. For public service managers, the challenge is to think beyond the traditional delivery model – re-thinking services as catalysts of growth, tapping into the co-productive capacity of citizens; and developing collaborative commissioning models that can draw the best out of private and third sectors. So what steps can we take to get there?

- » *Develop the next generation of joint ventures.* The constraints of austerity necessitate new models of financing and collaboration. Social finance is already gaining traction as a means of generating a broad resource base for funding preventative social policy. But we should also look at the possibility of new joint-ventures between new mutuals or social enterprises, and the larger players – in the public service provider market, or within the local economy. For a company like B&Q, the next step could be helping to create new financial vehicles, along the micro-financing lines laid down by Starbucks in the US.⁹⁵ Critics like Jesse Norman have argued that PFIs have paid ‘a ludicrously high

⁹⁵ For Starbucks' use of microfinance services, see www.theatlanticwire.com/business/2011/10/starbucks-plans-save-us-economy/43255

premium for transferring risk to the private sector'.⁹⁶ Policymakers must therefore ensure that the 'next' PFI is about creating shared value chains that support the development of local economies and communities.

- » *Leverage the potential of better commissioning and procurement.* A recent Government of the Future report noted that 'public spending across Europe makes up half of total (GDP)', and that 'public procurement budgets make up approximately 17% of total GDP'.⁹⁷ This is huge purchasing power, and suggests that, far from the state stepping back to allow the creation of new local markets, it should play an active and substantial role in shaping them. How can this be done? Opening up the commissioning process is central. Local authorities (and indeed quasi-autonomous public sector bodies such as health and wellbeing boards or free-schools) must develop more collaborative commissioning models that create clearer lines of accountability with communities, but that also allow a greater degree of policy co-creation and dialogue between delivery partners. There are significant barriers to this – legal, behavioural and political. The Public Services (Social Value) Bill looks likely to be helpful in this context, but more will need to be done.

Leverage new technology and open data – Recognise the potential of digital technology to unlock new types of relationship directly between citizens and public services, and between businesses, civil society and the public sector.

Cabinet Office Minister, Francis Maude has argued that we are entering 'the beginning of a new era where the public demand data'.⁹⁸ Yet this is only one side of the coin, with the flipside the potential to improve

⁹⁶ 'The CBI has gone Awol on every issue that matters' Jesse Norman writing in The Times, 01.09.11, available at www.thetimes.co.uk/tto/opinion/thunderer/article3150908.ece

⁹⁷ Government of the Future Centre (2011) 'Driving Public Entrepreneurship: government as a catalyst for innovation and growth in Europe' available at www.lisboncouncil.net/initiatives/government-of-the-future/introduction.html

⁹⁸ Quote from a roundtable discussion at the RSA 2020 Public Services Hub, 14th December 2011

conditions for business, create smoother relationships across sectors, and create more direct lines of communication between citizens and public services.

- » *Support entrepreneurs through digital channels.* Our work with Sunderland City Council is exploring the potential of new relationships between local government, local businesses and – in this case – larger private sector organisations. Through offering a combination of city-wide broadband services, startup-friendly policies and a ‘virtual’ back office generated through cloud computing, the Council is hoping to create the conditions for local businesses to get beyond the startup or ‘lifestyle’ stage, and begin to create a more vibrant network of local entrepreneurs. This has involved an active role for government, including exploring the possibility of ‘spinning out’ existing areas of in-house public service provision that could benefit from the virtualisation of their back office functions.

- » *Build trust between sectors through transparency and open data.* If part of the difficulty of speaking and acting ‘across sectors’ is a lack of trust between different stakeholders, then open data and digital-enabled transparency may hold some of the means to address this. Indeed, the smart city initiatives we describe in this report have been built on this premise – that openness, comparative analysis and the visibility of previously opaque data (on emissions or energy usage, for example) are key levers to begin changing the behaviour of citizens, businesses and the public sector.

