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Collaborative public sector innovation in a post-NPM era: a design perspective

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ABSTRACT

Despite the recent advancements in the literature on Collaborative Public Sector Innovation (CPSI), several weaknesses persist, particularly regarding our understanding of CPSI as a policy design issue. This article addresses the complex nature of CPSI in a post-NPM world, looking at a Canadian childcare innovation project and highlighting the complex interaction of collaboration, external pressures, and public service design. Our analysis recognizes diversity as a vital component of CPSI, highlighting that different methods exist for implementing and conceptualizing this collaboration. A key factor for the success of CPSI is the ability of organizations to strategically connect innovation with design processes. We emphasize that the likelihood of successful innovation increases when organizations reconsider project design and adopt an outcome-oriented strategy, rather than an output-focused process that fails to engage with broader system thinking and design principles. However, this does not automatically mean that the broadest collaboration and co-design approach is followed.

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Public sector innovation; collaborative innovation; post-NPM; co-design; public service design

1. Introduction

Recent discussions on Public Sector Innovation (PSI) emphasize the importance of collaboration among various entities, including other public sector organizations, universities, businesses, and citizens, to foster innovation in the design and implementation of public services (Williams and Yecalo-Tecle 2020; Cinar, Simms, and Trott 2023). Within this context, several studies (Cinar, Simms, and Trott 2023; Hartley, Sørensen, and Torfing 2013; Sørensen and Jacob Torfing 2017) have introduced the concept of Collaborative Public Sector Innovation (CPSI) to describe this governance model, which is increasingly recognized as a key driver of PSI. Recent discussions of CPSI involved various jurisdictional and theoretical approaches. Most studies have focused on empirically analyzing the co-delivery processes, identifying the actors involved in collaborative practices, the governance of multi-actor settings, and the impacts of collaboration—both positive and negative—on innovation outputs.

Nonetheless, significant weaknesses remain in our understanding of CPSI as a policy design problem (Casula and Migone 2025), which hinder our theoretical and empirical understanding of this approach to public sector reforms. This article tackles this gap by examining which constructs of collaboration are critical or potentially expected when multiple public and private actors collaborate in service delivery to ensure positive innovation outcomes.

Undoubtedly, public services, especially during times of fiscal restraint (Steiner et al. 2018), poly-crises (Moloney et al. 2025), widespread turbulence (Ansell and Torfing 2025), and increased populism (Bauer 2024), must deliver tangible results. For the past two decades, innovation has been considered critical in solving "wicked problems" (OECD 2015; Head and Alford 2015) and collaborative innovation has been considered particularly effective (Krogh and Torfing 2015; Head 2022).

Three points are worth noting. First, PSI differs from innovation in a startup. Organizationally and institutionally, public service operates differently and with different purposes. Second, innovation

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is a continuous organizational process rather than an outcome. A key enabling factor of successful PSI is a cooperative approach to it: cooperation that is itself multi-dimensional, including cooperation among different units within the public service but also co-design and co-delivery processes with stakeholders and cooperation with external providers. But even here, there are multiple dimensions to PSI: for example, Considine (2025) notes how, for complex policy challenges, most of the challenges related to co-design become evident in the implementation phase, so much after the design one.

Nonetheless, calls for "innovation as solution" are common and the literature has dealt with its complexity (Lynn 1997), and diversity of its outputs (Christensen 2011), while discussing whether environmental factors (Von Hippel 2007), individuals (Drucker 1985; Roberts and King 1996), sponsors (Crosby and Bryson 2005), or organizations (Baldock and Evers 1991), were driving the process.

Furthermore, frequently public sector innovation was pitched as a prescriptive activity, too often conflating processes that while may have worked in manufacturing or software development held little promise in government (Osborne and Brown 2013, 3). This prescriptive approach was flanked by a "positive bias," but innovative processes and products can and do fail (Van de Ven 1986, 592), with risk aversion for an iterative process still being a stumbling block toward more innovative public services (Cinar, Trott, and Simms 2019).

