

Contracting for Innovation in Public Services: Capabilities, Institutions and Intermediation

ABSTRACT

Contracting for innovation in the public sector is challenging due to a shortfall of related capabilities of buyers and suppliers, and institutional constraints impeding innovation sourcing and adoption processes. In this context, innovation intermediary organisations intervene to tackle some of these challenges. This paper seeks to develop middle-range theory regarding the mechanisms underpinning the contribution and impact of innovation intermediaries in settings of public sector innovation sourcing. We uncover two key mechanisms. First, intermediaries contribute innovation contracting know-how by brokering connections and innovation-related interactions, providing access to different types of know-how and helping to bridge indirect capability gaps of buyers and suppliers. Second, intermediaries leverage their institutional know-how to facilitate innovation sourcing and adoption processes by exposing institutional constraints at play, forming relationships with and lobbying relevant stakeholders, and shaping change in innovation- and procurement-related institutions. Intermediaries' contribution of innovation contracting know-how and institutional know-how positively influences innovation sourcing and adoption outcomes. However, such effects are negatively moderated by factors pertaining to processes and mind sets within public buying organisations, intermediaries' own limitations and institutional inertia resulting from misaligned innovation and public procurement policies.

Keywords:

Innovation sourcing; indirect capabilities; institutions; innovation intermediaries