

NHS Next Stage Review

A response from The Young Foundation to the consultation on policies for innovation

Introduction

The Department of Health approach to innovation needs to be grounded in a clear understanding of what has worked and not worked in the past. It needs to learn from best practice in other fields; to integrate innovation with wider improvement and reform agendas; and to embed innovation knowledge and skills in NHS business processes and enabling strategies.

The primary purpose of innovation is to help the Department of Health meet its targets, improve returns on health investment and, above all, to contribute to health gains. However, to the best of our knowledge there has never been a systematic assessment of the contribution of different types of innovation to health gain such as the relative contribution of R&D support for pharmaceuticals, clinical procedures or service measures. Work globally, led by the WHO and others, has shown significantly less contribution from traditional pharmaceutical R&D than was once believed. It is well known that the greatest health successes of recent decades from the eradication of smallpox to rising life expectancy are explained by a complex mix of environmental factors, management and organisational methods as well as clinical practice.

Our central arguments here flow from this:

That the NHS as a whole depends on a constant flow of innovative new models to help it adapt to changing demands (eg from ageing), changing opportunities (eg from technology) as well as potential shocks (eg from pandemics). However, innovations involve risk and failure. There are strong disincentives for parts of the NHS to take these risks. Therefore, as in other large systems, the performance of the whole depends on the centre sharing the costs and risks of innovation with individual PCTs, trusts, GPs and others.

That the NHS needs to organise service innovation much more systematically rather than solely focusing on hardware and new technology. This needs to include better use of mature or maturing technology. In recent history, innovation in this field has been poorly funded, prone to repeated restructuring, and without much attention to method and what works.

That more systematic service innovation is an alternative to excessive top down reform which can result in resentment felt by many managers, clinicians and frontline staff. The best approach to service innovation is similar to the best approach to clinical innovation – testing ideas and models on a small scale.

That the strategy for innovation needs to fit coherently with the other key drivers of innovative behaviour and core NHS business processes and enabling strategies, including commissioning, audit and inspection and HR.

That an effective strategy for innovation needs to make the most of the many sources of ideas including clinicians, academics but also social entrepreneurs, patients groups, global experience and the experiences of other sectors, from business to other public services.

Finally, that there are some straightforward steps that the NHS could take to put these principles into practice without diverting time and resources away from delivering existing targets including: more strategic use of existing funding streams; more systematic organisation of pathfinder places to act as test beds and incubators; more systematic organisation of intermediaries to specialise in spotting, developing and disseminating innovations.

I. Barriers to Innovation

The Young Foundation considers that barriers to innovation in the NHS are, ironically, rooted in its success. Contrary to popular myth, people who work for the NHS are not necessarily risk averse or resistant to change. NHS organisations are filled with good people who want to improve outcomes and do their best. The innovation challenges faced by the NHS are integral to and inherent in any large, complex organisation that has been successful over a period of time. With age, success and achievement come institutionalised learning from what worked in the past and shared expectations about how things should be done. The challenge for any complex organisation is to recognise decision habits and to begin to think differently.

Barriers to innovation include:

I.1 Business processes and enabling strategies do not support innovation:

There are four very practical barriers to innovation rooted in NHS business processes.

Firstly, planning systems for managing existing activity in NHS organisations are based, quite correctly, on identifying outcomes, performance targets, a degree of reliable predictability and measures of performance. Accountability to patients and tax payers comes from demonstrating value for money and achievement against objectives and targets. By contrast, planning for innovation requires a quite different set of practices, values and measures. The assumption currently in NHS organisations is that one approach to planning fits both existing activity and innovation. Innovation is experimental, based on uncertainty and unpredictability. The objective here is to learn fast, to analyse disparities between predictions and outcomes and to demonstrate a constant reshaping of the project. The basis of accountability is not performance against targets but learning against predictions. Innovation requires a parallel planning system.

Secondly, there are barriers to innovation inherent in financial accounting and management systems in NHS organisations. While there are commendable moves toward payment by results and patient choice, current allocation mechanisms for the most part drive managerial behaviours that are not so much focused on customers, results and the alignment of activity with finance but on the protection of budgets. For a number of complex reasons, zero based budgeting is not yet a common activity in NHS organisations. The view that innovation requires new income streams and can not be afforded is still prevalent.

