

Making sense of performance problems in public organisations

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Our research examined the way that public service organizations respond to evidence that they are performing poorly. Our research shows that the fundamental causes of major performance problems are often connected with how organizations learn – or fail to learn. This research has tried to develop a more detailed and explanatory model of organizational learning, using theories about “absorptive capacity” (the capacity of an organization to acquire, assimilate and apply knowledge) which have been developed in research in business and management (figure 1).

Our research has explored absorptive capacity in six health and local authority organizations in England; a further six further health and local authority organizations in the other countries of the UK; and in five organizations in other parts of the public sector - a social housing provide, a playgroup, a secondary school, a government agency and a police force.

The absorptive capacity of the organizations we studied – that is, the way they acquire, assimilate and apply knowledge - is shaped by a number of external factors (figure 2) such as:

- The wider environmental conditions, such as the pace of change, level of competition, extent of control and overall scale of challenge in the local community.
- The characteristics of knowledge – how easy it is for the organization to access both explicit and tacit knowledge about performance, how that knowledge is shared, and how it is transferred.
- The learning relationships – how the organization works with other stakeholders (like inspectorates, peers, advisors, commissioners and so on) and whether those relationships exhibit collaboration, trust, mutual respect and parity, and how close or distant and formal they are.

Absorptive capacity is also a product of a number of internal factors (figure 2) such as:

- The organization's “mental models” or paradigm – how inward or outward looking it is, how it responds to experimental and innovation, and how hierarchical or controlling it is.
- The existence of organizational strategies which make the purpose and direction or focus of performance improvement clear, and which are shared and supported, and are realistic and consistent.
- The existence of basic organizational structures and processes for managing or enacting knowledge mobilization – intelligence gathering, performance review, change management and capacity development.

We found knowledge acquisition to be the least problematic step for our case study organizations, in part because knowledge about performance and performance improvement was widely and openly available, though their approaches tended to focus on “proximate” organizations (places quite like themselves) and to be fairly functionally driven. In contrast, we found that knowledge assimilation was often at best informal and intuitive in nature, and there was little formal testing or experimentation with innovations being adopted from elsewhere – much was done heuristically. The third stage of knowledge application was highly visible, in the form of substantial change programmes in all the case study organizations, but we observed that sometimes this change was largely externally driven, disconnected from knowledge acquisition and assimilation, and without the necessary internal absorptive capacity.

We conclude that the absorptive capacity or “learning capacity” of organizations which are poorly performing is not much discussed or analysed, by organizations themselves or by those who work with them (like inspectorates, improvement teams, consultancies and so on).

We argue that a greater awareness of absorptive capacity, and more attention to, for example, trying to assess it or to measure some of the internal and external factors outlined above, could provide a more rigorous and effective basis for diagnosing, treating and even predicting organizational decline.

We think that many of the solutions or prescriptions currently employed in dealing with poorly performing or failing public organizations focus on knowledge application, are externally driven, and do not tackle directly the underlying causes of poor performance or performance decline.

