Premises for sustainability – participatory budgeting as a way to construct collaborative innovation capacity in local government

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Abstract

Purpose – In this paper, the authors focus on participatory budgeting (PB) as an organizational issue in local government. The aim of this study is to analyze the premises of PB becoming institutionalized in local governance by scrutinizing the factors that enable or disable PB as a collaborative innovation process, and that in turn build innovative capacity. The authors study how the collaborative innovation process constructs the innovation capacity of local government and further how this enables PB to institutionalize in local government. With this study, the authors deepen the understanding of PB as a collaborative innovation process that may encounter obstacles and hindrances, but also enablers and drivers for creating and transforming sustainable collaborative practices in local government.

Design/methodology/approach – In this paper, the authors present a case study from one Finnish local government, the city of Lahti. The authors employ multifaced empirical data collected from the city of Lahti in two PB rounds between 2019 and 2022. Data include surveys for citizens and employees and municipal councilors and altogether 24 interviews with employees and councilors. The authors also gathered data by observing the PB process in Lahti, taking parts in workshops and meetings between 2019 and 2022. Municipal documents were likewise used as data in this study.

Findings – The institutionalization of PB in a local government organization requires organizational innovation capacity, not only individuals who are keen, motived and committed to work on PB. However, the Lahti case shows that successful PB results from the citizens' viewpoint can on one hand be reached while simultaneously the sustainability of PB needs more organizational commitment and support that materializes into managerial activities. The authors found that adequate resourcing is a key question in the institutionalization of PB.

Originality/value – In the present study, the authors approach the often-neglected topic of PB from the professional viewpoint in public administration. The originality of the empirical setting is the multifaced data collection during the first two rounds of PB in Lahti. It is highly relevant to analyze PB in its early stages as the organizational difficulties and resistance are at the time at their highest. This study offers a unique perspective on to the initialization of a novel participatory method in a city where no such efforts on this scale have been implemented before.

Keywords Participatory budgeting, Collaborative innovation, Innovation capacity, Institutionalization, Sustainability, Local government, Finland, Case study

Paper type Research paper

1. Introduction

Participatory budgeting (PB) has been a worldwide tool of citizen participation since the end of the 1980s. Famous first experiments with PB were in Porto Alegre, Brazil, and it has since

been used in various forms and different contexts (Wampler, 2012; Bartocci *et al.*, 2022). PB is, above all, a process of public deliberation and negotiation among the government and participants (i.e. citizens) over resource allocation (Bland, 2017). In the early years of PB in Brazil, PB was embraced not as an isolated tool of reform but as part of a broader move to radically democratize governance (Baiocchi and Ganuza, 2014). The successes and far-reaching results of this model are widely seen as the root causes of PB's global popularity in the years since. At the heart of the original PB model is not only the involvement of the citizens and the innovative aspect of participatory democracy, but also the fact that it forces departure from the traditional institutional architecture (Smith, 2009).

Across the globe, municipalities have had a remarkable role in experimenting and piloting PB with the noble aims of enhancing citizens' well-being by giving them a stronger role in decision-making (Ebdon and Franklin, 2006). Instead of undermining democratic accountability, PB can act as a mediatory instrument positioned between the city management and the citizens (Box *et al.*, 2001; Miller and O'Leary, 2007). PB can also alter the typical roles of civil servants and citizens. Therefore, PB poses a challenge to public administration organizations and to the traditional ways and roles of administrative practices, resources and structures. For instance, PB challenges public organizations by empowering citizens to take part in decision-making more directly, enabling a new kind of information basis from citizens for administration, altering the typical roles of civil servants and citizens and overall, shaking up the rooted organizational culture of an administration. Cuthill and Fien (2005) argue that citizens and community groups will require support from local governments to be able to participate effectively. Also, PB can be viewed as a collaborative form of "co-planning" and "co-design" that is claimed to improve the level of democracy and public accountability (Barbera *et al.*, 2016). PB and other participatory approaches can help boost cooperative problem solving, promote collective action, increase efficiency, improve public accountability and enhance sustainability (Bland, 2017). The etymological meaning of sustainability is someone or something's ability to last over time. Thus defined, sustainability implies that certain patterns of interaction are preserved within or across public organizations (Trondal, 2021). Sustainability can also be viewed as institutional sustainability which indicates an institutions' ability to survive thanks to the maintenance and development of activities and functions that respect the limitations (quantitative and qualitative) of resources (human, economic, instrumental, etc.) that the institution possesses and that are recognized by society (Santoro, 2019, p. 610). Moreover, PB can also act as a means of promoting ecological, social and economic sustainability, which in particular raises the important question of the degree to which PB itself (as opposed to short-term projects) is sustained. It can be said that PB is suitable for an analysis of changing dynamics between everyday constituents and government officials (Su, 2017). On the whole, PB can aim for more collaborative and democratic governance requiring the sustainable institutionalization of PB itself.

In this paper, we approach the sustainability of PB from the public administration viewpoint and see PB as a part of building institutional, collaborative innovation capacity to perform and produce valuable outcomes for citizens. We focus on PB as organizational capabilities and institutional arrangements and thus answer the call for more research raised in prior literature (Bartocci *et al.*, 2022; Mattei *et al.*, 2022). In addition, Bland (2017) highlights the sustainability progress in which knowledge and skills have been transferred to allow it to continue. Therefore, in this paper, we scrutinize PB as an act of collaborative innovation that is part of the organization's innovation capacity of creating and structuring new ways and roles of administrative practices, resources and structures. We scrutinize whether the collaborative innovation capacity could create premises for the institutionalization of participatory initiatives, resulting eventually in sustainable, institutionalized PB. Without the institutionalization of PB through the collaborative innovation process, the construction of an organization's innovation capacity will not be sustainable, nor will there be a wider transformation of the organization towards a more transparent and participatory, thus

sustainable, local government. With our focus on organizational factors and processes in PB, we approach PB in the politico-administrative context. Prior research has recognized the important but less studied role of public managers in shaping participatory tools: They design the mechanisms through which participation takes place, decide who is eligible to participate and which proposals are admissible and support and manage the implementation of these proposals (Migchelbrink and Van de Walle, 2021). We aim to contribute to this often-neglected topic. In addition, our study will not only extend the prior research on PB as an organizational and institutional issue but moreover reinforces the studies on the premises for transformation of sustainable collaborative local government.

