



Economic and Community Development through Innovative Local Government

John Martin

By their very nature local governments have a direct and immediate impact on the communities they serve. The way in which local government organisations innovate and change, impacts on local economic and community development. As the level of government mandated with the responsibility of ensuring basic local services local governments' ability to reform and change is central to long term community success. Many local governments go well beyond the mandated requirements set out in legislation engaging their communities in a dialogue about the nature of community life, now, and into the future (see for example Leach *et al.* 1996). While research into workplace innovation and creativity suggests such strategies provide the promise of effective reform in the work environment (West and Farr 1990) there has been much less interest in how innovation in local government enhances local economic and community development.

Jones (1993, p. 1) argues that a local government's main role is to help local communities to learn to make strategic choices by balancing the costs and benefits of efficiency, effectiveness, economic growth, quality of life, social justice, participation and legitimacy. In this paper we argue that such choices are considered more when a high level of innovation exists within local government. There is, however, little actual research on the nature of innovation in local government.

The research asked the question: what are the factors that contribute to an innovative culture in local government organisations? A culture which

deals with uncertainty, brings new ideas to fruition, values and actively encourages creative thinking and learning, uses the developed wealth of employee experience and competence, and brings forth new and imaginative ways of working from across the organisation to eagerly embrace change. All of which contributes to local economic and community development. This paper outlines these factors and reports on how they were applied in the Richmond River Shire Council, New South Wales.

We outline the innovation processes adopted by the Richmond River Shire Council, an award winning rural local government employing innovative management and organisation practices over an extended period of time. The paper concludes with a discussion of the importance of innovation in local government and outlines strategies to assist rural local government organisations develop cultures of innovation.

What Is Innovation?

Rogers (1998) makes the important distinction between innovation and invention. The innovative organisation does not need to have invented the new product or process they adopt (Rogers 1998). Innovation is as much about the way new ideas and products are brought to effect as it is about the uniqueness of the original concept. The difference between innovation and invention is an important distinction in this paper. Local governments do not have to have invented a new product or service to be innovative.

The case study reveals that the process of improvement leading to sustained economic and community benefit in this sphere of government is a far more important innovative process than the introduction of a new product. Innovation is in recognising the application of a new idea or product and introducing it into one's own organisation.

Research identifies the process of innovation in business as being something that is new or improved, done by an enterprise to create significantly added value either directly for the enterprise or indirectly for its customers. It matters little whether or not the idea is objectively new as measured by the lapse of time since its first use or discovery. If the idea seems new to the individual, it is an innovation. The traditional business definition of innovation is when the invention is first commercially introduced by a firm.

West and Farr (1990, p. 9) capture these characteristics when they define innovation as

the intentional introduction and application within a role, group or organisation of ideas, processes, products or procedures, new to the relevant unit of adoption, designed to significantly benefit the individual, the group, organisation or wider society.

Importantly innovation does not happen instantaneously. The innovation literature identifies 'stages of innovation'. Pelz and Munson (1980, pp. 4-5) identify four stages:

- *Diagnosis* is the translation of a sense of unease or an aspiration into a problem so that action toward solving it may be undertaken.
- *Design* is the development, adoption, or borrowing of an innovating solution.
- *Implementation* is the 'payoff' stage of the innovating process; the innovation is put in place, and the process of embedding it in the organisation becomes the central activity.
- *Stabilisation* is the period in which the innovation proves itself either a success that becomes the status quo or a practice that disappears in some shift of organisation priorities.

Of course these stages are never as distinct as this. There is often considerable iteration as the

organisation rethinks and recycles back through the early stages.

Pelz and Munson (1980) also consider the source of the development of new ideas leading to innovation. Was this, for example, an idea initiated within the organisation? Or was it an adaptation of another idea? Or something tried and tested elsewhere and simply borrowed by the organisation? As with the stages of innovation outlined above sources of development are also never clear-cut. While there are similarities in the idea or technique being adopted, the way in which individuals come forward will be different across organisations.

The literature on innovation and change in organisations suggests a number of interrelated factors. These factors are discussed below before considering how they were reflected in the Richmond Rive Shire Council.

