



Capacities of Public Sector Organisations for delivering missions

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Synopsis

1. Missions are often an additional task to the everyday work of ministries, agencies or other types of public sector organisations (PSOs). Often, there are only **limited resources** (personnel, time) available to implement missions. The complexity of policies and the mobilisation of stakeholders needed for 'delivering missions' are challenging. The dimensions of organizational design, routines and capabilities are rarely addressed properly in most discussions – clearly a shortcoming, as they constitute relevant starting points for addressing challenges agencies currently face in the implementation of missions.
2. For delivering missions, the notion of **dynamic capabilities** is of relevance, which has been adapted from strategic management in business studies. It links organizational routines and resources, and can be defined as organisational and strategic routines that enable organisations to create, evolve, and recombine resources. Dynamic capabilities have a twofold character, defining both the ends of organizational change processes (capabilities which enable the organisation to deliver on policy objectives related to missions), but also the means (capabilities which enable the organisation to change its routines and acquire new strategic capabilities). From the discussion at the workshop, it became clear that PSOs face an innovation challenge as they are frequently too rigidly organized and have too few incentives for organizational innovation. Thus, various support structures for PSOs to enhance capacity building were mentioned.
3. Further, based on the practical experience of the participants, three **priorities** for building up dynamic capabilities emerged from the discussion. We name them here together with some words of caution, as any organizational change process should build on an organizational analysis to identify priority areas:
 - **Seizing:** Seek a clear mandate from the top level of the organization and the top level of other PSOs who should engage in the mission.
 - **Connecting and arlening** within and beyond the organization: Start creating small niches where horizontal, problem-oriented routines can be developed and experimented with and playfulness in instrumentation is encouraged.
 - **Sense-making:** Invest in system analysis and theories of change: System analysis should enable to 'zoom in' to different system levels and desired changes to them. Theories of change help to work towards more impact-oriented policy portfolios.

1 Introduction

Attention to the role of administrative structures and processes has been somewhat neglected in research on transformative policies. However, some scholars have started to unpack the role of public administrations for sustainability transitions. It has been argued, for example, that public administration traditions fail to legitimize several tasks required by governments aiming at transformative outcomes (Braams et al. 2021), thereby offering civil servants little incentives to carry out transition tasks (Braams et al. 2022).

This paper looks at building dynamic capabilities of public sector organizations (PSOs), with a specific focus on exploring the link between mission-oriented innovation policies (MOIP) and the discussion around change in public administration. As MOIP move into implementation, public sector agents increasingly face practical questions of how to develop transformative dynamic capabilities and how to initiate related internal organizational change processes. From the point of view of organization science, dynamic capabilities are rooted in the culture of an organization and are thus difficult to tackle directly. Therefore, organizational change theory suggests focusing on organizational routines as a proxy. Such changes in practices, incentive schemes and processes are expected to trigger change in behavior and attitudes, and as a consequence also to build new individual and organizational capabilities (Jackwerth-Rice et al. 2023)

The **successful delivery of missions poses a particular challenge for public sector organizations**. Missions require organizations to reshape their capabilities to formulate solutions for complex and ambiguous problems with often uncertain outcomes. The cross-cutting character of missions furthermore requires greater coordination between and within units as well as external actors, and a purpose-driven interaction of political and strategic agenda-setting (strategy-level) with operational execution and monitoring (working-level).

Missions are often an additional task to the everyday work of ministries, agencies or other types of public sector organization (PSO). Frequently, there are only limited resources (personnel, time) available to implement missions. The complexity of policies and the mobilization of stakeholders needed for successfully 'delivering missions' are extremely challenging for administrative systems.

Furthermore, while there is often budget for the implementation of the mission, this budget is restricted to realizing mission activities. As a result, there is no or only a small budget allocated to building up capabilities within PSO.