In our paper, we present a case study from one Finnish local government, the city of Lahti. The decision to pilot a PB process was made in early 2020 just weeks before the widespread outbreak of COVID-19. This changed the plans of the original implementation, but it was still seen as important to offer something positive and fun for citizens in the middle of a large-scale international crisis. The second citywide round of PB was organized in 2021 based on the lessons learned in the first PB round in 2020. This paper investigates the organizational aspects of Lahti city's first two PB rounds. In Lahti, PB is still in its early stages and the full institutionalization of this participatory initiative cannot yet be studied. Respectively, Bland (2017) highlights that sustainability implies institutional change, a change in behavior that requires considerable time—years if not decades—to achieve. However, we can scrutinize the premises for sustainable PB in Lahti, which offers valuable knowledge on crucial factors enabling institutionalization. Furthermore, it is highly relevant to analyze the PB efforts in these meaningful early stages, as the organizational difficulties and resistance are at their highest. This offers a unique perspective on the initialization of a novel participatory method in a city where no such efforts on this scale have been implemented before.

The rest of the paper is structured as follows. In the section 2, we will review literature and position our study on prior research on the institutionalization of citizen participation initiatives. The next sections present the theoretical frame and the research setting of the study, followed by a presentation of data and methods. Our case study of Lahti is addressed in section four. We present the results of our study in section five. The paper ends with discussion and conclusions.

2. The institutionalization of citizen participation initiatives in prior research

Institutional change concerning citizen participation and the PB process might be gradual and slow, or sudden and unexpected. In general, citizen participation challenges the traditional rules, practices and narratives of existing institutions. PB and other different forms of participation also reflect the overall development in an institutional environment (see Lowndes and Roberts, 2013, p. 130). These lines of development might include societal issues, such as the crisis development of democracy and growing interest in participation, questions of societal inequalities, globalization and complexity. Additionally, the institutional environment of local governments is affected by legislature and the discussion regarding the most fundamental role of local government. Eventually, the wide variety of citizen participation and processes of entrenchment in local governments do in fact affect the nature of local government as an institution.

Citizen participation initiatives, including PB, are guided by different institutional rationales rather than traditional forms of public administration. This means that citizen participation challenges the conventional roles of different actors and raises questions concerning legitimacy, proper forms of knowledge representativeness and accountability, which are highly appreciated in the representative political system (Bäcklund, 2007; Klijn, 2011). Therefore, Edelenbos and van Meerkerk (2011) highlight the importance of active interaction in informal networks, trust building and boundary spanning. Instead of seeing

citizen participation as something extra or an "add-on," the institutionalization of citizen participation activities is seen as focal (Edelenbos, 2005).

Despite the growing research interest, the perspective on the institutionalization of PB is still relatively rarely studied (Bartocci *et al.*, 2022; Mattei *et al.*, 2022). Many of the prior studies on PB tend to focus on the design or results of PB (Ebdon and Franklin, 2006; Bartocci *et al.*, 2019; van der Does, 2022). For instance, Wampler and Touchton (2019) study the institutionalization of PB from the viewpoint of institutional design rules and their impact on PB results. An important implication of Wampler and Touchton's (2019) article is that institutional design rules that broaden participation, expand deliberation and embed social accountability institutions in existing processes produce better well-being-related outcomes than similar institutions that do not have these specific rules.

The longitudinal analysis of PB's sustainability and institutionalization in local government should be highlighted to gain more knowledge on how local governments apply and implement PB, which in turn can foster wider transformation of their organization toward more participatory practices. Bartocci *et al.* (2019) investigate the institutionalization of PB with institutional logics as their theoretical lens. Institutional logics provide a basis for explaining and interpreting PB adoption and implementation over time. Jabola-Carolus *et al.* (2020) investigate PB in New York. They focus on the interplay of strategic interaction and institutional schedules to create understanding on how PB has been institutionalized and more broadly on what happens to social movements over time. Jabola-Carolus *et al.* (2020) state that sustainability over time is usually required to ensure that policy gains translate into real benefits. In a wider citizen participation context, institutionalization is studied with institutional framing, which is a notion aiming to include all frames used by specific institutions. Castell (2016) explains that institutional framing of community-led initiatives refers to how the local authority shapes the conditions for community-led initiatives by frames. Institutional framing involves both formal and informal aspects of institutional design. The study indicates that a strong control orientation and focus on formal procedures might be grounded in a tradition of representative democracy, but also that it might constitute an obstacle for a flexible and supportive approach toward community-led initiatives (Castell, 2016).

De Blasio *et al.* (2020) have recognized certain barriers to citizen participation and its institutionalization, such as psychological barriers, personality traits, socioeconomic barriers and political barriers. Such barriers include conditions of power asymmetries among citizens but also between citizens and the governing elites (institutions, interest groups and the private sector). These barriers tend to focus on the participant's viewpoint. However, in their study, De Blasio *et al.* (2020) highlight the meaning of communication in the institutionalization of participatory processes, such as PB. Communication is understood widely as a tool in building relationships and trust between citizens and civil servants but also as an asset for enhancing participation.

Although there are some studies on the institutionalization of PB, there is still a need for studies on the factors that promote or hinder citizen participation initiatives to add knowledge on what is needed for PB to settle in local government and how PB in turn promotes collaborative forms of governance. Nabatchi and Amsler (2014) highlight that it is relevant to deepen understanding of the forms of citizen participation by identifying the promoters of a reform such as PB, and exploring how and why their motives might affect its design and therefore its implementation. In this paper, we see PB as a democratic innovation (Smith, 2009, cf. Ewens and van der Voet, 2019) aimed not only at the involvement of citizens but also at institutionalizing citizen participation as a part of local government operations. However, PB differs from the established ways of local government operations. In fact, PB challenges local governments and, as well as other forms of citizen participation, it is a task not only for citizens but also for the local governments organizing it. Next, we approach the PB process and the institutionalization of PB as a by-product of collaborative innovation.

