Why policy failure is a prerequisite for innovation in the public sector

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Abstract

Researchers and practitioners agree that collaborative innovation is crucial for problem-solving in public policy. This article contributes to our understanding of innovation in public governance, by arguing that failure in public policy is often a prerequisite for successful policy learning and innovation. Using insights from the "Innovator's Dilemma"–a theory from business studies–to develop its argument, the article emphasises how voter myopia (Nair and Howlett 2017) plus blame avoidance by decisionmakers and ill-structured policy issues, create an "Innovator's Dilemma" that produces failure before successful innovation. The article compares this theory with other concepts of innovation in the public sector and theorises different pathways to successful policy innovation. It concludes that decisionmakers need to take the Innovator's Dilemma more seriously and integrate its lessons into existing innovation models designed for the public sector.

Keywords: Policy learning; Management failure; Policy failure; Problem-solving capacity; Public sector; Policy innovation; Public sector management

1. Introduction

For an extensive duration, researchers and practitioners within the public sector have dedicated their attention to a crucial inquiry: How can we enhance public policies to achieve efficacy and political viability, particularly within the realm of democratic governance? This query holds immense significance as public governance confronts formidable challenges, including the pressing issues of climate change and public health. It becomes imperative to devise new solutions that leverage established practices in public management and policy, paving the way for progress and innovation (Cairney, Heikkila, and Wood 2019). A common definition characterizes policy innovations, "… as changes to existing policy practices which introduce non-status quo, if not necessarily entirely novel, policy components or combinations of components which often result in new outcomes…" (Howlett 2014, 396). In following this citation, we define policy innovation as non-trivial policy changes aiming at different results than previous policies.

An insightful finding from existing literature highlights the significance of collaborative governance in driving innovation. When addressing complex challenges like climate change, energy security, and public health, researchers have emphasized the pivotal role of this approach to policymaking. This method involves the direct involvement of non-state stakeholders in a formal, consensus-oriented, and deliberative decision-making process initiated by one or more public agencies. The aim of such collaborative governance is to formulate or implement public policies and effectively manage public programs or assets (Ansell and Gash 2008, 544; Emerson, Nabatchi, and Balogh 2012).

This insight holds great relevance for the exploration of innovation within the public sector. Scholars argue that adopting a collaborative and deliberative approach to generating novel policies in the public sphere outperforms traditional modes of competition and hierarchical control (Hartley, Sørensen, and Torfing 2013; Torfing 2019; Torfing and Triantafillou 2016). This research also aligns with public management scholarship, which underscores the importance of co-production. Co-production entails involving public service users in the design, management, delivery, and evaluation of public services (Osborne, Nasi, and Powell 2021; Osborne, Radnor, and Strokosch 2016, 640).

A critical perspective on the collaborative innovation literature argues that innovation in public governance tends to overlook the realities of bureaucratic politics, where competition between departments defending their respective domains is prevalent (Wegrich 2019). To remedy this problem, researchers have held that there is a need for a robust politicization to address complex problems (Ansell, Sørensen, and Torfing 2022). Notably, Sørensen and Ansell have highlighted the significance of flexible adaptation of political processes and the fostering of creative entrepreneurship as essential elements for establishing a resilient political framework (Sørensen and Ansell 2021). Nevertheless, some of the political aspects related to collaborative innovation have remained unexplored.

This article aims to expand our understanding of the political dynamics surrounding innovation and learning in the public sector by drawing on insights from the management literature. It particularly builds upon the concept known as the "Innovator's Dilemma," which originates from

the field of business management and explains why even prosperous companies often struggle and lose the competition when adopting innovative technologies (Christensen 1997). We argue that – like the private sector – there is an Innovator's Dilemma in the public sector. Myopia (Nair and Howlett 2017), blame avoidance (Weaver 1986), and ill-defined policy issues (Cairney and Denny 2020) result in an overestimation of the status quo's value by decisionmakers. Consequently, we should expect that the policy process has an inherent bias to produce policy solutions that fail to address a new or changing policy problem without revisions, or, to focus on new policy solutions that fail to obtain enough political support. According to this logic, we expect that failure can be an important pre-condition for policy innovation.

In this article, we develop the above argument and explain the relevance of the Innovator's Dilemma for the public sector. The main contribution of the article is to develop an understanding for why even in countries with a high quality of government, existing policies are likely to flop against the background of new and complex policy challenges. We do not argue that failure is the only way to move forward with innovations in the public sector. We acknowledge that there are other pathways to innovation in the public sector, such as policy labs, lower levels of government, policy entrepreneurship, or co-creation that can contribute to establishing policy innovations. However, as this article demonstrates, we need to further strengthen these pathways to policy innovation since proactive forms of governance are important in dealing with current policy challenges, such as sustainable development and public health (Muiderman et al. 2022; Tosun 2013; Trein 2018).

