

Development Capabilities Synthesis Report 2023

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2. **Connecting (policy coordination):** the ability to coordinate the

in. The Public Sector Capabilities Index must go beyond ranking to provide city governments with a road map for improvement. This will enable city governments to invest in developing their capabilities and help leverage external sources of support.

Next steps

The insights gathered so far are helping us design the next phase of our research and index development. From June to October 2024, we will deepen our engagement with city governments, while also bringing in relevant officials from regional, state and national governments, as well as other external partners and funders. Underpinning this is the development of the user journey, which will help to develop conceptualisations of dynamic capabilities that resonate with city governments, further our measurement approach and refine our engagement strategy.

This paper is structured as follows

1. How city governments define and deploy capabilities
2. How dynamic capabilities are developed in city governments
3. How dynamic capabilities could be assessed and measured
4. The usability of the Public Sector Capabilities Index
5. City government typology
6. Reflections and implications for our work
7. Annex 1: Our methodological approach

2. Towards an operative definition of dynamic capabilities

Conceptualising dynamic capabilities

Building on extant literature on strategic management (Teece et al. 1997), our research started from the assumption that dynamic capabilities can be defined as 'abilities embedded in routines that enable organisations to adapt

environment. This involves management and prioritisation of stable financial funds; insourcing and outsourcing of key personnel, goods, projects and processes; and management, reskilling and reshaping of personnel.

5. **Learning (organisational learning):** the ability to control and manage how the routines developed by a public organisation are monitored, assessed and ultimately discarded or institutionalised. This involves politico-administrative learning; politico-economic learning; and techno-economic learning.

Deploying dynamic capabilities

The five city government case studies we have produced between

Relative to our initial definition of **sense-making**, the five city case studies show a high degree of convergence in their emphasis on data-driven analysis as a key asset to identify root causes of challenges (Seattle) and their focus on real-time monitoring and regular reporting (Barcelona, Freetown). On the other hand, divergence is more apparent with respect to the cities' greater emphasis on the role of political leadership in priority setting and of citizens' needs as a key focus of analysis (Seoul). Together, these stress how successful sensemaking demands to be at the same time embedded into a political vision and grounded in citizens' perspectives.

Our initial definition of **connecting** overlaps with cities' understanding of the critical role played by the creation of horizontal and vertical interlinkages between public tasks and various policy arenas (Barcelona), and by inter-organisational collaboration, including with grassroots organisations and international entities (Bogotá, Freetown, Seoul). At the same time, cities also emphasise how this dynamic capability is dependent on the ability of the administration to pursue internal restructuring processes which go beyond mere coordination among silos (Seattle).

In terms of **seizing**, we observe strong convergence between, on the one hand, our understanding of this dynamic capability as a need for experimentation in developing new solutions and, on the other hand, cities' activism in building on volatile combinations of resources and opportunities to do so. This is apparent both in those cities with the ability to forge coalitions for policy development and

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- **Language:** Case studies show that, while most civil servants have an intuitive sense of dynamic capabilities, they have no shared or standardised language to talk about them.
- **Tangibility:** Case studies show only vague understanding of the connections between dynamic capabilities and organisational routines, hinting at the need for more tangible definitions.
- **Coherence:** Case studies also show that, at a granular level, the team has not yet forged a shared understanding of dynamic capabilities themselves, thus calling for their reappraisal.
- **Context specificity:** Case studies show that variability in cities' context and objectives is relevant to the definition of dynamic capabilities – the definition of which should therefore strive for a middle ground between contrasting needs for granularity and versatility.

Overall, while there are significant alignments between our initial conceptualisation of dynamic capabilities and case study observations, important nuances and divergences in meaning should be considered when trying to increase the resolution of our definition with context-specific differences in the practical implementation of dynamic capabilities. Moving forward our ability to refine and forge a common vocabulary for dynamic capabilities – possibly with the help of civil servants too – will be key to enhancing our understanding of dynamic capabilities and bridging the narrowing but persistent gap between theory and practice.

One of the key lessons from the case studies is that dynamic capabilities are often embedded and in interaction with organisational routines. We have previously shown (Kattel et al 2024) that conceptually there are five categories of organisational routines relevant to city governments: analytical, planning, coordination, evaluation and participation. However, our research shows that these routines are not neatly mapped on to city departments, but

are rather fragmented across departments and often overlap. This suggests that a more holistic approach to defining and measuring dynamic capabilities is needed, one that takes into account the complex and interconnected nature of these capabilities and their relationship to organisational routines. This is a key area for future research.

3. How dynamic capabilities are developed

Across all five city governments, city government capabilities are developed with both internal resource and external input.

