

THE CONCEPT OF DYNAMIC CAPABILITIES AS THE ANSWER TO THE CHANGING EXPECTATIONS TOWARDS PUBLIC SECTOR ORGANISATIONS

Liliana HAWRYSZ¹

Warsaw University of Technology; liliana.hawrysz@pw.edu.pl

Abstract: The evolution of the approach to the public sector has been changing the expectations towards the sector's organisations in a substantial manner. A particular challenge was the departure from the classic Weber management model, postulated in the new public management (NPM), towards market mechanisms, precedence of performance criteria, public sector functioning based on principles similar to the ones applicable to the private sector. The direction of these changes resulted in the permeation of the concepts used in the private sector to the public sector. One of these includes the dynamic capabilities concept. Dynamic capabilities can constitute an organisation's potential for systemic problem solving, resulting from the mindfulness of the signals deriving from an organisation's environment to ensure the correct direction of functioning and development of a public sector organisation. The paper includes an attempt to answer the question whether the concept of dynamic capabilities can constitute an answer to the changing expectations towards public sector organisations? The research method used in the paper is the literature study.

Keywords: dynamic capabilities, stakeholders, public sector.

1. Introduction

Despite being initially used in the private organisations sector, the concept of dynamic capabilities is also being increasingly used among public organisations in the recent years (Ferlie et al., 2003). The supporters of applying this concept in public sector organisations find the reasons for this phenomenon in the drastic changes in the organisations' operative environment. Researchers deem the turbulence of the environment as the cause of paying more attention to dynamic capabilities (Agarwal, and Helfat, 2009). It is contributing to the situation in which the capability of restoration, methods of thinking and acting become as necessary for public organisations as in the case of private companies (Klein et al., 2013). The opponents of using the dynamic capabilities concept are of the opinion that public sector managers have a lesser impact than their counterparts in the private sector on formulating strategies due to various political pressures (Ridder et al., 2005). The managers themselves do

not however agree with this opinion (Ridder et al., 2005). It is also an argument for applying the dynamic capabilities concept in public sector organisations. Thanks to dynamic capabilities, a public sector organisation will be able to establish routines preventing destabilisation resulting from ideas of politicians and election cycles, without losing the most urgent needs of a wide circle of stakeholders from the field of view. Without these routines, public sector managers can become the sector's hostages and lose the need of focusing on development in their field. The direction in which the expectations towards public sector organisations have evolved also points to the necessity of focusing on effective allocation of key resources possessed by the organisations. Otherwise, public sector organisations will not be able to effectively serve their mission (Nutt, and Backoff, 1993). It is however worth noting that the stakeholders theory, which is important from the point of view of the changes in expectations towards public sector organisations, is not among the main interests of the dynamic capabilities concept. Dynamic capabilities are not focused on the inherent potential of the environment, but on predicting changes in it to eliminate the risk of their negative impact on an organisation. Therefore, the stakeholders theory, from the perspective of the direction of evolution of the expectations towards public sector organisations, constitutes an important supplementation of the concept (Henisz, 2016). Thanks to organisational routines which allow integrating the knowledge deriving from the stakeholders these organisations will be able to effectively allocate their resources in accordance with the social needs. Integration of stakeholders and the knowledge acquired from them into the core of an organisation's values allows for estimating the potential opportunities and risks resulting from the planned activity. The purpose of the paper is to demonstrate that the use of the dynamic capabilities concept with special consideration of organisational routines allowing for active inclusion of stakeholders is the answer to the changing expectations towards public sector organisations. The first part of the paper concerns the evolution of the approach towards the public sector with special consideration of the change in the expectations towards the sector's organisations. The second part is dedicated to the dynamic capabilities concept in the public sector. It features the arguments of opponents and supporters of using this concept by public sector organisations. The third part is an overview of the research concerning the dynamic capabilities concept applied in public sector organisations. The paper is concluded with a summary.

2. Evolution of the approach to the public sector towards dynamic capabilities

Public management is treated as a sub-discipline of management sciences, but is the subject of interest of both administration and management sciences. Administration sciences