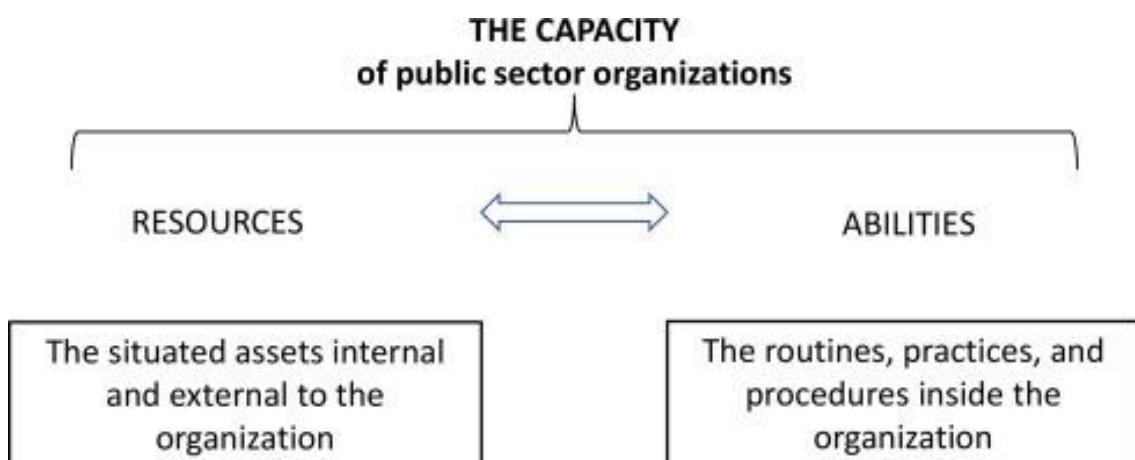
This paper focuses on reporting workshop results. It introduces academic concepts which serve to structure discussions very briefly in each section, and then turns to the workshop insights, which build on experiences from policy practice and empirical research. Thus, this paper should not be seen as an academic contribution but rather aims to contribute to the ongoing debates among practitioners and experts involved in the implementation of missions.

2 Conceptual foundations of State Capacities

In order to better understand state capacities, it is helpful to distinguish between different components, such as resources, institutions, routines and dynamic capabilities.

A good way to think about the components of state capacity is the simple model of public sector organizations put forward by Borras et al (2024). As displayed in figure 1, PSO capacity has two components, where the resource-based perspective on capacities is comprised of internal and external assets of the organization. Internal assets are resources including long-term strategies or investments. External assets refer to the framework conditions or context the organization operates within, such as formal (and informal) norms and institutions. The second component is the action-oriented perspective, which refers to organizational routines and practices for designing, coordinating, implementing and evaluating policies.

Figure 1: The capacity of public sector organizations



Source: Borras et al. 2024.

Albeit not in the picture, the third component, and the key one from the point of view of many authors (Borras et al. 2024, Mazzucato et al. (2021) and Kattel, Drechsler and Karo (2022)), are **dynamic capabilities**, as they are needed to reframe, reconfigure and reshape existing institutions, resources and routines to tackle emerging goals.

In the context of sustainability transitions (Borras et al. 2024, Kattel 2022) and MOIP (Kattel and Mazzucato 2018), it is found that the state (meaning public sector organizations responsible for policy design and implementation) needs to (further) develop its transformative state capacity. Specific attention is paid to dynamic capabilities which are seen at the heart of the interplay of transformative policy and administrative change. This leads to two claims currently under discussion: First, public

administrations need dynamic capabilities to be able to shape transformative policy; and second, in order to develop such capabilities, PSOs need dynamic capabilities for strategic organizational change. In fact, there seem to be many overlaps between capabilities for transformative policy change and capabilities for public administration change.

Table 1: Typology of public sector dynamic capabilities potentially useful for MIOP

Sense-making (system awareness)	Ability to scan and make sense of the environment where a public organisation operates to analyse opportunities and threats. This can be broken into 'low order' routines: i) strategic thinking to discern potential challenges; ii) analytical thinking to discern potential opportunities; iii) analytical thinking to discern political leverage and bargaining
Connecting (policy coordination)	Ability to coordinate the connections, interfaces and linkages between the functions performed by a public organisation in its relation with the external environment. This can be broken into 'low order' routines: i) vertical coordination among leadership and frontline of the public organisation; ii) horizontal coordination among silos/departments in the public organisations; and iii) inter-organizational coordination between the public organisation and other relevant ones.
Seizing (action experimentation) as	Ability to take advantage of emerging opportunities within a public organisation's external environment. This can be broken into 'low order' routines: i) strategic investment and allocation of non-monetary resources; ii) decision-making procedures that avoid bias and welcome innovation; and iii) stakeholder management.
Shaping (transforming contexts)	Ability to change a public organisation's internal resources in view of changes in the external environment. This can be broken down into 'low order' routines: i) management and prioritisation of stable financial funds; ii) insourcing and outsourcing of goods, Human Resources, projects, and processes; iii) management, reskilling and reshaping of HRs.
Learning (organisational learning)	Ability to control and manage how the routines developed by a public organisation are monitored, assessed, and ultimately discarded or institutionalised. This can be broken into 'low-order' routines: i) politico-administrative learning; ii) politico-economic learning; and iii) techno-economic learning.