Staffing and political leadership

Within city hall, staffing and human capital are essential. Political leadership is critical to setting the strategic direction for deploying dynamic capabilities. There is then a need for administrative leadership and staffing to be equipped to deliver this vision. For Bogotá City Council and the other city governments, this requires the ability to recruit and retain high calibre staff. In Barcelona City Council, capabilities are developed by a mix of leveraging internal talent, providing training to re-skill employees, engaging external

Leadership Initiative and Bloomberg Philanthropies' Global Mayors Challenge. Through these programmes, philanthropic funding is playing a crucial role in developing the capabilities and enabling the conditions for public sector innovation, and the use of data to help with policy development and problem solving.

In the two cities in our sample from the global south – Bogotá City Council and Freetown City Council – development banks play a key role in building the city government's capabilities. For Bogotá City Council, this includes the CAF – Development Bank of America and the Inter-American Development Bank. In Freetown City Council, the lack of stable source revenue is supplemented by development aid through global organisations, alongside national development agencies or foundations.

Challenges in partnership development

International collaborations are often a key asset in supplementing a lack of stable source revenue and building capacity, but the solution comes with its own challenges. Gaining international support requires extensive external-facing and coalition-building work, which can drain limited internal resources away from the short-term challenges faced by the city. At the same time,

Government Effectiveness, State Fragility Index, Fragile States Index,

R1: Q1 (3) and Q2 (2)

R2: Q1 (5) and Q2 (5)

R3: Q1 (1) and Q2 (3)

First, responses are aggregated per question. Respondent weights are influenced by various factors (e.g. perceived proximity to the high-order routine in question). R1 and R3 are assigned a weight of 1, and R2 is assigned a weight of 0.5. Second, the weighted average for each question is calculated:

$$Q1 = 3 \times 1 + 5 \times 0.5 + 3 \times 1 = 3.4 \quad Q1 = 3 \times 1 + 5 \times 0.5 + 3 \times 1 = 3.4$$

$$Q2 = 2 \times 1 + 5 \times 0.5 + 3 \times 1 = 3 \quad Q2 = 2 \times 1 + 5 \times 0.5 + 3 \times 1 = 3$$

Both questions now have a score. Third, Q1 and Q2 must be weighted; if Q1 is of more importance to sense-making in cities, then this comparatively large contribution must be emphasised. Q1 is thus assigned a weight of 0.7 and Q2 a weight of 0.3:

$$3.4 \times 0.7 + 3 \times 0.3 = 3.28 \quad 3.4 \times 0.7 + 3 \times 0.3 = 3.28$$

Finally, sense-making dynamic capabilities in City A receive a score of 3.28, from which further implications can be drawn.

Model 3: Measured capabilities index

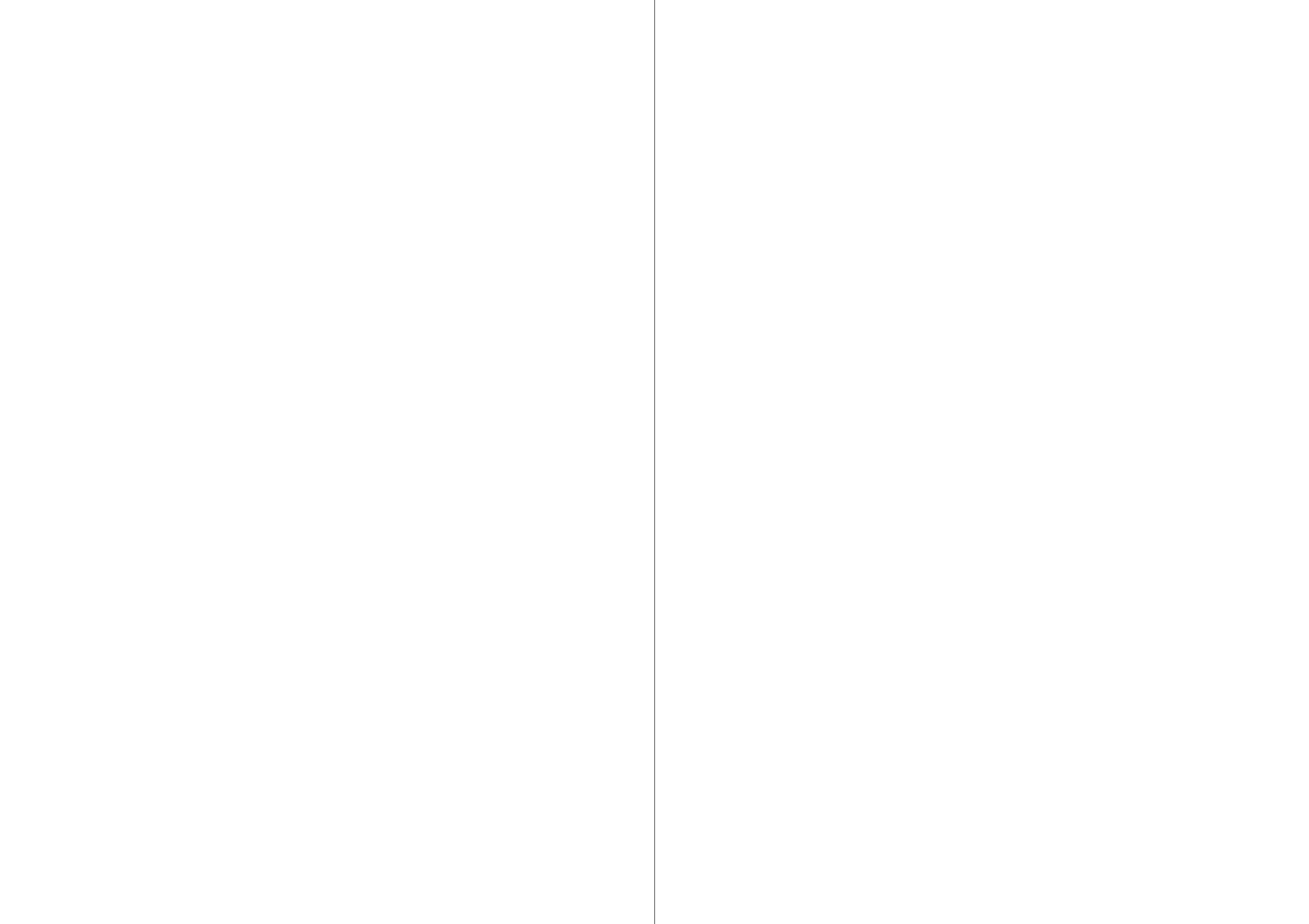
Our measurements may be supplemented by a set of indicators that can be interpreted as proxies for various capabilities. The list of relevant indicators is still under development.

