

**PROMOTING**

**INSTITUTIONAL &**

**ORGANISATIONAL**

**DEVELOPMENT**

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**A Source Book of Tools and Techniques**

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## INTRODUCTION

This sourcebook outlines some of the key tools used by those involved in institutional development. While there are an increasing number of tools and techniques, we have focused here on those that are used or have been used in DFID's own institutional work. We have for example drawn on the Sourcebook on Institutional Development for Utilities and Infrastructure prepared by PriceWaterhouseCoopers in 2000 for DFID's Sustainable Livelihoods Support Office. The World Bank has also been developing and piloting some diagnostic tools that focus on specific aspects of institutional development, from Civil Service Institutional Assessment to legal and judicial review. We have included one example here (Tool 1/1) and others are covered in depth on the World Bank website ([www1.worldbank.org/publicsector/toolkits.htm](http://www1.worldbank.org/publicsector/toolkits.htm)) Governance Department have also developed a Governance Review Framework to cover the 7 key governance capabilities and guidance on the use of this tool and others can be obtained from DFID.

Most of the tools are either simple models or checklists designed to help you through the key issues. They all have rigorous theoretical underpinnings and are based on practical experience of what works. Most importantly, the tools provide a common framework for encouraging discussion between the stakeholders involved in the institutional reform process. None of the tools is intended to be a blueprint, all have their strengths and weaknesses, and they should be adapted to reflect the local context in which you work and in a way that works best for you.

### 1. ANALYSIS AND DIAGNOSIS: Overall Institutional Framework

#### 1/1 Assessment of Institutional Capabilities

A tool developed by the World Bank for "diagnosing institutional capability for implementing and sustaining a policy". The toolkit provides a structured approach for asking questions, analysing results, and identifying critical institutional issues.

#### 1/2 Impact Analysis

A structured workshop for representatives of all groups concerned with the change process, held before the process begins. It helps to get all stakeholders involved; to identify objectives and predicted areas of impact; and to build stakeholder consensus and commitment. It can also produce innovative suggestions for evaluation measures.

#### 1/3 Sponsor Evaluation

This is a questionnaire which looks at key aspects of the change sponsor's attitudes and readiness to change.

#### 1/4 Change Forecasting

A tool which is being developed within DFID to assist in the development of Country Assistance Plans. The tool will assist in the identification of interventions which will promote change; in the measurement of performance and in the assessment of particular sectors where reform may take place.

### 2. ANALYSIS AND DIAGNOSIS: The Organisation in its Institutional Context

#### 2/1 Open Systems Model

The model recommended for a diagnosis of the strategic/institutional environment, and organisational problems.

#### 2/2 7-S

This describes 7 key interdependent organisational variables that need to be taken into account in organisational design. It forces practitioners to think not only about the "hardware" of an organisation - its strategy and structure - but also about the "software" - its management style, systems and procedures, staff, skills and shared values (ie. culture).

#### 2/3 SWOT

SWOT analysis is a tool for assessing and communicating the current position of an organisation or a particular reform option in terms of its internal Strengths and Weakness and the external Opportunities and Threats it faces.

#### 2/4 Organisational Elements Model

This demonstrates the relationship between inputs and results. It looks for linkages between all the elements of the process, from inputs through to outcomes; if the chain breaks at any point this indicates there is no connection between the elements e.g. there may be inputs which are not contributing to the creation of outputs, and not producing any return on investment.

#### 2/5 Problem Tree Analysis

This helps to illustrate the linkages between a set of complex issues or relationships by fitting them into a hierarchy of related factors. It is used to link issues which contribute to an institutional problem, and to help to identify the underlying or root causes.

### 3. REVIEW AND DESIGN

#### 3/1 Risk Management Matrix

This identifies risks and their likely impact, and strategies for responding to different degrees of risk.

#### 3/2 Benchmarking

A comparison of processes in a different context as a basis for the design of a series of interventions.

#### 3/3 Business Process Reengineering

This involves the fundamental review and redesign of an organisation's business processes. It aims to move from traditional division of labour towards the creation of integrated cross-functional work processes. The underpinning philosophy is that such integrated work units are more flexible and can respond more readily to customer and service demands.

### 4. IMPLEMENTATION

#### 4/1 Change Management

This provides a note of the five key elements to take into account in change management and a checklist of activities to carry out for a major change programme.

#### 4/2 Force Field Analysis

A technique for analysing the forces that help or obstruct change. It can be useful, as part of drawing up a strategic change plan, in examining how feasible a strategic objective is, and in identifying areas of focus for any associated action plan.

#### 4/3 Burke Litwin Model

The "Burke-Litwin model" is a model of organisational change and performance. It provides a link between an assessment of the wider institutional context and the nature and process of change within an organisation.

#### 4/4 Stakeholder Management

How to identify the individuals or groups who will either be affected by the changes or have the ability to impact on the change process; and developing a strategy to manage these stakeholders.

### 5. MONITOR/EVALUATE

#### 5/1 EFQM Excellence Model

A framework for assessing the aspects of performance which make an organisation successful.



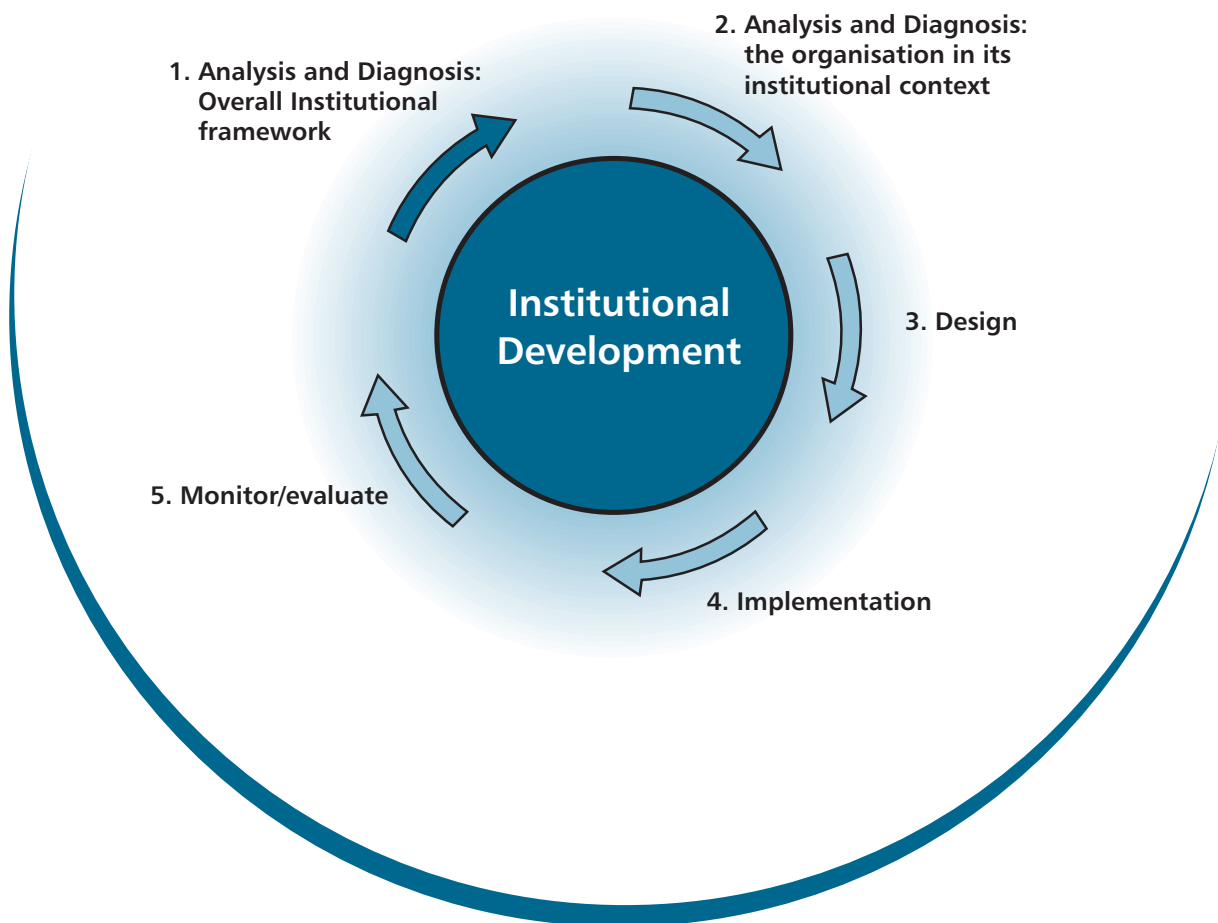


# 1

## ANALYSIS AND DIAGNOSIS:

### Overall Institutional Framework

## THE INSTITUTIONAL DEVELOPMENT PROCESS



## 1/1 ASSESSMENT OF INSTITUTIONAL CAPABILITIES

**What is it?**

This tool (developed by the World Bank) provides a good basis for "diagnosing institutional capability for implementing and sustaining a policy".

The toolkit provides a structured approach for asking questions, analysing results and identifying critical institutional issues.

**How is it used?**

- Start by identifying the objectives of the policy, programme or project and outcomes required to meet these
- Work back from these outcomes to identify the necessary actions and behaviours that will be required and by whom, and the institutions that

will influence these actors (particularly where these are likely to result in outcomes significantly different from what you expect). On the basis of this identify those institutions that have to be addressed to meet the policy, programme or project objectives (referred to below as the "critical to success" institutions)

- Collect data from relevant sources, including key local stakeholders, informed observers, relevant documentation and past experience of DFID and other donors
- Compile information in the logical framework shown below
- The key questions to ask are shown below

Objectives	Required Outcomes	Required Actions	Required Actors	Incentives for Actors to Take/Not to Take Required Actions		"Critical to Success" Incentives
				Plus	Minus	
Objective 1	Outcome 1	Action 1	Actor X	Positive Incentive for Actor X to do Action 1	Negative Incentive for Actor X to do Action 1	Crucial to Success Incentives for Actor X to do Action 1
			Actor Y			
		Action 2				
	Outcome 2					
Objective 2						

Reference: Adapted from Berryman S. et al (1997). "Guidelines for Assessing Institutional Capacity, November 17, World Bank.

Assessment Area	Key Questions	Examples / Comments
1. The Outcomes: What Has to Occur for the problem Addressed by the Policy, Programme or Project to be Solved?	<ul style="list-style-type: none"> <li>What are the specific outcomes that would constitute policy, programme or project success?</li> </ul>	<ul style="list-style-type: none"> <li>Be careful not to confuse outcomes (meeting water needs for a particular region) with the means (building standpipes)</li> </ul>
	<ul style="list-style-type: none"> <li>How will beneficiaries have to behave - or which of their behaviours will have to change - for the policy, programme or project to succeed?</li> </ul>	<ul style="list-style-type: none"> <li>For example if a policy objective is to improve the performance of the electric power sector, users have to stop bribing meter readers in return for false readings to lower their bills</li> </ul>
2. Implementation Actions and Actors: What Critical Actions Have to be Taken to Secure the Outcomes and by Whom?	<ul style="list-style-type: none"> <li>What key actions do the different stakeholders (including beneficiaries) have to take to realise the desired outcomes? (both at policy making and implementation stage)</li> </ul>	<ul style="list-style-type: none"> <li>Eg. private sector construction firms may have to take specific actions to implement a policy of road maintenance standards, such as using materials that meet new specifications</li> </ul>
	<ul style="list-style-type: none"> <li>What critical actions does the state have to take to realise the desired outcomes, and who has to take them? This refers to all relevant government actors from politicians to front-line service providers</li> </ul>	<p>Consider, for example:</p> <ul style="list-style-type: none"> <li>Funding: predictability of necessary funds, historical variances between budget allocations and actual expenditure, etc</li> <li>Legislation and Regulation: What laws and related monitoring regime need to be put in place. Eg. Development of roads agency may require enabling legislation; does the government have the necessary regulatory capacity to ensure privatised utilities will meet service requirements?</li> <li>Assets, Products and Services: What new assets have to be purchased (such as a new road, new IT system, etc) and are there any constraints (such as capital finance regulations)</li> <li>Responsibility and Authority: Who has the decision-making power / power to block decisions? Do local government authorities have the resources to match their authority?</li> </ul>
3. What are the formal and informal institutions that condition whether and how:	<ul style="list-style-type: none"> <li>In practice, what incentives affect the players who control the resources required for a critical action?</li> </ul>	<ul style="list-style-type: none"> <li>Actors may undertake or block actions depending on how the action affects their monetary rewards, status within kinship group, etc. Is actor primarily motivated by public service ethic?</li> </ul>
	<ul style="list-style-type: none"> <li>players who control the resources and permissions required to take critical actions make them available</li> </ul>	
	<ul style="list-style-type: none"> <li>players responsible for taking critical actions try to obtain resources they need and deploy those they get</li> </ul>	

Reference: Adapted from Berryman S. et al (1997). "Guidelines for Assessing Institutional Capacity, November 17, World Bank.

## 1/2 IMPACT ANALYSIS

### What is it?

Impact analysis involves representatives of all groups involved in the change process taking part in a workshop before the process begins. The process described below draws on the work of Peter Bramley and Barry Kitson<sup>1</sup>.