3. Capacity building through the collaborative innovation process of PB

For us to investigate the collaborative innovation practices in PB, there is a need to define what is meant by innovation practices. Simply put, innovation itself can be defined as a process of producing something new. This can mean, for example, a new service, a new product, or simply a new way of operating. Schumpeter (1934) defines innovation as a process from ideas to their successful implementation. In public administration, this also includes new public policies and their realization and diffusion, in the definition of innovation. This can be understood to entail new ways of organizing the policy-making processes (Agger and Sørensen, 2018, p. 55). Innovation in the public sector is usually focused mainly on service improvement, preparation for future challenges and on finding effective ways to deal with different environmental demands (Bekkers *et al.*, 2011). Public innovation processes can typically emerge in certain phases that, at least on a theoretical level, emerge in a certain order. First, the problem or issue is critically assessed. In the second phase, new ideas are developed on how to deal with the problem. The purpose of this phase is to implement the planned policies and services. Finally, the organization diffuses the innovations to the audiences relevant to the issue (Eggers *et al.*, 2009; Sørensen and Torfing, 2011). It has however also been noted that the bureaucratic structures of public sector organizations can act as an impediment to the generation and adoption of new innovations (Jakobsen and Thrane, 2016).

PB is approached as democratic innovation, participatory innovation and as we do, as a collaborative innovation. For instance, van der Does (2022) examines PB as a democratic innovation illustrating new ways to involve citizens in policymaking. Ewens and van der Voet (2019) emphasize that the additional involvement of citizens in PB compared to traditional budgeting is what constitutes PB as a participatory innovation. On democratic innovations, Newton (2012) finds that a democratic innovation may be defined for present purposes as the successful implementation of a new idea that is intended to change the structures or processes of democratic government and politics in order to improve them. While the vagueness of defining a democratic innovation is recognized and highlighted by Newton (2012), he distinguishes some general characteristics such as reform, invention, modification and change (see also Newton and Geissel, 2012).

A key issue related to innovations and innovation processes in public administration is the innovation capacity of said organizations. The innovation capacity in public organizations, including local governments, is always interconnected with its operational environment. The different contexts and governance traditions can either trigger innovation or constrain it (Lewis and Ricard, 2014). Bekkers *et al.* (2013) have defined the aspects of an environment that could function as meaningful drivers of or barriers to innovation: the complexity of social and political operational environment, legal culture, type of governance and tradition and the way of result allocation and the relationship between public and private organizations.

Overall, previous studies have labeled administrative triggers (such as competition and crises), strong civil society and a decentralized state as being positively related to public sector innovation capacity. At the same time, a centralized, strongly formalized and rule-bound legal culture are elements negatively related to innovation capacity (Bekkers *et al.*, 2013).

The exploration of the innovative capacity of a public organization can also be separated into different levels. Gieske *et al.* (2016, p. 4) approach the innovative capacity by examining the individual, organizational and network levels (see Figure 1). The individual level consists of the characteristics and capabilities of the individuals involved and the relationships between them. The organizational level consists of different rules, policies and strategies within the organization that structure the behavior within the organization. The network level looks at the characteristics of interorganizational arrangements, as well as the
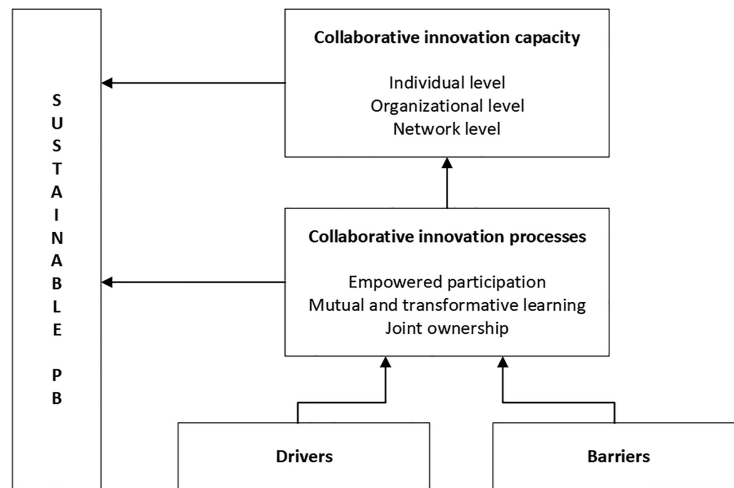
Source(s): Adapted from Sørensen and Torfing, 2011, p.859 and Gieske *et al.* 2016, p.4

institutional rules and guidelines that give structure to the interactions between actors within a certain system (Gieske *et al.*, 2016).

Recently, the public sector innovation and innovation capacity research has been focusing especially on networks and the role they hold (Lewis *et al.*, 2011; Osborne, 2010). The idea of collaborative innovation means opening up the public innovation process to a series of different actors across varied hierarchies and organizational boundaries (Eggers *et al.*, 2009; Kurkela *et al.*, 2019; Nambisan, 2008). Moore (2009, p. 191) connects collaborative innovation to networked government by stating that "the concept of networked government includes not only effective coordination across government organizations but also the possible integration of both for profit and nonprofit sector organizations into production systems designed to achieve public purposes." The basis of collaborative innovation is in the benefits that the opening of the innovative process can offer, such as improving the innovation cycle, strengthening the idea-generation phase and improving implementation and diffusion of ideas (Bommert, 2010, pp. 22–23; Fung, 2008). For example, the generation of new ideas is strengthened through collaborative innovation because the public organizations can use a wide range of knowledge that does not necessarily come locally or from professionals (Fung, 2008, p. 58).

Collaborative innovation, however, requires stimulation, monitoring and facilitating to produce desired outcomes (Agger and Sørensen, 2018). This place demands on the public organization responsible for the innovation and its processes. The positive impact that collaborative innovation can have has been noted in previous studies; a meta-analysis of scientific studies noted that in public and private innovations, internal and external communication and collaboration have positive impacts on innovation (Damanpour, 1991). To assess the collaborative innovation aspects of an organization, Sørensen and Torfing (2011, p. 859) have defined the most important barriers and drivers for closer inspection (see Figure 1). The barriers are seen as institutional, interorganizational, cultural, organizational and identity related, and they heavily influence the ways the organization itself interacts within the collaborative innovation process. Institutional barriers relate to the separation of politics and administrations as well as the discord of dialog with users as interorganizational barriers refer to the silos, territorial clashes and groupthink that can be found in the public sector.

Cultural barriers cover the legalistic and error-shy culture, organizational barriers delve into the lack of united focus on innovation altogether, and identity related barriers are the barriers that arise from the identities of certain key stakeholders that obstruct collaborative innovation. The drivers on the other hand are related to, for example, urgent policy construction, the interdependency seen between committed actors, a universally agreed upon mission, high levels of trust and a promise of notable gains from the public innovation at hand (Sørensen and Torfing, 2011).