Innovation Strategies

The key role of creative individuals

Individuals are central to the innovation process within organisations. Yet an innovative culture must, by definition, embrace all members of the organisation. In fact it is the way in which particular individuals work together across organisations, sharing their creativity and enthusiasm for new ways of working that leads to organisational innovation. Kirton (1976) suggests that some individuals are more likely to innovate than others. If these individuals are well placed within the organisation hierarchy they are less constrained by others less likely to innovate. In specific situations individual differences will be less important than the interactions between situational and personal characteristics. Clearly there is an important relationship between individual and organisational characteristics affecting the development of a culture of innovation.

Amabile (1988) argues that three components must be operating at the individual and organisational level for creativity to be realised. These components are resources, techniques and, most importantly, motivation. Resources refer to individual talent and organisational funds, materials and support. Techniques refer to

individual skills and organisational skills in innovation management. Motivation refers to the intrinsic task motivation of individuals and organisational motivation at the highest level in the organisation. For creativity to blossom it must be nourished within appropriate management and organisation structures.

Amabile (1988, pp. 128-129) provided an overview of the individual talents necessary for creativity. She identified ten qualities of problem solvers that served to promote creativity and five that served to inhibit creativity. The qualities that promoted creativity were:

- personality traits; including persistence, curiosity, energy, an intellectual honesty;
- self-motivation; being self-driven, excited by the work itself, enthusiastic, attracted by the challenge of the problem, having a sense of working on something important, and a belief in or commitment to the idea;
- special cognitive abilities; special talents in the problem-solver's particular field, as well as general problem-solving abilities and tactics for creative thinking;
- risk orientation; unconventional, attracted to the challenge, oriented toward taking risks and doing things differently;
- expertise in the area; talent, experience, and acquired knowledge in the particular field;
- Qualities of the group; synergy arising from the intellectual, personal, and social qualities of the individuals making up the project team;
- diverse experience; broad general knowledge and experience in a wide range of domains;
- social skills; good social and/or political skills, good rapport with others, being a good listener and a good team player, and being broad minded or open to others' ideas;
- brilliance; a high level of general intelligence;
- naivete; being naive or new to the field, not biased by preconceptions or bound by old ways of doing things.

Those qualities which inhibit creativity were:

- unmotivated; lack of motivation for the work, not being challenged by the problem, having a pessimistic attitude toward the likely outcome, complacent, lazy;

- unskilled; lack of ability or experience in the problem area;
- inflexible; being set in one's own ways, opinionated, unwilling to do things differently, too constrained by one's education or training;
- externally motivated; being primarily motivated by money, recognition, or other factors aside from the work itself, responding primarily to restrictions and goals set by others, being competitive and jealous of someone else's success;
- socially unskilled; lack of social or political skills, such as being a poor team player.

The innovation process is initiated and driven by individuals who are well placed within the organisation's hierarchy. They are motivated by an innate curiosity to find new ways of working, and have an inherent belief in their own ability to succeed. By virtue of their relatively senior position creative managers take a broad view, beyond their organisation. Their disposition is such that they - metaphorically speaking - 'get on the balcony', which Heifetz (1994, Heifetz and Laurie 1997) also suggests is a key characteristic of effective leadership. Given this 'view' and their innate curiosity they see possibilities that others would not always consider. It is this special combination of managerial position and innate curiosity that is the cradle of innovative behaviour.

Creative managers are typically optimistic in their outlook. If they are to maintain the search for new ways of working, and to continue with their efforts to implement their ideas - to be 'unreasonable' in their persistence, as Handy (1989) suggests - they need to maintain an optimistic stance that they can make things happen. They need to be able to respond to the inherent pessimism and conservatism they confront. Bandura (1977) made a key contribution to our understanding of creative behaviour with the concept of 'self-efficacy'. If an individual believes in their ability to succeed they are more likely to attempt to innovate and bring about change in their environment.

Persistent, optimistic, well-placed individuals, driven by a desire to develop new ways of working, are an essential ingredient in creating an innovative organisational culture. The management literature suggests that without such individuals it is not possible for creative innovative strategies to emerge.

Responding to external pressure for change

External pressure for change is the major driver for reform in Australian local government. While some organisations seek to innovate simply to improve service delivery the deregulation of Australia's economy in the 1980s and early 1990s has meant that the public sector has had to reform its work practices in line with the reforms occurring in the non-government sector. A key policy change in microeconomic reform in the early 1990s affecting all governments was the Hilmer Report (Hilmer *et al.* 1993). This Report provided the framework for the Commonwealth Government's National Competition Policy (NCP) which was embodied in the *Competition Policy Reform Bill 1995* (Parliament of Australia). NCP requires local government organisations to fundamentally review their provision of local services to demonstrate that their community is receiving value for money services.