Thirdly, managerial behaviours, mind sets and habits are based, quite understandably, on a managerial economy with a focus on administrative means rather than an entrepreneurial economy with a focus on results. Innovation is the tool of entrepreneurs and requires a different management style. The values, skills and knowledge of entrepreneurial management rather than administrative management can be taught. Entrepreneurship is increasingly considered to be a new, basic skill in any knowledge economy.

Finally, annual planning cycles in organisations subject to changing political interest and media attention do not allow an adequate incubation period to bring innovations to life. New ideas require at least five years to flourish and to show results.

1.2 The drive toward standardisation of processes can quash innovation:

An assumption underpinning the spread of innovation across NHS organisations is that successful innovation processes should be replicated across the system. This approach perhaps reflects decision habits arising from a managerial economy. Within an entrepreneurial economy, the desired outcome is excellence in results rather than standardisation of means. An important driver for an entrepreneurial manager is to gather industry intelligence or best practice to help shape local innovation but not necessarily to replicate processes. The drive toward standardisation of processes, no matter how innovative, can actually stifle innovation.

1.3 People with great ideas do not know how to execute them:

Within the NHS, there are dynamic people who have great ideas for service, product, process or strategic innovations. These people are prepared to take personal responsibility to achieve change but do not have the knowledge or skills to do this. From idea to execution, there is a complex, iterative, sometimes messy journey that requires a particular set of skills and knowledge. This can be taught. Also, the creation of innovation implementation channels in organisations is critical to success.

1.4 Decision habits mean that ineffective solutions are repeated:

All organisations develop an inner logic where certain assumptions in decision making are believed to be correct. Not surprisingly, as a large bureaucracy, the NHS tends to apply top down, structural solutions to the management of innovation. These solutions often involve the creation of new organisations, new structures (such as social enterprises) or new posts rather than changing the way people think, behave and act. Results from these initiatives can be mediocre. An unconscious acceptance of assumptions also means that organisations tend to reward people who conform to orthodox ways of thinking rather than offering incentives to those who think differently. Organisational immune systems can easily quash the entrepreneurial spirit and energy of individuals with new ideas.

2. Policy Measures

The Young Foundation proposes that the DH explicitly calls for innovation by placing [Vital Signs for Innovation](#) at the heart of everything the NHS does. These Vital Signs will impact on business processes, the financial regime and enabling strategies set out in the Operating Framework. It is vital that innovation does not get in the way of delivery or divert energies from incremental improvement. This can be achieved through a systematic approach to the management of innovation and the careful design of processes and programmes. This

approach has been traditionally and successfully employed in science based research and development.

Specific policy measures include:

2.1 Investment in innovation to signal intention and importance:

Within NHS organisations money matters both to get things done and to signal importance. Future Spending Reviews can identify innovation as a priority and direct 2% of PCT allocations to innovation. This new allocation can be ring fenced by the Department of Health with explicit requirements for NHS organisations to align this investment with innovation activity and results.

2.2 A diverse range of funding mechanisms for innovation:

Investment in innovative projects can be approached creatively through a diverse range of mechanisms from grant funding to social venturing. For instance, the NESTA-Young Foundation Health Innovation Accelerator (HIA) is a new model for speeding up the creation of innovative, social ventures in health, drawing on past Young Foundation examples like the role of Healthline in preparing the way for NHS Direct or the College of Health preparing the way for the Expert Patient Programme or the creation of the Patients' Association. HIA funding for projects is structured as a venture capital style staged process to allow new ideas to be fully designed, developed and launched on a flexible basis. A range of funding mechanisms, including the use of existing NHS investment, will offer diversity in approach and solutions.

2.3 Inclusion of entrepreneurialism in commissioning policies:

The potential impact of entrepreneurialism on the health economy can be exploited by commissioners focusing on desired outcomes in service specifications rather than defining what the service should look like. This will allow social and commercial entrepreneurs to come forward with ways of doing things that are unique, creative and different. Innovation in priority areas, where it is clear that current practices are unlikely to be adequate for future demands, can then be tested by pathfinder organisations or partnerships across sectors. As current plans appear to recognise, commissioning is very different from purchasing and involves the management of future capacity and innovation as well as short term delivery.