Through analysis, clarification, and reflection on this new post-New Public Management (post-NPM) concept, we question which are the key analytical dimensions of constructing "collaboration" in public sector innovation; and, how specific collaborative practices, as intentionally designed and structured, ultimately influence the outcomes of innovation. We look at the child-care sector, where collaboration and design are both crucial for fostering inclusive and sustainable innovation processes that positively affect society, but where organizational structures and external pressures still have very important effects on the ultimate results. For example, value creation in public service goes beyond co-production as a stand-alone process (Osborne, Nasi, and Powell 2021). Our proposed design perspective to the study of CPSI in the child-care sector will take advantage of the managerial distinction between *design of services* and *designing for service* where the former is solution-focused and targets outputs while the latter focuses on creating value by integrating resources, even if both embrace a service logic and use design principles (Kimbell 2011; Strokosch and Osborne 2023).

The article is structured as follows. Section 2 briefly defines innovation in public services and explains how its conceptualization has syncretically evolved. Section 3 explores the collaborative dimension of innovation in service delivery from a normative viewpoint. Section 4 provides examples of how CPSI functions, drawing insights from the child-care sector. Section 5 concludes by discussing how this empirical evidence advances the theoretical debate on the CPSI concept and its link with policy design literature.

2. Exploring the roles of innovation and design for service delivery

Change and innovation are familiar concepts in public service, and various frameworks about how to pursue innovation have evolved, building one upon the other. The Traditional Public Administration (TPA) model featured large-scale, national, and universal innovations such as social safety nets in the welfare state (Lévesque 2013, 25–39), while the New Public Management (NPM) model emphasized radical changes in organizational forms and processes rather than in content (e.g. the unification of organizational structures in educational and school services), adding cooperation with the private sector to TPA's toolbox. While recognizing possible hybridization processes with NPM and/or pre-NPM principles and concepts (Torfing et al. 2020), the post-NPM tackled the perceived shortcomings of NPM by fostering broader horizontal cooperation and/or re-centralization processes to enhance public service management (Bel and Casula 2024). Hence, innovation in public administration has become more collaborative and incremental, emphasizing partnerships and participatory governance (Campomori and Casula 2022).

The broad definitions of, and the increased focus on, innovation in public sector progressively led to an alignment around the OECD (2015, 14) definition, which identified three necessary characteristics to categorize a government activity as innovation. It had to be novel, it needed to be implemented and, finally, needed to have an impact. We prefer Chen, Walker, and Sawhney (2020, 1677)

definition of PSI as "the development and implementation of a novel idea by a [public service organization] to create or improve public value within an ecosystem." While no universally accepted definition of PSI exists, this one is advantageous because it highlights three key attributes of PSI – novelty, development and implementation, and ecosystem – and one outcome – public value. Thus, this definition can apply to various types of PSI, as recently identified in the literature (e.g. Cinar et al. 2024), including: service innovations; administrative process innovations; technological process innovations; conceptual innovation; governance innovations; systemic innovations; and, social innovations.

Even given this heightened interest in innovation, risk aversion and blame avoidance remain key motivators for politicians and administrators alike (Kattel et al. 2014). This may partially explain the tension that often emerged between the continuous improvement approach, which was preferred in public service, and the more discontinuous, less predictable process of open innovation (Michel, Brown, and Gallan 2008). However, open innovation is not necessarily what the public sector needs. We suggest that in a post-NPM era a better approach to defining public sector innovation is to consider it a "process," an operative method purposefully seeking to implement changes that will improve the products, services, and structures of an organization. This means that it would require the organization implementing it to execute a variety of complex tasks, be tolerant of errors if they occur within a risk-managed setting, and be able to actually recognize innovative ideas that it can then apply. Today, this appears to be a broadly accepted notion of PSI.

Along with this mindset came the recognition that ministries and agencies were often poorly equipped to manage innovation as a process and this in turn led at least in part to the development of an important trend toward collaborative innovation. While collaboration in government is not a new concept (Hartley 2005), only relatively recently the connection between PSI and collaboration became more apparent.

