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Assessing and developing organisational renewal capability in the public sector

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Abstract: This study examines development of organisational renewal capability in the public sector and is based on a model of organisational renewal capability developed in a private sector context. Assessing the key strengths and weaknesses of renewal-related organisational capacities, our model depicts the resulting development process. We examine the model's potential for development of public organisations through the case of a single municipal organisation. The assessment and development process presented here is a promising method for public sector organisations. In addition, the long-term development process presented here can increase understanding on the part of organisation members of knowledge management in public organisations. This paper describes assessment and development of organisational renewal capability in public sector organizations.

Keywords: organisational renewal capability; assessment; development; public sector; knowledge management

INTRODUCTION

As the imperative of continuous change seems to confront public and private organisations alike, understanding the capability of the public sector for renewal is increasingly important. This paper examines a knowledge-based approach toward development of organisational renewal capability in the public sector. Organisational renewal refers to multiple organisational capacities for recreating and modifying intangibles through mechanisms of continuous learning and innovation (cf. Kianto, 2007).

In general, the public sector has produced public services self-sufficiently and in a centrally led fashion. Currently, it appears that the role of the public sector is shifting toward that of coordinator of wide collaborative networks of different kinds of actors—for example, public, private, and third-sector actors, to guarantee production of public services. The traditional management style, based on hierarchy and control, does not necessarily fit management of complex, collaborative, changing, and partly self-organising networks of service producers. On the one hand, this role offers new possibilities, as this kind of network potentially offers fruitful platforms for innovation to flourish (Pettigrew et. al 2003, Jalonen 2010). On the other hand, the role requires entirely new capabilities from public sector organisations compared with the hierarchical organising principles with which they are familiar. Leading a complex network of service producers increasingly demands the ability to find a dynamic balance between various knowledge processes within the network (Jalonen, 2010). In sum, it appears that the public sector faces many pressures to renew its management. This raises the question of whether public sector organisations are up to such a challenge. Do they possess the required capabilities to reinvent themselves to fit changed requirements in their operating environments, legislative pressures, and the demands of citizens using their services?

Organisational renewal capability is an overall ability of an organization to continuously renew itself by continuously learning and innovating (Eisenhardt and Martin 2000; Leonard-Barton 1995; Pöyhönen 2004). This is fundamental in changing environments, as it enables organisations to adopt unexpected events, and to sustain themselves and operate fluently in an environment in a constant state of flux (e.g., Eisenhardt and Martin 2000; Pöyhönen 2005; Teece et al., 1997). While organisational capability for continuous renewal has become a popular topic of research, most existing studies were conducted in the context of private firms (e.g., Kianto 2007; Bonfour and Edvinsson, 2005; Ståhle et al., 2004; Smedlund and Pöyhönen 2005; Kianto 2008a, 2008b; Lönnqvist et al., 2009), and there is a lack of literature addressing the key elements of organisational renewal capability and its assessment and development in the public sector.

Increasing organisational renewal capability of the public sector is a topical challenge; however, it seems questionable to what extent the models developed for private firms are in fact applicable in the public sector context. To clarify this issue, this paper examines the following three research questions:

1. What does organisational renewal capability mean in the context of the public sector, i.e., what are the key organisational mechanisms enabling continuous change in this setting?
2. How can this capability be assessed?
3. How can it be developed?

In this case study, we discuss a research-based development project conducted in a large city organisation. The city is located in the eastern part of Finland, with 90,000 inhabitants and some 6,000 employees. The city was formed from six previously distinct municipalities that merged in early 2009. Research data were collected over two years from surveys, interviews, and discussions conducted in various kinds of workshops, and from their related documentation.

The contribution of this paper lies in examining knowledge-based development of the public service sector. This study extends current understanding of how to understand, analyse and develop organisational renewal capability in public organisations. The paper also discusses the distinct challenges, and characteristics of knowledge-based development in the public sector. The practical contribution of this paper lies in its research-assisted method for assessment and development of renewal capacity in the public sector. It thereby offers new perspectives and methods for public sector practitioners to develop organisational capabilities to renew and manage complex networks of services in future economies.

