Changing the Engine While Flying the Plane

Co-creation in public environments

- A qualitative case study about how the Swedish Tax Agency manages to administer the innovative capabilities emerged from co-creation projects

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Abstract: Governments around the world are experiencing increasingly complex issues to solve. They are battling to make means meet ends, while citizens are relying on their governments to mitigate challenges so complex that their extent is unknown. These wicked challenges include global warming, financial crises and the COVID-19 crisis. Increasingly, governments are feeling the pressure to solve these challenges but realize that they can not solve them all by themselves. Previous research suggests that one way to solve these challenges is through using co-creation. However, when administering the co-creation projects, organizations encounter difficulties.

This thesis investigates how the Swedish Tax Agency (STA), the best rated agency in public opinion, manages to administrate the innovation capabilities emerging from co-creation projects. A qualitative study has been performed, with 11 in-depth interviews. The authors have analyzed their findings from both an organizational and an individual level of analysis using the theories; co-creation, ambidexterity, sensemaking and the civil servant ideal. The analysis concludes that it is evident that the STA has difficulties in administering co-creation projects due to three findings. The first is that employees at the STA have conflicting views regarding the customer's role in co-creation projects. The second is that the traditional legacy structure creates a person-dependency problem which inhibits the employees from prioritizing the co-creation projects. The third is that employees are stuck in an old mindset because of the failure to adopt the new strategies about citizen participation into the civil servant's ideal. In turn, these findings contribute to the field of innovation and co-creation in the public sector where studying traditional views of citizens participation, narrative identities, institutional design and old thinking patterns has been encouraged.

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1.0 INTRODUCTION

1.1 Background

In 2020 the world is facing a global pandemic and citizens rely on their governments to solve this complex challenge. Sweden has imposed a crisis-package to mitigate the financial impacts of the virus outbreak which the Swedish Tax Agency (STA) is in part responsible for overseeing. Our society today is facing a multitude of new and complex issues, which is referred to as "wicked challenges". Wicked challenges are described by Bason (2010) as problems so complex, that the extent to how big of a problem they are, is unknown. These challenges include economic challenges like financial crises, societal challenges like the corona-crises and environmental challenges like global warming. Public managers and employees increasingly realize they do not have the ideas, means and resources to solve wicked and unruly problems all by themselves, but need to mobilize the capabilities - knowledge, resources and ideas - of external actors (Sörensen, 2019). Wicked challenges are putting pressure on governmental agencies across the world to act in new and innovative ways. According to Bason (2010) the only way to meet these challenges is through the development of new solutions together with the citizens, referred to as co-creation. Currently in the private sector, many large corporations utilize co-creation: Apple launching App-store, Unilever redesigning products and Nike creating a community of collaboration and interaction with its users (Ramaswamy, V. & Gouillart, F., 2010).

But how does the public sector recognize that co-creation is a creative strategy to address wicked challenges? With this question in mind governments have recently opened their eyes to the term "innovation". Public sector innovation is about finding new and better means to achieve public ends and derives from the need to boost and enhance the responsiveness of services provided to meet individual and local needs. However, the task to achieve innovation, especially breakthrough innovation, is hard for governments (OECD, 2017a). Traditionally, the public sector has continued to operate with a business as usual mindset until their way of doing things is

significantly harmful for the organization. This has resulted in the public sector consistently underestimating the rapid pace of evolvement in society and failing to utilize new technologies (Leadbeater, 1998). At the same time, governments are facing an increasing pressure from budget constraints and citizens' expectations for more accessible and flexible services on top of wicked challenges. (Bloch et al. 2009; Kaul, 1997; Mulgan & Albury, 2003; Scott-Kemmis, 2009).

The need to use co-creation in order to cope with wicked problems raises questions about how well the public sector works in partnership with citizens and the private sector? How successful is the public sector in reaping the benefits of the innovation capabilities that have emerged from co-creation? Are the public sectors efforts good enough to solve the wicked challenges ahead? These kinds of questions have inspired the authors to investigate how the STA - a public organization already working with co-creation projects- manages to administer innovative capabilities emerged from the co-creation projects.

1.2 Previous research and research gap

When investigating how organizations work with innovation, it is clear that the majority of research has been conducted on the private sector (Bessant, 2005; Fagerberg et al., 2005). Research on innovation in the public sector remains in its initial phase (Mulgan & Albury, 2003; Vigoda-Gadot 2008).

The public sector differs from the private sector in regard to the respective surrounding environment - less autonomy, less flexibility as well as the presence of political influences - and its organisational structures (Lamb, 1987). According to Bommert (2010) innovation in the private sector is initiated primarily to achieve competitive advantages and add value in terms of higher revenues. By contrast, innovation in the public sector is driven to improve service performance and add value in terms of public benefit. Co-creation as a means helps to foster new

solutions, adapted to local wants and needs of citizens, through collaborative innovations that outperform previous ones (Sörensen, 2019).

When public managers and employees face wicked challenges, they realize that they need to mobilize the knowledge, resources and ideas of external actors (Sörensen, 2019). Kastelle (2015) refers to it as "the public sector needs to lower its defences and put itself in harm's way to engage with innovators and new ideas". The OECD (2009) has recognized that putting the citizen participation into practice is indeed a challenging task. However, it is highly encouraged on the basis that it otherwise would certainly increase the risk of flawed results or project failure. The monetary rewards for a successful innovation in the public sector are meager due to e.g. no venture capitalist funding, no share ownership and the fixed salary for public servants (Sandford, 2001). According to Pinto (1998), there is a risk by adopting market-based innovations as it may compromise the state´s social responsibility. Further, when the public sector is unsuccessful in its engagement in innovation the consequences can be grave due to the media and opposing parties' eagerness to expose public sector failure and public servants involved with potentially disastrous effects on their careers (Sandford, 2001). On the contrary, Bason (2010) argues that since innovations are for citizens, services should therefore be implemented in conjunction with them and not for them.

Sörensen (2019) has a variety of proposals for future research. Since research suggests that co-creation can complement and transform old thinking patterns about public-governance and administration, the first proposition of future research should concern how new ideas from co-creation might rearticulate established practices. Further, Sörensen (2019) points out that co-creation challenges the more traditional views on citizen participation and that the interdependency between private and public actors should be researched. The view of citizens participation could provide barriers for co-creation processes and is suggested to be further analysed from a narrative identity perspective.

The final proposition concerns how institutional design and public management can assist in taking advantage of the capabilities that emerge from co-creation. Sörensen (2019) suggests that future research requires an in-depth study. Further, Alves (2012) states that a range of empirical co-creation studies would prove to be of benefit to public-sector organizations.

1.3 Purpose and research question

Since the world is facing wicked challenges there is an immense pressure for new innovative solutions such as co-creation in the public sector. The research on *innovation* in the public sector is still in an infant state and Alves (2012) emphasizes that a range of empirical studies about *co-creation*, especially in the public sector, would prove to be of benefit to public-sector organisations. Further, Sörensen (2019) suggests that future co-creation studies should concern traditional views of citizen participation, narrative identities, institutional design and old thinking patterns about public governance and administration through in-depth studies. Therefore, the authors believe that this paper contributes to the research gap in an important field where empirical exploration has not been done (Mulgan & Albury, 2003; Vigoda-Gadot 2008). Through conducting a case study this paper investigates how the STA, is administering the innovative capabilities emerged from co-creation; a much-needed skill to address wicked challenges (Bason, 2010). In order to fill the research gap and provide empirics concerning co-creation as public sector innovation, the goal of this case study analysis is to concentrate on the uniqueness of the case and to develop a deep understanding of its complexity. Hence, the research question is:

"How does the Swedish Tax Agency manage to administer the innovative capabilities that emerge from co-creation projects?"

