

Expanding Notions of Capacity: Theory and Policy at UNDP

UNDP Workshop Team Final Report



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Table of Contents

Acronym Guide	4
I. Executive Summary	5
II. Client Agency	7
III. Background	7
Table 1: Definitions of Capacity Development	8
IV. UNDP Methodology	9
Figure 1: The Capacity Development Process.....	10
Figure 2: Capacity Assessment Framework	11
V. Rationale	11
VI. Objectives	12
VII. Methodology	12
VIII. Findings	13
i. Disciplinary Overview	14
Figure 3: Skills and Leadership Position	18
ii. Supporting Linkages to UNDP Approach.....	19
UNDP Pillar - Institutional arrangements	19
UNDP Pillar - Leadership.....	21
Table 2: UNDP Leadership Actionable Items and Corresponding Leadership Approach	24
UNDP Pillar - Knowledge	25
UNDP Pillar - Accountability.....	27
iii. Cross-Pillar Linkages within UNDP Approach	29
iv. New Insights for UNDP Approach	31
Figure 4: Institutional Spillovers	31
Table 3: Fiedler’s Contingency Model	37
IX. Recommendations	39
X. Endnotes	41

Acronym Guide

CD	Capacity Development
CDG	Capacity Development Group
EPD	Economic and Political Development Concentration
GDP	Gross Domestic Product
HRD	Human Resources Development
ILN	Information Learning Network
MDG	Millennium Development Goal
MSEP's	Multi-Stakeholder Engagement Processes
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
SIPA	School of International and Public Affairs
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UN	United Nations
WHO	World Health Organization

I. Executive Summary

The United Nations Development Programme is interested in exploring the theoretical underpinnings of its current approach to capacity development. To this end, they engaged a team of students from Columbia University's School of International and Public Affairs (SIPA) for research of relevant theories. The SIPA team identified several theoretical linkages to the UNDP's approach (some backed by empirical evidence), as well as some potential insights that could further enrich UNDP's capacity development work.

This six-month research project was focused on expanding the notion of current UNDP's capacity development theoretically, with limited investigation of actual field experience. From November 2008 to April 2009, the team conducted extensive research on eight relevant disciplines including the fields of institutional change theory, systems theory, National Human Resources Development (NHRD), leadership theory, organizational psychology, social capital, public administration and management. In addition, and in the interests of looking beyond merely western models, the team also did a case study of how capacity development (CD) was implemented in China.

The objectives for this project were threefold: (1) to find theoretical underpinnings for UNDP's approach to capacity development, (2) to seek other theories or factors which may influence CD practice, and (3) to examine empirical evidence of CD applications in order to propose improvements to the approach.

The team's methodology was composed of five segments. First, the team identified the above eight theories and conducted research on those theories. Second, the team linked these theories to UNDP's approach. Third, the team identified certain areas which were emphasized less or not at all in UNDP's CD practice. Fourth, the team explored what ought to be emphasized in CD implementation through a China case study. Fifth, the team created this policy note for UNDP, describing the highlights of this research and recommendations for further research.

The team found that the UNDP's CD approach was strongly supported by the select disciplines that were investigated. Further research of this nature, conducted in a systematic manner, over a longer period of time, and using the full resources of UNDP, promises to yield more useful insights that will aid UNDP in achieving their capacity development goals. The team also strongly recommends integrating such research with more detailed investigations of UNDP's field experiences. Taken together, work done outside of the development sphere, combined with lessons learned from actual field experience, can help UNDP and their partner organizations contribute to the important capacity development work that lies at the heart of

sustaining local ownership and development success.

II. Client Agency

The United Nations Development Programme (UNDP) is the UN's global development network, an organization that advocates for human development and connects countries to knowledge, experience, and resources. UNDP is one of the main country-present agencies of the United Nation's system, focusing on democratic governance, poverty reduction, crisis prevention and recovery, the environment and energy, and HIV/AIDS. Working on the ground in 166 countries, UNDP helps nations meet their development objectives, with a particular focus on the Millennium Development Goals. The Bureau for Development Policy (BDP) coordinates development policy within the UNDP. BDP's Capacity Development Group (CDG) works with the United Nations Development Group (UNDG), UNDP country offices, and the Organization for Economic Cooperation and Development (OECD) to integrate commitments on harmonization expressed in the Rome Declaration.¹ The CDG's focus on capacity is described as the process that UNDP as a whole uses to achieve its overarching goal of human development. The group develops and maintains policy that is used to guide capacity development efforts, from assessment to response formulation, in local environments across the globe.²

III. Background

An increasing number of international aid organizations, from large multilaterals to small community development organizations, are placing the cultivation of national-to-local capacity at the center of their programming efforts. Increased interest in capacity development stems from an intersectoral commitment to improving the effectiveness of governance at the local-to-national levels, with the ultimate objective of improving the lives and livelihoods of people in developing countries. Countries rely on the capacity and resourcefulness of their citizens for successful development. Lessons learned from the past 60 years of development indicate that sustained, positive, long-term impacts from development interventions require as much attention to knowledge and organizational management as infrastructure, goods, and other objects with the potential for limited short-term impact. UNDP summarizes this trend by noting that “while financial resources are vital to success, they are not enough to promote human development in a sustainable manner.”³ The field of capacity development has become an essential component of the development sector and has yielded a wide variety of programs that have been applied to a range of different sectors, including

governance, sustainable development, and health. These efforts are driven by evidence from the field that suggests improvements in capacity, at the individual level, help improve organizations. UNDP, in 2001, was one of the first organizations to begin serious examination of the relationship between capacity as an outcome, and capacity development as a process.⁴ Other multilaterals and donors are now beginning to follow suit.

The roots of capacity development stretch back to the beginnings of developmental economics, when a focus on institutional building and capacity were emphasized in the immediate aftermath of World War II. Defined alternately as development building, development management, human resource development, and new institutionalism, the focus has been the net improvement of the ability of local political institutions, and the individuals who work within them, to effectively manage policy and programs in the public sector.⁵ The focus of these efforts has shifted from the individual to the organization in the past 30 years, and then further evolved to accommodate the understanding that organizational effectiveness was tied to its structure and operating environment.⁶ The far-reaching ambition of this concept generates many different perspectives on what capacity development is, and how it might be approached. Several definitions are given in Table 1 below.

Table 1: Definitions of Capacity Development

Organization	Definition of Capacity Development
World Bank Africa Region	“The proven ability of key actors in a society to achieve socio-economic goals on their own.” ⁷
UNDP	“Capacity is the ability of individuals, organizations and societies to perform functions, solve problems, and set and achieve goals. Capacity development entails sustainable creation, utilization and retention of that capacity to reduce poverty, enhance self-reliance, and improve people’s lives.” ⁸
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	“Capacity development – as GTZ sees it – strengthens the performance capabilities of individuals, organizations and societies: people are to increase their learning capacity and acquire the skills that enable them to assume a role in society.” ⁹
Canadian International Development Agency (CIDA)	“Abilities, skills, understandings, attitudes, values, relationships, behaviors, motivations, resources and conditions that enable individuals, organizations, networks/sectors and broader social systems to carry out functions and achieve their development objectives over time.” ¹⁰

UNDP uses capacity development as a tool to increase the effectiveness of their development programming in developing countries. UNDP is interested in investigating several aspects of their current capacity development approach in order to further refine and improve the results of their planning. The most recently used framework for capacity development, called Capacity 2015, was based on a similar effort created in the 1990s called Capacity 21.

