

GOVERNING CHINA
IN THE 21ST CENTURY

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*Public Service
Innovations in China*

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Edited by Yijia Jing & Stephen P. Osborne



Governing China in the 21st Century

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Since 1978, China's political and social systems have transformed significantly to accommodate the world's largest population and second largest economy. These changes have grown more complex and challenging as China deals with modernization, globalization, and informatization. The unique path of sociopolitical development of China hardly fits within any existing frame of reference. The number of scientific explorations of China's political and social development, as well as contributions to international literature from Chinese scholars living and researching in Mainland China, has been growing fast. This series publishes research by Chinese and international scholars on China's politics, diplomacy, public affairs, and social and economic issues for the international academic community.

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Public Service Innovations in China

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Governing China in the 21st Century

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Public Service Innovations in China: An Introduction

Yijia Jing and Stephen P. Osborne

‘Innovation-oriented nation’ became an officially recognized national strategy of China in 2006, after decades of active engagement in the world’s economic system and the successful establishment of China’s competitive advantages in primary industries and manufacturing. Such a policy became more urgent when China became the second largest sovereign economy in 2010. The general consensus is that for a country of China’s size and diversity, it deserves and needs competence at all stages of the production chain and value chain. It is believed that only innovation will afford China a leading role in existing and emerging areas of development. Vivid examples include Chinese government’s quick establishment of Internet + national strategy, its promotion of mass-based innovation and entrepreneurship (*chuangxin, chuangye*), and its enthusiasm for big data.

As a general response to the fast-changing national conditions, in 2014 the Chinese political leaders proposed the concept of ‘New Normal’. It is a summary of new trends of the Chinese economy and its responding

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strategies. Major changes include the shift from high growth to middle-high growth, upgrade of economic structures, and a shift of source of growth from inputs to innovations. In 2012, the growth rate of Gross Domestic Product (GDP) for the first time dropped below 8 percent since 2000. These economic changes have to fundamentally affect the operation of Chinese governments that have embraced the developmental state model for decades. Besides, the unprecedented anti-corruption and anti-waste movements since 1978 have also seriously reshaped the ‘ecology’ of the public sector. Established models of government are facing a declining base of legitimacy and effectiveness. Public service innovations (PSIs) are becoming seen as more significant to help re-establish this legitimacy and effectiveness.

Innovation is naturally linked to reform in Chinese (*gaige chuangxin*). While reform emphasizes changes to the unsatisfactory status quo, innovation tends to focus on new solutions that create incentives and voluntary acceptance for changes. As the country’s leader Xi Jinping announced in 2013, the country expects that booming innovations will mitigate pains of the reforms and create new bases of growth and development in an era of New Normal.

The shift to quality-centered growth has acquired equally strong momentum in the area of public administration. Notably, in 2003 China started promoting a service-oriented government with a purpose to transform the core missions of the government from law and regulation enforcement to service provision. Citizen satisfaction became an increasingly salient indicator of the performance of public administration and policy, dragging the government to improve not just its economy, efficiency, and effectiveness, but also its transparency, due process, rule of law, and justice. Despite limited resources and a huge bureaucratic system with strong historical inertia, innovations in the public sector have been enthusiastically and forcefully promoted along the hierarchical chain of Chinese government. In 2013, the Central Government proposed building a modern system of state governance, demanding innovations to fundamentally restructure, streamline, and stabilize public governance in China.

Upon this background, enormous PSIs have been experimented with by both the central and local governments, with varying degrees of success. Innovations happen in all aspects and stages of public services. For example, both for-profit and nonprofit organizations have been engaged in public service delivery; citizen satisfaction surveys have been tried to

evaluate local government performance; micro-blog and WeChat have been used for information dissemination and public opinion disclosure; and public interest lawsuits have been legalized so environmental non-governmental organizations may sue pollution-making enterprises. These innovations have not only changed the scope, quality, and efficiency of public services accessible to ordinary Chinese, but also reshaped the relations of citizens to the government.

There are multiple interesting puzzles about the burgeoning PSIs in China due to its many unique characteristics. Despite its huge economy, its GDP per capita is only about 85th in the world in 2015, with significant domestic regional variation. Its marketization process has been proceeding under a strong party-state. The history of glorious ancient dynasties has left a government-oriented culture as well as a tradition of rule of man, while the socialist practices since 1949 also entrenched the nomenclature system in its public sector (Chan and Suizhou 2007). All these and other conditions will have to shape PSIs in China and create deviations to models originated from other national contexts.

The coming of the era of New Normal sets a new and complex context for PSIs in China. This book is an attempt to understand PSIs in China and its recent directions of change by looking at a couple of innovation cases. To provide a background to the readers, we in the following offer an understanding of the nature of PSIs, a brief review of PSIs in China, a summary of a survey on civil servant perceptions of PSIs, a discussion on New Normal and PSIs, and finally a summary of the book chapters.