1.4 Case setting

The Swedish management model for governance consists of three levels of governance; national, regional and local. It is unique from an international context given the dualistic distinction between the government and the administrative agencies responsible for the execution. Therefore, the government does not interfere daily with the objectives of the agency or the administrative decisions in specific cases. This methodology of work differentiates Sweden from many other countries and allows governmental agencies to retain a high degree of autonomy.

The STA reports to the Ministry of Finance which in an appropriation directive sets out the main objectives for the agency, namely; "to secure funding of the public sector and contribute to a well-functioning society for citizens and the business sector, as well as to combat crime" (Government Offices of Sweden, 2015). The agency is single handedly responsible for the taxation and population registration in Sweden and subsists of a head office and seven regions. However, given the high degree of autonomy, the STA can independently set out the goals and mission for its operations (Rylander, 1969).

The STA has made a transition from being a feared control agency to becoming a service agency (Stridh and Wittberg, 2015). This journey has contributed to a large increase in public opinion for the STA, being regarded as one of the most trustworthy agencies in Sweden (SOM-institutet, 2010-2018). Viewing the citizens as customers instead of tax-subjects, has entailed an increase in projects initiated together with customers. This has led to an interest in investigating how the STA can cope with the different capabilities these projects result in.

1.5 Levels of analysis and unit of observation

The purpose of this single case is to study the uniqueness and complexity of the case which requires several levels of analysis in order to answer the research question. The unit of observation will only consist of individual employees' views. These observations will be used to analyze the micro level theories of contextual ambidexterity, sensemaking and the civil servant ideal, as well as the meso level theories; co-creation and structural ambidexterity. According to Lewis-Beck (2004) there is no cut-and-dried definition between micro and macro levels of analysis, and it is up to the individual researchers to choose such. This paper's level of analysis will consist of a micro and meso level, where the former will take into consideration the individual employees and the latter the organization. The level of analysis will therefore leave out the macro aspects of both the legal environment affecting the STA, as well as any comparisons with other agencies nationally or internationally. This has been done since the extent of a bachelor thesis was not enough for a full level of analysis.

1.6 Delimitation of the study

This study is delimited to analyzing how employees perceive that their organization works with co-creation from an individual perspective. Another delimitation is that the authors exclusively view how the STA is performing in relation to the research question, without any comparison to other agencies within the public sector. Since the STA is one of the largest agencies in Sweden with more than 10,000 employees across the country, this study will mainly focus on employees based in Stockholm where the STA's head office is located. Further, the STA consists of several large departments, but the authors have chosen to principally focus on employees working with innovation projects within the different departments and groups solely engaged in innovation such as "the innovation team". It is important to understand that the nature of the research question entails that this study will not focus on determining *why* the STA is using co-creation as a strategic framework. Considering the time horizon, the authors have chosen to limit their focus to how the agency is performing at the time of the study but are taking into consideration the

strategic move from being a control agency to becoming a service agency in the 1990s. However, this study is not a longitudinal study.

2.0 THEORETICAL FRAMEWORK

2.1 Use of theory

The theoretical framework has been constructed in an abductive manner, since the authors have discovered several themes during the gathering of empirical material that could be analyzed from selected theories. To gain a broader comprehension of the research question, the authors will first explain what *co-creation* is and what it is not, and how and why it offers a great opportunity. There will also be a theorization involving public sector co-creation to explain the difference in working with public citizens, instead of traditional customers in the private sector. The introduction of *ambidexterity* will help to bring in the dimensions of how the organization is structured around making prioritization between handling today's challenges and tomorrows. Ambidexterity is of interest to study since the emphasis on administration of co-creation projects is influenced by the administration of other issues. The theory is further divided into contextual and structural ambidexterity which will lay the foundation for an analysis of both the STA´s organizational structures - and the individual employees' prioritization of innovation work. The paper thereafter introduces *sensemaking theory*. This theory describes how individuals relate to challenges ahead and give explanations to *how* the employees have solved issues in the past, influences their ability to solve problems. Sensemaking is important, since it provides foundation to whether or not employees believe that co-creation is an appropriate strategy to solve future challenges. Since the theory of sensemaking is abstract and broad in its way of use, the authors have decided to introduce *the civil servant ideal* which has emerged from political science. However, it gives valuable more niched case specific insights in studying sensemaking in a public setting.

By using the described theoretical framework, this paper will provide a deep understanding of the micro and meso perspectives regarding how the STA manages to administer the innovative capabilities emerging from co-creation.
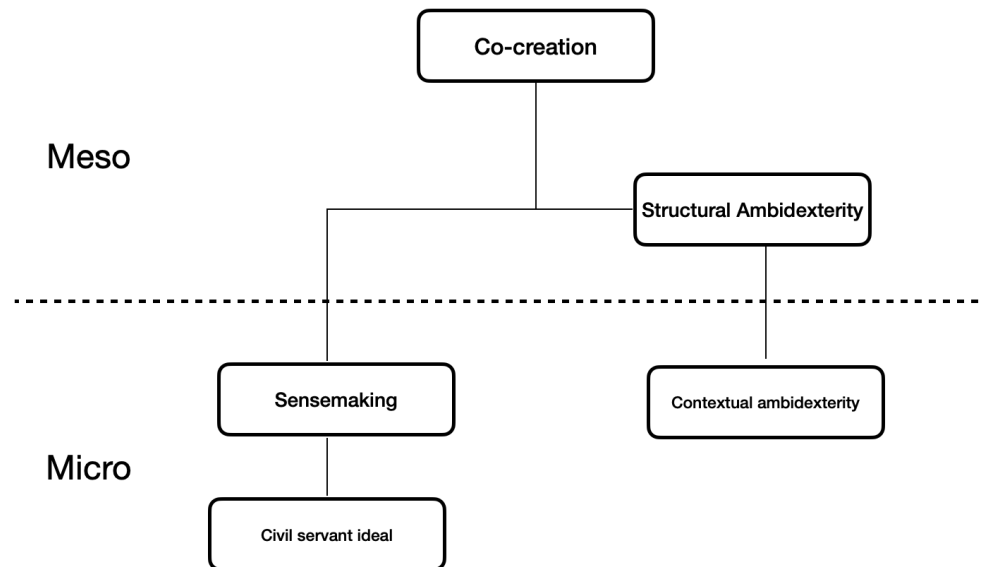
Figure 1) Description of how the different theories relate to co-creation and the levels of analysis

2.2 Co-creation

Co-creation is a concept which has been used widely in various contexts for over 20 years in academic work (Bendapudi and Leone, 2003). The co-creation term was described by C.K Prahalad and Venkat Ramaswamy (2004, p.7) as *"joint creation of value by the company and the customer; allowing the customer to co-construct the service experience to suit their context"*. Co-creation processes creates an opportunity to engage in a more iterative development process going back and forth between the customer and the company (Utami et al. 2010). Co-creation, should be a process that is designed *with* people and not *for* people (Bason, 2010). This allows both the customer and company to feel content with the final product offered (Utami et al. 2010). However, in a co-creation process, individual actors - the customer or the service provider - do

not possess full control and must therefore engage in a joint process where both parties have to cooperate (Friesen, 2001).

Co-creation vs co-production

Chathotha et.al (2013) describes that co-creation and co-production are two different ways organizations can adapt to customers' expectations. The co-production process is described as a firm-centric way of involving customers during service production, entailing that value is created through mutual inventiveness towards the core-product or service. This further implies that the firm is creating the innovation, where the managers and the employees are the key actors, while customers are more passive and mainly contribute at the end of the value-chain. Co-creation however, is centered around how customers interact with the organization to define and create value (Prahalad and Ramaswamy, 2004). The customers have an active role in co-creation, providing their views both on what service should be initiated and through an ongoing dialogue throughout the entire development process (Prahalad and Ramaswamy, 2000).