Launched in 1992, following the United Nations Conference on Environment and Development, Capacity 21 aimed to promote the involvement of stakeholders in formulating national plans and programs, incorporate environmental and sustainable development principles into national strategies, and create a body of sustainable development knowledge for local development practitioners and the general public.¹² Capacity 21 aimed to achieve the goals established in Agenda 21 of the United Nations, which broadly set forth the objectives of linking social equity, economic growth, and environmental protection.¹³ Mid-term and final evaluations of Capacity 21 were conducted, in 1995 and 2001 respectively, which assisted in setting forth the guiding principles for UNDP’s recent program, Capacity 2015.

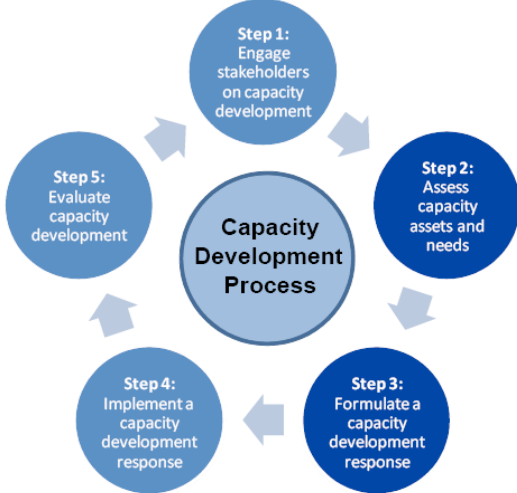
Begun in 2003, Capacity 2015 was a 12 to 13 year program that aimed to build partnerships, networks, and information exchanges, in addition to participation in programs and projects, for the development and retention of local capacity.¹⁴ While continuing the goals set forth by Agenda 21, Capacity 2015’s ultimate objective was the achievement of the Millennium Development Goals. Capacity 2015 was divided into three stages. Phase one (2003-2004) was devoted to engaging stakeholders in dialogue, project design, and reformulating Capacity 21 programs for Capacity 2015. Phase two (2005-2010), focused mainly on implementation, while phase three (2011-2015) will be focused on the implementation of an exit strategy.¹⁵ Results of Phase 1 include the development of the Capacity 2015 Information and Learning Network, which was established in each regional node, and allowed for knowledge exchange with a particular emphasis on providing local stakeholders with the expertise they need to develop their own capacity.¹⁶

IV. UNDP Methodology

UNDP’s methodology in implementing capacity development programs is made up of five steps that

include engagement of stakeholders, assessment of capacity assets and needs, development of a capacity development response, implementation of the response, and evaluation of the program. As illustrated below, UNDP’s methodology constitutes an iterative cycle, rather than a unidirectional process, where stakeholder engagement occurs throughout each step.

Figure 1: The Capacity Development Process



Source: United Nations Development Programme. (2008). "Capacity Assessment Practice Note." October 2008: 4

Step 1 of the process illustrated above, stakeholder engagement, seeks to build political commitments among key stakeholders, in addition to integrating the capacity development program within national objectives, priorities, and plans.¹⁷ Poverty reduction strategy papers or other national development plans, such as a national human resource management plan in the case of Sri Lanka, are seen as starting points of dialogue among stakeholders, as well as representations of strategy harmonization needs.

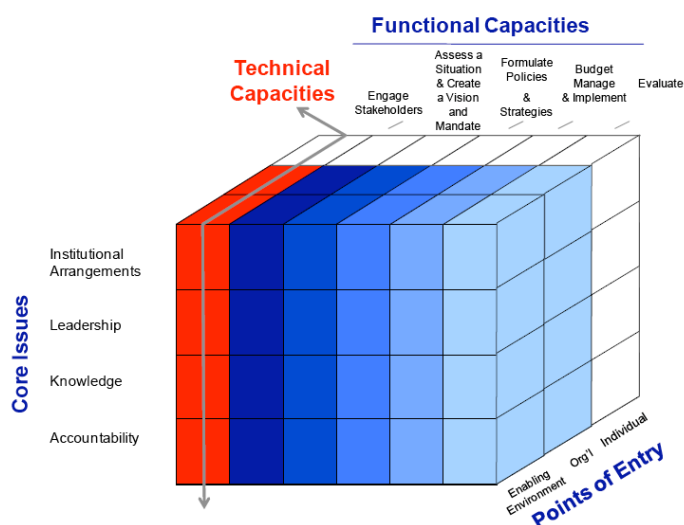
Step 2 of the process, assessment of capacity assets and needs, can be broken down into three sub-phases: assessment mobilization and design, the conducting of the assessment, and the summary and interpretation of the assessment results. During the mobilization and design phase, stakeholders are engaged, objectives clarified, the assessment framework is tailored to local needs, a data collection method is determined, the composition and location of the assessment team is decided, and costs are projected. Within this phase, the key questions of ‘capacity for why?’, ‘capacity for whom?’, and ‘capacity for what?’ are addressed to determine capacity development objectives, the point of entry for targeted action, as well as the functional capacities and core issues that will be targeted. The last two phases seek to measure existing capacities

against desired capacities. The UNDP conducts this analysis systematically through use of an Excel-based tool.¹⁸ Findings from the assessment tool are used as a basis for formulating a capacity development response.

Step 3 of the process, response formulation, utilizes the results of the assessment to develop a capacity development program that is tailored to local needs. The response typically targets multiple core issues and has more than one entry point for action. Within this step, indicators are also developed for future measurement of capacity development progress against baseline data.

UNDP’s capacity development approach rests on four core issues, three points of entry, and targets five functional capacities, in addition to technical capacities, as illustrated below.

Figure 2: Capacity Assessment Framework



Source: United Nations Development Programme. (2008). "Capacity Assessment Practice Note." October 2008: 8

V. Project Rationale

The United Nations Development Programme is interested in enriching their current approach to capacity development through a wide-ranging examination of relevant theoretical disciplines. They engaged a team of development studies students from the School of International and Public Affairs (SIPA) at Columbia University to give closer and more rigorous examination of available evidence to guide UNDP’s support to

national governments to develop their capacity for local development and service delivery.

VI. Objectives

Following this rationale, the objectives for this project were threefold:

- Investigate the theoretical underpinnings of capacity development to support UNDP's capacity development theory and practice.
- Examine the relationships between the four pillars (either in part, as a whole, or in combination with other factors) and improved capacity.
- Identify any relevant components of capacity and its development for further research and potential addition to UNDP's capacity development theory and practice.

VII. Methodology

The team's research methodology evolved to meet the research goals outlined in the above objectives. The methodology also reflects the research team's need to coordinate the learning of the UNDP theory and process, as well as disparate academic disciplines.

1. Find the theoretical underpinnings of the UNDP approach to capacity development

In order to satisfy this objective, the SIPA team identified eight disciplines which were believed to be most relevant to capacity development. These disciplines were selected by conducting basic background research, and soliciting feedback from both the UNDP and the project advisor. As noted in the introduction, these disciplines were the fields of institutional change, systems theory, National Human Resources Development (NHRD), leadership theory, organizational psychology, social cohesion, public administration and management. The team compared the literature with the UNDP approach to capacity development and identified the common ideas that connected approach and theory.

The academic disciplines chosen for research each relate to the UNDP's capacity development approach in

that they explore some element of human, organizational, or institutional capacity. They also represent sectors of academic research that are fully realized, rigorously researched and are approached not only through the kind of debate and theorization that characterize the pursuit of knowledge in an academic setting, but also are deepened with empirical research that represents scientific effort to understand the nature of cause and effect in these areas.