Sørensen and Torfing (2011) also present in their work how public innovation can be defined and sculpted by the processes of collaborative innovation (see Figure 1). In these processes the focus is on, among other things, the participation of empowered actors that have varied roles, identities and resources at their disposal (March and Olsen, 1995), the role of instrumental and communicative learning (Mezirow, 2000) and joint ownership (Skelcher and Torfing, 2010). These themes sculpt the formation of the collaborative innovation processes and therefore the birth of the innovation itself (Sørensen and Torfing, 2011).

As previous studies show, collaborative innovation processes can be described as multifaceted and complex. The connection between the formation of the innovation capacity of an organization and collaborative innovations and the factors involved, however, have not yet been thoroughly explored in literature. We aim to participate in this discussion by presenting our case study of one local municipality conducting PB. In this study, we see the ideals of collaborative innovation as a tool for institutionalizing PB. Shortly put, this means that a joint developing process could help to overcome the barriers attached to the PB processes. These barriers could be attached, for example, to organizational reluctancy, poor allocation of resources and overall confusion within the organization on the value of PB.

We utilize the theoretical frame laid out previously to help us identify the factors influencing the formation of the organization's collaborative innovation processes. We specifically assess the drivers and barriers presented in the research of Sørensen and Torfing (2011). We also aim to scrutinize the levels of innovative capacity by Gieske *et al.* (2016) to assess the institutionalization of PB (See Figure 1).

In this paper, our particular interest is in examining PB as a collaborative innovation process that might have an impact on the innovation capacity of the public organization. Our attention also focuses on innovation capacity and its role in creating premises for the institutionalization of PB. To scrutinize the possibilities of new administrative practices and structures, we particularly take a look at the possible hindrances and obstacles, but also enablers and drivers, that come into question in the collaborative innovation process. We pose three research questions as follows.

RQ1. What are the factors that enable or disable PB to become a collaborative innovation process in local government?

RQ2. How does the collaborative innovation process construct the innovation capacity of local government?

RQ3. What kind of premises can this innovation capacity construct for the institutionalization of PB in local government?

To sum up, we view PB as a democratic innovation that, as a process, can be collaborative in nature. The collaborative innovation process in turn plays a role in the formation of innovation capacity within the organization. This capacity could be a key in enabling an organization to construct new administrative practices and structures. Succeeding in this can foster the institutionalization of PB. Theoretically, our paper builds on the previous research on collaborative innovation and innovation capacity (see Figure 1). We also view that the institutionalization of PB can be a part of a wider process of democratic transformation in the

public sector were collaborative measures and new ways of operating can lead to a more inclusive and open public sector.

4. Research setting, methods and data

In our study, we employ multifaceted empirical data collected from the city of Lahti spanning the years 2019–2022. The data were partly collected through the multinational, EU Interreg BSR funded "EmPaci" Empowering participatory budgeting in the Baltic Sea Region research project, of which the authors took part in. Lahti was a pilot city in the research project, and the authors' role was to support, analyze and evaluate the launching of PB in the city. The authors for example participated in multiple events in Lahti during the span of this research, such as meetings in the planning phase of the PB, where they participated in activities as well as observed the Lahti city employees and PB activities. The authors also acted in the role of outside evaluators during the EmPaci project when assessing the PB in Lahti. In addition to the data collected during the EmPaci project, the authors collected data from Lahti independently for separate research reasons. Lahti commissioned an evaluation of their PB from the authors in 2022 of which data have been utilized in this article.

The data for this article comes from multiple surveys (to citizens as well as city employees), interviews (city employees and local politicians) and general observation done by the authors. The citizen surveys gave great insight to how the citizens have taken to the PB, and how generally well they thought the PB had been implemented. The general consensus from the citizen surveys was that the PB was adequately run, which intrigued as to look beyond the citizens towards the implementing organization, the city of Lahti. In this study we utilize mainly the surveys and interviews conducted to the employees of Lahti city in order to dig deeper into the intricacies of Lahti PB.

The data collection started with a survey addressed to the citizens of Lahti ($n = 1,213$) in the fall of 2019, when the planning of the first round of PB begun. This survey measured the extent of the local citizens' current involvement in the municipality's operations and specifically the citizens' level of interest toward different types of citizen participation, in particular PB. Based on the survey, it became clear that there was a distinctive interest in the community to develop the Lahti area and work on these matters with the local government. The survey indicated that the community's involvement levels with tackling different shared issues or taking part in community work were not particularly high at the time, but that there is interest in these issues in the community. The respondents indicated that they were especially interested in PB when it is performed using online tools and methods.

After the first round of PB had taken place during 2020, empirical quantitative and qualitative data were collected from citizens (online survey 2020, $n = 243$). This survey included open-ended questions that gave the respondents the opportunity to expand on their views even more broadly. The survey was available on the municipality's website, in addition to being circulated on the municipality's social media channels. The survey was directed to all citizens of the Lahti region, not just the ones who had taken part in the first round of PB. The survey questions mainly focused on how the citizens thought the PB had been run, what they thought worked best and how happy they were with the process. In this study we mainly used this citizen study as a guideline toward the organizational data gathering, as we felt that there was more substantial information to be gathered from the organization itself.

Data were also collected from Lahti city civil servants and politicians via an online survey in 2020 ($n = 39$). This survey was circulated in the city's closed-circuit Intranet and via e-mail. The survey gave great insights into the attitudes and stress factors related to PB. In this study we especially delve into the open-ended questions from the survey without analyzing the survey results statistically. This decision was made based on the previous surveys done in Lahti where the citizens were quite content with the PB, but the employees showed great

points of future development. These issues cannot be tackled by just analyzing the statistics of the surveys, but by looking into the opinions expressed in the written answers. On top of this empirical qualitative survey data, 17 individual interviews were conducted in the beginning of 2021. The interviewees were civil servants working for the city of Lahti and local politicians from the city council. The interviews covered a variety of topics related to PB, such as successes and difficulties with PB, evaluation, lessons learned within the organization and overall attitudes, motivation and commitment toward PB. In this article we utilize specific parts of the interview data that concerns the insights on institutionalization of PB and its prospects on becoming a permanent part of the organization's operations.

