Chapter 8: Political institutional- dimension

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8.1 Background to institutional development

8.1.1 Terms and definitions

**Institutions:** Agencies or mechanisms for regulating socio-economic processes.

**Organisations:** Formalised groups of several persons with a common purpose.

**Institutional development:** Improvement of the overall institutional system (including regulation mechanisms like legislation, market systems etc.)

**Organisational development:** Improvement of the organisational structure, including improving the performance of existing organisations and initiating the establishment of new organisations (government agencies, NGOs, SHOs, private enterprises).

8.1.2 Examples of different approaches: institutional and organisational development

<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Government agency</th>
<th>Plurality of government agencies and NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promotion</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1. direct user- or task-orientation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1a. short-term / project-related</td>
<td>enabling organisations</td>
<td>enabling a system of organisations</td>
</tr>
<tr>
<td></td>
<td>&quot;x no. of peasants are supplied with seeds in a sustainable way&quot;</td>
<td>&quot;x no. of peasants are supplied with seed and credits in a sustainable way&quot;</td>
</tr>
<tr>
<td><strong>1b. related to a sustainable problem solving capability</strong></td>
<td>organisational / development</td>
<td>development of organisational systems</td>
</tr>
<tr>
<td></td>
<td>&quot;x no. of peasants are supported by the state extension service in a way which is effective and adequate to the situation&quot;</td>
<td>&quot;peasants and the network of governmental / non-governmental implementing agencies reach each other in different problem settings&quot;</td>
</tr>
<tr>
<td><strong>2. institution orientation</strong></td>
<td>administration development</td>
<td>institution building</td>
</tr>
<tr>
<td></td>
<td>&quot;efficiency of implementing agency Y increased&quot;</td>
<td>&quot;problem solving capacity of the institutional network improved&quot;</td>
</tr>
</tbody>
</table>
8.1.3 Interrelation between socio-economic and institutional development

<table>
<thead>
<tr>
<th>Institutional development</th>
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<tbody>
<tr>
<td>= degree and kind of regulating socio-economic processes</td>
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</table>

- necessities for regulating
- effectiveness
- interests
- distribution of power and resources

<table>
<thead>
<tr>
<th>Degree of division of labour</th>
<th>Socio-economic and political structure</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Socio-economic development</td>
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</table>

Note that:

1. The interrelations between socio-economic development and institutional regulation require a complementary approach to socio-economic development and to institutional development (but institutional/organisational development is not in itself sufficient to stimulate socio-economic development).

2. As institutional regulations are not only the result of an objective need for regulating but a result of different interests within a society, mere professional approaches to institutional promotion often do not suffice. Rather a political-economic approach is required. Cues: pluralism, empowerment (of disadvantaged groups).

Development means deciding on utilisation of limited resources

→ thus it will always involve a struggle between different interest groups.

A reasonable, professionally justifiable outcome of such a struggle in line with strategic principles of development cannot only be achieved by sound technical analysis. It demands wider political understanding of a decision-making process including aspects like

- dialogue
- finding coalition partners
- advocacy
- compromise and conflict
- information / public relation (target group oriented)
- referring to mutually agreed policy principles

in order to find the necessary support for mass-oriented and sustainable approaches.
## 8.2 Experiences in institutional development
### 8.2.1 Institutional frame conditions and corresponding strategies

<table>
<thead>
<tr>
<th>Typical institutional and political frame conditions</th>
<th>Typical reactions of projects (and their deficiencies)</th>
<th>Recommended strategies</th>
<th>Consequences for interventions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Structurally limited potentials for expanding capacities of state agencies</td>
<td>'By-passing' of state agencies (not sustainable)</td>
<td><strong>1a.</strong> Plurality: diversifying the overall service system = improving state performance by reducing state responsibilities and charging private companies/NGO's with service tasks</td>
<td><strong>Co-ordinating</strong> between various actors (provide co-ordination mechanisms)</td>
</tr>
<tr>
<td>2. Limited flexibility or bureaucracies (especially of decentralised (sub-units) for innovative changes</td>
<td>'Institution building' with agencies (by capacity-building, advice and training) (insufficient)</td>
<td><strong>1b.</strong> Thereby: follow principle of subsidiarity</td>
<td></td>
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<tr>
<td>3. Different approaches and political interests with respect to poverty orientation and sustainability</td>
<td>Focus on SHO-/NGO-promotion, capacity building (→ overburdening (SHOs and NGO's))</td>
<td><strong>1c.</strong> Reorganising state services accordingly (e.g. group approach, SHO-promotion, cost-centre-approaches) = increasing the efficiency of given capacities through intelligent solutions</td>
<td></td>
</tr>
<tr>
<td>4. Limited alternatives to state agencies in areas without functioning market economy</td>
<td></td>
<td><strong>2.</strong> Promoting decentralisation efforts</td>
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</tbody>
</table>