- » *Government must create shared space for collaboration and learning.* Many of our discussions around open data, mobile technology and digital services highlighted their potential to empower citizens and reshape public and private markets. There is a growing evidence base for the use of technology to facilitate innovative business-public sector relationships, both in the UK and internationally. Here, local authorities like Kent have placed great emphasis on innovating in new technology, and successive Labour and Coalition governments have advocated

shifting to online services. But too often, government has been behind the curve, wanting to use the new technology for old purposes, rather than imagining how it could change relationships more profoundly. As technology diversifies, and debates around how public services should respond diversify with it, there is a need for a central or coherent space in which these developments can play out. In December 2011, the 2020PSH hosted the launch of the Open Data Institute (ODI), which is a positive step in the right direction. Sponsored by the Cabinet Office, the ODI will attempt to create a 'shared space' and a collaborative approach to these issues. Lessons learnt from the Zero Carbon Hub should be important in informing its development.

Conclusion

Conclusion

The two big policy challenges of our time are not being considered together. Public services need to be reformed in order to meet the demands of the long-term under the fiscal constraints of today. Economic growth needs to be re-kindled – but in a more sustainable form that carries public confidence and delivers fairer returns. Considered separately, these agendas run the risk of pulling in different directions. Arguments about ‘responsible capitalism’ and public service reform are ongoing – but they have been made in different places, addressing different audiences and needs.

This report has been about bringing these agendas together. We have asked how the idea of social productivity can help sharpen the thinking of policymakers, and offer the beginnings of a framework for changing policy and practice on the ground.

We have shown how old divisions between business and public services are already blurring. Our social productivity approach recognises how the actors are changing, opening up the possibility of new relationships, and new ways of improving social, economic and environmental outcomes. Our public services cannot meet our shared aims if they simply attempt to do the same with less. In the wake of deep fiscal crisis and with the prospect of grave environmental change, economic growth cannot simply be more of the same.

That a new model is needed is now relatively uncontested. A cross-party consensus is emerging around the need to re-think both the role of the state in the market, and the role of the market in delivering public services. These are potentially progressive agendas – but they are nascent, and contain a raft of challenges that need bottoming out in theory and practice.

This report has made a start. In drawing on new thinking from Big Society through to shared value and circular economy, we show how a range of new policy narratives and business models are challenging the status quo and positing new conceptual frameworks for change. National and local government have already begun to bridge public and private through new types of collaboration, new business forms and new types of financing. Examples include smart cities, social finance and the public service mutuals agenda. Developments in open data are rapidly building new markets while expanding opportunities for active citizenship.

The development of a new set of richer, rebalanced and mutually supportive relationships between public services, the private sector and society is a long term process. We think there are three directions to get there, each of which involves a fundamental – but different – role for government:

- » *New shared spaces.* Government sets the policy framework and devolves the detail. Operational frameworks should increasingly be developed by sectors and their stakeholders. More socially productive local economies and public services require shared spaces – physical and virtual – to incubate networks, enable deliberation and foster relationships.
- » *New shared values.* Public managers must be encouraged to think beyond service delivery, and consider their contribution to social and economic growth. Businesses increasingly need to think beyond the profit margin and embed social goals into their core strategy. Shared value is not only a business strategy, it should be a fundamental element of public service reform.
- » *New shared resource challenges.* Public, private and civil society sectors must navigate the risks and take advantage of the opportunities inherent in spending cuts. This means less fiscal resource on the one hand, but potentially more operational freedom on the other. We argue that navigating successfully requires better communication, collaboration and integration across sectors – and a social productivity approach to commissioning and procurement.

What next?

At the outset we argued that the spectrum of relationships between business, public services and society cannot be done justice by political soundbites or a single policy narrative. We have argued that three directions form the basis of a framework for thinking through these issues. But there is much work to be done creating new relationships and working practices on-the-ground. What could be the next steps for research and practice?

