Innovation policy for welfare services in a Swedish context

Thomas Wihlman, Hélène Sandmark and Magnus Hoppe*

Abstract

The aim of the study is to explore the role of public welfare services expressed in the Swedish government’s innovation policy. The focus is on municipal and county services, such as education and health care. The study is based on an analysis of 55 documents produced by the government and its agencies. Although innovation policy is a major issue in Sweden, and Sweden has a large public sector, research on innovation within this field is very limited. The results show that the municipality and county services are visible in innovation policy when they are a driving force for innovation in the private sector. This applies especially when public procurement becomes a vehicle for business innovation. Innovation is not used as a concept representing radical change and general progress of the public sector as such. When municipal welfare services become visible in the studied documents, there are often references to a need for efficiency improvements and for procurement leading to innovation. For the public sector, including local welfare services, no coherent innovation policy is present, but this study found elements that could become part of an innovation policy. Policy development is important for the future, considering the public sector’s role in the important and increasing service sector and in the society as a whole.

Sammanfattning


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Keywords: Innovation policy, welfare services, public sector, innovation systems, public procurement

Nyckelord: Innovationspolitik, välfärdstjänster, offentlig sektor, innovationssystem, offentlig upphandling

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Introduction
The concept of innovation policy has a short history in Sweden. It appears mainly after the end of the 1990s. VINNOVA, the state agency for innovation systems, was established on January 1, 2001. In 1999, the Swedish government wrote in a proposition that its own actions in the area of innovation policy were difficult to overview (Utbildningsdepartementet, 2000). This proposition (1999/2000: 81) refers to a large extent to innovation issues and the mentioned wording suggests that there was at that time some form of policy, but not a coherent one.

In the OECD of the 1990s, technology development was central. The Swedish government also clearly stated in 2004 that VINNOVA would emphasize technology (Regeringen, 2004).

When Sweden joined the EU the possibilities to financially support the development of industry innovations disappeared. This may have brought about a shift from concrete and specific actions to a role for the state and its agencies to support coordination and various initiatives within the policy area of innovation (Persson, 2008). The supportive role for innovation policy, particularly in order to compensate for system failures or system problems is important in this study (Chaminade and Edquist, 2005).

This article contributes to the understanding and knowledge of Swedish national innovation policy, which may be of use to both researchers and practitioners. It also forms a background for research on other aspects of innovation issues related to the public sector and provides an idea of how vital aspects of the innovation system, related to structure, support, learning, and process may form the basis of a more developed policy.

Aim and research questions
The aim of the study is to explore how the role of public welfare services is expressed in the Swedish government’s innovation policy. It focuses particularly on welfare services provided by local governments or their contractors. The following research questions are addressed:

1. To what extent are the welfare services in the public sector visible in the innovation policy documents?
2. What specific questions are in focus for innovation in welfare services in the public sector?
3. Is there a coherent innovation policy for the public sector, including welfare services? If so, how is it expressed; if not, what patterns can be found instead?

Policymaking
In this article, we use government policy and policymaking in the sense that they represent the total actions of the government and its authorities in the field of innovation, a fairly common definition that is used by the government itself
(Näringsdepartementet, 2001). We also take the view that a policy should be coherent; all of its parts should support the overarching idea.

It is not the intention of this article to describe policy making. The view is that policy is needed when there are imperfections in the innovation system, such as missing standards or norms, lack of venture capital, inadequate information and learning and so on. According to Arnold, policy is developed from an analysis of system health, from bottleneck analysis, and from evaluating programs and portfolios (Arnold, 2004). We also support the idea that governing has changed to a network approach, trying to combine the efforts of different actors and also being influenced by them (Lindvall and Rothstein, 2006; Castells, 1999). This means that policy creation and implementation are very complex processes, establishing a pattern in theory and in the practice over time.

Service innovation
As this study focuses on the municipal welfare services as such (including, for example, child care and care of the elderly) and in principle precludes the exercise of authority decisions, it focuses on service innovation rather than product innovation. The public sector in Sweden largely provides such services and in this respect may be seen as a part of the increasingly important and growing service sector.

When the concept of service innovation came into focus, innovation was still associated with entrepreneurship and business. The public sector was largely absent. This is also apparent in current research, which is still very limited although there have been studies suggesting that public welfare services can also be seen as part of services in general (Nählinder, 2007; Mulgan and Albury, 2003). In Denmark, Langegaard & Scheuer (2012) made a similar statement in comparing the private and public sectors. However, they also stated that there are differences in incentive systems, control, organization, and complexity.

The differences are lessened when private contractors increasingly become performers in public sector activities. This change is part of the influence of New Public Management (NPM) (Hartman, 2011; Hasselbladh et al., 2008). There are different interpretations of what NPM stands for. Hood (1991) traces it back to the 70’s and as a reaction against bureaucracy in the public sector. The main components of NPM are to be found in hands-on professional management, explicit standards and measure of performance, greater emphasis on output controls, disaggregation of units (such as separation of provision and production), competition, private-styles of management and greater discipline and parsimony in resource use (Hood, 1991). In this context the local governments’ own providers are affected and, for example, become more market orientated (Kallstenius, 2010).