In 2022, the second round of PB organized in 2021 was assessed by the authors by again utilizing empirical qualitative data. A citizen survey ($n = 464$) and a survey for city employees ($n = 72$) were organized. Both of these surveys included open-ended questions, as well as typical questionnaire questions with limited answer options. These open-ended questions proved quite useful in measuring the true thoughts and attitudes of the respondents. On top of these surveys, seven key employees were interviewed in the spring of 2022. These interviews revolved quite strongly around the same themes as the first round of interviews a year prior in 2021. Even though the interview questions had similarities to the previous interviews, not all interviewees were the same between the two rounds of data collection.

The authors also gathered data by observing the PB process in Lahti, taking parts in workshops and meetings between 2019 and 2022. Municipal records and documents were likewise used as data in this study. In addition, triangulation was utilized in the data collection. For example, the interviews were constructed based on the important themes that could be detected from the survey answers. The second round of surveys and interviews was also formulated based on the first round of surveys and interviews.

The case study approach (Yin, 2014) was chosen to obtain detailed information and in-depth knowledge on the conditions, factors and processes of a single entity. All collected data were analyzed using theory-driven content analysis. The theory-driven approach allowed us to identify the critical factors in our case study and test the previous findings, but also to explore the theoretical implications (Eisenhardt, 1989).

5. Case study on PB in Lahti

The role of the Finnish municipalities in the day-to-day lives of citizens is broad and significant in regard to the well-being of the citizens (e.g. Sinervo and Haapala, 2019). Currently, there are two main administrative levels in Finland: central and autonomous local government. Finland has 311 municipalities that are responsible for providing most public services. Those services are mainly financed by taxation and state subsidies. The municipalities are currently, for example, in charge of providing social and welfare services to their citizens. When faced with COVID-19, the municipalities were quickly put under an enormous strain in providing adequate health care when the case numbers increased quickly. The municipalities are also in charge of providing the educational resources for the area, which means that when schools closed due to the pandemic in the spring of 2020, the municipalities were forced to implement new practices quickly. It is also noteworthy to reflect on the political atmosphere in which the municipal administrations operate. The municipal councils of elected politicians make the guidelines and budgets under which the municipal managers and leaders operate. This arrangement means that the strategic guidelines under which every municipality operates always come from the municipal council and the agenda it has set (Sinervo and Haapala, 2019).

In this study the Finnish city of Lahti is used as a case study in the implementation of PB. Lahti is a city of approximately 119,000 inhabitants, which makes it the ninth largest city in Finland. The decision to conduct an initial round of PB in the Finnish local government of Lahti was made in 2020 by the municipal council, which decides over strategic matters such

as this. As the municipal council is the deciding body, the execution of matters such as this relies solely on the different departments within the municipal organization. The key department within the municipality in charge of PB was the citizen participation department, that is, like all other departments, operated directly under the municipal manager. The department is located within one of the municipality's three divisions, the education division. The entire municipality employs altogether approximately 3,600 persons.

The first round of PB ran through the course of 2020 with the bold aim to carry out citywide PB for the first time. The main goal of the first round was to strengthen the citizens' participation in the city's operations. The PB round was foreseen by an extensive planning period, in which the municipality considered different PB models used mainly in different Finnish municipalities. The aim of the planning period was to produce a suitable and sustainable method of participation for the city of Lahti. As 2020 progressed and the PB implementation was getting underway, it became apparent that COVID-19 would affect the course of the PB. Although the pandemic altered the original implementation plans, the city was determined to run the first round of PB despite the unprecedented time of crisis.

In both PB rounds, Lahti conducted the PB cycle in six different phases: the brainstorming phase, the implementation and cost evaluation phase, the co-creation and planning phase conducted with the citizens and the municipal employees, the voting phase, the idea implementation phase and the process evaluation phase, which included the further development of the PB model. This six-phase process began in the spring of 2020, and the final phase of the first PB round was concluded in the spring of 2021. The evaluation of the PB process was seen vital in the development and analysis of the used model, so assessment of the round was swiftly organized. The authors were responsible for the assessment of the first round. After assessing the first round of PB, a second round was organized by the city in 2021, with the same six-phase PB process. This round was evaluated again in 2022 by the authors.

The PB process was originally scheduled to fit as well as possible into the annual meetings timetable set for the different divisions in the city operations. The first round was allocated a budget of €100,000, which was noted in the 2020 municipal operating budget (see Table 1). This was the sum total of money that the citizens could budget with their ideas. The municipal yearly operating budget also allocated €60,000 for the administration of the PB process. The second round of PB in 2021 was allocated a budget of €200,000, which was double the previous budget (see Table 1). In the second round of PB, no changes were made to the yearly municipal operating budget allocated for PB administration, but one must note that the communications resources were smaller in the second round due to not having a communications expert in the PB core group. As the key figures of the first and second round of PB gathered in Table 1 show, citizens were relatively active in submitting ideas and voting in Lahti PB. The number of idea proposals and votes increased in the second round.

	1st round	2nd round
Budget	100,000 euros	200,000 euros
Budget, euro per inhabitant	0.833	1.666
Number of proposals	713	957
Number of eligible proposals	58	177
Number of voters	3,896	4,691
Voting rate	3.3%	3.9%
Number of projects being implemented	10	33
Size of PB core group of employees	6 ½	2
Number of PB coaches	4	5
Number of PB guardians	12	7

Table 1.
Key figures of the first and second rounds of PB in Lahti

The main change in the PB implementation that arose from the COVID-19 epidemic was the fact that almost all interactions between the municipality and citizens had to occur remotely in the first PB. This was evident mostly in the co-creation phase, where the municipality was able to host just one co-creation event for the citizens. The event had to consider the social distancing orders from the health officials, and some citizens might have had doubts about attending a face-to-face event during the epidemic. This meant that the turnout of the event was probably smaller than it would have been under normal circumstances. The city of Lahti opted not to organize online events during the first PB cycle. The second PB round was organized in 2021, when COVID-19 still influenced everyday operations of local governments. The Finnish national government still had ongoing COVID-19 restrictions during the 2021 PB round, which meant that not all PB-related activities could be held in person. Despite this, the round saw altogether four co-creation events in different parts of the city, including one online event.

