

**INSTITUTIONAL SUSTAINABILITY:
THE SCOPE CONCEPTUAL FRAMEWORK**

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This executive summary crystallizes recent work sponsored by the Asia and Near East Bureau on institutional sustainability in agriculture and rural development in cooperation with IDMC. The term "institution" has different definitions, but here it simply refers to development organizations, that is to ministries, local government bodies, rural clinics, and the like. "Sustainability" is also a term with many connotations. Here it means the ability of a system to produce outputs that are sufficiently well valued so that enough inputs are provided to continue production, and maintain at least a steady state. Thus, a sustainable institution is an organization held in sufficiently high regard that, at a minimum, it can draw in the resources needed to ensure a stable volume of transactions. No value judgment is implied. The meaning of sustainability, as expressed here, is analytic, not normative. From a prescriptive point of view, keeping up some institutions may actually be undesirable for development, depending on what it does and who benefits.

The word "system" in this definition is chosen carefully, for sustainable institutions have several of the formal characteristics of systems: internal operations, a high level of interaction with the environment, and feedback. The terminology also underlines the dynamic character of sustainability; it is not an end-state but an ongoing input-output process.

A FRAMEWORK FOR INTERPRETING SUSTAINABILITY

Drawing on major traditions in social science, the ANE-sponsored study has refined a set of theoretical propositions on institutional sustainability. In addition to systems theory, the resulting framework makes use of organizational contingency theory and political economy to describe how third world organizations obtain inputs and convert them into outputs. While not a rigorous model, this framework, dubbed with the acronym SCOPE to reflect its three theoretical roots, provides tools for conceptualizing the social and economic factors in sustainability.

Two hypotheses undergird SCOPE. First is the assumption that the survival of an organization over the long-run is affected by both its internal capabilities and its external environment. It is important, therefore, to look both inward and outward to understand institutional sustainability. Second, is the

postulate that, to keep up in a changing world, an organization must develop and adhere to a game plan with a strong fit among its own internal strengths and weaknesses and the external threats and opportunities. If there is a mismatch, lack of sustainability is likely.

The principal internal variables are an institution's technology (the way it achieves practical purposes) and its structure (the way its roles, offices, and so forth are arranged). Complexity is the key issue. Generally speaking, complexity is inversely related to sustainability. All other things being equal, organizations that use intricate technologies or have elaborate structures are apt to be difficult to sustain. Such an outcome has been found, for example, in some of the more ambitious integrated rural development projects.

In the SCOPE model technology is important because of the demands it puts on the staff and clients of the institution. Four characteristics stand out: 1) Does the technology produce byproducts that spill over onto third parties and thus make it difficult for management to recover costs? 2) How frequently is the technology employed, and is its application variable or standardized? The answer affects the organization's "learning curve." 3) Are there economies of scale in the use of the technology? If so, the organization will have to be large, with attendant challenges of motivating and supervising the work force. 4) Does the technology give rise to so-called principal-agent problems, where the interests of its users diverge? Again, this makes the supervisory problem greater for management.

The structural dimension of internal complexity is important because of its effect on incentives, on the flow of information, and on the transaction costs of running the organization. Specific structural issues highlighted by SCOPE include: 1) the extent to which decisions are based on authority as opposed to exchange relationships, 2) the degree of organizational formality, 3) the extent of organizational hierarchy, and 4) the degree of centralization. Each of these affects how intricate the inner working of an organization is. And, of course, structure and technology interact with each other to affect further the complexity of the institution.

Just as important as these internal variables are those that lie outside of the institution, in its environment. The external circumstances of a development organization can run from being hostile to

helpful. Like complexity, environmental hostility has an inverse relationship with sustainability. The more hostile the conditions outside, the more unlikely an institution is to be able to get and process the inputs it needs for maintenance, provided, of course, that other factors are held constant. Unfortunately for development organizations in the third world, their environments tend to be more rather than less hostile.

Environmental conditions need to be broken apart to be understood clearly. The SCOPE framework categorizes them as having indirect or background and direct characteristics. The indirect ones fall into three main subcategories: stability (or the rate of external change), flexibility (or the degree of openness to change), and the extent of environmental artificiality (in the economic sense of not reflecting market prices or in the political sense of lacking widespread legitimacy). Throughout most of Africa, Asia, and Latin America, these background variables rarely add up to a favorable milieu for social and economic organizations. Though every developing country is unique, they often make their institutions cope with rapid, unpredictable change combined with resistance to experimentation and reform. This threatens their sustainability.