| | | **3a.** Empowerment: |
| | | • Strengthening of target group organisations |
| | | • Institutionalising participation |
| | | **3b.** Realistic objectives (= compromises) |
| | | **3c.** Tactical compromises/compensatory measures for (promoting acceptance of poverty-oriented approaches by) strategically important groups |

| | | **Innovating:** |
| | | → develop locally adjusted institutional solutions |
| | | → create and disseminate models, e.g. by public relations |
| | | **Mediating** between different interests and groups |
| Co-ordinating between various actors (provide co-ordination mechanisms) |

**Advocacy:** for sustainable poverty alleviation
8.2.2 Linking up strategies of poverty alleviation with capacity building strategies

**Problem situation**

- Service system (means of production, information, markets)
  - State service agencies

**Targeted situation**

- Service system (means of production, information, markets)
  - Private enterprises
  - NGOs “third sector”
  - State agencies

**Characteristics:**
- Overburdening of the state (insufficient outreach of services, socially and areawise)
- Monopoly of the state (limited possibilities to service disadvantaged people)
- Lack of pressure-/interest-groups of disadvantaged people
- Service provisions for individuals

**Characteristics:**
- Relieving the state (thereby strengthening it) by diversified service agencies
- Restructuring of bargaining power and self-help capacity of organisations
- Strengthening of bargaining power and self-help capacity by people’s organisations
- Service provisions for groups
8.3 Principles of institutional and organisational development

8.3.1. Principles of institutional development

1. Institutional / organisational development as complementary measures in the frame of problem/task- and target group/user-oriented planning of interventions.

   Reasoning: Institution building alone is insufficient, as "trickle down" from promoted agencies and organisations to envisaged beneficiaries seldom, if ever, takes place.

2. Institutional / organisational development as one element within a strategy which promotes people's control and ownership (empowering disadvantaged groups.)

   Hence a socio-political approach to institutional promotion.

3. The focus for state agencies must not be on increasing their capacities, but on measures to increase their effectiveness / impact at given levels of capacity (because of limited state budgets and structural limitations of the state service system)

   That is, concentrate on more effect with reduced current cost and without increasing the work load. ("strengthening the state by relieving it from unnecessary burdens").

   1. Promotion must focus on identified problems and must not be guided by model solutions derived from ideas about optimum-functioning organisations.
8.3.2. Organisational principles

As a development intervener, understanding the following principles according to which people organise, is a prerequisite for analysing, assessing and interacting with organisations and agencies at all levels:

(1) Efficiency:
Advantages from organising must warrant the effort or the price of organising. Organising is a burden!

(2) Subsidiarity:
The organisation of activities is most productive at the lowest level of effect, of motivation. That is, whatever can be done individually or by private undertakings does not require organisations or agencies; whatever can be done by grass root organisations does not require state services; whatever can be done on communal level does not require involvement of districts; what can be done on district level, does not require provincial or national levels.

(3) Quality:
The form (type) of an organisation is to suit its function or purpose. Members of an organisation are to have homogeneous interests, a common purpose, a corporate identity (as inhabitants of a community or region, as members in a firm or a group).

(4) Distribution of benefits:
An accepted distribution of benefits or an accepted regulatory function (with respect to roles and responsibilities) ensures the stability and continuity of an organisation.
8.4 Comparative advantages of different types of organisations by basic orientations

(1) Household - family orientation:
Households are advantageous for reproduction, subsistence, social networking.