The first 15 years of the 2000s saw a signal development of innovation hubs and nudge units (Campomori and Casula 2023), where "specialists" in generating and diffusing innovation and managing change tended to gravitate (Bason 2010). Often, these labs explicitly tied innovation to collaboration (Carstensen and Bason 2012) and policy/service design (McGann, Blomkamp, and Lewis 2018) while attempting to reduce hierarchy, focusing on design approaches, and promoting appropriate levels of risk-taking and horizontality in the public administration (Westley, Geobey, and Robinson 2011).

They were designed to develop an ecosystem reliant on four pillars: the awareness of the need for innovation, the use of co-creation to leverage creative thinking, the capacity to actually generate and implement new visions, and having the courage to lead innovation across all levels of an organization (Bason 2010, 22). PSI labs intended to change government culture by engaging multiple stakeholders to open up "government to voices and ideas from outside the system, often adapting the open innovation and challenge-led approaches more commonly seen in the private sector and making use of strong communications and engagement strategies" (Baeck, Colligan, and Puttick 2014, 6).

While their mapping continues (Stoll and Andermatt 2025; Wellstead et al. 2023), it remains unclear whether innovation hubs and labs are delivering fully on their early promises (Broekema, Bulder, and Horlings 2022). What is evident is that the role of cooperation in developing innovative ideas and in their successful deployment has increasingly become part of the narrative of public sector innovation. The following section explores the collaborative aspect of innovation in service delivery and how it evolved across the various waves of public administration reform.

3. Exploring the role of collaboration in innovating service delivery

In defining collaborative innovation for service delivery, we follow Kurtmollaiev, Egil Pedersen, and Lie (2024, 1266) who describe it as "a rich set of institutionalized joint activities in the form of cooperative, co-productive, cocreative, coopetitive, and otherwise jointly coordinated arrangements that aim to stimulate innovation both within and across participants." Hence, we recognize that, in the post-NPM era, the inclusion of a diverse range of non-state actors in governance processes is viewed as essential for effectively addressing complex social issues. This approach directly engages citizens in innovation experiments, which fosters incremental and collaborative innovation, inherently

transforming the traditional dynamics of citizen participation in the delivery of local public services, altering both bottom-up and top-down approaches.

This understanding of the collaborative aspect of innovation in service delivery marks a significant departure from earlier administrative reform paradigms. A TPA approach required the active participation of citizens for the collaborative production and delivery of services, but not goods (Ostrom 1996, 1079). With NPM, the notion of collaboration shifted, being primarily perceived as an efficiency-enhancing policy tool for public service delivery. However, this approach was primarily focused on the private sector for its collaboration rather than on individuals and communities. Conversely, in the post-NPM era, the inclusion of various actors in governance processes is recognized as a practical means to tackle complex societal challenges (Casula and Steinebach 2025). Engaging citizens in public service delivery revitalizes the pursuit of public objectives. Hence, collaboration today is seen as a driver of innovation in public services, a policy tool targeting a broad range of potential beneficiaries by involving both state and non-state actors.

Moreover, since "wicked problems" resist the ability of individual actors to address them, collaboration is seen as a crucial element in many academic and public sector initiatives. The idea that collaborative tools and frameworks better foster PSI than either hierarchy or competition is not new (Roberts 2000), nor are calls for the public service to reassess how it manages its innovation processes (Bommert 2010). By focusing on a closed, heavily bureaucratized approach to innovation, governments often failed or produced suboptimal results. Collaborative innovation, opened up the process to new actors, allowing for the "contamination" of public service processes by external approaches and ideas. Open and collaborative approaches not only do away with the idea of an "heroic innovator," but include a diverse cast of actors, drawn from both the private and public areas, in the process (Torfing 2019). Collaborative innovation is also considered particularly suited to the public sector because its focus on multi-actor collaboration should align with public organizations where competition for clients or profits is not the rule (De Coninck et al. 2023; Torfing 2019) and where knowledge diffusion and inclusion of relevant stakeholders are more or less "naturally" embedded in the public sector ecosystem.