The advantages of this process are:

- involvement of all stakeholders
- useful in identifying objectives and predicted areas of impact for follow-up evaluation
- helps build stakeholder commitment to the change
- achieves stakeholder consensus on objectives
- can produce innovative suggestions for evaluation measures

### How do I use it?

1. At an early stage in the intervention organise a workshop of at least half a day for:
  - agents, ie. people who design or implement the change
  - beneficiaries, ie. people who will benefit from the change in some way
  - victims, ie. those who will be negatively affected

Some people may fall into more than one category, for instance, a line manager could be a beneficiary in the long term, but a victim in the short term.

2. Ask each stakeholder to write down what he or she sees as the three most important purposes of the change, one purpose to a piece of paper.

3. Collect the statements and pin them up on a board/fix them on a wall (Post-Its are useful).
4. In discussion, group the purposes into related clusters and agree a title for each cluster.
5. Give each stakeholder 10 points to allocate as he/she chooses between the clusters, with the most points to the cluster he/she thinks represents the most important objective. There are no restrictions on points allocation; stakeholders can give all the points to one cluster if they wish. This process should have identified the overall priorities for all the stakeholders.
6. Ask the group to consider each of the objectives in turn, and to suggest how they would assess whether or not the objective had been achieved and how they would evaluate its impact on organisational performance and outcomes.

### Variants

- you can add in an extra stage between prioritising objectives and identifying evaluation measures, which would be to carry out a force field analysis (see 4/2) of factors which will help or hinder the change. If you do this you will need more than a half-day workshop
- you may choose to reconvene the workshop at intervals to see if stakeholders' priorities have changed and if the impact and evaluation measures are proving valid

Box 1 suggests some approaches to help ensure a favourable impact on the poor.

<sup>1</sup> Peter Bramley and Barry Kitson, Journal of European Industrial Training, Vol 18, No 1, 1994

### Box 1: Reaching the Poor

Experience shows that without internal change in the main service provider organisations there will be little or no change in their external relationships with service users: services will continue to be of little relevance to poorer people and there will be limited sustained change in poor people's access or influence over key livelihood assets. To make a real difference to poor people's lives it is essential for service providers to recognise the outcomes that poor people want. Sustained change in poor people's livelihoods needs organisational change both of those directly involved with service provision and those organisations providing support (e.g. donor agencies).

There are several approaches that can help service providers to devise ways of reaching poorer households:

- Shifting clients – generally from wealthier to poorer households and understanding their diversity of livelihood strategies
- Finding out what services make a real difference to their lives
- Focusing on those services and dropping others that do not make a significant difference to poor people's livelihoods
- Moving from implementation to enabling and facilitation of others to provide services; only implementing where there is a demonstrable comparative advantage
- Changing the way an organisation organises itself ie. responding to entry points after an holistic analysis of livelihoods and their opportunities and constraints has been carried out, rather than predetermining entry points; moving from rigid structures that constrain innovation and responsiveness
- Changing attitudes, values and behaviour of staff from 'knowing' and lecturing poor people on how to develop their lives to facilitating them to take their own lives forward through informed choices
- Changing internal systems and structures to support these new roles, in particular introduction of dynamic, responsive and flexible mechanisms; providing mechanisms for choice
- Changing procedures, information and communication flows, changing the way resources are planned, allocated and accounted for (eg. introducing flexibility and responsiveness through new funding mechanisms)
- Introduction of action-learning approaches, iterative cycles rather than linear-sequential implementation

Source: "Unpacking the PIP Box" Mary Hobley 2001 (PIP=Policies, Institutions, Processes)

### 1/3 SPONSOR EVALUATION

#### What is it?

The sponsor evaluation is a questionnaire which looks at key aspects of the sponsor's attitudes and readiness to change.

Alternatives are to ask him/her to complete it, or complete it yourself based on what you believe to be the sponsor's views on the proposed change (in the latter case you will need to confirm the consistency of your marks with the sponsor).

#### How do I use it?

Ideally, work through the questionnaire in discussion with the sponsor. Discuss each question in some depth rather than quickly select a response.

Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
1	2	3	4	5
I believe I have a full appreciation of the impact of the changes on the people in the organisation				
1	2	3	4	5
I am very willing to commit whatever resources (which are at my disposal) that are required for the change project to succeed				
1	2	3	4	5
I am very willing to demonstrate personal support for the change (e.g.: meet privately with key individuals)				
1	2	3	4	5
I am able and willing to reward promptly those who facilitate implementation				
1	2	3	4	5
I am able and willing to express displeasure with those who inhibit the acceptance of the change				
1	2	3	4	5
I am willing and able to make sacrifices for the project, even if the costs are high				
1	2	3	4	5
I am willing to maintain strong and sustained commitment until the change is implemented				
1	2	3	4	5
I have a clear idea why the proposed change is required				
1	2	3	4	5
I am prepared to put effort into communicating the reasons for change				
1	2	3	4	5
I will be rewarded for helping to implement the proposed change				
1	2	3	4	5
The proposed change is in accord with the values of this organisation				
1	2	3	4	5
The change being proposed is vitally necessary				
1	2	3	4	5
My senior colleagues agree with the proposed changes				
1	2	3	4	5
If this proposed change is implemented it may call into question my previous decisions or performance				
1	2	3	4	5
The proposed change will have a great deal of impact on the organisation				
1	2	3	4	5

Reference: Adapted from "Management of Change", D. Connor.

## 1/4 CHANGE FORECASTING

### What is it?

This tool, being developed by DFID, is designed to provide realistic predictions of likely change. It is based on the premise that while donors can encourage change they cannot make it happen; and that change will only take place when the government and people of a country really want it. Change Forecasting (CF) predicts what is likely given the particular historical, political, cultural and economic context. This can include the effects of donor support and encouragement, but it should not assume that donor efforts “drive” change.

### When is it useful?

CF analysis takes a lot of time, effort and consultation. It is best reserved for analysing significant change – institutional rather than organisational. For example it is likely to be too elaborate for a new computer system at a central health ministry, which may be important for those using it but would not constitute a significant reformist change. On the other hand, wider health sector reform such as changing the ministry’s role from direct implementer to regulator would constitute reformist change, and CF analysis may well be justified. CFs can also be used to conduct a risk assessment of our interventions at country level.

### How can it help?

By answering three main questions:

- *which sectors should we support?* It makes sense for donors to support sectors where reform is likely and to steer clear of those where it isn’t. It may be worth reviewing sectors where we are already involved: if there is a real prospect of change, reviews of existing or planned projects can show which of them will help the change process; which will hinder it; and which are neutral. If on the other hand there is no real prospect of change in a sector then prima facie we should pull out
- *how should we support promising sectors?* Knowing what changes are likely helps to identify interventions which will support them.
- *how are we doing?* Is the reform we predicted taking place and are our interventions helping the reform process?

### How do I do it?

The forecast will be made up of four components: a statement of overall change; a stakeholder analysis, showing who the key stakeholders are and defining the key characteristics of their current and anticipated behaviour; a forcefield analysis (see 4/2 below); and a description of the process of change.

The statement would describe:

- the key characteristics of the sector in its current state; and
- the future state, after the anticipated change, and over the relevant time-frame

The description would be a “road map” showing the key steps or the “how” of change, including the role of the people who are pressing for change – the “change advocates”.

This approach may need to be modified to suit the particular circumstances; users should employ a process that they feel comfortable with. The process will often be as important as the outcome, since it should help to increase understanding of a sector.

The time frame is up to you, but:

- as horizons lengthen uncertainty increases, and the usefulness of the forecast to programme decisions decreases;
- on the other hand, significant change does not happen overnight;
- if the time frame for the expected change is long, it might be helpful to specify two CFs: a long term (say, 15 year) one; and a shorter term (say, 5 year) one, which is a time-slice of the first. These could then satisfy both (i) and (ii). The shorter CF should be consistent with, and encompassed by, the longer-term projection.

If it becomes clear during the process that there is no realistic prospect of substantial pro-poor change, there will often be little purpose in completing the forecast. Completed forecasts will usually be ones in which the direction of change is favourable. But occasionally – for example if we are considering withdrawing from a sector – it may be worth

completing an unpromising forecast to show why the sort of change we would be willing to support is unlikely to happen. In sectors which are felt to be particularly crucial, unpromising CFs may also be worth completing to help understand better the blockages to change, and to develop influencing strategies to address them.

The scope of a CF will vary from case to case. It may be a sector – health, education; or a sub-sector such as primary schooling. Or it may be something broader, not necessarily corresponding with individual Ministerial responsibilities. The over-riding criterion for defining a unit of analysis is that the conclusions should be discrete and well defined. This might not be the case, for example, with a high level unit such as economic policy: the required overall change might be "improved

economic environment for pro-poor economic growth"; CF analysis might then investigate the various aspects of this, such as the financial sector, regulatory functions, public enterprises, trade policy etc; each of these is likely to require a second-level Statement of Overall Change that yields a more tractable forecast. A clear and useful answer to the original high level question is unlikely to emerge.

Change forecasts should be undertaken with local partners and other interested donors. This will improve the quality of the forecast. There may be differences of opinion about the likelihood of change – a Minister may believe that reform in a certain sector is likely and we may disagree. The process of consultation should aim to obtain as wide agreement as possible, but ultimately DFID needs to agree with the forecast in order to support it.

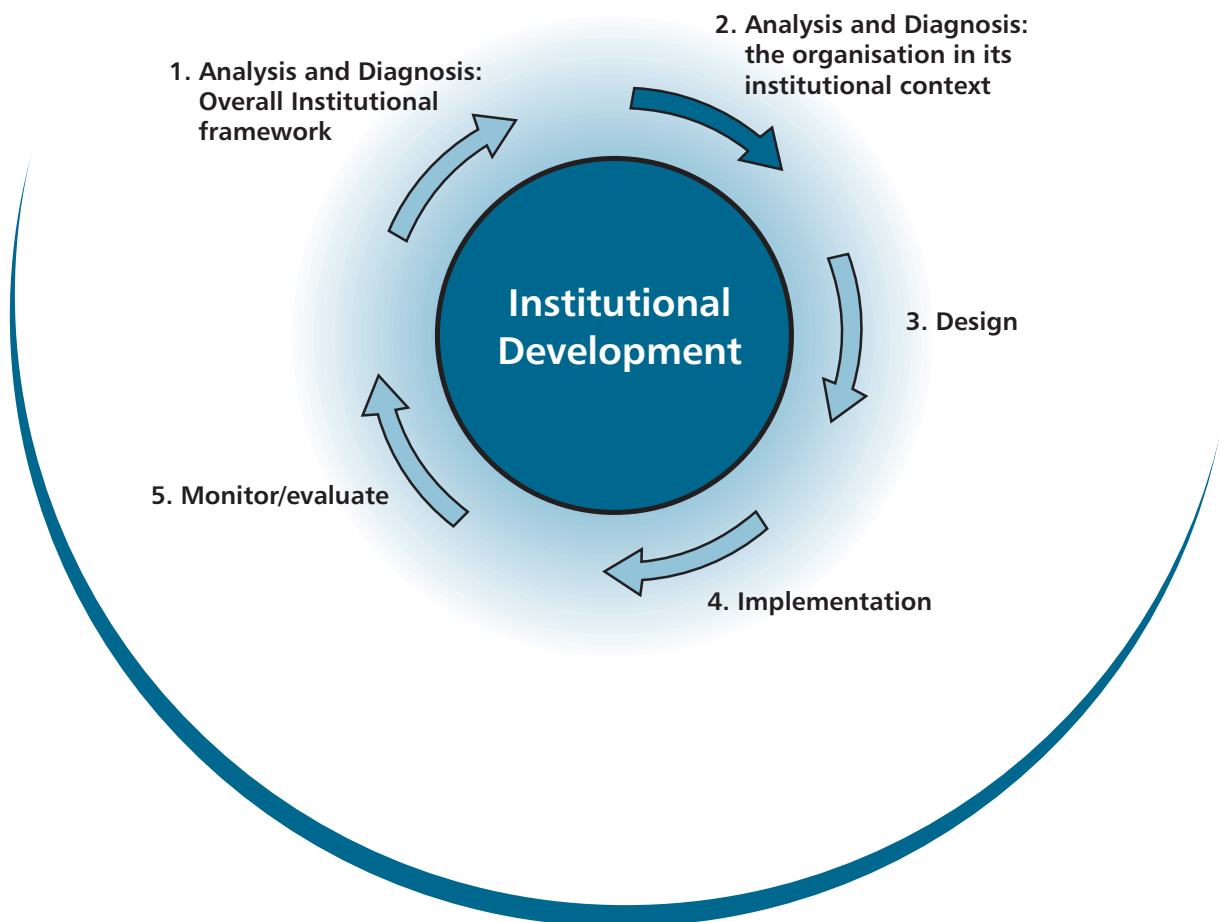


# 2

## ANALYSIS AND DIAGNOSIS:

### The Organisation in its Institutional Context

#### THE INSTITUTIONAL DEVELOPMENT PROCESS



## 2/1 OPEN SYSTEMS MODEL

**What is it?**

This model and its use is fully explained in Chapter 3 of the main guidelines. It is particularly useful at the appraisal/diagnosis stage. A summary version of key issues is shown below:

