UCL IIPP Institute for Innovation and Public Purpose

Governance in times of change and uncertainty: Dynamic Capabilities in the Public Sector

Helsinki, 5 June 2025

How can we nurture adaptive and dynamic city governments?

Overview for Today

Introduce the Municipal Responsiveness Index

A tool for measuring, comparing and strengthening dynamic capabilities in city governments

Today's workshop

Reflect on our learnings about dynamic capabilities

Gather feedback on the assessment approach

Discuss how we can be most helpful

Introduction to IIPP and the Municipal Responsiveness Index

Our project team

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Our contributors
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Four ambitions for the Municipal Responsiveness Index

1

Define the public sector capabilities that drive strategic change in city governments.

2

Enable cities to assess and compare where they are and where additional investment in capability-building is needed.

3

Support continual improvement by enabling cities to compare the maturity and efficacy of each capability.

4

Ensure applicability for a diversity of cities, irrespective of location, size or governance.

Introducing Our Assessment Approach

Goals for today

Share our main learnings so far and introduce our assessment approach
10 minutes

Break–outs to get feedback on the assessment approach
60 minutes

Discuss how we can be most helpful
15 minutes

Challenges with public sector capacities and capabilities

We know about them after the fact, we don’t know about now and the future

We measure them through proxies and long feedback loops

We study them through case studies

No coherent theory of change

Learning from the literature

Existing discourse

Strategic Management

Entrepreneurial State

(Urban) Transition Studies

Digital Transformation

Public Design

Several key gaps

- Which capabilities matter most?
- How capacities and capabilities interact?
- How do they produce public value (outcomes)?
- How can we codify and assess them so governments can emulate and learn?

Kattel, 2022, 'Dynamic Capabilities and Kattel et al, 2025, Dynamic Capabilities for Transformative Change in City Governments

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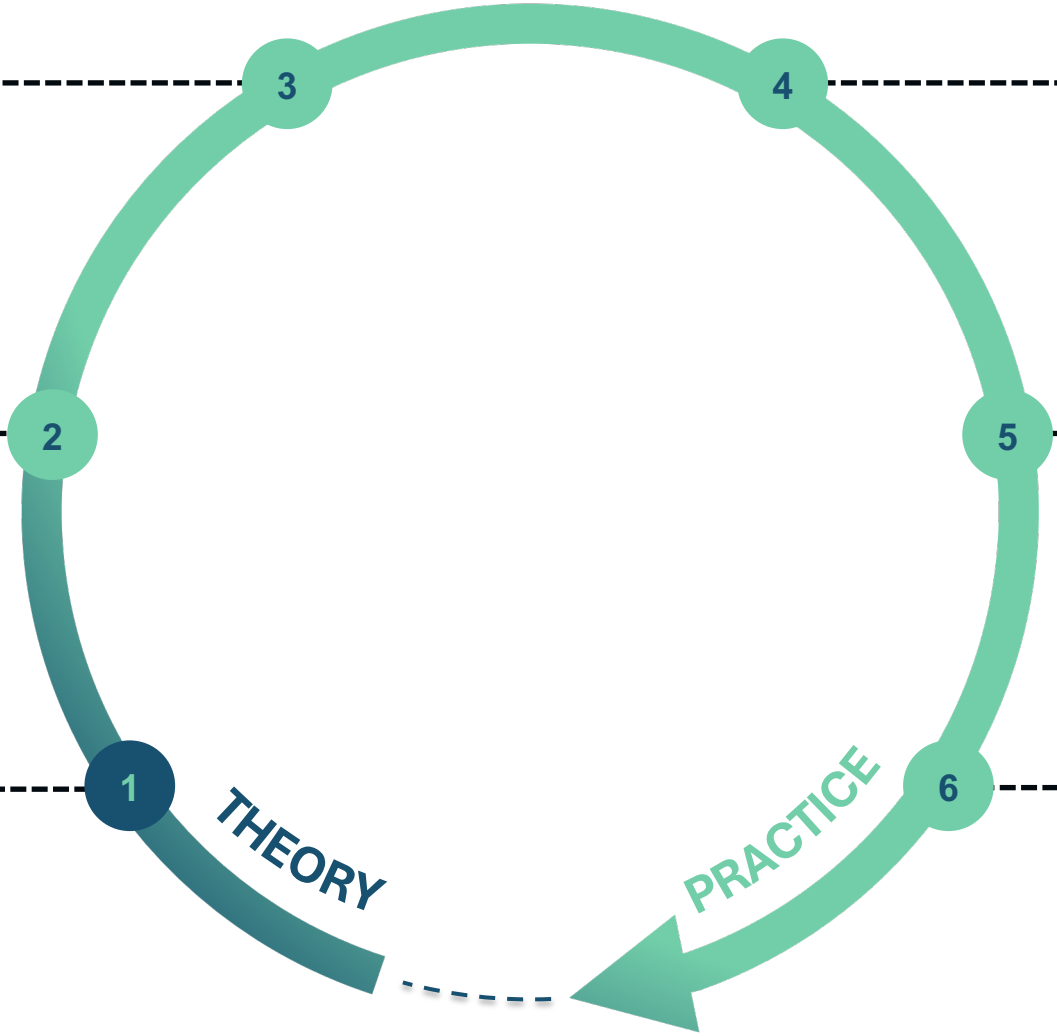
What are we learning from city governments around the world?