However, CPSI is a complex and delicate process, not a silver bullet for every policy and program. Public administrators face specific organizational and structural challenges where innovation and collaboration are concerned. Compartmentalization, tunnel vision, aversion to risk, the lack of funding and resources – leading to interdepartmental competition over them – are among the most common and long-standing issues in this area. Here, the literature highlights how critical individuals who foster trust and connect various stakeholders are in enabling collaborative innovation (Buick, O'Flynn, and Malbon 2019). In this context, the "whole-of-government approach" – a well-known concept following the post-NPM era – reflects the growing need for unified requirements in public policy and administration (Christensen and Lægreid 2007). Actors' approaches are also very important for the success of these strategies, since the motivation to collaborate is not always widespread even among public administrators (Torfing, Sørensen, and Røiseland 2019). Finally, collaborative innovation often implies complicated costs/benefits calculations when relationships are developed to achieve innovation in the governance structure, reliability, compactness, which represents the degree of formality these relationships show, and their institutionalization (Vivona, Akif Demircioglu, and Audretsch 2023).

Thus, collaboration can be recognized as an effective pathway toward public sector innovation even given the challenges in effectively implementing it.

4. How collaborative public sector innovation functions: Insights from child care

Collaboration for PSI is multidimensional: including stakeholder engagement leading to co-design and co-delivery of innovative services, the use of networked government organizations to reach across multiple units for innovative ideas and processes and so forth. However, collaborative innovation appears to rely on being the counterpoint to what Bommert (2010) described as "bureaucratic" (and hence closed) innovation. It is of course the case that since those early days of CPSI, the field has grown exponentially (Cinar, Simms, and Trott 2023; Clausen, Demircioglu, and Alsos 2020).

The study of child care serves as a prime example for understanding how CPSI functions. We chose this area among various others because it presents some key characteristics that should make

it favorable to a CPSI approach. First, while it is mostly to be implemented at the sub-national level, a weak childcare system – which is a work-life initiative - has important repercussions at the national level. Second, there are widespread issues with childcare programs, including high costs and complex intergovernmental connections, which require cooperation to design and implement effective policies. Finally, there have been calls for innovative approaches to this area, involving directly engaging citizens and local organizations.

To explain how CPSI functions in this policy sector, we present insights from a child-care reform in the Region of Peel (Canada). Its approach to CPSI falls within Strokosch and Osborne (2023) description of *designing for service*, but its co-design and collaboration space is shaped by the urgency of external pressures, and while human-centeredness and a focus on experiences and outcomes are both present, the collaboration skews toward private sector actors and service providers. While next to no co-design occurs with the end users (the families), the resulting changes delivered very successful outcome innovation. The data for the case was collected in a series of anonymized semi-open interviews of 12 Region of Peel's senior executives and managers, which were conducted by the authors as part of a PSI project for the Institute of Public Administration of Canada.

4.1. Studying child care for collaborative innovation

Work-life balance represents a significant and complex issue in both Europe and North America. In recent decades, austerity measures led to cuts in public spending, often resulting in higher fees for accessing public services, including childcare. Concurrently, the economic crisis has been linked to job losses, pay cuts, and the rise of temporary and informal work. More and more families experienced income loss, job instability, or unemployment, profoundly impacting children's lives. Between 2015 and 2024 in the EU the percentage of children at risk of poverty and social exclusion has diminished only from 24% to 21% (Eurostat 2025).

Innovation has become a tool in this area too. The NESTA report "Innovation in Childcare" (Rutter 2016) proposed using informal care. New forms of social care based on sharing economy models, enhanced by web-based digital tools, have been used to tackle these issues, complementing, rather than replacing, existing welfare state provisions (Casula, Leonardi, and Zancanaro 2022; Cortesi et al. 2022). Informal childcare and social networks can be effective and valuable interventions in enhancing access to childcare, especially for parents with nontraditional jobs and working hours.

But when are innovative childcare practices and arrangements—developed through collaboration between state and local stakeholders—needed? According to Rutter and Evans (2011), this collaboration can occur in four main ways: (1) to supplement formal care, particularly when childcare service hours are not sufficient; (2) as after-school and holiday care for school-aged children; (3) as the primary form of childcare for very young children and infants; and (4) as emergency or backup options when regular childcare arrangements fail.

