

## Abstract

### **Public Sector Projects in Environmental Uncertainty: Influence of Absorptive Capacity on Performance**

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In the wake of COVID-19, organizations completely came to a standstill. Government departments and organizations were mostly deserted and only a few essential staff were required to attend office. When enough time had passed and the number of detected cases dropped, the situation slowly started to become clearer and work organizations re-opened. Nevertheless, there is an underlying uncertainty which still lingers on because of the lack of proper redressal of the virus. The government departments and organizations had and still have an environment of uncertainty due to which planning and implementation is being adapted for achieving performance outcomes. Performance is often gauged in the public sector through development projects and programs encouraging a variety of implementations in the public sector (Crawford & Helm, 2009). Many project initiatives relating to governance are generated by need for improvement of organizational performance and ability to implement and adapt change within governmental functioning.

At the same time, it is important to realize that public service organizations operate in a complex and multi-valued environment. Performance standards are contested between different stakeholders – politicians, citizens, service users, and other actors – and only parts of an organization's performance can be measured objectively. The ability to understand, negotiate between, and resolve these different values and expectations involves administrative and political knowledge processes in which environmental information is translated into organizational competencies and activities. Environmental information may also be ambiguous depending on situational factors.

This research study conceives and adapts absorptive capacity's (ACAP) model, which includes, "acquisition, assimilation, transformation and exploitation" (Zahra and George, 2002). The proposed model has three hypotheses: H1: potential absorptive capacity (PACAP) positively effects project performance; H2: PACAP positively effects realized absorptive capacity (RACAP), H3: RACAP positively effects Project Performance, H4: RACAP positively mediates the relationship between PACAP and project performance, and H5: Environmental uncertainty negatively moderates the relationship between RACAP and project performance. Correlation and regression analyses, based on 167 questionnaire responses from public sector projects in the Government of the Punjab, shows that PACAP has significant and direct relationship with Project Performance, RACAP has a partial mediation between PACAP and Project Performance. Simultaneously, Environmental Uncertainty does not influence the relationship between RACAP and Project Performance. The findings suggest that public sector may have peculiar characteristics regarding PACAP, RACAP, Environmental Uncertainty and Project Performance. It is not only through RACAP that PACAP is influencing project performance, but the experience and knowledge acquired by projects influence project performance directly as through the dynamic capability of transforming and exploiting that knowledge. Environmental Uncertainty does not play a significant role to effect RACAP-Project Performance relationship. This might be because they are already equipped with environmental uncertainty factors and are accustomed to dealing with how to transfer and exploit resources to meet project goals.

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