There are several reasons why innovation is needed in the municipal welfare services. Mulgan and Albury (2003) argue that innovation should be seen as a core activity, with its main objectives being to increase the responsiveness of services to local and individual needs and to keep up with public needs and ex-
pectations. The public sector’s own capacity for innovation and development is therefore important for society.

An international outlook
International influences on Swedish innovation policy are quite evident in our study of the innovation policy documents. There are many references to policy papers and statements from the OECD and the EU; EU is mentioned 63 times in the 48-page government document *Innovativa Sverige* (*Innovative Sweden*). The Bologna process and the Lisbon treaty are for example mentioned as well as the Swedish participation in the work with EU innovation policies:

*An active exchange of experiences is important as well as Sweden's participation in the EU's work with innovation policy (Regeringen, 2004: 43).*

When it comes to being successful in innovation, Sweden is highly ranked according to the *Global Innovation Index* (Insead, 2011). However, it is noted that this ranking measures the investment into R&D, not the actual outcomes (Örnborg, 2011).

Internationally, the importance of innovation was expressed by the OECD in the 1990s and later clearly formulated in the OECD framework program in 2007, and again in 2010 (OECD, 2010). We also find innovation issues frequently mentioned in the EU, including the EU framework program of 2007–2013 (European Parliament, 2006) and in the new vision *Horizon 2020* (European Commission, 2011). A starting point for the deployment of innovation as a concept in policy formulations in the EU was the *Treaty of Lisbon* in 2000.

One success factor for the implementation of working innovation policies seems to be a clear priority given to them at the highest national level (Gergils, 2005). The Swedish organization of government offices has been identified as an obstacle to innovation on several occasions when it comes to its lack of inter-departmental coordination (VINNOVA, 2005) indicating that innovation hasn’t had the highest priority.

Previous research
Research on public sector innovation has been described in several research overviews, both in Sweden and internationally.

Nählinder (2007), in her overview of literature reviews, such as “Innovation in Public services” (İDeA Knowledge, 2005), the PUBLIN reports (Röste, 2005), and Hartley (Hartley, 2005) concludes that Hartley’s article has the most state-of-the-art character as it takes as its point of departure studies of the public sector where innovation literature forms a part. Nählinder also highlights the government report SOU 2003:90 “Innovativa processer” (*Innovative Processes*), which is one of the documents used in this study. Another report, *Innovativa kommuner* (*Innovative municipalities*) by Frankelius & Utbult (2009), provides examples of innovation in Swedish municipalities and is also used in this study.
Nählinder is critical of earlier research of public sector innovation as there are no obvious references and it is not building on previous research. She therefore proposes concept development. Research also assumes that the public sector is innovative; it is not questioned whether innovation as a concept is applicable to the public sector (Nählinder, 2007). Based on Nählinder’s conclusion as we see it we intend to take this lack of clarity a step further towards clarification. Thus, we are focusing on how the Government looks upon the welfare sector from an innovation aspect and how different concepts in the documents studied relate to this.

“Innovation in Public Services” (IDeA Knowledge, 2005) is a literature review undertaken as part of the “Innovation in Public Services Project” in the U.K. The aim is to both support service delivery and develop a broader approach to innovation across public services. This review focuses on why innovation is needed and how it may be accomplished. However, it does not provide much of a theoretical framework, nor does it problematize the concept of public sector innovation, as suggested by Nählinder.

Another review is “Public Sector Innovation: A Review of the Literature” by Matthews et al. They are noting that 51.5 percent of academic journal articles regarding public sector innovation in the years 1971–2008 were published in 2006–2008. Quality assurance mechanisms such as systematic and peer-reviewed assessments of collated evidence have yet to be applied. Furthermore, the literature tries to address the perceived imbalance between innovation in the public sector vis-à-vis that the private sector. This increasing academic interest also coincides with an increased practice-led focus within government. It is, however, important to interpret approaches from other countries in the national context (Matthews et al., 2009).

Hovlin et al. (2011) see public sector innovation as part of service innovation, they conclude that literature in this field deals with public sector examples to a very small extent. The report tries to address not only specific innovation literature but also innovation in an organizational context, where empowerment, learning, recruitment and leadership affect innovation. Hovlin et al. shows how innovation is connected to other research areas and calls for a broad research approach that extends traditional innovation research to include the realms of learning and pedagogical issues, management and leadership studies, and work-life studies. This broad view provides different perspectives, which is important in this study as it relates to the broad range of issues we have aimed to include in the study of the content in the documents analyzed.

The role of counties and municipalities
The public sector in Sweden encompasses 18 percent of the GDP, excluding transfers and state-owned (or partly state-owned) big companies like Telia-Sonera and Vattenfall. Almost half of the public sector GDP consists of the municipal sector (SCB, 2012).
The central government sector, including the Swedish Parliament (Riksdag) and governmental agencies, is responsible for the provision of many public services such as police, defense, the judicial system, infrastructure, and national administration. At the regional level, Sweden is divided into 21 counties. The county councils are responsible for overseeing tasks that require coordination across a larger region, most notably health care. At the local level, Sweden is divided into 290 municipalities, each with an elected assembly or council. Municipalities are responsible for a broad range of facilities and services including housing, roads, water supply and wastewater processing, schools, public welfare, elderly care, and childcare. The municipalities and the county councils are entitled to levy income taxes on individuals, and they may also charge for various services (Swedish Institute, 2012).