There have also been other external drivers. These include the changing nature of the Australian economy, with a declining commodities based economy relative to an increasing service based economy. At the same time information technology has had a significant impact on Australian local government organisations over the last decade. They have embraced this new technology with over 98 per cent of councils accessing the Internet (Martin 2000). The 'electronic herd', as Friedman (1999) calls them - those traders who move funds around the world chasing the best rate of return - have a significant impact on currency exchange rates, which have an impact throughout all Australian organisations, whether they be public or private. This impact is also felt in local government as councils grapple with changes such as e-commerce and e-business.

Encouraging experimentation and the search for new ideas

Innovators need to experiment in their search for new ideas. They need to feel a degree of freedom within their organisation to experiment, even if that means some ideas turn out to be inappropriate, for whatever reason. As long as the experimentation does not place the organisation and its divisions within a perilous situation; that it is acceptable on

moral and ethical grounds; and is not prohibitive in terms of its call on resources, then such experimentation is an essential part of an innovative culture. Innovative organisations take measured, limited risks.

Kottler (1994) refers to the idea of 'productive risk taking' in his study of advanced group leadership. The assessment by the innovators that there will be a productive outcome in the long run as a result of measured risk taking. Brockhaus (1998) identified the risk-taking propensity of entrepreneurs as a characteristic of their success. These entrepreneurs are prepared to enter into uncertainty and to manage ambiguity to achieve their outcomes.

A characteristic of innovators and their experimentation is the constant search for new ideas. Experimentation for innovators is more than a one-off event. It is a series of sporadic, seemingly unrelated events over time. Innovators are constantly searching for new ideas linking their learning over time. It is a constant, never ending process. In some individuals it verges on obsessive behaviour.

Networking with other organisations

The role that networks play in mitigating environmental uncertainty and promoting social learning of adaptive responses within and between organisations is a central part of the innovation process. Little is currently known about how networks may affect organisations' efforts to transform themselves when confronted by environmental changes that threaten their survival (Kraatz 1998). Kraatz's study of learning and change in 230 private American colleges supported two arguments. The first that strong ties to other organisations mitigate uncertainty and promote adaption by increasing communication and information sharing. The second that networks can promote social learning of adaptive responses, rather than other, less productive, forms of inter-organisational limitation.

Recent research by Kloot and Martin (2000) confirms the important role inter-organisational networks play in the innovation process in Australian local government. They found that local governments pay more attention to the way neighbouring, and similar local governments

address new issues than through benchmarking and reviewing their own processes in isolation.

Being part of a wider network of local government councils provides significant opportunities for innovation for those councils who encourage their staff to mix with other councils learning about new and different ways of working. The network is the seed-bed of change in Australian local government.

Building on absorptive capacity

In a national system of local government, with approximately 690 local authorities operating under largely similar legislative frameworks, addressing similar economic and community development issues, with similar levels of education and professional training and technology (Martin 1999), it is not surprising that innovators look to other local government organisations for new ideas about how to improve the delivery of value for money services to their community (Kloot and Martin 2000). Cohen and Levinthal's (1990, p. 128) view that 'the ability to evaluate and utilise outside knowledge is largely a function of the level of prior related knowledge' is of interest to this research. This reflects the adage that 'learning begets learning'.

It is not enough just to network with colleagues across the local government industry. It must be matched by a personal desire to learn more about the way things are done in this industry. Cohen and Levinthal's findings suggest that there are long term pay-offs for Australian local government when it invests in the education and training of its employees, at all levels. It adds value to this investment when it encourages employees to network with other local governments in order to learn new ways of working.

Building Innovative Capacity

Building innovative capacity is a conscious strategy to qualitatively improve the human capital that is the organisation's employees. The key words are building and capacity. Innovative capacity must be built in an organisation, and where one starts to build will be different for different organisations. For some organisations - using a structural metaphor - it will mean building from the ground up, for others it will mean remodelling, or creating

an addition. The idea of building something suggests that a plan, or a picture of the finished product is in the builder's mind. In organisational terms having such a picture goes to the heart of the innovative organisation. Optimistic managers with a vision of the future, of what is possible in organisational terms, are key drivers in building innovative capacity.