Table 1) The distinction between co-production and co-creation made by Chathotha et.al (2013)

	Co-production	Co-creation
1) Value creation	Extraction of economic value Quality products and services	Creation of unique personalized experiences
2) Customers's role	Passive (rely on the physical environment provided) Perceived as a resource	Active(provide inputs to service provider before, during and after the service) Information provider Value creator
3) Customers's participation - Customers expectations - Key actors	Mainly at the end of the value chain Suit their needs to what is available Managers and employees	Repeated interactions and transactions across multiple channels Serves as an operant resource Co-create products and services with customers Customers, managers and employees
4) Focus	Production and company centric	Customers and experience centric Engaging customers High level of information processing
5) Innovation	Led by firm	Co-innovate and co-design by customers Learning from customers(opinion leaders and trendsetters) and the process

6) Communication	Listening to customers Less transparent	Ongoing dialogue with customers Open and transparent communication

Co-creation in the public sector

Bason (2010) states that innovation within the public sector is for the citizens and should therefore be designed with them, where co-creation plays an important role for the public sector to innovate. The OECD report from 2013 about engaging and involving taxpayers, stresses the potential dangers of delivering services based on assumptions of what people want, because governments assumptions can be radically different from what citizens actually want. However, these assumptions can be countermeasured through taxpayers engagement and involvement. Kippin & Lucas (2010) takes it one step further explaining that governments must engage citizens, communities and enterprises with the goal to create a culture of participation on the foundation of a collective creation of social value. However, there is also a risk that if the organization engages in co-creation processes and the expectations of the citizens are not met, the processes can result in a negative impact on the credibility of the organization (OECD, 2013).

2.3 Ambidexterity

Ambidexterity refers to an organization's ability to be efficient in tackling today's challenges and adaptably coping with the demands of tomorrow. The theory refers to an organization's or individual's ability to balance between *exploitation,* handling today's challenges and *exploration,* being adaptable through coping with tomorrow's demand (March, 1991; Andrzej Lis, 2018). Early research on the subject describes exploitation and exploration as mutually exclusive systems competing for the same resources (Smith and Tushman, 2004). However, even if they are based on contradictory values and goals such as efficiency for exploitation and innovation for exploration, focusing on one rather than the other will lead to substantial difficulties for any organization.

For the public sector specifically, exploitation activities refer to the processes of service delivery and improvement, while exploration activities refer to the emergence-, implementation- and diffusion processes of radical innovation (Cannaerts, Segers and Henderickx, 2016). Structural ambidexterity involves the creation of separate structures for the two different forms of activities. For example, this could traditionally entail having the main business focused on exploitation with improvement of existing products and markets, while having a R&D department responsible for exploration, developing more radical innovations (Birkinshaw, 2004).

2.3.1 Contextual ambidexterity

Birkinshaw (2004) introduced contextual ambidexterity to shed new light on the organization's ability to be efficient today and cope with the challenges of tomorrow. It is concerned with the individual employee's judgment and choices between exploration and exploitation activities in a day to day setting. Birkinshaw (2004) identifies four different ambidextrous behaviours, which individuals should possess:

1. Taking the initiative and being alert to opportunities beyond the confines of their own job.
2. Being cooperative and seeking out opportunities to combine their efforts with others.
3. Being internal brokers, always looking to build internal links.
4. Being a generalist multitasker who is comfortable wearing more than one hat.

Since the employees are collectively orienting themselves towards alignment and adaptability with the organization's structure, contextual ambidextrous behaviours could be facilitated or constrained by the organization's context.

2.4 Sensemaking

Sensemaking is described as a process that people use to better understand situations, to make sense of what is going on in their surroundings (Joshua M. Bentley, 2016). When facing a

multitude of perspectives, it is common to use previous understandings to make sense of the current situations. What triggers sensemaking processes are cues - issues, events or problems - that create uncertainties about how to cope with these new situations (Mattlis and Christiansson, 2014). Unfamiliar events do not have to trigger sensemaking but when the subjective distance between what people encounter and what they expect is large enough, sensemaking might be triggered.

People can individually create cognitive schemes and frameworks to interpret and understand the world (Starbuck and Milliken, 1988; Hill and Levenhagen, 1995) or together with others, socially (Maitlis, 2005). This effort is dynamic; past experiences are being forecasted to apply to present situations resulting in managers having a tendency to focus their attention on things that have been relevant in the past (Hernes & Maitlis, 2010). Experiencing threat and fear can trigger people to go back to old mental models and patterns, relying more heavily on old information and thereby constrain actions (Anacona et. al (2007). Anacona et. al (2007) further stress that since the sensemaking process happens continuously and as situations change, it is essential that leaders understand how new developments might affect the agenda for change. By questioning the underlying assumptions used for sensemaking, Lawrence and Maitlis (2014) suggest that people can break old sensemaking patterns and re-evaluate their actions.

Further, Näslund and Pemer (2012) suggest that organizations can formulate dominant stories through workers expressing views on characters, organizations and cause-and-effect relationships to aid them in making sense of their reality. These stories can, over time, become applicable frames for the organization, where stories that fit the frame are seen as convincing and accurate but stories that contradicts the frame are perceived more negatively.

2.4.1 The civil servant ideal

The civil servant ideal describes how ideal civil servants should act in accordance with the goal of the organization (Svensson, 1987/88). Old ideals of how officials should act, could lead to civil servants acting in accordance with the letters of the law instead of the intention of the law,

even if they understand that the consequences were not desired by the lawmaker. Svensson (1997/98) continues to argue that these ideals should be changed to a good civil servant being someone who recognizes what the discrepancies between the law and the reality is. A report by OECD (2017) proposes that in order to address complex issues, the civil servants need to work with: developing policy advice and analysis, engaging in service delivery and citizen engagement, commissioning and contracting with third parties and managing networks through working across organizational boundaries. This entails that the civil servants need to be *competent* in their area of expertise, *strategic* to be future-oriented and evidence-based and *innovative* due to legacy structures and systems of public sector organizations.

2.5 Theory discussion

The authors are aware of the limitations when focusing on the employee's subjective reality when using organizational theories on a meso-level like structural ambidexterity and co-creation. The theories will give explanatory value in understanding and analyzing the subjective organizational environment that the respondents describe and are in no way trying to claim that this is an objective environment, if such exists.

When using the general and broad theory of sensemaking, there are different "schools" in which it can be applied. Sensemaking as a theory is occasionally used as a tool for strategy in meso organizational settings (Schneider, 1997). However, sensemaking is more commonly used as a micro-level tool of analysis to understand the underlying narrative constructions of individuals. The civil servant ideal was introduced to provide valuable more niched case specific insights in studying sensemaking in the public sector. The theory has emerged from political science, and is commonly not adapted in management research and to the authors knowledge has never previously been used to analyze sensemaking in the public sector. The authors are aware that this usage is not common practice and that these theories alone could have generated different findings.

There are no previously designed theories for studying this paper's research question and the theories used are not in any way complete in their description. However, the authors believe that the theories are well suited to answer the research question and contribute to the field of co-creation and innovation in the public sector.

3.0 METHOD

3.1 Choice of method

The function of this section is to explain the purpose and background of the choice of methods - rather than defining the methodological terminology.

3.1.1 An abductive and qualitative study

The authors began with thorough research on previous literature within public sector innovation, to identify a research gap and gain a theoretical understanding of the subject. During the research, co-creation emerged as a concept to help tackle the empirical puzzle of wicked challenges where the authors began alternating between theoretical ideas from empirical collection and engagement with literature. The research was therefore conducted, per what Bryman & Bell (2018) describes as an *abductive approach*. This resulted in an iterative case study where the authors continuously found new theories to explain their findings; generating what Bryman & Bell (2018) describes as a "hermeneutics circle". The method opens a dialogue with empirics and theoretical understanding where the authors made sure to keep an open mind-set for the possibility to be surprised by the empirical findings (Alvesson and Kärreman, 2007) .