In this context, the features of childcare services—such as availability, accessibility, and quality—are crucial factors that influence their usage and the collaborative aspects of the service. Additionally, the cost of childcare is also a significant consideration for achieving work-life balance. We argue, however, that CPSI has a more complex dynamic in the way it emerges.

4.2. Child care reform in the Region of Peel

Over the past two decades, Canada has been faced with an affordability crisis in child care, making financial pressures a key driver of policy in this field. In 2021, the federal government decided to adopt the long-standing Québec model for affordable child care introducing the Canada-Wide Early Learning and Child Care (CWELCC) program and investing C$30B over the following 5 years to reduce the median cost of child care to C$10 per day, aiming effectively to replace provincial funding by 2026 (Department of Finance Canada 2021). Today, many but not all provinces have agreed to the framework agreements necessary for federal-provincial financial transfers.

Ontario, one of the Canadian Provinces that as of July 2025 had not implemented the new federal funding scheme, is the only Province to have, since the 1940s, consistently placed upon the

municipalities the role of either supervising or directly operating child care centers. The role was further clarified in the 2014 *Child Care and Early Years Act*, which legally required Ontario municipalities to become service system managers for these services (Friendly et al. 2024). Child care is an Ontario core expenditure, accounting in 2022 for over C$2.5B, with over C$2.0B coming from provincial transfers. While Ontario remains the province with the highest number of child care centers directly operated by the municipalities, the number has shrunk dramatically since the late 1990s to about 2% of all spaces because of financial pressures at the local level (Friendly et al. 2021).

Created in 1974, the Region of Peel is the second largest municipality in the Greater Toronto Area (GTA). By the early 2000s it counted one million people, many of whom relatively young families. These demographic pressures and the associated financial ones would trigger a search for innovative ways to deliver key public services in the Region, like the creation of new models for the delivery of social services and poverty reduction approaches, and including reforming child care delivery in the early 2010s.

By the end of the 1990s, Peel was subsidizing about 2000 childcare places with about 800 directly provided through 12 daycare centers managed and staffed by the Region. However, a multi-year waiting list had developed due to demographic pressures and the costs of directly running daycare centers placed a limit to how that waiting list could be tackled. This was not a challenge limited to Peel or even Ontario (Child Care Modernization 2012), but here it was tackled within an integration project for Human Services. The change hinged on a new approach that was developed following a KPMG (2012) report, which looked at the question of whether the Region's goal of securing high quality daycare services to its residents necessarily meant that it had to also deliver them. The Region hired the consultants to develop an in-depth analysis of this very sensitive area, given the high preference of parents for a publicly-delivered service. At this stage there was a robust collection of data and discussion with the providers, but no co-design with the end users (families).

This is far from saying that the process did not involve design. To the contrary, the initial phase relied intensely on design thinking principles and was based on questions about policy goals and about the selection of policy instruments that had a major influence in allowing the Region to ultimately carry out its service delivery transformation.

The resulting report mapped the annual costs of the system (C$12M) and provided evidence that nowhere in Ontario could a difference in educational attainment be found that was tied to daycares being either privately or publicly administered. It also predicted that waiting lists would increase. In early 2012, after the report was presented, Peel's administrative leaders went to the municipal council with a proposal to divert the spending toward a combination of licensed nonprofit and commercial daycares, effectively transforming the region into a service manager.

Early education and child care can be a very emotional subject, especially when the public sector stops direct delivery of these services. Hence, Peel's Regional Council ordered the creation of a Council Task Force that reported in early 2014 supporting the original plan. The Task Force did engage in consultation with the people of Peel, who tended to oppose what they saw as privatization. However, in this case, the evident failure to deliver timely child care, the increased financial pressure, and the strong evidence for the equivalence in educational outcomes between the public and private delivery models carried the day.

This ultimately allowed Peel to extend subsidies to 7,000 children and had a strong impact on the outlook of the field beyond Peel and beyond reforming child care services. In fact, one of the key players in this development, the Region's Commissioner of Human Services Janet Menard became Provincial Deputy Minister of Children, Community and Social Services in August 2015 with the goal in part to support innovation in human services delivery at the provincial level. After her appointment, the Province fielded various consultations and brought forward a program that solidified the idea of municipalities as service managers (Ministry of Education of Ontario 2016, 2017).