Capacity is a more elusive concept. Emery (1974) raises this issue in his important work on the structuring of work. He believes that redundancy in work groups is an important factor which allows for creativity and innovation to emerge. In a critique of Tayloristic job design, where work is broken up into ever decreasing pieces, the capacity to try new ways of working is lost to people who are resigned to doing straightforward highly repetitive tasks. We are not suggesting that the more redundancy there is the more capacity there is for innovation. Rather there is an optimum level of redundancy, or thinking time beyond the immediate demands of the job, that enables innovation to occur. Our view is that managers who actively encourage creative thinking and action during redundant periods are creating the capacity for innovation.

Innovation occurs when people develop new insights into ways of working. Building capacity enables employees to acquire and develop new insights into the way they work and problem solve. While absorptive capacity refers primarily to individual learning, building innovative capacity refers to organisational learning (Senge 1990).

Senge (1990, p. 10) notes that

the discipline of team learning starts with 'dialogue', the capacity of members of a team to suspend assumptions and enter into a genuine 'thinking together.' To the Greeks *dia-logos* meant a free-flowing of meaning through a group, allowing the group to discover insights not attainable individually.

Creating a dialogue amongst the council employees about how they could do things differently, more efficiently and effectively, will build capacity within the organisation.

In his study of the nature of innovation in Silicon Valley, Hamel (1999) realised that ideas, resources and ability circulate freely in a community, coming together in combinations most likely to generate

innovation and wealth. Hamel believes that traditional companies must move from resource allocation, a system mainly focussed on avoiding risk, to resource attraction, a system which nurtures innovation. Established organisations, like local government, should be able to innovate more readily than many small organisations operating in an unstructured way because the established organisation has the resources, market, and a communication network with key stakeholders, as well as first call on the capability of the people who work for them.

As mentioned above, innovators network externally and internally. It is not enough to gain new ideas from elsewhere. Innovators need to work within their council to bring new ideas into fruition. Building employee capacity by working across divisional structures builds an innovative culture.

Managing flexible organisation structures

The key organisation design issue for innovative management is whether or not there is sufficient flexibility within the structure to allow people to work across the divisions of the organisation so they can collaborate on innovative ways of working. After a lifetime of observing entrepreneurs Drucker (1998, p. 149) concluded that ‘what all the successful entrepreneurs I have met have in common is not a certain kind of personality but a commitment to the systematic practice of innovation.’

In his review of the systematic practice of innovation Drucker cites the development of the computer, which required no fewer than six separate strands of knowledge. Although the necessary knowledge was available as early as 1918 it was not until 1946 ‘when all the elements suddenly converge’ and ‘there is tremendous excitement and activity’ (Drucker 1998, p. 156) that the first computer appeared. Innovation across local government organisations has these same ‘convergence’ characteristics. Flexible organisation structures are essential if this convergence is to work.

Given the rules of organisation design the formal structure will be appropriate in the great majority of work situations where there is an optimal working relationship for known issues and problems which

occur on a predictable and routine basis.

Innovation, as a process, however, is typically outside these known and predictable parameters. By its very nature, innovation is something which is new or different, and will not always fit within the preconceived notions of how work is to be carried out, and organisations are often poorly designed to bring these innovations to fruition.

For innovation to occur managers and individuals within divisions must be prepared to work across formal divisional boundaries to entertain new ideas, to experiment and to build new ways of working.

The political reality of life in many divisionalised organisations is a major impediment to organisational flexibility. While we have identified the key role of well placed individuals, that is, managers with positional authority who play a key role in innovation, often the creativity and ideas come from people actually carrying out the work. People doing the work see different ways of carrying out their tasks from those who originally conceived how the work should be done (Emery 1974). Managers encouraging innovation will recognise this relationship between worker and job and use it to encourage innovation. The leadership challenge for senior managers is to create flexible structures and work practices such that people up and down the hierarchy can work with their peers across the council organisation (Heifetz 1994, Heifetz and Laurie 1997).

Having a long-term community focus

While there is an argument that individuals innovate for the sake of it, the main drivers for innovation relate to higher order goals. Typically these goals are embodied in the vision to which a council aspires. Emery (1974) notes, one of the key factors in creating valued work in organisations is to be able to link that work with a sense of purpose as to why one is putting their heart and soul into the job. Conversely, work that is boring and repetitive, where the employee cannot make a connection with what they are doing and higher order goals, effects their motivation and interest in the job. An innovative organisation makes the connection for all employees with what they do and why it is done. The challenge for local government leaders is to take this broad view and to make this

connection for people who may be more inwardly focussed and not seeing the connection between what they are doing and their community's aspirations.