The authors have produced an intense study, utilizing qualitative interviews on a single organisation as their research strategy. A qualitative approach to collect empirical data was conducted in the interest of understanding employees' at the STA's experiences. The authors have analyzed the gathered data and linked their findings to theory simultaneously as the data

gathering process was conducted (Denzin & Lincoln, 2005; Bryman & Bell 2018). Further, the qualitative nature of the study allowed the researchers to include open-ended questions providing valuable insights to the interviewees' understandings, which would not be possible to the same extent with a quantitative approach. Interviews were conducted in a semi-structured manner allowing the respondent to think by themselves and ask follow up questions, which generated more nuanced empirics (Bryman & Bell, 2018). Further, this qualitative case study allowed the authors to investigate more in debt how the STA administers the innovative capabilities emerged from co-creation projects.

3.1.2 Constructionist and interpretivist

The study was conducted by constructionist ontology, with the ambition to understand and explain the social environment in the public sector through the lens of employees' experiences. A constructionist approach enabled the authors to gain insight to the employee's social reality in difference to the objective reality according to Bryman and Bell (2015, s.43-44).

By using constructivist ontology, the paper examines the narrative identity constructions of each employee, which is encouraged when analyzing drivers and barriers of co-creation within the public sector (Sörensen, 2019). To fully understand the employees, the analysis will interpret their language, mindset and answers in a hermeneutics manner (Given, 2008). This interpretation becomes particularly important when conducting a micro-level analysis through the lenses of sensemaking, the civil servant ideal and contextual ambidexterity. Further, the authors have done their best to acknowledge their inherent symbolic manner; being aware of the dynamic interplay involved when interpreting the interpretations of others (Geertz, 1973).

3.2 Single Case Study - The selection process

Since the purpose of this study is to support the field of research on co-creation in the public sector with empirical findings, it is relevant to conduct a case study on a single organization (Bryman & Bell 2018). Since the research gap is best suited for "how" rather than "what" questions, this further strengthens the choice of a case study (Yin, 2014). In order to study public

sector innovation and specifically co-creation, the authors needed to identify an agency with a background of engaging in co-creation projects. Since public sector co-creation is a collaboration process between different facets of society - organizations and citizens - the relationship with the citizens is important to take into consideration when selecting the case. A survey where the citizens get to decide, proves that the STA is the best performing agency in Sweden (SOM-institutet, 2010-2018). The high performance indicator contributes to the agency being an interesting and deviant case to study where the findings could be of value for worse performing agencies wanting to reap the fruits of innovation capabilities emerged from co-creation (Bryman and Bell, 2018). In line with M.Webster's four case selection metrics, the STA further proves to be a good fit of study since (1) the organization has managed to become the best *in relation to its environment* and (2) the qualitative interviews have been conducted *intensely,* (3) the organization has undergone an immense *development* from being a control agency to a service agency, and (4) it has a clear *demarcation* because of its unique dualistic separation from the government.

3.2.1 Sample

The authors have conducted interviews with employees at the STA from senior managerial positions, but also from middle managers and front-line workers as a purposive sampling method (Bryman and Bell, 2018) (Appendix 8.1). This choice of sample was made since innovative processes generally originate not only from the top, but from all levels within an organisation (Sandford, 2001). Including multiple levels within the organization will assist in establishing whether or not the administration of innovation capabilities is interlinked to a certain position or group within the organization.

What the employees all have in common is that they have been involved in innovation activities within the agency. 10 out of 11 respondents are, or have been, a part of the headquarters in Stockholm while one works at a smaller office in Ängelholm. Three respondents have played a vital part in changing the STA's strategy, from being a control - to a service agency and one respondent has held the highest possible position within the STA as Director General. The

genders of the respondents were slightly skewed towards males, with seven males and four females. After nine interviews, the researchers concluded that they had reached theoretical saturation since no new data further contributed to the theoretical understanding of the research subject (Charmaz, 2006). Hence, the authors conducted an additional two interviews to be sure that they had reached theoretical saturation before discontinuing further collection of empirical data.

3.3 Interview process

3.3.1 The collection of empirics

All the interviews were conducted in a semi-structured manner using a preconstructed interview guide (Appendix 8.2). However, the authors made sure to follow up on relevant themes brought up by the respondents. This enabled the respondents to guide the interview in their desired direction. While this might reduce the comparability between the interviews, it does enable the paper to gain deeper understanding of the respondents underlying perception of the research question. For the authors to keep their undivided attention on the respondents, only brief notes relating to follow up questions were taken, and all the interviews were recorded with the consent of the respondents. The interviews were conducted in Swedish to decrease potential language barriers and make the respondents feel comfortable when answering the questions. The interview length was between 30-55 minutes with an average of 40 minutes. The authors ambitions were to conduct all of the interviews in person at the STA's head office in Stockholm, to ensure that the respondents would feel comfortable in their environment. However, due to the current COVID-19 restrictions only one of the interviews was conducted in person at the STA's premises. The remaining 10 were done over video calls or through a conference-call. Remote interviews affect the established relationship with the respondents and some conference-calls made it harder to study implicit expressions (Bryman & Bell, 2011). However, the potential benefits from online interviews is that the respondents may take a more honest approach towards their workplace, than they would have if the interview took place at the STA´s premises. Both

authors were present at all of the interviews in order to reduce the subjectivity and make sure that the scope of the interview remained towards answering the research question.

3.3.2 Processing and analyzing the empirics

Due to the complexity of finding a path through the qualitative data the authors have utilised broader guidelines based on the suggestion by Bryman & Bell (2017). To analyse the empirical findings, grounded theory has been used (Bryman & Bell, 2017). Continuously, after each interview was conducted, one of the authors transcribed that interview, resulting in over a total of 100 pages of empirical material. Afterwards, the authors subsequently began coding the data by identifying different key concepts stressed by the respondents (Bryman & Bell, 2015; Charmaz, 2000). This analysis was done individually to minimize the risk of a biased analysis aiming to increase the reliability of the paper. The authors investigated how these concepts stand in relation to the initial selected theories and adapted the theories accordingly. After identifying the key concepts, the authors began placing the concept in different main categories that could be analyzed via the theoretical framework to answer the research question.

3.4 Method Discussion

3.4.1 The trustworthiness of the study

The authors believe that in the social world there are no utter truths, which is why the authors have decided to assess the quality of the qualitative research from the perspective of *trustworthiness* (Guba and Lincoln, 1985). To assess the trustworthiness of the paper the authors have divided the concept into; *credibility*, *transferability*, *dependability* and *confirmability* suggested by Guba and Lincoln (1985). The nature of a qualitative research is incused by subjectivity from the respondents, which can affect the *credibility* of the paper (Bryman & Bell, 2017). However, being aware of the subjectivity relating to both the authors and the respondent, several steps were taken to increase the credibility. First of all, both authors were present during all the interviews to decrease subjectivity and the respondents were continuously asked to clarify when encountering ambiguous statements to reduce misinterpretations. Conducting 10 out of 11

interviews online might reduce the *credibility* of the study since it is harder for the authors to build a relationship with the respondents, which makes it harder to interpret the answers. However, the authors were aware of this limitation during the interviews, taking extra time and measures to ask for clarifications and made sure to begin every interview by building a relationship with the respondents. All the interviews were recorded, transcribed and the citations were translated in a direct manner. To reduce the authors influence of the collection of empirics, they used a preconized interview template with open question, but gave the respondent the possibility to go outside the template if necessary. Hence, the overall credibility of the study is high.