struggle with the problem resulting from the plurality of trends and approaches (Izdebski, and Kulesza, 1999). In management sciences, the problem is the ambiguity and obscurity of definitions (Agarwal, and Helfat, 2009). In consequence, public management is especially affected by the problem of lack of systematisation and bluntness of definitions (Szumowski, 2014). When analysing the development of public management in historical terms, it is possible to distinguish four stage of evolution of the approach towards the public sector (Hausner, 2008). The first stage, i.e. the rule of law assumes, among others, treating public institutions as a tool of law enforcement, superior role of the law in the political system, civil rights protection, tripartite separation of power. The second stage, the administrative trend and the related perfect bureaucracy assumes, among others, rational administration organisation, separation of staff and property, separation of politics and administration, hierarchy of authority, scientific staff selection, division of labour, etc. The third stage, new public management (NPM), takes into consideration, among others, the use of market mechanisms, precedence of performance criteria, public sector functioning based on principles similar to the ones applicable to the private sector (Rokita-Poskart, 2017; Kubiciel-Lodzińska, 2017a,b), and the citizen as the consumer of public services. The fourth stage, participatory public management assumes, among others, the following: interaction with stakeholders (citizens, non-government organisations, entrepreneurs), application of the principles of participation and consulting, transparency, responsibility, sustainable development (Szumowski, 2014). The first two stages are based on the traditional approach to public management proposed by M. Weber. This approach was however repeatedly criticised in subject literature. Researchers have stressed the need to abandon the traditional method of administration management and invoked the following phenomena as arguments: continuous increase in public expenditure (Ferlie, 1992), citizen pressure on more effective solving of social problems, increase in criticism of public authorities by the society, change in the social structure resulting from higher level of education, pressure from international organisations (Kozuch, 2004), as well as development of IT and telecommunications technologies, increased pressure on individual and civil rights (Kozuch, 2004). An answer to the invoked arguments was to be the disaggregation of traditional functions of public sector organisations to quasi-contract or quasi-market relations, activating competition in terms of providing public services among public agencies, companies and social organisations, replacing bureaucratic organisational culture by managerial, entrepreneurial and market culture, as well as control oriented to recognition of effectiveness and performance (Szumowski, 2014). This proposal was accused of losing from the field of view of an organisation's performance understood as the ability to satisfy social needs (Szumowski, 2012). This perspective is taken into consideration in the participatory public management. It assumes, as one of the tasks of public sector organisations, management of relations with public private partners to utilise the resources possessed by them for the society's benefit. Public organisations should to a greater degree notice all entities, the interest of which it represents and should serve (Rudolf, 2010). An

answer to the public sector organisations' needs resulting from the need to adapt to the aforementioned changes in expectations towards them can be the dynamic capabilities concept. The dynamic capabilities concept is based on the assumption that organisations must regulate the processes of learning and change to effectively adapt its capabilities to new situations and thus keep up with the growth of the environment. The concept is based on processes which are very important from a public sector organisation's perspective, because they constitute a starting point for the integration as well as horizontal and vertical cooperation, especially in terms of acquiring, converting and implementing information in practice. Dynamic capabilities can constitute an organisation's potential for systemic problem solving, resulting from the mindfulness of the signals deriving from an organisation's environment to ensure the correct direction of functioning and development of a public sector organisation. Dynamic capabilities are processes that use resources to adapt the organisation to the market changes, or even to invoke the changes. These are organisational and strategic routines used by the organisations to develop new resource configurations (Eisenhardt and Martin, 2000). Public organisations are not able to execute their tasks, create public value and effectively react to changes in the environment without devoting due attention to their resources, understood as a set of all assets, skills, competencies, processes, features, information, knowledge and many other elements controlled by organisations and which allow for changing and implementing pro-performance strategies (Barney, 2001). K.M. Eisenhardt and J.A.M. Martin find dynamic capabilities to be allowing organisations to focus on their resources. The dynamic capabilities concept can be an opportunity for public sector organisations to effectively perform their tasks, especially resulting from the described directions of evolution. The dynamic capabilities concept shifts the centre of gravity from possession and control to acquisition of knowledge. Acquisition of knowledge requires taking into account an active role of stakeholders in the process. Without co-operation with the stakeholders, an organisation is isolated and less flexible. Putting stakeholders in the centre stage by public sector organisation constitutes an important elements of their evolution and is reflected in the participatory public management. A fundamental error made by public organisations is the assumption that, from the point of view of building responsible, trust-based relations with stakeholders, acquiring knowledge from them is sufficient. Focusing only on acquiring knowledge can lead to fragmentation. The outlined direction of the evolution of changes in the public sector indicates that building trust towards public sector organisations requires not only co-operation, but conveying some authority concerning the execution of tasks to stakeholders themselves. Thanks to dynamic capabilities, public sector organisations will be able to respond to the most urgent needs of the stakeholders and to establish routines preventing destabilisation resulting from election cycles. Proper routines will also allow them to integrate the knowledge deriving from the stakeholders to effectively allocate resources. Without these routines, public sector managers can become the sector's hostages and lose the need of focusing on developing in their field (Henisz, 2016).