Methods, data collection and material
In order to answer the research questions in this study, both quantitative and qualitative methods were used. The study is based on innovation policy documents published from July 1999 to February 2012 by the Swedish government, its departments and authorities, and to some extent also by regional and local governments. Apart from documents specifically directed to other sectors, this forms virtually all published documents related to innovation and/or innovation policy. Group A included 26 documents. Group B included 29 documents of a general nature. To be included in the group A the document had to have one or more of the following properties:

1. Explicit descriptions of the public sector
2. Explicit focus on the public sector in foreword and/or summary
3. Extensive parts of the documents dedicated to the public sector.

Some of the documents are especially noteworthy:

The government report SOU 2003:90 is perhaps the most thorough review. It aimed to study research done or financed by municipalities and counties and how these efforts could be improved. It also had an innovation system perspective. It put forward five main proposals, including a program for more citizen value and an Innovative Sweden agency.

“Innovativa Sverige” 2004 (Innovative Sweden 2004) was the innovation strategy put forward by the Social democratic government with the intention of making it the starting point to related Governmental propositions and assignments to governmental agencies. It focused on four main areas: Knowledge and Education, Business, Public Investment, and Innovative People (Regeringen, 2004).

“Den innovativa kommunen” (The innovative municipality) gives examples of how eight different municipalities have developed their services. The document also includes an overview of research on innovation (Frankelius and Utbult, 2009).

“Tjänsteinovationer i offentlig sektor” (Service innovation in the public sector) gives a broad overview of research related to innovation. The overall
The objective of this report was to analyze the need for research-based knowledge and skills for service innovation in the public sector (Hovlin et al., 2011).

The period covered in the study was from July 1999 to February 2012. Documents not published in paper form were downloaded in March 2012 from the websites of the government and the authorities. All documents on the government websites tagged innovation or innovation policy and related to the public sector were used. Only a few of the documents were formal government propositions followed by a decision in the parliament. The other documents were published as bases for government propositions, reports, conference proceedings, and so on.

It was decided that innovation policy was expressed not only in the single overarching documents from the government but also in the support and interpretations coming from the authorities concerned, in line with the network idea. The reason for this approach was that agencies like VINNOVA have a very strong position in relation to the government because the corresponding units in the government are small. This means in practice that VINNOVA (and other agencies) have a strong influence based on their expertise, as reported by Persson (2008).

Another group of documents represented the views of innovation policy in the Swedish Association of Local Authorities and Regions (SKL, or in English, SALAR). The organization is the employer and interest organization of Swedish municipalities and counties. Its documents had a close link to the government activities although the organization is formally defined as an independent organization. These documents were included because SALAR acted as a consultative body or participated in research and other activities with public agencies.

Eleven documents were headlined innovation policy or similar. Additional documents included in the headline innovation or innovation policy together with other areas, especially research. This shows that research issues are closely linked to innovation. It would also be difficult to interpret what innovation policy actually is, if a very narrow selection of documents focusing exclusively on innovation policy would have been used. Documents that had a clear focus outside of the public sector such as the manufacturing industry were excluded.

In total, 55 documents were studied. The public sector was typically referred to with a very general description, where it was not necessarily clear if the text was directed towards municipalities or a wider public sector audience. This indefiniteness constitutes a problem for those who are expected to act as they are left to wonder whether the text is directed towards them or not.

To provide a theoretical background we were also interested in previous research on the public sector and on innovation policy. The large meta database Discovery was primarily used for the search of scientific literature and articles. Google Scholar was also used, as well as literature reviews. Keywords in all database searches were different combinations of innovation + innovation policy + innovation systems + public sector + service innovation and their Swedish equivalents. The database search was carried out in March 2012. Documents
covering innovation policy from the OECD, the Nordic countries and the EU were also studied.

The process of analyzing the results
In order to answer the research questions, an analysis of the documents was performed. The study was divided into two main parts; an initial quantitative content analysis was followed by a qualitative content analysis. The quantitative part included identification of significant words in the texts related to innovation, the target group (public sector), and/or innovation processes. We describe this as a manifest content analysis; those expressions were used at a concrete level. In the qualitative content analysis, assumptions were made about relationships and what words and concepts really meant. This can be seen as a latent content analysis, analysis on an abstract level (Hsieh and Shannon, 2005).

The process of analyzing the data can be described in the following steps:

Step 1: Answers the research question “to what extent are the welfare services in the public sector visible in the innovation policy documents”? This is accomplished through word count, to see if concepts related to welfare services, counties, and municipalities occurred and to what extent. A table of most frequent words (related to innovation) was constructed.

Step 2: Answers the research question “What specific questions are in focus for innovation in welfare services in the public sector”? This is accomplished by comparing frequently appearing concepts in step 1 to other concepts not directly related to welfare services. A division is also made in Group A papers, specific public sector documents and in Group B, general documents. The aim of this step was to explore whether certain issues were related to innovation in the public sector, and particularly to welfare services.

Step 3: The material was reread, again related to the research question in step 2. Prominent words/concepts in the word count were converted into meaning units often comprising whole sentences and then into codes. This was supplemented by concepts found when rereading the documents. The aim was to create a basis for further analysis.