2. Explore other factors which may influence CD practice

The team also identified and explored other aspects within these disciplines that influence capacity development as residuals in the current UNDP approach. Residuals are ideas, practices or other areas articulated within that discipline that may be under-emphasized or absent from the UNDP approach. This was done by first fully understanding UNDP's capacity development approach, and then by comparing the team's disciplinary findings with the approach. As specific residuals were found within the disciplines, members of the SIPA team investigated these, even if that investigation led to research within disciplines that were not originally selected. Residuals common across disciplines were given particular emphasis, so as to identify the most important and theoretically supported new insights that could add to the UNDP approach.

VIII. Findings

The following section outlines the findings in terms of the objectives described above, and is presented following the outline below:

- 1. Disciplinary review**
- 2. Supporting linkages to UNDP approach**
- 3. Cross-pillar linkages within UNDP approach**
- 4. New insights for UNDP approach**
- 5. Summary of findings**

Each of these sections demonstrates the utility of incorporating the theoretical and empirical perspectives of disciplines not explicitly used or addressed in the current UNDP approach.

1. Disciplinary Overview

A brief description of each discipline will help introduce the reader to the breadth of research that was conducted over the course of this project. Systems theory provides a tool and framework with which the other disciplines, and their relation and contribution to capacity, can be better understood. Systems theory helps frame the different elements of capacity as separate components, contributing to the formation of the larger whole. Each aspect of capacity (identified by the UNDP as knowledge, accountability, leadership and institutional arrangements) can itself be viewed as a system. National Human Resources Development is a new approach to conceptually or empirically organizing/rationalizing the processes shaping the human resources of a country, by viewing the different levels of labor force supply and demand, and skills acquisition patterns as components of another type of system. Institutional theory provides a tool for examining the potential two-way impact of capacity development responses on both formal and informal institutions. One element of institutions, social capital, provides a rich set of ideas for how to understand the relation between, and within, institutions. Examining the organizations that comprise the formal manifestation of these institutions, public administration and management theories help unpack the arrangement and use of resources within discrete organizational units. Leadership theory literature and research investigates the different traits, skills, and behaviors that help form effective leaders, while the last discipline, organizational psychology, investigates fundamental relationships between individuals and groups. Taken together, these disciplines provide a deep and broad set of ideas and research that, properly understood and applied, can help expand notions of capacity. The following provide more in-depth descriptions of the selected disciplines.

Systems theory, the study of how systems interact and work together, is an easily generalizable and flexible tool that fits neatly with the UNDP's Capacity Development policy. There are, broadly speaking, two ways of looking at this interaction. The first and most obvious is to consider the activities of capacity development as a system. The guiding principles that drive the UNDP's approach include four core issues: knowledge, accountability, leadership and institutional arrangements. The systems theory framework can be used to understand how these different issues interact with each other—for example stocks of knowledge may affect leadership capacity, which in turn may affect the structure and management of institutions within a country. Second, systems theory can be used to understand how each of these core issues operates as a *subsystem* in and of itself. Furthermore, within such large categories, there are systems-within-systems. For example, the acquisition of knowledge is a process that is studied and deliberated in great detail; the debate over the influence of nature and nurture stretches across biology,

education, and psychology. The risk in pursuing this too far is overwhelming an analysis of capacity with too many factors and systems. Used carefully and with an appropriate amount of contextualization, the chief benefit systems theory brings to the UNDP's policy is a framework for conceptualizing the interactions between social structures and individual actions.

National Human Resources Development (NHRD) takes a systems approach to capacity development by addressing foundations for shaping human *resourcefulness* in a country at both the macro and micro levels. It is important to note the distinction between the 'new' NHRD described above and traditional human resources management which focuses on the intra-organizational management of personnel, typically under a human resources department.¹⁹ The ultimate objective of NHRD is national capacity and therefore emphasizes the development of capacity within the three levels (organizational, individual, enabling environment) simultaneously. NHRD is primarily concerned with creating a set of policies and programs that facilitate optimal balance in labor demand and supply for the achievement of national development goals. In that respect, NHRD is also concerned with processes that incentivize labor supply and demand to shift to the sectors and skills that are needed while at the same time allowing for a workforce of diversified skills. These policy needs associated with NHRD have two major implications: First, the need to develop the capacity of the drivers of NHRD policy to affect and monitor change; second, the need to ensure that individuals maintain a minimum capacity of nutrition, health and education that allows them to improve their human resource capabilities. Poverty reduction is thus seen as key within any NHRD framework. Since UNDP mostly considers CD in the public sector, NHRD can provide a broad systems framework at national (and even regional) levels as contextual to public sector human resources development policies. This approach recognizes that CD in the public sector does not take place in a vacuum, but is deeply embedded in socio-economic matrices surrounding individual livelihood choices in both public and private sectors.

Institutional change theory presents an interesting puzzle: it purportedly represents a distinctive approach to the study of social, economic, and political phenomena, yet it is often easier to gain agreement on what it is not rather than what it is. The sometimes ambiguous and inconsistent use of terminology in the literature, even regarding such commonly used terms as "norms", "transactions costs", "formal" or "informal" rules, and the meaning of the term "institutions" itself, has the potential to create confusion.²⁰ Most authors divide institutions into two categories, formal and informal: formal meaning explicitly stated/enforced (for example, laws), informal meaning informal codes of behavior that are enforced endogenously by the

members of the relevant group. Informal constraints often defy neat specification but include codes of conduct, norms of behavior, as well as extensions, elaborations and modifications of formal rules, and are a part of the heritage that we call culture.²¹ Informal and formal institutions have a side-by-side relationship in institutional change: formal rules change through a political process of deliberate actions by organizations and individuals, while informal rules evolve alongside, and sometimes as extensions of, formal rules. There is a need, therefore, to view institutions in a way that considers the intersection and interaction of formal and informal institutions and how they change. In relation to the UNDP's CD approach, the utility of this theory is to gain awareness of the institutional matrix, that is the comprehensive landscape of formal and informal institutions; and also the ways in which institutions change, or are resistant to change.

The discipline of **organizational psychology**, sometimes referred to as social or group psychology, studies the relationship between individuals and the group, as well as the 'behavior' of organizations as purposeful human clusters of effort. There are two primary methods of interaction—how identity formation, at both individual and group levels, is affected by group processes, and how individuals in turn affect the group. These psychological disciplines are part of a much larger and wider field of group/organizational studies. Placing this specific field in the context of organizational studies illustrates the wide-ranging application of studying the mental processes that form the building blocks of organizational behavior. Linking this discipline to UNDP's capacity development approach requires viewing each of the four UNDP pillars through the research perspective lens offered by group psychology. Individual and group knowledge formation and usage drive elements of accountability and leadership; the overall institutional arrangement of a bureaucracy is discussed explicitly by the theoretical originators of the discipline of group psychology—specifically Max Weber and his examination of the emergence of the rational, modern bureaucracy.