The indicator module fills out two roles in our measurement approach: i) it expands the dimensions of capacities and capabilities explored by our assessment tool; and ii) it does so by leveraging other measures of state capacity based on data previously collected, systematised and processed. This brings the Public Sector Capabilities Index closer to its ambition of integrating other indexes and evaluation frameworks, instead of competing with them.

Factorial experiment

Further, we are considering the deployment of a factorial/vignette experiment that experimentally varies attributes of interest in hypothetical situations (Stantcheva 2023). Dynamic capabilities, being conceptually rooted in change and renewal in evolving strategic environments, are particularly well-suited to measurement through the analysis of hypothetical decision-making in scenarios with varied factors. In fact, vignette experiments encourage a level of enhanced experimental realism (Aguinis and Bradley 2014) that may be effective in drawing out robust evidence of the abilities embedded in routines. This realism, and thus external validity, can be further strengthened by (a) -7.-2.4 (n be f)3 ,m(i)5.2 (c e (t)2 (r)-2 (v)14 o (g)5

5. City government typology: why we developed it



- **Ensure transparency and address biases against usage:** Be transparent on potential measurement biases and ensure the Public Sector Capabilities Index is globally balanced.
- **Identify a clear narrative for its value proposition:** Clearly communicate the benefits and value proposition of the Public Sector

7. Reflections and implications for our work

To help us unpack each step, we pose a series of questions:

- **Step 1: Awareness**

How can we ensure the index is well-known among city government officials and investors, and it is clear how to get involved?

How can we leverage the existing networks and communication channels to promote the index?

- **Step 2: Engagement**

How can we motivate and support city government officials and investors to apply the index to decision-making?

How can city government officials connect with and initiate the use of the index?

How can we embed the index in the routines of city government officials and investors?

How can we equip national governments and external funders to take strategic investments in city governments who need to strengthen their dynamic capabilities?

- **Step 3: Assessment**

How can we enable city governments to assess their dynamic capabilities, for the first time and on an ongoing basis?

How can we ensure the assessment process is achievable, comparable, factual and repeatable?

How can we support city governments throughout the assessment process?

How can the assessment be streamlined by existing and easy-to-access data sources?

How can we ensure that the index enables cities to identify what dynamic capabilities are and where improvements can be made, without imposing a singular and western-centred idea of what good looks like?

- **Step 4: Results**

How can we communicate the results in an actionable manner?

How can data visualisations and online tools support communication?

- **Step 5: Improvement strategy**

How can we ensure recommendations for improving dynamic capabilities are implemented? (46(0)3.21(2)9.18)61(w-3(10)42.764(e))3

Annex 1: Our methodological approach

The development of the Public Sector Capabilities Index is divided into distinct phases. This report covers the research we undertook from September 2023 to May 2024. To date, our research has taken an abductive and interpretivist approach to understanding the dynamic capabilities of city governments. The methods deployed have included academic and grey literature reviews, and qualitative interviews with city

sources, and interviewed external organisations operating in the region to triangulate and contextualise the interview data. In the case of Seoul Metropolitan Council, we were not thhssecuri510.6 (n)13 (6)5.5 (e)3.7 (r)-35 (vi)5.2 (e)1eshiee wehnel

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