THEORETICAL BACKGROUND

According to the knowledge-based view of the firm, knowledge is distributed across the organisation, embedded in the tacit knowledge and activities of firm personnel (e.g., Spender, 1996; Tsoukas, 1996). Thus, innovation and continuous learning should be an issue for all actors throughout the organisation, not just those who hold key development positions (Nonaka and Takeuchi, 1995). Consequently, development of organisational renewal means empowering members of an organisation to participate in innovation and learning activities for the organisation's benefit. Organisational renewal capability (cf. Kianto, 2008b) is defined here as multiple organisational capacities and processes that allow continuous learning and innovation within the organisation.

One theoretical model (Kianto, 2008a) suggests that organisational renewal capability is based on six key elements: strategic competence, exploitation of time, leadership, connectivity, learning orientation, and knowledge management. More specifically, *strategic competence* represents connecting the visionary element, basic task, identity, and general steering principles of the whole organisation. *Exploitation of time* relates to firm capacity to exploit time consciously as a competitive asset to produce new ideas and to turn them into successful outputs. *Leadership* characterises the decision-making and reward systems in the organisation as well as the ability of leaders and supervisors to support innovative activities through their personal activities. *Connectivity* represents the structure and quality of social relationships within and across organisational boundaries. *Learning orientation* represents the general attitudes of organisation members toward creativity and learning, and the extent to which these activities are supported and allowed by organisational structures and processes. Finally, *knowledge management* represents the organisation's systemic practices and tools for information storage and knowledge sharing. In sum,

organisations that consciously maintain and develop these six elements of renewal capability are likely to attain a higher level of innovation and learning, and thereby, greater competitive advantage amid changing conditions.

Even though the model of organisational renewal capability is constructed as a generic model, that is, with the aim of fitting all types of organisations, no previous studies examine its applicability to public sector organisations. Since very few studies on continuous learning and innovation in public sector organisations could be located, we take the Kianto model as our point of departure. Nevertheless, we recognise that, in some respects, renewal capability in the public sector is likely to differ from the same phenomenon in private companies. The next section illustrates these characteristics in the public context, along with findings from previous studies concerning renewal capability in public organisations.

Need for and challenge of organisational renewal in a public organisation context

The main drivers in competitive business, such as continuous renewal, strategic flexibility, and innovation, are not traditionally considered characteristics of public organisations (Pekkarinen et al., 2006). Instead, large and centralised public organisation reforms have characterised public sector change, which differs from the continuous change imperative. Thus, public organisations often lack the incentives, support, and culture for innovation (Pekkarinen et al., 2006).

The public sector context includes several specific factors compared to the private organisation context. Accordingly, the dynamic mechanisms of renewal, i.e., innovation and continuous learning, face challenges in the public organisation context for a number of reasons: *First*, the public organisation is based on public financing, which has, for example, in Finland, decreased dramatically since the 1980s (Möttönen and Niemelä, 2005; Kaljunen, 2011). In fact, the framework on which public organisations must carry out production of public services is changing. In the public context, decline rather than growth drives renewal (Jick and Murray, 1982). *Second*, clients of public organisations are citizens, and the public organisations are not able to select their clients or to focus on particular groups of clients (Pekkarinen, et al., 2006). *Third*, public organisations have various stakeholders (government, local policymakers, citizens, companies, and suppliers), and therefore goal-setting is a complex effort (Etzioni, 1973; Rittel and Webber, 1973). A complex and multifaceted organisational structure is typical of most municipal organisations. For example, city organisation constitutes several entities that vary in their nature of operations (hospitals, schools, infrastructure organisations, technical services etc.). *Fourth*, concerning public performance, it is difficult to define what the public organisation actually produces, and how to evaluate the public services produced (Rantanen et al. 2006; Pekkarinen, et al., 2006). *Fifth*, the municipal organisation is dual in nature; it is both a governmental administrative unit and local society, and therefore management of municipal organisations is dual as well. These characteristics are likely to impact organisational renewal capability and its developmental possibilities in the public sector.

