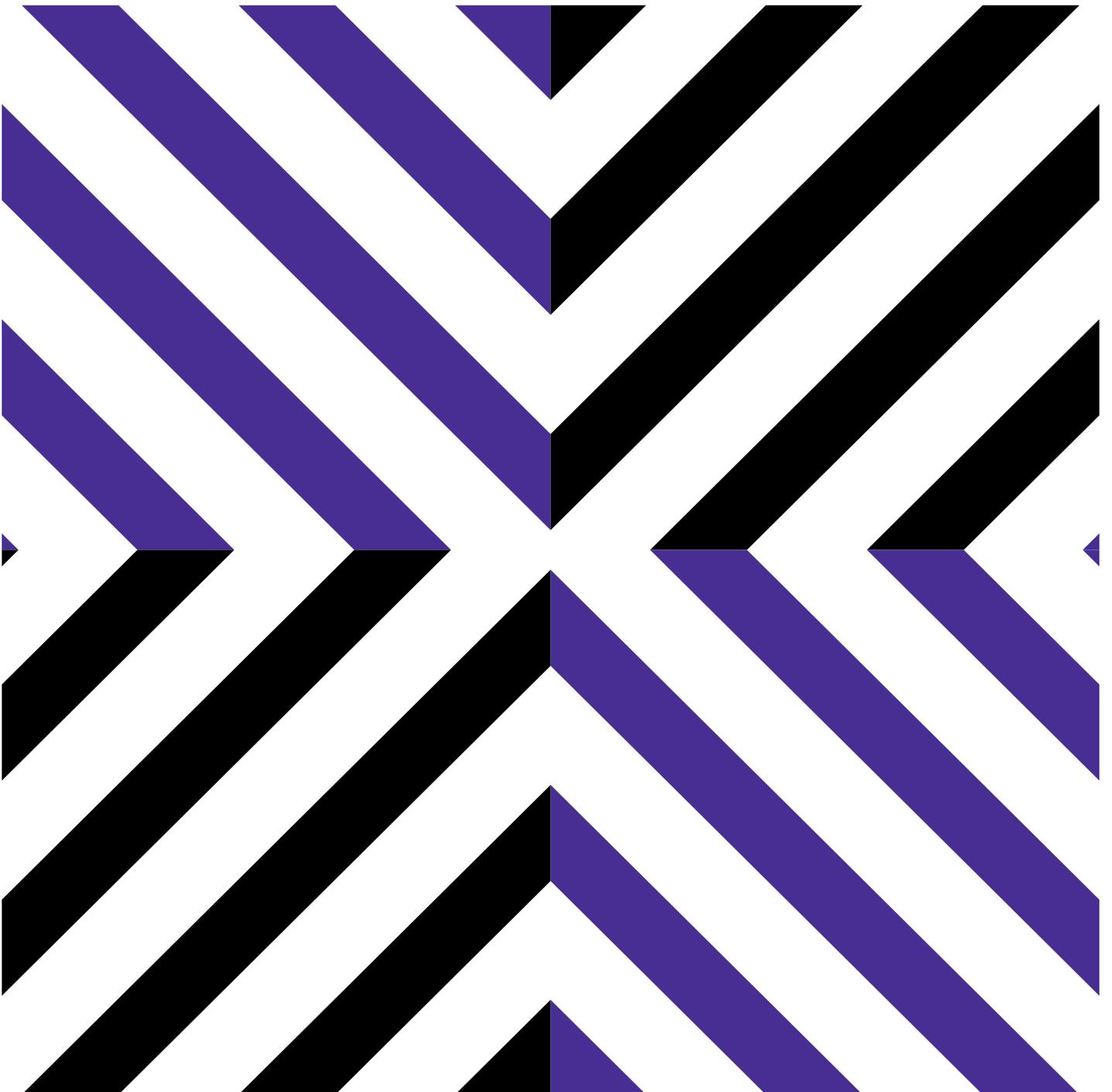


Understanding the Drivers of Organisational Capacity

KATE COX, STEPHEN JOLLY, SIMON VAN DER STAAIJ, CHRISTIAN VAN STOLK



For more information on this publication, visit www.rand.org/t/RR2189

Published by the RAND Corporation, Santa Monica, Calif., and Cambridge, UK

© Copyright 2018 RAND and Saatchi Institute

RAND® is a registered trademark.

RAND Europe is a not-for-profit organisation whose mission is to help improve policy and decision making through research and analysis. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors.

All rights reserved. No part of this book may be reproduced in any form by any electronic or mechanical means (including photocopying, recording, or information storage and retrieval) without permission in writing.

Support RAND

Make a tax-deductible charitable contribution at
www.rand.org/giving/contribute

www.rand.org
www.rand.org/randeuropa

Preface

This is the final report of a study, conducted in collaboration with the Saatchi Institute, which examines organisational capacity assessment and the role of culture and communication in improving performance. This document provides an overview of how organisational capacity is understood and measured in a range of public sector and non-profit organisations, before exploring how culture and communication drive organisational performance and offering an initial outline of a diagnostic tool for organisational capacity.

RAND Europe is an independent, not-for-profit policy research organisation that aims to improve policy and decision making in the public interest through research and analysis. RAND Europe's clients include European governments, institutions, NGOs and other organisations with a need for rigorous, independent, interdisciplinary analysis.

For more information about this study, please contact:

Christian van Stolk
Vice President, RAND Europe
Westbrook Centre, Milton Road
Cambridge CB4 1YG, United Kingdom
stolk@rand.org | +44 (0) 1223 353 329

Stephen Jolly
Director, Saatchi Institute
36 Golden Square
London, W1F 9EE, United Kingdom
stephen.jolly@mcsaatchi.com | +44 (0) 20 7544 3813

Table of contents

Preface	iii
Table of contents.....	v
Foreword by the Saatchi Institute.....	vii
Executive summary	ix
Acknowledgements	xv
1. Introduction	1
1.1. Policy context.....	1
1.2. Study objectives and scope	2
1.3. Research methods.....	3
1.4. Structure of the report.....	5
2. Assessing organisational capacity.....	7
2.1. What is organisational capacity?	7
2.2. What tools have been used to measure organisational capacity?	12
2.3. How can culture and communication be conceptualised, and how do they drive organisational performance?	19
2.4. How can organisational capacity be better understood and measured?	22
References	29
Appendix A: List of interview questions	33
Appendix B: List of interviewees	35

Foreword by the Saatchi Institute

Today's organisations must adapt constantly in order to retain their licence to operate. The ability to transform will determine whether or not organisations – public as much as private – can survive in a climate dominated by financial austerity, technological disruption and political uncertainty.

When one looks at the capacity of organisations to change and succeed, culture and communication – clear, simple and consistent communication – stand out as key determinants. Too often, the significance of organisational culture and communication is overlooked by leaders. Strategy, structure/governance, skills, technology, management of human resources and accountability are the standard fare of business schools and management consulting. Yet beyond this 'hard wiring', permeating every aspect of an organisation, lie the values, attitudes and behaviours of individuals and groups of individuals who make up that organisation.

To get under the skin of 'culture' – collective beliefs, values, behaviours, attitudes, norms, artefacts and symbols – in an organisation, rigorous empirical social scientific research is required. Any behavioural change interventions then planned must be based on the findings of that research.

In this report, researched and written in collaboration with RAND Europe, the Saatchi Institute explores how one might begin to measure organisational capacity and how, as a result, culture might be harnessed in order to drive change.

Encouraging and embedding values, behaviours and attitudes that support an organisation's strategic mission and discouraging those that militate against that mission are complex tasks. This culture challenge demands research-intensive behaviour-change communications that reach far beyond target-audience analysis into the beating heart of the organisation.

Stephen Jolly, Director, Saatchi Institute

This study aims to improve the ability of organisations to measure their capacity and to harness organisational culture in optimising performance

Public sector organisations worldwide face a profound challenge. On the one hand, their budgets are under pressure as government finances recover from the global financial crisis. On the other hand, they are asked to deliver the same outputs and outcomes, and sometimes even more, while facing changing societal demographics, technological disruption, fluctuating macro-economic conditions and political uncertainty. This raises an important question about how public sector organisations can maintain and develop their capacity to deliver services, products or value, as well as strengthening resilience, when so much effort has been focused on reducing costs rather than on building capacity.

Based on the findings of a study undertaken in late 2017 and early 2018, this report is intended to be a think-piece that advances current debates on organisational capacity and the role of ‘culture’ within organisations. The main aims of the study are to understand what the dimensions of organisational capacity are and how capacity is currently assessed; to look in particular at how organisational culture (collective beliefs, values, behaviours, attitudes, norms, artefacts and symbols within an organisation)¹ and communication interact with capacity building; and to provide the foundation for the further development of a diagnostic tool which could be deployed in organisations. This tool could help management to identify and begin to address their capacity needs, as well as to better understand the contribution of culture to organisational performance.

The main tenet of the report is that better performing organisations have a range of capacities that contribute to better outcomes. Linked to all of these capacities are two critical concepts: culture and communication. Organisations can influence their own culture and communication, both of which are important factors in capacity building for two reasons. Firstly, capacity building generally involves a change process. Ultimately, such processes require a set of beliefs, values, behaviours, attitudes, norms, artefacts and symbols that are supportive of this process. Secondly, different organisational capacities are not developed in isolation and to some extent can be seen as interdependent and dynamic. Our research shows that communication can allow organisations to effectively harness culture to mitigate risk, manage change and improve performance, and that supportive organisational culture is closely linked to effective capacity building and successful organisational outcomes. This also requires us to be clear about what

¹ This definition of ‘culture’ is adapted from Schein EH. *Organizational Culture: What it is and How to Change it*. Human resource management in international firms: Springer; 1990. p. 56–82.

constitutes a ‘supportive’ organisational culture. Finally, capacity building needs to be seen in the context in which the organisation operates and in terms of what the organisation wants to achieve at a given point in its development or over time.

This document addresses the following research questions (RQs):

- **RQ1:** How is ‘organisational capacity’ understood and measured in the public and non-profit sectors?
- **RQ2:** How can organisational culture and communication be conceptualised, and in what ways do they contribute to capacity building?
- **RQ3:** How can organisational capacity be better understood and measured in the future?

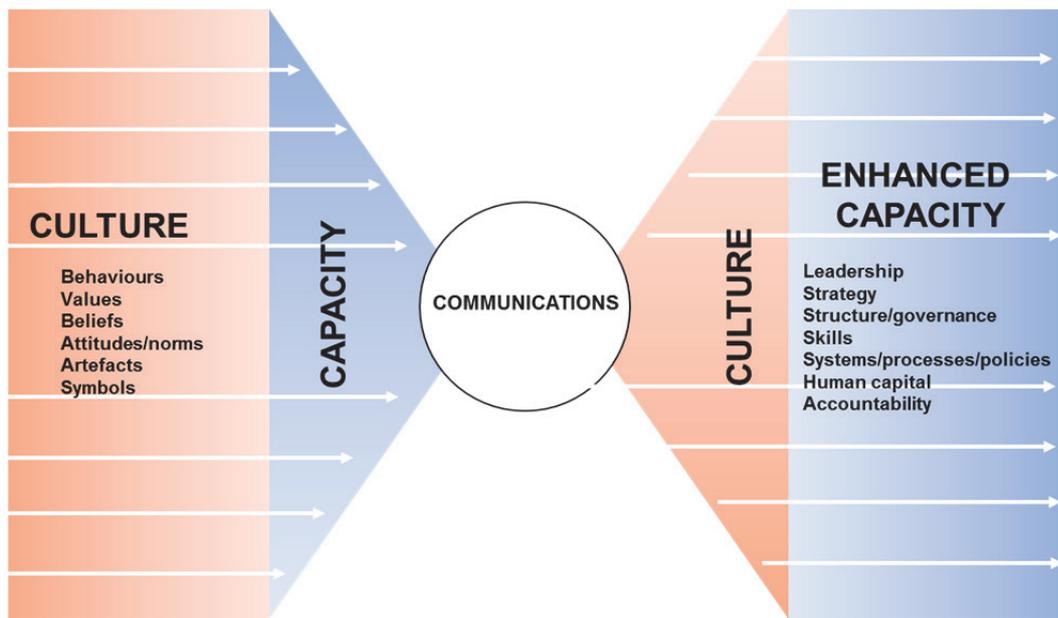
To answer these research questions, this report comprises four primary components: an analysis of how ‘organisational capacity’ is conceptualised and understood (*RQ1*); an overview of selected capacity assessment frameworks used in public sector and non-profit organisations (*RQ1*); a high-level summary of culture, communication and the role of these elements in organisational performance (*RQ2*); and an initial exploration of how organisations can more effectively diagnose their capacity (*RQ3*). The research is based on a structured review of literature spanning academic and grey literature² identified based on its relevance to the research questions. It also draws on a series of interviews with academic experts, which were used to expand on and validate the findings of the literature review, and interviews with public sector representatives, which allowed us to consider organisational capacity through the lens of different organisational contexts and assessment frameworks.