Our approach: practice-based theorising



LITERATURE REVIEW

Review of **existing literature** on dynamic capabilities

DATA COLLECTION

Interviews with 20+ city government globally to understand their dynamic capabilities

SYNTHESIS

Refine the conceptualisation and **language** of dynamic capabilities to fit the city government context

DEVELOP ASSESSEMNT

Design a method for **assessing dynamic capabilities** through an elite structured interview

TEST OUR APPROACH

Workshops with 16+ city governments to test the assessment and co-design the value proposition of the index

DESIGN PROTOTYPE INDEX

Synthesise findings into a **prototype index** informed by preliminary data from city governments

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40+ city governments engaged

We heard how
many city governments are stuck with legacy activities and frameworks

"90% of your time is spent on the business of the council, which is operational and responding to the feedback that you get from the community. So, you have to ***temper your appetite for holistic systems change*** *with the emails about the park down the road."*

A former official from Sydney

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We heard how
many city governments prioritise internal operations, over centring citizen needs

“Most want to work with administrator’s problems, not citizens”.*

An official from Recife, Brazil

*Here *administrator* refers to city officials

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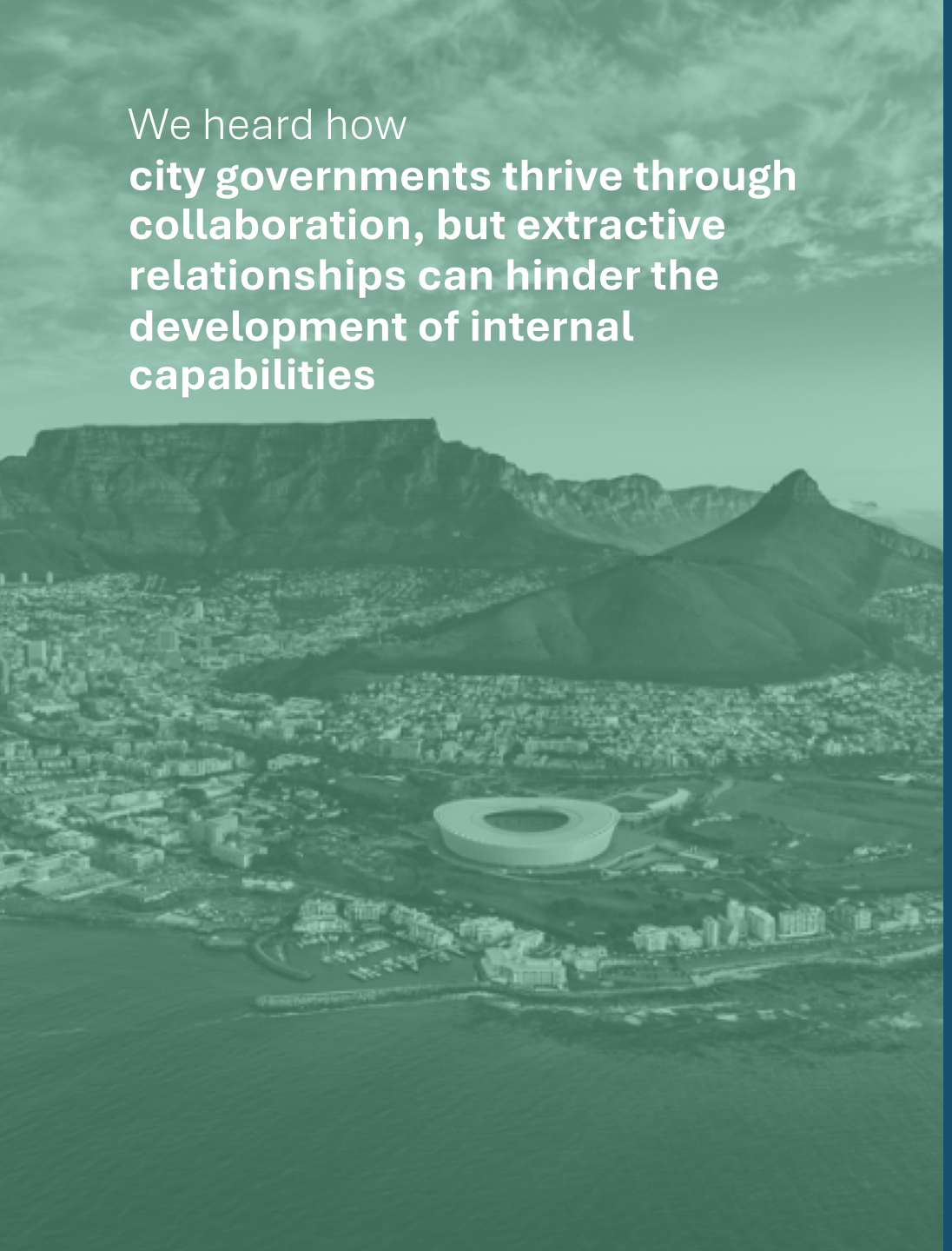

We heard how
city governments thrive through collaboration, but extractive relationships can hinder the development of internal capabilities

‘It's always useful to start the journey with external people, but if you're doing it for too long with externals, you're doing something wrong. You have to build the in-house capability …otherwise, you're not actually strengthening your organisation.

An official from Cape Town

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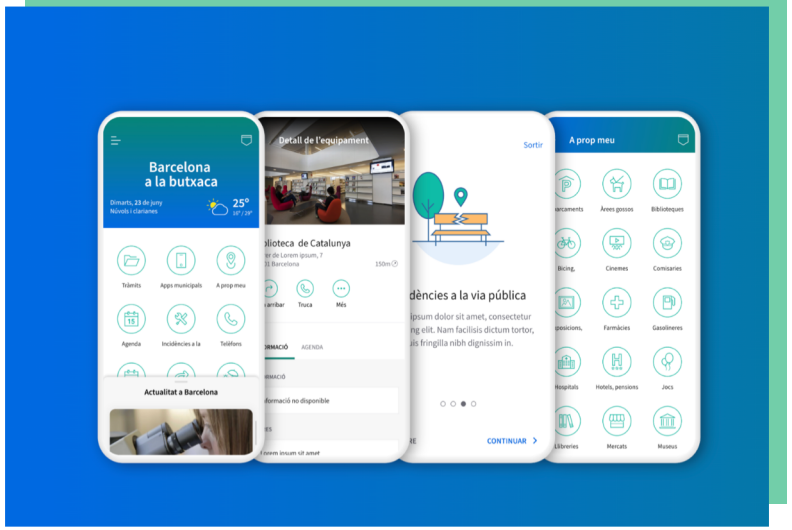
To better respond to challenges and opportunities, city governments need to be adaptive and dynamic