Source: Kattel et al. 2024.

Following this approach, capabilities are inherently linked to organizational routines and practices. A lack of capabilities can be understood as a lack of organizational practices or routines to perform certain tasks. Here, the notion of dynamic capabilities is of particular relevance, which has been adapted from strategic management in business studies. It also establishes a link between organizational routines and resources, which then implies that the lack of capabilities might not only be caused by lacking routines,

but additionally by a lack of resources or an institutional barrier. “In the context of sustainability transitions, Lieberherr and Truffer (2015), for example, have studied the dynamic capabilities of public utilities and defined those capabilities “as organizational and strategic routines that enable organizations to create, evolve, and recombine resources (ranging from physical assets to competences such as specific abilities) to generate new “value-creating” strategies and even change the market” (ibid, 103).

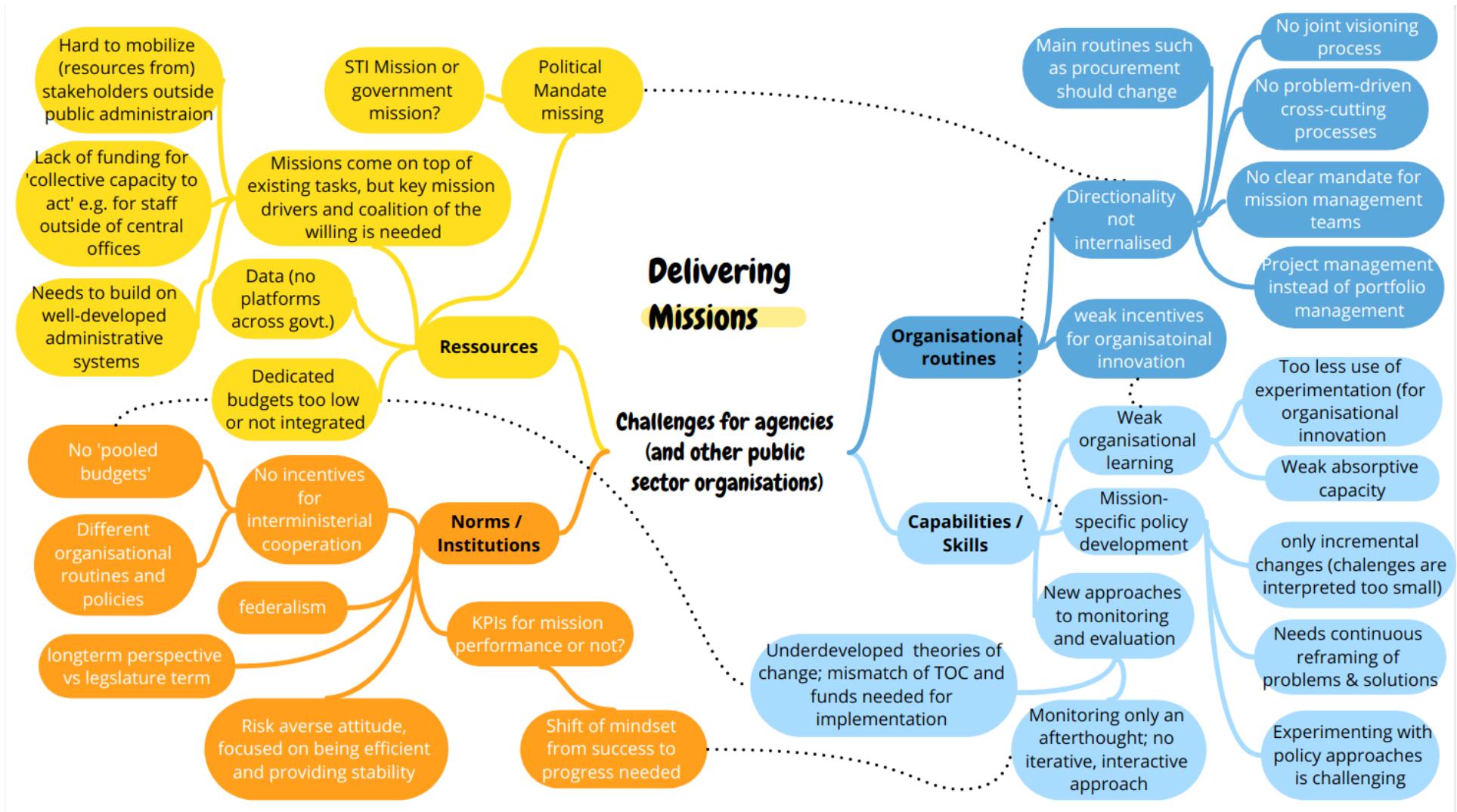
The types of dynamic capabilities needed for mission-oriented policies vary and different concepts need to be applied to different contexts. So far, there is no established consensus on the number and content of public sector dynamic capabilities. Kattel et al. recently proposed to typologise five capabilities (cf. Spanó et al. 2024), not exclusively tied to mission-oriented policies, but nonetheless very useful in light of the expert discussions at the workshop (Table 1).