There is little agreement on what constitutes organisational capacity but there is consensus that it is a multidimensional concept

Capacity is understood differently across sectors and organisations, as different sectors are driven by differing sets of incentives: while private sector companies typically aim to generate and increase profit, public sector organisations tend to prioritise public service delivery and efficiency. Even within one sector, conceptualisations of capacity can vary depending on the size and mission of the organisation or department. For example, smaller departments with an overseas delivery focus (e.g. development) may take a different approach than larger domestic service delivery departments (e.g. education). Despite these diverging definitions, there was agreement in the literature and among interviewees that organisational capacity is a multidimensional concept with culture as a core determinant. Figure ES-1 consolidates the definitions presented in the literature and by study interviewees into a single conceptual framework.

² ‘Grey literature’ is produced by organisations outside of academic or commercial publishing channels. Examples of grey literature include government documents, technical reports, working papers, doctoral theses and conference proceedings.

Figure ES-1: Components of organisational capacity



Source: RAND Europe and Saatchi Institute analysis (2018).

As Figure ES-1 shows, culture and communication stand out as central aspects of building organisational performance and are closely linked to the other six components identified. The attitudes and behaviours of the individuals and groups that make up an organisation appear to play an important role in shaping organisational performance.

- **Culture** refers to a system of collective beliefs, values, behaviours, attitudes, norms, artefacts and symbols within an organisation.
- **Communication** involves conveying important organisational information and ideas in a clear, simple and consistent way, both internally and externally.

As Figure ES-1 illustrates, culture and communication are linked to six commonly used dimensions of organisational capacity: leadership, strategy, structure/governance, skills, human capital, and accountability. These are explained in more detail below:

- **Leadership** refers to the individuals responsible for directing an organisation and involves establishing a clear vision, sharing it with others, and providing the information needed to realise that vision.
- **Strategy** involves the presence of a strategic plan that enables an organisation to achieve its long- and short-term objectives.
- **Structure/governance** is a system of institutional rules, policies and processes which govern how roles and responsibilities are delegated, managed and coordinated.
- **Skills** refer to the 'right' mix of employees that can competently and adaptively perform complex activities involving ideas (cognitive skills), technologies and data management (technical skills) and/or people (interpersonal skills).

- **Human capital** involves the identification, screening, recruitment and training of job applicants, and the management of turnover and retention of people, as well as the administration of employee benefit programmes.
- **Accountability** refers to the need for an organisation to account, both internally and externally, for its activities and finances, to accept responsibility for them, and to disclose the results in a transparent manner.

Culture and communication permeate all areas of organisational capacity and support successful capacity building

Organisations typically do not develop capacity for capacity's sake. They are responding to internal and external pressures to improve performance or change working practices. Capacity building generally involves a change process, be it a recovery exercise, implementation of a policy change (such as Brexit), restructuring, modernisation or another process of organisational reform. Moreover, dimensions of capacity do not exist in isolation: rather, they are to some extent interdependent. As such, capacity building is a dynamic process with feedback loops through which the different dimensions impact on one another.

These processes require a supportive organisational culture to be successful. What do we mean by a supportive organisational culture? At a general level, this might be described as a culture that is attuned to the aims and functions of an organisation and to the values it seeks to espouse. For instance, a research organisation might aspire to a culture which values and promotes collaboration and innovation, whereas a regulator might choose to prioritise the values of fairness and authority. More specifically, an organisation that is adapting or transforming its business model might seek consciously to change its culture to make it more supportive of that process. For example, an organisation that diagnoses its prevailing culture as traditional, hierarchical and competitive might, in seeking to modernise its business, aspire to a culture that promotes innovation, creativity and collaboration.

When our interviewees were questioned on the role of culture in organisational capacity, there was consensus among all interviewees that a crucial relationship exists between culture and capacity. Interviewees saw culture as being closely linked to many of the dimensions that make up capacity, such as strategy, leadership and accountability. Without the right beliefs, values, behaviours, attitudes, norms, artefacts and symbols supporting the change process, capacity development was considered by a number of interviewees to be less likely to be successful.

Effective communication was also viewed by study interviewees as essential in achieving high organisational capacity. This is because a clear vision and internal information sharing regarding capacity building activities were seen as important for securing buy-in for capacity building tools and initiatives. For public sector organisations, interviewees argued that communication ability is essential for conveying an organisation's mission to taxpayers, strategic partners and other external stakeholders in order to build trust and support. As with culture, communication was not described as a discrete component of organisational capacity; rather, it was viewed as an overarching factor that feeds into a number of dimensions of organisational capacity listed above.

The central argument here is that capacity building without a supportive organisational culture and effective communication is unlikely to achieve organisational performance objectives, and even less likely to enable the organisation to achieve transformational change.

Awareness of context is key to understanding what organisational capacity means for different organisations

There is substantial debate about what drives performance in a public sector organisation. Work that RAND Europe undertook with the Organisation of Economic Cooperation and Development on civil service departments across Central and Eastern Europe and the Western Balkans suggests that organisations that have a range of capacities or are seen as high-capacity organisations are also higher-performing government departments. It therefore seems logical to conclude that organisations that improve their capacities are also likely to perform better over time. This is also the motivation behind many of the capacity assessment exercises identified in this report that have been used by governmental and non-profit organisations.

How can we define better organisational performance? Is better performance merely being more efficient at doing things? Is better performance being more effective in terms of outputs? Is it both at the same time? Some may argue that better performance should be framed as allowing the organisation to achieve or exceed its objectives. Context is critical here: for example, as previously stated, an organisation may be responding to accountability pressures and want to recover its performance and reputation, or it may need to support a reform or modernisation process. Alternatively, an organisation's leadership may question whether it can adopt innovation, or users may demand specific services from an organisation. Moreover, multiple factors may be in play at once.

Logic dictates that capacity building within an organisation needs to be seen in the context in which the organisation operates. The relative importance of organisational culture, leadership, strategy, structure/governance, skills, human capital and accountability will vary depending on the mission and the 'life stage' or maturity of an organisation. For instance, the emphasis that one organisation places on its structure/governance will not necessarily reflect the importance attached to it by another organisation, which may opt to focus on human capital, for example. Thus, high capacity may mean different things in different contexts.

A diagnostic tool can help in understanding the capacity needs of an organisation and establishing a baseline for assessment

Our report lays the foundations for the development of a diagnostic tool that centres on culture and covers the six associated dimensions of organisational capacity: leadership, strategy, structure/governance, skills, human capital and accountability.

For each of these dimensions, a future tool could present organisational leaders with a number of questions. Given the central importance of organisational culture and communication, each of the dimensions will include questions around culture and communication. These questions are based on earlier work done by RAND with the Organisation for Economic Co-operation and Development

(OECD) on government capacity in the Western Balkans and Central and Eastern Europe, as well as our review of other assessment frameworks as part of this study. Some specific examples of questions by area are given in Section 2.4.1.

Each dimension could be assigned a score in order to generate an assessment of the capacity of the organisation. To obtain a more rounded perspective on organisational capacity, the questions presented in Section 2.4.1 could be answered by people in the organisation and potentially also a wider set of stakeholders. Similarly, it may be helpful to engage different organisational directorates in the assessment, as they may bring very different perspectives and identify different needs relating to capacity. This would also allow for more intra-organisational benchmarking, particularly in larger organisations. Finally, the cultural and communication-related questions would aim to establish whether an organisational environment exists that can support capacity building or a change process.

This diagnostic tool can serve as a baseline for capacity assessment: follow-on work should be conducted to understand how each component fits with an organisation's overall mission and level of maturity. This could be done through follow-on qualitative research, conducted either within the organisation or by an external contractor, and by convening a series of workshops. This work could enable leaders to draw upon a wider set of judgements on organisational capacity deficits, the relative importance of the different elements of capacity in light of an organisation's operational context, future capacity needs, and crucially the presence of a culture that supports capacity building.

Acknowledgements

In conducting this study, the RAND research team is grateful to the many people who have provided their time, advice and support.

The team is particularly grateful to the public sector representatives and academic experts who took part in research interviews. Their affiliations and, in most cases, their names are listed in Appendix B; one interviewee's identity has been anonymised at their request.

Within RAND Europe, the team is appreciative of the research guidance, constructive comments and feedback provided by the quality assurance reviewers, Tom Ling and Rob Prideaux.

1. Introduction

This report presents the results of a study exploring capacity³ assessment and the role of culture⁴ and communication⁵ in strengthening organisational performance. The study was conducted in collaboration with the Saatchi Institute in 2017 and aims to support the development of a diagnostic tool for assessing – and ultimately helping to improve – the capacity of public sector organisations, with wider applicability to other sectors.

1.1. Policy context

Public sector organisations worldwide face a profound challenge. On the one hand, their budgets are under pressure as government finances recover from the global financial crisis. On the other hand, they are asked to deliver the same outputs and outcomes, and sometimes even more, while facing changing societal demographics, technological disruption, fluctuating macro-economic conditions and political uncertainty.

This raises an important question about how public sector organisations can maintain and develop their capacity to deliver services, products or value, as well as strengthening resilience, when so much effort has been focused on reducing costs rather than on building capacity. Today's organisations must adapt constantly in order to retain their licence to operate, and this adaptive capacity will determine whether or not they can survive in a climate of political and economic uncertainty.

However, introducing new ways of working into an organisation is not an easy task. For example, bringing information technology into an organisation often involves a productivity paradox, whereby organisational productivity falls rather than increasing.⁶ This paradox seems to resolve itself over time and

³ While a range of definitions of 'organisational capacity' exist (see Section 2.1), this report defines the term as the ability of an organisation to deliver effectively in the following areas: culture, communication, leadership, strategy, structure, skills, human capital and accountability. Definitions of these different components are outlined in Section 2.1, and the terms 'organisational capacity' and 'organisational performance' are used interchangeably throughout the report.

⁴ In this report, 'culture' refers to a system of collective beliefs, values, behaviours, attitudes, norms, artefacts and symbols within an organisation. This definition of culture is adapted from Schein EH. *Organizational Culture: What it is and How to Change it*. Human resource management in international firms: Springer; 1990. p. 56–82.

⁵ 'Communication' involves conveying important organisational information and ideas in a clear, simple and consistent way, both internally and externally to a given organisation.

⁶ Brynjolfsson E. The productivity paradox of information technology. *Communications of the ACM*. 1993;36(12):66–77.

some see this as a function both of the ‘adaptiveness’ of an organisation⁷ and of wider ‘organisational capital’ including worker training, human resource management and supplier relationships.⁸ Introducing new models of working is fundamentally disruptive in the short term and can lead to unforeseen consequences. A central question, therefore, is whether an organisation has the right cultural tools to adapt and to build capacity.

1.2. Study objectives and scope

This report is intended to be a think-piece that advances current debates on organisational capacity and how culture contributes to performance. The main objectives of the study are: to understand what the dimensions of capacity are and the how culture is assessed; to provide a high-level overview of culture, communication and their role in driving capacity in organisations; and to establish the foundation for a future diagnostic tool designed to help organisations understand their capacity gaps, identify capacity building opportunities, and harness culture in improving performance.

In support of these study aims, three research questions (RQs) are addressed in this report:

- **RQ1:** How is ‘organisational capacity’ understood and measured in the public and non-profit sectors?
- **RQ2:** How can organisational culture and communication be conceptualised, and in what ways do they contribute to capacity building?
- **RQ3:** How can organisational capacity be better understood and measured in the future?

For the purposes of this study, the ‘public sector’ refers not only to national governments but more broadly to national and local governments, their agencies and their chartered bodies. The public sector is the primary focus of the study, as this sector would be the intended user of the diagnostic tool described in Section 2.3. A secondary focus is on capacity assessment frameworks applied in non-profit organisations,⁹ given the shared focus of public and non-profit organisations on generating public benefit and on providing goods and services without seeking profits for private gain. While a focus on private sector frameworks was beyond the scope of this study, the considerations outlined in Section 2.4 are intended to have broad applicability across all sectors. It should also be noted that while this report provides a descriptive overview of these capacity assessment frameworks, it is beyond the scope of the study to evaluate the effectiveness or wider applicability of these tools.

⁷ Brynjolfsson E, Hitt LM. Beyond the productivity paradox. *Ibid.* 1998;41(8):49–55.