Many city governments are creating new units and teams and deploying new methods and ways of working

Innovation and Performance Team
City of Seattle

Care Alliance
Bogotá City Council



The Municipal Data Office
Barcelona City Council

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A set of public sector capabilities to adapt and transform are emerging

Our working definition

Dynamic capabilities adapt the activities and focus of (city) government and its resources, processes and teams…

to… **solve existing challenges and develop solutions to emerging vulnerabilities,**

while… **operating within and leveraging (the city) government's structural conditions and constraints, such as constitutional limits, fiscal rules, or donor relationships.**

We have created a practitioner-led definition of dynamic capabilities

1

Developing strategic awareness

Use data, feedback, and frontline insight to make sense of where needs are shifting and build a shared understanding across departments.

2

Adjusting priorities

Reevaluate focus areas in response to shifting needs, and if required, make choices about what to stop, start, or reshape.

3

Building coalitions

Bring together diverse actors—across departments, sectors, and communities—to align around shared goals and unlock new sources of energy, insight, and resources.

4

Embedding learning and experimentation

Build in clear, repeatable ways to test ideas and learn what works. Use these cycles of experimentation and reflection to guide better decisions and improve services over time.

5

Reconfiguring for delivery

Build teams with the right skills and give them space to try new approaches, move quickly, and adjust as they go.

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A city government with strong dynamic capabilities demonstrates top performance in all five areas

Having strategic awareness

Proactively anticipates the impact of change or service shortcomings

Systematically adapts processes to manage risks and seize opportunities.

Existence of foresight tools (e.g. horizon scanning), data analytics, and scenario planning.

Responsive to internal and external feedback

Strong engagement across city departments

Diverse resource base for strategic anticipation

Adjusting priorities

Mechanisms to update strategic goals

Documented cases of rapid budget reallocation in response to emerging challenges

Evidence of stakeholder feedback directly altering city priorities

Established emergency response plans regularly tested and revised

Building coalitions

Partnership agreements

Funded multi-sector or multi-city collaborative projects

Shared channels or coalitions involving public, private, and nonprofit sectors

Joint initiatives demonstrating active external cooperation

Embedding learning and experimentation

Experimentation frameworks (labs/sandboxes)

Documented pilot project reviews

Clear processes for scaling successful innovations

Policy/program adjustments informed by experiments

Reconfiguring for delivery

Creation and use of cross-departmental teams

Evidence of structured professional development or training programs for innovation skills

Introduction of new roles specifically for cross-sector collaboration

Clear documentation of internal restructuring around new priorities

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We have developed a two-stage assessment approach to assess and verify dynamic capabilities in city governments

1 Assess

How will it work?
Individual 1-hour interviews with four senior city hall staff.

What data will we get?
Data on the five dynamic capabilities including how decisions, practices and resources are deployed within the city.

How will results be scored?
A codebook will score answers on a 1 to 5 scale.

2 Verify

How will we analyse data?
A bespoke Large Language Model (LLM) tool will analyse the survey and secondary data in less than one minute.

How will we verify?
Our analysis will be triangulated using city government evidence, such as administrative data, and from other sources, such as national government, citizen surveys, and robust third-party evaluations.

How confident will we be?
A standards of evidence framework will score the strength of evidence behind the assessment.

3 Result

What score will we give city governments?

City governments will be graded against each dynamic capability on a 1 to 5 scale to show areas of strength and more nascent areas that require further support and investment.

This score will take into consideration the strength of the evidence available. Poor evidence will result in a lower adaptive capability score.

The final ranking will provide a roadmap for city governments to improve, and signal to national governments and other funders where they should target their investments.

How the MRI works

Interview City Government Officials

20 open ended questions in a structured interview, responded to by 3-4 government officials.

Provide **supporting evidence**.

Today we will workshop the questions, but the aim is that the final interview take no more than **1hr**.