On a theoretical level, this article also contributes to the policy learning literature (Bennett and Howlett 1992; Dunlop 2017; Dunlop and Radaelli 2018; Zaki, Weyenberg, and George 2022) by analysing the consequences of learning for policy change. Similar to Goyal and Howlett (Goyal and Howlett 2023), our analysis regards learning as an explanatory variable and sheds light on why it is difficult to translate results of learning about goals and instruments into actual policy innovation. Specifically, we emphasize the important role of failure in this process.

2. The Innovator's Dilemma

2.1 The argument

In this article, we build on the book "The Innovator's Dilemma: When New Technologies cause Great Firms to Fail", which explains why firms–even if they are managed well–fail to invest in disruptive innovations that turn new technologies into successful products (Christensen 1997). Disruptive technologies, such as electric cars, are tools which at first appear to have limited imminent market value in terms of profit and product performance, but will eventually disrupt existing market structures, products, and alliances. According to Christensen, senior managers fail to see the potential to invest in such disruptive innovations since they are too focused on what their existing customers want (particularly the most profitable ones) and hence, fail to react to shifts in the environment of the company. In essence, Christensen affirms that this problem is linked to cognitive failures of senior managers (Henderson 2006; Tripsas and Gavetti 2000). Based on research into the disk drive industry, Christensen suggests that senior managers focus on improving the performance of already established products instead of developing new ones (Christensen 1997, 11). According to the author, "well managed companies are excellent at

developing the sustaining technologies that improve the performance of their products in the ways that matter to their customers" (Christensen 1997, 175). These dynamics occur because senior managers are biased towards "listening to customers, investing aggressively in technologies that give those customers what they say they want, seeking higher margins and targeting larger markets rather than smaller ones" (ibid:175).

In sum, the book postulates that companies react too late to disruptive technologies because they tend to rely on information confirming the status quo and listen to voices which are likely to be convinced by the company's current strategy and unlikely to advocate for change. Against this background, businesses fail to innovate early enough. As a result, once a new technology becomes ready for the market, it is already too late since firms are busy defending their previous market share and fail to grow. In other words, their established value networks make managers blind to anticipate disruptive technologies (Christensen 1997, 31–43).

The Innovator's Dilemma has been very influential throughout the business studies literature. Researchers have focused on how to overcome such dilemmas for companies that are leading in a market (Ansari, Garud, and Kumaraswamy 2016; Klenner, Hüsig, and Dowling 2013; Wang, Fang, and Zhang 2022). Therein, scholars have underlined that organizational competence is an important factor to explain why a company might fail to deal with disruptive technologies. In other words, the capacity to learn is important to ensure that organizations adapt to technological change (Henderson 2006; Roy and Cohen 2015). Researchers have held that the type of business model matters for the strategic choices that need to be taken in order to

overcome the Innovator's Dilemma, such as gaining "a foothold in a niche market" before expanding activities further (Christensen, Raynor, and McDonald 2015; Wang, Fang, and Zhang 2022, 5). This literature concludes that companies need to be ready to deal with two types of innovation: firstly, incremental innovation that slowly improves products, which is most common. And secondly, innovation through major technological changes that might destroy existing production capacities (O'Reilly III and Tushman 2021).

2.2 Solutions to the Innovator's Dilemma

How do companies deal with these challenges? The management-oriented literature has suggested several solutions for the problems of the Innovator's Dilemma. An acknowledged response is to create an autonomous unit within the organization, which is rather independent from the parent company and charged with the development of new products independently to avoid the cognitive bias that might avoid disruptive innovation under normal circumstances (Gilbert 2003). Nevertheless, the extent to which such an autonomous unit can function properly depends on the whether an innovation requires "component" (i.e., substantive) knowledge or "architectural" (i.e., procedural) knowledge. Especially against the background of architectural disruption (when disruptions threaten the organizational model), an independent organizational unit might not be feasible (Gans 2016). Another response to the Innovator's Dilemma suggests that companies should develop a capacity of ambidexterity, which is the capacity to exploit existing resources and markets as well as to explore new ones at the same time (Andriopoulos and Lewis 2009). This goal is difficult to achieve since there is a trade-off between exploitation and exploration. Notably, "returns from exploration are systematically less certain, more remote

in time, and organizationally more distant from the locus of action and adaption" (March 1991, 73). Yet another strategy to overcome the Innovator's Dilemma is to form strategic alliances with other companies in order to strengthen exploitation and exploration (Marx, Gans, and Hsu 2014; Rothaermel and Deeds 2004). Finally, authors have pointed to the importance of open innovation, i.e., the usage of crowdsourcing for innovation (de Beer et al. 2017; Bogers et al. 2017; Fayard, Gkeredakis, and Levina 2016, 313).