⁸ Heifetz RA, Grashow A, Linsky M. *The practice of adaptive leadership: Tools and tactics for changing your organization and the world*: Harvard Business Press; 2009.

⁹ In this study, ‘non-profit organisations’ encompass charities, non-governmental organisations, civil society organisations, private voluntary organisations, and not-for-profit research organisations.

1.3. Research methods

The research questions outlined above have been addressed through a combination of literature review and a programme of research interviews with public sector representatives and academic experts. These methods are described in the following sections.

1.3.1. Literature review

The RAND study team conducted a structured literature review of academic and grey literature¹⁰ to provide an overview of how organisational capacity is conceptualised and measured, and how the role of culture within capacity is understood. The review aimed to identify relevant sources through targeted Google and Google Scholar searches and ‘snowball’ searching.¹¹ Given the focus on organisational performance measurement tools, much of the grey literature reviewed was also identified by searching the websites of relevant government agencies and other stakeholders involved in organisational capacity assessment efforts. The study team included literature in the review on the basis of its relevance to the research questions and to the scope of the study,¹² and findings were written up in a narrative overview structured around the research questions.

As a result of the high volume of available literature on organisational capacity, a decision was made to limit the initial review to literature published after 2000, with snowballing of relevant literature cited in these papers. To ensure that seminal works were included in the review, date restrictions were not applied to the literature identified through the snowball search.¹³ No country restrictions were applied due to the interest in identifying transferrable lessons from a wide range of assessment frameworks. As a result, we identified frameworks applied in the UK, Canada, the US, South Korea and Australia, as well as a number of assessment tools not designed for use in a specific country (e.g. the McKinsey Organisational Capacity Assessment Tool – OCAT).

Reflecting the study scope (as described in Section 1.2), the primary focus of the literature review was on the public sector, with a secondary focus on capacity assessment frameworks used in non-profit organisations. While the literature review did not focus on private sector frameworks, the considerations outlined in Section 2.4 are intended to have broad applicability across all sectors.

¹⁰ ‘Grey literature’ is produced by organisations outside of academic or commercial publishing channels. Examples of grey literature include government documents, technical reports, working papers, doctoral theses and conference proceedings.

¹¹ ‘Snowball’ searching involves using a given document’s reference list to identify other relevant documents.

¹² As the literature review was not a systematic review of source material in this domain, a formal quality assessment of the literature was not conducted and it was not possible to consider all publications relating to organisational capacity in the public and non-profit sectors.

¹³ The publication dates of relevant literature included in the review ranged from 1982 (Deal TE, Kennedy AA. *Corporate Cultures: The Rites and Rituals of Corporate Life*: Addison-Wesley; 1982) to 2017 (Despard MR. Can Nonprofit Capacity Be Measured? *Nonprofit and Voluntary Sector Quarterly*. 2017;46(3):607–26).

1.3.2. Key informant interviews

Complementing the literature review, a total of five semi-structured¹⁴ telephone interviews were conducted with two groups of stakeholders identified through RAND Europe's contact networks: public sector representatives (two interviews: n=2) and academic specialists (n=3) with expertise in the field of organisational capacity assessment. The purpose of the interviews with academic experts was to expand upon and validate the emerging findings of the literature review, as well as to clarify any areas of dispute. The interviews with public sector representatives also allowed for the elicitation of information regarding specific organisational capacity assessment frameworks that could not be obtained through the literature review.

An interview protocol (see Appendix A) was used to conduct these interviews, which lasted approximately one hour each. This guidance document was designed to help interviewers cover all the desired topics while allowing scope for flexibility, and was adjusted for the two stakeholder groups. It was also designed to ensure, as far as possible, that all topics of discussion were covered with all participants. The interview questions followed two main lines of enquiry, focusing on how organisational capacity is defined and measured, and addressing the role of culture in organisational performance. A full list of study interviewees can be found in Appendix B.

Interview findings were categorised in an Excel spreadsheet in order to make them readily analysable for RAND researchers. Data capture categories were directly aligned with the interview protocol questions presented in Appendix A (e.g. 'What makes an organisation "high-capacity" or "low-capacity"?'; 'Are you aware of existing tools used to measure organisational capacity?'). Capturing interview data in this way meant that the RAND study team could compare findings across different interviews and identify common themes and areas of divergence.

Findings from the literature review narrative overview and the interview data capture were then synthesised through RAND project team discussions to form a more cohesive understanding, providing a basis from which we identified common conceptualisations of organisational capacity and assessment frameworks used to measure capacity in public sector and non-profit organisations. The main results were summarised into general themes aligned with the research questions outlined in Section 1.2, and are presented in Sections 2.1, 2.2, 2.3 and 2.4. These findings were then refined further in discussion with the Saatchi Institute at an analysis workshop held on 6 September 2017, and used to inform the design of the diagnostic tool described in Section 2.4.

1.3.3. High-level assumptions

A number of high-level assumptions should be noted in considering the findings presented in this report:

- From time to time in RAND reports, we step back from the data in order to reflect more widely on important topics and issues. This can be especially important where the existing evidence on key questions is ambiguous or incomplete. This report is such an occasion and allows us to

¹⁴ Semi-structured interviews combine the use of an interview protocol containing specific questions with flexibility to ask unplanned follow-up questions. By contrast, structured interviews follow an interview protocol with all interviewees asked exactly the same questions in the same order, while unstructured interviews consist of a free-flowing conversation on a given topic.

reflect more broadly in order to move the debate forward on a topic of considerable importance for conceptualising and improving organisational capacity.

- The outline diagnostic tool described in this report (see Section 2.4.1) is a foundation for the development of a future, more readily implementable tool. While this report offers a baseline for capacity assessment, further work is needed to develop the tool and to tailor it to an individual organisation's particular context, mission and priorities.
- In a number of areas, the nature of the data available to the study team means that the findings lack granularity. While specific examples of how capacity assessment tools are implemented in practice were sought by RAND researchers, limited detail on this could be elicited from the interviews and literature review.
- The available resources and timeframe of the study meant that it was only possible to conduct five research interviews. The research findings are therefore of limited representativeness and generalisability to the wider population.
- While the report highlights a number of organisational capacity assessment frameworks identified through the interviews and literature review, it should be noted that many additional frameworks exist that are not captured in this report. The frameworks included here were selected based on: (i) their relevance to the study scope (i.e. applicability in the public and non-profit sectors), and (ii) the high level of importance or influence assigned to them in the literature reviewed.¹⁵

1.4. Structure of the report

This report outlines the findings of this study in relation to the RQs presented above. In addition to this introduction, this document contains a four-part chapter covering:

- **Section 2.1:** An analysis of how 'organisational capacity' is conceptualised and understood (*RQ1*);
- **Section 2.2:** An overview of selected capacity assessment tools used in public sector and non-profit organisations (*RQ1*);
- **Section 2.3:** A high-level summary of culture, communication and their role in organisational performance (*RQ2*);
- **Section 2.4:** An initial outline of a diagnostic tool for organisational capacity (*RQ3*).

¹⁵ As noted above, while this report provides a descriptive overview of these capacity assessment frameworks, it is beyond the agreed study scope to assess the effectiveness of these tools.

2. Assessing organisational capacity

This chapter offers an analysis of how organisational capacity is conceptualised, measured and understood in the literature reviewed and the research interviews conducted with public sector representatives and academic experts, with a focus on the role of culture and communication in contributing to organisational performance. The following sections address the three research questions presented in Section 1.2: the chapter first presents definitions of organisational capacity and an overview of selected capacity assessment tools (Sections 2.1 and 2.2), before examining how culture and communication are conceptualised and contribute to organisational performance (Section 2.3) and exploring how organisational capacity can be better assessed in future (Section 2.4).

2.1. What is organisational capacity?

‘Organisational capacity’ commonly refers to an organisation’s ‘ability to perform work’¹⁶ or the enabling factors that allow an organisation to perform its functions and achieve its goals.¹⁷ In the public sector, one widely used definition of organisational capacity is a ‘government’s ability to marshal, develop, direct and control its financial, human, physical and information resources’,¹⁸ while in the non-profit sector capacity is often defined as ‘the set of processes, management practices, or attributes that assist an organisation in fulfilling its mission’.¹⁹ These conceptualisations are based on the assumption that ‘capacity’ affects an organisation’s ability to grow and improve.²⁰

The range of existing definitions indicates that there is no academic consensus on the exact meaning of ‘organisational capacity’, or on the meaning of closely related concepts such as ‘capability’, ‘ability’ and ‘capacity building’.²¹ The scope of ‘organisational capacity’ also lacks clarity, given that the concept has

¹⁶ Yu-Lee, Tomas R. *Essentials of capacity management*: John Wiley & Sons; 2002.

¹⁷ RAND Europe interview with Mathieu Despard, 4 August 2017; RAND Europe interview with David Renz, 10 August 2017.

¹⁸ Ingraham PW, Joyce PG, Donahue AK. *Government performance: Why management matters*: Taylor & Francis; 2003.

¹⁹ Eisinger P. Organizational capacity and organizational effectiveness among street-level food assistance programs. *Nonprofit and Voluntary Sector Quarterly*. 2002;31(1):115–30.

²⁰ Cairns B, Harris M, Young P. Building the capacity of the voluntary nonprofit sector: Challenges of theory and practice. *Intl Journal of Public Administration*. 2005;28(9–10):869–85.

²¹ RAND Europe interview with Mark Robinson, 2 August 2017; RAND Europe interview with Mathieu Despard, 4 August 2017; Christensen RK, Gazley B. Capacity for public administration: Analysis of meaning and measurement. *Public Administration and Development*. 2008;28(4):265–79.

been described not only as an input, but also as a throughput, a process and a resource. The meaning of capacity is often context-dependent, in that it can refer to a number of concepts, including ‘collaborative capacity’, ‘policy implementation capacity’ and ‘transformative capacity’.²²

Different sectors appear to be driven by different incentives, with private sector companies often placing greater importance on profit, non-profit institutions pursuing philanthropic objectives, and public sector organisations prioritising public service delivery.²³ In practice, this means that the organisational capacity required to achieve these goals is often understood differently across sectors. Even within one sector, conceptualisations of capacity can vary depending on the mission of the organisation or department. For example, large-scale domestic service delivery departments (e.g. education) may pursue different objectives to smaller departments with an overseas delivery focus (e.g. development).²⁴

Most researchers agree that organisational capacity is a multidimensional concept that incorporates more than just the financial resources of an organisation.²⁵ Study interviewees described a number of different components of capacity: strategy (n=2), leadership (n=3), structure/governance (n=2), human resources (HR) (n=3), finance (n=2), management (n=2), adaptive capacity (n=1), and accountability (n=1). Focusing mainly on the non-profit sector, the academic literature also offers a number of ‘organisational capacity’ frameworks based on components such as governance, culture, leadership, and infrastructure.

Conceptualisations of organisational capacity share a number of common elements. For example, resource availability, robust organisational infrastructure and strong external stakeholder networks are identified as important determinants of organisational capacity within a number of frameworks.²⁶ HR is also

²² Ibid.

²³ RAND Europe interview with Mark Robinson, 2 August 2017.

²⁴ RAND Europe interview with Mark Robinson, 2 August 2017.

²⁵ Herman RD, Renz DO. Advancing nonprofit organizational effectiveness research and theory: Nine theses. *Nonprofit management and leadership*. 2008;18(4):399–415.

²⁶ RAND Europe interview with Mark Robinson, 2 August 2017; RAND Europe interview with Patrick Staes, 4 August 2017; RAND Europe interview with David Renz, 10 August 2017; Eisinger P. Organizational capacity and organizational effectiveness among street-level food assistance programs. *Nonprofit and Voluntary Sector Quarterly*. 2002;31(1):115–30; Christensen RK, Gazley B. Capacity for public administration: Analysis of meaning and measurement. *Public Administration and Development*. 2008;28(4):265–79; Andersson FO, Faulk L, Stewart AJ. Toward more targeted capacity building: Diagnosing capacity needs across organizational life stages. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*. 2016;27(6):2860–88; Connolly P, York P, Munemitsu S, Ruiz-Healy C, Sherman A, Trebb C. Building the capacity of capacity builders. New York, NY: TCC Group. 2003; Minzner A, Klerman JA, Markovitz CE, Fink B. The impact of capacity-building programs on nonprofits: A random assignment evaluation. *Nonprofit and Voluntary Sector Quarterly*. 2014;43(3):547–69.

highlighted as an important factor,²⁷ with a skilled workforce viewed as essential to the functions and mission of an organisation.²⁸

However, the relative importance of these different elements can depend on an organisation's maturity,²⁹ as well as on its mission, priorities, portfolio and stakeholder community.³⁰ For example, an organisation may be responding to accountability pressures and may want to recover its performance and reputation, or it may need to support a reform or modernisation process. Alternatively, an organisation's leadership may question whether the organisation can adopt innovation, or customers may demand specific services from an organisation. A range of contextual factors and competing organisational priorities may be at play, which can affect how organisations view capacity.