(2) Private business - market orientation:
Private businesses are advantageous for production of goods/services under market conditions.

(3) State administration - regulatory orientation:
Authorities are advantageous for regulating roles and responsibilities, for re-distribution and transfer payments, for assuring services where markets do not function.
Types of Organisations

private business

- public enterprise
- small scale enterprise in the informal sector
- pressure group

Family household

- decreasing market orientation
- decreasing family orientation

state administration

- parastatal organisation
- partly autonomous self-administration
- organisation closely linked to the state
- developmental and promotion organisation
- consulting organisation
- mobilizing organisation
- users' cooperative
- primary society
- grass root organisation

decreasing market orientation

decreasing regulatory orientation
Matrix of Selected Organisational and Institutional Development Tasks

This matrix shows how type of intervention varies according to type of organisation:

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Micro-level</strong></td>
<td>Efficiency of a particular organisation</td>
<td>e.g. financial management, retrenchment, restructuring, staff development</td>
<td>e.g. restructuring, corporate planning, controlling, financial management, staff development, efficiency performance ...</td>
<td>e.g. marketing, product development, quality control, export promotion ...</td>
</tr>
<tr>
<td><strong>2. Meso-level</strong></td>
<td>Co-operation of different organisations, interface management</td>
<td>e.g. task allocation, revenue allocation, programme management, co-operation with private and “third sector” organisation....</td>
<td>e.g. divestiture, co-operation with communal agencies, co-operation with users associations, assisting regions, subsidising regions, subsidising consumer groups ...</td>
<td>e.g. trade associations, chambers of commerce, export promotion boards ...</td>
</tr>
<tr>
<td><strong>3. Macro-level</strong></td>
<td>Institutional reform, devolution, decentralisation ...</td>
<td>e.g. deregulation, privatisation, employment creation, distributional questions, subsidies measures ....</td>
<td>e.g. economic reform, promotion of industrial laws, tax reform ....</td>
<td>e.g. new legislation, financing systems, empowerment ....</td>
</tr>
</tbody>
</table>
8.5 Organisational theory

This section deals with the internal functioning of organisations.

8.5.1 Situation-related problem- or task-oriented approach to the assessment and promotion of organisations

The structural setting of organisations depends on

- their task(s)  
  (example: administration, business)
- the socio-economic environment (culture)  
  (example: Japan)
- the technology  
  (example: computerisation)
- the size of organisation  
  (example: World Bank, project)

→ the transferability of organisational models is limited!

8.5.2 Important aspects of analysis for a diagnosis of organisations

Aspect 1. "According to which criteria are tasks and responsibilities (decision-making power) distributed to various positions?"
  Shown in: schedule of positions with job descriptions
  Principle here is: utmost accord between: task - competence - responsibility

Aspect 2. "According to which criteria are positions clustered into units?"
  Shown in: organisational organogram.
  Note:

  a. Principle of differentiation versus principle of integration:
  → To how many units is a task distributed?

<table>
<thead>
<tr>
<th>Differentiation</th>
<th>Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency increase by specialisation</td>
<td>High-level self-steering capacity of all subsystems</td>
</tr>
<tr>
<td>Concentration of decision-making power</td>
<td>Efficiency increase by</td>
</tr>
<tr>
<td>Co-ordination requirements high</td>
<td>- release of steering capacities for the overall system</td>
</tr>
<tr>
<td></td>
<td>- overview to staff members</td>
</tr>
<tr>
<td></td>
<td>→ motivation</td>
</tr>
<tr>
<td></td>
<td>Risk: too much independence to</td>
</tr>
<tr>
<td></td>
<td>subsystems (&quot;little kingdoms&quot;)</td>
</tr>
</tbody>
</table>
Present tendencies: partially autonomous units which do not overlap

b. Criteria for clustering:
   - by function (e.g. research / extension / marketing)
   - by product-groups (e.g. maize, coffee, cotton)
   - by geographical areas
   or
   - combination of several clustering criteria: matrix organisation

→ Consequently each unit is answerable to two masters (e.g. a District Planning Unit which may be administratively under the head of the District Administration while being professionally answerable to the National Planning Commission)
Example of a matrix organisation: International organisation