3. Implications for the study of public governance

In the following, we discuss the lessons from the Innovator's Dilemma for the study of public governance, notably innovation in public management and policy. There are two important implications of the Innovator's Dilemma with respect to the governance of public problems. In a nutshell, (1) policymakers- and managers recognize the damaging potential of disruptive policy problems too late to successfully adapt existing management practices and policies; (2) "value networks"–the hierarchy of policy preferences–often change too late to deal with disruptive problems without previous policy failure. In other words, the theory implies that, similarly to managers of firms, elected officials and public managers decide based on past experiences. Therefore, it is difficult to change public policies (formally and in practice) based on predictions rather than experience, especially if the required changes come at a cost for the target groups of a public policy. The insight that public policies change very slow is not new in political science (Streeck and Thelen 2005; Thelen 2014), however, the Innovator's Dilemma offers a way to link this insight to other theories of policy change for example to scholarship on policy learning (Dunlop and Radaelli 2018; Trein and Vagionaki 2022; Vagionaki 2022; Vagionaki and Trein 2020;

Zaki and Wayenberg 2023) and policy innovation (Goyal and Howlett 2023; Howlett 2014; Newton 2012; Wellstead, Gofen, and Carter 2021).

Obviously, public policies and public sector organizations differ from firms regarding their relation to innovation. Notably, once they fail to innovate to a disruptive problem (i.e., climate change, public health), they cannot easily be replaced by a new structure. Governments and (some) public sector employees may be replaced, and new political parties might rise, but essentially, decision-makers must deal with what is left from the past. Furthermore, in the private sector, customers can react to dissatisfaction by changing their provider (if there is a somewhat functioning market) whereas this is not easily possible in the public sector where often only one provider is available.

The literature on public value management has dealt with such differences in the public and private sectors. For example, in the literature on New Public Management (NPM), which analyzes uses of private sector management styles in the public sector (Hood 1991), scholars have focused on value creation in the public sector. According to Moore, public management must be able to aim at public (not private) value creation, mobilize political support and use instruments that can be implemented in practice (Liddle 2018, 969; Moore 1995). Regarding the differences between public and private management, Stoker has pointed out that, “for the advocates of public value management, there is a strong sense that the public realm is different from that of the commercial sector, which is something shared with the traditional public administration

perspective. Governing is not the same as shopping or more broadly buying and selling goods in a market economy" (Stoker 2006, 46).

This perspective shifts the approach of public value management away from the market-oriented style of NPM towards an approach in public value management that takes more seriously the political process including democratic politics and accountability (Liddle 2018, 969; Osborne 2006). Nowadays public value creation is associated with collaborative forms of policymaking and implementation such as collaborative governance (Brown, Cherney, and Warner 2021, 804). Scholarship on collaborative innovation has built on this insight and developed an agenda for innovation in the public sector (Ansell and Torfing 2021; Hartley, Sørensen, and Torfing 2013). Against this background, the Innovator's Dilemma contributes to a better understanding of the political dynamics that are at play in policy innovation processes. Despite the difference between public and private value creation, public policy can learn some important lessons from Innovator's Dilemma.

4. Summary of the argument

Figure 1 summarizes the main argument of this article. To transfer the lessons from the Innovator's Dilemma to the public sector, we start with a policy problem requiring a response by public policy through policy innovation ("… changes to existing policy practices which introduce non-status quo, if not necessarily entirely novel, policy components or combinations of components which often result in new outcomes…" (Howlett 2014, 396)). Figure 1 demonstrates two pathways towards achieving such policy innovation.

[Figure 1 about here]

The upper pathway in Figure 1 outlines the implications of the Innovator's Dilemma which entail that once there is a new policy problem, or a change in a specific policy issue, decision-makers fail to provide new solutions before existing ones fail. This happens because of myopia, blame avoidance, and ill-defined policy problems. For example, precautionary policy initiatives often requires addressing ill-structured problems that are poorly defined and therefore hard to sell in political competition. These factors are likely to result in some form of failure: either policy failure in the sense that decisionmakers put into place gradually changed policy measures that do not improve problem-solving to a measurable degree, or political failure, which implies that that there is a failure to reach a decision for innovative policy solutions. Nevertheless, once failure has occurred, policy innovations (i.e., non-trivial policy changes) are more likely to follow. We refer to this type of policy innovation as Type I Policy Innovation.

The second pathway in the Figure 1 summarizes various innovation processes that lead to policy innovation and that have been discussed in the literature. These are policy labs which develop innovative policy solutions, innovations by lower levels of government, policy entrepreneurship by committed individuals, or co-creation efforts that aim at creating innovative solutions through the interaction of civil society more broadly defined with public actors. Such innovation processes can either aliment the agenda of democratic governance after policy failure, or aliment policy

innovation processes without a prehistory of failure. We refer to such policy innovations as Type II Policy Innovations.