Research on Innovation in Local Government

Bingham (1976) identifies three variables contributing to the adoption of innovation by local government; namely, community environment, organisational environment, and organisational characteristics. When combined with demand for new ways of working, products or services, innovation is more likely to occur. Bingham (1976, p. 216) notes that community environment effects innovation adoption significantly, but only indirectly: 'The community environment is a significant determinant of all three intervening variables but is not the direct determinants of innovation adoption.'

This is an important finding. The idea that what is happening in the broader environment is the driving force for change within local government organisations has been identified above as the external pressure for change. In the Richmond River case study discussed below it is clear that what was happening in the broader community was a key factor in the organisation's response.

Importantly Bingham (1976) found that the most constant relationship in the adoption of innovation by local government was the relationship between the community environment and demand. This environment generates demand variables and works through organisational factors to affect the adoption of innovation. Not surprisingly then, organisational characteristics and organisational environment 'are the major direct determinants of innovation adoption and thus offer the policy maker the best theories for intervention' (Bingham 1976, p. 216).

Bingham (1976, p. 11) notes that much of the diffusion research surrounding the adoption of innovation suggests that organisational characteristics play an important role. He shows that organisation characteristics such as size, structure, and professionalism often affect innovation adoption. Bingham also notes that the organisation theory literature is resplendent with

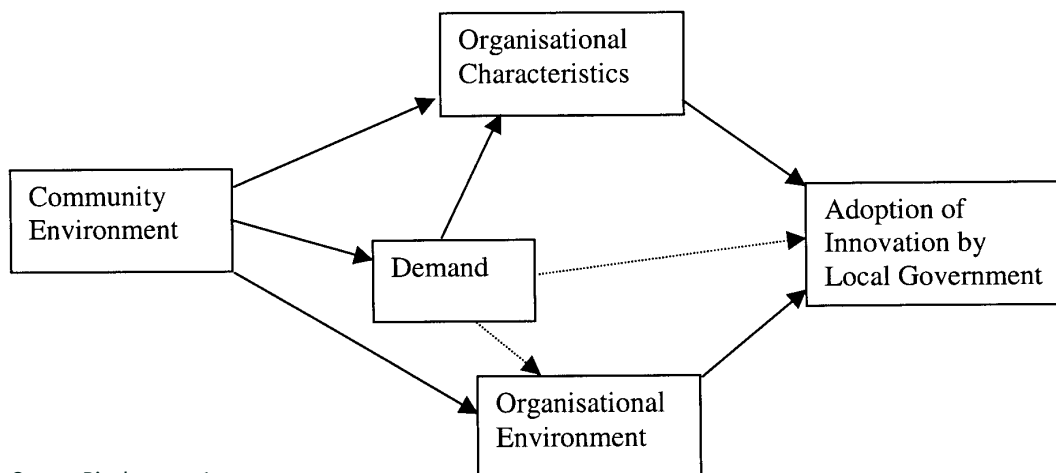
many arguments about why organisations are in a constant state of change. For example, when decision-makers identify a performance gap, they are perceiving the difference between what the organisation is doing now and what they believe it should be doing in the future, they are identifying a basis for change. Other factors identified include the degree of formality in the organisation, its complexity and the way in which rules and procedures interrelate with this complexity. Centrality in decision making will also stifle innovation. Equally, the higher up the organisation decision making takes place the more centralised decision making is and the less likely innovation will occur.

The research concluded 'the characteristics of the organisation, with the exception of organisational size, do not generally affect adoption levels' (Bingham 1976, p. 213). This is an important finding relevant to Australian local government. A characteristic change strategy across the Australian system in recent years has been to restructure and amalgamate local governments into larger units.

Bingham's model for the adoption of technological innovation in local government is also applicable to adoption of innovation processes, more generally, in local government. His model of innovation is set out in Figure 1

Innovation in the Richmond River Shire Council

The selection of case study councils for the research project on which this paper is based was initially based on councils who were recipients of industry awards for innovation. The Richmond River Shire Council (RRSC) was the recipient of the 1995 A. R. Bluett Memorial Trust Awards.



Source: Bingham 1976, p. 215.