The public sector and especially municipalities are closely related with respect to the movements and economic uncertainty of businesses in the private sector. This challenges the public sector increasingly to focus on its capabilities to learn to do things differently and to renew themselves more quickly. In fact, the role of the public sector is changing toward that of coordinator of wide collaborative networks of different kinds of actors, for example, public, private, and third-sector

actors, to guarantee production of public services. Public organisations, therefore, need entirely new capabilities compared to the hierarchical organizing principles to which they have been accustomed. Leading complex, collaborative, changing, and partly self-organising networks of service producers differs from traditional management style. In fact, leading such complex knowledge systems demands the ability to find a dynamic balance between various knowledge processes within the network (Jalonen, 2010). However, the changed situation of public organisations opens up new possibilities, as these kinds of networks potentially offer mutual platforms for continuous learning and innovation (Pettigrew et. al., 2003, Jalonen 2010).

The challenge for public sector organisations lies in their capacity to maintain the required capabilities for renewing themselves to fit the changed requirements of their operating environments, legislative pressures, and citizens using the services they provide. Increasing the renewal capability of public sector organisations is a topical challenge; but to what extent models developed in private firms are in fact applicable in the public sector context remains an open question. In this respect, we may draw three challenge fields for the development of organisational renewal capability in the public organisation context. The first challenge is to determine what organisational renewal capability means in the public organisation context, i.e., what are the key organisational capabilities and mechanisms enabling continuous change in this setting. The second challenge is assessment of organisational renewal capability in the public context. The third challenge lies in development of organisational renewal capability in public organisations.

METHODOLOGY

Case study

To examine development of organisational renewal capability in the public sector context, we conducted a multi-method case study. This research strategy was selected because it enables investigation of the phenomenon of interest in its real-life context and its relation to theory in a co-evolving manner (Piekkari et al. 2007). In this case, the latter characteristic of the case study was fundamental; namely, the aim was to study the suitability of private-context-based theory and methods in a public context and thereby to apply scientific knowledge to practice. More specifically, this study can be defined as long term (2.5 year) *engaged scholarship* which views the development process as a mutual learning space between researchers and organisation members, and understands the practitioners as co-creators of knowledge (Aldrich, 2001; Van de Ven, 2007). The process included action research study phases, where the researcher acted as both scientist and facilitator of change (Coughlan and Coughlan, 2002); it also included collaborative research phases, where dialogue and conclusions were carried out through interaction between researcher and organisation members during the development project.

The research-based development process was conducted in a large municipal-organisation. This is a long-term case of public context development and change, and is considered an intrinsic case by nature, while representing the broader field of municipalities in general. Although, case study methodology does not enable statistical generalisation, it is fruitful in producing theoretical generalisation (Stage 1995). In this particular case, it can build generalisation from the public-organisation context. With respect to collaborative research-based development, it is important to understand the case itself. This means that although the structured diagnosis aspect of the development process is similar in all organisations, subsequent development actions are particular

to each organisation's needs. Therefore, each case represents a unique amalgamation of people, competencies, and capabilities, and there is more than one way to operate.

City organisation

The context of this case was a municipal organisation, formed in 2009 of six municipalities. The organisation had undergone considerable change, which was still in process at the time of this study. The structure of the organisation included five functional sectors (2010); two sectors (Sectors II and III) were combined at the beginning of 2011. The municipal organisation had some 6,000 employees. In the near future, the organisation aims to implement a process-based organisational structure. Bearing in mind the future demands of a city organisation, it aimed to build a coherent and innovative organisational culture and to increase the consciousness of organisation members of organisational renewal and its advantages for organisations. To this end, the organisation became involved in a two-and-a-half year collaborative research project with a university to obtain help in development of its capabilities.

Data collection

Quantitative data (Table 1) was collected via ORCI-survey (Organisational Renewal Capability Inventory) method (Kianto 2008a). This method consists of a structured questionnaire which examines the six facets of organisational renewal capability explained in the theory section. The questionnaire probes respondents' perceptions about the presence of renewal-enabling and hindering characteristics in their work environments. The item response format is a 7-point Likert-scale, anchored by "strongly disagree" and "strongly agree". The questionnaire included 167 items grouped on six scales, representing the six elements of renewal capability, all of which are further divided into composites. The web-based questionnaire was directed to all employees and was intended to be filled in by a representative sample of the organisation's employees. The survey was sent via e-mail, and was also published on the intranet, because there were employees without e-mail addresses. The purpose of the survey was to diagnose the strengths and weaknesses of the city and its various sectors in the areas of organisational renewal capability.