5. Myopia, blame avoidance, and ill-structured policy problems

The Innovator's Dilemma in public governance addresses an important problem in the policy process, namely the delay of transferring insights known from science and research into effective policy measures. Research on tobacco control policies has demonstrated that it took a long time until rich countries innovated towards tobacco control policies (Bero 2005; Musk and De Klerk 2003). Climate change is a similar example. Information regarding the negative impacts about fossil fuels for climate were available since the 1970s (Bonneuil, Choquet, and Franta 2021; Oreskes and Conway 2010), but decisionmakers have postponed meaningful reforms until recently. We also know from policy evaluation research that there is a deferral until insights from evaluations become part of public policies, for example due to the complexity of the policy process (Varone, Jacob, and De Winter 2005; Weiss 1999, 477–79).

The Innovator's Dilemma allows us to theorize in a more comprehensive way why there is a delay between knowledge creation (learning) and the time when new insights turn into practice. Instead of emphasizing differences between the public and private sector, this approach allows us to integrate different theoretical elements from public policy theory into a coherent approach that contributes to our understanding of innovations in public governance.

5.1 Short-sightedness of voters

The first theoretical element that helps us understand why there is an Innovator's Dilemma in public governance relates to the myopia of voters. There is a well-developed literature that has examined if and how voters are myopic (Healy and Lenz 2014; Healy and Malhotra 2009; Stiers, Dassonneville, and Lewis-Beck 2020; Wlezien 2015). Two insights from this literature are important for this article. Firstly, scholars have held that voters evaluate politicians based on their most recent impressions without noticing it (Healy and Lenz 2014). In other words, individuals believe that they focus their evaluation on an entire term of a politician, but they do not realize that they focus only on their most recent impression and experience.

Secondly, scholars have demonstrated that voters' assessment of politicians is myopic because the electorate does not hold accountable politicians for missing to take preventative measures, even though preventative policies would be more efficient for example regarding natural disasters. This behaviour might in turn affect decisionmakers who will focus on measures that react to a problem instead of preventative policies because it promises better political returns (Healy and Malhotra 2009; Nair and Howlett 2017).

Therefore, decision-makers–notably elected officials–may fail to create policy innovations because they (believe that they) are good democrats. In other words, they take the demands of their voters seriously and are cautious regarding innovative policy solutions. Recent empirical research shows that politicians tend to have more conservative policy preferences than their

constituents (Walgrave et al. 2022), a finding that chimes with the predictions from the Innovator's Dilemma.

5.2 Blame avoidance of decisionmakers

A second strand of literature that helps in understanding the Innovator's Dilemma in public governance is the scholarship on blame avoidance (Hinterleitner 2017; Hood 2007; Howlett 2012, 2014; Weaver 1986). In a seminal article, Weaver argues that a primary motivation for politicians' behaviour is to avoid taking the blame for failures of public policies or the impossibilities to address certain problems through public governance. Due to voters' negativity bias and their focus on potential losses instead of positive aspects, a very important goal of politicians is to avoid getting blamed even if it comes at the cost of "good" [effective] public policies (Weaver 1986).

Blame avoidance has become an important research theme in public policy and public administration (Hinterleitner 2017). In a prominent book, Christopher Hood has developed the concept by arguing that decisionmakers try to avoid blame through different strategies, notably presentational, agency, and policy / operational strategies. Actors in the policy process use these approaches to shield themselves from blame and the strategies vary according to their position in a political organization (Hood 2010). In building of Hood's work, Howlett has argued that in democratic politics, decisionmakers are likely to be risk-averse concerning policy innovations for climate change. Instead of taking policy action, decisionmakers might also deny the problem and avoid policy responses for as long as possible (Howlett 2014, 395).

The problem of blame avoidance by decisionmakers is directly related to the dynamics of voter myopia. Both elements drive decisionmakers to make policies that will not get them blamed on election day for potential negative side effects or short-term ineffectiveness of policy instruments they are responsible for. Therefore, these two dimensions contribute to creating an Innovator's Dilemma in public governance.

5.3 Ill-structured policy problems

The slowing down of policy innovation due to myopia and blame avoidance is reinforced by differences between policy issues. Public policy scholarship has since long pointed out that there are differences between policy issues regarding the degree to which they are structured and therefore difficult or easy to solve. In building on the work by Herbert A. Simon, policy scholars have argued that policy problems are always ill-structured (as opposed to well-structured problems) but there are different degrees to which they are ill-structured (Fernandes and Simon 1999; Simon 1973; Turnbull and Hoppe 2019). In very general terms, an ill-structured (or ill-defined) problem consists of a policy challenge where it is nearly impossible to devise and test a standard solution according to a rational decision-making process with all the information about the consequences of the intervention available (Simon 1973).