3 Challenges for PSOs in delivering missions

Turning towards how these concepts were used in the workshop, a more simplified approach was chosen. To this end the interlinkages between the different components of state capacities were deliberately disregarded. Instead, a first step a model was used which served to identify specific challenges in the implementation of missions. For the purpose of identifying challenges, a matrix was used distinguishing between four components (resources, norms/ institutions, routines, dynamic capabilities).

Figure 2 summarizes key challenges PSOs currently face in the implementation of missions. As described above, they were collected by a group of practitioners and academics in a workshop in September 2024 and constitute consolidated knowledge of mission experts. The challenges might vary to some extent for different cases, for example depending on administrative traditions and approaches to mission-oriented policy-making.

Figure 2: Key challenges of public sector organizations in delivering missions



Source: Own compilation based on mission expert statements in workshop on 30 Sept. 2024.

4 What to prioritize? Focal points for building up dynamic capabilities

Building on the theoretical knowledge on capacities available, it is key to focus on dynamic capabilities as a means to mobilise resources and routines. The following focal points stem from the workshop discussion and build on the rich experience of the experts involved. They tackle widely shared challenges of PSOs, however, they should not be understood as generalisations. Implementation of organizational change in a PSO should always build on an organizational analysis and is highly context dependent.

Seizing capabilities

The seizing capacity includes sharpening the understanding between the political and operational level as well as the ability to reframe actions (and even direction) in light of a changing political environment. Here, **top-level political support and top-level management support within the PSO** is key for mission-oriented policies. As the connecting lines in figure 2 show, the lack of a political mandate has severe consequences for the implementation of the mission, when there is no or only weak directionality provided. Such a political mandate would also facilitate cross-ministerial collaboration, which is often well-established on the operational level, yet not matched at the political level. This often creates significant barriers for the implementation of existing solutions.

Connecting capabilities and learning capabilities

From the discussion at the workshop, it became clear that PSOs face an innovation challenge as their dynamic capabilities are often too rudimentary. Frequently, PSOs are too rigidly organized and have too few incentives for organizational innovation.

There is a high value nevertheless in the rigid organization and highly formalized processes of public administrations, as they guarantee reliable structures and stable results for standard operations. Therefore, organizational change processes should focus on **strengthening ambidexterity** in the organization, which means to start creating **small niches where horizontal, problem-oriented routines can be developed and experimented with and playfulness in instrumentation** is encouraged (Dreher and Weber 2023).

There might be another mismatch hidden here. The vertical structure between levels develops along the lines of strategic decision-making and operational execution. Thus, problem-oriented routines can be implemented on the operational level but often do not sufficiently inform the strategic level, the level which is required to adjust objectives and decisions. One often finds a break in the learning cycle because the actors who gain knowledge through experimentation are not in the position to adapt the overarching rules of the game.