**Table 6: Structuring Information on Institutional and Organisational Characteristics**

<b>Strategic and institutional Environment</b> <ul style="list-style-type: none"> <li>• Economic background - growth etc</li> <li>• Political/legal environment - stability, - legal framework of institution, - corruption, - extent of political interference in detailed operations</li> <li>• Social - cohesiveness of society, - minorities issues</li> <li>• Priorities and policy making capacity</li> <li>• Key drivers for change</li> <li>• History of previous reform efforts and achievements</li> <li>• Key stakeholders - what critical actions have to be taken</li> <li>• Outcomes - what constitutes programme success?</li> <li>• Incentives - to modify behaviour of key stakeholders</li> <li>• Accountability and governance arrangements?</li> <li>• Informal influences?</li> </ul>	<b>Inputs and Resources</b> <ul style="list-style-type: none"> <li>• Revenue: major sources; how stable are they? Is there a serious shortfall and if so why?</li> <li>• Financial and capital assets</li> <li>• Numbers of staff by job category</li> <li>• Major programmes and programme headings</li> <li>• Balance between personnel and operating costs</li> <li>• Budgeting system - how effective?</li> <li>• Does final expenditure bear any relation to the budget?</li> <li>• Is there a link between expenditure and outputs?</li> <li>• Size of budget surplus/deficit</li> <li>• What accountability and audit mechanisms are in place?</li> <li>• For commercial enterprises, is the organisation financially sustainable?</li> <li>• Financial performance over last 3 years</li> </ul>
<b>Strategy</b> <ul style="list-style-type: none"> <li>• Official statements of goal and mission</li> <li>• Actual priorities as indicated by budget allocations to divisions</li> <li>• Is there a strategic planning process - what form? Were staff and other stakeholders involved?</li> <li>• Form of high level decision-making</li> <li>• Has the strategy been derived from an appraisal of the institutional environment - strengths, weaknesses, opportunities, threats? Current levels of service delivery?</li> <li>• Are the goals and strategy generally understood inside and outside the institution/ organisation?</li> <li>• Is there a plan to achieve the changes necessary to meet goals? Is there a clear implementation plan? And provision to adapt and review in light of circumstances?</li> </ul>	<b>Culture</b> <ul style="list-style-type: none"> <li>• attributes of national culture and their impact on the institutional framework / management of the organisation</li> <li>• What are the implications of the above for the design of: <ul style="list-style-type: none"> <li>i Consultative/ participatory processes</li> <li>ii Performance management</li> <li>iii Monitoring information</li> <li>iv Impact of external change agent</li> </ul> </li> <li>• Likelihood of a more effective organisation meeting its goals</li> </ul>
<b>People/HRM</b> <ul style="list-style-type: none"> <li>• Human "outputs" - indications of satisfaction and commitment such as absenteeism and turnover</li> <li>• pay scales and how do they compare with competing organisations</li> <li>• Is there a performance management/appraisal system</li> <li>• Perceptions of leadership of organisation</li> <li>• Investment in training/skills development</li> <li>• Skills shortages</li> <li>• What are the main personnel systems? Does the organisation know how many staff it has?</li> <li>• What is the recruitment system? Are there any major staff shortages?</li> <li>• Informal power blocks and coalitions</li> </ul>	<b>Systems</b> <ul style="list-style-type: none"> <li>• Major systems for high level decision-making, strategy formulation and planning</li> <li>• Are systems clearly documented?</li> <li>• What evidence is there of use of systems</li> <li>• What management information is supplied at what levels? What action is taken as a result?</li> <li>• Are there clear lines of accountability?</li> <li>• Try a random check on how a specific system is being used in practice</li> <li>• What formal and informal mechanisms exist for co-ordination?</li> <li>• Are there documented procurement processes?</li> </ul>
<b>Structure</b> <ul style="list-style-type: none"> <li>• What is current structure? Is there a clear organisation chart?</li> <li>• Are there clear lines of accountability responsibility?</li> <li>• What are the number of management levels in the organisation?</li> <li>• What are the average spans of control?</li> <li>• Basis for grouping of units</li> <li>• Co-ordination mechanisms</li> <li>• Spatial distribution of units</li> <li>• Degree of decentralisation of processes and authority</li> </ul>	<b>Outputs/Performance</b> <ul style="list-style-type: none"> <li>• Main products or services</li> <li>• Indications of satisfaction with services</li> <li>• Impact on the poorest in society</li> <li>• Baseline of performance - what outputs, at what cost and outcomes</li> <li>• Performance of key policies</li> <li>• Is there a performance management system?</li> </ul>

Detailed checklists of the major elements of this model are given in Appendix 1.

Reference: Cummings and Worley: "Organisation Development and Change", 7th edition South-Western Thomson Learning

## 2/2 7-S MODEL

### What is it?

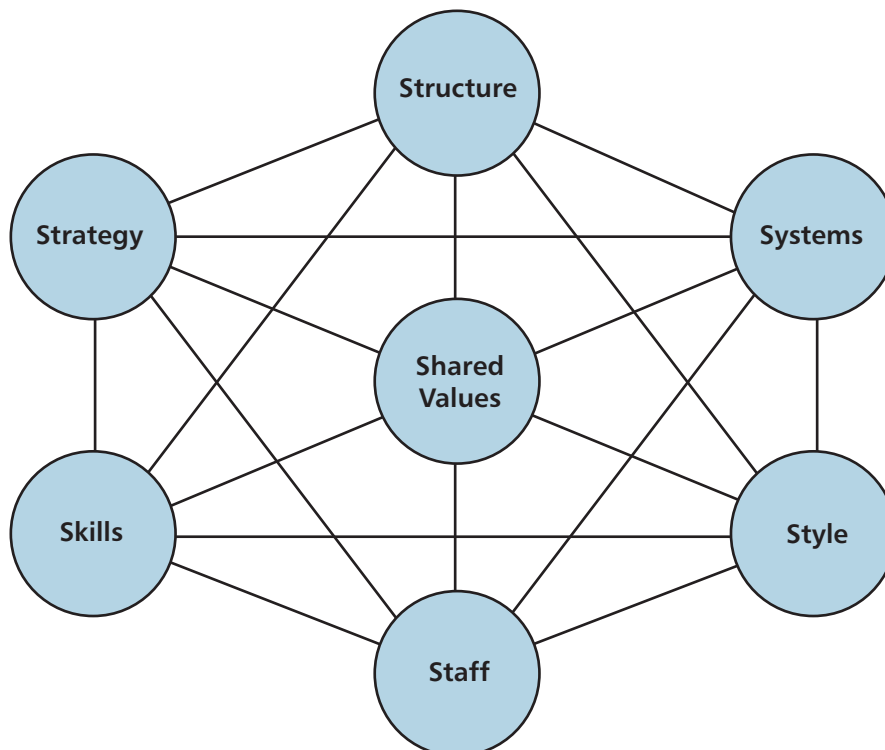
The 7-S framework describes 7 key interdependent organisational variables that need to be taken into account in organisational design. It forces practitioners to think not only about the "hardware" of an organisation - its strategy and structure - but also about the "software" - its management style, systems and procedures, staff, skills and shared values ( ie. culture).

The 7-S model has proved to be a useful tool for analysing internal issues within an organisation.

However, it does not take into account the impact of the external environment on these 7 variables. While it is not as robust as the Burke-Litwin model (see 4/3), many find it easier to remember, use and communicate.

The authors developed the model in the context of their research into the key attributes of excellent private sector organisations. They identified 8 attributes:

- *A bias for action*: Built in devices to ensure a responsive, action-oriented approach
- *Close to the customer*: Listen to customer to ensure quality of outputs and service. Autonomy and entrepreneurship: Support creative and innovative people
- *Productivity through people*: Treat staff with respect and as most important asset
- *Hands-on, value driven*: Strong organisational philosophy throughout organisation
- *Stick to the knitting*: Focus on core competencies and areas of expertise
- *Simple form, lean staff*: Avoid complex structures (e.g. matrix), keep top level lean
- *Simultaneous loose-tight properties*: Autonomy with centrally-promoted core values



### How do I use it?

- Use the 7-S Framework as a basis for discussion of organisational design with key stakeholders in the organisation and relevant experts. Special attention should be paid to the relationships between the 7 variables
- Gather data on each of the areas based on desk research and interviews with key stakeholders throughout the organisation
- Summarise findings in a report for senior staff. This report can then be used as a basis for identifying which boxes relate to which executives and managers, and can be useful in helping them understand the complex performance and change issues they are trying to manage
- Key questions to include are summarised in the table below
- As noted above, one of the key weaknesses of the 7-S Framework is its failure to look at the external environment. In practice, there are a number of external issues that need to be considered during the design phase, including for example:
  - Supportive legislative structures: Do new laws need to be introduced to enable agency formation?
  - Wider policy context: How does the institutional reform being implemented fit with other reforms in progress?
  - Other aspects of the wider institutional context: For example, how do informal institutions in society (such as "patronclientelism", gender relationships, etc) impact on the organisation's culture and design?

Area	Examples of Key Questions
Strategy	Clarity of vision and goals that guide the organisation? Extent to which these are shared amongst planners? Level of participation in formulation of these?
Structure	Organisation of functions? Definition of roles and responsibilities? Mechanisms for participation of key stakeholders - staff, other Ministries and civil society? Systems Effectiveness of the human, financial and technology systems that support objectives? Nature of incentives within HR and budgeting policies and procedures.
Staff	Effectiveness of staff utilisation? Adequacy of staff resources? Level of staff motivation? Factors that would increase job satisfaction?
Skills	Nature of task requirements and individual skills/knowledge needed for task effectiveness? Adequacy of the task-skills match? Opportunities for training/knowledge sharing?
Style	Leadership style of Ministers/senior civil servants and relationship with staff? Extent to which there is a supportive environment for staff? Level of communication?
Shared Values	Nature of the overt and covert rules, values, customs and principles that guide organisational behaviour? Extent to which core professional values are internalised?

Reference: Peter and Waterman: "McKinsey 7-S Framework".

## 2/3 SWOT

### What is it?

SWOT analysis is a tool for assessing and communicating the current position of an organisation or a particular reform option in terms of its internal *Strengths and Weakness* and the external *Opportunities and Threats* it faces.

It provides a clear basis on which to develop a picture of the changes needed to build on strengths, minimise weaknesses, take advantage of opportunities and deal with threats.

### How do I use it?

- Gather and summarise initial insights from internal interviews and relevant documents
- Supplement as needed with insights from surveys of users and other key stakeholders
- Organise the insights in the format below
- Carry out this process with key partners and stakeholders
- Note that many strengths can also be weaknesses when viewed from a different perspective. The same applies to opportunities and threats
- Develop strategies on the basis of this analysis

	Internal	Strengths	Weaknesses
	External	Opportunities	Threats
		1. 2. 3. 4.	1. 2. 3. 4.
		1. 2. 3. 4.	1. 2. 3. 4.

## 2/4 ORGANISATIONAL ELEMENTS MODEL

### What is it?

The Organisational Elements Model (OEM) is designed to demonstrate the relationship between organisational efforts, organisational results, and external payoffs<sup>2</sup>. The aim is to demonstrate the relationship between inputs and results. The key point of this analysis is the need to show linkages between all the elements of the process, from inputs through to outcomes. If the chain breaks at any point this indicates there is no connection between the elements e.g. inputs are not contributing to the creation of outputs, and therefore there is no return on investment.

### Pros:

- very useful in identifying areas where evidence of post-learning benefits may be found
- also useful as a diagnostic tool to identify where there may be a learning need

### Cons:

- no hard data
- can appear academic; possibly more useful as an aid to discussion rather than persuasion

<sup>2</sup> R Kaufman, *Strategic Planning Plus: an organisational guide* Newbury Park, CA, USA, 1992

**How do I use it?**

1. Identify the following elements involved in the activity:
  - inputs
  - processes
  - products
  - outputs
  - outcomes
2. Write this information in the boxes in the OEM table, with the top row showing what the organisation would like the situation to be, and the second row showing the reality of the current situation.

	Outcomes	Outputs	Products	Processes	Inputs
What should or could be					
What is					

3. Look at each of the elements and see if there is a clear link between it and its neighbours. For instance, are inputs used in processes, are outputs the result of the use of inputs in processes?
4. Missing elements or a lack of clear linkage between elements indicates “disconnects” ie. areas where there are inefficiencies or lack of the necessary resources and methods to deliver useful results. An effective organisation will show clear links between products and outputs and outcomes.

**Example**

A cost benefit analysis of health care interventions<sup>3</sup> identified the following elements in the current situation (“what is”):

	Outcomes	Outputs	Products	Processes	Inputs
What should or could be					
What is	patients living healthy and productive lives	patient discharge from hospital	completed surgery or therapy	methods of treatment	money staff resources

They observed that in the current situation there was no clear link between products and outputs and outcomes, ie. between patient discharge from hospital and patients living happy and productive lives. They then concentrated on identifying indicators which would link the first four elements with the final outcome to demonstrate

the effectiveness of the health care interventions. The disconnect was between product and outcome, due to the inadequate definition of the product. A better definition might be "successful completion of surgery or therapy which deals with major symptoms and is sustained".