Qualitative data was collected in a variety of ways (Table 1). First, in-depth theme interviews were carried out to deepen understanding of and complement survey data. The themes of interviews dealt with such issues as the current state of innovation of the organisation, the most critical needs for improvement, attitudes toward learning, learning from experience, ability to face the unexpected, obstacles to innovation, development suggestions for innovativeness, as well as the role of strategy in day-to-day work. The interviewees represented three sectors and various groups of employees. Second, data was collected in workshops; for example, discussions and material produced in groups during the workshop were taken as the research data. Finally, informal discussions were marked in the field notes and used as research material. This is in line with Dawson (1997), who highlights that data collection (including informal and tacit data collection) is an essential part of the case study process. The purpose of gathering such qualitative data was, on the one hand, to complement and deepen the survey data, and on the other hand, to document the collaborative and participatory development process.

Data analysis

These multiple data types, which represent different perspectives during the development process, led us to conduct triangulation in the analysis. Yin (1994) presents two strategies for analysing case studies: following up theoretical propositions, and developing a case description for the research. In this study, we synthesised both the theoretical model of organisational renewal capability and the qualitative data analysed through data-driven analysis, into a holistic perspective of the case. Tables 2 and 3 present the response rates of both survey rounds.

Table 1: Data collection and analysis

DATA	RESPONDENTS	DESCRIPTION OF DATA	PURPOSE OF DATA	ANALYSIS
Quantitative data				
Orci-survey Jan-Feb 2010	824	Quantitative data, including qualitative data from three open questions	To diagnose strengths and weaknesses in the areas of organisational renewal capability	Statistical analysis (SPSS) Open questions with open coding and grouping
Orci-survey October 2011	593	Quantitative data, including qualitative data from three open questions	To diagnose strengths and weaknesses in the areas of organisational renewal capability	Statistical analysis (SPSS) Open questions with open coding and grouping
Qualitative data				
Interviews 2010	22 respondents all groups of employees	Duration (38-65 min) Tape recorded, transcribed	Describe current situation, complement, extend, and deepen survey data	First data driven analysis, comparison to survey findings, <u>grouping findings</u>
Meetings and group discussions		Memos, field notes	Document process and changes in understanding	Data driven analysis
Workshop data		Material and documents produced in workshop	Document development of understanding, both researcher and organisational members	Data driven analysis, content analysis
		Field notes	Complementary data to build a holistic picture	Data driven analysis
	18 participants	Videos	Document the workshop	Content analysis
Informal discussions	Contact person (HR manager) in organisation	Field notes, memos	Complementary data (to build a holistic picture)	Data driven analysis

The interview data were collected simultaneously with the survey and it was *first* analysed through data driven analysis independently from the survey results. This was done to examine the current state of innovativeness, attitudes toward continuous learning, and the general state of the organisation after its merger to form a holistic picture of the case. *Second*, the survey analysis, the open questions, and the interview findings were combined into a report for the organisation. The survey data described the *what* questions, while the interview data described the *how* questions and provide narratives to explain the survey results. In this sense, both forms of data are *complementary*, but *contradictory* issues were also recognized. *Third*, the report was presented to

the municipal organisation in two workshops to communicate the findings collaboratively with organisation members from different sectors and to broaden understanding of the researchers of the organisational specialties. *Fourth*, based on the results, development activities and development workshops were planned to address the main weaknesses selected. *Fifth*, feedback from each development workshop was collected via questionnaire, including scaled items and open questions. *Sixth*, memos and field notes were used as complementary data. Finally, to integrate the findings of the multiple data sources and data analysis, a final round linked the various findings together. In this sense, we examined whether the findings from various sources were convergent, complementary, or contradictory (Flick 2009).

Table 2: Response rates (%) and number of respondents (N) in Survey 2010 and Survey 2011.