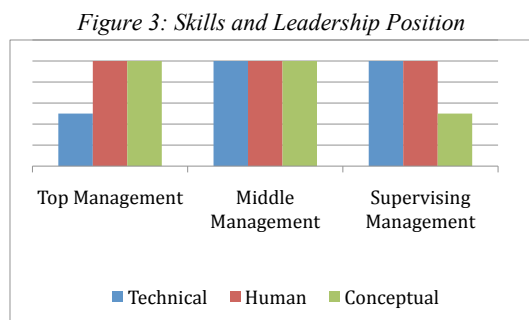
The history of public administration theory illustrates how the public sector has evolved from the top-down bureaucracy to service-based public management, which now includes public and private collaboration. The evolution shows the trajectory of the public sector towards public accountability and institutional change. The traditional model of **public administration**, based on Max Weber's bureaucracy theory was predominant for most of the 20th century.²² Originally, the theory put forth that power was maintained not by any individual but by the position he or she held in some hierarchy.²³ Numerous shifts in the core tenants of the theory changed its focus from power to human relations, to individual attitudes and values, to

organizational structure, and to individual participation and government responsiveness.²⁴ The most recent reform of public administration theory resulted in the emergence of a new market-based paradigm called New Public Management (NPM) to meet the demands of economic problems.²⁵ This new approach emphasizes the role of the government and the relationship between government and citizenry. As technology and privatization have progressed, the role of e-government and public-private partnerships (PPPs) has taken great importance in new public administration theory.²⁶

Management is the coordination of human and capital resources to achieve specific organizational outcomes or goals.²⁷ Management theory is a relatively new discipline. It was brought about by the rise of the factory system and mass production during the industrial revolution in Europe and the United States in the late half of the 19th century, and it has developed throughout the 20th century.²⁸ After World War II, management specialists began to emerge, focusing on how managers should cope with the changes of globalization, increased competition, technological development, and diversification. Many scholars also began to make a clear distinction between managers and leaders and began insisting that a management theory based on empirical observations of managerial practice be developed.²⁹ Management theory now include several approaches such as bureaucracy, scientific management, administrative management, management system, human relations, systems theory, neo-human relations, contingency theory, organization behavior, total quality theory and leadership theory.

Social capital has many definitions, many of which overlap significantly. "Social capital" refers to features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit.³⁰ The World Bank defines social capital as 'institutions, relationships, and norms that shape the quality and quantity of a society's social interactions: social capital is not just the sum of the institutions which underpin a society it is the glue that holds them together.'³¹ Another definition, according to Michael Woolcock et. al., is that social capital is the system of norms and networks that allow people to act collectively.³² Social capital can be seen as morally and ethically neutral, facilitating all manner of individual and collective endeavors.³³ While enabling some, it may constrain others in terms of positioning, exclusion, blacklisting, and fear of alienation.³⁴ Limiting ones conception of social capital by assigning a positive value judgment, seeing it as an asset and a force for good, undermines the usefulness of the concept. At the macro level, social capital is considered an attribute of nations geographic regions, or communities.³⁵ At the micro level, it is defined in terms of individual networks, individual actors, and firms and their interactions with other firms.³⁶

Leadership theory is not represented by one uniform approach, but instead by a multitude of differing approaches that are either descriptive of the characteristics of a leader or prescriptive of what type of leader is needed, given a specific context. One strand of leadership theory which will not be analyzed here is the trait approach which posits that leaders are individuals that are born with leadership traits. Despite having some merits, the trait approach is not a preferred lens for which to look at leadership, because of the difficulty in conducting targeted trait development. Another common descriptive approach to leadership is the skills approach which holds that a set of leadership skills make one a leader. Skills can be classified into three categories: (1) the human skill, commonly referred to as ‘people’ skills (2) Conceptual skills, the ability to work with ideas and concepts for vision creation; (3) Technical skills. Figure 3 below illustrates the required skills needed across all levels of leadership within an organization. It is important to note that the human skill is seen as key regardless of leadership position.



Source: Katz, Robert. "Skills of an Effective Administrator." *Harvard Business Review* 33.1 (1955): 33-42

The style approach to leadership holds that there are two types of leadership behavior:³⁷

1. Task behaviors help achieve objectives through the organizing of work, establishing structure for work environments, defining roles and responsibilities, scheduling work, etc.
2. Relationship behaviors help subordinates feel comfortable with themselves, with colleagues, and with the work environment through the building of camaraderie, trust, respect, and liking between leaders and subordinates.

2. Supporting Linkages to UNDP Approach

Each of the disciplines described above can be used to better understand UNDP's four core issues, or pillars. Each pillar is described below, with linkages from each discipline.

UNDP Pillar - Institutional arrangements

Institutional arrangements can be examined using a variety of approaches that identify the actors involved in and structure of institutions. Organizational psychology begins with a traditional Weberian analysis of the modern bureaucratic structure contrasts rational emphasis on efficiency with traditional emphasis on community. As the process of human development becomes intertwined with rapidly improving and more widespread technologies, human development becomes more mediated through broader institutions of education, justice, and culture, and is explicitly affected through the concrete institutions of corporate, governmental organizations. In the workplace, an organizational psychological perspective, which looks at an individuals' relationship to the organization as a whole, needs to be analyzed in order to understand how institutional arrangements affect those individuals, and how the collective individual response to this effect, in turn, influences the adaptation and growth of the institution.

The concept of Public Private Partnerships (PPPs), developed in **public administration theory**, is explicitly in line with increasing the efficiency of public service delivery, a major component of institutional arrangements in capacity development. PPPs are a useful mechanism to enhance efficiency, transparency, and accountable governance. E-governance can also increase the efficiency of public service delivery because document approvals can be attained quicker, data can be gathered in a shorter period of time, and records can be kept electronically and easily accessible from many different locations at the same time

Management theory emphasizes the individual role of a leader, business efficiency, incentives, and coordination, all concepts related to institutional arrangements. An organization demands an effective manager, especially a leader focusing on change and one who knows how to motivate employees by way of monetary and non-monetary incentives. Organizations also demand managers who know how to coordinate with different individuals and groups to obtain unity of effort, thus avoiding inefficiencies of conflict, toward the accomplishment of organizational goals. These factors are essential in developing capacity at the organizational level and national level at large.

Institutional change theory most explicitly addresses the institutional arrangements pillar, from a decidedly holistic angle. The institutional arrangements of a given setting necessarily include all institutions that may impact, or be impacted by, a capacity development response. North gives informal rules a central role in institutional change, where formal rules change through a political process as a result of deliberate (though boundedly rational) actions by organizations and individuals.³⁸ North combines this theory with a theory in which informal rules evolve alongside, and as extensions of, formal rules. Informal rules are reproduced through an evolutionary process of cultural transmission, and play a key role in institutional change because they often change slowly and cannot be changed deliberately. Following a change of formal rules via a capacity development response, the informal rules which “had gradually evolved as extensions of previous formal rules” survive the change, so that the result “tends to be a restructuring of the overall constraints—in both directions—to produce a new equilibrium that may be a smaller change than intended.”³⁹ From this perspective, institutional change may take some time to fully materialize. The process of institutional change is also path-dependent because individuals learn, organizations develop, and ideologies form in the context of a particular set of formal and informal rules.⁴⁰ Changing formal rules may over time (indirectly) affect the informal rules. Bounded rationality leading to unintended outcomes or inertia caused by pre-existing informal rules can impede or even prevent the successful implementation of an institutional change.

Institutional arrangements take precedence within an **NHRD** framework. Horizontal coordination among national ministries and vertical coordination between the ministries and their line organizations are necessary for attaining a shared vision of national human development goals. The efficiency of national capacity development programs is reliant on how well coordination is undertaken, so that complimentary capacity development strategies for promoting human resourcefulness are undertaken from the national level to the local. Various NHRD analyses advocate the assignment of an apex agency to monitor and provide for the coordination of line ministries. The concept of an apex agency is included in UNDP’s actionable items as well as the UNDP’s Sri Lanka response.