Figure 1. A model for the adoption of technological innovation by local government

Since this research was carried out the RRSC has been amalgamated with Casino City Council to form the Richmond Valley Shire Council. The RRSC had been involved with innovative processes over an extended period of time. It did not invent new techniques, although they were using, and attributed their success to such techniques. Importantly it is an organisation that changed the way it functioned as a result of on going innovation.

The Richmond River Shire Council, with 30 per cent of the Shire taken up with non-revenue producing state forests and national parks, and a low population density, encompasses some 2460km² and is situated between the shires of Ballina in the north, Maclean to the south and Kyogle to the west. With a population of just over 10,000 people (a high proportion of whom is over 55 years, and under 5 years); an economy based on dairying (and more recently, production of beef cattle); and cane growing, the Shire has developed a culture of innovation in order to enhance its financial prospects and meet the demand for community services. In recent years tourism has also become a major economic driver in the Shire known for its beautiful hinterland and coastal scenery.

The Richmond River Shire was formed in 1976 when the smaller shires of Tomki and Woodburn were amalgamated. However, in the early 1980s the

Council realised that even with the economies from amalgamation, revenue at that time would not be sufficient to fund new capital works. In 1983-84 the NSW State Government allowed Richmond River Shire Council to increase its rates by 11.7 per cent and 17.26 per cent respectively. Even with these large increases the Council realised that revenue from rates would be insufficient to meet the needs of the Shire.

At this time the Council made the decision to establish a number of business enterprises to generate additional revenue to meet Shire needs. These included winning tenders for road repair outside the Shire; private subdivision work; expansion of its blue metal quarry so as to sell direct to the public; and the development of a pre-stressed concrete plant after the only private company making such products ceased operation. The Shire also negotiated the Australia-wide rights for a new bridge module known as the 'Doolan Deck'. This product has become part of the Council's bridge building enterprises.

The Shire also utilised the skills of its workshop employees by rebuilding old road plant. Largely bought from auction by a team of Council workers this plant has, for example, been used in the commercial development of the Council's quarry, which was valued at several million dollars in 1995.

The plant acquired and rebuilt for this development was valued at ten times the original purchase price.

The key players in the development of Richmond River Shire's business development strategy were the councillors in the mid-1980s who established, and subsequently, maintained this policy over two decades. The senior managers within the Council at the time, and since, also played a key role in establishing this innovative, entrepreneurial culture. Importantly, the staff who make up these enterprises (from which there is very little employee turnover) also played a central role in developing this culture. There is, however, one key figure who has been with the Council throughout this period and who has systematically developed a culture of innovation in the business enterprises he is responsible for. Occupying a senior management position he had the vision and personal drive over two decades necessary to ensure a successful and effective business development strategy for the Richmond River Shire Council

The Business Development Manager, previously the Shire Engineer, had been the key driver for the development of Richmond River Shire's innovative culture. As a long serving senior manager he had been instrumental in building business success along with a committed, equally long serving workforce. This workforce was acutely aware of the lack of employment opportunities in the Shire and were also keen to make the business activities with which they were associated a success.

In addition to bridge building these activities included pre-stressed concrete manufacturing, a workshop, quarrying, constructing bridge modules, and hiring Council plant. The role of Business Enterprises for Richmond River Shire Council is 'to provide innovative products and services to supplement the revenue base of Council in the provision of services to the wider Community' (Richmond River Shire Council 1995).

The spirit of the Richmond River Shire Council's approach to business development is captured in the Council sponsored video, 'Building Bridges'. This title represents the Council's attempt over the last two decades to fund works and services through the construction of bridges for neighbouring councils and the New South Wales

Roads Traffic Authority. As a marketing strategy the production of such videos is rare in local government, an institution which traditionally does not see itself involved in business, as the Richmond River Shire Council did with its Business Enterprise development strategy.

The Richmond River Shire Council was the lowest rating Council in its class in New South Wales (11.5 per cent in 1995/95) and its debt ratio amongst the lowest in the State. Their success, in fact, created a dilemma in negotiations with the Casino City Council - the Council they ring-fenced - over the amalgamation of the two local governments. Casino relies on rates to fund 46 per cent of annual Council expenditure and Richmond River Shire Council's rates were only 17 per cent of total expenditure.