For mission-driven leadership it thus becomes essential to allow for information-flows between vertical levels and to better align political, strategic and operational levels of the organization.

Sense-making capabilities

The experts at the workshop argue in favor of taking **system analysis and theories of change (ToC)** seriously and generate data and collect evidence accordingly. System analysis should be enable to 'zoom in' to different system levels and the desired system changes. ToCs urge us to think more systemic, particularly with a view to the many groups that need to be effectively involved over the course of a mission.

Another focal point are mechanisms for prioritizing among alternative policy interventions including an analysis of financial resources needed. Financial resources are often allocated according to a

grandfathering principle. The implementation of ToC challenges this fundamentally and hence often does not find political support. External, advising councils might contribute to meet this challenge if they manage to increase political pressure. It seems be worthwhile to develop concepts and approaches to support external councils in utilizing ToCs for holistic evaluations.

5 Support structures for PSO capacity building

This section highlights selected support structures for PSO capacity building, based on the expert knowledge gathered in workshop.

PSOs are in need of strategic intelligence to understand which types of abilities they already can draw on and which ones they want to develop. In fact, not all capabilities need to be built up internally, some can be bought in from external providers (i.e. from academia, communication experts, design thinking coaches, organizational change consultants and other practitioners). A very attractive solution for PSOs might be the provision of services from government-owned service providers (such as the German PD). Other solutions observed in the context of missions is the contracting of specific support services such as the Austrian Mission Facility.

More generally, such science-policy interfaces as the Austrian Mission Facility can take many different forms. At the current state of mission implementation, it seems very important that researchers deliver very practical advice to policy makers and work at arms-length (permanent channels of exchange) with those tasked with implementation. Also, more intense forms of scientific accompaniment are currently being experimented with in form of a facilitation support for mission collaboration processes or an embedded researcher in the agency (e.g. PhD at the Dutch enterprise organization (RVO)). Joint trainings of young researchers and public servants are another recent format to develop mutual capacities for exchange, as demonstrated by the recently piloted Science-Policy-Training of the EuSPRI-Forum.¹

Finally, science-policy relations should not be confined to a purely bilateral relation but should (at least critical junctures) involve other stakeholders. As missions require collaborative interorganizational capacities, a systemic view should also be applied to capacity building and aim at developing dynamic capabilities of other actors as well.

Most PSOs have well-established routines to involve several stakeholders. In many cases these routines need to change as well if the PSO innovates its own routines. Thus, we need to think more specifically about the concrete points in which stakeholder-involvement is needed and which functions this involvement should fulfil. As uncertainties and experimentation require a certain degree of risk-taking, this is especially important for building legitimacy and political communication. Missions require a kind of iterative development of legitimacy through established channels. In the Netherlands, the R&I ecosystem perspective is emphasized in this regard. In that sense, the TNO programme on system innovation can be seen also as a capacity building programme.²

¹ Joint EuSPRI training for early-career researchers with early-career policy professionals 'Mission-Oriented Science-Policy Dialogues' – EUSPRI.

² TNO Systems Innovation Programme | TNO

6 Conclusions

This paper tried to make a case for organizational change processes of PSOs with the aim to build dynamic capabilities, which can help organizations to become more adaptive in general, and better equipped for the design and implementation of mission-oriented (or other types of transformative policies) in particular. It is the summary of a workshop and thus meant to inspire follow-up activities which can look into the issues raised more systematically. In particular, PSOs interested in organizational change would need to start from an analysis of their own organization and its context to identify starting points for their organizational development.

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The Austrian Mission Facility for Policy Learning, Foresight, Monitoring and Evaluation was established in 2024 to provide scientific advice and support for the implementation of the five European missions on 'Restoring Waters', 'Mastering Climate Change', 'Climate Neutral Cities', 'Healthy Soils' and 'Beating Cancer'. Funded by the Federal Ministry for Women, Science and Research (BMFWF), it is implemented by AIT Austrian Institute of Technology (coordination), Joanneum Research and the Centre for Social Innovation, in cooperation with the Fraunhofer Institute for Systems and Innovation Research.

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