Social capital looks at communities as an influential, but often overlooked, institution. In large formalized institutions the social structure and the values of the society will show through, “like a stain that cannot be painted out.”⁴¹ The development of formal institutions is shaped by informal, social characteristics. Social capital determines, to a large degree, the nature of the public sector’s relationship with the public. Holding

governments accountable to the public is to some extent a matter of institutional design and good governance practices; however, it is the people whom government serves that are best positioned for monitoring its performance and demanding responsive behavior. Societies organized into cohesive groups are more likely to demand and receive accountability, while at the other extreme, civil society can denigrate into rent-seeking interest groups whose goal is not greater accountability. Which of these tendencies prevails may depend less on institutional design than on the nature of civil society.⁴²

UNDP Pillar - Leadership

One approach to understanding why leadership matters for capacity development, from an **organizational psychology** perspective, is to differentiate between management and leadership: Schrujier and Vansina describe management as trying to do things right; while the goal of leadership is doing the right thing.⁴³ Leaders are the voice and direction of organization in reality. Leadership contributes to the effectiveness of an organization (see above for description of how this relates to institutions). This is accomplished by contributing to the formation of policies and other important decision making activities. Power and authority, as embodied and used by leaders, is a functional manifestation of the psychological relationships an organization requires in order to function.

Leadership is necessary to create the incentives to attract and retain skilled labor within organizations. In the enabling environment level, national leadership is the entry point and the main driver of **NHRD** policy. Full support of national leadership is needed for any NHRD plan to succeed.

E-governance, a new concept prominent in **public administration theory**, transforms leadership style and the fundamental relationships between government and citizenry, because it aims to engage, enable and empower citizens by increasing their participation, and enhance government transparency and accountability. E-governance requires leaders to conduct on-going experimental learning, acquire decision-making, as well as risk assessment and analysis skills, by making use of the vast information that is accessible through the internet, so as to increase the efficiency of leadership in capacity development.

Management Theory puts forth that in order to manage an organization effectively, it is essential that leaders have vision, set priorities, plan strategically, and possess communication skills. A good leader

should be creative and active with individuals, and must know how to motivate and inspire people and produce change. Managers organize and work with plans and budgets, and staff to produce control and order. While a manager does routine operational work, it is very important to have a good leader in order to enhance the capacity of an organization.

Various **institutional change** literature accounts for the role of leadership in changes in institutions. The Minneapolis-St. Paul case illustrates the importance of both macro and micro levels of institutional change.⁴⁴ The concept of peer pressure, which was the form of leadership in the case study, is premised on the assumption that there is an elite motivated to interact with and influence private firms, and that those being pressured cared if they are praised or censured.⁴⁵ Nonetheless, the case illustrates the importance of individual-level actors in institutional change. Systems of social control in this case were created and enforced by leaders in a rational and purposive manner: conscious efforts to institutionalize meanings, values, and norms within an organization and in the institutional matrix are effective in changing organizational behavior.⁴⁶ One cannot focus solely on macro- or on micro-level variables, as both are important and have an interactive effect on outcomes; as institutional theory builds holistic theories of organizational behavior, it becomes important to craft models incorporating both.⁴⁷

The major **leadership theories**, examined together, lend support to UNDP's leadership approach for capacity development. The UNDP approach does not illustrate aspects of only one approach, but incorporates aspects of the transformational, style, and skills approaches, thus creating an approach that encompasses leadership for transformation.

Transformational Leadership

One of the newest approaches to leadership theory is the transformational leadership approach, which focuses on the ability of a leader to inspire change in others. Transformational leadership is seen as being of particular importance during times of uncertainty. Rather than prescribing the type of behavior a leader should exhibit, transformational leadership examines characteristics that are typical of leaders who are transforming, or are in a transforming context. In contrast, transactional leadership, which is based on rewards and punishments, may bring an organization and individuals to expected outcomes, allowing an organization move past the expected to achieve outcomes beyond expectations.⁴⁸ There are four transformational leadership factors.⁴⁹

1. Charisma/Idealized Influence: acting as strong role models and embodying charisma. This factor also includes possessing high ethical and moral standards.
2. Inspiration/Inspirational Motivation: the communication of high expectations to subordinates, and motivating them to become committed to the organization vision. In accomplishing this, emotional appeals are used which in turn increase team spirit.
3. Intellectual stimulation: supporting, assisting, and encouraging subordinates to be creative and innovative.
4. Individualized consideration: the provision of a supportive organizational environment in which subordinate's individual needs are listened to. Coaching, mentoring, and advising are key within this factor, although delegation may also be used.

Various streams of transactional leadership have emerged that have focused on the strategies employed by transformational leaders in transitioning organizations. Among them is a study conducted by Bennis and Nanus which found the following strategies utilized by transformational leaders:⁵⁰

1. Clear vision: allows organization members to feel ownership within organization. Empowers members to feel as though they are significant to the organization's goals.
2. Effective communication: allows for the creation of shared meanings within an organization and allows for a change in organization values and norms.
3. Trust creation: by making their own position clear, leaders create a sense of predictability and reliability in uncertain situations. This is also done by continually implementing the direction of the organization vision despite uncertainty in the attainability of the vision.
4. Positive self-regard: creates confidence and high expectations. This factor also includes a dedication towards learning and relearning.

Another model created by Kouzes and Posner includes factors that can be seen as more prescriptive:⁵¹

1. Model the way: clarity in values and philosophy. Follow through on promises and commitments.
2. Inspire shared vision: compelling vision created that guide's people's behaviors. This includes the leader listening to the dreams of others and showing them how their dreams can be realized.
3. Challenge the process: willingness to change the status quo; willingness to innovate.

4. Enabling others to act: building of trust and collaboration among individuals. Teamwork and cooperation are highly valued; listening is seen as key.
5. Encourage the heart: Rewarding accomplishments through authentic heartfelt recognition. Creates greater collective identity and community spirit (social cohesion).

Further Empirical Evidence

A study conducted by Jung, Chow, and Wu (2003) of upper-level leadership in Taiwanese companies found that transformational leadership was directly related to organizational innovation. The leadership created a culture of empowerment and encouragement within organizations.⁵²

The majority of studies on transactional leadership utilized the Multifactor Leadership Questionnaire (MLQ) developed by Bass to assess levels of transformational leadership.⁵³ This assessment tool was found to have strong validity in a business sample of 3,000 raters.⁵⁴ According to two studies of how the MLQ predicts the relationship between transformational leadership and effectiveness, charisma and motivation factors were seen as most likely to have positive effects. Individualized consideration, intellectual stimulation, and contingent rewards are the next most important factors.⁵⁵

Based on the approaches discussed thus far, UNDP’s actionable items for the leadership pillar can be ‘matched’ with a supporting leadership approach, as illustrated in Table 2 below.

Table 2: UNDP Leadership Actionable Items and Corresponding Leadership Approach

Clarity of vision	<ul style="list-style-type: none"> a. Joint visioning exercises – systems thinking b. Setting priorities; sequencing & strategic planning techniques c. Advocacy & communications 	<ul style="list-style-type: none"> a. Relationship/Transformational approach b. Task behavior c. Task/Relationship behaviors /Transformational approach
Coalitions management services	<ul style="list-style-type: none"> a. Process facilitation b. Identification & support to champions and change agents c. Negotiations techniques d. Cross-cultural and gender modules; confidence building modules 	<ul style="list-style-type: none"> a. Task behavior b. Relationship behavior c. Relationship/Skills d. Relationship behavior/Transformational approach

Transformation and risk management skills and services	a. Decision-making skills b. Risk assessment & analysis c. Ethics and values d. Executive/technocratic management skills	a. Skills/Trait Approach b. Skills Approach c. Transformational Approach d. Skills Approach / Task behavior
Leadership attraction and retention systems and mechanisms	a. Coaching & mentoring b. Experimental learning c. Incentives d. succession planning e. brain gain strategies	a. Relationship /Transformational b. Relationship behavior c. Relationship/Task depending on type of incentive d. Task behavior e. Relationship/Task depending on strategy