<sup>3</sup> R Kaufman and R Watkins, Cost consequences analysis, Human Resource Development Quarterly, vol 7 No 1 Spring 1996

## 2/5 PROBLEM TREE ANALYSIS

### What is it?

Problem tree analysis helps to illustrate the linkages between a set of complex issues or relationships by fitting them into a hierarchy of related factors. It is used to:

- link together the various issues or factors which may contribute to an institutional problem
- help to identify the underlying or root causes of an institutional problem

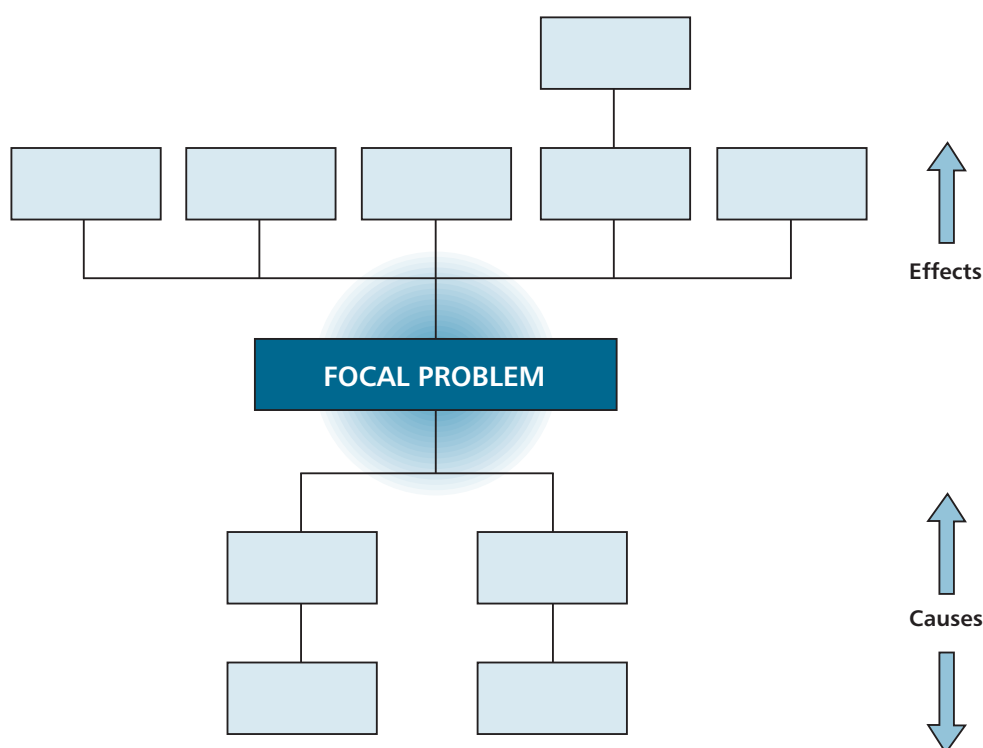
the major assumption underlying the problem tree is the hierarchical relationship between **cause and effect**.

### How do I use it?

1. Identify the major existing problems/issues based on available information (e.g. by brainstorming).
2. Select one focal problem for the analysis e.g. poor communications to staff.
3. Develop the problem tree beginning with the substantial and direct causes of the focal problem e.g. hierarchical and autocratic management culture.

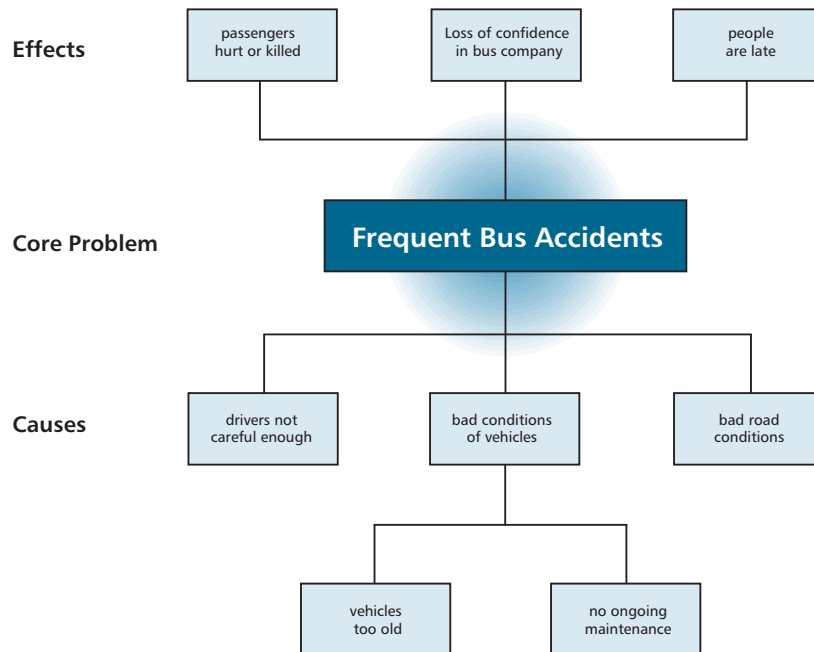
The following figure illustrates the process:

### Developing the Problem Tree



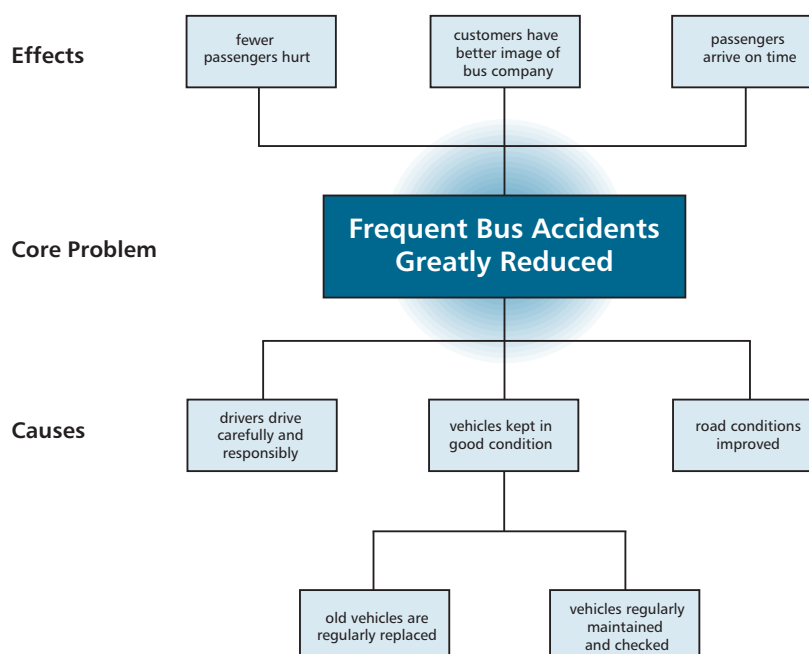
This process can help to distinguish the underlying or root causes of an institutional problem from their effects and guide advisers towards the critical issues that need to be tackled in institutional development. For example, poor budgetary processes or late arrival of funds in a Ministry may be effects of a poor or non-existent Public Expenditure Management process or poorly articulated priorities – or no money.

### PROBLEM ANALYSIS: Bus Example



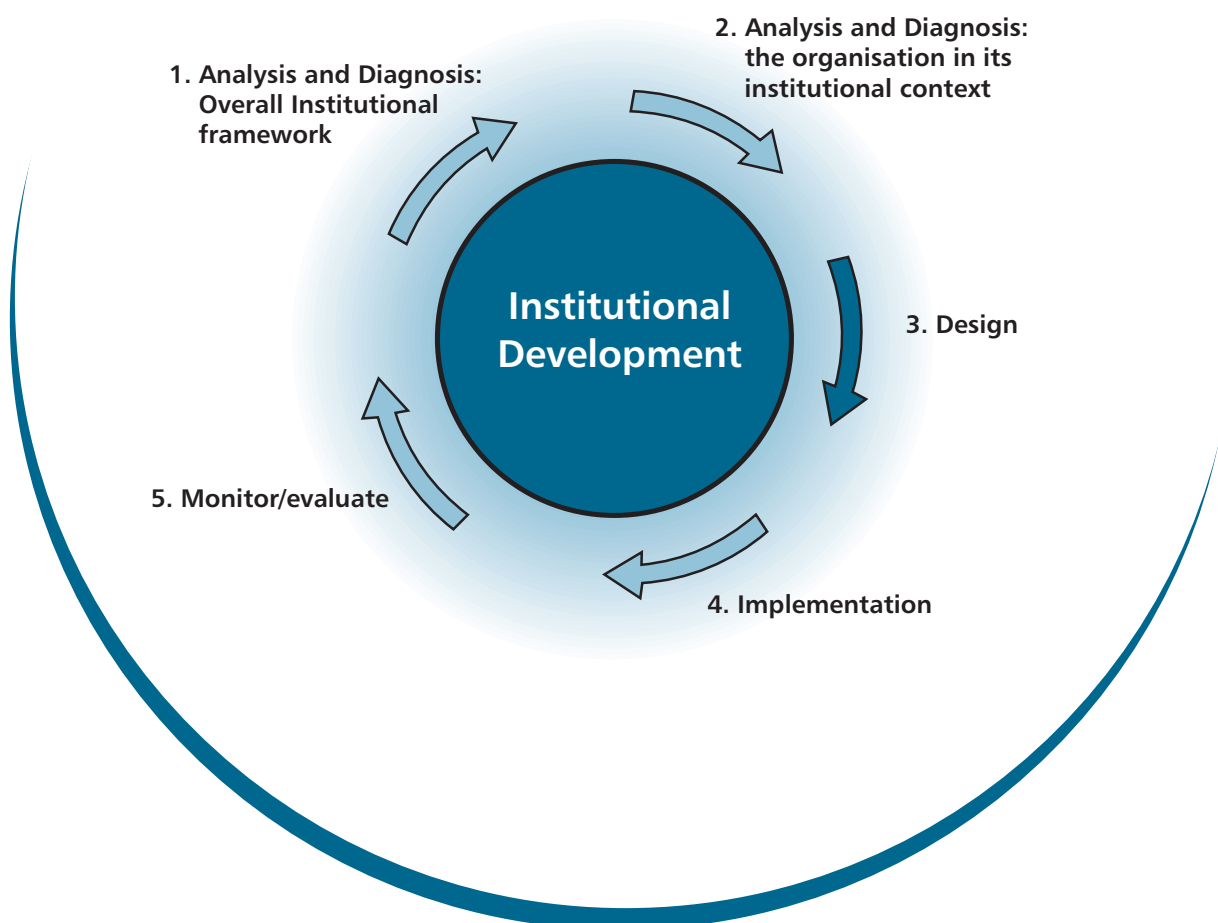
The elements in the problem tree can then be re-formulated as an objectives tree, by re-wording the problems, from the top, as positive statements or objectives.

### OBJECTIVES ANALYSIS: Bus Example





## THE INSTITUTIONAL DEVELOPMENT PROCESS



### 3/1 RISK MANAGEMENT MATRIX

#### What is it?

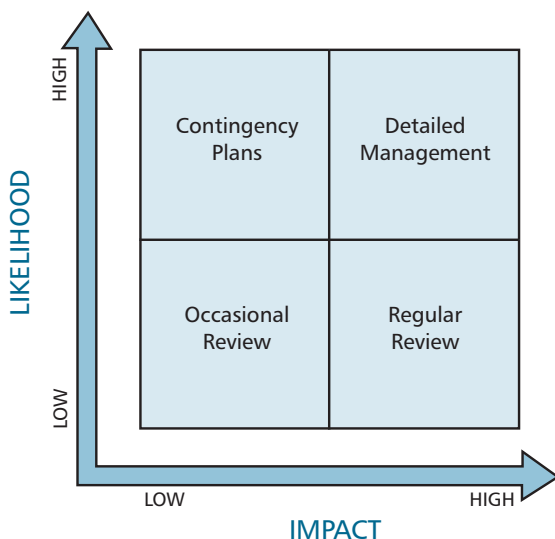
The risk management matrix is based along two axes:

- the likelihood of an adverse outcome
- the scale of the impact if things don't go to plan

The degree of risk will therefore fall into one of four quadrants. The relevant strategies for responding to the degree of risk are set out in each of the quadrants.

#### How do I use it ?

Identify possible problems and decide which quadrant they fall into and then plan accordingly for how they will be managed.



Risk is not static, and regular risk assessments should be carried out to ensure that circumstances have not led to the need for a revised assessment and handling strategy.

### 3/2 BENCHMARKING

#### What is it?

Benchmarking involves regular meetings of people from different sections within an organisation or from different organisations to exchange information and ideas about specific processes or areas of activity. It contributes to building a culture of openness, learning and continuous improvement.

#### How do I use it?

To be effective it requires:

- regular (not necessarily frequent) meetings
- defined agendas focused on specific issues eg. "responding to customer complaints" rather than the more general "customer service"
- agreed groundrules eg. the extent to which information will be shared (more of an issue when private sector organisations are involved)
- a clear framework for examining benchmark activities or processes. The simplest of these involves breaking each activity or process down into its component parts and then reviewing:
  - what works
  - what doesn't work
  - what could be done differently

Simpler processes are often the most effective, especially in providing the opportunity for more junior members of an organisation to participate.

#### Tips and comments

Benchmarking can operate simultaneously at different levels within an organisation; for instance, one benchmarking group of Registry clerks can be looking at filing systems whilst heads of Department can be benchmarking strategic planning processes.

Participants in benchmarking do not have to be operating in the same fields; in fact, there is a lot to be gained from benchmarking similar processes with very different organisations. For example, when the UK Prison Service wanted to benchmark how it handled queues of prisoners it looked at how the Post Office managed the same process.

