UNCOVERING RELATIONSHIPS BETWEEN MANAGEMENT INNOVATION AND SERVICE INNOVATION, TIME LAGS AND PERFORMANCE

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The study focuses on public service innovation because it is a critically important area of investigation that scholars, policy makers and public administrators maintain delivers economic, political and social benefits (Borins, 1998; Tidd, Bessant and Pavitt 2009). Public organizations have put in place a range of innovative practices that bring societal benefits, but more needs to be known about public service innovation, and in particular its performance consequences (Damanpour, Walker and Avellaneda 2009; Walker and Damanpour 2008). Innovations come in different guises. In this study we focus on management innovation (MI) and service innovation (SI). Theoretical expectations suggest that the complementary adoption of MI and SI have (1) a positive, direct and immediate, (2) moderated and (3) mediated impact on organizational performance. Yet these expectations are largely unexplored in the public sector, which arises from the pro-innovation bias—the assumption that innovation is only a force for good.

This study tests these propositions by examining the lagged, moderated and mediated relationship between MI and SI and organizational performance. The study is undertaken on a balanced archival 4-year panel of 192 English local governments from the early 2000s. Data are drawn from archival and perceptual sources. The dependent variable, core service performance, is a performance index drawing upon a range of performance indicators and the judgments of service inspectors. Archival measures from the UK Census provide a range of control variables. Measures of innovation are taken from a multiple informant survey that tapped the view of senior managers, service heads and front-line supervisors. With the balanced panel, we test the direct, moderated and mediated relationships by the feasible generalized least squares estimator.

The findings of the multivariate analyses largely support the propositions, but with some unexpected turns. First, SI has a positive immediate impact on performance, however MI does not. Second, there is an interactive effect of MI and SI on organizational performance. Third, MI has a positive effect on performance when mediated by SI, when MI lags SI by one year. These findings suggest that MI has a more complex relationship with SI and performance than hitherto theorized. Furthermore, sensitivity tests indicate that the MI sub-types of administrative innovation (AI) and technological innovation (TI) work in different ways: the AI performance relationship is mediated by SI while TI and SI have a moderated-mediated relationship with performance. In conclusion we discuss the theoretical and practical implications of these somewhat unanticipated findings.