Ill-structured problems are often intractable. Notably, researchers have emphasized that tractability of policy problems augments the likelihood of effective policies and implemented policy decisions (Dunlop and Radaelli 2018; Dupuis and Knoepfel 2013; Jenkins-Smith 1990;

Sabatier and Mazmanian 1980). For example, research on policy learning has emphasized that different modes of learning depend on the level of tractability. In the case of low tractability (e.g., high uncertainty regarding the problem), experts in epistemic communities will play an important role in defining the solutions whereas in the context of high tractability (clarity of the problem), politicians and bureaucrats (who can decide) understand the problem better and define solutions (Dunlop and Radaelli 2018, S51). In their seminal framework on policy implementation, Sabatier and Mazmanian contend that issue tractability is an important factor that explains why policies can be successfully implemented (Sabatier and Mazmanian 1980, 542).

These insights have important implications for the Innovator's Dilemma in public governance. The main implication from the Innovator's Dilemma for the public sector is that even successful and effective governments adapt their policies with a delay, to the point where there is policy failure (cf. next section for more details). Policy issues requiring "precautionary innovation" are often very ill-structured policy problems. For example, scholars agree that preventative policymaking is difficult because policy goals related to prevention are often general and ambiguous and there is very little information about the specific impacts and unintended side-effects of new policy interventions. There is widespread agreement regarding the necessity for preventative policies in general (Trein, Fuino, and Wagner 2021), however, specific measures tend to be politicized and face opposition because the problems policies respond to remain ill-structured (Cairney and Denny 2020).

In this case, voters are likely to distrust decision-makers who propose preventative policies since it is not clear what effect they will have and for what purpose public money is being precisely spent, i.e., the problem is difficult to identify for those who are not experts regarding the policy problem (Gailmard and Patty 2019). Against this background, strong interest groups are likely to oppose preventive measures, for example the tobacco and beverage industry (Bero 2005; Binderkrantz, Christiansen, and Pedersen 2015; Hilton et al. 2019).

This literature implies that policy innovation ahead of failure–something that is hard to achieve according to the Innovator's Dilemma–is difficult regarding issues that public policy attempts to address through precautionary measures (Mittra 2006; Tosun 2013), because preventative action often tries to respond to problems that are ill-structured. Therefore, in addition to myopia and blame avoidance, ill-defined policy problems contribute to generating "Innovators' Dilemmas" in the public sector.

6. Policy failure and political failure

The Innovator's Dilemma predicts that even successful companies have a high potential to fail and miss the moment to change their products and to adapt to consumer demand. This logic implies for the public sector that myopia, blame avoidance, and ill-defined policy issues are likely to cause failure to respond to a problem ahead of time. To examine the role of failure in our model, we build on the literature that has analysed failure in public policy. The study of policy failure and policy success has always been an intrinsic element of the public policy literature (Marc Bovens, 't Hart, and Peters 2002; Mark Bovens and 't Hart 2016; Cook 1998; Marsh and

McConnell 2010; McConnell 2010; Zittoun 2015). For example, scholars have studied the failures of the Australian home insulation program (Hinterleitner and Sager 2015), Australia's ocean policy (Vince 2015) as well as wildfire management (Busenberg 2004) and the response to Hurricane Katrina, in the US (Birkland and Waterman 2008).

Researchers have developed various concepts to assess and categorize the different dimensions of failure (and success) in public policy (Bovens, 't Hart, and Peters 2002; Bovens and 't Hart 2016; Marsh and McConnell 2010; McConnell 2010). Based on insights from the study of policy evaluation, Bovens and t'Hart distinguish between programmatic and political failure. The former refers to the "world of facts" based on "observable costs and benefits, original intentions and eventual outcomes" while the latter encapsulates the "world of impressions" meaning that failure depends on the "way policies are being perceived and debated among their stakeholders, in the media and in the forums where policy-makers are held to account (…)" (Mark Bovens and 't Hart 2016, 656).

In starting from crisis management research, other scholars have examined how policies can succeed and fail, at the levels of programs, politics, and processes respectively. Notably, program failure refers to policy instruments which impede the achievement of desired goals. This type of failure is technical, and efficiency related. Political failure entails the role of partisan politics in the design and implementation of public policies, notably the lack of success to come up with decisions. Process failure deals with failures occurring during policymaking processes which "can comprise of policymakers to varying degrees being unable to fashion the type of policy they had

hoped for, being considered illegitimate in terms of the processes used, being unable to build a sustainable coalition of support and attracting widespread criticism (and little or no support) for the process itself" (McConnell 2015, 236). Other research has built on this distinction, for example, Howlett has the differences between "highly public and widely agreed-upon versus more opaque and more ambivalent failures; and system-wide and long-lasting versus limited scope and ephemeral failures" (Mark Bovens and 't Hart 2016, 660; Howlett 2012).