Matrix organisation
* covers best the complexity of reality
* requires high efforts of co-ordination
* promotes (and demands) solving of conflicts in a productive way
* promotes creativity of staff (two dimensional thinking)

c. Project organisation:
Creation of relatively autonomous sub-units charged with special, temporarily limited tasks

Advantages: task and objectives orientation reflected in organisation, flexibility, creativity, innovative capacity

Disadvantages: danger of becoming self-propelled, loss of reality

Consequences: * Project organisations must not compete with permanent organisations or units, but have to be charged with complementary tasks
* Project organisations need clearly framed tasks, but also need a significant range of freedom to fulfil those tasks
Aspect 3. "Who can give instructions to whom and who is responsible?"
Shown in: functional relationship / lines of command / leadership structure

Basic alternatives:

a. Single-line organisation:
only one line of instruction and responsibility between superior and subordinate units

Advantages: straight forward demarcation of competence, clarity, security
Disadvantages: wearisome official channels, overburdening on top, bureaucratic inflexibility

b. Multi-line organisation
several superiors; every superior responsible for certain aspects only (e.g. in a matrix structure)

Advantages: specialisation within the management, short ways, functional authority
Disadvantages: conflicts about competence, insecurity, controlling is difficult

8.5.3 Criteria for the assessment of functional relationships:

a. Span of control:
Number of staff directly subordinate to a superior

b. Depth of organisation:
Number of hierarchical levels
→ the bigger the span of control, the shallower the organisational depth
A shallow organisational depth is presently seen as desirable ("lean management") → prompt official channels, high efficiency;

This tendency is limited by a superior’s capacity to steer subordinates (in administration: up to 20 persons)
8.6 Organisational analysis

8.6.1 Background

- Purposes of an organisational analysis:
  1. Identification of appropriate implementing agencies for support measures or self-help activities
     * organisational analysis during planning interventions
  2. Identification of requirements of organisational promotion
     * organisational analysis during implementation in case of friction or deficiencies

- The prerequisite for an organisational analysis is a tentative decision on general development objectives and measures (e.g. from a situation- and a target group analysis), as the suitability of organisations can only be assessed with respect to defined tasks

- The organisational analysis will enter into project planning (e.g. ZOPP) in the 'participants analysis’, the ‘problem-’ and the ‘alternatives-analysis’ (assessment of alternative organisations)

- The instrument of the organisational analysis can be applied with any organisation, i.e. with executing, implementing, support, service agencies, as well as with self-help- or people’s organisations

- Organisational analyses can be carried out by external specialists as well as through a self-analysis, or by a combination of both (facilitated participatory organisational analysis); in organisations which primarily operate for the interest of their members, self-analysis will be more conducive; organisations which are charged with public duties will be unable to avoid external diagnosis.

8.6.2 Expected results of an organisational analysis

1) Relevant problems, constraints, and potentials of relevant organisations are known
2) Necessary information for an assessment of various relevant organisations is available
3) Information for planning of measures of organisational promotion is available

8.6.3 Methodology

Organisational analysis is supposed to follow two basic principles:

* Problems- or task - orientation
8.6.3.1 Principle 1: problem-/task-orientation

- Focus of analysis: the capacity of organisations to fulfil certain task(s)
  - (1) Context-related approach using an organisation’s capability to fulfill its tasks or to achieve its objectives as the major criterion for assessment
  - (2) This is in contrast to an organisation-centred and optimising approach (which compares existing organisational structures and arrangements with 'optimal' ones).

In the case of service-implementing agencies a problem-oriented organisational analysis starts off from an external point of view, specifically from the needs / demands / requirements of the target groups or clients concerning the deliverables of the organisation, or from the expectations of the commissioning / financing agency.

In case of SHO the analysis starts from the members’ objectives.