The PB process as a whole was overseen on both rounds by a small PB core group (see Table 1), that consisted of two participatory operations coordinators, a communications expert and other municipal employees. The make-up of this small core group saw a decline during the second round of PB in the departure of the communications expert. The core group was also smaller in the second round of PB due to other changes in the availability of employees. All in all the PB process on both rounds was managed and operated by a relatively small number of key organizers.

Both of the Lahti city PB rounds utilized the help of specifically assigned PB guardians and coaches (see Table 1). The PB guardians were ordinary citizens that volunteered to help with the dissemination and organizing of the PB process within their own community. These individuals were selected by the PB core group in a process that was not open to applications. The PB coaches were members of the city organization that helped the municipal employees come to terms with the operational aspects of the PB. These coaches were handpicked by a key employee in the organization, and, like the PB guardians, these positions were not open for application but assigned to known capable and eager individuals. The purpose of the PB guardians and coaches was to ease the citizens and city employees into this innovative way of operating smoothly and easily.

6. Results: PB as a collaborative innovation process in Lahti

Our research first question asked *what are the factors that enable or disable PB to become a collaborative innovation process in local government?* Our analysis shows that the main barriers within the organization that get in the way of the collaborative innovation process are, on one hand, heavily cultural, and on the other hand, intra-organizational. According to our organizational surveys (2020 and 2021), the organization faces cultural barriers within its ways of operating because it is not common within the city to work interdepartmentally and in a setting where the request to action does not come from one's own department. This is also evident within the attitudes of the different department heads, as they do not necessarily see the need to encourage or stimulate interdepartmental cooperation. The various attitudes within the organization toward the innovation process can also be seen as cultural barriers— for example, the organization holds within itself employees who feel that conducting PB is an unnecessary burden to the organization and that it does not add anything to the relationship between the municipality and its residents (organizational surveys 2020 and 2021). This cultural disposition is a barrier that affects the operations of the organization both on and below the surface.

> Well, I think it's because this is such a new and young thing to do, so maybe there's still some feelings that PB is only an undertaking for the participation-department, and it is not widely seen as a matter

for all departments equally where the one department [participation] just puts the ball rolling on it. Employee, 2021, interview

It's been a bit conflicting. Some [employees] have been really happy about it, some see it like this is completely normal work, we listen to citizens all the time. . . And then some have been quite negative, "We don't need this, why are we doing this". And the money is so scarce that it doesn't make any difference. Employee, 2021, interview

The intra-organizational barriers are visible, for example, in the inadequate resourcing allocated to the process. Resourcing was not adequate in the first round, but no amendments were made for the second round (interviews 2020 and 2021). On the contrary, in the second round, the administrative resources were even more limited, and there were no professional communication resources available for use. This oversight can be traced back to the department heads that did not necessarily recognize early on what was needed from the organization to implement PB (interviews 2021). Changes in administrative staff affected the PB process in the second round. Organizationally, the PB process is orchestrated in a small, tight-knit group of core employees, which might leave enthusiastic and knowledgeable employees out of the loop (organizational survey 2021). Although a core group of employees can be a positive force for the process, it can also be seen as an intra-organizational barrier that has resulted in the underutilization of expertise and intellect in the innovative process. This barrier became even more visible in the second round of PB (2021) in the survey answers and interview responses from different administrative divisions.

This thing [PB] came a bit from the side-lines, and as we weren't a part of the core of the process, so the model was just kind of given to us and it felt foreign to us, or something we shunned a bit. Employee, 2021, interview

You could probably sense that there was a stronger need for mental support during the process, and a need to operate [the PB] with a mentality of a united city organization. Core group employee, 2020, interview

The main drivers that influence the collaborative innovation process, on the other hand, can be seen to be identity related, organizational and cultural. Identity-wise, the process involves strong ownership and actions from individuals within the local government who feel strongly about the cause, which is an indication of a strong bond to the process of both rounds (interviews 2020 and 2021). They also feel a sense of agency toward the process. The identity-related drivers emphasize the fact that the employees, managers and stakeholders (council members) in the organization feel strongly that this process has a place in the organization and that it supports their identity as a municipality and a public organization. The PB process has strong political support, and the decision to proceed with the PB was a bold statement from the municipality toward its chosen identity and way of operating, as evident in our interview data from 2020 to 2021 as well.

All in all, the factors influencing the collaborative innovation process are multifaceted. To conclude, we see a strong need for joint ownership of the PB process. At this stage, the ownership is heavily centralized to a certain group of key employees, which has slowed down the process of truly settling the PB into the natural flow of the organization's operations (organizational surveys and interviews 2020 and 2021). As mentioned above, we are also seeing that a key number of the drivers within the organization are situated in the small group of key employees organizing PB in the city. This is also an issue regarding the long-term institutionalization of PB within the city. At this stage, we are also starting to recognize that difficulties in the PB process are strongly linked to the PB planning and the handling and evaluation of citizens' ideas (organizational survey 2021). The process planning has not been systematic in the sense of including representatives from various administrative divisions. There could have been more widespread willingness to participate in the planning process,

but despite this, the organizational survey from 2021 reveals that the PB process has been handled as a given without any real possibilities to influence it. Additionally, it seems that PB is a type of process that would require significant flexibility, which then clashes with the bureaucratic structures and practices found in Finnish local governments. For PB to be a collaborative innovation and for it to be institutionalized in Lahti, the process needs to be more transparent and participatory also within the city organization itself.

> There could be a not-so frequently meeting steering group, that would enforce the commitment from management throughout the whole PB, and also means to get involved in the planning process [of PB] . . . But also a task force that would do the day-to-day planning, and it could have – maybe the ideal size be about five, six people, who would be involved in a more committed way, from different departments within the city and on top of that [task force] would be the core group of employees. Core group employee, 2021

We assess the innovation capacity of Lahti city through the collaborative innovation process that is shaped by the forementioned factors (drivers and barriers). To better dissect the overall innovation capacity of Lahti city we proposed a research question that approached the subject through the lens of the collaborative innovation process. To be more precise, we asked *how does the collaborative innovation process construct the innovation capacity of local government?* We analyzed the data on Lahti PB by utilizing the levels of innovative capacity presented by Gieske *et al.* (2016), and we recognized the following: On an individual level, we saw that the core group of individuals involved in the PB were capable of operating on and open to the idea of PB. The head of the department responsible for PB was enthusiastic and positive about the PB (interviews 2020 and 2021). However, our analysis shows that the head's individual input in the process was lacking on the part of messaging the other department heads about PB and its importance. The head in question delegated this task unofficially to the employee handling the day-to-day PB activities. According to our interview data, this turn of events was not beneficial to the PB process, as the overall message came from the wrong individual in the organization, and therefore, it lacked the gravitas needed. This can be seen as a shortcoming on an individual level inside the organization. After the first round of PB, the department head in question left the organization, and in the second round, there was a new department head, but the same communication issues remained.