Figure 1: Absorptive capacity

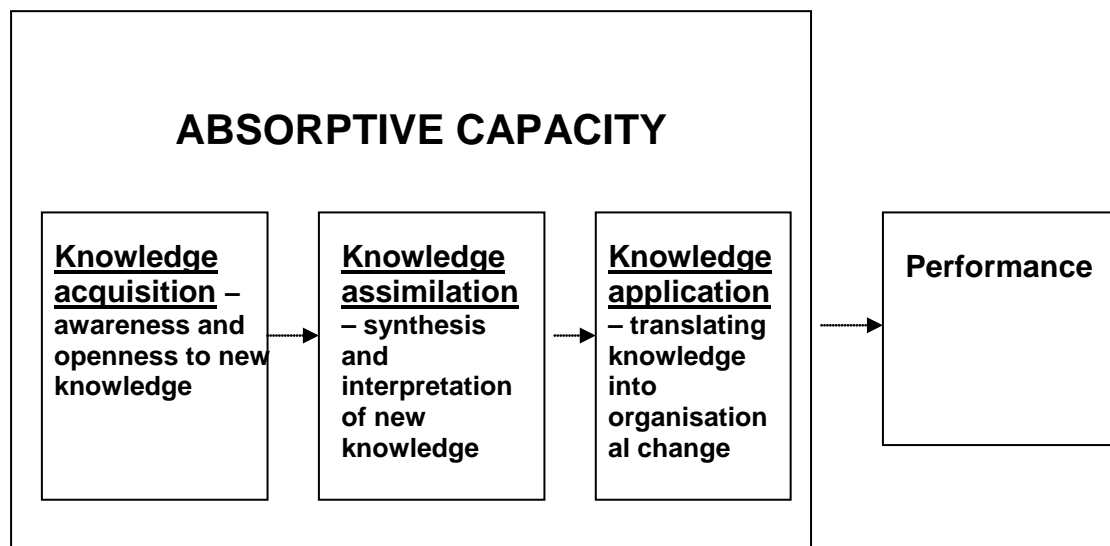
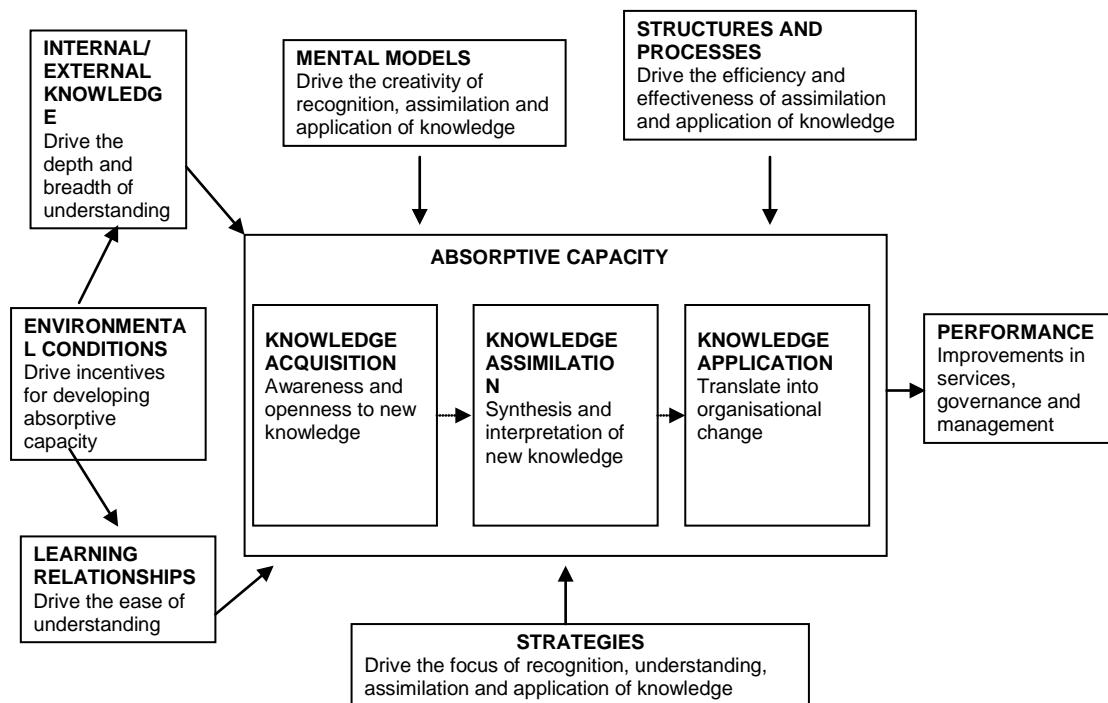


Figure 2: External and internal influences on absorptive capacity



Further information and reports:

<http://www.publicservices.ac.uk/news/fixing-failure-new-report-urges-organisation-know-thyself/>

<http://www.inlogov.bham.ac.uk/research/recovery.shtml>

<http://www.communities.gov.uk/publications/localgovernment/learning>