As discussed in more detail in Section 2.3, a key message from most of the study interviews was the importance of effective communication to achieving high organisational capacity.³¹ One interviewee noted the need for internal information sharing regarding capacity building activities in order to secure internal buy-in for capacity building tools and initiatives.³² For public sector organisations, communication capacity was also said to be essential for conveying an organisation's mission to taxpayers, strategic partners and other external stakeholders with a view to building trust and support.³³ While communication was not described as a discrete component of organisational capacity, interviewees recognised that it feeds into a number of areas such as leadership, strategy, structure/governance and human capital.

When asked about their views on organisational capacity and its constituent components, none of the study interviewees mentioned organisational culture specifically. However, when questioned explicitly on the role of culture in organisational capacity, there was consensus among all interviewees that an important link exists between culture and capacity (see Section 2.3). One explanation for this apparent discrepancy is that culture is closely linked to other aspects of performance,³⁴ such as strategy, leadership,

²⁷ RAND Europe interview with Mark Robinson, 2 August 2017; RAND Europe interview with Patrick Staes, 4 August 2017; RAND Europe interview with policy official, 4 August 2017; Ingraham PW, Joyce PG, Donahue AK. *Government performance: Why management matters*; Taylor & Francis; 2003; Eisinger P. Organizational capacity and organizational effectiveness among street-level food assistance programs. *Nonprofit and Voluntary Sector Quarterly*. 2002;31(1):115–30; Christensen RK, Gazley B. Capacity for public administration: Analysis of meaning and measurement. *Public Administration and Development*. 2008;28(4):265–79; Andersson FO, Faulk L, Stewart AJ. Toward more targeted capacity building: Diagnosing capacity needs across organizational life stages. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*. 2016;27(6):2860–88.

²⁸ Eisinger P. Organizational capacity and organizational effectiveness among street-level food assistance programs. *Nonprofit and Voluntary Sector Quarterly*. 2002;31(1):115–30.

²⁹ RAND Europe interview with David Renz, 10 August 2017; Andersson FO, Faulk L, Stewart AJ. Toward more targeted capacity building: Diagnosing capacity needs across organizational life stages. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*. 2016;27(6):2860–88.

³⁰ RAND Europe interview with Mathieu Despard, 4 August 2017.

³¹ RAND Europe interview with Mark Robinson, 2 August 2017; RAND Europe interview with Patrick Staes, 4 August 2017; RAND Europe interview with David Renz, 10 August 2017.

³² RAND Europe interview with Patrick Staes, 4 August 2017.

³³ RAND Europe interview with David Renz, 10 August 2017.

³⁴ In this report, the terms 'organisational performance' and 'organisational capacity' are used interchangeably.

and accountability.³⁵ Leadership was found to be particularly important in this regard: four of the study interviewees stated that leadership has a strong influence on organisational culture.³⁶ Defined by one interviewee as ‘the norms, principles and values that exist in an organisation and shape the behaviour of employees’,³⁷ culture was said by another interviewee to be ‘hugely’ influential in enabling or constraining organisational capacity.³⁸

The academic literature also links culture to organisational performance (see Section 2.3).³⁹ Organisational culture has been a topic of discussion in the managerial science literature since the early 1980s,⁴⁰ and has continued to generate discussion more recently.⁴¹ Despite the high volume of work on organisational culture, there is still no commonly agreed definition of the term.⁴² Marcoulides and Heck for example, define organisational culture as ‘a sociocultural system of strategies and practices’,⁴³ while it is described by Van der Berg and Wilderom as ‘shared perceptions of organisational work practices’,⁴⁴ and by Tellis et al. as ‘shared attitudes and practices’.⁴⁵

Our literature review identified three commonly used approaches to understanding what ‘high’ capacity means for organisations.⁴⁶ These approaches focus on performance outcomes (the New Public Management (NPM) school),⁴⁷ compliance with norms and processes (the Weberian approach),⁴⁸ and organisational adaptiveness (the Digital Era Governance (DEG) model).⁴⁹ Under the NPM school, the

³⁵ RAND Europe interview with Mathieu Despard, 4 August 2017.

³⁶ RAND Europe interview with policy official, 4 August 2017; RAND Europe interview with Mathieu Despard, 4 August 2017; RAND Europe interview with Patrick Staes, 4 August 2017; RAND Europe interview with Mark Robinson, 2 August 2017.

³⁷ RAND Europe interview with David Renz, 10 August 2017.

³⁸ RAND Europe interview with Mark Robinson, 2 August 2017.

³⁹ Chatman JA, O’Reilly CA. Paradigm lost: Reinvigorating the study of organizational culture. *Research in Organizational Behavior*. 2016;36:199–224.

⁴⁰ See, for example, Deal TE, Kennedy AA. *Corporate Cultures: The Rites and Rituals of Corporate Life*: Addison-Wesley; 1982.

⁴¹ See, for example, Cameron KS, Quinn RE. *Diagnosing and changing organizational culture: Based on the competing values framework*: John Wiley & Sons; 2011.

⁴² Chatman JA, O’Reilly CA. Paradigm lost: Reinvigorating the study of organizational culture. *Research in Organizational Behavior*. 2016;36:199–224.

⁴³ Marcoulides GA, Heck RH. Organizational culture and performance: Proposing and testing a model. *Organization science*. 1993;4(2):209–25.

⁴⁴ Van den Berg PT, Wilderom CP. Defining, measuring, and comparing organisational cultures. *Applied Psychology*. 2004;53(4):570–82.

⁴⁵ Tellis GJ, Prabhu JC, Chandy RK. Radical innovation across nations: The preeminence of corporate culture. *Journal of marketing*. 2009;73(1):3–23.

⁴⁶ See Bourgon J. *A new synthesis of public administration: serving in the 21st century*: McGill-Queen's Press-MQUP; 2011.

⁴⁷ See Lægreid P. *Transcending new public management: the transformation of public sector reforms*: Routledge; 2007.

⁴⁸ See Forbes DP. Measuring the unmeasurable: Empirical studies of nonprofit organization effectiveness from 1977 to 1997. *Nonprofit and voluntary sector quarterly*. 1998;27(2):183–202.

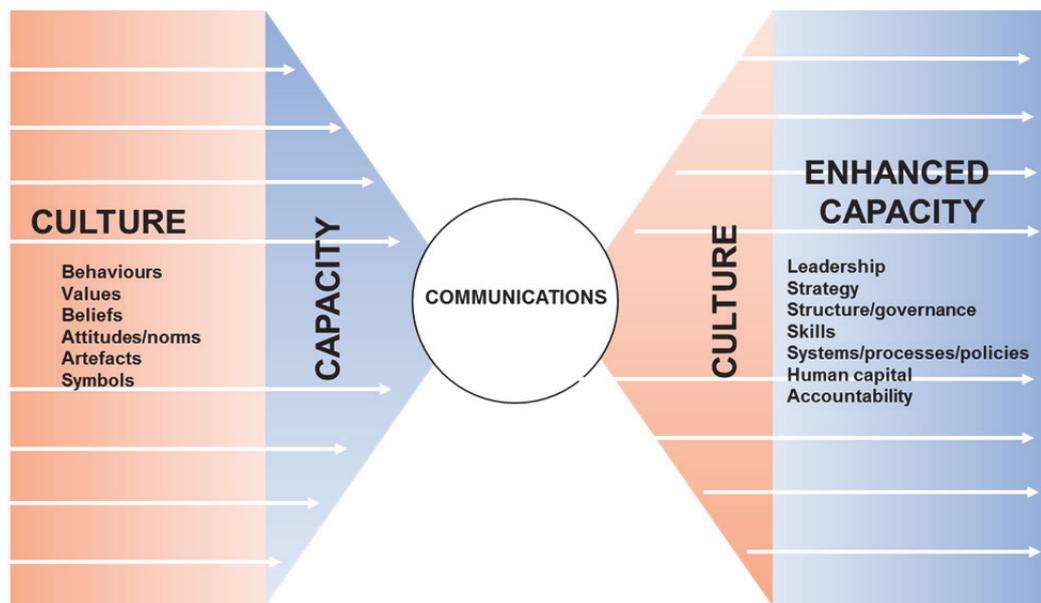
⁴⁹ See Cairns B, Harris M, Young P. Building the capacity of the voluntary nonprofit sector: Challenges of theory and practice. *Intl Journal of Public Administration*. 2005;28(9–10):869–85.

focus of capacity building is on achieving organisational performance outcomes by quantifying inputs and outputs, setting benchmarks, and creating objectives with the goal of increasing organisational efficiency.⁵⁰ The Weberian and DEG approaches place greater importance respectively on organisational compliance with norms and processes⁵¹ and on the adaptiveness of organisations to threats and opportunities.⁵² These approaches are elaborated on in Section 2.4.

For example, the criteria for determining whether the UK-based Driver and Vehicle Licensing Agency (DVLA)⁵³ is a high-capacity organisation will vary depending on whether the issue is approached from an outcomes-based, process-focused or ‘adaptiveness’ perspective. The DVLA would be considered a high-capacity organisation under the Weberian approach if the Agency succeeds in applying its procedures in a consistent, accurate and thorough way that complies with organisational norms. According to the NPM model, however, a high-performing DVLA would issue licenses quickly and with the fewest resources possible. Under the DEG approach, the Agency would be able to plan ahead and adapt to change, for example through moving its services online to reflect the wider online shift of government services.

Figure 1-1 consolidates the definitions of organisational capacity put forward in the literature and by study interviewees into a single conceptual framework. It should be noted that the relative importance of these different elements will vary depending on the mission and the maturity of an organisation.

Figure 1-1: Components of organisational capacity



Source: RAND Europe and Saatchi Institute analysis (2018).

⁴⁵ See Lægreid P. *Transcending new public management: the transformation of public sector reforms*: Routledge; 2007.

⁵¹ Forbes DP. Measuring the unmeasurable: Empirical studies of nonprofit organization effectiveness from 1977 to 1997. *Nonprofit and voluntary sector quarterly*. 1998;27(2):183–202.

⁵² Cairns B, Harris M, Young P. Building the capacity of the voluntary nonprofit sector: Challenges of theory and practice. *Intl Journal of Public Administration*. 2005;28(9–10):869–85.

⁵³ DVLA is the organisation of the UK government responsible for maintaining a database of drivers and vehicles for the UK. The agency issues driving licences, organises collection of vehicle excise duty, and sells personalised registrations.

As Figure 1-1 shows, culture and communication are central drivers of organisational capacity and are closely linked to six other components: leadership, strategy, structure/governance, skills, human capital, and accountability. These are explained in more detail below:

- **Culture** refers to a system of collective beliefs, values, behaviours, attitudes, norms, artefacts and symbols within an organisation.
- **Communication** involves conveying important organisational information and ideas in a clear, simple and consistent way, both internally and externally.
- **Leadership** refers to the individuals responsible for directing an organisation and involves establishing a clear vision, sharing it with others, and providing the information needed to realise it.
- **Strategy** involves the presence of a strategic plan that enables an organisation to achieve its long- and short-term objectives.
- **Structure/governance** is a system that consists of institutional rules, policies and processes which govern how work roles and responsibilities are delegated, managed and coordinated.
- **Skills** refer to the ‘right’ mix of employees that can competently and adaptively perform complex activities involving ideas (cognitive skills), technologies and data management (technical skills) and/or people (interpersonal skills).
- **Human capital** involves the identification, screening, recruiting and training of job applicants, and the management of people turnover and retention, as well as the administration of employee benefit programmes.
- **Accountability** refers to the need for an organisation to account, both internally and externally, for its activities and finances, to accept responsibility for them, and to disclose the results in a transparent manner.

2.2. What tools have been used to measure organisational capacity?

In recent years, a number of practical tools have been developed to measure capacity in public and non-profit sector organisations.⁵⁴ This section presents a selection of these tools and describes their objectives, implementation, outputs and – where possible – their effectiveness. As described in Section 1.3, the frameworks described below were selected based on: (i) their relevance to the study scope (i.e. applicability in the public and non-profit sectors), and (ii) the high level of importance or influence assigned to them in the literature reviewed.

2.2.1. Assessment tools for public sector organisations in developed countries

The following paragraphs describe six examples of capacity assessment tools for public sector organisations: Canada’s Management Accountability Framework (MAF), the US President’s Management

⁵⁴ While this report describes a selection of capacity measurement tools, this is not intended to be a comprehensive taxonomy. Rather, we outline a selection of tools identified through the interviews and literature review within the timeframe of this study. It is recognised that there are likely to be additional tools not captured in this document that have helped improve capacity assessment practices.