The *transferability* of the paper is relatively high. In accordance with what Bryman and Bell (2017) express, this qualitative research is oriented towards gaining a deep understanding of the views of a limited number of people, which will lead to a contextual uniqueness. Further, the authors have only focused on a single organization, the STA, which can further reduce the transferability. The deviant case selection reduces the papers transferability to other public agencies in Sweden, however due to some common characteristics - structure, governance etc. - and the overall nature of agencies in the Swedish public sector, such as being instructed by the politicians and a high degree of autonomy - there is still some degree of transferability. The transferability to other agencies around the world is uncertain because of the unique dualistic distinction between agencies and the government in Sweden. To enhance the transferability, the authors have made sure to shed light on themes that often occur from almost all respondents that are subject to the conclusions.

Further, the authors believe that this paper has a high degree of *dependability*. Throughout, the entire development process of this paper the authors have made sure to keep records of every step in their development. There are complete records of the authors initial thoughts regarding what they desire to study, transcribed interviews and recordings, the literature reviewed; which together increases the transparency and facilitates the ability to replicate the study on other public sector organizations. Further, the authors have worked intensively with their supervisor

and supervision group, throughout both the development process of the paper and during the validation of the results. This could be seen as increasing the papers *dependability*. In regard to *confirmability*, the authors also engaged in discussions relating their findings with Christian Bason, a world renowned, well cited expert within public sector innovation which contributes to the conformability of the paper. Further, since both authors are Swedish citizens and pay taxes, there is a risk for preconceived notions about the STA which may impact the conformability. Overall the authors believe that the conformability is relatively high.

3.5 Ethical approach and implications

All the respondents were informed in the beginning of each interview that their contribution was entirely voluntary and if they, at any moment, felt uncomfortable they could decline to answer a question or stop the interview. Further, since the authors have conducted interviews on a single organization, the authors have been keen on retaining the anonymity of the respondents. This has been done through changing the respondents' names and only providing a brief general background for necessary differentiation. Respondents who have asked explicitly for a transcribed version of their interview were provided a copy to avoid any misquotation.

4.0 EMPIRICS

The authors have decided to present the empirics in a thematic order that corresponds to the chosen theoretical framework.

4.1 Partnership

4.1.1 From a control to a service agency

The STA has undergone a large transition from being a control agency to becoming a service agency. The transition started in the 1990s and has contributed to the STA being in the forefront of governmental agencies and to being one of the main reasons for the organizations increase in public opinion.

"That's when the STA transformed from being a rather disliked organization, not being at the forefront, to become a popular business with service and customer experience at the core."

\- Lenny

The STA is today considered, by the citizens of Sweden, as the best performing agency within the public sector (SOM-institutet, 2010-2018). However, most of the respondents are uncertain whether the STA is still in the forefront, since most of its successful projects were initiated several years ago.

"To be honest, I think the STA has been at the forefront for a long time. However, we peaked at the beginning of the 21st century, and the way it's being run today is more questionable."

\- Lenny

"... We still have the reputation of being a modern authority, but it's based on things that were done 15 years ago." - Filip

Even if the agency´s strategy now revolves around service, the need for the control function is still present. Gabriela emphasizes: *"If there's no control function at all then I think trust in the STA will decrease ... Control will absolutely exist."*. Balancing the responsibility for control with service for customers is described by respondents as not being mutually exclusive, but rather closely interplaying. It is claimed by some respondents that through increasing the focus on customer service, customers are more willing to fulfill their obligations as taxpayers. Hence, the service and control functions are described to go hand in hand.

4.1.2 The role of the customer

The transition from a control agency to a service agency implies that the organization no longer views the taxpayers simply as taxable subjects but rather as customers even though the legislation (Inkomstskattelagen 1999:1229) uses the term taxpayers. This transition has been a long process, but all respondents confirm the importance of focusing on the customer.

"...we should be using the word "customer" — not because people can choose to pay taxes to another agency, but because we should have the attitude that they could choose someone else"

- John

There are conflicting views regarding whether the customers should have an active role in contributing to new innovation-projects, or if the employees at the STA know best how to create value for the customer.

"...focusing on customer needs in strategy is one thing, but it's so easy for customer needs to turn into customer-solutions, and customer-solutions I don't like. In my mind, it's not the customer who should come up with solutions to customer problems, because customers don't have the right understanding of what makes a good solution"- Filip

"...instead of us making decisions on our own about what to do next, our customers should be more closely involved in the decision-making process." - John

4.1.3 Collaboration oriented projects

The STA has worked intensively with initiating different projects in collaboration with its customers. The STA is now, to a large extent, conducting in depth qualitative interviews with its customers. Most projects are developed through using an iterative approach, where the STA interacts with the customers during the entire development process.

"The STA's confidence in the citizens is deeply rooted, and it's a natural part of the process for us to engage with citizens as part of making decisions when we're developing new solutions and ideas. However, getting things right in practice is not always easy." - Jakob

One of the collaborative projects the STA is currently working on is "Öppna APIer". This project is described by the agency as an initiative where the STA together with companies and citizens, collectively build services through making the STA's data available for all customers. The respondents described the project as a desire to make tax-payments as effortless as possible through offering their services in the customers' own environment.

"...if the goal is to create new solutions collaboratively, then an important part will be to make our data and APIs available for others to access." - Jakob

However, the STA has not always been successful in using customer's input as a tool for development strategies. The respondents further described a previous project called "utveckla skatteverket" where the customers could interact with the STA and provide their views on existing and future projects. This was a project where all the interviewees - even those who were not involved - viewed it as a great initiative, but the STA was not successful in handling the customers' inputs.

"It was a really fun idea, but in order to properly take action, we needed to do our homework, including changing our entire structure and control of work...." - John

"I also thought it was a shame that we, as organization, could not handle this [the project]" - Marcus

Several respondents described that they were surprised that customers were so positively inclined towards contributing, but also that it can be demoralizing for customers when contributing with their efforts and then the project fails to be undertaken. One of the respondents expressed this lack of success as a factor for customer dissatisfaction:

"...there have been so many cases in which great ideas have not been heard or acted upon. It creates frustration when you don't know what happens to new ideas, both internally and externally, especially if the new projects have been permanently shut down." - Filip

4.2 The administrative responsibility

During the project "utvecklaskatteverket.se" all the respondents expressed that the administration of the innovative capabilities emerging from the project was flawed. The difficulties were mainly related to internal administration and the respondents stated that it is a common theme.

"We spent a lot of time on this project... but it was difficult to execute internally. Many initiatives that aim to combine ideas from our citizens with ideas from the business turn out to be difficult to manage." - Filip

4.2.1 Structure of the organization

Most of the respondents concluded that the internal organizational structure was not adapted to manage the innovative capabilities emerging from "utveckla skatteverket". Anna described it as "when old, internal structures still rule how budgets and finances are managed, it is really hard to do something new and inventive". This theme was emphasized by several respondents. John further expressed that customer's proposals were not delivered in a way that fit the structure of the organization.

"The problem for us was despite being a good idea, our business structure was not rigged to handle them because when working customer-centric the customers don't think like: wonder if they are divided into silos and then only put VAT proposals or only income tax proposals." - John

In 2017 the STA created an interdisciplinary innovation team to produce new and creative ideas. Their task was to challenge the agency's old way of working and to develop prototypes that

afterwards should be administered by the rest of the agency. Initiating innovation teams was criticized by one of the interviewees.

"If you want to be innovative but don't really know what that means, then you put together an innovation team. Just like that you're now "innovative" - Per

4.2.2 Person-dependency

Two of the respondents in charge of handling the development of "utveckla skatteverket" described person-dependency during the administration process, as the main reasons for the project not taking off. They both emphasized the importance of having individuals who are engaged and willing to oversee the project.