Overall, the leadership in Lahti is positive toward PB, including the municipal manager of the whole city area. Although his disposition is positive, his role in the PB implementation has remained ceremonial at best. Our analysis also showed that it is possible that the PB process in Lahti overlooks some of its individuals' good qualities and already existing networks. There is unutilized potential in the administrative departments that were left out of the process, at least in the planning phase. The underutilization of the organization's own employees can be seen as part of a bigger learning process needed in the organization regarding planning and implementing PB.

Regarding the organizational-level capabilities, the capabilities and expertise of the core group handling the PB do not necessarily rise to the organizational level. The PB process has run into administrational barriers, for example, with department lines, and the free flow of information and thoughts cannot be ensured (organizational survey 2021). The power positions within the organization support the hierarchical structure, and therefore, the same situation can be seen as alive and well within the PB process. Regarding the managerial activities in the municipality, our interview data shows that the support of the municipal manager and lower-level manager in charge of the PB process is not enough, and the process as a whole lacks concrete managerial activities. The organization prepared for PB resource-wise quite unevenly, as the resources allocated for the PB process are deemed too scarce in many departments (organizational survey and interviews 2020). The organization, however, became aware of the lack of resources, and the issue was resolved with an additional

employee for the PB team during the first PB round. However, due to changes in staff, including unpredicted ones, the second round of PB lacked even more necessary resources. The core team shrunk to two coordinators responsible for running the entire process. Additionally, there were signs of inadequacy of resources in the administrative divisions processing the citizens' ideas. These resource issues can also be seen to affect the overall attitudes of the employees toward the whole process.

According to our analysis, the organizational capacity does not reach its fullest potential on the network level. The PB guardians, who are ordinary citizens selected to help in the PB process without pay, represent a strong step in the network direction. The municipality, or more specifically, the individual employees, utilized their existing connections in recruiting these PB guardians, but no significant effort was made to branch out to unfamiliar and new partners in this matter. The PB guardians who were included in the PB process were extremely passionate about the process, but according to our interview data they remained somewhat unutilized by the municipality. This is once more a clear demonstration of how the organization lacks in giving invested and enthusiastic individuals more room to join the process more prominently. This comes to light on the citizens' part as well, as our previous citizen survey in 2019 showed that there was great excitement within the community toward the PB process. In this capacity, the organization could not fully tap into this energy as a resource in the process. It is also noteworthy that within the organization, there are individuals with greater network-level assets toward third-sector operatives, for example, than what end up being utilized.

Our final research question packed together our analysis of the factors influencing the collaborative innovation process and the overall collaborative innovation capacity of the city. We asked *what kind of premises can this innovation capacity construct for the institutionalization of PB in local government?* The research question was in relation to the institutionalization of PB in local government, and specifically to how different factors and the innovation capacity of the organization influence the institutionalization of PB in local government. In Lahti, PB has elements of collaborative innovation, and it succeeds in some extent in building the collaborative capacity of the city. Thus, we can identify "collaborative factors" and levels of collaborative capacity that enable PB institutionalization. Institutionalization of PB is fostered by creating a shared understanding of the importance and meaning of PB throughout the organization. This shared importance of PB acts as a basis for commitment and support for running PB. For PB to root itself into an organization, both managerial and political commitment and support are needed, and they should materialize into concrete actions, such as allocation of human resources, for instance, assigned working hours for PB. We recognized that resourcing is a key question for successful implementation but also for collaborative capacity building. Without adequate resources, eventually, attitudes turn negative and willingness to work with PB will diminish. Additionally, acknowledgment of existing individual and organizational capabilities and their utilization help to ensure PB's sustainability. The Lahti case illustrates that the existing knowledge and capabilities are easily left unutilized without shared ownership and agency of the process. Ownership of the PB process in Lahti is strong, but it is in the hands of a small group of key actors. Furthermore, the agency for running PB should be widely shared, resulting in sustainable PB. Interaction between the PB team and departments in administrative divisions has a remarkable impact not only on the success of PB but also on its sustainability. PB tends to shake hierarchal practices and administrative boundaries requiring interdepartmental interaction and flexibility to react to surprises that typically arise in PB, for instance in forms of unexpected proposals and turnout in different PB phases.

In Lahti, the collaborative capacity rests mostly in the hands of individuals and only to some extent at the organizational level. However, citizens have expressed their desire and interest to engage in budgeting decision-making in both rounds of PB (see Table 1). This

indicates that there is unused potential in the citizenry beyond the PB guardians, as well as for the development and planning of the PB process in early stages. Acknowledgment and utilization of the citizenry's capacity would ensure that PB would become a permanent procedure in Lahti. Survey and interview results show that in addition to the citizenry, other stakeholders, for instance, third-sector organizations, are not systematically engaged in the PB process. From the network-level perspective, PB is portrayed as a project of a small group of citizens and city employees, whereas in Lahti, there is potential to enhance the network collaboration capacity systematically.

Overall, whereas PB in Lahti cannot be regarded as a success from all viewpoints, there are clear indicators showing a start for the sustainability of PB. In particular, top political and managerial support for and commitment to PB, appointment of PB coordination tasks for two coordinators, doubled budget allocation for PB in the second run and willingness and interest to evaluate and develop PB show a promising beginning of the institutionalization of PB.

7. Discussion and conclusions
The goal of this study is to analyze the collaborative innovation capacity of Lahti city and how this influences the long-term sustainability of PB. In order to assess the innovation capacity of Lahti city as a local government, the theory of collaborative innovation processes was utilized. The collaborative innovation process was analyzed assessing different factors (drivers and barriers) that affect the collaborative innovation process. In our analysis, we have identified three different levels of innovation capacity as well as specific factors that influence the city's collaborative innovation process (Table 2).