Agenda (PMA),⁵⁵ South Korea's Government Performance Evaluation, the EU Common Assessment Framework (CAF), the UK Capability Review Programme, and the Australian Capability Review Programme.

While these tools have all been designed to improve public sector performance, there are notable differences between their stated objectives. For example, the MAF and PMA seek to improve management performance,⁵⁶ while the Government Performance Evaluation, the UK Capability Review Programme and the Australian Capability Review Programme focus on enhancing government capacity,⁵⁷ and the CAF aims at modernising government.⁵⁸ At the time of writing, it appears that no comprehensive review of the effectiveness of these different tools exists.

The public sector bodies under assessment also differ across the tools. Whereas the focus of the UK Capability Review Programme is on UK government departments, the MAF, PMA and Australian Capability Review Programme focus on departments and agencies, while the Government Performance Evaluation is designed for departments, local government and public institutions. Unlike these other tools, the CAF is not intended for use by specific public sector bodies; its target audience is not specified.

Despite these differences, the tools share a number of common features. For example, the implementation of all of the tools – with the notable exception of CAF – is monitored and evaluated by central leadership, independent from the department or agency under review.⁵⁹ Moreover, the assessment tools share a number of common components, such as resource management, financial management and performance management.

To offer insight into the practical application of these tools, Box 1-1 provides an overview of the UK Capability Review Programme and Box 2-2 outlines the Australian Capability Review Programme – a tool that is largely similar in its design and implementation to its UK counterpart.

Box 1-1: Capacity assessment tools in practice: UK Capability Review Programme

The UK Capability Review Programme was a Whitehall initiative that ran between 2005 and 2012 and was designed to assess and compare the organisational capabilities of all UK government departments.⁶⁰ Where the review identified organisational weaknesses, the department would have to draw up and follow an action plan in order to meet service delivery targets.⁶¹ Led by the Cabinet Office, the main focus of the review was on strategy, leadership and delivery.

⁵⁵ President's Management Agenda (PMA). The President's Management Agenda: the Highlights of the Cross-Agency Priority Goals. 2017.

⁵⁶ Bouckaert G, Halligan J. *Managing performance: International comparisons*: Routledge; 2007; Breul JD. Three Bush administration management reform initiatives: The president's management agenda, freedom to manage legislative proposals, and the program assessment rating tool. *Public Administration Review*. 2007;67(1):21–6.

⁵⁷ National Audit Office. *Assessment of the Capability Programme*. Comptroller and Auditor General; 2009; Yang S-B, Torneo AR. Government performance management and evaluation in South Korea: History and current practices. *Public Performance & Management Review*. 2016;39(2):279–96.

⁵⁸ Engel C. *Common Assessment Framework: the state of affairs*. Eipascope. 2002;2002(1):1–5.

⁵⁹ Ibid.

⁶⁰ Panchamia N, Thomas P. *Capability Reviews*. London: Institute for Government; 2014.

⁶¹ National Audit Office. *Assessment of the Capability Programme*. Comptroller and Auditor General; 2009.

The lifecycle of the programme consisted of three phases. In the first phase (2005–2007), the review was commissioned by then-Prime Minister Tony Blair.⁶² In the second phase (2008–2010), a team of external experts and civil servants took stock of progress, concluding that the review had improved departmental capabilities⁶³ and adjusting the review to focus more on cross-departmental work and achieving change.⁶⁴ However, the review faced challenges in relation to funding and political backing; in the third phase (2010–2012), austerity, together with the arrival of a new Conservative government that viewed the programme as a Labour legacy, resulted in its abandonment.

Determining the overall success of the Capability Review Programme is difficult given that changes were made to the programme during its implementation and given that it is inherently challenging to link departmental actions to performance outcomes.⁶⁵ One of the main lessons that can be drawn from the Capability Review Programme relates to the importance of building relationships between the review team and the individuals working in the departments assessed. Another key lesson concerns the importance of applying the model consistently across all departments to allow for comparison.⁶⁶ It should be noted that this programme has since been adapted for other contexts: for example, the Cabinet Office ran a related programme in 2015.

Box 2-2: Capacity assessment tools in practice: Australian Capability Review Programme

In a 2010 report, the Advisory Group on Reform of Australian Government Administration recommended the introduction of regular reviews to assess the institutional capabilities of Australia's public services and its agencies in order to build capacity.⁶⁷ This led the Australian government to initiate a programme of periodic external reviews in 2011 to assess the organisational capability of each department and three major agencies: the Australian Customs and Border Protection Service, the Australian Taxation Office, and the Australian Bureau of Statistics.⁶⁸

The objectives of these Capability Review Programmes were to assess each organisation's ability to meet the government's objectives and to address future challenges. The reviews also aimed to translate their findings into measurable institutional improvements over time, to develop a more holistic understanding of the capabilities of Australia's Public Service, and to find solutions for systemic challenges.⁶⁹ As with the UK review, the Australian reviews focused on strategy, delivery and leadership, and were carried out by experts with both public and private sector experience. A total of 25 Capability Reviews were completed before the programme ended in 2015.⁷⁰ There is no publicly available evidence to suggest that the review process has been evaluated or that it will be continued.

⁶² Panchamia N, Thomas P. *Capability Reviews*. London: Institute for Government; 2014.

⁶³ National Audit Office. *Assessment of the Capability Programme*. Comptroller and Auditor General; 2009.

⁶⁴ Panchamia N, Thomas P. *Capability Reviews*. London: Institute for Government; 2014.

⁶⁵ National Audit Office. *Assessment of the Capability Programme*. Comptroller and Auditor General; 2009; Panchamia N, Thomas P. *Capability Reviews*. London: Institute for Government; 2014.

⁶⁶ Panchamia N, Thomas P. *Capability Reviews*. London: Institute for Government; 2014.

⁶⁷ Advisory Group on Reform of Australian Government Administration. *Ahead of the Game: Blueprint for the Reform of Australian Government Administration*. 2010.

⁶⁸ Australian Public Service Commission (APSC). *Capability Review Program*. 2015.

⁶⁹ *Ibid.*

⁷⁰ Australian Public Service Commission (APSC). *State of the Service Report: 2014–15*. 2015.

2.2.2. Assessment tools for public sector organisations in developing countries

Public sector capacity is a topic of interest to administrative reformers, not only in developed countries but also in developing countries.⁷¹ The following paragraphs describe and compare three capacity assessment tools tailored for public sector organisations in developing countries: the United Nations Development Programme (UNDP) Capacity Assessment Tool, the EuropeAid Institutional Assessment, and the Asian Development Bank (ADB) Capacity Assessment Toolkit. What sets these tools apart from those used in the developed-country context is that the users of these tools are not necessarily domestic civil servants, but often people working for donor governments or organisations. Again, there appears to be no publicly available review assessing the effectiveness of these tools.

In 2008, UNDP published a 'Capacity Assessment Methodology User's Guide' aimed at providing development practitioners with a step-by-step guide to conducting a capacity assessment.⁷² In this context, UNDP defines capacity development as 'the process through which individuals, organisations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time'.⁷³ Capacity development is seen as an iterative process and capacity assessment is considered a crucial step in identifying which capacities are already present and which additional capacities are required for an organisation to reach its objectives. The UNDP capacity assessment framework can be tailored to the personal, organisational or environmental levels, and focuses on institutional arrangements, leadership, knowledge and accountability, stakeholder engagement, vision, strategy, budget and evaluation.

The second tool in this category, the EuropeAid Institutional Assessment, was developed by the European Commission with the aim of supporting projects in developing countries.⁷⁴ The Commission defines capacity as 'the ability to perform tasks and produce outputs, to define and solve problems, and make informed choices'.⁷⁵ The assessment tool includes a 'six-box model', whereby capacity is determined by six elements: structure, leadership, internal relationship, rewards, coordinating and control instruments, and strategy. According to the European Commission, the tool sits within a larger intervention logic, in which capacity is viewed as a key factor bridging the translation of inputs to outputs (see Figure 2-1).

⁷¹ See e.g. Bangura Y, Larbi GA. Public sector reform in developing countries: capacity challenges to improve services: Palgrave Macmillan Basingstoke; 2006.

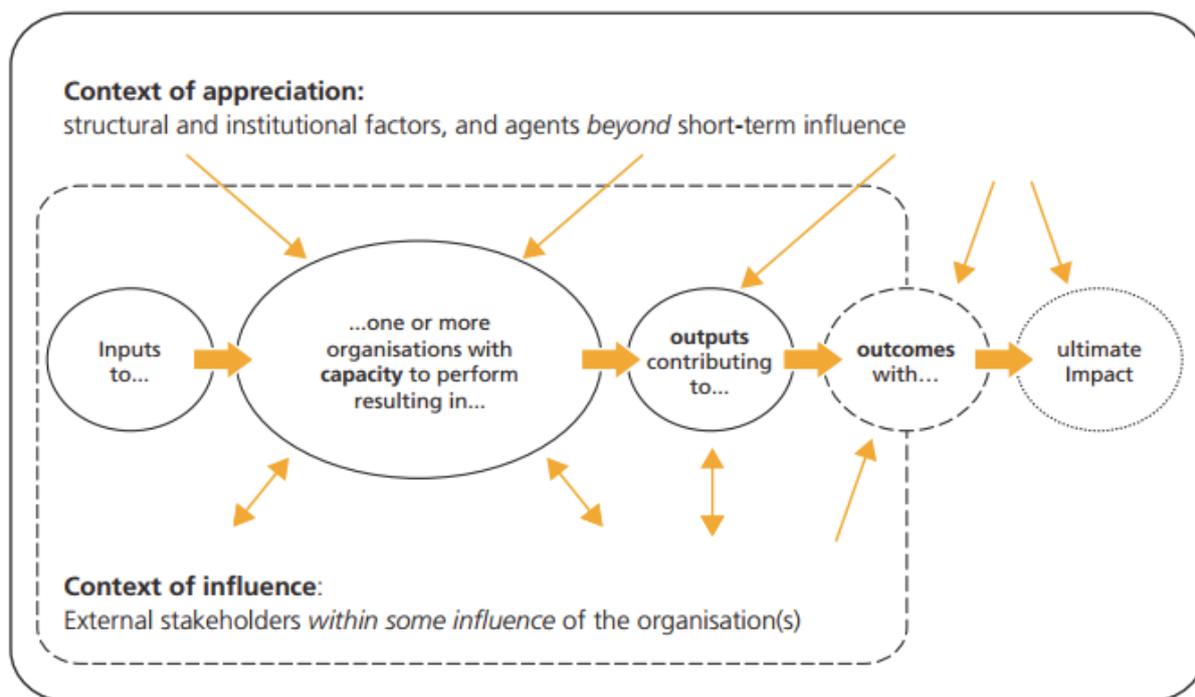
⁷² United Nations Development Programme (UNDP). Capacity Assessment Methodology: User's Guide. Capacity Development Group, Bureau for Development Policy; 2008.

⁷³ Ibid.

⁷⁴ European Commission. Institutional assessment and capacity development: why, what and how. 2005.

⁷⁵ European Commission. Institutional assessment and capacity development: why, what and how. 2005.

Figure 2-1: Intervention logic in capacity-assessment tools



Source: European Commission (2005).

The third instrument included in this analysis is the ADB Capacity Assessment Toolkit.⁷⁶ This toolkit shares similarities with the EuropeAid Institutional Assessment, in that both tools are free to use and designed to support projects in developing countries. The ADB includes six elements in its understanding of capacity: inputs, organisational outputs, leadership, motivation and incentives, balance of functional and political dimensions, and fit between formal and informal organisations. The ADB stipulates that capacity development has to be owned by those whose capacity is undergoing development, and that it is 'essential' that partners lead and drive the process.⁷⁷

2.2.3. Assessment tools for non-profit organisations

Interest in strengthening organisational capacity is not confined to the public sector: several capacity assessment tools have also been designed for non-profit organisations. The following paragraphs will describe three such tools: the McKinsey OCAT, the Marguerite Casey Foundation (MCF) Capacity Assessment Tool and the TCC Group's Core Capacity Assessment Tool (CCAT).

McKinsey's OCAT is a tool designed to help non-profit organisations assess their capacity by identifying their strengths and weaknesses.⁷⁸ The OCAT includes a survey covering ten areas: aspirations; strategy; leadership, board, and staff; funding; culture; innovation and adaptation; marketing and communications;

⁷⁶ Asian Development Bank (ADB). Capacity Assessment and Capacity Development in a Sector Context Tool Kit. 2008.