Identify Strengths & Weaknesses

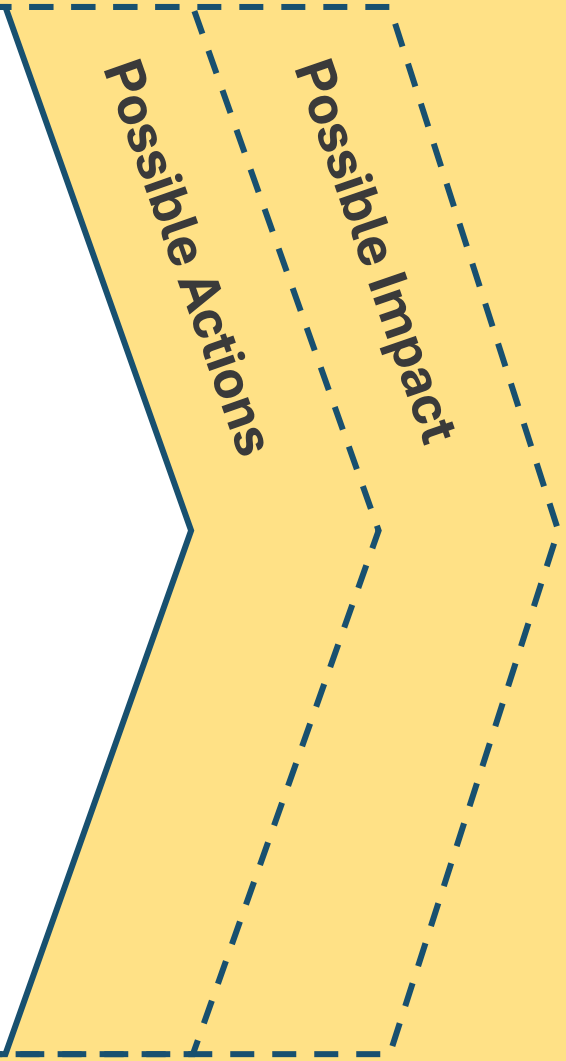
Contextualise responses within a city government setting (e.g. autonomy, fiscal position etc.)

Form peer groups to **benchmark** strengths and weaknesses against peers.

Offer Guidance

Explore and learn from best practices from other city governments.

Suggest ways city governments can improve and how national/regional governments, development banks, and other funders can support transformation.



Today we aim to hear your feedback on our approach

Workshop
Break out groups

Activity
60 minutes

In each break-out group, the facilitator will present the key elements of our assessment approach and pose a set of questions

Make sure to assign a note-taker to report back!

Rapid Assessment for City Governments

Having strategic awareness

The ability to identify and understand problems and explore potential opportunities.

By using data, feedback, and frontline insight to make sense of where needs are shifting and build a shared understanding across departments.

“We try to do external analysis; what are the opportunities, main opportunities or main challenges we are facing now or in the future? We try to pick up the signals and clues from the outside world, and benefit from good connections, networks, and cooperation with the other big cities and state government”

Official at the City of Turku

Having strategic awareness

Question 0

Can you tell me about your city's long-term strategic goals?

Question 1

How does your city government generate insights about trends, risks, and opportunities that may affect its long-term strategic goals? Can you provide specific examples?

Question 2

Describe an example of steps that your city government has taken to anticipate the potential impact of changes, such as demographic shifts, economic and technology trends or environmental factors, that could affect the city?

Having strategic awareness

Question 3

What problems were you able to start solving and/or what public value / outcomes did you achieve through these changes? And what evidence would you use to demonstrate that this anticipation of impact led to these outcomes?

Question 4

What were the sources of funds for these activities/processes?

Adjusting priorities

The ability to balance priorities with the flexibility to meet unforeseen needs.

By reevaluating focus areas in response to shifting needs, and if required, make choices about what to stop, start, or reshape.

"Across the public sector, there are lots of people who are excited about new concepts like anticipatory innovation, and they are involved in networks, but the networks are not always attached to the core tasks of organisations."

Official at Finnish Ministry of Finance

Adjusting priorities

Question 0

Can you tell me about your city's current priorities?

Question 1

How does your city government adjust its priorities in response to changing circumstances?

Question 2

Can you provide an example of a time where your city government reprioritised initiatives to address changing circumstances?