Step 4: Answers the research questions “is there a coherent innovation policy for the public sector, including welfare services? If so, how is it expressed; if not, what patterns can be found instead?”. Ascertaining whether certain concepts/words appeared in the same context/paragraph (near to each other) was done in this step. The aim was to find a basis for the development of important themes. As a result a frequency table in a software for qualitative data analysis, Atlas.ti, (“code co-occurrence explorer and table”) and based on the nearness criteria, was constructed.

Step 5: This step deals with the same research question as in step 4. The text abstracts (paragraphs) where these appearances were found (in the co-occurrence tables) were closely studied. The aim was to explore whether themes could be identified with respect to what a typical innovation policy could look like. The material was reread several times to see what could be classified as the expres-
sion of innovation policy, or at least something/a pattern that could evolve as such. This step gave deeper insight into what was behind the text in the documents and thus the ability to answer the research question 3 and to fulfill the overall aim of the study.

Analysis
The method used here could best be described as going from single words, in the quantitative analysis, all the way through to the construction of themes in a qualitative analysis. Encoding started by using the central elements of the innovation system as described by Edquist (2000). Examples of such coding units are research and development, markets, quality requirements, interaction and networking. More coding units were added subsequently when the documents were read, inspired by Edler and Georgiou’s taxonomy of innovation policy with a division into supply-side and demand-side (Edler and Georgiou, 2007).

We then compared the findings of themes with what a typical innovation policy could look like, based on the concept of innovation systems. Thus, for example, we used the word procurement from the word count as a coding unit, later forming new coding units such as innovation procurement when coding units were found together in the same sentences or paragraphs. From this formation of new coding units, we formed what can be described as themes when we analyzed the full paragraphs or sentences, for example, innovation procurement as means for encouraging innovation in SMEs. We based this methodology on the findings of Elo and Kyngäs (2008) and to some extent of Graneheim and Lundman (2004).

The period 1999-2012 was chosen as this is when innovation policy documents regarding the public sector started to appear. The documents are fairly even distributed over time. This is also a period where the big changes regarding the public sector calmed down after some more pervasive changes in the 1990s. The changes were related to NPM, and involved opening up for competition and private providers and introducing steering methods like the balanced scorecard (Hartman, 2011; Hasselbladh et al., 2008). Gruening finds an indirect relationship between innovation and NPM by some scholars and their theories, but does not see innovation as a core component of NPM (Gruening, 2001). NPM may also be seen as a radical innovation by itself (Aasen and Amundsen, 2013). It may be argued that there were considerably smaller changes in 1999–2012 than in the previous decade, despite changing political majorities both in the government and locally in municipalities and counties.

An alternative approach here could have been to study changes in parts of the policies, for instance regarding procurement. The reason for the broader approach was the desire to cover innovation policy at large and in relation to other studies we are conducting.

The approach in this study was inductive, and it started out with no preconceptions about the answers to the research questions. When analyzing whether an innovation policy was present, we used the definition of a governmental poli-
cy as the total actions of the government and its authorities, here in the field of innovation. This definition of policy was also used by the government itself (Näringsdepartementet, 2001). However, the government is not very consistent in its use of the words policy and strategy. Typically, strategy emerges from policy but as an example, “Innovativa Sverige” [(Innovative Sweden)] (Regeringen, 2004) was presented as a strategy even though it contains obvious policy features. In this case as well as in the latest national innovation strategy (Regeringen, 2012), a so-called strategy is published even though it has not been preceded by an official policy document. Thus we interpret what was described as a strategy in, for example, “Innovativa Sverige”, as having policy elements and some goals set, but being very vague about concrete measures and actions.

We use this definition for policies at the national level as well as on the municipal and county levels. Of course, the content in the policies would differ according to the different responsibilities and jurisdictions at the respective levels.

The interpretation is based on the inductive process and the thematic analysis we have been doing, where we studied our material going from the first simple steps of a word count to a more sophisticated analysis. The unclear definitions and usage posed difficulties in the early stages of this study, but they could be resolved by the content analysis, as the content itself was in focus and not the document headline or description. Finally, it is possible that the results of the content analysis may have been influenced to a minor degree by the classification of an individual document, for instance if a document in the public sector group was classified as a general document. However, given the number of documents analyzed and that most of them had a particular focus, this did not constitute a problem.

Results

Research question 1: Visibility of welfare services

It can be concluded that the public sector in general, including county councils and municipalities, appeared in the texts, as did its services, such as health care and education.

Municipalities were visible both in the documents that have a clear focus on the public sector and in the general documents. Of the studied documents, 25 mentioned the concepts of municipality or municipalities, and 25 also mentioned the concept of region.

County councils were mentioned somewhat more frequently, in 38 of the 55 documents. This may be attributed to the importance of two words that were frequent in the material, health care and the role of the regions in development and innovation, both being among the responsibilities of the county council.

Research question 2: Specific questions in focus

In the documents focusing specifically on the public sector, different issues were raised than in the general documents. Thus, procurement was a big issue in the
public sector documents while research and universities were more frequent in the general documents. The term public sector was more frequent in the general documents, but on the other hand, municipalities and county councils appeared much more frequently in the public sector documents. In other words, the general documents spoke about the public sector in general terms while the public sector documents were more specific, which also supports the division made.