3. Dynamic capabilities in the public sector

The use of the dynamic capabilities concept in public sector organisations has both opponents and supporters. The opponents point out the characteristics of public organisations, which especially correlate with the dynamic capabilities concept (Cha, 2014). These include, among others, organisational needs, limited access to resources and political influence. Public sector organisations were established to meet specific social needs. However, the aforementioned evolution directions make meeting the needs to take place with limited access to external resources. The limited access is a consequence of the observed constant growth of public expenses, which contributed to the increase of interest in their effective use, rather than in allocating higher amounts for this purpose (Ferlie, 1992; Ferlie, 2016). Not without meaning is also the pressure of the citizens to find more effective solutions to social problems and an increase in the society's criticism of public authorities (Kozuch, 2004). This is why public sector organisations should be focused on their own internal resources and potential areas of acquiring knowledge (Nutt, and Backoff, 1993). Political influence in public sector organisations resulting, among others, from changes in policies and short-term electoral cycles generate a high level of variation for these units (Boyne, 2002). The lack of focus on dynamic capabilities can make it hard for public sector organisations to execute the set objectives, create actual public value and effectively react to the changing expectations of the stakeholders (Bryson et al., 2007). P.G. Klein et al. emphasises that public organisations are devoid of the feedback mechanism in the form of signals inflowing from the market, concerning profit and loss, which is why they are especially dependent on evolved dynamic capabilities (Klein et al., 2013). Researchers pay attention to the fact that public sector organisation managers dispose public resources and they should do this in a manner that allows effective adaptation of the organisation's capabilities to new situations and thus keep up with the growth of the environment.

Opponents of using the dynamic capabilities concept in public sector organisations, aside from the aforementioned smaller impact of the sector's managers on formulating strategies, pay attention to other reasons resulting from the orientation of important aspects of the resources concept, in which the dynamic capabilities concept is embedded, i.e. competition and the role of client. Along with the NPM, competitiveness was included in the public sector organisations' glossary, but it has a different dimension than in the private sector (Maj, 2017; Maj, 2012). According to the NPM, competition is to be initiated in the scope of providing public services between public agencies, companies and social organisations, whereas among public sector organisations, especially those providing similar services, the need for co-operation is being emphasised, particularly to improve the quality of services, eliminate unnecessary formalities, but most of all to avoid duplicating identical initiatives (Frączkiewicz-Wronka, 2011). The idea of lack of competitiveness in the public sector is not

shared by H. Knutsson, O. Mattisson, U. Ramberg and T. Tagesson (Knutsson et al., 2008). They think that public organisations can act in a competitive environment in order to acquire sources of funding their activity. Long-term funding depends on the organisation's capability of continuous presentation of the objectives and results to all of its stakeholders.

Stakeholders in public sector organisations include:

- all persons who will affect the strategies designed by the organisation,
- each person, group or organisation that requires the organisation's attention and its resources or affects its results,
- persons or small groups able to react, negotiate or change the future of the given organisation,
- natural persons or groups that are dependent on the given organisation (and the organisations is dependent on them) when pursuing their objectives (Frączkiewicz-Wronka and Maćkowska, 2011).

The second issue, i.e. focusing on the client, is controversial only in terms of the traditional public management model. NPM, but mainly the participatory public management gives the client the central role in the organisation. The difficulty is the significance of roles played by the client in a public sector organisation. The reason for this is that the client is a: beneficiary, user and co-founder, purchaser, tax payer, citizen, and additionally complicates the creation of value. Public sector organisations are to execute unclear, unstable and endogenous preferences of their clients.

A. Frączkiewicz-Wronka and K. Szymaniec state that the competitive advantage, which is so important for the private sector, in the public sector means the satisfaction of the largest possible number of stakeholders (Frączkiewicz-Wronka, and Szymaniec, 2012). The key to the success of public sector organisations is seen by A. Frączkiewicz-Wronka in the process of identifying and strengthening the strategic capabilities to create the maximum value for the stakeholders with the assumption of reasonable costs. The task is a unique challenge for public organisations' managers due to the limitation of resources allocated for satisfying public needs, growing social expectations, increasing scepticism towards public institutions and the pressure to execute public services at a level satisfactory for the stakeholders. What is more important, without continuous pointing out the quality and usefulness of its own resources, public organisations are not able to execute their objectives, create public value and effectively react to changes in the environment.

The arguments of the opponents of using the dynamic capabilities concept in public sector organisations emphasise their weaknesses which can be overcome specifically by using this concept.

However, E.P. Piening finds the dynamic capabilities concept to be applicable in analysing the organisational behaviours in the public sector (Piening, 2013). Public sector organisations, similarly to private sector organisations, function as a collection of resources and organisational routines, which are to enable the execution of initiatives and provision of

services. In addition, he stresses that the definition of dynamic capabilities proposed by Zollo and Winter (Zollo, and Winter, 2002), refers in the same degree to private and public sector organisations, because it stresses the need to improve organisational routines to obtain better effects of activity. The overview of the selected dynamic capabilities definitions is presented in table 1.