- » *Creating shared spaces in practice* – as we have argued, our research uncovered a real appetite for the idea of ‘shared spaces’ and ‘honest brokers’ in the creation of new cross-sector relationships at both a national and local level. The next stage is to ask: what are the assets, networks and methodologies that might help facilitate this in practice? In this sense, today’s economic circumstances perhaps offer an opportunity. The quality of physical public assets is arguably higher than during previous recessions; the appetite for shared and integrated services has been whetted through initiatives like Total Place; and in sectors like FE, greater sectoral and institutional autonomy could open up new ways of using and sharing resources. Developing shared space prototypes could draw on these opportunities, and make use of emerging research techniques such as the RSA’s Civic Pulse and social network mapping tools.

- » *Building on ‘regulation plus’* – the Zero Carbon Hub is a case example of how a more collaborative form of regulation can help build consensus around the big issues, with the attendant benefit of beginning to change the behaviour of stakeholders as part of the process. We are seeing elements of this approach in other policy areas, such as a central push towards payment-by-results models. But we are seeing little central guidance about what that would mean in specific policy areas – the implication of a retreat from command-and-control policymaking. As a next step in developing the idea of ‘regulation plus’ in this space, the 2020PSH is working with Scottish Natural Heritage to help develop a sustainable and socially productive strategy in the face of considerable future social and economic challenges.

- » *Developing social productivity tendering* – as we know from debates around public service spin-outs and local social enterprise, there is a thirst to develop more effective ways of ensuring that local supply side diversity reflects the creative potential of public, private and civil society sectors. New delivery models should be developed not as an end in themselves but as a vehicle to deliver better outcomes and improved social value. Ministers have explored the idea of mandating a proportion

of tendering for ‘social’ institutions, but potentially more sustainable is the idea of social productivity tendering. This would mandate that any service delivery model – however organisationally determined – would need to ensure improved social value. Metrics for this could include the degree of community wealth retention, local job creation, citizen engagement and local skills development. The 2020PSH welcomes new ideas and partners as we continue to developing this agenda.

Appendix A

Methodology

This report is based on extensive desk research, in-depth case studies, one-to-one interviews and the outcomes of a high-level roundtable, convened in November 2011 to reflect on emerging findings.

In December 2011, top level findings were shared with RSA Fellows through the RSA's newsletter, leading to dialogue with over 40 social innovators and policy specialists.

The in-depth study of the Zero Carbon Hub was made possible by generous access to internal documentation and interviews with staff and senior stakeholders. Senior team members at B&Q were also generous with their time, expanding on their existing research partnership with RSA Projects.

Individuals from the following organisations engaged with the project:

- » A4E
- » Accenture
- » Acumen Trust
- » B&Q
- » Big Society Network
- » BT
- » Business in the Community
- » Cabinet Office
- » Chartered Institute Public Finance and Accountancy (CIPFA)
- » Department of Communities and Local Government (DCLG)
- » E.ON Energy
- » EnergyShare
- » Forest Education Trust
- » Humantics
- » KPMG
- » Leadership and Innovation
- » Local Government Association (LGA)

- » London Workforce Development
- » Mott MacDonald
- » Mutual Ventures
- » New Philanthropy Capital
- » National House-Building Council (NHBC)
- » National Institute for Adult Continuing Education (NIACE)
- » Office of Public Management (OPM)
- » Patient Opinion
- » Respublica
- » RSA
- » Social Business Brokers
- » Social Enterprise London (SEL)
- » Social Market Foundation
- » Suffolk Circle
- » Sunderland City Council
- » Space Unlimited
- » The Climate Group
- » Transition Institute
- » UK Green Building Council
- » Wilmott Dixon
- » Your Square Mile
- » Zero Carbon Hub

The 2020 Public Services Hub is a research and policy development hub created from the legacy of the 2020 Public Services Trust in early 2011. It specialises in developing practice-based research on social productivity in public services. Based at the RSA, the Hub works collaboratively with local public service organisations, national sector leaders and other national partners to develop social value and social productivity thinking into local and national practice.

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