Sector	Survey 2010 (N=824)	Survey 2011(N=593)
City organization	13,2 % (N=824/6241)	9,5 % (N=593/6241)
Administration	62,6 % (N=77/123)	32,5 % (N=40/123)
Social and Health Services	14,4 % (N=322/2242)	11,0 % (N=264/2242)
Education and Culture Services	7,15 % (N=176/2460)	7,11 % (N=175/2460)
Work, Entrepreneurships and Business Services	21,4 % (N=24/112)	8,8 % (N=101/1142)*)
Technical and Environmental Services	21,8 % (N=225/1033)	

*) the sectors were combined in 2011

Table 3: The percentage of respondents (N) in Survey 2010 and Survey 2011.

Group of Employee	Survey 2010 (N=824)	Survey 2011 (N=593)
Top management	1,7 % (N=14)	0,8 % (N=5)
Unit management	6,2 % (N=15)	6,4% (N=38)
Supervisors	11,7 % (N=96)	13,0% (N=77)
Expert	20,3 % (N=168)	14,7% (N=87)
Employee	60,1 % (N=495)	65,1% (N=386)
Total	100,0 % (N=824)	100,0% (N=593)

RESEARCH-BASED DEVELOPMENT PROCESS

This section describes the structure and content of the research-based development process (Figure 1, Table 4). From a methodological perspective, the development process is twofold and comprises 1) *a structured diagnosis phase* as a result of a descriptive picture of the strengths and weaknesses of the renewal elements, and 2) a multiphase *process for development*. The development process is event-driven (Aldrich, 2001, Van de Ven 2007), where each event leads to another; this perspective fits a collaborative development process. The development process as a whole represents a strong inquiry into the organisation and causes change and brings about learning opportunities from the beginning of the process (Table 4). The development focus areas and the activities were drawn both from the needs and goals of the organisation and the results of the survey in collaboration with organisation members.

Figure 1: Research based development of organisational renewal capability in public organisations

Table 4: Content, process events, and source of change and learning in the city case.

	<i>Content</i>	<i>Process events</i>	<i>Source of change in context</i>
1	To create mutual understanding, To agree practical events to carry out the survey and interviews. To inform about the forthcoming survey and research	Modification of the survey for public context needs. Additional items of trust and work well being. Creation of Web-based survey	Engagement of organisational contact members into planning.
2	Information workshop open to all organisation members: -organisational renewal capability -measurement of renewal capability -development of organisational renewal capability	Content of the workshop published on city intranet	Increase understanding and consciousness of organisation members about renewal capability (continuous learning and innovation), its measurement, and its importance to an organisation.
3	Web-based survey carried out Interviews carried out	Survey open four weeks and three reminders sent to the non-respondents Interviews carried out during the period November–December 2010	Responding to survey (25min/person average) Taking part in in-depth theme interviews
4	<i>Survey analysis</i> Average values of estimations calculated -present state of renewal capability -intra-organisational comparisons (between various sectors and groups of employees) <i>Interview analysis</i> Interviews analysed through data-driven method	Results of survey analysis presented both in numeric and graphic form at three levels (organisation, sectors, and groups of employees) and written into report (<i>What</i>) Findings of complementary interview analysis added to discussion report (<i>How</i>) Triangulation of data sources	Structure and content of resulting report planned with organisational contact person to fit organisational needs
5	Results workshops -top management -open to organisation members	Results report (survey and interviews) presented in two workshops for open discussion and mutual communication	Weaknesses and strengths made visible To attract participation to discuss results and to possible development areas and activities
6	Six theme workshops (6) directed to respond to development needs	Six theme workshops <i>Open to all organisation members:</i> -role of trust and communication in organisational renewal -intellectual capital and its management -trust building <i>Pilot group workshops:</i> -individual creativity -collective creativity -creativity -managing time	Taking part in workshops
7	Second round of web-based survey carried out Analysis carried out	Survey open four weeks and three reminders sent to non-respondents Results of analysis presented in report Comparative analysis between the two surveys reported	Responding to survey (25 min/person average)
8	Results workshop. Content of workshops addressed comparative analysis between survey results I and II. In addition, whole research-based development process scanned through including results achieved	Dialogic result workshop of the project for organisation carried out	Changes in the elements and sub-elements of renewal capability visible Participative dialogue concerning results
9	Final workshop – content, events, results of the whole research-development process	Dialogic concluding workshop with organisation members	Understanding renewal and related issues