Table 1.
Dynamic capabilities

Author, year	Description	Areas of changes
Teece, Pisano, Shuen (1997)	They enable organisations to restore competencies allowing for strategic management of internal and external skills, routines and resources required to maintain the results in the face of changing conditions in the business environment.	restoration, turbulent environment
Eisenhardt, Martin (2000)	Processes that use resources to adapt the organisation to the market changes, or even to invoke the changes, organisational and strategic routines by which organisations create new resource configurations.	resources, market changes, routines
Zollo, Winter (2002)	Learned and stable model(s) of collective activity applied by the organisation to systematically generate and modify its operative routines in the search for performance improvement.	routines, increase of effectiveness
Blyler, Coff (2003)	Process of integrating, reconfiguring, acquiring and releasing resources in order to react to market changes or invoke them.	resources, market changes
Zahra, Sapienza, Davidsson (2006)	Capabilities to reconfigure an organisation's resources and routines in a manner compliant with the key decision-makers' vision and concept of correctness.	resources, routines
Agarwal, Helfat (2009)	Organisation's capability of purposeful creation, extension or change of its resource base.	resources
Barreto (2010)	Company's potential of systematic problem solving, created by its inclination to use opportunities and detect risks and thus timely make decisions and change its resource base.	resource base
Drnevich, Kriauciunas (2011)	Higher-order competencies that determine an enterprise's capability to integrate, create and reconfigure internal and external resources/competencies allocated to the adaptation to quickly changing conditions of the business environment or shaping of these changes.	resources, changing environment
Krzakiewicz, Cyfert (2014)	They allow shaping and modifying an organisation's competencies, behaviours and resources which in consequence determine its results.	resources, effects

Source: Agarwal, and Helfat, 2009; Blyler, and Coff, 2003; Drnevich, and Kriauciunas, 2011; Eisenhardt, and Martin, 2000; Krzakiewicz, and Cyfert, 2014; Teece et al., 1997; Zahra et. al., 2006; Zollo, and Winter, 2002).

The overview of definitions of the dynamic capabilities allows for the statement that they mainly stress the notion of resources and pressure of changes in the environment. Therefore, these are the factors most often used by researchers in the argumentation concerning the suitability of implementing the dynamic capabilities concept in the public sector.

A. Casebeer, T. Reay, J. Deward, A.L. Pablo state that the application of the dynamic capabilities concept could shed a light on organisations that develop their internal resources so that the developed processes and practices improve the effects of their functioning in non-market conditions, but in a situation of strong pressure to limit expenditure. They deem the pressure of limitations, in which public sector organisations are functioning, as imitating

market fluctuations affecting private sector organisations (Maj, and Sauberer, 2016). This way, it is not the competitive advantage that comes to the forefront, but rather the strategic behaviour of public sector organisations when faced with the pressure of performance (Casebeer et al., 2010; Currie, and Proctor, 2005). A similar position is represented by E. Ferlie and A.L. Pablo (Ferlie et al., 2003; Pablo et al., 2007).

Many authors emphasise the need to conduct an in-depth analysis of the dynamic capabilities concept in the public sector, especially the supplementation of qualitative studies with quantitative studies (Easterby-Smith et al., 2009).

4. Research concerning dynamic capabilities in the public sector

The research concerning the use of the dynamic capabilities concept in the public sector were conducted in various countries (e.g. Great Britain, Australia, Germany, Korea, Israel, United States, etc.) with reference to various public sector organisations (e.g. hospitals and other facilities dealing in health care, government and local government organisations, etc.). The methods used in the research varied, starting with case analyses and ending on large-scale cross-sectional studies. Most included quantitative studies, however qualitative and mixed studies were also conducted (Salge, and Vera, 2011). The overview of the selected studies concerning the dynamic capabilities in public sector organisations is presented in table 2.

Table 2.

Empirical research on the dynamic capabilities concept in the public sector

Author	Research sample and method	Conclusions
Lee (2001)	195 government organisations in Korea, survey studies	The degree of knowledge sharing between the service provider and recipient affects the success of IT system outsourcing. This relation is moderated by the degree of capability to absorb knowledge by the service recipient.
Daniel, Wilson (2003)	5 organisations from various sectors, including the public sector, case analysis	In order to ensure success in providing e-services, organisations reconfigure and develop its resources by relying on the development of various dynamic capabilities, e.g. organisation's capability to build commitment to implementing a change (both inside and outside the organisation) or the capability to integrate e-services processes with the current activity. Learning by acting is the basic mechanism for building operative and dynamic capabilities. Key roles are played by teams organised around processes, not functions.
Carmeli, Tishler (2004)	99 local public sector organisations in Israel, survey studies and secondary studies	Intangible resources, such as human capital, organisational culture and managerial capabilities have substantial impact on unit results.