"My understanding is that the person who ran the project lost interest and shut it down. Many forward-thinking initiatives are more dependent on individual people pushing them forward than you think." - Magnus

"...the project shut down because no one raised their hand and volunteered to take responsibility for the initiative moving forward." - Markus

Several respondents further highlighted the importance of understanding the underlying values and reasons behind the project.

"...members didn't fully understand the idea and its value...If we actually asked a question and got many votes, then it was like - aha good. Case closed." - Per

4.2.3 Prioritizing your traditional assignments

The respondents described that employees at the STA generally felt that other issues and assignments had a higher priority than administering innovation projects, which are often not part of what is described as their traditional assignments. This view is characterized by Filip and Jakob:

"...they have other, important duties like the declarations to take care of — which doesn't leave much time for innovation work." - Filip

" ... there are certainly other things that are more important to prioritize than new innovations, such as law-enforced requirements and responding to global crises like COVID-19. It's hard to say: how about we put them on the shelf for a while?" - Jakob

Many respondents expressed that it was difficult to prioritize projects where the STA collaborates with customers. It was described as a balancing act between innovation and the general administrative processes, the necessity to keep things as they are. The prioritization was not only shown by the distribution of the STA's budget...

"About 70-75% of the total budget for business development is dedicated to preservation and maintenance... internally, we call it "keeping the lights on." Now you might think the remaining 25-30% can easily be allocated to new innovation initiatives, but that's not true either. We spend most of that budget responding to changes in laws that require changes and development internally... Whatever part is left can be used to fund innovation. But at this point, we're only talking about a few percentages." - John

… but also by respondents who expressed that they had limited amounts of time at their disposal.

"At the STA, it was incredibly difficult to get time to work on new ideas and collaborate on projects with others." - Lisa

"You sit in workshops and come up with solutions but to get them implemented requires a lot of work and is difficult. For anything to really happen, we need to prioritize and cut multiple other initiatives." - Jakob

And one respondent working directly with improving the innovation at the STA, further described that to innovate the organization while keeping the administrative processes at float, was like:

"Changing the engine while flying the plane" - John

4.3 Workplace culture

4.3.1 A long standing tradition

The STA is described by several respondents as an institution with a long history and deeply rooted traditions. One respondent expressed that the STA has changed the strategic goal, and although most employees have understood the value of collaborating with the customers, there is still a significant proportion that have not. It is easier to impose a new strategic goal than to change the mindset within an organization

"... when you haven't integrated collaboration into the organization's DNA you can always claim that we don't have time or money for this, getting things done faster without getting involved…. So, conceptually, we are still in the last century." - Lenny

"It's a tradition, at the STA, to listen more to legal issues and forensics. This can sometimes make it more difficult to work with innovation…" - Jakob

4.3.2 The duty

The STA is steered by a legal framework. When initiating the strategic journey towards becoming a service agency, the STA changed its mission to "A society where everyone wants to do the right thing" in order to fulfill their legal obligations (Skatteverket, 2012). However, some respondents depicted that they encounter difficulties tearing down the old legacy mindset. A previous Director General acting at time when the STA was still a control-agency described that the employees feel a certain pride, since the STA is such an important cog in the public sector machinery.

"They were skilled people, dedicated to their mission, their work … They understood that what they were doing was important. Since they are such an important cog in the machinery, they should be proud of what they do." - Alice

One respondent further emphasized that some employees at the STA have not at all understood the STA's new mission after changing their strategy to become a service agency.

"When asking: what are we really working on? The answers could be that we are working on developing e-services or answering questions. Is that the service? Is that really what's interesting? Someone calls in, they ask you, you answer. Check on that, then you're done." - Per

Further, several respondents described that even when they understand their new mission as such, it is difficult to put it into context and prioritize innovation projects. The employees still

feel that they have an **obligation** to always do what they describe as "their main tasks"; in other words, their already existing operational and administrative activities.

"I would say that today, what really slows you down is these legacy things or the burden by our [political] mission." - John

Another respondent described that when speaking to one of the division managers, she emphasized that the average employer will be evaluated for how they perform on their operational "keeping things as they are"-assignments rather than how they deliver on innovation.

"The manager said I should also work with innovation but it's not there where my head will roll. It is not when I don't deliver on the innovation track that makes me lose my job, it's when I don't deliver value-creating development; where I keep my systems and my operational activities and make it work in the ordinary business. That's when I'll lose my job." - Magnus

4.3.3 Competent but afraid

During several interviews and on several occasions, respondents were keen on implicitly and explicitly informing the authors that employees at the STA tend to be very competent and good at their jobs. However, some respondents highlighted, feeling the need to be competent could hinder the process of creating value together with the customers.

"We always think we need to know best which I think can be an obstacle in co-creation processes. If we feel that we don't know something, then we think crap, but we have to know, but we just have to be honest with ourselves that we may not actually know." - Magnus

Further, most respondents stressed that there is an inherent fear within the STA towards collaborating with customers. The employees do not want to come across as incompetent or even that there is a potential that collaborating with customers might cause the realization that some of the respondents' jobs are not necessary anymore.

"You communicate through your knowledge and your expertise as well as by your handling but here it's about daring to meet people, not everyone dares ...Then they would rather do as they have always done and sit and discuss with their colleagues ... You can also be afraid that people might think you are stupid." - Anna

"Managers understand that they are threatened. They also want something else but even if they understand that it's still difficult for them to change the behavior." - Anna

5.0 ANALYSIS

This section entails an analysis of the gathered empirical material to answer the research question; How does the STA manage to administer the innovation capabilities emerged from co-creation projects? Step by step the empirics will be analyzed through the theoretical framework and will transition from a Meso to a Micro perspective in order to identify both organizational and individual implications on the research question.

5.1 STA's work with co-creation - Meso perspective

All the interviewees testify to the importance of the organisation viewing tax-payers as customers that should be involved in the development of new services. This finding is in line with Bason's (2010) research concerning public sector innovation, which emphasizes the importance of involving the citizens, since the services are for citizens. Further, most respondents point out that an iterative approach between the STA and the customers should be

acted on during the creation of new projects which, as Schwab (2010) describes, could lead to the customer and the organization feeling more content with the final product.

To which extent services should be developed together with the customer is subject for conflicting opinions between the respondents. A minority of the respondents state that the customers do not know what they truly want, hence should not be involved in the entire service-provision process. Such an attitude could, according to OECD (2013), pose a threat, since the STA's belief of what the customer wants can be far from the truth. Believing that the customers don't know what they want and that the organization should oversee the development of new services, is in line with what is described as *co-production* (Chathotha et al, 2013). Co-production entails that the STA should oversee the collaboration process, where the customers take a more passive role and are integrated at a later stage in projects.

However, the majority of the respondents describe that the agency does not alone provide value for the customers, but rather together with the customers identifies and develops the services the customers desire. Thus, employees at the STA recognize that value is created for the customers, that customers should be involved in deciding what they want and that the customer's experience of the service should be in the center of attention. This description underlines a strategy more in line with what Prahalad and Ramaswamy (2004) and Bason (2010) describe as *co-creation*. A new co-creation project that is very appreciated by customers is "Öppna APIer", where the STA is iteratively through an ongoing dialogue working together with customers to provide them with services they desire, in the customers own environment.

A previously initiated less successful co-creation project was called "utveckla skatteverket". During this project, the agency discovered that they did not have the capabilities to successfully administer the different suggestions they received from the customers. Not being able to administer the suggestions, resulted in customers feeling demoralized when their opinions were not being taken into consideration by the agency; which might negatively impact the credibility of the organization according to OECD (2013).