⁷⁷ Ibid.

⁷⁸ McKinsey & Company. Social Sector Practice: the Organisational Capacity Assessment Tool (OCAT): 2.0.; 2013.

advocacy; business processes; and infrastructure and organisational culture.⁷⁹ This tool is publicly available and can be completed online.⁸⁰

Introduced in 2012, the MCF tool is designed for a similar purpose. The tool defines four capacity domains: leadership capacity, adaptive capacity, management capacity and operational/technical capacity.⁸¹ This instrument is designed to help grant makers improve their understanding of the capacity of their current grantees and to track capacity development over time.⁸² The MCF tool, which is freely accessible online, is a derivative product of the 2001 version of the OCAT.⁸³ The OCAT and the MCF tool are therefore largely similar, with the main difference being that the latter focuses on fewer components of capacity than the former.

TCC Group's 2010 CCAT, like the OCAT and the MCF tool, uses a survey to identify the strengths and weaknesses associated with each component of capacity.⁸⁴ The elements examined by the CCAT are the same as those assessed by the MCF: leadership capacity, adaptive capacity, management capacity and operational capacity.⁸⁵ Unlike the other two tools, however, the CCAT is not free to use.

These capacity assessment tools are operated differently to their public sector counterparts. While the implementation of most public sector tools in developed countries tend to be monitored independently, non-profit assessment tools are generally not evaluated by an independent entity.

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ Connolly P, York P, Munemitsu S, Ruiz-Healy C, Sherman A, Trebb C. Building the capacity of capacity builders. New York, NY: TCC Group. 2003.

⁸² Marguerite Casey Foundation (MCF). Organizational capacity assessment tool. 2017.

⁸³ Marguerite Casey Foundation (MCF). Organizational capacity assessment tool. 2012; McKinsey & Company. Effective capacity building in nonprofit organizations. Venture Philanthropy Partners; 2001.

⁸⁴ TCC Group. Fortifying LA's nonprofit organizations: Capacity-building needs and services in Los Angeles County (A study commissioned by the Weingart Foundation). 2010.

⁸⁵ TCC Group. About the CCAT. 2017.

2.2.4. Cross-sector summary of assessment tools

As Table 2-1 illustrates, the organisational capacity assessment tools described in this section cover a number of elements of organisational capacity, namely culture, strategy, structure/governance, skills, human capital and/or accountability.

Table 2-1: Elements included in capacity assessment frameworks⁸⁶

	Management Accountability Framework	Presidential Management Agenda	Government Performance Evaluation	Common Assessment Framework	Capability Reviews (UK)	Capability Reviews (Australia)	UNDP Capacity Assessment	EuropeAid Institutional Assessment	ADB Capacity Assessment	McKinsey OCAT	MCF Capacity Assessment	TCC CCAT
	Canada <i>Public sector (PS) (developed)</i>	US <i>PS (developed)</i>	South Korea <i>PS (developed)</i>	EU <i>PS (developed)</i>	UK <i>PS (developed)</i>	Australia <i>PS (developed)</i>	N/A <i>PS (developing)</i>	N/A <i>PS (developing)</i>	N/A <i>PS (developing)</i>	N/A <i>Non-profit</i>	N/A <i>Non-profit</i>	N/A <i>Non-profit</i>
Culture	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Strategy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Structure/ governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Skills		✓			✓	✓	✓		✓	✓	✓	✓
Human capital	✓	✓		✓	✓				✓	✓	✓	
Accountability	✓	✓	✓		✓		✓		✓		✓	
<i>Source</i>	<i>MAF (2016)</i>	<i>PMA (2017)</i>	<i>Yang (2016)</i>	<i>EIPA (2017)</i>	<i>NAO (2009)</i>	<i>ASPC (2015a)</i>	<i>UNDP (2008)</i>	<i>EC (2005)</i>	<i>ADB (2008)</i>	<i>McKinsey (2013)</i>	<i>MCF (2017)</i>	<i>TCC (2017)</i>

Source: RAND analysis (2018).

⁸⁶ Table 2-1 lists the components included in the 12 capacity assessment frameworks identified through our literature review. This assessment is somewhat subjective, given that the terminology used to describe the various components varies across frameworks. For example, the OCAT and CCAT do not refer explicitly to ‘culture’, but are considered relevant to this category as ‘leadership’ is a core component and is part of our definition of ‘culture’ (see Section 2.1).

Table 2-1 indicates that strategy and structure/governance are core components of most of the capacity assessment frameworks included in our literature review, and that culture is at the heart of all of the frameworks examined. While human capital and accountability are the least frequently included components, they are nonetheless represented in more than half of the assessment frameworks examined.

2.3. How can culture and communication be conceptualised, and how do they drive organisational performance?

As described in more detail in Section 2.1, culture is closely linked to a number of other components of organisational capacity, and features prominently in all of the capacity assessment frameworks reviewed in Section 2.2.⁸⁷ Strategy, leadership, structure/governance, skills, human capital and accountability are the standard fare of business schools and management consulting, and yet beyond this ‘hard wiring’, permeating every aspect of an organisation, lies organisational culture. There seems to be universal acceptance in the literature that organisational culture exists, that it is important, and that it drives behaviours in an organisation. However, there is less agreement on what it means and how it can be influenced.⁸⁸ Validating literature findings,⁸⁹ all five study interviewees stated that culture was ‘important’ in contributing to capacity.

Culture is important for two reasons. Firstly, organisational capacity building generally involves a change process. Ultimately, such processes require a set of beliefs, values, behaviours, attitudes, norms, artefacts and symbols (i.e. culture) that are supportive of the process.⁹⁰ Secondly, different organisational capacities are not developed in isolation and to some extent can be seen to be interdependent and dynamic. Across the six areas of capacity outlined in Section 2.1, a supportive organisational culture appears to be associated with successful capacity that contributes to organisational performance.

Organisational culture in the literature comes in a variety of forms.⁹¹ Some refer to it as workplace or corporate culture. For others it is couched in terms of organisational excellence, people empowerment and engagement, and human capital. Studies looking at organisational culture have linked it to a variety of

⁸⁷ This was an observation made by a study interviewee (RAND Europe interview with Mathieu Despard, 4 August 2017) and that emerged from the literature review conducted (see Section 2.1).

⁸⁸ Watkins M. What is organizational culture? And why should we care. *Harvard Business Review*. 2013;15.

⁸⁹ See, for example, Chatman JA, O’Reilly CA. Paradigm lost: Reinvigorating the study of organizational culture. *Research in Organizational Behavior*. 2016;36:199–224.

⁹⁰ By a ‘supportive’ organisational culture, we refer to a culture that is attuned to the aims and functions of an organisation and to the values it seeks to espouse. For example, a research organisation might aspire to a culture that values and promotes collaboration and innovation, whereas a regulator might choose to prioritise the values of fairness and authority.

⁹¹ For a helpful overview please see Jung T, Scott T, Davies HT, Bower P, Whalley D, McNally R, et al. Instruments for exploring organizational culture: A review of the literature. *Public administration review*. 2009;69(6):1087–96; Traphagan J. Why “Company Culture” Is a Misleading Term. *Harvard Business Review*. 2015. 21 April.

outcomes⁹² including leadership, performance, organisational learning and development, employee engagement, organisational restructuring and job satisfaction. One study interviewee stated that culture is ‘both cause and effect, growing and developing as the organisation grows and develops, and informing how people in the organisation think’.⁹³

It is fair to say that there is no consensus either in the literature or among interviewees in relation to how culture should be defined.⁹⁴ At its most basic level, definitions centre on a set of beliefs, values, behaviours, attitudes, norms, artefacts and symbols that are present in individuals, groups, organisations and society. Organisational culture is often conceptualised as consisting of multiple (in some cases well over 100) components, ranging from conflict resolution to decision making and communications.⁹⁵ In this way, organisational culture is described as a multi-faceted concept rather than collapsed in a single index or variable.

There are also wider conceptual questions around whether it is useful and feasible to measure organisational culture. These debates centre on whether an organisation *has* culture or whether an organisation *is* in itself the culture.⁹⁶ If the former is true, it ought to be possible to measure, influence and change culture. If the latter is true, the organisation and the culture are indivisible and as such any attempt at measurement will mostly describe the organisation itself. Culture has an infinite number of manifestations; however, it is the view of the RAND study team that an organisation can *definitively* influence its own culture.

Organisational culture can be categorised in various ways that focus on, for example, an organisation’s physical environment, its values and norms, and its wider societal context.⁹⁷ For instance, the physical environment, the products, symbols and language of an organisation are likely to belong in a different category from the values, mindset and norms that underlie the behaviour of an organisation. In the first category, the focus is on the artefacts that make up the organisation, while in the second category the focus is on what should be. A potential third category is the societal and wider context in which an organisation exists. This determines the set of fundamental underlying beliefs, values and perceptions that

⁹² See e.g. Alvesson M. *Understanding organizational culture*: Sage; 2012; Block L. The leadership-culture connection: an exploratory investigation. *Leadership & Organization Development Journal*. 2003;24(6):318–34; Cunha RC, Cooper CL. Does privatization affect corporate culture and employee wellbeing? *Journal of Managerial Psychology*. 2002;17(1):21–49; Ogbonna E, Harris LC. Organizational culture: a ten year, two-phase study of change in the uk food retailing sector. *Journal of Management Studies*. 2002;39(5):673–706.

⁹³ RAND Europe interview with David Renz, 10 August 2017.

⁹⁴ However, as described in Chapter 1, we offer the following definition of culture: ‘collective beliefs, values, behaviours, attitudes, norms, artefacts and symbols within an organisation’, which is adapted from Schein EH. *Organizational Culture: What it is and How to Change it*. Human resource management in international firms: Springer; 1990. p. 56–82.

⁹⁵ See e.g. Van der Post W, De Coning T. An instrument to measure organizational culture. *South African Journal of Business Management*. 1997;28(4):147–61.

⁹⁶ See e.g. Smircich L. Concepts of culture and organizational analysis. *Administrative science quarterly*. 1983;339–58.

⁹⁷ RAND Europe interview with David Renz, 10 August 2017; Schein EH. *Organizational Culture: What it is and How to Change it*. Human resource management in international firms: Springer; 1990. p. 56–82; Schein EH. Three cultures of management: The key to organizational learning. *Sloan management review*. 1996;38(1):9.

shape an individual's thinking. This category is a deeply internalised part of human nature. In all of these categories, culture is determined by beliefs, values, behaviours, attitudes, norms, artefacts and symbols.

It is also possible for different cultures to exist alongside one other in one organisation. An organisation may have different subcultures among its different parts, groups of employees, or professions within the organisation.⁹⁸ An example in a large multinational organisation could be the distinction between organisational cultures in different locations as well as between certain professions – for instance between engineers, accountants and cleaners. In addition, subcultures will interact with organisational culture and wider cultures (e.g. national or European). This creates a more dynamic effect whereby there are multiple, sometimes overlapping cultures and the distinctions between cultures may change or fade over time.

There are also debates about the nature of organisations and the purpose of organisational culture.⁹⁹ Is the aim of the organisation to be as efficient and effective as possible? In this view, organisational culture is instrumental in helping the organisation to achieve its business objectives or outcomes. Alternatively, is the aim of the organisation to survive? It follows from this view that culture, as a set of shared values and beliefs, supports internal integration and adaptiveness to external drivers. An organisation that is adapting or transforming its business model might consciously seek to change its culture to make it more supportive of that process. For example, an organisation that diagnoses its prevailing culture as traditional, hierarchical and competitive might, in seeking to modernise its business, aspire to a culture that promotes innovation, creativity and collaboration.

This underlines the importance of a key tool that organisations have at their disposal to enable them to *harness culture* in managing adaptation, mitigating risk and improving performance: communication. Like culture, study interviewees found that communication is closely linked to other more 'hard wired' elements of organisational capacity, such as leadership and strategy.¹⁰⁰ Communication was highlighted by 4 of the 5 study interviewees as playing an important role in building capacity,¹⁰¹ with one of the interviewees observing that 'communication is a critical ingredient... [and] completely fundamental to the achievement of organisational goals'.¹⁰² When asked about the factors that make an organisation 'high-capacity', the same interviewee cited 'the demonstrated ability to communicate in order to bring different levels of the organisation behind a clear strategy'.¹⁰³ Focusing specifically on the public sector, interviewees

⁹⁸ Traphagan J. We're Thinking About Organizational Culture All Wrong. Harvard Business Review. 2017. 6 January.

⁹⁹ See e.g. Gioia DA, Schultz M, Corley KG. Organizational identity, image, and adaptive instability. Academy of management Review. 2000;25(1):63–81.