Adjusting priorities

Question 3

What public value / outcomes did you achieve through these changes? And what evidence would you use to demonstrate that this anticipation of impact led to these outcomes?

Question 4

What were the sources of funds for these activities/processes?

Building coalitions

The ability to foster partnerships to maximise resources and impact.

By bringing together diverse actors—across departments, sectors, and communities—to align around shared goals and unlock new sources of energy, insight, and resources.

"We are trying to determine what success looks like... [liaising] with as many of our counterparts as possible, so that we really understand what our role is in terms of facing these challenges."

Official at the City of Melbourne

Building coalitions

Question 0

Can you tell me about your city's key external stakeholders, partnerships, and coalitions?

Question 1

How does your city government cultivate partnerships or coalitions with external stakeholders to achieve shared goals?

Question 2

Can you describe a recent initiative where you worked with external stakeholders?

Building coalitions

Question 3

What public value / outcomes did you achieve through these changes? And what evidence would you use to demonstrate that this anticipation of impact led to these outcomes?

Question 4

What were the sources of funds for these activities/processes?

Embedding learning and experimentation

The ability to foster a culture of continuous learning and innovation.

By building in clear, repeatable ways to test ideas and learn what works. Using these cycles of experimentation and reflection to guide better decisions and improve services over time.

"We first identify challenges that departments are facing, and for which there is no known solution in the market, and we leverage these challenges to open a dialogue with the ecosystem. We then go on to co-finance some of the pilots for these solutions. In this way, we help to test these solutions using the public space as a testbed"

Official at the City of Barcelona

Embedding learning and experimentation

Question 0

Can you tell me about any experiments, tests, or trials your city is currently running?

Question 1

How does your city government experiment? Can you give me specific examples?

Question 2

Describe a recent example of your city government translating experimentation into the delivery of new solutions?

Embedding learning and experimentation

Question 3

What public value / outcomes did you achieve through these changes? And what evidence would you use to demonstrate that this anticipation of impact led to these outcomes?

Question 4

What were the sources of funds for these activities/processes?

Reconfiguring for delivery

The ability to reshape skills, resources and ways of working for effective delivery.

By building teams with the right skills and giving them space to try new approaches, move quickly, and adjust as they go.

“Effective teams should be multidisciplinary, optimally sized for dynamic communication, and empowered with a cross-departmental mandate, allowing them to work beyond rigid hierarchies”

Official at the City of Turku

"The job of leaders is not to control work but to ‘move stones out of the way’ to enable city officials to carry out work, be it by talking with the mayor or managing legislative changes"

Official from the City of Recife

Reconfiguring for delivery

Question 0

Can you tell me how you **track and evaluate whether people and teams, ways of working, tools and policies are delivering on strategic goals and priorities**? Please refer to relevant documents and evaluations if available.

Question 1

How does your city government **enhance its skills, tools and teams** to improve performance and meet existing and new demands?

Reconfiguring for delivery

Question 2

Can you describe an **example** of steps that your city government has taken to **restructure existing resources** to meet new and existing demands?

Question 3

What public value / outcomes did you achieve through these changes? And what evidence would you use to demonstrate that this anticipation of impact led to these outcomes?

Question 4

What were the sources of funds for these activities/processes?

City Government Group Discussion

We would love to hear your feedback on…

- Are there any areas important for demonstrating your city government's dynamic capabilities that we haven’t talked about
- Did the questions make sense? Was anything unclear? Any suggestions?
- Would you have the information to answer them? If not, who would?
- Would the evidence required be easily accessible?
- How could you use the assessment approach?

Ministries & Other Stakeholder Groups

Questions for Ministries and Other Stakeholders' Group

We would love to hear your feedback on…

- What are the challenges that you face in supporting city governments?
- What are the main capability gaps that you see in cities?
- How would you use the assessment?
- What benefits would you see from using the tool to compare, benchmark and measure cities?
- What would be the limitations of such an approach?

Back to Plenary

What are possible future areas of collaboration?

Thank you for your time and your insights!

Get in touch

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