Table 1. A comparison of the most common words. The table shows how many instances of certain words were found, in percent of all instances in the group for all 60 words searched for. The search included various forms of expression, (e.g., municipality, municipalities, municipality, municipal, and municipalities).

<table>
<thead>
<tr>
<th>Keyword</th>
<th>Group A % (N=26), public sector documents</th>
<th>Keyword</th>
<th>Group B % (N=29), general documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>9.0</td>
<td>Enterprise</td>
<td>14.0</td>
</tr>
<tr>
<td>Enterprise</td>
<td>6.0</td>
<td>Research</td>
<td>13.1</td>
</tr>
<tr>
<td>Research</td>
<td>5.6</td>
<td>University</td>
<td>7.3</td>
</tr>
<tr>
<td>Municipality</td>
<td>5.4</td>
<td>Collaboration</td>
<td>5.8</td>
</tr>
<tr>
<td>Authority</td>
<td>5.3</td>
<td>Public sector</td>
<td>4.4</td>
</tr>
<tr>
<td>Collaboration</td>
<td>3.8</td>
<td>Development</td>
<td>3.9</td>
</tr>
<tr>
<td>Health care</td>
<td>3.6</td>
<td>Growth</td>
<td>2.8</td>
</tr>
<tr>
<td>County Council</td>
<td>3.2</td>
<td>IT</td>
<td>2.8</td>
</tr>
<tr>
<td>Development</td>
<td>3.2</td>
<td>Organization</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Examples from the direct, municipal welfare services were few. When they occurred they were about the need for social innovation and such, as well as various overall improvements. The improvements mostly concerned efficiency (32 documents) and, to a lesser extent, quality improvements (11 documents).

As examples of the presence of welfare services in the documents, the word school was mentioned in 20 documents, care of the elderly in 11 documents and social services in 8 documents. Health and long-term care were found in 17 documents. Business/enterprise and research had a major presence throughout the material, including the public service–oriented documents.

Research question 3: A coherent innovation policy

We found that the public sector was visible in the documents selected for the present study and in certain contexts. We did not find a coherent innovation policy for the sector.

However, it is possible that innovation policy could be taken for granted in the majority of the studied documents, although the policy was not explicit. Only occasionally was policy specifically defined, for instance, in a document from the Nordic Council (Nordiska Ministerrådet, 2004) and in a government proposition:

The concept of innovation policy can be explained as policy designed to create favorable conditions for innovation activities. This means that several policy areas affect the innovation climate, including economic policy, education policy,
research policy, regional development, economic policy, and labor market policy (authors’ translation) (Näringsdepartementet, 2001: 6).

Nothing was found that explicitly expressed a coherent innovation policy for the public sector, let alone the municipal welfare services, given the definitions above, and proposals and theories of innovation systems. However, one might ask if there could be something that we could interpret as implicit innovation policy. Thus, the study also asked the question: Is a coherent innovation policy for the public sector, including welfare services, discernible in the documents, even if it is not set out explicitly?

To understand if something can be interpreted as a partial or even as a more complete but not explicitly stated innovation policy, we return to the particular presence of various words and combinations made visible in the quantitative document analysis.

**Table 2. Pairs of coding units appearing close to each other.**

<table>
<thead>
<tr>
<th>Pair of coding units</th>
<th>Documents where the coding units appear together (n)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public sector + collaboration</td>
<td>20</td>
</tr>
<tr>
<td>Public sector + research</td>
<td>18</td>
</tr>
<tr>
<td>Research + collaboration</td>
<td>16</td>
</tr>
<tr>
<td>Leadership + employees</td>
<td>14</td>
</tr>
<tr>
<td>Health care + care of the elderly</td>
<td>14</td>
</tr>
<tr>
<td>Public sector + innovation procurement</td>
<td>12</td>
</tr>
<tr>
<td>Quality work + efficiency</td>
<td>12</td>
</tr>
<tr>
<td>County + municipality</td>
<td>10</td>
</tr>
<tr>
<td>EU + innovation procurement</td>
<td>8</td>
</tr>
<tr>
<td>Health care + innovation procurement</td>
<td>8</td>
</tr>
</tbody>
</table>

There are different ways to show the context in which municipalities were shown in the documents. We choose to measure the proximity between municipality and other coding units within the same paragraph. This revealed a context similar to the one indicated above in the public sector in general; municipality occurs in the text in connection with coding units such as collaboration, research, and innovation procurement.