Against this background in the literature, we use policy failure and political failure as two important concepts for our argument. *Policy failure* entails the fault of policy programs to reach effects on the problem that it aims addressing. Examples of policy failure are instruments that do not reach the targets that are outlined in policy goals, for example in environmental or health policy. *Political failure* is the fault to produce a political decision to innovate policy instruments, such as to make policy instruments more effective. In this case the failure is to reach political support for an innovative policy proposal, either because no decision can be reached or as an innovative policy proposal is grinded down in the policy process. Our definition of political failure combines what the literature has defined as political failure as well as process failure.

Figure 1 shows the link between the Innovator's Dilemma and policy failure as well as political failure. Due to the consequences of myopia (Nair and Howlett 2017), blame avoidance, and ill-defined policy problems on policy changes, there is a high probability that failure precedes innovation in public governance. Our argument extends to the failure of political instruments but also the failure to react to pressing problems that fall in the pre-defined goals of a policy field.

We do not advance the argument that each instance of governmental inaction in an area without existing public policies necessarily qualify as failure under the Innovator's Dilemma. Rather the focus of this article is the inability to change policy instruments in current policy fields (areas where government is active) and to emphasize the (unfortunate) contribution of policy failure to policy innovation.

7. Mechanisms for policy innovation

This article does not claim that failure is the only way to policy innovation. Researchers have pointed out that policy innovation is possible without failure. The literature has emphasized different mechanisms that might generate policy innovation without the preceding of failure. For the purposes of this article, we elaborate on four different mechanisms for policy innovation: policy labs, innovation by subnational governments, policy entrepreneurs, and co-creation efforts. Although there are other mechanisms for innovation, we focus on these four elements because they are sufficient to underline the point we are making in this article.

Firstly, policy labs are an important mechanism for policy innovation (Fleischer and Carstens 2022; Kim, Wellstead, and Heikkila 2023; Lewis 2021; Villa Alvarez, Auricchio, and Mortati 2022; Wellstead, Gofen, and Carter 2021). They serve the purpose of creating new policy ideas and promoting collaborations for policy innovation. The term covers many different organizations, which however share three features: (1) they focus on design-thinking, (2) they aim at using scientific methods and evidence (as much as possible) to assess the impact of new policy instruments, and (3) they have a user-centric approach where those groups targeted by a policy

participate in the design process (Wellstead, Gofen, and Carter 2021, 194). Nevertheless, policy labs come along with some shortcomings, as they can be shut down easily and their design-oriented approach does not often fit very well to the bureaucratic structures and the formal process of policymaking (Lewis 2021).

Secondly, an important factor for policy innovation can be lower levels of government. There is a long-standing tradition of research that has pointed out that an important source of policy innovations are lower levels of government. For this mechanism to work, lower levels of government need to have a certain degree of authority that allows them to develop their own policy solutions or their own strategies for implementing national policies. Scholars have analysed the capacity of subnational governments to innovate policies, especially in decentralized political contexts such as Switzerland, the United States (US), or the European Union. The main question in this research is whether innovative policy solutions could be developed bottom-up, meaning that subnational policymakers put into place new solutions, which then diffuse horizontally to other jurisdictions, or even vertically to inspire a new policy at the national level. Empirical research has acknowledged that subnational governments have the capacity to put into place innovative policies but scholars also underline the limitation of transferability of custom-made local policy innovations (Harrison 2013; Kerber and Eckardt 2007; Newton 2012; Shobe 2020).

Thirdly, innovation might happen because a policy entrepreneur uses opportunities to promote policy change. Scholarship on policy entrepreneurship has emphasized that policy entrepreneurs – "people who seek to initiate dynamic policy change (Mintrom 1997, 739)" – have an important influence on policy innovation (Arnold 2015; Cohen 2021; Mintrom 1997; Petridou and Mintrom 2021). This literature suggests that policy changes are especially the consequence of actions taken by individuals that push for policy change. Policy entrepreneurs are those actors that actually pull the strings within a policy process by framing problems in a specific way, using and extending networks, "engaging with advocacy coalitions, leading by example, and scaling up change processes" (Mintrom 2019, 307). In this capacity, policy entrepreneurs could overcome the Innovator's Dilemma.