cont. table 2

McNulty, Ferlie (2004)	Hospital in Great Britain, case analysis	Introduction of radical changes can encounter huge resistance in organisations providing public services. The following factors substantially hindering BPR implementation were distinguished: learning process (especially lack of dissatisfaction from existing processes or lack of client pressure), structural rigidity, employee resistance towards changes, conflicts.
Jas, Skelcher (2005)	15 local public sector organisations, case analysis	Organisations do not undertake activity aimed at improving its performance, if they are not aware that these effects are weak and when an organisation lacks leadership. These dynamic capabilities refer to the skill of undertaking adequate activities in case of signals giving evidence of the decline of effects.
Jones et al. (2005)	67 employees of a public sector organisation's department, survey studies	Reconfiguration of resources indirectly contributes to the success of introducing an innovative solution. An intermediary variable here is the perception of employees of the organisation's readiness for change. Reconfiguration of resources helps to reduce the resistance against changes by enabling an effective flow of information to innovation users or participants in the process of its implementation.
Ridder et al. (2005)	6 local public sector units, case analysis	Limited resources constitute a very serious barrier for implementing changes. The process of implementing changes varies in organisations depending on human, technical and capital resources. Many organisations lack dynamic capabilities which would allow them to convert new principles or procedures into routines.
Vera, Crossan (2005)	38 teams in large public sector units, survey studies, interviews	Improvisation leads to innovation, when we are dealing with experienced teams possessing effective routines, especially in terms of real-time information conveying and communication. Four factors were distinguished in terms of innovation implementation success: experience, teamwork, organisational culture and communication. Attention was also paid to trainings as a factor increasing the probability of innovation implementation success.
Pablo et al. (2007)	Regional healthcare unit, participatory observation, interviews, secondary data analysis	Description of the development and implementation of dynamic capabilities in three stages. They emphasised the significance of manager skills and engagement in the identification, activation and management of dynamic capabilities.
Klarner et al. (2008)	World Health Organisation, case analysis	Identification of factors determining the organisation's ability to change: transformation leadership, legitimisation of change, trust, coherent organisational culture, significance of change.
Fernandez, Wise (2010)	532 public schools, survey studies, secondary data analysis	An organisation's inclination to seek and implement innovative solutions is stronger if managers notice the decline in the organisation's results. Innovation implementation is affected by such factors as lack of resources, approach and engagement of the managerial staff, environment (other public sector units).
Kim, Lee (2010)	5 private sector and 5 public sector organisations, survey studies	A clearly defined vision and objectives, cooperation as part of a network and utilisation by employees of IT applications are positively related to a high level of knowledge acquisition and conversion. Centralisation has a negative impact on knowledge acquisition and conversion.
Guimarães et al. (2011)	court of appeal, case analysis	Innovation implementation is related to a change in routines. By implementing a new management model, the organisation developed new capabilities.
Salge, Vera (2011)	154 hospitals, panel studies	An organisation's inclination to seek and implement innovative solutions is stronger if the organisation's results are declining and if it possesses available resources.
Pienning (2013)	5 hospitals, case analysis	Dynamic capabilities indirectly affect the organisation's results.

cont. table 2

Bruns (2014)	6 local public sector units, case analysis	Emphasising the role of a leader and adequate implementation procedure as factors affecting the organisation's ability to implement a change. A threat for the change implementation process is the development of human resources, especially knowledge acquisition and conversion.
Chiu, Chen (2016)	2 large public sector organisations, survey studies	Acquisition, conversion, application and protection of knowledge have a positive impact on the effects achieved by an organisation. Organisational involvement fulfils the role of a mediator between the dynamic capabilities and the effects achieves by an organisation.
Singh, Rao (2016)	10 public sector banks, survey studies	Social capital positively affects learning and alliances. Organisations must recognise knowledge based in network relations, alliances and partnership in order to develop its resources as well as to create and manage these alliances.
Laihonen, Mäntylä (2017)	city	Centralisation of information as part of a platform for knowledge sharing improves the effects achieved by organisations. The platform is aimed at improving results, collecting and providing information to support better decision-making and organisational learning. Seeking capabilities which will convert new principles into organisational routines.

Source: Bruns, 2014; Carmeli, and Tishler, 2004; McNulty, and Ferlie, 2004; Jas, and Skelcher, 2005; Jones et al., 2005; Ridder et al., 2005; Vera, and Crossan, 2005; Pablo et al., 2007; Klarner et al., 2008; Fernandez, and Wise, 2010; Kim, and Lee, 2010; Guimarães et al., 2011; Salge, and Vera, 2011; Pianning, 2013; Bruns, 2014; Chiu, and Chen, 2016; Singh, and Rao, 2016; Laihonen, and Mäntylä, 2017.

The overview of the research concerning the use of the dynamic capabilities concept in the public sector demonstrates that the concept has been used by public sector organisations for many years. The dynamic capabilities affecting the effectiveness of the undertaken activities, which are most often emphasised by researchers concern knowledge, especially its absorption, conversion and application, acquired thanks to active engagement of stakeholders. Some researchers see an opportunity for developing organisational resources in alliances and partnership. Organisational (human, technical and capital) resources most often occur as a substantial deterrence for the effectiveness of undertaken activities. Researchers have also paid attention to the needs of involving the managerial staff and building an organisational culture in which new values are embedded. This refers to a culture which allows expanding an organisation's borders by taking into account the knowledge of all participants in the chain of (current and future) values. The conducted research features a very important aspect of the need to measure the effects of an organisation's activity. The measurement of the activity effects is to serve organisations as an internal warning system that provides information about the urgency of the need for changes. It is to supplement the information obtained from stakeholders and allow for optimal allocation of resources in order for them to become an element that supports the undertaken activity and not a limiting element.