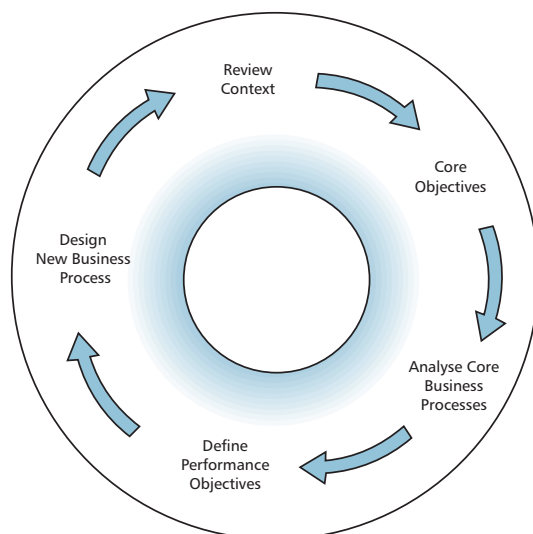
### 3/3 BUSINESS PROCESS REENGINEERING

#### What is it?

Business process re-engineering (BPR) involves the fundamental review and redesign of an organisation's business processes. It aims to move from traditional division of labour towards the creation of integrated cross-functional work processes. The underpinning philosophy is that such integrated work units are more flexible and can respond more readily to customer and service demands.

#### How do I use it?

The steps involved in BPR are shown in the figure below:



1. Review the organisation's operating context to identify pressures for doing business differently.
2. Review and clarify the organisation's core objectives and business strategy.
3. Identify and analyse core business processes. These are the processes that are considered essential for the organisation to perform successfully. At this stage, some BPR reviews also cost the processes.

This can be a useful lever for change as it identifies the real cost of certain activities which are often not apparent because costs are ascribed to overall organisational budgets (eg. salaries, accommodation). Realising how much of an organisation's resources a particular activity consumes can come as a surprise – or shock – and reinforce the need for change, or raise the question whether the activity should take place at all.

4. Define performance objectives for each business process.
5. Design new business processes. This is the part of BPR that goes back to basics, asking the question: "If we were setting up this organisation today, what processes would we need to create to provide an excellent service/retain a competitive advantage?" The guidelines for this part of the process are shown in the box below.

#### BPR guidelines

- begin and end the process with the needs of the customer
- simplify the current process by combining and eliminating steps
- use the best of the current process
- attend to both the technical and social aspects of the process
- do not be constrained by past practice
- identify the critical information required at each step in the process
- perform activities in their most natural order
- assume the work gets done right first time (ie. don't build in excessive checking)
- listen to the people who do the work

Reference: R. Manganelli & M. Klein "The Reengineering Handbook" (New York: AMACOM, 1994).

6. Restructure the organisation around the new business processes.

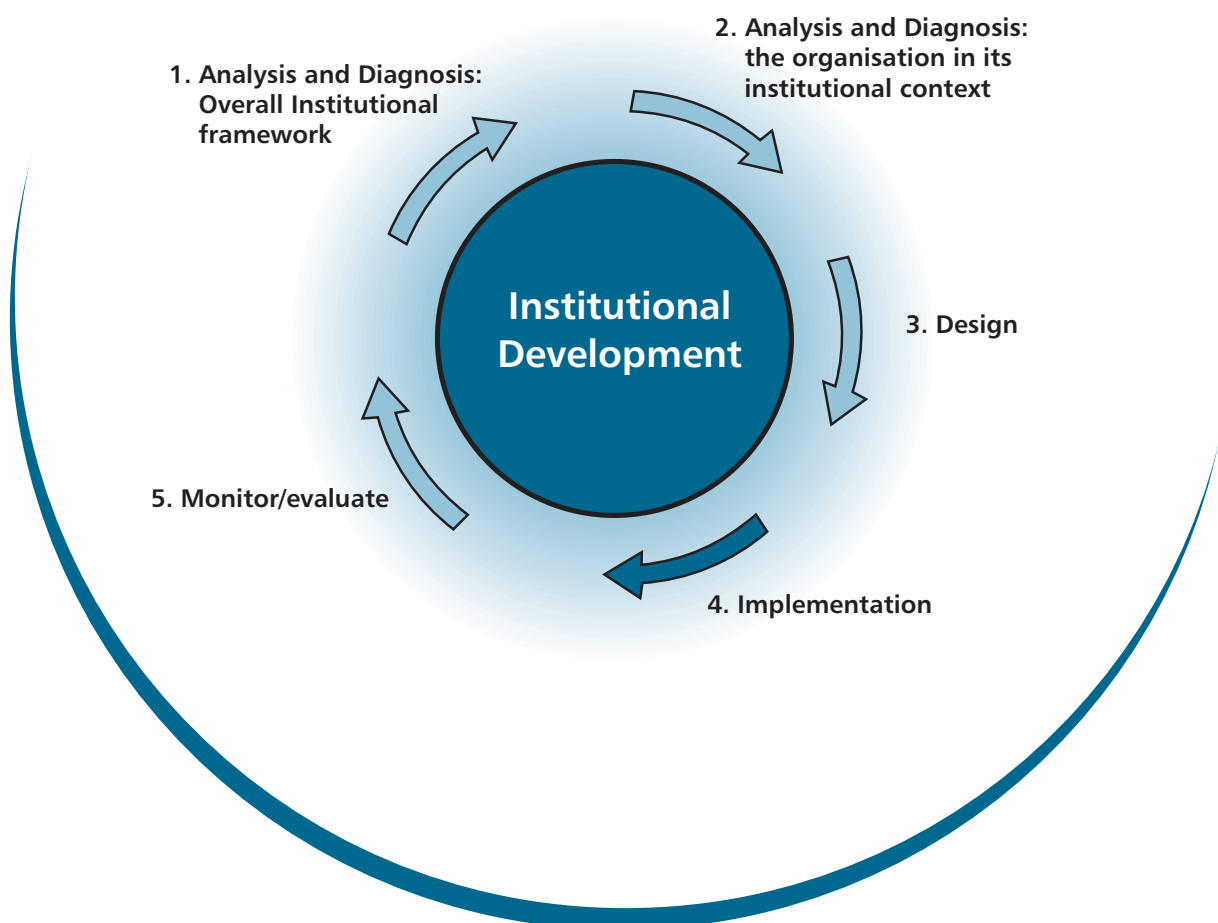
#### Case study: UK War Pensions Agency

The UK War Pensions Agency was initially organised around the activities involved in processing a pension application and managing pension payments so that, for example, one section handled applications but once a pension was awarded responsibility for payments was transferred to another section. This separation of activities meant that nobody owned the whole process, and led to a high error rate and, more importantly, a poor quality of service to a customer group who were mainly elderly and frail.

The Agency decided to move to a system where teams were organised around customers, with responsibility for seeing the whole process through for their particular group. This led to a greater sense of ownership and job satisfaction for the team members and a much improved quality of service to customers.

Reference: Hammer & Champy "Reengineering the Corporation" (New York: Harper Collins 1993).

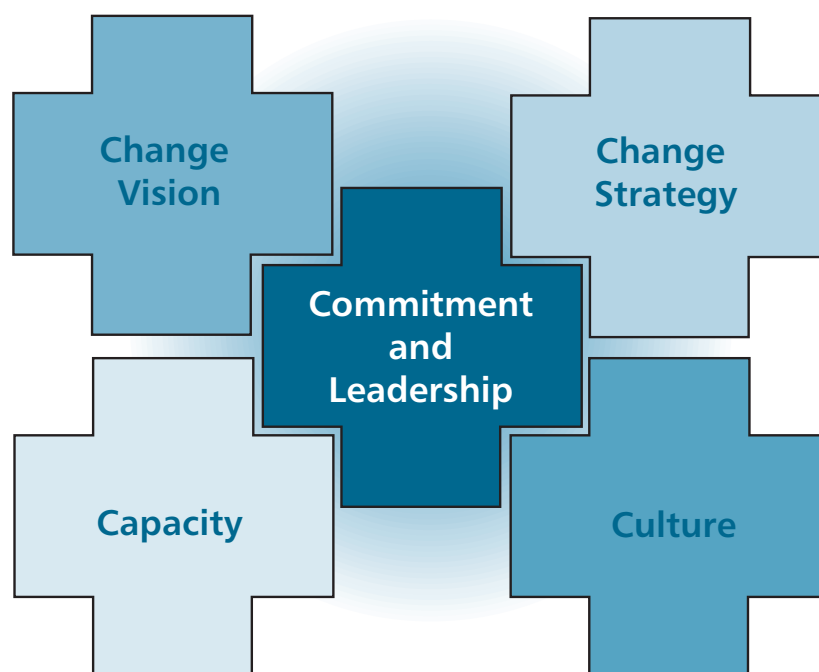
## THE INSTITUTIONAL DEVELOPMENT PROCESS



## 4/1 CHANGE MANAGEMENT

**What is it?**

Various approaches to change management exist. However, all include the following key elements:



Element	Issue
Change Vision	Why is change necessary? Is there a compelling and inspiring vision that is driving change (such as improved public services)? Has this been communicated?
Change Strategy	What are the enablers & barriers to change? Are people willing to change? What should the approach be? Is there a clear project team leading change?
Commitment	Is there support for change amongst politicians/senior civil servants? Is there local ownership or has reform been imposed? What is being done to build commitment.
Capacity and Leadership	Is there a change sponsor or champion who will lead change? Is there effective leadership throughout the organisation with the capacity to manage change? Do staff have the skills needed to perform in the new organisation? Have change agents been identified?
Culture	How does the organisational culture support/hinder reform? Is reform taking place on the basis of internalised principles? Is effort needed to change the culture? What is being done to engage with users and poor people? What resources are being mobilised to sustain change?

## How do I use it?

Element	Activities
Change Vision	<ul style="list-style-type: none"> <li>• Understand the need for change</li> <li>• Develop a clear and compelling argument for change - the change vision</li> <li>• Carry out visioning workshop with key stakeholders</li> </ul>
Change Strategy	<ul style="list-style-type: none"> <li>• Assess change readiness to minimise the risk of reform failure. Ideally this should be done early (preferably when there is still scope to alter the design of the reform) in order to increase understanding of the reform's change impact, identify high risk areas that will need to be managed, understand stakeholders' concerns/insights/emotional responses to change and key issues for the communications strategy</li> <li>• Identify change sponsor and change agents. (This can be done through interviews and/or a "change readiness workshop")</li> <li>• Identify the key enablers (those things that work to support change or are critical to success) and barriers to change (those things that can hinder reform)</li> <li>• Select the best framework for managing the change process. Experience demonstrates the effectiveness of an impartial, senior project manager and a committed project management unit acting as a catalyst in the reform process</li> <li>• Develop a project plan (based on the other activities listed in this table)</li> </ul>
Commitment	<ul style="list-style-type: none"> <li>• Change can be achieved through building commitment or generating compliance. The right mix will depend on the nature of the reform and you should start by asking: Is commitment or compliance needed? If we need commitment, how much is needed and from whom?</li> <li>• There are five inter-linked components of building commitment: <ul style="list-style-type: none"> <li>i Stakeholder Management (see 4/4): This involves identifying who the key stakeholders are and managing them through the change process</li> <li>ii Managing Resistance: Resistance needs to be managed continuously and can be grouped into 3 categories, each of which will require different activities: "Unwilling" (activities will include negotiation, persuasion, introduction of positive and negative sanctions, redesign of reform); "Unable" (this will require training, skills transfer, support and coaching); and "Unknowing" (activities will focus on communication and involvement)</li> <li>iii Team Building: people often feel alone during major change. Actively encourage team building to provide a supportive atmosphere for staff</li> <li>iv Skills Transfer: Identify skills gaps to address through training. This can help remove some of the fear about being unable to perform "new" tasks</li> <li>v Communications: Honest, timely, frequent, consistent, two-way communication is essential to building commitment. Develop a communication plan that focuses on the "why" as much as on the "what". A good communications plan should consider: the audience, message, media, frequency, goals, responsibility, feedback mechanisms and measures of communication effectiveness</li> </ul> </li> </ul>
Capacity and Leadership	<ul style="list-style-type: none"> <li>• Develop leadership capacity and commitment. Change champions and agents may require specific training in team working and change management. Sponsors may need support and coaching</li> <li>• Develop the capacity and skills amongst staff to succeed in the new organisation.</li> <li>• Mobilise the people and financial resources needed to sustain reform</li> </ul>
Culture	<ul style="list-style-type: none"> <li>• Assess what culture factors (norms, values, beliefs, etc) are driving behaviour. Look at culture in relation to time, hierarchy, relationships, space and activity. How strong are these factors and to what extent do they fit with the direction of the change programme? Do not let your own cultural orientations influence your analysis</li> </ul>

## 4/2 FORCE FIELD ANALYSIS

### What is it?

This is a technique for analysing the forces that help or obstruct change. It can be useful, as part of drawing up a strategic change plan, for examining how feasible a strategic objective is and what areas need to be focused on in any associated action plan.

### How do I use it?

1. Identify the forces which support the achievement of change (driving forces) and those which act against the change (restraining forces).
2. Identify ways in which driving forces can be promoted, strengthened or maximised.
3. Identify ways of reducing, weakening or minimising the restraining forces.

The detailed steps in the process are described below (see also the format at the end of this section).

Write a brief description of your objective. You must state what you want to achieve and when, very specifically, using the words "To.....by...."