SCOPE also points out three direct influences from the environment: 1) How much demand exists for the institution's goods and services? 2) Are those goods and services private or public (i.e., can they be divided up and individually consumed)? 3) And what socioeconomic characteristics mark the institution's stakeholders--that is those people who can affect it or be affected by it? Each of these parameters can have an immediate impact. They are even more variable than the background factors, but lean similarly toward creating an inhospitable climate. For many development organizations demand is limited, the goods provided are largely public, and stakeholders are resource poor. High rates of organizational decay are unsurprising in such an environment.

Demand is probably the most critical direct environmental factor in the SCOPE framework. A "market" must exist for the institution's outputs for it to continue operating. Demand is determined by personal judgments of utility. What goods or services are "worth" cannot always be measured objectively. In the agriculture field, for example, planners often err about the technology ordinary farmers will really use.

The level of demand is partly affected by the second direct variable--whether the institution produces goods that are primarily private or public. Private goods are items that can be used exclusively on an individual basis. Public goods are ones that can be jointly consumed and that become available to other people once they are provided to one person. Farm technology and village public works are two examples of goods with many public attributes. Institutions that supply mainly such items can have a hard time generating support. The reason is the individual behavioral incentives that result, which tend to encourage "free-riding." Where the perceived benefit to one person is small compared to the cost, the temptation is strong to withdraw from the institution and let other members carry the burden. If enough people feel this way, of course, the institution will collapse.

Demand is also affected by the third indirect environmental variable--the institution's stakeholders. They include the immediate providers and users of institutional goods and services, among others. For sustainability to occur, a critical mass of stakeholders must exist. There has to be a body of people that values the institution's product and is willing to continue to exchange other resources to obtain it. The poorer or more factionalized these stakeholders, the greater the challenge to the institution to carry on its current level of activity.

Producing a good fit between an organization's internal capacity and its external situation is the task of strategic management. All organizations possess strategies--that is a pattern of moves crafted by management for achieving chosen objectives--though in poorly-managed ones, strategies tend to be implicit or not taken seriously by members. To maintain themselves in the face of change, institutions are helped when they set attainable, consistent goals, specify how they will run themselves, and agree on steps to be taken to reach desired positions. Scanning the environment and taking stock of the organization's inventory of special skills and other resources are crucial elements of this process. Sustainable institutions are ones whose strategies enable them to make the best of their capabilities and to capitalize on their surroundings. Unsustainable institutions lack such strategies. There is a mismatch with the environment.

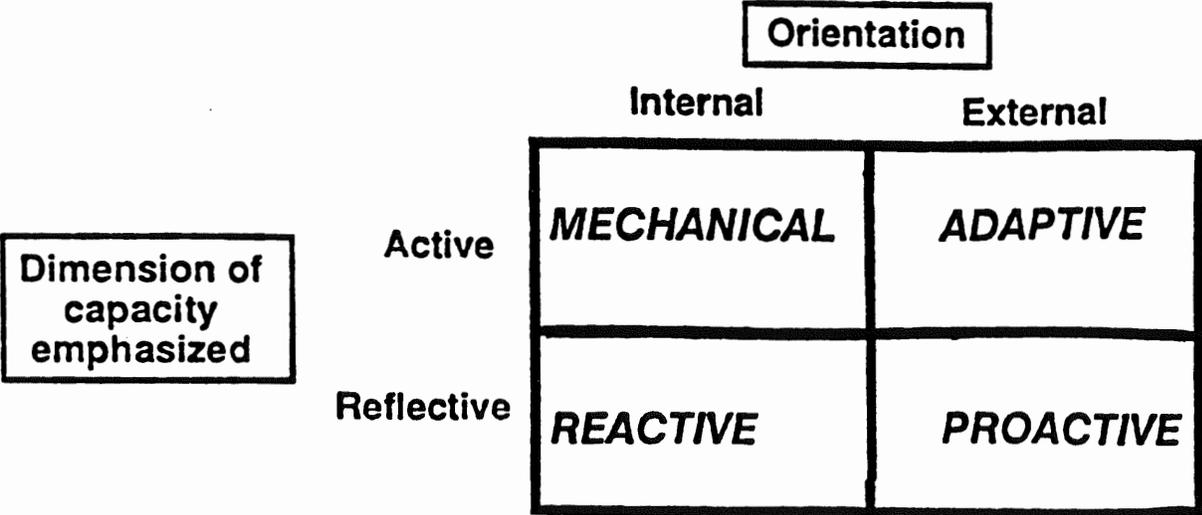
The "optimum" strategy is highly variable. Managerial game plans to promote sustainability have to be organization-specific. What works in one setting may not work in another. To rephrase the issue

using the SCOPE model's terminology, different combinations of internal complexity and external hostility call upon systems to find different ways to obtain inputs and generate outputs.