The approach of the leadership group in the Region of Peel was that innovation was "a way of thinking" and that instead of thinking about innovation as always relying on a specific tool (say design thinking), it was instead a way of getting to needed outcomes through a toolbox, which could include experts, co-design and co-delivery, the private sector or even returning some services to the public sector if the delivery from other partners was not satisfactory. In this approach the concept

of collaboration was seen as a key enabler of innovation because it broke the silos that are so often blamed for the lack of innovation in public service. For example, the success of the transformation in the Human Services delivery model was directly connected to painstakingly shifting from program responsibility, which naturally have a "vertical" structure, to a functional model where intake, backend services and client relations for all programs are organized horizontally.

The image that emerges from the Region of Peel experience is one of innovation as a long-term approach that relies on being open to multiple inputs from different stakeholders while remaining focused on ultimate outcomes and value creation. The notion of collaboration is tied to the idea of diffusing the ideas and processes that lead to these ultimate outcomes and it therefore "baked in" innovation as a way of thinking. In the model, there is also a strong sense that a wide buy-in for any large change initiative.

5. Discussion and conclusions

What lessons can be drawn from the Region of Peel's innovation in childcare delivery and its *designing for service* in constructing CPSI? While acknowledging the limited external validity of the findings due to the case study approach, we can emphasize that various layers of collaboration are involved in the design of a public service. However, from our interviews emerges that focusing on outcomes at different stages of the innovation process means that different mixes of collaboration, co-design, and consultation can be applied to secure value creation. The Region's outcome-oriented toolbox approach embraced a very pragmatic notion of value creation: different actors were chosen for collaboration at different stages, and at certain stages, value creation and outcomes appear to have taken precedence over engaging end users in co-design.

Peel was not the only Ontario municipality to abandon direct delivery of child care at the time, but it did so within a larger scope analysis of what the ultimate goals of the municipality were (direct service delivery vs. final outcomes), and within the context of an intentional innovation framework, which included the development of an innovation lab and stressed internal and external collaboration to achieve change, which makes it unique in its intentionality to design innovation approaches.

This "design intentionality" may be one of the reasons why these innovations flourished here. Innovation still takes place in a space where multiple definitions of it exist and where, therefore, we have different approaches to how we design and implement it. Therefore, we could argue that policymakers should carefully evaluate how and when to use specific tools that promote CPSI. Much like "cooking," the quantity and order of the "ingredients"—such as the type of collaboration, the characteristics of the ecosystem, and the overall design of public services—greatly impact the final "dish," which in this case is the innovation outcome produced.

Accordingly, a crucial part of ensuring success for CPSI is for organizations to strategically link innovation to design thinking and policy design (Lewis, McGann, and Blomkamp 2020; Vassallo et al. 2023). If the question of how an organization is aligning its innovation process to a specific overall design approach is not asked, the organization runs the risk of developing a limited approach to innovation. One of the most common risks in this case is that innovation processes will focus on outputs rather than outcomes – something that is particularly dangerous in public service where risk-avoidance can lead to a "checklist mentality" that prioritizes well-trodden paths to tackling problems and avoid danger.

It is with an outcome-oriented approach that organizations can engage with a system-level view of an innovation project and that matters in both developing coalitions to support innovation and in engaging a broad view of the goals of innovation itself. More research in this sense is needed, but we suspect that focusing on outcomes and value creation – in other words using a *designing for service* approach – may provide the pragmatic edge that enables decision-makers to "fine tune" the type of collaboration and co-design to employ and when to employ them.

Ultimately, the chances for innovation success increase when organizations rethink the design of a project and undertake an outcome-oriented strategy rather than focus on an output-oriented process that does not engage with the broader system thinking and design principles. While the latter remains a solution for maintenance in policy portfolios, it is not an approach that can work with innovation, especially if it is innovation that focuses on more flexible dimensions (Migone and Howlett 2024).

Disclosure statement

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