*NB Make sure you have stated only one objective - deal with additional ones on a separate sheet.*

1. List the all driving forces you can think of on the left
  - Be very specific (ie. what, who, where, when how much, how many etc)
  - Forces can be inside you as well as outside
  - Indicate how the force will contribute to meeting the objective
2. List the restraining forces on the right
  - Again, be specific
  - List all the factors, both inside and outside yourself which will work against you
  - Indicate what effect each force is likely to have on your achieving your objective

### 3. Analyse the forces

- Identify which forces are most important (make sure they are real, not assumed). These are the ones that will have a significant effect on whether or not you can achieve your objective. Circle all the important forces on your list

- Obtain any additional information you may feel is lacking about any important force

### 4. Strengthen the driving forces - weaken the restraining forces (reducing a restraining force is generally more effective than increasing a driving force).

- Work on each important force in turn
- Identify ways in which you can increase, strengthen, or maximise each driving force
- Identify ways in which you can reduce, minimise or eliminate each force working against you
- If you really cannot find a way of reducing a restraining force, write "no action possible" against it
- It is often useful to get others' ideas and suggestions to help here
- The secret of the technique is to address the forces most likely to tip the balance

### 5. Realistic assessment of feasibility

- Do the driving forces now clearly outweigh the restraining forces?
- If yes, check "Do I really want to achieve this". If the answer is another yes, then adopt your objective and begin work on the forces
- If the answer is no to either question, revisit section 4 to see if you can come up with further ideas. If you can't, you may have to revise your objective

Box 2 illustrates some driving and restraining forces affecting forestry policy in Malawi, from the wider environment. There are also likely to be driving and restraining forces in the immediate environment, of course.



## Box 2: Developing a National Forestry Policy in Malawi

At the outset, a number of positive and negative developments in the wider environment were noted which would have an impact on the forestry sector:

### Positive

- **Inflation down, growth up:** encourages investment by forest product producers and a larger private sector
- **Primary school enrollment up:** will eventually increase capacity of workforce, entrepreneurs and managers
- **Market liberalisation:** smallholders' livelihoods boosted (but downside: expanding farms encroaching on forest)
- **Privatisation and deregulation:** opportunities for commercial plantations and smallholder tree production
- **Land policy reform:** registration of communal land will increase security of access and use and encourage long-term investment eg. in tree planting

### Negative

- **Chronic land shortage and food insecurity:** puts additional pressure on forests; not conducive to long-term smallholder tree production, or larger forestry investment
- **Credit use and repayment declining:** militates against small and medium enterprise
- **Roads, law and order, deteriorating:** keeps smallholder farm gate prices low; reduces security of forest and tree assets
- **HIV/AIDS spiralling:** high mortality in workforce - rural, urban, forest; the fit have to look after the sick, and orphans; and funerals make financial demands
- **Chronic shortage of fuelwood:** more time looking for fuel means less time on productive work; burning of eg. crop residues reduces soil fertility; fuel shortages mean less food cooked reducing nutrition standards especially for children
- **Civil service reform and shrinking budgets:** collapse in capacity leading to poor management of plantations and natural woodland
- **Weakly-planned decentralisation:** local communities unable to realise opportunities to access resources, assert rights and rise to responsibilities

Over time, the impact of these developments may increase or diminish; some of them may evaporate; new ones may come along.

Action to remedy negative developments, where feasible, often falls outside the bounds of forestry policy.

## FORCE FIELD ANALYSIS

## What is the change you want to make?

List the:	
DRIVING FORCES	RESTRAINING FORCES

## 4/3 BURKE-LITWIN MODEL

### What is it?

The "Burke-Litwin model" is a model of organisational change and performance. It provides a link between an assessment of the wider institutional context and the nature and process of change within an organisation. It makes the following key points:

- The external environment is the most powerful driver for organisational change
- Changes in the external environment lead to changes in the "transformational" factors within an organisation - its mission and strategy, its organisational culture and its leadership. These are referred to as transformational because if changed, they have an impact across the whole organisation and its staff
- Changes in these transformational factors lead to changes in the "transactional" factors within an organisation - its structure, systems, management practices and climate. These are more operational factors and changes in them may or may not have an organisation-wide impact

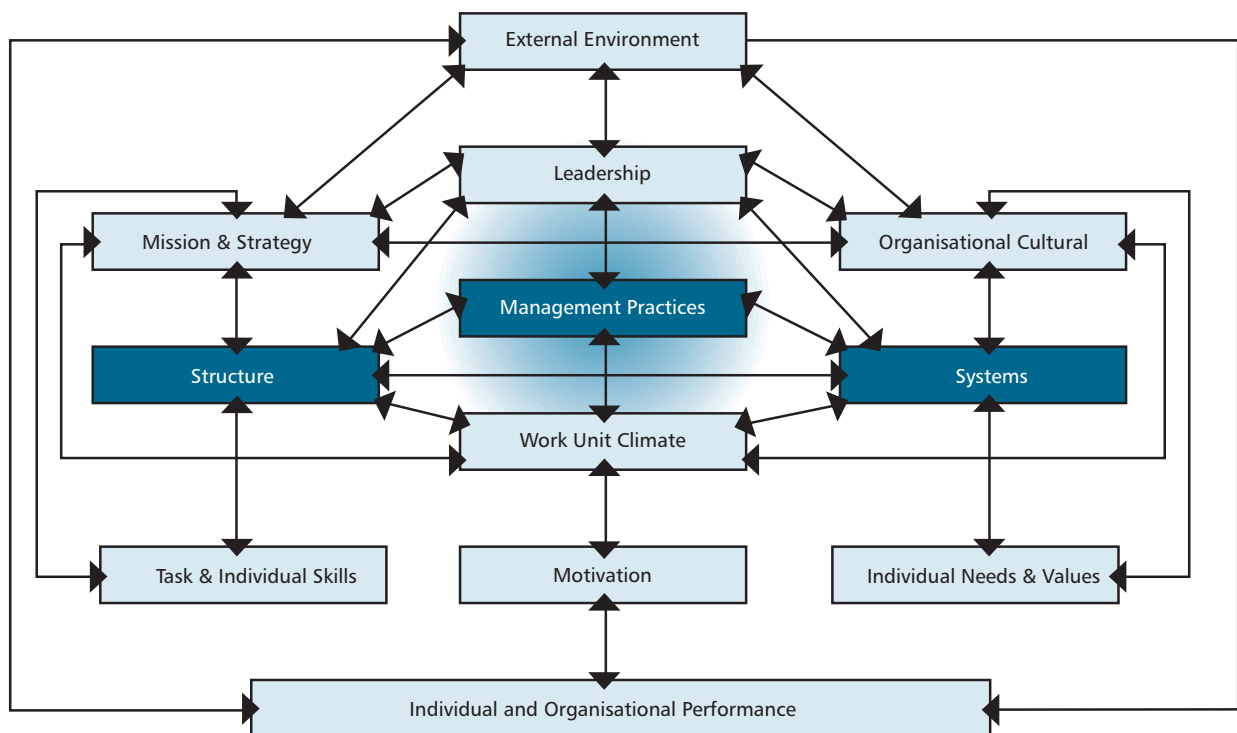
• Together, changes in transformational and transactional factors affect motivation, which in turn impacts on individual and organisational performance

• The model describes 12 organisational variables (incorporating the 7 variables of the 7-S model see 2/2) and the relationships between them. Each of the variables interact and a change in any one of them can eventually impact on the others. This is useful in explaining not only how organisations perform, but also how they can be changed

Internally, the key levers for major organisational change are the transformational factors.

Transactional factors are more relevant when change is about "fine tuning" the organisation.

However, to be effective and sustainable, changes in transformational and transactional factors need to be consistent with each other.



### How do I use it?

- Gather data on relevant boxes based on desk research and interviews with key stakeholders throughout the organisation
- Summarise findings in a report for senior staff. This report can then be used as a basis for identifying which boxes relate to which executives

and managers, and can be useful in helping them understand the complex performance and change issues they are trying to manage

- Key questions to include are summarised in the table below:

Dimensions of Model	Key Questions
1. External Environment	What are the key external drivers? How are these likely to impact on the organisation? Does the organisation recognise these?
2. Mission & Strategy	What do top management see as the organisation's mission and strategy? Is there a clear vision and mission statement? What are employees' perceptions of these?
3. Leadership	Who provides overall direction for the organisation? Who are the role models? What is the style of leadership? What are the perspectives of employees?
4. Organisational Culture	What are the overt and covert rules, values, customs and principles that guide organisational behaviour?
5. Structure	How are functions and people arranged in specific areas and levels of responsibility? What are the key decision-making, communication and control relationships?
6. Systems	What are the organisation's policies and procedures, including systems for reward and performance appraisal, management information, HR and resource planning, etc?
7. Management Practices	How do managers use human and material resources to carry out the organisation's strategy? What is their style of management and how do they relate to subordinates?
8. Work Unit Climate	What are the collective impressions, expectations and feelings of staff? What is the nature of relationship with work unit colleagues and those in other work units?
9. Task & Individual Skills	What are the task requirements and individual skills/abilities/knowledge needed for task effectiveness? How appropriate is the organisation's "job-person" match?
10. Individual Needs & Values	What do staff value in their work? What are the psychological factors that would enrich their jobs and increase job satisfaction?
11. Motivation	Do staff feel motivated to take the action necessary to achieve the organisation's strategy? Of factors 1-10, which seem to be impacting most on motivation?
12. Individual & Organisational Performance	What is the level of performance in terms of productivity, customer satisfaction, quality, etc? Which factors are critical for motivation and therefore performance?

Reference: Adapted from Burke W.W. & Litwin G.H. (1992)

A Causal of Organisation Performance and Change in "Journal of Management".

## 4/4 STAKEHOLDER MANAGEMENT

### What is it?

Stakeholder management is a central part of managing change. It involves

- Identifying the individuals or groups who will either be affected by the changes or have the ability to impact on the change process
- Developing a strategy to manage these stakeholders

### How is it used?

- Identify and gather information on key stakeholders through interviews, surveys, change readiness workshops and relevant client documents (such as organisation charts)  
*Be careful to protect any sensitive information you gather during the stakeholder analysis.*

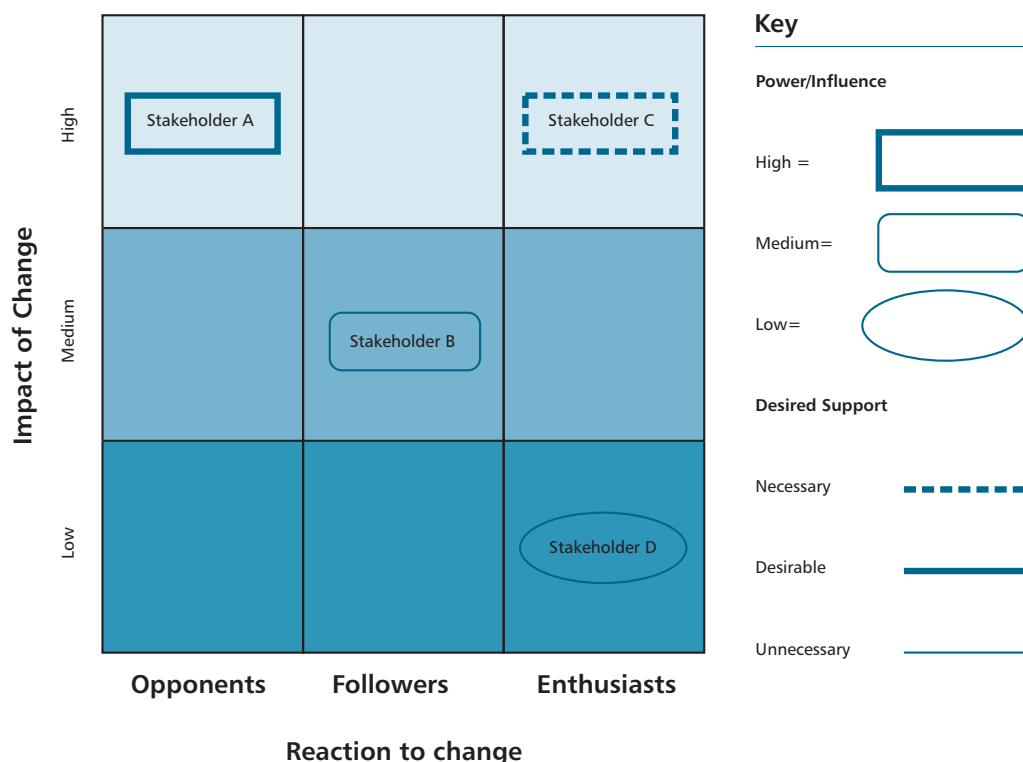
- Analyse the information gathered along 4 dimensions:

1. **Impact of Change:** What will the impact of the change be on the individual? (High, Medium, Low)
2. **Reaction to change:** How will they react to change? (Opponent, Follower, Enthusiast)

3. **Level of Power and Influence:** what is the person's level of power and influence? (High, Medium, Low)

4. **Desired Support:** what level of support is desired from the individual? (Necessary, Desirable, Unnecessary)

- Present this information in the format below. Dimensions 1 and 2 are plotted on the matrix, while symbols are used to illustrate 3 and 4
- In practice, the level of detail you go into will depend on the time and information available. A simple table that plots groupings of individuals, organisation (or even countries) with respect to the impact of change and their likely reaction can be a useful tool for initial analysis
- The stakeholder analysis will enable you to categorise stakeholders eg. champion/sponsor or change agent
- Develop a stakeholder management plan that involves activities such as leadership, coaching or mentoring for sponsors, project management skills and training for change agents, and facilitation skills for those seeking to achieve consensus