UNDERSTANDING INNOVATION IN PUBLIC SERVICES

The Nature of Innovation

Osborne and Brown (2011) have demonstrated that there is a lack of precision about what is actually meant by innovation in a public service context, as well as a normative tendency that assumed innovative activity must be a positive. There is only limited understanding of the specific nature of innovation as discontinuous rather than developmental change, and that it is an intrinsically risky activity with potentially high resource and service costs. Both these limitations can also be found in the research literature. Membretti (2007) and Meeuwisse (2008), for example, both evaluate innovation in public services without any clear definition of ‘innovation’. The European Union PUBLIN program on innovation in public services

(Koch and Hauknes 2005) includes impressive reviews of the private and public sector innovation literature (e.g. Halvorsen et al. 2005; Roste 2005), yet the program is also disappointing in its conceptualization of innovation. Halvorsen et al. (2005), for example, initially define it simply as ‘changes in behaviour’ (p. 2), later refining this to the ‘implementation of a conscious programme of change to gain certain effects or results’ (p. 63)—a definition subsequently adopted by the program as a whole. The problem with such a broad definition of innovation is two-fold. First, it assumes that innovation must be a conscious process, yet this is often not the case. The commercial development of Post-it notes, for example, was certainly an innovation, but it was entirely an accidental by-product of a search for another product (Peters et al. 1982). Just as with change more generally, innovation can be an emergent as well as a planned process—and for many public services, change and/or innovation can be thrust upon them by political decisions as much as a conscious determination to address a ‘performance gap’ (Golden 1990). Second, it falls prey to the conflation of innovation and incremental development identified earlier, with similar results.

There is, however, a substantial literature that explores the nature of innovation and that could provide an important input into the policy process. Contemporary innovation theory thus differentiates between four modes of change to products and services—three innovative modes and one developmental (Garcia and Calantone 2002). The first is *radical innovation*—a comparatively rare event that transforms the entire societal paradigm of production (classic examples being the replacement of canals by the railways in the industrial revolution and the creation of the World Wide Web). The second type is *architectural innovation*. This results in changes both to organizational skills and competencies and to the market/needs that an innovation is addressing—but within the existing production paradigm (Henderson and Clark 1990). The third type of innovation is often called *incremental innovation*. The term ‘incremental’ here is slightly misleading. Such innovation does still involve discontinuous change to products or services. However, it takes place within the existing production paradigm and affects only either organizational skills and competencies or the market/needs that the innovation is addressing, not both (Garcia and Calantone 2002). The fourth type of change is *product or service development*, which builds upon existing skills or markets/needs and may well involve significant organizational learning—but does not involve any element of ‘newness’ or discontinuity (Sundbo 1997).

In differentiating these four types of change it is important not to assume any normative element to the discussion. Over time a series of non-innovative developments can be as significant for a service as one incident of innovation, while incremental innovations may be more significant or enduring than architectural ones. The central issue here is to understand the different policy contexts and approaches to their management that different types of change and innovation require. One size does not ‘fit all’.

This approach to understanding innovation has also been explored within the public services literature. Osborne (1998) has developed this approach to understanding innovation in public services. While not including the ‘radical’ innovation category above, it differentiates between total (architectural) innovation and two types of incremental innovation (expansory and evolutionary)—as well as differentiating innovation per se from gradual service development. This makes clear the difference between innovation and developmental change, as well as differentiating the former in a way that allows its risks, costs, and contingencies to be evaluated.

The Source of Innovation

The traditional model of innovation has long argued in favor of individual agency as the source of innovation—the ‘hero innovator’ model popularized by Peters et al. (1982) or the assertions of management guru Drucker (1985) that ‘[e]ntrepreneurs innovate’. Roberts and King (1996) developed this approach in the context of public sector organizations (PSOs). Based upon extensive psychological testing, they developed a model of the ‘public entrepreneur’ as tenacious and goal driven, working long hours, willing to take risks, confident and skilled in using political connections. More sophisticated versions of this approach have moved beyond ‘simple’ individual agency to explore the interaction between the individual and their organization (Jelinek and Schoonhoven 1990)—and there are also a number of such studies in relation to public services (e.g. Bartlett and Dibben 2002; Windrum 2008).

Useful though these individual approaches are, they often lack an organizational or institutional context for public services (Prail and Baldwin 1988). In this context, two areas of research on PSI are important. On the one hand, both Ferlie et al. (1989) and Baldock and Evers (1991) have emphasized the importance of the organizational locus of innovation,

top-down innovation being primarily concerned with organizational and service efficiency, while bottom-up innovation is concerned primarily with organizational and service effectiveness. On the other hand, the work of Borins (2001) and Crosby and Bryson (2005) has emphasized the importance not only of individual agency but also of the ‘innovation sponsor’ who (at the political and/or organizational level) provides the mandate and space for innovative activity, including the risks that it involves. In such a context, the sponsorship of senior managers and/or politicians is an essential pre-condition of innovation. They may not need to sanction each individual project, but a mandate and culture of innovation must exist to permit staff to engage in the risks (and likelihood of failure) that innovation invariably involves.