**Table 3. Number of appearances of the coding unit municipality, when it occurs in the same paragraph with other coding units.**

<table>
<thead>
<tr>
<th>Pair of coding units</th>
<th>Appearances (n)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipality + procurement/innovation procurement</td>
<td>10</td>
</tr>
<tr>
<td>Municipality + collaboration</td>
<td>6</td>
</tr>
<tr>
<td>Municipality + research</td>
<td>6</td>
</tr>
</tbody>
</table>

When looking at coding units clearly within the responsibility of the municipal welfare services, only single examples of customer participation, efficiency and so on appeared. There was greater interest in the municipality when it acts to stimulate innovation through procurement or when it is cooperating with other organizations, particularly in terms of research.
Procurement, as well as the related concepts of *pre-commercial procurement* and *innovation promoting procurement*, was common, and clearly targeted at the public sector. This is an indication of the role of the public sector in promoting innovation in general. *Innovation promoting procurement* is expressed by VINNOVA thus:

*This would give room for smaller companies to compete for a big market, and at the same time provide care and health services with more opportunities to find the solutions that best respond to the needs of the local government and at the same time are the most resource-efficient* (authors’ translation). *(VINNOVA, 2011b: 19).*

Innovation procurement can be seen here as an instrument for developing the economy, especially for SMEs. The municipal authorities and county councils will be instrumental in relation to an overarching objective. Innovation procurement is also justified in the sense that it can provide solutions that meet their needs. The analysis is also based on the fact that the material displays strong links between the procurement concepts and health care/elderly care where procurement is common.

A focus on *business* and *research* was also found. In the research area, this includes universities and colleges as well as in-house R&D. There was less focus on the public sector and research cooperation. The link between research and innovation is obvious in several documents, for example, on VINNOVA’s report on innovation driving research in practice *(Persson and Westrup, 2011).*

The words *collaboration* and *enterprise* also appeared frequently and there was no significant difference in how often the words appeared in the both document types. When it came to collaboration with research/universities, this appears in both document groups.

*Social entrepreneurship* appeared in only three documents, for example, in a document from the Ministry of Health and Social Affairs *(Socialdepartementet, 2011).*

*Technology* is also seldom mentioned in the findings, indicating a shift in interest from the specific industry and technology innovation towards innovation in a broader sense, including the public sector.

We conclude that procurement and research collaboration are typical of the themes we found related to welfare services. Efficiency was another theme. In other words, welfare services and the public sector should use procurement to encourage innovation in companies, practice research cooperation, and, through innovation, increase their own efficiency. This is interesting and may be important as such, but it hardly makes for a well-developed innovation policy.

**Discussion**

An important finding was that no manifest appearance of a coherent innovation policy for the public sector could be identified. We have also concluded that the public sector was visible in the documents, notably in conjunction with procurement and innovation in SMEs. Less interest was shown in innovation in
services provided by the counties and municipalities themselves. The study also indicates that components of what could become a coherent innovation policy exist. These components belong to different parts of what research has seen as an innovation system (Tidd and Bressant, 2009; Chaminade and Edquist, 2005; Kuhlmann and Edler, 2003). We have found such indications in areas such as support, processes, learning, and structure. However, up to now a genuine innovation policy has not evolved, as reflected in the studied documents. In this discussion, we will look at innovation in the public sector in terms of driving forces, the future role of an innovation policy for this sector and the influence of New Public Management.

The driving forces
VINNOVA describes the driving forces for innovation in the public sector as “efforts such as care of the elderly, immigrant issues, deregulation within education and health care as a result of social changes and policy decisions” (authors’ translation) (Hovlin et al., 2011: p. 72). These driving forces “would give opportunities for smaller companies to compete in a large market and at the same time provide opportunities that respond to the needs for the service as well as being the most efficient” (authors translation)(Vinnova, 2011a). This can be seen as an indication that the public sector plays an important role when promoting innovation in general but does not stress innovation for services that the municipalities and counties are providing themselves. Of course such innovations can be beneficial to society in general in addition to stimulating smaller companies.

VINNOVA’s point of view also reminds us of New Public Management (NPM). NPM meant changes of various kinds, not least in terms of competition and market thinking. Roles also changed with the introduction of the purchaser-provider system. In many cases, the changes can certainly be characterized as innovations (Almqvist, 2006; Hartman, 2011). Also, when former monopolies face competition they need to be innovative. Even in a monopoly situation citizens may demand innovation. After all, private companies do not operate most health care institutions, establishments for care of the elderly, or schools.

Innovation and efficiency
The frequency of words like process, employee, efficiency and procurement was greater in the public sector documents than in the general documents. A simple explanation for the difference could be that the focus differs depending on the intended audience. Employees and processes may be of more direct concern to local governments as employers and service providers. For instance, time and financial resources are essential for employee participation in innovation (Hovlin et al., 2011). Concrete suggestions or proposals for an innovation policy handling these issues are not found in the documents. However, as has been shown, innovation procurement is stressed in the documents as particularly important for the supportive role of the public sector. Government investigations and policies have been devoted to this subject, for example in SOU 2010:56.
Why the concept of efficiency had a strong presence in the public sector documents, is more difficult to explain. Possibly this has to do with the Government’s dissatisfaction about a lack of efficiency. The dissatisfaction is not explicit, and in the study it is coded so as to increase efficiency. If the Government’s view is that the municipalities and counties should become more efficient, it is possible that the road to increased efficiency could go through innovation procurement and pre-commercial procurement.

It is also worth considering the efficiency concept itself in this innovative context. If the meaning of efficiency is about making the best use of existing resources, it may bring about incremental innovations, but hardly radical innovations. Radical innovations imply entirely new products or services or using different resources than before. With the ambiguity or uncertainty found in innovation policy statements, one is inclined to believe that the government is not seeking this kind of innovation for the public sector. Radical innovation could become too challenging for the present system and difficult to explain to the voters. If the aim is to develop new ways to use existing resources more effectively, incremental innovation fits in better.