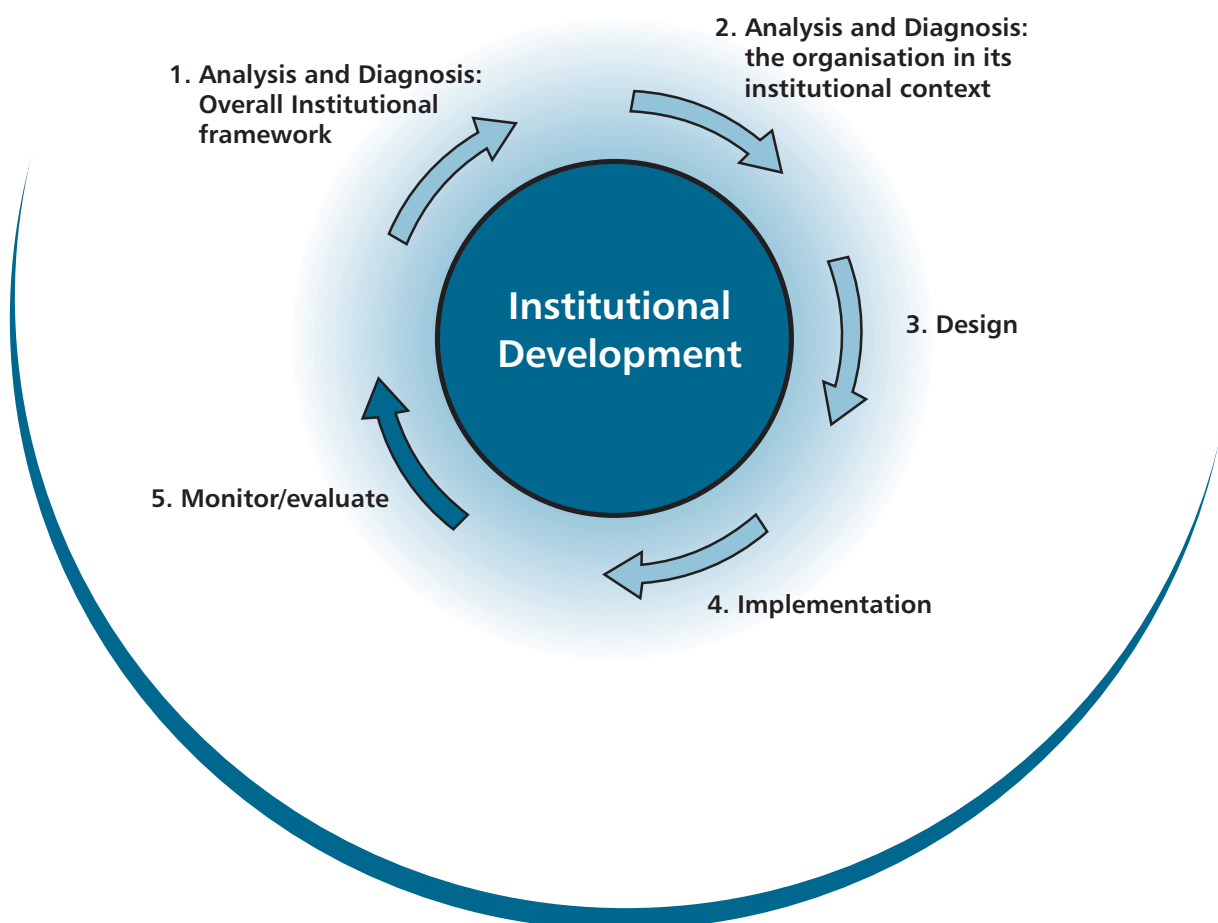
**Box 3: Hints on Stakeholder consultations**

- develop a shared understanding of the current reality of the organisation - its strengths and weaknesses - and link this with a clear understanding of the livelihood opportunities and obstacles facing the organisation's primary clients. This can lead to a clear vision of where the organisation should go, building on a key element of a learning organisation – focusing on its clients and being responsive to them
- aim for a consensus on change and how to get there, negotiated, agreed and owned at all levels including outside the organisation with clients and the broader political environment
- excluding key individuals from the shared understanding and the vision for change will lead to alienation and resistance
- in steeply hierarchical organisations those who hold the power to open up space for innovation must share and own the vision for change; otherwise no change can happen and junior staff will be dissuaded from innovating
- joint organisation/client monitoring of progress can help staff to understand critical issues and pressures facing their partners and the ways in which the operations of their organisation may be contributing to these pressures

Source: abbreviated from Transformation of Organisations for Poverty Eradication:

The implications of sustainable livelihoods approaches: Mary Hobley, 2000

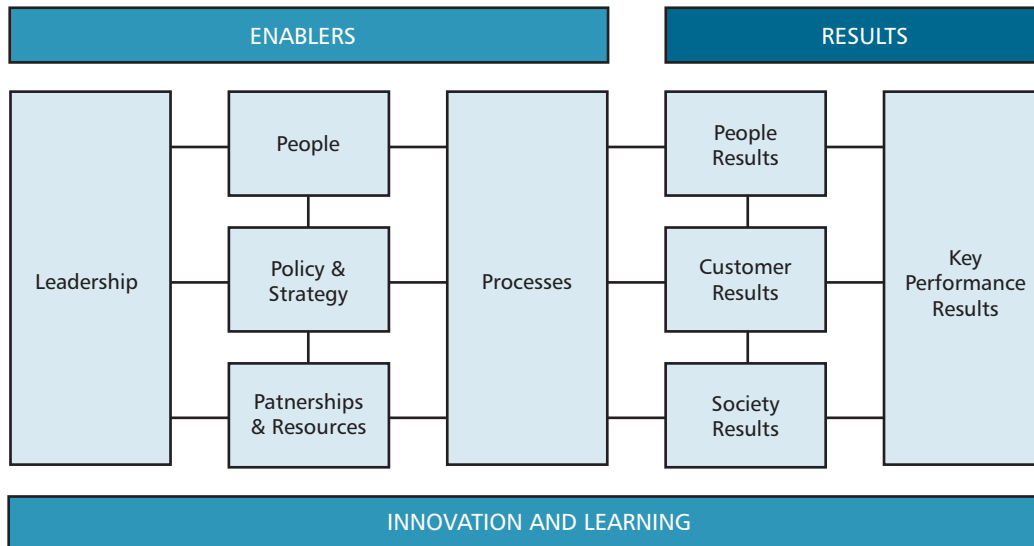
## THE INSTITUTIONAL DEVELOPMENT PROCESS



## 5/1 THE EFQM EXCELLENCE MODEL

### What is it?

The European Foundation for Quality Management (EFQM) Excellence Model provides a framework for assessing the aspects of performance which make an organisation successful. The version of the model shown below is designed specifically for public and voluntary sector organisations.



For each of the nine central boxes there is:

- a definition
- a set of sub-criteria which pose specific questions to be considered in an assessment
- a list of possible areas to address to improve performance under each sub-criterion

An example of the structure of the model for Policy and Strategy is shown below.

### Policy and Strategy

#### Definition

How the organisation implements its mission and vision via a clear stakeholder focused strategy, supported by relevant policies, plans, objectives, targets and processes.

#### Sub-criterion

Policy and strategy are based on the present and future needs and expectations of stakeholders.

#### Possible areas to address

- gathering and understanding information to define the market and market segments the organisation will operate in both now and in the future
- understanding and anticipating the needs and expectations of customers, employees, partners, society and owning stakeholders (ie. government or governing body) as appropriate
- understanding and anticipating developments in the market place, including competitor/comparator activity



Copies of the full model and diagnostic and evaluation questionnaires based on the model can be obtained from:

The British Quality Foundation  
32 –34 Great Peter Street  
LONDON SW1P 2QX  
Tel ++44-20-7654 5000  
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### How do I use it in diagnosis?

Work systematically through the sub criteria to diagnose the organisation's current level of performance and to pinpoint priority areas for improvement.

The process can be completed in a number of ways and at a number of levels. For instance, the host organisation can be encouraged to carry out the process themselves or consultants can use the model to carry out a diagnosis of institutional issues. The model can be used to look at the organisation as a whole and/or at individual departments within the organisation.

Using the tool with the host organisation, perhaps with facilitation support from a consultant, can be a useful way of helping the organisation to recognise and accept the institutional issues which must be addressed and thus to build ownership of the change process.

### How do I use it in evaluation?

1. Look at the elements and criteria and consider how they relate to the objectives of the intervention.
2. Concentrate on the criteria for the results section of the model, and on the business results end of the spectrum.
3. Where there is a match between criteria and intervention objective(s) use those criteria and the associated data gathering processes to collect evaluation data.

### Tips and comments:

- the EFQM criteria may provide formulations for objectives; don't bother to re-invent the wheel!
- criteria for elements in the enabling section of the model may provide measures for evaluating the impact of change on performance

### CHECKLISTS

1. External environment/elements of institutional analysis
2. Financial resources and systems
3. Role and strategy
4. Culture
5. People and Human Resource Management
6. Management Systems and Practices
7. Organisation structure
8. Outputs / Performance

## Checklist 1

### External Environment Checklist

1. Identify through a stakeholder analysis **other organisations/institutions and groups** to which the organisation does, or might be expected to, relate:
  - who are they?
  - what is their relevance (eg. customer, policy maker, supplier, competitor or trade unions)?
  - what are their objectives in relation to the institution under review; what is their view of it?
  - what influence/importance do they have in theory and practice? To what extent do they influence policy making?
  - how effective are they?
2. How is the organisation affected by **government policies and procedures**?
  - policies on the role and authority of the organisation
  - budgetary policies and procedures: is there a rational, transparent and consistent process for resource allocation?
  - personnel procedures (appointments, promotions, pay etc.)
  - procurement
  - other eg. regional or economic policies
  - government plans for decentralisation
  - how appropriate are these in terms of content and the degree of autonomy given to the organisation?
  - how do they assist/constrain the organisation?
  - are any changes desirable/expected/possible?
  - what is the relationship with other levels of Government eg. regional, local and central and are these appropriate?
3. What is the **legal framework** for the organisation?
4. To whom is the organisation formally **accountable**?
  - through what mechanisms (eg. audit, performance contract, other reporting) and how effective is this?
  - is the balance between autonomy and accountability reasonable given the purpose of the organisation?
5. What informal influences materially affect the organisation?
  - political pressures
  - bureaucratic pressures
  - social and cultural pressures eg. ethnicity, attitudes to authority
  - preferences for individual or collective action
6. How far and through what means is the organisation responsive to the needs and interests of intended beneficiaries or customers?
  - does it have their confidence?
  - are there procedures for consultation, feedback and grievances?
  - does the organisation make information about its activities and role readily accessible?
7. What would be the likely impact of a change of government on the organisation?
8. What other donors support the organisation or affect the external environment?
  - what are their objectives?
  - are they effective?
  - is there co-ordination and who leads it?

9. Consider the key elements of Institutional Analysis.

**Figure 5: Institutional Analysis**

Priorities	Has government identified its priority tasks and allocated resources in accordance with priorities? Are allocations adhered to? What levels of expenditure can be afforded in the short, medium and long term? To what extent are the needs of poor people taken into account in shaping priorities? How effective is the public expenditure management process?
Policies	How effective are the core policy and decision making structures and processes? Are they based on evidence and data? What is the input of poor people or their representatives into the policy making process.
Incentives	What is the current incentive structure? Who benefits? What incentives, if any, are there to modify the behaviours of key players in support of the desired outcomes? What are the incentives for state structures to deliver services; for the bureaucracy to attract and motivate staff; for the development of national skilled human resources?
Legal	Independence of judiciary. Effectiveness of rule of law - both criminal and civil. Extent of political interference in judicial decisions. Levels of corruption in the legal system. Stability of legal institutions.
Cultural	Cohesiveness of society; dominant national values and norms; stability of such values.
Drivers for change	What are the key drivers for change? Social, technological, economic or political? Are there sponsors or champions for reform? Extent of their power and influence. Level of commitment to reform. What benefits or incentives do they have to push a reform process. Level of political stability.
Voice and partnership	What mechanisms and structures are in place to promote the concerns of poor people? How effective are they? What voice do poor people have to hold delivery organisations to account?

## Checklist 2

### Checklist on Financial Resources and Systems

1. What has been financial performance over the last three years; what are the reasons for any significant changes; what has been happening in real terms ie. excluding inflation, what are future prospects?
2. What are the main sources of revenue?
3. If the organisation raises revenue who controls prices/charges; what is the record on tariff increases; is revenue effectively billed/collected (what is the level and age analysis of debtors); what trends can be identified?
4. How has the organisation responded to financial constraints?
5. What is the balance between personnel and other operating costs; is this appropriate given current financial circumstances and future prospects? How does it compare with similar organisations elsewhere?
6. For commercial enterprises what conclusions can be drawn from the financial statements; is adequate provision made for depreciation; when were fixed assets last revalued; is the capital structure appropriate; how far is debt serviced; are creditors paid within a reasonable period; is the enterprise financially sustainable?
7. Does the organisation bear significant foreign exchange risks; are those likely to increase; what is their potential impact?
10. Is there a process for resources/cash allocation?
  - does it have clear criteria for resource/cash allocation?
  - is it documented?
  - is it followed?
  - do people in the organisation understand the process?