- Advantages of a problem-/task-oriented focus:
  - reduced efforts and resources required for organisational analysis by concentrating on the most important aspects
  - higher acceptability from the side of the analysed organisation (due to perceivable relevance)
  - situation-related criteria for assessment
  - interventions limited to problem-/task-related aspects of an organisation

Distinct from this problem-/task-focused approach are comprehensive and normative organisational analyses. They tend to look at organisations from within, to screen them comprehensively and to appraise them according to organisational standards. Such procedures are
  - comparatively costly
  - for co-operating agencies often not acceptable
  - transferring culture-specific standards which may not be applicable in other cultures
  - often misleading as they mix problem-related aspects with the organisation-centred view

8.6.3.2 Principle 2: systems-orientation:

The problem-oriented organisational analysis is based on a systems model of organisations, which puts resources → activities → outputs → objectives/tasks into context and links them to → information → organisation.
The consideration of relevant interlinkages between these various functions of an organisation is safeguarded by a systems approach.

In case of capacity building measures (= measures of promoting organisations), the consideration of the systems’ interlinkages helps to appraise the effects and backward loops of interventions in the overall system.
Systems orientation is supposed to widen the scope of analysis as far as necessary to predict consequences of interventions.
8.6.4 Steps in organisational analysis

**Step 1:** Analysis of outputs (deliverables) of the organisation with regard to its task(s) / the societal (developmental) objective(s) or SHO members’ objectives to which the organisation is to contribute

→ identification of successes
→ identification of deficiencies

(internal problems within an organisation only become relevant if they are related to those deficiencies)

**Step 2:** Analysis of the factors, which cause the identified deficiencies in the organisation

→ identification of constraints (obstacles) relevant for task fulfilment

**Step 3:** Analysis of existing but unused elements which can help to deal with the constraints identified

→ identification of potentials relevant for task fulfilment

The above described steps can be carried out from the point of view of target groups and supervising bodies (= external diagnosis) as well as from the point of view of the members of an organisation (= self-diagnosis).\(^1\) In case of SHO, a self-diagnosis is the most relevant approach. In case of organisations with public functions, external diagnosis has to come in. For step 2 and 3 there are various check-lists with relevant questions (see next page for an example). These questions or indicators, however, should not be used in a standardised, but only in a problem-adequate, task-related manner.

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\(^1\) **Deficiency** is understood as the negative deviation between target and reality with respect to the tasks of an organisation or with respect to the means used for fulfilling its tasks. ‘Problem-orientation’ in this sense limits interventions to organisational deficits which concern target groups / clients, or which concern the budget (in case of SHO = the members’ objectives).

\(^2\) The SWOT-Method (S = Successes, W = Weaknesses, O = Opportunities, T = Threats) for self-evaluation follows a similar sequence of steps, but rather than starting from outputs it takes off from a subjectively felt appraisal of successes, weaknesses, opportunities (= potentials) and threats (= obstacles, constraints). This is a meaningful approach for a self-evaluation of self-help organisations. Where, however, a political / societal task is to be fulfilled the analysis should be oriented through the given task.
Example of a check list:

(a) **Task**: Clear? / in line with requirements of target groups? / accepted by staff members? / accepted by relevant partners? / interests in line with tasks? ...

(b) **Activities**: In line with tasks? / efficiency / relevance / quality ...

(c) **Staff**: Quantity / type / qualification level / qualification composition / motivation / remuneration / guidance / promotion / recruitment / corporate identity / training .

(d) **Equipment and facilities**: Availability / quality / access of staff members / management of equipment / misuse / maintenance ...

(e) **Finances**: Availability / volume / financial planning / financial procedures / financial control / transparency ...

(f) **Allocation of resources** (personnel, material, financial) to activities and objectives

(g) **External inputs**: By whom? / adequate in quantity and quality? / provided in time? / conditioning ...

(h) **External relations**: Partners / competitors / supporters / complementary agencies / nature of relations (supportive? destructive? harmony? conflict?)

(i) **Information**: Informal level of management / of executing staff / institutionalised / informal / timeliness / appropriateness ...

(j) **Organisational set-up**: Specification of everybody’s tasks / appropriateness of organisational structure / do activities, responsibilities and decision-making power of the various positions correspond to each other? / clear-cut distribution of responsibilities / hierarchy / decentralisation or centralisation / lines of command and reporting ...

(k) **Management**: Where and how are decisions made / follow-up / monitoring / controlling / management style ...