5. Conclusion

The paper demonstrates that the dynamic capabilities concept can constitute an answer to the changing expectations towards public sector organisations. Despite the opinion of some researchers about the concept's inadequacy to the specifics of public sector organisations, it has been used in public sector organisations for many years. Dynamic capabilities can constitute an organisation's potential for systemic problem solving thank to the mindfulness of the signals deriving from its environment. Dynamic capabilities facilitate the public sector organisations' acceptance of changes and the development of a strategy of counteracting resistance to changes or of active moderation of these changes. Due to the direction of the evolution of changes in the public sector, it is required to embed stakeholders in the central point of interest. Without effective organisational routines built on active co-operation with stakeholders, a public sector organisation is isolated and susceptible to instability resulting from the ideas of politicians and election cycles. The use of the dynamic capabilities concept can therefore contribute to minimising these discontinuities and to the organisations' broader flexibility. Due to the necessity of public sector organisations' functioning with strong pressure of limitations, necessity of executing unclear, unstable and endogenous preferences of clients who are simultaneously beneficiaries, users and co-founders, purchasers, tax payers and citizens, the application of the concept of dynamic capabilities in public sector organisations is becoming a downright necessity. The lack of focus on dynamic capabilities can make it hard for public sector organisations to execute the set objectives, create actual public value and effectively react to the changing expectations of the stakeholders. The consequences of the decisions of the public organisations' decision-makers are often associated with costs borne by the society as a whole, which is why they are expected to take special care when making them. Thanks to the use of the dynamic capabilities concept, public sector organisations can gain: stronger partnerships and relations with interested parties, a positive image and/or political support, improved management capability, better capability of quick reaction to changing environment conditions, more effective leadership and more positive organisational culture.

Bibliography

1. Agarwal, R., Helfat, C.E. (2009). Strategic renewal of organizations. *Organization Science*, 20, 340, DOI 10.1287/orsc.1090.0423.
2. Barney, J.B. (2001). Resource-Based Theories of Competitive Advantage: A Ten-Year Retrospective on the Resource-Based View. *Journal of Management*, 27, 643-650, DOI 10.1016/S0149-2063(01)00115-5.
3. Blyler, M., Coff, R. (2003). Dynamic capabilities, social capital and rent appropriation. *Strategic Management Journal*, 24, 678, DOI 10.1002/smj.327.
4. Boyne, G. (2002). Public and private management: What's the difference? *Journal of Management Studies*, 39, 97-122, DOI 10.1111/1467-6486.00284.
5. Bruns, H.J. (2014). HR development in local government: how and why does HR strategy matter in organizational change and development? *Business Research*, 7, 1-49, DOI 10.1007/s40685-014-0002-z.
6. Bryson, J.M., Ackermann, F., Eden, C. (2007). Putting the Resource-Based View of Strategy and Distinctive Competencies to Work in Public Organizations. *Public Administration Review*, 67, 702-717, DOI 10.1111/j.1540-6210.2007.00754.x.
7. Carmeli, A., Tishler, A. (2004). The Relationships between Intangible Organizational Elements and Organizational Performance. *Strategic Management Journal*, 25, 1257-1278, DOI 10.1002/smj.428.
8. Casebeer, A., Reay, T., Deward, J., Pablo, A. (2010). Knowing Through Doing: Unleashing Latent Capabilities in the Public Sector. In K. Walshe, G. Harvey, P. Jas (Eds.), *Connecting Knowledge and Performance in Public Services* (pp. 251-275). Cambridge.
9. Cha, J. (2014). *Client project capabilities and information systems change in the public sector*. Doctoral Colloquium, EURAM, 1-20.
10. Chiu, C.N., Chen, H.H. (2016). The study of knowledge management capability and organizational effectiveness in Taiwanese public utility: the mediator role of organizational commitment. *Springerplus*, 5, 1-34, DOI 10.1186/s40064-016-3173-6.
11. Currie, G., Proctor, S.J. (2005). The antecedents of middle manager's strategic contribution: the case of a professional bureaucracy. *Journal of Management Studies*, 42, 1325-1356, DOI 10.1111/j.1467-6486.2005.00546.x.
12. Daniel, E., Wilson, H. (2003). The Role of Dynamic Capabilities in E-business Transformation. *European Journal of information Systems*, 12, 282-296, DOI 10.1057/palgrave.ejis.3000478.
13. Drnevich, P.L., Kriauciunas, A.P. (2011). Clarifying the conditions and limits of the contributions of ordinary and dynamic capabilities to relative firm performance. *Strategic Management Journal*, 32, 254-279, DOI 10.1108/JSMA-11-2015-0088.