UNDP Pillar - Knowledge

A fundamental component of capacity development is knowledge. UNDP recognizes that knowledge is not simply a stock or flow variable (something that can be measured at one point in time, or over time). Instead, the current capacity development approach uses the idea that “knowledge is more than information; knowledge is something that learners have to acquire for themselves.”⁵⁶ This means that knowledge is the product of several component parts, the very least of which are information and learners. Higher-level components of a “knowledge” system may include education programs (which can be analyzed in terms of the individuals, organizations, and environments that affect the quality of education) and internal information management systems that affect how an organization collects, identifies, and retains knowledge. This in turn implies that knowledge can be thought of as an *emergent property* of a **system**. This key thought in systems theory holds that certain attributes or items can be thought of as arising from the interactions between their parts. In this example, knowledge emerges from the interactions between information, learners, and other higher-level components. Vicari and Troilo provide an overview of literature describing the complexities of describing information and knowledge management; knowledge creation can be seen as the domain of the individual only, or as the purpose of the organization itself.⁵⁷ Grant’s seminal work also views the organization as a mechanism for coordinating the knowledge of its individual members.⁵⁸ Systems theory can be used to analyze the role of knowledge as it relates to the different points of entry for capacity development initiatives.

Institutional change theory contributes evidence that knowledge, or its counterpart, **bounded rationality**, drives change or lack of change in institutions. Bounded rationality is the concept that actors make decisions based on the imperfect information that they have.⁵⁹ Aoki, in the language of game theory, views institutions as “self-sustaining, salient patterns of social interactions” that give rise to “common knowledge among the players regarding a particular equilibrium path of the game,” so that institutional change involves a movement to a new equilibrium.⁶⁰ New institutional arrangements (or equilibria) are reached through the use of the information that people have available to them at the time and the choices that they make with that limited information. The implication for capacity development is that stakeholders must fully understand the nature and value or benefit of a capacity development response so that the desired change in institutional arrangements can succeed.

Knowledge is of utmost importance to any **NHRD** framework. Knowledge development of the general population, through the use of formal and informal education, continued education, on the job training, and community training, among other types of education, is instrumental in the ability of a nation to build its human resources capabilities for the achievement of national capacity and objectives. Knowledge acquisition, especially through post-secondary institutions, is also seen as key within the national level, as sophisticated knowledge of regional and international economic and social issues must be taken into account in the development of national objectives and their corresponding strategies, in addition to the development of mechanisms to incentivize individuals to acquire nationally desired skills and to incentivize firms. Nations are increasingly taking a more strategic view of these issues, especially in the context of current global economic constraints.

E-governance, under **public administration theory**, requires public administrators to learn information technology to deliver public service more effectively. Globalization has resulted in the new concepts of “thinking globally and acting locally,” “new world,” “global village” and “global management” emerging in public administration theory. Furthermore, sharing best practices of public administration in other cultural contexts is also essential in developing the capacity of an organization.

According to **management theory**, a good manager should sense the need for, and provide in-service training to employees, and learn the skills needed to promote brain gain. An important factor in enhancing capacity is to recruit and retain talent. To meet the changing technology and society, training is very important to maintain the competence of an organization’s employees and competitiveness. It is also essential to retain good managers. Furthermore, a good manager should also learn the different values and

attitudes of employees within an organization in order to motivate them and bring out their potential in their work.

UNDP Pillar - Accountability

Accountability can similarly benefit from being understood as a system itself, and as playing a role in the types of systems that give rise to capacity. A brief review of literature investigating demonstrates that there are several different ways a **systems theory** approach can be used to deepen understanding of this element in UNDP's capacity development policy. Frink et. al. note that in social systems, accountability plays a role because of the expectations that different individuals within a system share.⁶¹ Of course, shared expectations will be manifested differently from culture to culture, and so methods of accountability enforcement will also vary. Hansen presents an extremely detailed analysis of accountability mechanisms in the bidding for American government contracts, noting that there is no universal approach and that the system that is selected may depend on the needs of a particular situation.⁶² McNeal and Christy discuss this application by discussing how accountability initiatives tailored to individual schools, not school systems as a whole, ought to be considered as an alternative to educational reform.⁶³ Philip Tetlock examines the difficulties inherent in defining and analyzing the very notion of accountability. Does accountability arise from within, or is it actually a response to a norm? Tetlock notes "it is useful to think of people as intuitive politicians whose primary goal is to protect their social identities in the eyes of the key constituencies to whom they feel accountable," a statement that reflects the system properties of accountability.⁶⁴

Much of the literature in **the institutional change theory** tradition portrays the organization as a passive, reactive entity entrapped or responding to coercive or cultural forces in an environment: the influence of the institutional matrix or enabling environment can be subtle, working its way into an organization in the form of norms, or direct, as for example an indictment on a felony charge.⁶⁵ It is not necessarily the case however that institutions are rendered powerless by their interdependence—here is a case study in which collective action and institution-building at the inter-organizational level succeeded in creating accountability. The institution of corporate social responsibility in the twin cities of Minneapolis-St. Paul was lacking in the 1970's, but through a combination of the influence of elite private philanthropists and the incentives of a formal reward system and public recognition, institutional accountability was developed. A study by Galaskiewicz concluded that social proximity of CEOs to prominent local philanthropic leaders created salutary peer pressure to increase corporate giving, and that the local Chamber of Commerce

created the “Five Percent Club,” in which private firms donating five percent of before tax profits to charity were publicly given an award.⁶⁶ Corporate giving in the early 1980’s was greater in the twin cities than anywhere else in the United States. This case study found that organizations pursue strategies that serve either their long-term interests or immediate collective interests if the proper set of incentives is in place.

NHRD emphasizes the voice mechanisms of accountability. The advocacy of public participation in NHRD is key to developing shared visions, among the general population, of national goals, in addition to creating necessary knowledge and information networks that assist with knowledge building, and public buy in of NHRD strategies. NGOs and the mass media are instrumental public voice mechanisms through which social buy-in of an NHRD strategy can be attained.

Public administration theory emphasizes the role of the media, in free democracies, in bearing responsibility for promoting accountability to citizens. The desire of the media to seek increased transparency of governmental institutions allows them to advance the legitimate debate between citizens and government about how public resources are spent and whether responsibility is properly shared in increasing the public good. The media can also serve as an effective and reliable communication channel between citizens and governments, one that promotes collaboration and partnership. The media is a powerful tool exercising immense influence over people’s attitudes and opinions. According to **management theory** the mechanisms of feedback loops, information sharing and staff participation are all important in increasing the capability of an organization.

Few would argue that the relationship between accountability and **social capital** in a society is insignificant. The failures of the public and private sector to provide adequate levels of basic utility services in many developing countries has in the past two decades led to the adoption of a community-based approach to water and sanitation delivery. This approach requires cooperation between the government and community in the delivery of water and sanitation. By employing a demand-led design of services and community management of water and sanitation systems, this strategy represents a dramatic shift from the traditional top-down, state-centered approach to water and sanitation management by including much-needed input from the community to be served. The community-based approach is said to have three benefits: it provides a means to better design the water and sanitation systems to fit communities needs and preferences and their means by involving users in the system design; it enables the use of local resources

(such as labor and materials) by involving users in construction and system management, thereby alleviating some of the financial burden of the public sector, and it increases transparency and accountability in resource use by increasing the flow of information and interaction between system users and the government.⁶⁷ Community members are expected to act collectively and design, construct, operate, and maintain the systems together. How effectively the community acts as a group and provides the services has been argued to depend, among other things, on certain aspects of the social structure of the community: in particular, the social and economic homogeneity of users, and the existence of other social networks, associations, and trust between households; in other words, social capital.⁶⁸

Overall, the use of such condominal sewerage in Brazil has improved sanitation coverage: more than 75,000 connections were built in Brazil in 1980-90, serving about 370,000 residents.⁶⁹ This indicates that the community-based approach to collectively designing and managing water and sanitation systems has promise, however, the systems built following that approach generally encounter the following difficulties: sustenance of collective action among residents; actions or inaction of the public agency; and coordination of activities between residents and the public agency.⁷⁰ Social capital can make a difference in the strengthening of public institutions such as utility services, but what would be more successful is a strong public provision of these services bolstered by the social capital of the stakeholders, creating a virtuous cycle of accountability.