Fourthly, the literature on collaborative innovation in public governance argues that decision-makers should harness the knowledge of different stakeholders to create more effective and more legitimate policies (Agger and Sørensen 2018; Hartley, Sørensen, and Torfing 2013; Torfing 2019). This type of innovation resembles the notion of open innovation, which authors in the management literature have referred to in order to deal with the downsides of the Innovator's Dilemma (Fayard, Gkeredakis, and Levina 2016, 313). Collaborative innovation and co-creation (Ansell and Torfing 2021; Osborne, Radnor, and Strokosch 2016) also aim at sourcing ideas from target groups, such as citizens. As in the case of policy labs, there are certain drawbacks related to collaborative innovation, such as a potential imbalance in power resources of stakeholders and the dominance of one public sector organization.

Policy innovation labs, co-creation processes, and approaches by subnational levels of government can provide new policy solutions without the problems generated by the Innovator's Dilemma in public governance. Policy entrepreneurs can be able to push these innovations onto the agenda of decision-makers. These processes of policy innovation build largely on an output-oriented logic of policymaking (Scharpf 1999), which takes a problem-solving oriented approach to policy innovation and conceives of public policy as a process aiming at creating effective policy solutions (Figure 1).

8. Type I and Type II policy innovations

In our argument, we explain how failure leads to policy innovation. Figure 1 illustrates two pathways to innovation. The first one, as noted earlier, underlines the Innovator's Dilemma where myopia, blame avoidance, and ill-structured policy issues create failure, which in turn leads to innovative policy solutions. For the purposes of this article, we refer to this output as Type I Policy Innovation (Table 1). By this we mean policy innovations that are put into place due to previous failures in public governance. This type of policy innovation builds on input legitimacy and receives high levels of public attention. The risk of Type I Policy Innovation is that it is caused by a mechanism that requires failure of existing policies or failure on the part of government to respond to demands that fall into the realm of its competencies. Furthermore, such policy innovations might be a "quick fix" to problems and the result of political negotiations and, hence, might lack insights from experts and other forms of policy-oriented learning (Trein and Vagionaki

2022). If this is the case, innovations are not the result of a policy design process but rather correspond to what Howlett and Mukherjee have referred to as non-design (Howlett and Mukherjee 2018) (Table 1).

[Table 1 about here]

On the contrary, Type II Policy Innovation consists of policy changes that result from policy initiatives which are designed with the aim to anticipate future problems and to change behavior by target groups to prevent problems from occurring. These measures are often policy instruments that are designed by policy experts according to strategic plans. In their ideal form they resemble "bespoke" policy design (Howlett and Mukherjee 2018, 6). They can also comprise of policy interventions that are the result of a co-creation process where public agencies interact with citizens and stakeholders to design policy solutions (Chris Ansell and Torfing 2021) (Table 1). The risk related to Type II Policy Innovations is that although they are potentially well-designed to function technically, they might lack legitimacy and are therefore difficult to scale up to different jurisdictions and to higher levels of government (Chris Ansell and Torfing 2015).

The distinction of Type I and Type II Policy Innovation analyses the political process that leads up to policy innovation. When applied to empirical cases, we imagine the two types as endpoints of a continuum where specific policy innovations can be situated either towards one or the other side and represent rather Type I or Type II Policy Innovations. By distinguishing Type I and Type II Policy Innovations, we point out that there are two causal pathways to policy innovation if we

take seriously the implications from the Innovator's Dilemma. It highlights how some elements of the political process are likely to cause policy failure before innovation and it takes seriously the consequences of research from comparative politics. Contrariwise, the process leading to Type II Policy Innovations is related to insights from policy research that has highlighted the importance of elements such as collaborative governance and policy design. Both mechanisms can be combined if there is a well-designed policy solution ready once decision-makers recognize failure. Under these circumstances there is a possibility of combining the contents of Type II Policy Innovations with Type I Policy Innovations.

9. Conclusions

In this article, we analyse the implications of the Innovator's Dilemma (Christensen 1997) for public governance. By building on this theory about innovative firms, we develop an argument about the reasons why even successful governments are likely to fail in generating innovative policies that deal with pressing problems pre-emptively. The Innovator's Dilemma allows us to link different elements from political research such as myopia of voters, blame avoidance, and ill-structured policy problems to policy failure and policy innovation. In using these elements, we build an additional causal pathway to policy innovation that operates in parallel to mechanisms such as policy labs and co-creation.

Our argument contributes to the understanding of the link between failure and learning, which researchers of policy learning have already emphasized before (Dunlop 2017; Dunlop, Ongaro, and Baker 2020; Dunlop and Radaelli 2016; Howlett 2012; Kamkhaji and Radaelli 2017; Weible et

al. 2020). This article provides additional substance to the claim that we must, “accept the inevitability of a degree of ‘error’ when we design policies, so that we can encourage ways to adapt quickly (rather than merely use the language of ‘failure’ in retrospect to justify abandoning a policy)” (Little 2012, as cited in (Cairney 2012, 354)).