14. Easterby-Smith, M., Lyles, M.A., Peteraf, M.A. (2009). Dynamic capabilities: Current debates and future directions. *British Journal of Management*, 20, 1-8, DOI 10.1016/j.sbspro.2015.11.371.
15. Eisenhardt, K.M., Martin, J.A.M. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, 21, 1105-1121, DOI 10.1002/1097-0266(200010/11)21:10/11<1105::AID-SMJ133>3.0.CO;2-E.
16. Ferlie, E. (1992). The creation and evolution of quasi markets in the public sector: a problem for strategic management. *Strategic Management Journal*, 13, 79-97, DOI 10.1002/smj.4250130907.
17. Ferlie, E., Crilly, T., Jashapara, A., Trenholm, S., Peckham, A., Currie, G. (2016). Strategic management in the healthcare sector: the debate about the resource-based view flourishes in response to recent commentaries. *International Journal of Health Policy Management*, 5, 145-146, DOI 10.15171/ijhpm.2015.205.
18. Ferlie, E., Hartley, J., Martin, S. (2003). Changing public service organizations: Current perspectives and future prospects. *British Journal of Management*, 14, 1-14, DOI 10.1111/j.1467-8551.2003.00389.x.
19. Fernandez, S., Wise, L. (2010). An Exploration of why Public Organizations Ingest Innovations. *Public Administration*, 88, DOI 10.1111/j.1467-9299.2010.01857.x.
20. Frączkiewicz-Wronka, A. (2011). Podejście zasobowe w zarządzaniu organizacją publiczną -perspektywa interesariuszy. In R. Krupski (ed.), *Rozwój szkoły zasobowej zarządzania strategicznego* (pp. 281-310). Prace Naukowe Wałbrzyskiej Szkoły Zarządzania i Przedsiębiorczości, Wałbrzych.
21. Frączkiewicz-Wronka, A., Maćkowska, R. (2011). The resource-based view in the management of a public organization: a stakeholder perspective. *Visnik Nacional'nogo Universitetu „L'vivs'ka Politehnika”, Menedzment ta pidriemnictvo v Ukraini: etapi stanovlenna i problemi rozbitku*, 720. Ministerstvo Osviti i Nauki, Molodi ta Sportu Ukraini, Nacional'nii Universitet L'vivs'ka Politehnika, 91-96.
22. Frączkiewicz-Wronka, A., Szymaniec, K. (2012). Resource based view and resource dependence theory in decision making process of public organisation – research findings. *Management*, 16, 16-29, DOI 10.2478/v10286-012-0052-2.
23. Guimarães, T.A., Odellius, C.C., Medeiros, J., Augusto, J. (2011). Management Innovation at the Brazilian Superior Tribunal of Justice. *The American Review of Public Administration*, 41, 297-312, DOI 10.1177/0275074010380449.
24. Hausner, J. (2008). *Zarządzanie publiczne*. Warszawa: Wydawnictwo Naukowe Scholar, 23-24.
25. Henisz, W.J. (2016). The dynamic capability of corporate diplomacy. *Global Strategy Journal*, 6, 183-196, DOI 10.1002/gsj.1121.
26. Izdebski, H., Kulesza, M. (1999). *Administracja publiczna zagadnienia ogólne*. Warszawa: Liber, 273.

27. Jas, P., Skelcher, C. (2005). Performance Decline and Turnaround in Public Organizations: A Theoretical and Empirical Analysis. *British Journal of Management*, 16, 195-210, DOI 10.1111/j.1467-8551.2005.00458.x.
28. Jones, R.A., Jimmieson, N.L., Griffiths, A. (2005). The Impact of Organizational Culture and Reshaping Capabilities on Change Implementation Success: The Mediating Role of Readiness for Change. *Journal of Management Studies*, 42, 361-368, DOI 10.1111/j.1467-6486.2005.00500.x.
29. Kim, S., Lee, H. (2010). Factors affecting employee knowledge acquisition and application capabilities. *Asia-Pacific Journal of Business Administration*, 2, 133-152, DOI 10.1108/17574321011078184.
30. Klarner, P., Probst, G., Soparnot, R. (2008). Organizational change capacity in public services: the case of the World Health Organization. *Journal of Change Management*, 8, 57-72, DOI 10.1080/14697010801937523.
31. Klein, P.G., Mahoney, J.T., McGahan, A.M., Pitelis, C.N. (2013). Capabilities and strategic entrepreneurship in public organizations. *Strategic Entrepreneurship Journal*, 7, 70-91, DOI 10.1002/sej.1147.
32. Knutsson, H., Mattisson, O., Ramberg, U., Tagesson, T. (2008). Do strategy and management matter in municipal organisations? *Financial Accountability & Management*, 24, 296, DOI 10.1111/j.1468-0408.2008.00454.x.
33. Kożuch, B. (2004). *Zarządzanie publiczne*. Warszawa: Placet, 16-17.
34. Krzakiewicz, K., Cyfert, Sz. (2014). The Strategic Dimension of the Dynamic Capabilities of Enterprises. *Management*, 18, 7-18, DOI 10.2478/manment-2014-0038.
35. Kubiciel-Lodzińska, S. (2017a). *The determinants of employment of foreigners in Polish companies (based on empirical findings)*. 4th International Multidisciplinary Scientific Conference on Social Sciences and Arts SGEM 2017, Albena Co., Bulgaria, Conference Proceedings, Book 4, Sciences and Humanities, Vol. I, 453-460.
36. Kubiciel-Lodzińska, S. (2017b). *Employment of foreigners in Poland from the point of view of entrepreneurs – Opole Voivodeship study*. Proceedings of the 5th International Conference Innovation, Management, Entrepreneurship and Sustainability, Prague, 482-495, DOI 10.18267/pr.2017.svo.2216.6.
37. Laihonen, H., Mäntylä, S. (2017). Principles of performance dialogue in public administration. *International Journal of Public Sector Management*, 30, 414-428, DOI 10.1108/IJPSM-09-2016-0149.
38. Maj, J. (2017). Understanding and Defining Diversity Management in Polish Organisations. *Przedsiębiorczość i Zarządzanie*, 11, 2, 21-31.
39. Maj, J. (2012). Zarządzanie różnorodnością w przedsiębiorstwach a społeczna odpowiedzialność przedsiębiorstw. In Karczewski L., Kretek H. (ed.), *Odpowiedzialny biznes i konsumeryzm wyzwaniem XXI wieku*. Racibórz, 269-285.