A factor considered in the documents to be important for municipalities to improve services is collaboration and cooperation with universities and colleges. Successful examples of such collaborations are pointed out, such as the one between the municipality of Umeå and Umeå University where the Institute of Design at Umeå University collaborated with the local library in improving services for the visually impaired, through the use of RFID technology. The innovation received awards and has been spread to other libraries and museums (Hovlin et al., 2011).

The differences between the sectors

To create an innovation policy for the public sector one must consider the role of the sector and practical factors. A report from the Roskilde University Centre (Breiting, 2010) pinpoints several such practical factors and differences; for instance, that a culture that aims to minimize costs at the expense of innovation will need to invite employee innovation. The public sector is different when it comes to factors such as risk taking (Borins, 2001; Løngergaard and Scheuer, 2012). However, there is nothing in the documents studied arguing against innovation in the public sector as such. The private and public service sectors also have several similarities, such as in municipal schools marketing (Kallstenius, 2010). A future research question might ask how the changes influence innovation and renewal ability. The apparent oligopoly situation in establishments for care of the elderly may also lead to limited innovation capacity, contrary to the original aspirations of the decision-makers (Hartman, 2011; Almqvist, 2006).

Whatever the reason, the rather repressed space of welfare services in the governmental innovation policies prevails. Most municipalities and counties have not formulated their own innovation policies and processes. There is nothing in the current innovation policy from the Government side to date to suggest
a strong support for innovation within the municipalities in Sweden, practically or financially. The proposals concerning innovative procurement might lead to new costs for local governments and county councils as they may have to pay for the contractors developmental costs.

Innovation policies

We concluded that, although welfare services were visible in the documents, there was no specific coherent innovation policy, neither for this sector nor the nation as a whole. According to VINNOVA, there are several reasons why a policy is needed, such as decreasing market shares internationally, corporations moving abroad, young people shut out from the labor market, investment in research and development that does not produce results, and so on (VINNOVA, 2010).

Innovation policies should be based on an analysis of system failures (Marklund et al., 2003). In the analysis we referred to innovation systems as the building blocks of an innovation policy. Failures in the innovation system can be of various kinds, such as deficiencies in the infrastructure, the inability to absorb new ideas, deficiencies in the framework (e.g., in laws), lack of learning resources, and so on (Klein Woolthuis et al., 2005). Such a comprehensive and systematic analysis of innovation system problems, as a basis for forming a particular innovation policy, was not found in the documents.

It should be noted that the study does not include the government innovation strategy published in October 2012 (Regeringen, 2012). However, it includes various reports that were part of the preparatory work for this strategy. A first analysis of the new strategy points to the fact that it mainly offers a vision and goals but is not very concrete. The strategy section is short, taking up little more than one page. Although some problems are wrapped up in the text, there is no comprehensive analysis of the failures of the innovation system. The goals set, such as innovation procurement and collaboration with other actors, do not differ from what has been previously published. The large municipal/county services are not given much attention. The innovation strategy of 2012 still does not really address the lack of a coherent innovation policy. The innovation policy, which around 2000 was considered unclear, is still very vague.

In our view, a local innovation policy should be possible and based on a local innovation system. The reason for this is that municipalities and counties in Sweden play an important role in the society and more so than in many other countries. They are responsible for core welfare services and they levy taxes. In the present situation, only a few of the municipalities have an innovation policy. A reason for this might be the lack of guidance and inspiration from a national innovation policy. On the other hand, the lack of local innovation policies could also indicate a lack of interest or demand from the municipalities themselves. A benefit of having a local policy or a specific policy for the welfare services is that it may avoid the risk of innovation policies becoming too abstract and detached from everyday activities to have any real impact.
Another difficulty exists in policy implementation. Traditional linear thinking and government steering are no longer possible (Benner et al., 2007). Innovation policy must be seen as a complex and non-linear process or like a complex adaptive system with several actors and attractors (Frankelius and Utbult, 2009). The innovation policy must adapt to this complexity, where personal contacts and networking become important (Castells, 1999).

The road ahead for innovation policy
This study revealed that an embryo of innovation policy exists in some documents, for instance, in the government investigation SOU 2003:90. The innovation procurement issue was prominent. Certain sectors received attention, including innovation in health care and nursing (Socialdepartementet, 2011). There were ambitions to unite practice and research (Hovlin et al., 2011) and there were ambitions within the regional area. There were, however, no clear overall objectives, no requirements or incentives to encourage core activities in municipalities and county councils to be innovative except in this small and limited scale (Andreasson and Winge, 2009).

Also, the tools must be provided; for example, legislation that supports innovation. A municipality may not make the pre-commercial procurement of innovation if the regulatory environment and the perception of risk do not allow it. Collaboration between research and practice cannot develop if it is not supported and rewarded. Employees cannot use their innovative abilities if they do not receive space in their daily working life to enable them to do so (Hovlin et al., 2011). Another problem may be the conflict between control and freedom, and a reluctance to allow for the creative chaos that innovation may require. Also, when better school results and more equivalence are demanded from the Government, the innovative space of school management and teachers may shrink at the same time if the schools are required to comply with too rigid rules (Hovlin et al., 2011).