FINDINGS

Organisational renewal capability in a public organisation context

Typical characteristics of the public sector were also found in this case, for example, rigidity of dual administration (Anttiroiko et al., 2003), hierarchical and multilevel administration, complex and large organisation (Etzioni, 1973; Rittel and Webber, 1973), and traditional management style (Jalonen, 2010), which were identified from various sources of data. In multiple data sources (interviews, workshops, and informal discussion) the above issues were mentioned as obstacles to innovation in the city. Analysis of the open survey questions complements these findings, namely, that large organisations, bureaucracy, tight roles in work, and rules and uncertainty were mentioned as obstacles to innovation. Table 5 presents results of the open question analysis, capturing the issues enabling and inhibiting innovation and learning, i.e., key mechanisms of renewal capability in the city.

Table 5: Obstacles and enhancers of continuous learning and innovation of the city

Obstacles of continuous learning and innovation (N=539)	Enhancers of continuous learning and innovation (N=491)
Rush and lack of time 144	Collaboration and work community 153
Collaboration capabilities 67	Education 81
Lack of resources 65	Individual motivation and nature of work 68
Leadership style and skills 63	Support from supervisors and colleagues 65
Large bureaucratic organisation, fixed roles 46	Need (forthcoming changes, new situations) 32
Lack of individual motivation 46	Commitment of personnel, newcomers, young, and innovative employees 32

Our findings support the view presented in the literature (Jalonen, 2010) that the public organisation context is changing and needs to renew its operations, management, and capacity to keep the economic confidence of the municipal area attractive. The aim of the city was to become as innovative as possible, developing and renewing the municipal organisation, as the website of the city states: “*The future City is a dynamic city that strives for strong development and growth.*” (15th October, 2009). This kind of declarative message was not considered by the respondents to describe the situation in practice. Respondents mentioned the discrepancy between the desired values and practice in the organisational reality, which came up in many sources, of which the following quote is but one example:

“... the city has been marketed as a new organisation which is innovative and developing and renewing and promotes good governance and other such things, so that in this light we haven’t reach such type of outcome—not psychologically nor as an absolute result.”(Respondent 1)

The survey results are in line with this finding; specifically items measuring respondent perceptions of organisational trust were rather low (3.84 on a scale of 1 to 7).

Organisation members were conscious of the need for and importance of renewal, and this was expressed both as external and internal needs, as the following two citations describe:

The operating environment is changing and the city has to be able to keep up with the change, and in some areas it would be the city's interest to be at the forefront of some change because it creates confidence in the area—and opportunities!” (Respondent 4)

Concerning the need for renewal of the public sector organisation, the human resource manager explained as follows:

“It's a lifeline—no matter what the sector. At the municipal side we have to prepare for the future and the labour shortage by especially developing technologies and know-how and, for example, by promoting well-being at work, so that I do find it a lifeline to develop and seek new and creative solutions and develop the skills of the personnel and to create forums in which to promote inter-industrial development and get ideas and solutions....Productivity must be improved, and how else to do it.”(Respondent 8)

Although the new situation was seen as challenging, it was also considered a possibility for and demand to increase innovativeness, which is in line with findings in the literature (Pettigrew et. al 2003, Jalonon 2010).

In summary, while the organisation in question possessed many of the typical renewal-hindering characteristics of public organisations, the need for renewal was strongly expressed in various fields of the organisation. Yet, it was not quite clear how the city could shift from a declaratory mode of innovativeness to real innovativeness and renewal in practice. Persisting too long in that mode decreases organisational trust, thereby inhibiting the goals of development. Organisational renewal requires close collaboration and coherence between management, trustees of the city, and other stakeholders. To maintain and develop the key capabilities and mechanisms of continuous change demands an overall consciousness to understand renewal as an important strategic competence; this is to drive multiple organisational capabilities through mechanisms of continuous learning and innovation throughout the organisation. This kind of approach to renewal represents a fundamental shift from the traditional public organisation philosophy into a more real-time, participative, networked, and interactive operational logic, and requires time and effort to initiate.