Specifically, this article adds to the policy learning literature (Bennett and Howlett 1992; Dunlop 2017; Dunlop and Radaelli 2018; Zaki, Weyenberg, and George 2022) by shedding light on the consequences of learning for policy change. The Innovator’s Dilemma allows to theoretically link different elements from the policy learning literature to policy innovations (i.e., policy outputs). The modes (Dunlop and Radaelli 2018) and types (Zito and Schout 2009) of policy learning in the existing literature have covered policy- as well as political dimensions of learning processes (Trein and Vagionaki 2022). This paper provides a starting point to understand how elements from these learning processes link to different types of policy innovation, similar to Goyal and Howlett’s contribution which examines policy learning and innovation in the context of the Multiple Streams approach to public policy analysis (Goyal and Howlett 2023).

The input of this paper is above all theoretical, but it also offers starting points for orientating future empirical research on the subject. To embark into this undertaking, scholars should focus on two aspects that have been dealt with in this article. Firstly, the Innovator’s Dilemma in public governance is especially helpful regarding policy areas that can be identified as sphere of government action. If we qualify any kind of unmet need a policy failure due to the presence of an Innovator’s Dilemma, the theory becomes trivial, and this is not what we propose in this

article. Therefore, it is of crucial importance to be sure that future empirical case study aiming at observing failure to innovate focus on fields where government is already active. Secondly, failure (as well as success) can lie in the eye of the beholder. Thus, the observation of failure must be clearly specified and justified when using the Innovator's Dilemma to understand public governance in practice. Finally, in the context of policymaking, decision-makers need to strengthen ways to overcome the Innovator's Dilemma, for example by having ready different policy solutions that can be implemented if there is a political window of opportunity. Scholarship and practices in policy learning represent a fruitful starting point for this endeavour.

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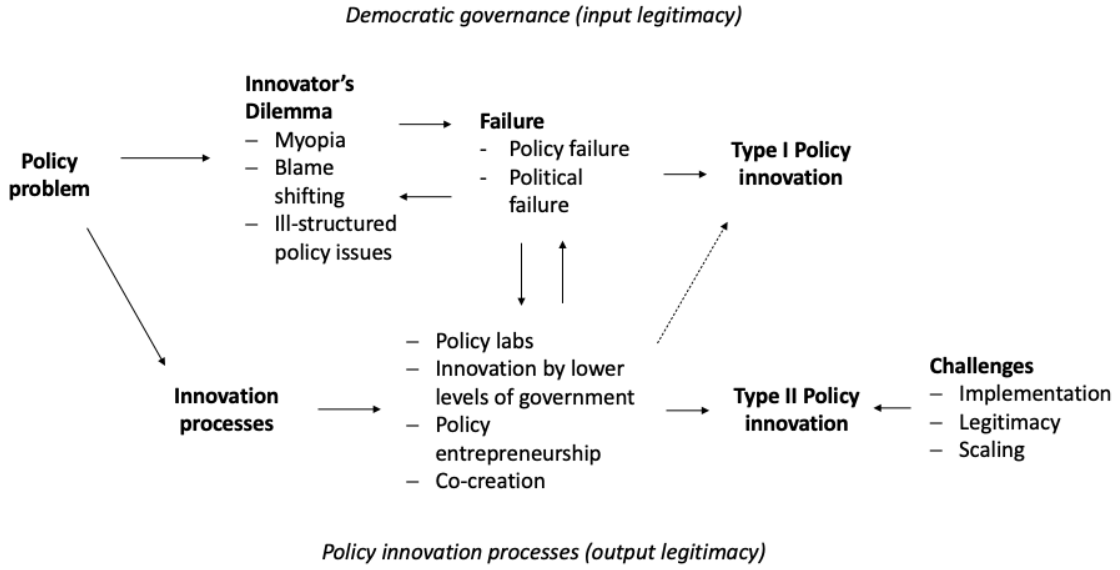
Figure 1: Summary of the argument



Alt text: Figure 1 illustrates two distinct routes leading to policy innovation, both start with a policy problem. The first pathway connects a policy problem to the Innovator's Dilemma, the Innovator's Dilemma to failure and in turn failure to Type I Policy Innovation. The second pathway leads from the policy problem to the four different innovation mechanisms, which in turn lead to Type II Policy Innovation. The figure also shows the challenges that come along with Type II Policy Innovation. The Figure shows that the policy innovation mechanisms can contribute to achieving Type I policy innovation.

Table 1: Type I and Type II Policy Innovation

	Type I Policy Innovation	***Type II Policy Innovation***
Definition	Policy innovation due to (non-trivial) failure in public governance	Policy innovation by design and anticipation of future problems
Advantage	Input legitimacy High levels of public attention	Designed by "policy specialists" Co-creation possible
Risk	Requires failure Might be a "quick fix"	"Only" output legitimacy Difficult to scale