From the results of the present study and inspired by research in the field of innovation policy and innovation systems (Benner et al., 2007; Edquist, 2000), a sketch may be made for an innovation policy, developed especially for the public sector. Based on our findings we suggest that four different aspects need to be covered: support, process, structure, and learning. The innovation policy will need support from VINNOVA and SALAR for strategic projects, but also for leadership development, communication, encouragement, and research collaboration. It will need clearly structured innovation processes, transparency, time-space, and economic space. The third factor is structure in the form of legislation, consumer protection, entrepreneurship, and opportunities for employees to commercialize their ideas but also a well-functioning environment for innovation and research activities in the organizations. Finally, improved learning, developing both individual skills and knowledge about innovation, are needed as well as encouragement of networking and collaboration, dissemination, workforce mobility, and so on. All factors were touched upon in the documents but not used to form a coherent governmental innovation policy.
So far all four of these constituents – support, process, structure, and learning – have not been addressed in research and innovation strategies by the government. A step forward is the recent agreement between VINNOVA and SALAR to support innovation in municipalities and counties (Sveriges Kommuner och Landsting, 2012). However, policy should be the forerunner of the strategy for implementation, not the other way around.

The reasons for the above conditions and deficiencies need to be studied further, but the result does not contradict the gender perspective put forward by Lindberg (2010). Lindberg argues that there is less interest in development and innovation in municipal services because there is a high proportion of female staff. An alternative view, put forward here, is that the lack of interest reflects the emphasis on encouraging municipalities and counties to support innovation in private enterprises rather than to be innovative themselves.

Finally, as has been shown in this study, the documents studied put great emphasis on innovation procurement for the public sector as a means for the public sector in becoming innovative. An alternative and more critical interpretation would be to state that the public sector handles to a large extent the demands for innovation by simply outsourcing the problem to private contractors. Future policies should encompass more of the public sectors own activities and secure resources to support innovation within this important part of the growing service sector. This may be done in various ways, such as increased collaboration with research, funding of projects and learning about innovation and implementation. We also believe employees are an important resource for innovation and ought to be engaged. Public sector innovation is important for a well-functioning society.

Conclusion

In the study, there were no documents referring to or describing a municipal policy on innovation, or innovation policies for local governments and the public sector at large. The documents gave a picture of various aspects of Swedish innovation policy when focusing on the public sector, but no coherent approach for a genuine policy was found.

The public sector, including municipalities and counties, was indeed visible in the studied documents, particularly in the areas of health care and schools. There were patterns and recurring issues pointing in a policy direction, for example, the government’s assignment for social innovations in care (Socialdepartementet, 2011). Innovative procurement and research collaboration were central. This pointed to the fact that the public welfare services were primarily seen as means for innovation in the private sector and commercialization while it was less important for the welfare services themselves to be innovative.

Even in documents aimed at the public sector, words like enterprise and procurement were more frequent than others. These documents also more often used the words employee, efficiency, and process than the other documents.
When municipal welfare services themselves became visible, this was often in a context of efficiency improvements.

The studied documents covered a period of more than 12 years. This indicates how difficult it is to implement a policy, but it also highlights the need for further policy research. Moreover, it calls for more research on how the innovation system could be formed, with respect to support, structure, processes, and learning.

Innovation policy development is important for the future, especially considering the public sector’s role in the increasing service sector and the society as a whole.

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Notes

1 Innovation is defined here according to the OECD Oslo Manual from 2005: “An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations” (OECD, 2005: 46). Innovation policy is defined as: “Any use of public resources (human, organizational, legal, or financial) in order to obtain a better and more effective functioning of innovation systems in respect of their basic infrastructure, and key actors can therefore be regarded as innovation policies” (Nordiska Ministerrådet, 2004:20). An innovation system is defined as all the important factors affecting the development, dissemination, and use of innovations, as well as the relationships between these factors, according to Edquist and Hommen (Edquist, C and Hommen, L, 1999).

2 Welfare services here are services from the municipality and from the county, regardless of whether they are provided in-house or by another provider or contractor, and targeted directly toward citizens and mainly tax-funded.

3 We define service innovation as new ways in which services are provided to users (Hartley J., 2005)

4 While the OECD sees service innovation as part of product innovation when it refers to “product (good or service)”, others view service innovation as something different from product innovation (Hovlin et al., 2011).

5 A full list of documents used in the study as well as codes used in the analysis may be requested from the corresponding author.

6 The results can also be compared to another context, where in parallel two Governmental websites were searched for the presence of the term innovation. A search in April 2012 of the National Board of Health and Welfare website identified two documents concerned with innovation. On the website of the Swedish National Agency for Education (Skolverket), 155 hits were found. However, they were very limited in scope as they mostly consisted of examples of innovative action related to information technology in schools. Just one document, from the National Board of Health and Welfare, was of a policy nature. These agencies represent the particular welfare services on which the study focused most strongly.

7 Procurement of innovations can be made in accordance with the procedures defined in the procurement legislation from the European Commission from 2007. In 2011 the directives were modernized, clarifying in what circumstances pre-commercial procurement, products and services not yet on the market, developed in cooperation between the public sector and supplies, may be used (European Commission, 2011/0438 (COD)).

8 We define radical innovation as innovation leading us to do something different, and incremental innovation as doing what we normally do, but better (Tidd et al., 2009).