¹⁰⁰ RAND Europe interview with policy official, 4 August 2017; RAND Europe interview with Patrick Staes, 4 August 2017.

¹⁰¹ RAND Europe interview with policy official, 4 August 2017; RAND Europe interview with Mark Robinson, 2 August 2017; RAND Europe interview with Patrick Staes, 4 August 2017; RAND Europe interview with David Renz, 10 August 2017.

¹⁰² RAND Europe interview with Mark Robinson, 2 August 2017.

¹⁰³ RAND Europe interview with Mark Robinson, 2 August 2017.

also noted that communication is essential to articulating objectives, building trust with the public, responding to citizens' needs, and being clear on what public sector bodies can and cannot deliver.¹⁰⁴

There is a body of literature commenting on the importance of day-to-day communication when going through a period of organisational change.¹⁰⁵ This includes targeted communication to engage with different stakeholder groups,¹⁰⁶ and communication as a tool to create a mutual understanding and beliefs between groups of individuals within an organisation.¹⁰⁷ The aims can be diverse, and may include: setting the direction of an organisation; creating a degree of consensus around organisational objectives and values; helping its people adapt to technological change; managing the conflicts and overlaps that may exist between different subcultures within an organisation; and managing the overlaps and conflicts between cultures internal and external to the organisation.

Communication can occur on both the vertical and horizontal levels, be it top-down, bottom-up, or peer to peer. Communication can also be more explicit or implicit.¹⁰⁸ The former refers to a deliberate effort to communicate in a particular way, such as a communications strategy. The latter refers to communication as part of the organisational fabric and culture. This relates to mutual understandings and also a set of shared behaviours that include communication. As such, effective communication is a component of a supportive organisational culture and an important aspect of a high-capacity organisation's ability to manage the pressure to adapt.

2.4. How can organisational capacity be better understood and measured?

We have seen from previous sections that there are different ways to define organisational capacity. Indeed, the academic literature uses different definitions and it was clear from our interviews that research participants emphasised different aspects of what constitutes organisational capacity. As outlined in Section 2.1, we can distinguish between three main dimensions of what defines a high-capacity organisation. These three dimensions were highlighted by our literature review as being particularly important and are as follows:

¹⁰⁴ RAND Europe interview with policy official, 4 August 2017; RAND Europe interview with David Renz, 10 August 2017.

¹⁰⁵ Elving WJ. The role of communication in organisational change. *Corporate communications: an international journal*. 2005;10(2):129–38.

¹⁰⁶ Davies HT, Nutley SM, Mannion R. Organisational culture and quality of health care. *BMJ Quality & Safety*. 2000;9(2):111–9.

¹⁰⁷ Martins E, Terblanche F. Building organisational culture that stimulates creativity and innovation. *European journal of innovation management*. 2003;6(1):64–74; Wilson AM. Understanding organisational culture and the implications for corporate marketing. *European Journal of Marketing*. 2001;35(3/4):353–67.

¹⁰⁸ Davies HT, Nutley SM, Mannion R. Organisational culture and quality of health care. *BMJ Quality & Safety*. 2000;9(2):111–9.

1. The capacity of an organisation to comply with its own norms, processes and objectives (the Weberian approach);¹⁰⁹
2. The capacity of an organisation to measure its outputs and outcomes (the New Public Management school);¹¹⁰
3. The capacity of an organisation to adapt to the internal and external environment in which it operates (the Digital Era Governance model).¹¹¹

The first dimension corresponds to a broadly Weberian perspective of public administration whereby an organisation needs to fulfil its mandate and be able to work along established processes. This is very much an institutional perspective that sees and aims to create path dependencies in how organisations operate. If an organisation can comply with its own processes, it is by definition more stable and more likely to persist over time. These conceptualisations have been prevalent in public administration since the early 20th century.¹¹²

The second dimension of high organisational capacity stems from the NPM school of public administration that brings more business-like approaches to public sector management and neo-Weberian approaches used by continental European states. At a basic level, NPM looks in detail at performance measurement and how this feeds back to improve organisational processes and activities. It invokes the famous quote attributed to management scientist Peter Drucker: ‘What gets measured gets done’. In short, if an organisation knows what it does and does not achieve, it can make an assessment of whether it is operating in an efficient and effective manner. Together with more market-based conceptions of how the public sector operates, this allows for adjustment to take place and, in principle, for higher-capacity organisational performance to develop over time. NPM had its high water mark in the US, New Zealand, Australia, Scandinavia and North America in the 1990s.¹¹³

A similar model was the neo-Weberian approach that characterised reform efforts in continental European states from the 1970s. This paradigm holds that governments remain the primary agent to solve societal problems in response to technological changes and drivers such as globalisation. The ‘neo’ referred to bureaucracies modernising to better meet citizens’ needs and better understand their own efficiency and effectiveness.

Thirdly, there is an evolutionary school of thought founded on the belief that organisations have no inherent right to exist. Under the DEG model, which is becoming more prominent in the last 10–20 years, organisations need to adjust to the ever-changing environment, anticipate the future where possible

¹⁰⁹ See Forbes DP. Measuring the unmeasurable: Empirical studies of nonprofit organization effectiveness from 1977 to 1997. *Nonprofit and voluntary sector quarterly*. 1998;27(2):183–202.

¹¹⁰ See Læg Reid P. *Transcending new public management: the transformation of public sector reforms*: Routledge; 2007.

¹¹¹ See Cairns B, Harris M, Young P. Building the capacity of the voluntary nonprofit sector: Challenges of theory and practice. *Intl Journal of Public Administration*. 2005;28(9–10):869–85.

¹¹² See Forbes DP. Measuring the unmeasurable: Empirical studies of nonprofit organization effectiveness from 1977 to 1997. *Nonprofit and voluntary sector quarterly*. 1998;27(2):183–202.

¹¹³ See Læg Reid P. *Transcending new public management: the transformation of public sector reforms*: Routledge; 2007.

and, crucially, respond to the needs of individuals using their services. This model applies primarily to adaptive and innovative organisations, and to digital era approaches to managing organisations.¹¹⁴

These dimensions can be translated into a maturity model of capacity whereby, at a basic level, an organisation will 1) aim to comply with its own norms and processes; 2) over time bring in more business-like approaches and undertake performance measurement; and 3) finally adopt tools such market testing and horizon scanning. While this would imply that organisational capacity building is a relatively linear process, the reality is not this straightforward. Organisations face a number of constraints linked to the institutional framework in which they operate, the objectives that they aim to achieve, and the stakeholders with whom they engage. For some organisations, developing a wider set of capacities will not necessarily offer greater value for money or improve organisational effectiveness.

To assess organisational capacity, it is therefore important to understand the context in which an organisation operates and to examine its mission and objectives, its embeddedness in the wider public administration, and its engagement with stakeholders. As organisational developments are not likely to be linear, organisations may want to focus on these different dimensions at different points in their existence. Questions remain regarding the link between these approaches and organisational outcomes: it is not necessarily the case that organisations that measure performance are always more effective and efficient than those that do not, as poorly performing organisations may have more of an incentive to start measuring performance in order to improve their capacity.

2.4.1. Towards a diagnostic tool for organisational capacity

As described in Section 1.2, RAND Europe was asked by the Saatchi Institute to support the development of a diagnostic tool for organisational capacity that centres on culture and communication. In doing this, it may be more useful to focus on components of capacity related to high-capacity public sector organisations that span the Weberian, NPM and DEG approaches, given the limitations of the maturity model outlined above. This may not give us a maturity model per se but rather offer building blocks of high organisational capacity. This can be placed in the context in which an organisation operates, leading to more informed judgments of what capacity deficits exist within an organisation and whether they require remedial action. Prioritisation could be an appropriate method, allowing an organisation to focus on specific capacities or capacity deficits for different reasons (e.g. strengthening accountability, increasing stakeholder engagement or improving retention of people). Benchmarking offers an alternative approach in cases where an organisation seeks to understand how its capacities compare with those of other organisations.

Building on the elements identified through the literature review and study interviews, a diagnostic tool could focus on six components of organisational capacity (described in more detail in Section 2.1):

- **Leadership:** the individuals responsible for directing an organisation;
- **Strategy:** the presence of a strategic plan with measurable objectives;

¹¹⁴ Cairns B, Harris M, Young P. Building the capacity of the voluntary nonprofit sector: Challenges of theory and practice. *Intl Journal of Public Administration*. 2005;28(9–10):869–85; Dunleavy P, Margetts H, Bastow S, Tinkler J. New public management is dead – long live digital-era governance. *Journal of public administration research and theory*. 2006;16(3):467–94.

- **Structure/governance:** the policies, processes and resources that support the delivery of organisational objectives and the coordination of work;
- **Skills:** the ‘right’ mix of people and the use of technology;
- **Human capital:** recruitment and training of job applicants and administration of HR policies;
- **Accountability,** which includes oversight, governance and reporting.

For each of these categories, the tool could present a number of questions. We arrived at the questions presented in Table 2-2 by reviewing other assessment frameworks (see Section 2.2) and by drawing on work done by RAND with the OECD on government capacity in the Western Balkans and Central and Eastern Europe.¹¹⁵ These questions, in their present form, are largely indicative and need to be further refined for use in a diagnostic tool. Reflecting the study finding that culture and communication are central aspects of organisational capacity, Table 2-2 contains questions focused on culture and communication for each of the six categories outlined above.

Table 2-2: Questions for a diagnostic tool for organisational capacity

Leadership	
Culture	Are people in the organisation and key external stakeholders engaged by and supportive of the agenda set by leadership?
Communication	Are leaders effective at communicating the organisation’s values, objectives and priorities to external stakeholders and people in the organisation?
Competence	Do external stakeholders and people in the organisation believe that the organisation’s leaders have the right skills and qualifications to successfully deliver organisational objectives?
Wellbeing	Do people in the organisation believe that senior leaders care about their health and wellbeing?
Example	Do senior leaders set a good example by the way they behave?
Participation	Do senior leaders encourage people in the organisation or key stakeholders to express their ideas/suggestions?
Strategy	
Culture	Does the organisation have and live by a defined set of values?
Communication	Is the strategy well-understood and communicated throughout the organisation?
Clarity	Is the strategy for achieving the organisational objectives well-defined?
Appropriateness	Does the strategy set the right role, mandate and mission for the organisation or

¹¹⁵ Meyer-Sahling J-H. Sustainability of civil service reforms in Central and Eastern Europe five years after EU accession. 2009; Meyer-Sahling J-H. Civil service professionalisation in the western Balkans. Sigma Papers. 2012(48).

	entity?
Resourcing	Does the organisation have sufficient resources to attain its objectives?
Structure/governance	
Culture	Does the organisational structure/governance support a healthy balance between autonomous decision making, collaboration and accountability? Is it adaptive to changing circumstances?
Communication	Is the organisational structure/governance well-understood by the people in the organisation?
Appropriateness	Does the organisational structure/governance support the delivery of objectives?
Processes	Are organisational processes well-defined? Do they support the timely and efficient flow of work?
Policies	Are organisational policies well-defined? Do they help the organisation to further its objectives?
Engagement	Does the organisation engage with stakeholders, service users and delivery agencies involved in the delivery of its aims?
Coordination	Does the organisation coordinate effectively with other stakeholders and internally to deliver its goals?
Skills	
Culture	Does the organisation acknowledge and value relevant skills and qualifications and does it encourage its people to continuously improve?
Communication	Are requirements for skills, competences and performance well-understood and communicated throughout the organisation?
Presence of skills	Do people in the organisation have the right skills and qualifications to support the delivery of the goals of the organisation?
Evaluation	Do people in the organisation have their skills assessed and have incentives to improve their skills and achieve the goals of the organisation?
Training	Do people in the organisation receive adequate and timely training to support their work?
Technology	Does the organisation use the right technology to deliver its goals?
Innovation and adaptive learning	Is the organisation good at innovating and adapting in order to achieve its objectives?
Human capital	
Culture	Are people in the organisation generally engaged in their work and career development?

Communication	Is HR policy and practice well-understood and communicated?
Definition	Are HR practices are well-defined?
Transparency	Are HR practices transparent?
Professional development	Does the organisation recruit people with the right qualifications and skills and reward good performance?
Fairness	Are HR policies fair and inclusive? Is performance fairly assessed and rewarded based on clear criteria?
Data management	Are HR data managed efficiently and effectively, and is there a clear data management protocol?
Accountability	
Culture	Do people in the organisation take personal responsibility for their work and decisions? Do they and the organisation know what 'good' looks like?
Communication	Are reporting lines and points of accountability well communicated and understood in the organisation?
Guidance	Is there appropriate guidance for the organisation and people in the organisation?
Control	Does the organisation have adequate internal controls (e.g. budgetary controls)?
Assessment	Is there effective oversight for the organisation (e.g. an effective performance framework)?
Responsibility	Are senior leaders held to account in terms of how they contribute to organisational success?
Engagement	Do non-executive directors and external stakeholders hold the organisation to account for its performance?