Sub-Part-Conclusion (1)

The empirics illustrate a consensus concerning the customer-centric view when innovating, which results in collaboration initiatives being undertaken. However, within the STA there are different views on whether the agency should engage in *co-creation* projects or *co-production* projects. These conflicting views can contribute to the STA initiating projects in which the extent of customers involvement is unclear, hence generating confusion between the employees. This confusion can further lead to poor administration of the customers inputs and has resulted in a demoralization of the customers which might result in a more negative perception of the STA.

5.2 How ambidexterity influences administration - Micro/Meso

According to some of the respondents, the flawed administration of the innovation capabilities emerged from the co-creation project "utveckla skatteverket" was due to the prioritization of other assignments. It was described as whether employees work with ordinary administrative tasks or innovative tasks is dependent on budgetary- or individual prioritization. The empirics illustrate that in general the STA tends to focus more on administrative tasks, described as *exploitation* in the theory of ambidexterity (Birkinshaw, 2004). It seems clear that the STA did not previously manage to successfully incorporate new *exploratory* projects, enacted from the innovation teams, into its core function.

From a meso level of analysis, the STA's structural separation between the innovation team and the core function of the organization can, in line with Birkinshaw and Gibson (2004), explain why the exploratory projects become isolated, and the failed acceptance of ideas due to the projects lack of linkages to the core business. When the STA does not integrate the co-created innovation projects into its core function, the cultural and structural gap between exploration and exploitation can create barriers for innovation. Birkinshaw and Gibson, 2004, explain that these barriers could further contribute to the separation of the different structures in silos. This is in line with the empirics describing how the division in silos (i.e. tax, law, VAT) was one of the

main reasons for the organization's struggle to continue to manage the innovative capabilities from co-creation.

From a micro perspective, the failure to adopt structural ambidexterity into the core functions of the STA, results in a person-dependency issue. Since managers believe that they might lose their jobs if they are not performing on their regular assignments and employees are experiencing difficulty to understand why they must engage in co-creation, the individuals prioritize exploitational activities in their everyday work. By not prioritizing the explorational projects, the respondents illustrate that they are afraid to look outside the confines of their own work, and are specialists not comfortable collaborating with customers. This indicates that the failure to adopt structural ambidexterity within the organization constrains the employees contextual abilities which is in line with Birkinshaw and Gibson (2004). These traits are necessary to administer co-creation projects.

Sub-Part-Conclusion (2)

By not incorporating the administration of the innovation capabilities emerged from the co-creation projects into the STAs core function, employees tend to focus on exploitation rather than exploration. This entails that new co-creation projects are not being administered properly since the organization is structured in isolated silos, which in turn increases the personal dependency. The failure to adopt structural ambidexterity constrains the employees contextual ambidextrous behaviours.

5.3 How sensemaking impacts the STA's culture - Micro perspective

Several interviewees describe that the STA is an old institution with a long-standing tradition. The respondents describe that there is a tradition of having a competent workforce and that employees therefore are afraid of co-creation processes, since they are unaccustomed to collaborating with customers. The fact that the respondents implicitly and explicitly described the employees at the STA as competent in combination with the employees taking pride in their work could imply a constant need to prove themselves. The fear of looking incompetent when

co-creating, could therefore be interpreted as what Maitlis and Christiansson (2014) describe as a cue that triggers old mental models, in this case relating to how the STA´s previously solved problems as a control-agency. Ancona et al. (2007) describe that the triggering of old mental models could inhibit employees from taking action, which would provide an explanation to why they fail to administer co-creation projects. This explanation however questions the notion by the OECD (2017b) that being *competent* is essential for civil servants since the empirics demonstrated that the need for employees to prove themselves as competent has created a hindrance towards collaborating through co-creation.

Further, the respondents argue that the STA has successfully changed its strategy to become more customer-centric, but there is still uncertainty regarding whether the culture has been changed to correspond to this strategy. While the agency is adapting its strategy to better cope with co-creation projects, respondents describe that some employees at STA still do not understand *how* and *why* to use co-creation. This implies that the STA is working *strategically* with co-creation projects, but since the employees fail to recognize why they are engaging in these projects; they fail to adopt the *strategic* mindset that the OECD (2017b) reports as essential for civil servants today. By not understanding why the involvement of customers is important to cope with wicked challenges combined with the inherent complexity of the challenges, the discrepancy between how employees expect to solve these problems and how they should solve problems becomes too large, triggering old sensemaking patterns. When the employees are not able to make sense of the reasons for collaborating with customers, they tend to focus on their regular assignments that have previously been important or try to apply old cognitive models from when the STA was solely a control-agency (Mattlis and Christiansson, 2014; Hernes & Maitlis, 2010). This might further explain why employees fail to administer the co-creation projects.

When the dominant sensemaking story is that the ideal civil servant should do more traditional assignments in line with the STA's previous strategy - assignments relating to the control agency - the employees will not prioritize the new assignments such as administering co-creation

projects (Näslund and Pemer, 2012; Svensson, 1987/88). Hence, the employees fail to incorporate the third trait that a modern civil servant should possess according to OECD (2017b), which is to be *innovative.* Being innovative is important in order to break the old legacy structures and sense-break from the old civil servant ideal. This could further explain why the innovation capabilities from new projects fall between the cracks, since co-creation is not incorporated into the ideal of what the employees work entails.

Sub-part conclusion (3)

Due to long standing traditions at the STA employees tend to get stuck in old sensemaking patterns, which are triggered when encountering uncertainties such as fear of losing control during co-creation projects or not fully understanding why and how to cope with co-creation. In turn, this contributes to a failure to adapt the new strategic goal into the civil servant ideal, and when instead relying on old ideals, it results in a failure to administer the co-creation projects.

6.0 DISCUSSION AND CONCLUSION

6.1 Answer to the research question

This qualitative case-study has been constructed in order to contribute to the research on co-creation within the public sector, where the empirics have been explained through an analysis based upon a theoretical framework to best explain and answer the paper's research question:

"How does the Swedish Tax Agency manage to administer innovative capabilities emerging from co-creation projects?"

Even though it is very positive and rather unique in the public sector, as well as internationally, to view the taxpayer as a customer and to initiate several projects based on co-creation, the analysis of the empirics demonstrates failures related to how the STA manage to administer

these projects. This analysis has resulted in three interlinked findings to help answer the research question. The first finding is that the STA is developing projects together with customers, but the employees have conflicting views on customer's involvement i.e. whether to *co-produce* or *co-create* new projects. These conflicting views might contribute to the STA having difficulties to administer innovative capabilities emerging from co-creation. In turn, the inability to find common ground entails that the customers might feel demoralized when their contribution is not being realized by the organization, which might negatively impact the organization's credibility.

The second finding is the emphasis on exploitation rather than exploration. The STA's significant legacy responsibility as well as budgetary and cultural aspects seem to provide an explanation to why the organisations work more intensively with exploitation; at the expense of administering innovation capabilities to handle the challenges of tomorrow. Separating the innovation team from the rest of the organization has resulted in isolated co-creation projects, which are not easily implemented and administered by the rest of the organization. Such separation further amplifies the need for employees who possess contextual ambidextrous traits which, due to failure of the STA's structural ambidexterity, are constrained.

The third finding relates to how some employees at the STA tend to get stuck in old sensemaking patterns, triggered by the fear of losing control and looking incompetent, which results in a failure to adapt the new strategic mindset into the civil servant's ideal. A failure to fully incorporate the strategic goal in the employees mindsets, results in the employees not understanding why they should collaborate with the customers. Employees' difficulties to understand the potential benefits with co-creation results in the collaboration processes with customers being viewed as something time demanding and low prioritized. In turn this results in some employees returning to the collective sensemaking story weighted by the old traditions at the STA which prohibits the STA to fully take advantage of the capabilities emerged from the new co-creation projects.