When scrutinizing the collaborative process of PB as a way to institutionalize PB and to promote transformation of local government, we can see that the collaborative factors and the organizational capacity play an evident role (as outlined in Table 3). In this paper, we have

	Collaborative innovation capacity	Factors that influence the collaborative innovation process
Individual level	• Motivated core group of employees • Shortcomings in interdepartmental communication • Underutilization of individual employees	• Positive attitudes • Interdepartmental interest toward PB • Acknowledgment and utilization of individual capabilities • Individual agency
Organizational level	• Inadequate managerial activities • Inadequate resourcing • Clashes with traditional organizational policies	• Shared understanding of the meaning of PB • Political and managerial commitment and support • Adequacy of resources • Acknowledgment and utilization of organizational capabilities • Shared ownership of the process • Organizational agency • Practices for interdepartmental collaboration
Network level	• Organizational operations on the network level were not deployed • Individual employees worked on the network level	• Acknowledgement and utilization of stakeholders' capabilities • Network agency

Source(s): Authors' further elaboration on the basis of Sørensen and Torfing (2011) and Gieske *et al.* (2016)

Table 2.
Synthesizing theoretical perceptions with empirical interpretation: Factors that influence the collaborative innovation process and levels of innovation capacity

What are the factors that enable or disable PB to become a collaborative innovation process in local government?	*As enabling factors* can be seen to be positive attitudes, organizational interest, agency, shared understanding of PB and joint ownership of the process *As disabling factors* can be seen to be the lack of managerial support, clashes with traditional policies, underutilization of employees and inadequate resourcing
How does the collaborative innovation process construct the innovation capacity of local government?	Collaborative innovation processes utilize the different factors (see question 1) and build the innovation capacity within the organization over time. In addition, innovation capacity can be built on positive or negative factors, which all have a unique effect on the formation of the organization's innovation capacity
What kind of premises can innovation capacity construct for the institutionalization of PB in local government?	Innovation capacity can build a fruitful premise for the institutionalization of PB by offering the ground upon which to build these new ways of operating. This together with shared understanding of the meaning of PB, managerial and political commitment and support, adequate resources and citizen's involvement are crucial in the institutionalization of PB in local government

Table 3.
Results for research questions (as set in chapter 3)

identified factors that enable and disable the collaborative innovation process of PB based on prior work by Sørensen and Torfing (2011). Our study reinforces their findings concerning identity-related, cultural, institutional and organizational factors. We deepen the understanding of these factors by scrutinizing them through the perspective of innovation capacity (Gieske *et al.*, 2016). Based on our study, we highlight that the factors become visible at different levels of capacity simultaneously. Additionally, the institutionalization of PB seems to be a process that can begin even if the construction of innovation capacity has not reached its highest level (see Table 2.).

Our study indicates that perceptions toward PB vary and can be simultaneously different in the same PB process. Thus, our findings support the prior insights on perceptions toward PB presented by Migchelbrink and Van de Walle (2021). Migchelbrink and Van de Walle's (2021) study provides evidence on four distinct role perceptions: managerial, citizen-centric, technocratic and skeptical. Public managers with a managerial role perception focus on PB as an administrative process, an administrative task. This perspective illustrates that not all public managers are intrinsically motivated in favor of or against PB, but they could perceive the planning, organization and execution of participatory processes as an administrative task like all others. Our study results show that although perceptions vary, support and commitment from public managers are needed in the PB process. Additionally, differences between the role perceptions can create challenges in constructing the city's innovation capacity.

Citizens and other stakeholders have an impact on the institutionalization of PB. Cuthill and Fien (2005) express the importance of community capacity building and the local government's role in reinforcing citizens' and community groups' participation. They also highlight that local governments will need to focus on building the skills, knowledge, experience, leadership and managerial capabilities of citizens, community groups and public officials to participate in local governance processes. In addition, it will require the "opening up" of community access to the political and economic systems that are the basis of power in

modern communities (Cuthill and Fien, 2005). Our study suggests that citizens' enthusiasm and their capacities and capabilities to participate could foster the fruitful premises for further institutionalization of PB. Thus, we reinforce the prior findings of Cuthill and Fien (2005). However, it is noteworthy that citizens' enthusiasm often clashes with organizational boundaries and readiness for PB illustrated by case Lahti PB. Moreover, while PB can be regarded as a success to some extend from a citizens' viewpoint (cf. van der Does, 2022), institutionalization would require organizational success as well. Moreover, Bartocci *et al.* (2022) highlight the roles of public managers and politicians in the organizational success of PB process. These internal factors are recognized as the drivers of PB (see also Ewens and van der Voet, 2019) and the commitment and professionalism of both politicians and managers are pivotal for embracing the PB idea (Bartocci *et al.*, 2022, 13). We take these findings further as we emphasize the pivotal role of managers and politicians crucial also in the institutionalization of PB. The commitment and professionalism of managers and politicians enable the sustainable development of PB.

From the sustainability viewpoint, it is vital to analyze how much PB can in fact move an organization toward more collaborative and democratic governance. Even if PB is institutionalized as a part of the organization's operations, it might still be too rigid for restructuring the organization's operational culture. Therefore, the question arises of whether it is even important or necessary to utilize PB in this way. Additionally, prior research finds that the mere application of PB when technical and financial resources become available does little for the development of municipal institutions (Bland, 2017). To ultimately be successfully institutionalized, PB needs to materialize habitually: As Bland (2017) puts it, like tax collection or council meetings, PB must become a routine, widely, if not universally, practiced feature of local governance. What is interesting in our study is that already in the early stages of PB the premises of institutionalization can be detected. Citizens' enthusiasm, managerial and political support, commitment and motivations and willingness to evaluate and develop PB play an important role in setting the grounds for sustainable PB. However, questions about adequate resourcing and open and transparent processes also toward the citizens can hinder the institutionalization of PB.

It is also noteworthy to assess the limitations of our study. In the Lahti case, one must note that PB has been implemented in the city for only two years now. One cannot expect a significant show of institutionalization or innovative capacity building in this short time, as there is still little experience with the participatory tool. Although our case study offers insight into the institutionalization of PB in local government, the results cannot be generalized to be all-encompassing. To gain in-depth understanding on the matter, more longitudinal studies regarding the institutionalization of PB and other forms of participation are needed. Therefore, we call for more research on PB and its effects on the organization implementing it with different case studies from different cities and cultures, especially in areas more experienced with PB. Fruitful research would be to analyze comparative PB settings between different countries, regions and municipalities.

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