Latterly, research and theory upon the sources of innovation has also shifted from the organizational locus to that of the environment. Increasingly, research has emphasized the importance of an open systems and institutional understanding of the sources of innovation. This is especially so in the case of public services when they are viewed as ‘services’ rather than manufactured products (Osborne et al. 2013). In this context, innovation takes place within complex service systems that include PSOs as well as other key stakeholders and actors. This introduces particular challenges for innovation in public services if sustainable and resilient public services are to be created (Osborne et al. 2015). Central to such an understanding is the extent to which innovation leads to the co-creation or co-destruction of value within public service systems—for service users, local communities, and PSOs (Osborne et al. 2016). This approach therefore explicitly acknowledges the importance of organizational and institutional environmental sensitivity (Tether 2003), the need to work across horizontal networks in services provision rather than maintain a closed organizational boundary (Ahuja 2000; Chesbrough 2003), and the centrality of service users as a prime source of innovation (Alam 2006; Von Hippel 2007). This has led to models of innovation facilitation that are embedded precisely in this open systems orientation and that look outward from the organization or service rather than internally (e.g. Santonen et al. 2007).

Such approaches can also be identified in research on PSI. A major contribution of the PUBLIN Programme on PSI has been to draw attention to this open systems and institutional context of innovation (e.g. Roste 2005). Osborne et al. (2008) have also emphasized the importance of the institutional context for the innovative capacity of third sector organizations, while Windrum and Garcia-Goni (2008), Lewis et al. (2009), and Van Buuren and Loorbach (2009) have explored the importance of

organizational, environmental, and policy networks for innovation. Brown (2007) has also examined the significance of the regional clustering of PSIs for their sustainability. Finally, Walker (2007) has brought the environmental and organizational perspectives together for PSOs through use of the concept of ‘organizational-environmental configuration’.

A final issue to consider is the political context of innovation in public service delivery. Seminal work in the innovation studies field has made explicit its political nature for some time (Pettigrew 1973), and this is doubly so for innovation in public services. Not only are they prone to the inherent party political nature of the public policy process (Hill and Hupe 2003, 2009), they are also subject to the internal political processes of public service organizations and the need of managers to demonstrate their effectiveness in the field of contested outcomes. Feller (1981) brought both these two domains together in the concept of innovation as ‘conspicuous production’ in such contested domains—for politicians and managers alike. He argues that innovation has become a proxy for effective performance, for politicians and managers alike, in the public sphere where such effectiveness is notoriously hard to demonstrate due to the ambiguous, multiple, and contested nature of policy objectives and outcomes.

Further, Borins (2001) has also pointed to the import of professional resistance to innovation as a key inhibitor of its success. However, he has also pointed out that such resistance has to be taken seriously and not merely ‘managed’ away within public service organizations. This is a fundamental error of the normative model of innovation in public policy discussed above—opposition to innovation must, by definition, be bad because innovation, by definition, is good. This ignores two elementary aspects of the innovation process. First, that sometimes the resisters may be right and the innovation proposed is the wrong one (as in the examples of ‘pin down’ and ‘regression therapy’ above). But secondly, and more importantly, this approach negates any possibility for essential organizational (and policy) learning from ‘failed’ innovations. Such organizational learning from the innovation process is an essential element of effective innovation policy, as the innovation studies literature has long made explicit—such as in the early but still influential work by Burns and Stalker (1961) and Rogers and Shoemaker (1971)—yet it is invariably not acknowledged in PSI, where acknowledgment of failure would be politically damaging. Moreover, a considered approach to the governance of risk in PSI is essential. Risk is intrinsic to innovation, yet most risk management strategies in government are concerned with minimizing risk, rather than governing its impacts and negotiating appropriate levels

of risk with service users and communities in return for hoped-for benefits from the innovation itself (Brown and Osborne 2013).

BASICS OF PSIs IN CHINA

What Are PSIs in China?

The answer to this question is contingent on the nature of public services in China. With an integrated political-administrative system (Jing 2010), public services are widely defined as services provided by the public sector to citizens. While governments are obligated to provide basic public services in eight areas including public education, employment, social insurance, social services, medical services, population services, housing, and public health, service provision is in fact much broader, engaging many other kinds of public actors and demonstrating vast variations.

PSIs in China refer to purposefully introduced changes to service suppliers, recipients, contents, or mechanisms for better service performance. These changes to some extent break through existing institutional, technical, conceptual, or physical boundaries. As in other countries, PSIs may serve multiple purposes such as political (participation, transparency, non-discrimination, accountability, etc.), managerial (efficiency, economy, control, customer satisfaction, etc.), and legal (due process, equity, privacy, etc.). Table 1.1 shows some cases that have been generally recognized as PSIs in China. It is self-evident that a single innovation may cover multiple dimensions of innovations.

Table 1.1 An illustration of PSIs in China

	<i>Political values</i>	<i>Managerial values</i>	<i>Legal values</i>
Suppliers	Service commitment system	Competitive bidding, community governance	First contact accountability
Recipients	Mass evaluation of public services	Credit system for junior elderly caring senior elderly	Services to rural left-home children
Contents	Service Information disclosure	Local list of services for contracting	Equalization of basic public services
Mechanisms	Grassroots democratic consultation, Participatory budgeting	Public-private partnership, e-government, one-stop shop	Public interest litigation, Public hearing