### Financial management

11. Is there a system for monitoring expenditure?
12. Is the flow of income erratic?
13. Are there traditions of over/under spending?
14. At what level are budgets held?
15. Do operational managers get management information about their income and spending?
  - is the information accurate?
  - do line managers know what to do with it?
  - do line managers act on it?
16. What happens to underspends?
  - are they clawed back? By whom?
17. What are the penalties for overspending?

### Accountability and auditing

### Budgeting

8. Is there a public sector expenditure process?
  - does it have clear criteria for resource/cash allocation?
  - is it documented?
  - is it followed?
  - do people in the organisation understand the process?
9. Does the organisation have a budgeting process?
  - does it have clear criteria for resource/cash allocation?
  - is it documented?
  - is it followed?
  - do people in the organisation understand the process?
18. Are line managers held accountable for their use of resources/cash?
19. Is there a process of audit and are audit reports presented to an external body? What action is taken as a result of audit reports?
20. What are the mechanisms to scrutinise the efficiency and effectiveness of public spending
  - How effective are they?
21. Are there official rules to regulate the process of public procurements?
22. In practice, how does the organisation award contracts and other forms of economic patronage?

### Checklist 3

#### Checklist on Role and Strategy

1. What is the role of the organisation, according to:
  - its head
  - other staff
  - central government departments
  - other stakeholders

What are the reasons for, and implications of, different perceptions? Are there areas of competition rather than complementarity; are there unfilled gaps?

2. How is the role formally expressed eg. in law, a mission statement or government policy papers? How does this compare with perceptions at (1) above?
3. How do perceptions of the organisation's role and formal expressions of it compare with evidence on what it actually does?

4. Is there a strategic plan, business plan or other document setting out objectives and strategy for the organisation; if so is it consistent with the role of the organisation and with government policy?
5. Are the objectives and strategy generally understood and agreed within and outside the organisation?
6. How were the objectives/strategy/business plan etc. prepared; who was involved and in what ways; what does the process imply about the organisation and its external relationships?
7. How consistent is current and recent experience with the stated objectives/strategy/business plan; is the plan realistic?
8. Are there unstated objectives for the organisation; what are they and how important are they?

### Checklist 4

#### Institutional Models – Culture

POWER	ROLE	TASK	PEOPLE
<ul style="list-style-type: none"> <li>• Centralised Power</li> <li>• grapevine = source of information</li> <li>• in-fighting</li> <li>• few rules</li> <li>• money and status are important</li> <li>• use of reward and coercive levers</li> </ul>	<ul style="list-style-type: none"> <li>• formal definition of:               <ol style="list-style-type: none"> <li>i tasks</li> <li>ii roles</li> <li>iii procedures</li> <li>iv functions</li> </ol> </li> <li>• rules for settlement of disputes</li> <li>• attention to coordination</li> <li>• power proceeds from role/position</li> <li>• rational</li> <li>• hierarchical</li> </ul>	<ul style="list-style-type: none"> <li>• job and task oriented</li> <li>• organised on team/group basis</li> <li>• influence based on technical expertise</li> <li>• few formal roles</li> <li>• adaptable</li> <li>• power widely dispersed</li> <li>• reward for results</li> </ul>	<ul style="list-style-type: none"> <li>• centred on individuals</li> <li>• minimal structure</li> <li>• rules procedures based on mutual consent</li> <li>• shared influence and roles based on expertise</li> </ul>

## Checklist 5

### People and Human Resource Management

#### HR responsibilities

1. Is there a personnel department?:
  - what is its status?
  - how senior is the Head of Personnel?
2. What are personnel department's responsibilities?
  - devising, implementing and monitoring HR systems
  - manpower planning
  - record keeping
  - welfare
  - recruitment
  - discipline
3. Do line managers have specific personnel responsibilities?
  - are these clearly spelt out?
  - are line managers clear about what their personnel responsibilities are?

#### Record keeping and manpower planning

4. Does the organisation know how many staff it has and at what grades?
5. Are there large numbers of vacant posts?
6. Is there an organisation chart?
7. Do people have job descriptions?
8. Is there any definition of skills requirements?
9. Is there a system of manpower planning?
10. Is there a staff handbook?

#### Rewards

11. How do salary levels compare with competing organisations in public and private sectors?
12. Are there other rewards besides salaries?:
  - leave
  - study opportunities
  - travel

- pension
- flexible hours
- child care

13. How much value do staff place on non-monetary rewards?

14. Do people get paid on time?

#### Performance management

15. Is there an appraisal system?:
  - is it used?
  - do staff believe it is fair?
  - what is the purpose of the system?  
What are reports used for?
16. Are staff given regular feedback on performance?
17. Are there complaints of favouritism?:
  - how widespread?
  - in which areas?
  - among which groups of staff?

#### Development

18. Is there a system for assessing staff development needs?
  - are staff needs linked to organisational needs?
19. What are the opportunities for development?:
  - internal courses
  - external courses
  - qualifications
20. Is there a development and training section?:
  - is it valued by staff?
  - what resources does it have?
  - is there any data on volumes of spend on training?
21. What is the line manager's role in development?
22. Is there a development budget?
  - who holds the budget?
  - does the budget get used for purposes other than development?
23. Do people have personal development plans?

### Recruitment

24. At what level are people recruited?
  - graduate
  - clerical
  - managerial
25. How are people recruited?:
  - advertisements
  - employment centres
  - word of mouth
  - relatives/contacts
26. Are there clear selection criteria?:
  - qualifications
  - competences
  - experience
27. Are there any staff shortages?:
  - which areas?
  - which grades/types of staff?
  - Are these general shortages throughout the local labour market, or just for this organisation?

### Promotion

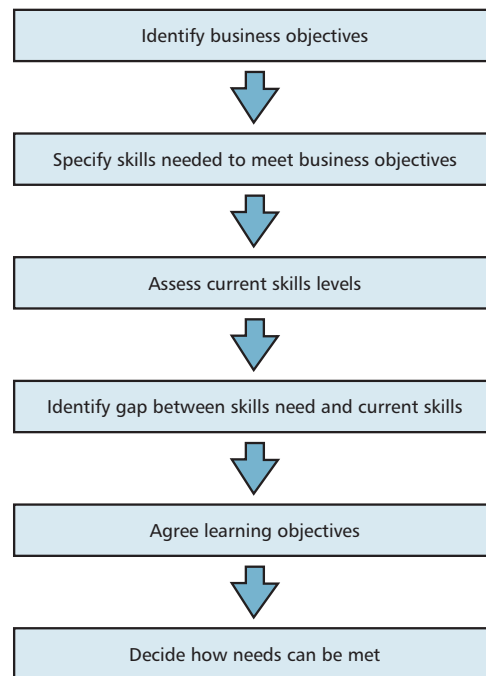
28. Is there a clear grading and career structure?
29. Are there opportunities for promotion?
30. Is promotion the only way to get an increase in pay/status?
31. Are there clear criteria for promotion?:
  - performance in the job
  - years' service
32. What is the promotion process?:
  - individuals apply
  - promotion boards
  - performance appraisal reports
  - automatic
  - line manager nomination

### Exit

33. Is there a process for dismissal?
34. What are the grounds for dismissal?:
  - inefficiency
  - disciplinary
35. Is there a set retirement policy?
36. Do people change with governments?

### Identifying and meeting development needs

#### Identifying needs



#### Meeting needs

37. Consider:
  - individual learning styles
  - educational traditions
  - learning culture (eg. freedom to ask questions; acceptability of learning from younger person etc)
  - resource availability
  - costs
38. Possible options for meeting needs:
  - on-the-job structured training with personal development plan and manager support
  - mentoring
  - delegated tasks
  - secondments (short term/long term; internal/external)
  - job shadowing
  - visits
  - internal course
  - open learning
  - external course
  - day release



## Checklist 6

### Checklist on Management Systems and Practices

#### General

- i. Is there a strategic planning system?  
How is it used?
  - ii. Are systems clearly documented; are any manuals up-to-date, accurate and familiar to managers and staff?
  - iii. How far are systems regularly followed in practice? If not, why not?
  - iv. Is there an internal audit system; is it independent; does it go beyond financial control to wider systems issues?
1. Decision Making
    - Identify key decisions for the organisation; who decides at what level and following what process (formal and/or informal)?
    - How timely are decisions; how (well) are they communicated?
    - What do staff/outside see as examples of timely and effective decision-making; what do they see as examples of slowness or ineffectiveness? To what do they ascribe such performance?
    - How is individual or collective accountability for decisions maintained; how effective is this?
    - What level of centralisation/delegation of authority exists; does it appear that a different balance would be more efficient or effective, and why; what financial authority is given to different levels; how many and what signatures are needed for various approvals?
  2. Co-ordination
    - What formal and informal mechanisms exist for internal co-ordination: how often is there consultation/communication and in what form; how well-informed are departments/individuals of what others are doing; do different parts of the organisation cooperate or compete?
  3. Information
    - What formal and informal mechanisms exist for external co-ordination: what are seen as appropriate links and what is their purpose; how effectively do they operate, who is excluded and who else might be expected to be involved?
  4. Supplies
    - What problems exist? Are items out of stock and/or take a long time to procure? Are any stock holdings excessive, obsolete or inappropriate?
    - Who has responsibility for procurement, storage and distribution, is this appropriate?
    - Are there clearly documented procedures and information systems for supplies management; do they work in practice?
    - Are any problems the result of financial constraints, inappropriate systems and responsibilities, or poor management?
    - Are procurement policies appropriate? What proportion of contracts are subject to competitive tendering? How transparent is the tendering and contracting process?
    - Is stockholding policy appropriate? Would it be better to rely on suppliers to hold stocks and buy items when needed?
  5. Project Planning, Management and Monitoring
    - What processes exist for appraising, approving, managing and monitoring projects?
    - Are responsibilities clearly identified, is there accountability for them?
  6. General
    - Look for evidence of use of above systems and action being taken as a result.

### Checklist 7

#### Reviewing organisation structure

1. What is the current organisation structure?  
Is there an up-to-date organisation chart?  
Are people clear about the structure?
2. Is the structure consistent with the purpose of the organisation and the environment in which it operates? How does the organisation interface with its main customers?
3. Are the roles and responsibilities of individuals clear and agreed? Do up-to-date job descriptions exist?
4. Are responsibilities for all the key functions /processes of the organisation clearly allocated?
5. Are lines of management accountability clear?  
Do mechanisms exist to ensure vertical communication takes place?
6. Are there any significant areas of overlap/duplication between parts of the organisation? Do mechanisms exist to ensure effective horizontal communication?
7. How frequently does the structure of the organisation change? Is there a clearly expressed rationale for the changes? How was the last change planned and carried out?
8. What do people think about the current structure? Are they happy with it?  
What are the main criticisms of the structure?  
How well balanced are workloads?  
How well is work delegated?
9. Have other options for structuring the organisation been considered? What are the advantages and disadvantages of the alternatives.
10. What changes would make the greatest impact on the efficiency and performance of the organisation?
11. What are the number of management levels in the organisation?
12. What are the average spans of control at each level?
13. How centralised are processes and decision making structures? Are these appropriate to the organisation's purpose?

### Structure: Centralisation v. Decentralisation

#### For Centralisation

1. Simplicity of co-ordination.
2. Broader perspective on issues means decisions taken in overall interests of organisation as a whole, not sub units.
3. Economises on managerial overheads by avoiding duplication of activities.
4. Balances power of functional units by centralising decisions-on resource allocation, targets and key HR issues.
5. Speedy decision making and control in times of crisis.

#### For Decentralisation

1. Reduces stress and load on senior management.
2. Increases senior management time for strategic and long term planning.
3. Increases motivation and commitment at middle levels.
4. Helps development of junior managers.
5. Allows greater flexibility to adapt to changed circumstances.
6. Facilitates clearer accountability for performance down the organisation.

#### Factors influencing degree of centralisation

1. Degree of diversity of products/services.
2. Degree of diversity of goals, dispersion, technology.
3. Risks of divergence from standard procedures/controls.
4. Size and purpose of organisation.
5. Skills and attitudes of staff.
6. Capacity of senior management to manage in a "delegated" organisation.
7. Legal and external framework.
8. Pace of change and need to react flexibility to changing circumstances.

## Checklist 8

### Checklist on Outputs and Performance

1. What are the organisation's main products or services?
2. What measures or indicators of output or performance does the organisation have?  
How often are these reviewed? Do they include non-financial as well as financial measures?
3. What baseline of performance does the organisation use? What outputs does it measure - at what cost and with what outcomes?
4. Is there a performance management system?  
Is it linked to the organisation's goals?  
Does it cascade down to the individual level?
5. What assessment is made of the impact of the organisation's services on the poorest in society?
6. What feedback does the organisation receive about customer or user levels of satisfaction with its services?
7. What indicators or measures of user satisfaction does the organisation use? Do these show an improving trend?
8. Does the organisation benchmark its performance with other similar organisations or competitors?
9. Does the organisation plan and measure its key operational (financial and non-financial) results in order to predict and improve future performance?

## Department for International Development

The Department for International Development (DFID) is the UK Government department responsible for promoting sustainable development and reducing poverty.

The central focus of the Government's policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015.

These seek to:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality

- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

DFID's assistance is concentrated in the poorest countries of sub-Saharan Africa and Asia, but also contributes to poverty reduction and sustainable development in middle-income countries, including those in Latin America and Eastern Europe.

DFID works in partnership with governments committed to the Millennium Development Goals, with civil society, the private sector and the research community. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.

# DFID

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