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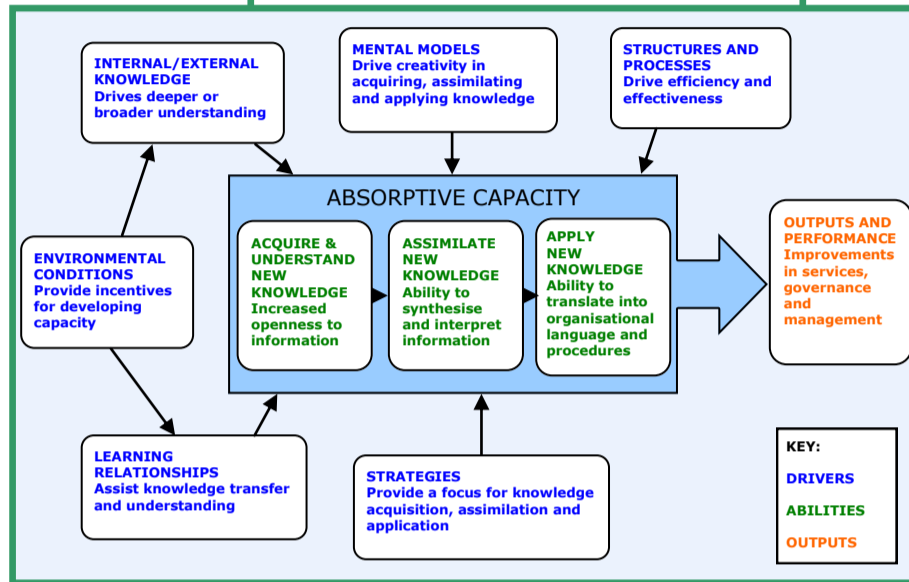
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### Background

With the introduction of inspectorates, performance targets, league tables and other forms of scrutiny, the performance of public services is now closely measured and monitored, and problems of poor performance which in the past might have gone unchecked or been resolved behind closed doors are now dealt with in the public domain. Media reports on failing hospitals, schools and local authorities have become commonplace.



**Figure 1**  
**Absorptive Capacity—the Framework**  
adapted from Lane et al. *Acad. Manag. Review* 31(4) 2006

### What We Did

Our research explored absorptive capacity in a wide range of public organisations which have encountered some form of serious challenge or failure.

- ❖ six health and local authority organisations in England where we had already carried out research;
- ❖ six further health and local authority organisations in the other countries of the UK;
- ❖ and in five organisations in other parts of the public sector - a housing association, a playgroup, a secondary school, a government agency and a police force.

In these organisations we interviewed key individuals, observed meetings, reviewed reports and other documents, and analysed available performance data.

### Aims

Our earlier research into poor performance, failure and turnaround in public services showed that the fundamental causes of major performance problems are often connected with how organisations learn – or fail to learn.

So in this project we set out to examine the way that organisations manage and use information about performance

This research has tried to develop a more detailed and explanatory model of organisational learning, using theories about “absorptive capacity” (the capacity of an organisation to acquire, assimilate and apply knowledge) which have been developed in research in business and management (see Figure 1). We identified a number of internal and external factors that might influence absorptive capacity.

	Government agency	Secondary School	Police Force
<b>External factors</b>	Complex and fast changing payment regime to administer, high profile project, no margin for error or delay	Deprived demography of local area, increasing competition from other schools, adverse OFSTED reports all create high level of challenge	Increasing focus on performance by national inspectorate, distraction of aborted merger, improvement elsewhere while this force stayed where it was
<b>Internal factors</b>	Internal organisational change programme and requirement for efficiency savings, untested implementation of major computerisation, over optimistic leadership.	Lack of effective leadership and internal narrative excusing declining performance. Long period in special measures following OFSTED report and protracted leadership change.	Longstanding complacency about issues of performance, several leadership transitions and tendency to attribute decline to environmental and other factors
<b>Absorptive capacity</b>	Agency was initially unable produce or use management information, deal with its performance problems or respond to external crisis.	School was initially internally focused and passive in the face of problems, not seeking ideas on change and improvement from elsewhere	Force was initially outdated in its approaches and management but uninterested in learning from elsewhere and changing its performance

**Figure 2**  
**Effect of some internal and external factors on learning capacity in some of the organisations we studied**

### Findings

❖ Figure 2 illustrates ways in which internal and external factors affected learning capacity in some of the organisations that we studied.

- ❖ Learning capacity was rarely discussed by the organisations themselves or by their assessors. We argue that more attention to some of the factors outlined in Figure 1 could provide a more effective basis for dealing with or even preventing organisational decline.

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

Find out more...



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