The Richmond River Shire Council was able to develop its business enterprise activities to fund the construction and maintenance of infrastructure, to reduce debt and to keep rates relatively low. At the same time the Council increased its staff from 124 employees in 1993 to 147 in 1995, a significant reversal of the trend in government, generally, and local government, in particular, at this time.

The Council's sound financial position meant that it was in a position to develop its vision of building on the natural attributes of the area by the preservation and enhancement of its physical, social, economic and cultural environment. With over a thousand kilometres of unsealed roads in the Shire, maintaining these assets was their biggest expenditure item. In fact, the cost of maintaining such a network of roads exceeds Council's income from rates.

Richmond River Shire Council succeeded with competitive market based activities while maintaining a high level of service to their community long before competition policy created the rationale for other local governments to pursue such a strategy. Their success was based on the continuing belief of councillors and senior managers that an innovative entrepreneurial organisational development strategy providing high quality, value for money services to its community, was possible.



Developing an Innovative Culture in Local Government

In the case of the Richmond River Shire Council three important factors contributing to an innovative culture stand out. First, the council was clearly focussed on assisting their community to address difficult issues relating to significant local economic restructuring. Second, they were constantly looking to learn new ways of doing things, and third they maintained a flexible organisation structure allowing ideas and people to move between functional areas of council to get the job done.

Well placed, optimistic managers able to influence key strategic occupied key positions in the Council. The long serving engineer had become the Manager of Business Enterprises coordinating the Council's business development activities. His creativity and drive, along with the continuing support of the General Manager and elected councillors, was a key factor ensuring many of RRSC's innovations succeeded.

Clearly the Council was facing significant external pressure for change. A common driver for change in local government, a declining local economy brought about by broader national and international economic restructuring, was apparent over two decades ago. This context was the key driver for change and innovation. While there are general trends with these drivers each community is unique and their local government has to respond accordingly.

Experimentation was a common strategy in RRSC. Importantly this experimentation encouraged people to look for new ways of working, often with only a vague sense as to what the final service would look like. The spirit which drove them was based on key values and principles, rather than concrete outcomes. They were learning as they proceeded and were comfortable living with the uncertainty and ambiguity this created. RRSC was to experiment with revenue raising via Council owned and run enterprises helping raise much needed revenue to maintain community assets.

The search for new ideas in innovative councils is constant and carried out by individuals who

develop a passion, a habit for such inquiry. Importantly it is done with a collective spirit and there is much dialogue within the council organisation as ideas are put forward, debated, discarded or adopted. RRSC's search for new ideas was similar to other innovative councils in that they focussed on how the organisation used its own resources to improve the way they worked. Their strategy of buying second hand plant and using the skills of their own workforce to recondition this equipment to use in the Shire's commercially oriented quarry is an example of the use of employees creativity and innovation to find new ways of working.

These examples of the search for new ideas also reveal the degree of networking within the Council. Of course RRSC had both internal and external networks with which to find out about new ways of working. The managerial role was to work with employees in identifying new ways of working, and to look beyond the Shire in search of new ideas which could be transplanted locally. Their excellent relations with the roads and traffic authority is an example of external networking.

Cohen and Levinthal's (1990) concept of 'absorptive capacity' is most apparent in the RRSC. The senior management team were recognised as innovators over an extended period of time. The more the key players in the Shire learnt about the strategy they were developing to address real local issues the more they realised they needed to know, thus setting them on a never ending path of learning. RRSC was a good example of a learning organisations (Senge 1990).

The Richmond River Shire Council built capacity in the competence of their employees, albeit in different ways reflecting their unique contribution. Importantly this competence was a combination of knowledge and skills, and the ability and attitude to implement change. The value of tacit, taken for granted knowledge should not be undervalued in local government organisations. The managerial challenge was both to build this capacity and to ensure it was accessed for the good of the community the Council served.

In Summary

Councillors and senior managers in the RRSC realised - long before the rhetoric of New Public Management - that they needed to develop innovative entrepreneurial economic activities if they were to take responsibility for the future viability of their community. The strategy they adopted reflected a process of innovation that extended over two decades before amalgamation with Casino City Council. It was a measure of the high calibre of the leadership in RRSC during this period that it was able to sustain this innovative economic activities so well over the two decades of its short life.