2.3 Recognition that business processes and enabling strategies for innovation are different:

The skills, knowledge and values of innovation can be embedded in competence frameworks for both clinicians and health professionals. An enterprise culture needs enterprising people who have the ability to increase returns and health gains from existing health investment. Business processes contained in the Operating Framework can reflect the need for parallel planning and delivery processes for innovation. Planning for innovation relies on borrowing from the host organisation but needs a separate organisational DNA for innovators to succeed. Explicit protocols for testing new models of service delivery across organisations and professions can be identified and drawn up. Indicators for achievement in innovation can be included in the new Vital Signs. Remuneration systems can be changed to reward innovators.



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2.4 Democratisation of innovation or 'wikihealth':

Technology (web 2.0) gives an opportunity for service users to define problems from their perspective and to offer new solutions. The web nowadays is about participating rather than receiving information passively. New models based on collaboration through communities can be truly innovative and reflect patient experience. Participation can be directed toward those problems in the NHS that are the hardest to solve. In the private sector, there is an emerging view that innovation is widely distributed and is increasingly shifting from being producer led to being user led. The doors of the NHS can be opened.

2.5 Creation of Board level champions:

Innovation relies on sponsorship and implementation channels. A Board member in all NHS organisations can be designated to be responsible for ensuring there is at least one innovative project in the pipeline linked to each priority.

2.6 Audit and Inspection

The NAO and Audit Commission are both coming to recognise that processes of audit and inspection need to address future readiness as well as current performance. This will need to include inspection of how well the NHS as a whole, and its parts, are managing a pipe line of innovations which may become mainstream in the future. Governance of this kind is standard in innovative parts of the private sector where boards, analysts and others sharply focus on how well new products and services are being developed. However, this has traditionally been absent from the public sector.

3. Challenges

The Young Foundation considers that challenges in driving forward innovation in the NHS can be tackled in a very practical, straightforward way by drawing from lessons of what has worked and not worked in the past. Innovation can be approached systematically and economically and need not divert attention from service delivery.

Challenges include:

➤ **Leadership for innovation challenge:**

The behaviour, values and attitudes of NHS leaders will have more impact in driving forward innovation than changes in policies, business processes or training programmes. A new vision for innovation will have to be demonstrated through leaders modelling new behaviours, demonstrating their commitment and inspiring the work force. People watch what leaders do more than they listen to what they say. Innovation leaders will have to be worth emulating. A challenge will be for leaders to understand and drive forward innovation.

➤ **Institution challenge:**

The NHS has some structures that are already involved in innovation (the NHS Institute) and some which could be (like the new social enterprise fund). On their own, institutions do not solve problems. But a better developed institutional architecture, covering funding, commissioning, peer learning and support for experiments (such as pathfinder PCTs, hospitals and GPs) could have a big impact in turning innovation into reality. Without designated people to spot, develop and test out innovation, then capacity will be unrealised. Equally, there is an urgent need for more sophisticated platforms to assist the development of service innovations.



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- **Learning challenge:**
Innovation knowledge and skills are underdeveloped, in general, across NHS organisations. There is a considerable body of knowledge available on what works from policy to practice across countries, institutions and professions from which the NHS could draw. On a very practical level, business processes and performance measures for innovation are different to those for core, day to day business. Parallel planning systems have to be put in place that work in harmony with and borrow from the host organisation but give innovators the freedom to answer questions differently. Innovation needs different systems, structures, culture and competences.

- **Integration challenge:**
Integrating innovation policies, processes and programmes at the heart of everything the NHS does in a systematic way will require energy and a committed effort. Existing policy, planning and performance mechanisms offer the ideal vehicles to achieve this. Innovation is a critical vital sign for a healthy organisation.

- **Forgetting challenge:**
Old decision habits, biases and mind sets will have to be forgotten. Actions which once produced success may no longer do so. Innovation needs a new organisational DNA to pursue growth, cope with environmental dangers and stay healthy. A new business model needs new competences.

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