40. Maj, J., Sauberer, G. (2016). Competencies of Applied Sustainability and CSR Professional and Diversity Managers based on European Certification & Qualification Association certificates. *Logistyka*, 4, 2-5.
41. McNulty, T., Ferlie, E. (2004). Process Transformation: Limitations to Radical Organizational Change within Public Service Organizations. *Organization Studies*, 25, 1389-1412, DOI 10.1177/0170840604046349.
42. Nutt, P.C., Backoff, R.W. (1993). Organizational Publicness and its Implications for Strategic Management. *Journal of Public Administration Research and Theory*, 3, 687-708.
43. Pablo, A.L., Reay, T., Dewald, J.R., Casebeer, A.L. (2007). Identifying, Enabling and Managing Dynamic Capabilities in the Public Sector. *Journal of Management Studies*, 44, 687-708, DOI 10.1111/j.1467-6486.2006.00675.x.
44. Piening, E.P. (2013). Dynamic Capabilities in Public Organizations. *Public Management Review*, 15, 209-245, DOI 10.1080/14719037.2012.708358.
45. Ridder, H.G., Bruns, H.J., Spier, F. (2005). Analysis of public management change processes: the case of local government accounting reforms in Germany. *Public Administration*, 83, 209-231, DOI 10.1111/j.0033-3298.2005.00457.x.
46. Rokita-Poskart, D. (2017). *The economic consequences of students inflow for local enterprises*. Innovation management, entrepreneurship and sustainability. Proceedings of the 5th International Conference, Prague, 860-870, DOI 10.18267/pr.2017.svo.2216.6.
47. Rudolf, W. (2010). Koncepcja governance i jej zastosowanie – od instytucji międzynarodowych do niższych szczebli władzy. *Acta Universitatis Lodzianis, Folia Oeconomica*, 245, 74.
48. Salge, T.O., Vera, A. (2011). Small steps that matter: incremental learning, slack resources and organizational performance. *British Journal of Management*, 24, 443-471, DOI 10.1111/j.1467-8551.2011.00793.x.
49. Singh, B., Rao, M.K. (2016). Effect of intellectual capital on dynamic capabilities. *Journal of Organizational Change Management*, 29, 156-173, DOI 10.1108/JOCM-12-2014-0225.
50. Sudoł, S. (2014). Podstawowe problemy metodologiczne nauk o zarządzaniu. *Organizacja i Kierowanie*, 1, 11-36.
51. Szumowski, W. (2014). Zarządzanie publiczne – próba systematyzacji koncepcji. *Nauki o zarządzaniu*, 4, 21, 86-98.
52. Szumowski, W. (2012). Koncepcja good governance w doskonaleniu systemu zarządzania urzędu administracji samorządowej. *Nauki o Zarządzaniu*, 4, 13, 76.
53. Teece, D., Pisano, G., Shuen, A. (1998). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18, 509-533, DOI 10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z.

-
54. Vera, D., Crossan, M. (2005). Improvisation and Innovative Performance in Teams. *Organization Science*, 16, 203-224, DOI 10.1287/orsc.1050.0126.
 55. Zahra, S.A., Sapienza, H.J., Davidsson, P. (2006). Entrepreneurship and dynamic capabilities: A review, model and research agenda. *Journal of Management Studies*, 43, 918, DOI 10.1111/j.1467-6486.2006.00616.x.
 56. Zollo, M., Winter, S.G. (2002). Deliberate learning and the evolution of dynamic capabilities. *Organization Science*, 13, 340, DOI 10.1287/orsc.13.3.339.2780.