As indicated in Table 2-2, the diagnostic tool could present a set of questions in relation to each of the six components of organisational capacity, with each dimension including questions relating to culture and communication given the central importance of these two elements. The questions focused on culture could be used to establish whether an organisational environment exists that is able to support capacity building or a change process. Each component could be assigned a score in order to generate an assessment of the capacity of the organisation. These would be answered by people within the organisation, including management, and also potentially by stakeholders to obtain a more rounded and holistic perspective on organisational capacity.

We know from earlier work that there are likely important differences between what senior managers say is happening in an organisation and what is reported by employees and stakeholders. Similarly, if practical, it may be helpful to engage different organisational units or directorates in the assessment process, as they may have very different perspectives and needs relating to capacity. The latter would also

allow for more intra-organisational benchmarking, particularly in larger organisations. This capacity assessment approach would provide an indication of the capacity of the organisation across these components.

This diagnostic tool could serve as a baseline for capacity assessment. As a next step, workshops with organisational leaders should be convened and follow-on qualitative research undertaken by the organisation or an independent contractor. This would allow organisations to collate a wider set of judgments relating to: capacity deficits; the relative importance of the different elements of capacity in light of an organisation's particular context; future capacity requirements, challenges and opportunities; and, importantly, the presence of a culture that supports capacity building efforts.

References

- Schein EH. *Organizational Culture: What it is and How to Change it*. Human resource management in international firms: Springer; 1990. p. 56–82.
- Brynjolfsson E. The productivity paradox of information technology. *Communications of the ACM*. 1993;36(12):66–77.
- Brynjolfsson E, Hitt LM. Beyond the productivity paradox. *Communications of the ACM*. 1998;41(8):49–55.
- Heifetz RA, Grashow A, Linsky M. *The practice of adaptive leadership: Tools and tactics for changing your organization and the world*: Harvard Business Press; 2009.
- Deal TE, Kennedy AA. *Corporate Cultures: The Rites and Rituals of Corporate Life*: Addison-Wesley; 1982.
- Despard MR. Can Nonprofit Capacity Be Measured? *Nonprofit and Voluntary Sector Quarterly*. 2017;46(3):607–26.
- Yu-Lee, Tomas R. *Essentials of capacity management*: John Wiley & Sons; 2002.
- Ingraham PW, Joyce PG, Donahue AK. *Government performance: Why management matters*: Taylor & Francis; 2003.
- Eisinger P. Organizational capacity and organizational effectiveness among street-level food assistance programs. *Nonprofit and Voluntary Sector Quarterly*. 2002;31(1):115–30.
- Cairns B, Harris M, Young P. Building the capacity of the voluntary nonprofit sector: Challenges of theory and practice. *Intl Journal of Public Administration*. 2005;28(9–10):869–85.
- Christensen RK, Gazley B. Capacity for public administration: Analysis of meaning and measurement. *Public Administration and Development*. 2008;28(4):265–79.
- Herman RD, Renz DO. Advancing nonprofit organizational effectiveness research and theory: Nine theses. *Nonprofit management and leadership*. 2008;18(4):399–415.
- Andersson FO, Faulk L, Stewart AJ. Toward more targeted capacity building: Diagnosing capacity needs across organizational life stages. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*. 2016;27(6):2860–88.
- Connolly P, York P, Munemitsu S, Ruiz-Healy C, Sherman A, Trebb C. *Building the capacity of capacity builders*. New York, NY: TCC Group. 2003.
- Minzner A, Klerman JA, Markovitz CE, Fink B. The impact of capacity-building programs on nonprofits: A random assignment evaluation. *Nonprofit and Voluntary Sector Quarterly*. 2014;43(3):547–69.

- Chatman JA, O'Reilly CA. Paradigm lost: Reinvigorating the study of organizational culture. *Research in Organizational Behavior*. 2016;36:199–224.
- Cameron KS, Quinn RE. *Diagnosing and changing organizational culture: Based on the competing values framework*: John Wiley & Sons; 2011.
- Marcoulides GA, Heck RH. Organizational culture and performance: Proposing and testing a model. *Organization science*. 1993;4(2):209–25.
- Van den Berg PT, Wilderom CP. Defining, measuring, and comparing organisational cultures. *Applied Psychology*. 2004;53(4):570–82.
- Tellis GJ, Prabhu JC, Chandy RK. Radical innovation across nations: The preeminence of corporate culture. *Journal of marketing*. 2009;73(1):3–23.
- Bourgon J. *A new synthesis of public administration: serving in the 21st century*: McGill-Queen's Press-MQUP; 2011.
- Lægreid P. *Transcending new public management: the transformation of public sector reforms*: Routledge; 2007.
- Forbes DP. Measuring the unmeasurable: Empirical studies of nonprofit organization effectiveness from 1977 to 1997. *Nonprofit and voluntary sector quarterly*. 1998;27(2):183–202.
- President's Management Agenda (PMA). *The President's Management Agenda: the Highlights of the Cross-Agency Priority Goals*. 2017.
- Bouckaert G, Halligan J. *Managing performance: International comparisons*: Routledge; 2007.
- Breul JD. Three Bush administration management reform initiatives: The president's management agenda, freedom to manage legislative proposals, and the program assessment rating tool. *Public Administration Review*. 2007;67(1):21–6.
- National Audit Office. *Assessment of the Capability Programme*. Comptroller and Auditor General; 2009.
- Yang S-B, Torneo AR. Government performance management and evaluation in South Korea: History and current practices. *Public Performance & Management Review*. 2016;39(2):279–96.
- Engel C. *Common Assessment Framework: the state of affairs*. Eipascope. 2002;2002(1):1–5.
- Panchamia N, Thomas P. *Capability Reviews*. London: Institute for Government; 2014.
- Advisory Group on Reform of Australian Government Administration. *Ahead of the Game: Blueprint for the Reform of Australian Government Administration*. 2010.
- Australian Public Service Commission (APSC). *Capability Review Program*. 2015.
- Australian Public Service Commission (APSC). *State of the Service Report: 2014–15*. 2015.
- Bangura Y, Larbi GA. *Public sector reform in developing countries: capacity challenges to improve services*: Palgrave Macmillan Basingstoke; 2006.
- United Nations Development Programme (UNDP). *Capacity Assessment Methodology: User's Guide*. Capacity Development Group, Bureau for Development Policy; 2008.
- European Commission. *Institutional assessment and capacity development: why, what and how*. 2005.
- Asian Development Bank (ADB). *Capacity Assessment and Capacity Development in a Sector Context Tool Kit*. 2008.

- McKinsey & Company. Social Sector Practice: the Organisational Capacity Assessment Tool (OCAT): 2.0.; 2013.
- Marguerite Casey Foundation (MCF). Organizational capacity assessment tool. 2017.
- Marguerite Casey Foundation (MCF). Organizational capacity assessment tool. 2012.
- McKinsey & Company. Effective capacity building in nonprofit organizations. Venture Philanthropy Partners; 2001.
- TCC Group. Fortifying LA's nonprofit organizations: Capacity-building needs and services in Los Angeles County (A study commissioned by the Weingart Foundation). 2010.
- TCC Group. About the CCAT. 2017.
- Watkins M. What is organizational culture? And why should we care. *Harvard Business Review*. 2013;15.
- Jung T, Scott T, Davies HT, Bower P, Whalley D, McNally R, et al. Instruments for exploring organizational culture: A review of the literature. *Public administration review*. 2009;69(6):1087–96.
- Traphagan J. Why “Company Culture” Is a Misleading Term. *Harvard Business Review*. 2015. 21 April.
- Alvesson M. *Understanding organizational culture*: Sage; 2012.
- Block L. The leadership-culture connection: an exploratory investigation. *Leadership & Organization Development Journal*. 2003;24(6):318–34.
- Cunha RC, Cooper CL. Does privatization affect corporate culture and employee wellbeing? *Journal of Managerial Psychology*. 2002;17(1):21–49.
- Ogbonna E, Harris LC. Organizational culture: a ten year, two-phase study of change in the uk food retailing sector. *Journal of Management Studies*. 2002;39(5):673–706.
- Van der Post W, De Coning T. An instrument to measure organizational culture. *South African Journal of Business Management*. 1997;28(4):147–61.
- Smircich L. Concepts of culture and organizational analysis. *Administrative science quarterly*. 1983:339–58.
- Schein EH. Three cultures of management: The key to organizational learning. *Sloan management review*. 1996;38(1):9.
- Traphagan J. We're Thinking About Organizational Culture All Wrong. *Harvard Business Review*. 2017. 6 January.
- Gioia DA, Schultz M, Corley KG. Organizational identity, image, and adaptive instability. *Academy of management Review*. 2000;25(1):63–81.
- Elving WJ. The role of communication in organisational change. *Corporate communications: an international journal*. 2005;10(2):129–38.
- Davies HT, Nutley SM, Mannion R. Organisational culture and quality of health care. *BMJ Quality & Safety*. 2000;9(2):111–9.
- Martins E, Terblanche F. Building organisational culture that stimulates creativity and innovation. *European journal of innovation management*. 2003;6(1):64–74.
- Wilson AM. Understanding organisational culture and the implications for corporate marketing. *European Journal of Marketing*. 2001;35(3/4):353–67.
- Dunleavy P, Margetts H, Bastow S, Tinkler J. New public management is dead – long live digital-era governance. *Journal of public administration research and theory*. 2006;16(3):467–94.

Meyer-Sahling J-H. Sustainability of civil service reforms in Central and Eastern Europe five years after EU accession. 2009.

Meyer-Sahling J-H. Civil service professionalisation in the western Balkans. Sigma Papers. 2012(48).

Appendix A: List of interview questions

This appendix provides an overview of the types of questions asked during the research interviews. The interviews were semi-structured, which means that the RAND study team used the list of questions as a guide to touch upon the key topics relevant for this study, rather than following a rigid protocol.

Interview protocol: 'Cultural drivers of organisational capacity'

Part A: Introduction

- Research team introduction and study context
- Do you have any questions about the study before we begin?
- Please could you tell us briefly about your current role and responsibilities?

Part B: Conceptualising organisational capacity

1. Is organisational capacity to deliver considered to be an important issue in your organisation/in the academic literature? Why/why not?
2. What is your understanding of the term 'organisational capacity'? Is this assigned a formal definition in your organisation/in the academic literature?
3. What makes an organisation 'high-capacity' or 'low-capacity'? What do you consider to be the key indicators of an organisation's capacity?
4. Is 'organisational capacity' understood differently across sectors? If so, what are the distinguishing features of 'capacity' in public sector organisations?
5. In what ways can 'organisational culture' enable or constrain organisational capacity?

Part C: Measuring organisational capacity

6. Are you aware of existing tools used to measure organisational capacity? [*For each tool:*]
 - Please describe the context for the tool's application.
 - What are the tool's main objectives, and what does it seek to measure?
 - Has this tool built on previous organisational capacity assessment instruments? If so, which, and how?
 - What are the main elements around which the tool is structured?
 - How is the tool implemented in practice, and what are the main activities conducted to gather data?
 - (*If applicable*) What outputs and outcomes does the tool associate with 'high organisational capacity'?

- How effective do you consider this tool in achieving its objectives? Please explain.
- Do you think that there any particularly useful or replicable elements of this tool?

Part D: Interview close

- We have now covered the questions we wanted to ask you. Do you have any further comments or observations?
- Can you recommend any relevant literature sources that we should consult as part of this study?
- If we have further questions, can we get back to you?
- Thank you very much.

Appendix B: List of interviewees

We are grateful to the numerous experts who took part in interviews and informed the conclusions of this study. Where consent has been given, their names and/or affiliations are listed in the table below. Contributions have been anonymised in Table B-1 and throughout the report in one case where the interviewee has requested to remain anonymous.

Table B-1: List of Interviewees

Name	Organisational affiliation	Stakeholder type	Date of interview
Mark Robinson	Global Director, Governance, World Resources Institute (WRI)	Academia	2 August 2017
Patrick Staes	Senior Expert, European Institute of Public Administration and Head of the European Common Assessment Framework (CAF) Resource Centre	Public sector	4 August 2017
Mathieu Despard	Assistant Professor, University of Michigan	Academia	4 August 2017
Policy official	European Commission	Public sector	4 August 2017
David Renz	Director, Midwest Center of Nonprofit Leadership, University of Missouri-Kansas City	Academia	10 August 2017