6.2 Discussion

The COVID-19 crisis has forced the STA to cope with new duties assigned to them by politicians, likely resulting in current efforts focusing on innovation being distributed towards these new assignments. However, this crisis might be an alarm clock not only to the STA, but rather to all public agencies, that in order to cope with such wicked challenges the public sector must invest more time and budget towards becoming innovative and be prepared to face the challenges of tomorrow. One of the best ways to achieve innovation for public sector organizations, is to engage in co-creation projects.

In order for governmental agencies to engage in co-creation it is important to clarify more precisely what is expected from the employees. It is easy that small differences in interpretations lead to very different views of the way in which customers should be involved. These discrepancies might lead to confusion within the organisation. In turn, this confusion might lead to a reluctance from employees to engage in co-creation processes, hence not taking advantage of the capabilities that emerge from co-creation. Therefore it is essential for organizations to set clear objectives that everyone can understand, regarding the real value of co-creation and to which extent customers should be involved.

To enable an increase of innovation capabilities emerged from co-creation, there needs to be a larger emphasis on exploration activities overall. The balance between handling the challenges of today and tomorrow must be better reflected in the agency's budget, culture and structure. A budget and structure that is skewed almost completely towards exploitation sends signals to employees that such assignments are more important to administer. By rearranging the organization, structurally and culturally, towards incorporating the value of co-creation, the structure could instead of hindering, enhance the right contextual behaviours from the employees. This might enhance the administration of the innovation capabilities emerged from co-creation projects.

When integrating co-creation as a strategy it is vital that the organization understands the impact of *how* their employees interpret the world in order to identify whether or not the strategy is incorporated into their mindset. Public agencies appear to be characterized by a more traditional civil servant ideal that has been developed over many years, and which might not be in line with what is ideal to best cope with the challenges in the years ahead. A traditional civil servant ideal can impose an inherent fear in employees to collaborate with customers, since employees feel a need to be perceived as competent. Even though being competent is seen as a desirable trait for modern civil servants, it could also hinder the engagement in collaborative strategies. Therefore, organizations must question their underlying assumptions and make sure to constantly change the perception of what the employees duties are, thus the ideal civil servant being an employee that works with innovation and co-creation.

To summarize, the COVID-19 crisis makes it, perhaps more than ever before, essential for public organizations to change the faulty engine in their planes now in order to cope with the new reality of the citizens. This should be done through co-creation.

6.3. The contribution of the study and its practical implications

6.3.1 Theoretical contribution

Through the empirically based findings the authors shed new light on the importance of analyzing how organisations administrate capabilities emerged from co-creation through the theoretical framework of co-creation, ambidexterity, sensemaking and the civil servant ideal. This qualitative case study, contributes to the field of co-creation within the public sector where Alves (2010) suggests that there is currently a lack of empirical studies. Further, our findings concern traditional views of citizen participation, narrative identities, institutional design and old thinking patterns about public governance and administration, which Sörensen (2019) encouraged to study, providing a new perspective concerning how the civil servant ideals impacts the sensemaking patterns in organizations. Hence, providing an enclosement between sensemaking and the civil servant ideal when regarding co-creation in the public sector.

6.3.2 Policy contribution

This paper identifies that the STA is initiating a number of co-creation projects but are experiencing difficulties administering the capabilities that emerge therefrom. Therefore, the authors believe that the organisation should work towards setting clear objectives, adjust the structure of the organisation and constantly adapt the civil servant ideal. Even though this study is concentrated towards the STA, management ideas are introduced that could contribute to identifying how old legacy structures and an old civil servant ideal could interfere with administration of innovative projects, being relevant for other public sector agencies as well.

6.3.3 Limitations with the study

Due to the nature of the bachelor thesis, only 11 current and previous employees at the STA were interviewed which reflects the views of a relatively small portion of the employees concerned with innovation. By using a qualitative approach, the research was based on the subjective views of the respondents, which might not accurately depict how the organisation is objectively performing. Besides the respondents' subjectivity there is also an issue of the impartiality of the authors. As Swedish citizens the authors are both customers to the STA, which might lead to some prerequisites towards the organisation. Further, the result from this case-study, does not have the same transferability as more general studies would have. This means that there might be restrictions on utilizing the findings from this paper. Further, when analyzing multiple levels based on one level of observation, there is an inherent risk of making cross level misattribution according to Bryman & Bell (2011).

6.3.4 Further research

For future research, the authors encourage studying the findings applicability in other governmental agencies. Testing the applicability both at a national level in the Swedish dualistic governmental context, and on an international level where many agencies are more interlinked with their governments. Conducting a study on an international level would be of interest since good examples of co-creation are found in countries with different administrative regimes

according to Sörensen (2019). Since *"changing the engine while flying the plane"* is a deviant case study, providing a similar in-depth case study on the other side of the "quality" spectra for a cross analysis would be of benefit. This case has been concerned with how the STA administrates innovation capabilities, but has not provided any framework for how the STA should improve in collecting the capabilities emerged from co-creation. The authors therefore, highly encourage future research to conduct studies regarding how agencies could improve the administration of innovation capabilities from co-creation, with for example methods like design thinking (Bason, Austin 2019).

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8. Appendix:

8.1 Respondents

"Name"	Gendre	Department (previous)	Datum
John	Man	Manager	6/3-2020
Lenny	Man	(Manager)	18/3-2020
Magnus	Man	(Middle-manager)	17/3-2020
Filip	Man	Middle-manager	27/3-2020
Marcus	Man	Manager	27/3-2020
Lisa	Kvinna	Middle-manager	1/4-2020
Anna	Kvinna	Middle-manager	2/4-2020
Gabriella	Kvinna	Front-line worker	3/4-2020
Jakob	Man	Middle-manager	8/4-2020
Per	Man	Middle-manager	9/4-2020
Alice	Kvinna	(Manager)	17/4-2020

Tabel: List of anonymized interviewees "name" , gendre, department (previous), date of the interview

8.2 Interview guide

Ethical considerations

1. Your participation in the academic study is voluntary.

2. In the work we write, a bachelor thesis, you as a participant and your employer will be anonymized.

3. We will also not tell you who is participating, either for employers or for other participants.

4. You as a participant can cancel the interview at any time, and you do not need to explain why.

5. Do we get your permission to record the interview so that we can then transcribe it?

6. Do you have any questions for us before we start?

Personal questions:

- How are you doing today?
- Can you tell us a little bit about yourself?
- What is your current position?
- What have you previously studied?
- How long have you worked at STA?

Questions about the company

- How do you feel about skatteverket?
- How would you describe STA as a workplace?
- What motivated you to work for STA
- Would you consider working at another public institution?
  - Why/why not? Which one?
- What would you say are the biggest differences between working at skatteverket and a company?
- What would you say are the biggest differences between working at skatteverket and another public government?

Questions regarding UtvecklaSkatteverket:

- Do you recognize UtvecklaSkatteverket.se?
- Can you recall a particular moment/meeting where the idea was generated?

- Before the site, how did you usually come up with similar suggestions of improvements?

- How did the citizens react to UtvecklaSkatteverket.se

- How your colleagues react to UtvecklaSkatteverket.se

- What was the purpose behind launching utvecklaskatteverket.se?

    -

- Describe the process before launching utvecklaskatteverket.se?

- What team/people were involved with the process of the launch?

- Do you feel that you have an impact on STA decision making?

- What suggestions did the site generate?

- Has anyone of these suggestions been implemented?

Ending questions:
- How would you describe an innovative organization?

- What would you say is the main tool to succeed with co-creation projects?