Assessment of organisational renewal capability in a public context

The assessment method was found suitable for diagnosing the main strengths and weaknesses in organisational renewal capability in public organisations. After minor modifications of the questionnaire, the item-set measures the level of renewal capability of public organisations similarly to the private organisation context. This enabled study of the renewal capability of each sector separately, which is important in a public context, where the sectors differ from each other by function, resources, and organisation (for example, the technical service and health care sectors are very different). This also enables analysis in subsectors and in various groups of employees. Further, it reveals the real needs of each group and helps to target development activities in those particular areas. Nevertheless, we found some challenges in applying the method and discuss these below.

Large, complex organisations comprising several kinds of entity were difficult to survey. In the open feedback, respondents stated, that it was difficult for them to understand what the word *organisation* means in item group titles and in items. In other words, they wondered whether this term meant the whole city organisation or, for example, the hospital organisation, where the respondent worked. In this kind of complex municipal organisation, overlapping and multi-group work roles seemed to be characteristic. Further, after a large structural organisational change, it may be difficult for the personnel to perceive to which unit they in fact belong, as their physical workplace may differ from the position depicted in an organisational chart.

The second challenge for the assessment was internal briefing and information sharing. Information about the research and development process, and the forthcoming survey, was not disseminated throughout the organisation, due to lack of sufficient information channels. Poor internal knowledge flow was identified as the main focus area for development, both in the interviews and in the workshops. More specifically, respondents stated that they have to confirm important messages after sending them, whether they reached their destinations or not. This means that they could not trust the information system of the organisation; “... *now our jobs are overlapping because we are always making sure that the message has been received...*” (Respondent 15). The merger situation may partly explain this, because the merged municipalities have had their own systems and methods of disseminating information.

Development of organisational renewal capability of the public organisation

Next, we present some examples of development in the understanding of the researchers, organisation members, and the development activities themselves. *The converging findings* intensify the results, as they share similarities in various sources of the data.

These complementary findings deepen and broaden our understanding of the survey findings. They describe, for example, weaknesses in leadership by showing how this was demonstrated in organisational reality. This kind of triangulation broadens the overall view; it helps to determine the developmental needs and to focus development activity on particular targets, for example, on the leadership.

In survey results, the points of view of managers differed markedly from the points of view of other groups of employees. This is in line with the literature, namely that managers tend to view their organisations more positively than do other groups (Price, 1977; Kianto, 2008a); but in this case, the difference was exceptionally wide. In the open questions of the survey, leadership style and skills were named as one of the main obstacles to innovativeness. In the interviews, the situation was described as follows:

“It may be that they don’t even know how to run a big organisation, and difficult things take the backseat, when they start managing smaller issues and handle them the same way as before—prodding a bit here and there—and they should leave room and responsibilities for the middle management, and perhaps the information about the duties of the middle management does not reach the top.” (Respondent 15)

A pilot group of middle managers (called developers) was invited to participate in the workshops for this development process. This was planned in collaborative dialogue with the HR unit.

Otherwise, leadership development was taken as a responsibility of the HR unit, and this unit began to develop a leadership program for supervisors and managers.

The *contradictory findings* include issues that show opposite results in various sources of the data. Based on the survey, connectivity, which described team climate and trust, and internal and external collaboration, seemed to be the strong points of the organisation. In open questions concerning the obstacles and enhancing issues of innovativeness, the lack of collaboration capabilities (lack of skills in collaboration, conflicts, distrust, competition, and old practices) were the second largest barrier group hindering innovativeness. In interviews, internal knowledge flow and collaboration were seen as important targets for improvement. In addition, some organisation members considered the survey result somewhat surprising and too positive compared to organisational reality. Nevertheless, a small group of open-question respondents named fluent collaboration and supportive work environment (team spirit, collaboration, co-creation, dialogue, and communication) as triggers of innovativeness.