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3. Cross-Pillar Linkages within UNDP Approach

Each discipline also helps illuminate the linkages *between* each pillar themselves. Since the core issues are quite broad, these linkages can be described easily; the added value of viewing linkages through the research present in these disciplines is that evidence and theory can be provided. If institutions are the “policies, procedures and processes that countries have in place to legislate, plan and manage the execution of development, rule of law, measure change and such other functions of state”, then those policies, procedures and processes will need to be shaped and implemented by strong organizations, lead by capable leaders. Those leaders in turn will need to be accountable. There are many other possible variations on this type of theoretical connection. Delving into the literature helps show *how* these linkages actually play out in reality, by providing empirical evidence gleaned from primary research done across these disciplines.

The new concept of e-governance in public administration increases the need for knowledge because in

order to implement e-government a public administrator has to learn cutting-edge technology. It requires a new style of leadership because it transforms the method of public service delivery, a major component of institutional arrangements. Such a reform will create a more flexible model of governing that combines responsiveness, collaboration, and citizens' ownership. Efficiency, market-based solutions, social equity, democratization, humanization, responsiveness, collaboration, citizens' ownership and rule of law are key to understanding both contemporary and future administrative reform. The importance of learning to E-governance clearly demonstrates the importance of **knowledge** for effective institutional **arrangements**.

The effective way of managing an organization shows that **institutional arrangements** and good **leadership** are essential for enhancing the capacity of an organization. To achieve these two goals, **knowledge** is the precondition, because without learning advanced technology, the capacity of leaders at the individual level, and consequently the capacity of the organization, cannot be developed. On the basis of the above, an organization can be more accountable and responsive to the needs of its employees, and the efficiency and competitiveness can be enhanced.

Knowledge supports the **leadership** pillar. Three fundamental aspects of knowledge are identified through the organizational psychology lens: knowledge of the leader (which, combined with individual ability, contributes to their effectiveness), contingency theory—the idea that there is no one best way for leadership or organization—is based on the idea that there are important flows of knowledge about the workings of an organization, the environment, and knowledge about how to adapt. On the level of the firm or bureau, knowledge transfer (sharing knowledge within an organization) has been demonstrated to be a basis for improved competitiveness or efficiency (depending on whether the context is the public or private sector). Research has demonstrated that “employees who believe they have been treated unfairly are likely to respond with reduced job performance, organizational commitment, or organizational citizenship behavior.”⁷¹ Encouraging a culture of accountability within an organization may strengthen an organization's efficiency and output by helping individuals within the system see more clearly the balance of work, the output of other colleagues, and help enforce a sense of share in the organization's work.

Public-Private Partnerships (PPPs) are good way to promote participatory monitoring process, checks and balances, develop monitoring capacities of both for state and non-state, advocate civic education, and even language reform.

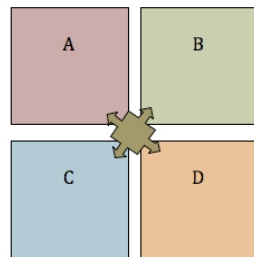
4. New Insights for UNDP Approach

Institutional Spillovers

The single clearest insight from theories of **institutional change** with respect to capacity development is that institutions impact each other; this also echoes the feedback loops associated with systems theory. In order to produce the desired change, a capacity development response must adequately take into account the overall institutional matrix: is the response compatible with the existing institutional landscape? A problem of compatibility may manifest in relation to informal institutions that interact with the formal institution to be changed: when introducing a new formal institution, or modifying an existing one, it may be possible to change the surrounding formal institutions (for example, by rewriting relevant laws), but the informal institutions (customs, business practices) may not change as easily.⁷²

Institutions may also impact each other in unexpected ways. A capacity development intervention will have some unexpected consequences. If a reform is introduced into formal institution A, it most certainly does not occur in a vacuum—spillover effects may be observed in the surrounding formal and informal institutions (see the below visualization). Or, as follows the above discussion, if a reform is instituted into formal institution D, but informal institutions B and C inhibit its integration, the intervention may be met with limited success.

Figure 4: Institutional Spillovers



The Role of Expectations and Past Decisions

Another important insight from theories of institutional change is that expectations matter. For example, informal social norms enforced within a community can be viewed as coordinating the expectations of

many (rational) people about the actions that each will take.⁷³ Formal rules can also be viewed as devices for coordinating expectations. For example, a formal rule making one individual a policeman may systematically alter others' perceptions about how his or her new actions are to be interpreted, and how other individuals or groups will respond: if the rule is effective, then by virtue of his role, the policeman can take actions and give orders which would not be followed if he were an ordinary citizen. The key point is that the "rules," and the behavior of the enforcer of the rules (policeman), is treated as an endogenous outcome.⁷⁴ As another example, wars are often governed by "rules of war" (such as the Geneva Conventions). Because of the lack of a higher enforcement authority, they must be self-enforcing to be effective. That is, the behavior specified by the "rules" must be a tacit consensus of expectations. A new rule that fails to shift people's expectations in the desired way may have no effect at all.⁷⁵ Thus institutional change is not only about changing rules, but about changing expectations. The implication for capacity development is that if there is no change in expectations along with a formal change through a capacity development response, the change will likely be met with limited success. It is therefore important to be aware of expectations, the informal institutions from which they may originate, and the way in which they may be changed to facilitate a beneficial change.

A concluding insight area from institutional change theory is the importance of understanding how choices made in the past create institutions that generate patterns of constraint and opportunity in the future.⁷⁶ The role of the IMF in promulgating central bank procedures that now limit the choices available in confronting financial crises is one example. On the positive side, another example is how the WHO's efforts to create national health ministries have become crucial in the fight against HIV/AIDS.⁷⁷

Social Capital

The utility of theories of social capital lies mostly in its application to UNDP's five-step capacity development cycle. Putnam's social capital concepts of bridging and bonding have much to add to a discussion of capacity development. Bonding refers to the social network between homogeneous groups of people (for example, within a public sector organization), while bridging refers to social networks between heterogenous groups (for example, between organization and civil society).⁷⁸ The capacity development process, in the engagement phase, utilizes and builds upon existing social capital stock to strengthen institutions, to identify where there is bridging and bonding to be done. Engagement of stakeholders, and retaining of stakeholders throughout the process, will depend on a good understanding and harnessing of existing social capital. Social capital, its networks and informal institutions are a *transmission route* for capacity development and change.

E-democracy

In the next generation of public administration, the rule of law or the information revolution may become even more dominant. Currently, terms such as “electronic democracy,” “digital democracy” or “democracy.com” are becoming more common. New technologies have made it possible for both citizens and government to develop democracy further through online forums that encourage debate and facilitate deliberation. It shows that not only e-government changes the way of government management but also may incur a fundamental change in the whole political system.⁷⁹ However, there are some challenges in e-democracy. The gap between the rich and poor in internet access is the biggest obstacle, the so-called “digital divide.” Overcoming this gap requires training and infrastructure placement to increase knowledge, and to enhance awareness and encourage empowerment. The concept of e-democracy could have ramifications on how accountability and public participation is achieved within organizations.