Just because effective strategies vary from situation to situation, however, does not mean no generalizations are possible. Strategies differ in two important ways. First is the stance toward action versus learning. Institutions may emphasize either side of this continuum. Their strategy may stress efficiency, or how to put known resources together with little waste, or it may stress innovation and the discovery of novel combinations of old and new resources that will change the institution's capacity for action. The second feature that distinguishes strategies is whether the focus of attention is principally internal or external. An internal orientation takes the environment more or less for granted. Control and maintenance command the institution's foremost attention. An external orientation favors engagement with the environment, watching it and perhaps even trying to affect it.

Neither pair of options--whether to take action or to learn, and whether to look inward or outward--is a dichotomy. No real pattern of organizational decisions, for example, will ever be totally action-oriented with no effort whatsoever to profit from experience. The two options, however, do capture some important choices in strategic management for sustainability. A two-by-two typology of generic strategies results. In the SCOPE model they are called mechanical, adaptive, reactive, and proactive. It must be reiterated, however, that they are only ideal types. In the real world most institutions rely on a combination of these four generic strategies. There is also no implication that any one of them is fundamentally superior to any of the others.

Figure 1: System Strategies for Translating Capacity Into Performance



A mechanical type of strategy is to perform tasks in a routine, almost automatic way. Little reflection takes place, neither on the institution's structure and processes, nor on the environment in which the institution is found. Mechanical strategies may encourage proficiency at well-defined tasks. This is important because institutions become vulnerable when they fail to produce goods or services economically. Of SCOPE's generic strategies, mechanical ones are generally the easiest to bring off because they rely on repetition and specialization. The downside can be too much emphasis on "doing things right," and not enough on "doing the right things." This may not be a problem (and can often be an advantage) when the internal organizational processes are simple or the outside environment is benign. A somewhat mechanical strategy may be able to sustain an institution under these special circumstances. The major risk is of ignoring external changes that might threaten it with obsolescence. Moreover, third world organizations often cannot handle even routine operating tasks.

The T&V system of agricultural extension is an example of a relatively successful application of a mechanical strategy. T&V seems to work best on flat, irrigated terrain dominated by a few major crops, or, in other words under conditions requiring simple technology. The approach has been less sustainable in rain-fed zones where farmers plant mixed crops, for here the technological needs are much more severe. A different type of strategy may be needed under such conditions.

Like the mechanical approach, an adaptive strategy also emphasizes activity at the expense of learning. But because of its external bearings, which encourage the institution to meet new problems with old skills, this strategy allows more adaptation to the environment. The emphasis is on quantitative adjustments (using more resources but in familiar ways), as opposed to qualitative changes (using resources in novel ways). A rural credit office which, following an increase in demand for its services, hires more staff and stays open longer hours would be applying an adaptive type of strategy. After a point, however, there will be diminishing returns to this approach, and the clinic may have to go beyond adaptation and rethink its operations. Perhaps the most common misuse of an adaptive pattern of decisions occurs when attempts are made to reproduce successful pilot projects. Though there are exceptions, in general second-generation

schemes lack the same staying power as the original model, for the scale of an institution cannot be expanded indefinitely without affecting its basic character as well.

In the majority of cases, therefore, developing country agricultural institutions probably have too many unavoidable internal complexities to master, and too many external challenges to meet, to be able to sustain themselves through either of these action-oriented, less reflective strategies. More learning is called for to "stay in business." Much like private sector organizations, it is important to "keep close to the customer" to stay abreast of changes in the market, and to know how to meet the customers' needs efficiently. Environmental monitoring and internal self-correction are thus often a sine qua non of institutional sustainability. In the language of SCOPE, this is a reactive strategy.