In collaboration with the HR unit, interaction, communications, and trust were defined as key focus areas of development activities. To respond to this need, four workshops were carried out by the research team. The content of the workshops included: communication and trust in organisational renewal, trust building for renewal, and two improvisational-theatre based action research workshops, which focused on triggering adaptive interaction, and building trust, creativity, and collective and collaborative capabilities.

Further, action research and engaged-scholarship research produced findings that were discovered in interaction and in interactive workshops with researchers and organisation members. Often, these are tacit and unconscious among organisation members; they are fundamental sources of development, because they result from the insights of participants. In this case, the collective reflections in the workshops created narratives about organisational reality from various perspectives. This was enabled because participants connect their experiences of training into their own work context and work community. These situations on the one hand reveal a great need for collaboration and, on the other hand, much potential and creative ideas for development of the organisation; further, they reveal lack of utilisation of this potential.

The results of the second round of the survey were communicated to the organisation members. The results that the statistically significant positive changes were mainly associated with the sector of education and culture, and the statistically negative changes were mainly associated with the social and health care sector, were in line with the experience of the city trustee, who explained that the social and health care sector was still in a strong process of change due to the new organising principles.

Because of the large size and complexity of the organisation, the development process was carried out as a kind of a pilot process. The development process included two kinds of workshop: workshops open to all employees and workshops carried out with the limited pilot groups. In the multiphase collaborative development process, we utilized the triangulated and communicated results of the diagnosis and interviews and built situations of co-creation of knowledge with organisation members.

CONCLUSIONS

This paper examined the assessment and development of organisational renewal capability in the public sector. The study examined to what extent the model developed for private firms were applicable in the public sector context. We aimed to define what organisational renewal capability means in the public organisation context, what are the key organisational capabilities and mechanisms enabling continuous change in the public context, and how this could be assessed and developed. Thus, we presented a research-based development process for development of organisational renewal capability for public organisations.

The model of organisational renewal capability (Kianto 2008a) was applied to a city organisation to examine its viability in the public organisation context. The model, dividing the antecedents of renewal into six main factors (strategic competence, exploitation of time, leadership, connectivity, learning orientation, and knowledge management), worked well in organising information concerning the current state of renewal capability in the city. The related survey method (ORCI) enabled comprehensive assessment of the strengths and weaknesses of renewal capability in the public organisation context. This assessment and the subsequent collaborative development process increased commitment and participation of organisation members in this development process.

The findings of this study show that organisational renewal capability is an increasingly important capability for public organisations. The general specialties of public organisations in terms of continuous renewal are recognised in this study. Nevertheless, there were clear signs of change in the attitudes of organisation members toward a more dynamic organisational culture. The need for renewal and innovativeness was emphasized in the city, but how to start increasing innovation and continuous learning throughout the organisation was not yet clear, neither from a theoretical point of view nor in practice. Although change and the merger of municipalities is largely desired, there is still a lack of understanding of the challenges inherent in dynamic change in the public sector, that is, embracing a continuous renewal imperative through learning and innovation.

Overall, the development process of organisational renewal capability will help public organisations to develop appropriate capacities for continuous renewal. The more that public organisations become aware of their organisational capabilities, along with their strengths, weaknesses, and developmental needs in terms of continuous learning and innovation, the better they can focus their development efforts on the most critical issues to succeed in changing environments.

This paper extends the literature on assessment and development of organisational renewal capability in the public organisation context. It contributes to the literature on knowledge-based development in the public sector by demonstrating a structured approach to organisational renewal capability and its development in a city organisation. More specifically, it adds to our understanding of employee commitment to innovation, continuous learning, and renewal, which are critical to developing organisational capabilities (Whitley, 2003). Further, this paper discusses the distinct challenges and specific issues of renewal in the public sector context.

The structured process for evaluating and developing organisational renewal capability was applied to a single organisation in this paper, which can be seen as a limitation of this study. In future studies, the method should also be applied to other cases. Another limitation is that the long

term development process is still on-going. In future studies, differences in the various sectors of public organisation in terms of organisational renewal capability should be identified. In fact, the question of whether the various parts of an organisation require different capabilities for renewal needs clarification, as well as the question of how these capabilities may be successfully integrated and orchestrated for overall organisational goals.

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