For an innovative culture to develop in rural local government, a critical mass of innovation factors must combine to create the synergy for enhanced organisational effectiveness. Such a culture develops when creative individuals respond to external pressure for change implementing new ways of working gleaned from an extensive network or relationships, both within and between organisations. This innovation reflects their personal desire for continuous learning, builds employee capacity across flexible organisations, while working with the best interests of the community they serve in mind, for long-term. This was the case with the Richmond River Shire Council.

References

- Amabile, T. M. 1988 'A Model of Creativity and Innovation in Organisations', in *Research in Organisational Behaviour*, eds B. Staw and L. Cummings, JAI Press.
- Bandura, A. 1977, 'Self-efficacy: Towards a unifying theory of behavioural change', *Psychological Review*, vol. 84, pp. 191-215.
- Bingham, R. D. 1976, *The Adoption of Innovation by Local Government*, Lexington Books, Toronto.
- Brockhaus, R. H. 1998, 'Risk Taking Propensity of Entrepreneurs', in *Entrepreneurship*, ed. S. Birley, Ashgate, Dartmouth.
- Cohen, W. M. and Levinthal, D. A. 1990, 'Absorptive Capacity: A New Perspective on Learning and Innovation', *Administrative Science Quarterly*, vol. 35, pp. 128-152.
- Drucker, P. F. 1998, 'The Discipline of Innovation', *Harvard Business Review*, Nov-Dec.
- Emery, F. 1974, 'Job Satisfaction and Democratisation' in *Participative Design: Work and Community Life: Occasional Paper no. 4*, Centre for Continuing Education, Australian National University, Canberra.
- Friedman, T. 1999, *The Lexus and the Olive Tree*, HarperCollins, London.
- Greiner, L. E. 1972, 'Evolution and Revolution as Organisations Grow', *Harvard Business Review*, July/August.
- Hamel, G. 1999, 'Bringing Silicon Valley Inside', *Harvard Business Review*, Sept-Oct.
- Handy, C. 1989, *The Age of Unreason*, Arrow Books, London.
- Heifetz, R. A. 1994, *Leadership Without Easy Answers*, Belknap Press, Cambridge, MA.
- Heifetz, R. A. and Laurie, D. L. 1997, 'The Work of Leadership' *Harvard Business Review*, Jan-Feb, pp. 124-134.
- Hilmer, F., Raynor, M. and Taperell, G. 1993, *National Competition Policy*, The Independent Committee of Inquiry, National Competition Policy Review, AGPS, Canberra.
- Jones, M. 1993, *Transforming Australian local government – making it work*, Allen & Unwin, Australia.
- Kirton, M. J. 1976, 'Adaptors and innovators: A description and measure', *Journal of Applied Psychology*, vol. 61, pp. 622-629.
- Kloot, L. and Martin, J. 2000, *Accountability in Australian Local Government: Explaining Differences Across State Systems*, paper presented at Western Decision Sciences Conference, Hawaii, April.
- Kottler, J. A. 1994, *Advanced group leadership*, Brooks/Cole, Pacific Grove, CA.
- Kraatz, M.S. 1998, 'Learning by association? Interorganizational networks and adaptation to environmental change', *Academy of Management Journal*, vol. 41, no. 6, pp. 621-643.
- Leach, S. and Davis, H. and Associates 1996, *Enabling or Disabling Local Government: Choices for the Future*, Open University Press, Buckingham.

Martin, J. 1999, 'Leadership in Local Government Reform: Strategic Direction versus Administrative Compliance', *Australian Journal of Public Administration*, vol. 58, no. 3, pp. 24-37.

Martin, J. 2000, 'Local Government and IT: A comparison of US and Australian use', *Local Government Management*, vol. 33, no. 4, pp. 36-37.

Pelz, D. C. and Munson, F. C. 1980, A framework for organisational innovating, unpublished paper, University of Michigan, Ann Arbor.

Richmond River Shire Council 1995, *Entry in the 1995 A. R. Bluett Memorial Trust Awards*, Richmond River Shire Council, Casino.

Rogers, M. 1998, *The Definition and Measurement of Innovation*, Melbourne Institute of Applied Economic and Social Research, The University of Melbourne, Melbourne.

Senge, P. M. 1990, *The Fifth Discipline: The Art and Practice of the Learning Organisation*, Doubleday, New York.

West, M. A. and Farr, J. L. 1990 'Innovation at Work' in *Innovation and Creativity at Work: Psychological and Sociological Strategies*, eds. M.A. West and J.L. Farr, John Wiley, Chichester.