When an institution follows a reactive strategy the stress is on learning, especially about how to improve internal operations. The reaction to outside disturbances tends to turn inward, toward innovations to meet the new environmental conditions. Depending on their autonomy, institutions possess a range of control over internal capabilities. They have some discretion about what technologies to use, what structures to set up, what procedures to follow. To follow the hypothetical example of the rural credit agency, if it responded to the increase in demand by revising its screening procedures and starting a new training course for loan officers, it would be applying a reactive type of strategy. There is an emphasis on learning, with attention centered inside the system.

A proactive strategy, in contrast to a reactive one, goes beyond making internal changes in response to environmental shifts. Rather than passively accepting unwanted changes or resisting them after they have occurred, the proactive approach tries to head them off or turn them to the institution's own favor. The outside threats and opportunities to an institution are largely given, they do not rigidly predetermine sustainability. Development managers have some leeway to modify their surroundings, to anticipate shifts in demand for their products or services, and to promote themselves in various ways. An example from the agriculture sector would be the dynamic and expansive agricultural universities that exist in some of India's states. These usually have entrepreneurial leaders, who are able to raise funds from government, foundations, and the private sector.

Although none of these four generic strategies is universally ideal, the last two--the reactive and proactive approaches which emphasize learning--are probably more suitable, more of the time, in third world settings. This is due to two overriding characteristics of institutions in developing countries. First, internal resources are scarce. This puts a premium on finding "lean and mean" structures and processes, to keep operations in line with changing resource endowments. Second, external conditions are turbulent. This may require various kinds of preemptive responses by institutions, if they are to remain going concerns. Unfortunately, the central tendency of organizations in the third world is to downplay learning, that is, to rely on mechanical or adaptive strategies. It is easy to fall back on familiar routines during periods of crisis, and to forgo experimentation with fresh approaches. Such a stance is more likely to hasten the organization's decline than sustain its turnaround.

On the other hand, it must be remembered that learning is not an end in itself. Whether focused inward or outward, it uses up time and administrative energy. To the extent that learning is not immediately productive, it may detract from an institution's ability to sustain itself. This is another way of saying that the best strategy for sustainability is always a contingent decision. The task for management is to find the balance among the mechanical, adaptive, reactive, and proactive approaches that is right for their particular institution's current situation.

LESSONS LEARNED

To develop operational guidelines, it is important to move down one level of abstraction from these generic strategies. The case studies made using the SCOPE framework pointed at several specific strategic options that seem to promote the sustainability of agricultural institutions.

Secure internal commitment. International donors often decide a priori what their client countries need. Aid recipients are often willing to take funds even for projects and programs that are low on their own list of priorities. This is understandable, but it is also costly for sustainability. Lip service and paper support are not sufficient national-level inputs to maintain most systems. Donors interested in a long-term return on their institution building activities may need to pay more attention up-front to the degree of

elite interest in the recipient country.

Pick feasible objectives. Among institutions there is a tendency toward "imperialism," that is toward expansion and aggrandizement. While this satisfies the needs of internal constituencies for prestige and authority, it can jeopardize the system's long-term survival by spreading its resources too thinly. Strategic planning to decide on an attainable organizational mission, and allocate scarce resources to that achieving that end, can help reduce this problem.

Choose the right moment for strategy formulation. Institutions are "path dependent." They are strongly influenced by precedent, and existing patterns of behavior tend to get locked in place. This means the most promising time to establish a strategy for sustainability is often early in the institution's history, before bad habits have to be unlearned. Fortunately, institutions seem to pass through cycles, so more than one opportunity exists to set strategy. Crises often provide a suitable occasion to rethink an institution's mission.

Build alliances. Part of the strategic planning process ought to be to create support networks among stakeholders. For even with endorsement from the top for reform, institutions often tend to be conservative and afraid of change. Advocates of the status quo find many ways to block or slowdown strategies they find threatening. This is why it is important to bring on board those who affect, or are affected by, an institution's outputs.

Differentiate perceived versus actual payoffs. Strategic plans must take account of the "true" value of the goods or services the institution offers. This will entail careful listening to all important stakeholders. Sustainability may hinge on this issue.

Offer long-term overseas training. For technical institutions the formation of a critical mass of trained personnel can promote institutional sustainability. A major reason is the development of high-performance organizational cultures, in addition to the introduction of new skills.

Set extended planning horizons. Although strategy formulation is an ongoing process subject to revision, it ought to look forward beyond the short-term. The normal project cycle often creates tension with this need to plan for the long-term. Prolonged collaboration, based principally on the international exchange of scholars, allowed the differing points of view to be accommodated, and is one reason these institution-building projects have generally done so well in sustaining themselves.