Health

Nutrition and health are instrumental within **NHRD** because the general health, including mental health and stress management, of the population is directly related to the ability of that population to build their human resource capabilities to meet labor demand needs. Empirical evidence in poverty literature further supports the importance of nutrition within an organizational setting. A review conducted by Leibenstein, of numerous empirical studies on productivity, found that nutrition, up to a maximum level, was directly related to individual effort.⁸⁰ Malnourished individuals within an organization have lower levels of effort which in turn negatively affects the profits of an organization as a result of decreased efficiency and an organization’s provision of additional resources to fill the effort gaps with additional labor. Additional analysis of how stress affects effort may also yield considerable insight for UNDP’s capacity development approach.

Utilizing NHRD and a Systems Approach

NHRD posits that a systems approach to capacity development is a useful tool for CD practitioners, and thus capacity development programs must not only target the organizational level, but also the individuals who are supposed to supply those organizations with labor and the enabling environment (both public and private sector) which includes relevant laws, legislations, and economic policies. The enabling environment within NHRD is expanded to not only include the national environment but also the regional and international environments, as well as public and private sectors within each of these environments, which

may be conducive or unfavorable to a capacity development program.

NHRD, while emphasizing simultaneous capacity development programs of the labor demand and labor supply sides, sequences capacity development by affirming the need to develop the capacity of the capacity developers first. In that respect, highest level national ministries must be specifically targeted at the beginning of an NHRD plan. This sequencing is sensible given that the efficiency of a national ministry directly relates to the effectiveness of policy formulation and implementation.

Leadership, Institutional Arrangements, and the Role of Emotional Intelligence

The majority of leadership approaches assign considerable weight to the relationships between individuals in an organization. Those relationships are governed by individuals' emotional intelligence (EI). The emotional intelligence of organizational leadership affects organization effectiveness through its impact on organizational climate. At the same time, the human resource (HR) functions of recruitment and selection, training and development, and management performance have a strong impact on leadership EI. However, leadership influences the extent to which HR functions are effective in helping organizational members increase their EI. Leaders who lack EI provide poor models for the development of EI in others.⁸¹ The relationship between EI strengths in a leader and unit performance is mediated by the climate the leader creates. Climate indicators include: the degree of clarity in communications, the degree of employees flexibility in doing their jobs/ability to innovate/ownership of responsibility for their work, and the level of performance standards.⁸² The EI of a leader is the greatest driver of climate, and climate accounts for 20 to 30 percent of organization effectiveness.⁸³ Thus, EI could be a major criterion for hiring and promotions, especially into leadership positions.

Based on analysis of outperforming individuals within an organization, emotional competencies were twice as prevalent as cognitive abilities and technical skills. The higher the position in an organization, the more EI matters. For individuals in leadership positions, EI composed of 85% of their competencies.⁸⁴ This guides who is hired, who is fast tracked for promotions, and where to focus development efforts.

Emotional intelligence has been found to be a critical factor in leadership across countries and cultures. A study of 515 executives in Latin America, Germany, and Japan by Egon Zehnder International found that executives with high emotional intelligence were more likely to succeed than those with a high IQ or lengthier work experiences. The study found that 74% of successful executives had high emotional

intelligence, while only 24% of unsuccessful executives had high emotional intelligence, regardless of culture.⁸⁵

There is increased support for the concept of emotional intelligence. To this effect, specific emotional intelligent behaviors are needed given specific contexts, supporting the contingency approach to leadership. A technical report developed by the Consortium for Research on Emotional Intelligence in Organizations found a best practice methodology to developing emotional intelligence in organizations as well as 22 guidelines that transverse UNDP's CD pillars. This methodology could assist UNDP in targeting the development of emotional intelligence within organizations.

Leadership Alternatives

Alternatives to leadership development focus on institutional arrangements and accountability mechanisms as a substitute for leadership or leadership development. Alternatives focus on building the capacity of organization teams to fill the role of a leader and thus focus on both building relationships and tasks between teams. Alternatives include peer appraisals, peer support networks, mentor systems, an automatic organization reward system such as commissions or profit sharing, the development of a company mission statement and codes of conduct, the specialized training of personnel, the designation of an organization conflict mediator, performance feedback mechanisms, and team building activities.⁸⁶ Jon Howell, et. al. has developed an assessment methodology to be used to determine whether substitutes, supporting mechanisms, or targeted development is needed for leadership. This methodology could be utilized by UNDP in determining how much weight to assign specific pillars in the development of a capacity development response.

Utilizing a more targeted approach to Leadership Development

Prescriptive approaches of leadership theory may assist UNDP's approach in conducting a more targeted leadership capacity development. Both prescriptive approaches recognize the two different behaviors of a leader, relationship or task, but emphasize the use of a specific behavior given the organizational context.

The situational approach to leadership posits that effective leadership depends on matching the correct leadership behavior with the level of motivation and competency of subordinates within an organization.⁸⁷ Thus, leadership style is matched according to subordinate needs. Despite the use of this approach by the majority of Fortune 500 companies in the United States, this approach lacks the empirical evidence to support it. In addition, studies have shown that subordinates desire for a task or relationship orientation

may be more correlated with gender, years on the job, and education level.⁸⁸

A more empirically proven prescriptive approach is Fiedler's contingency approach which prescribes leadership behavior according to the structural context within an organization. Situations can be characterized in terms of three factors:⁸⁹

1. Leader-member relations: group atmosphere, degree of confidence, loyalty, and attraction that followers feel for their leader.
2. Task structure: degree to which the requirements of a task are clear and spelled out. A task is considered structured when (a) the requirements of the task are clearly stated and known by the people required to perform them (b) the path to accomplishing the task has few alternatives (c) completion of the task can be clearly demonstrated (d) only a limited number of correct solutions to the task exist.
3. Position power: the amount of authority a leader has to reward or to punish followers.

Together, the three factors determine the favorableness of situations in organizations. Situations that are rated most favorable are those having good leader-follower relations, defined tasks, and strong leader position power. Situations rated least favorable have poor leader-follower relations, unstructured tasks, and weak leader position power. Moderate situations fall between the two extremes. The diagram below illustrates the interaction of three factors and the corresponding leadership behavior that is required.

Table 3: Fiedler's Contingency Model

Dimensions:	3 Situations							
Sit Con (Situation Control)	High Sit Con Situation			Moderate Sit Con Situation			Low Sit Con Situation	
LMR – Leader-member relations	Good			Good	Poor		Poor	
TS – Task structure	High		Low	Low	High		Low	
PP – Position power	High	Low	High	Low	High	Low	High	Low
Situations	I	II	III	IV	V	VI	VII	VIII
Predictions	TASK MOTIVATED BEHAVIOR WITH SLIGHT RELATIONSHIP MOTIVATED			RELATIONSHIP MOTIVATED BEHAVIOR			TASK MOTIVATED BEHAVIOR	

(Source: Fiedler, F. E. (1967). *A Theory of Leadership Effectiveness*. New York, McGraw-Hill.)

Behavior type can be assessed using an LPC (least preferred coworker) test. The effectiveness of a leader depends on matching a leader with the correct LPC score to the situation. This approach is supported by extensive empirical evidence.⁹⁰

Culture and Organizational Behavior: China Case Study

Capacity cannot be developed without a thorough understanding of people's behavior, norms, and perception in an organization. Behavior is regarded as a kind of psychological activity that is unique within a specific culture (local or national). Organizational behavior and culture is closely linked to the organizational level in capacity development, and the core issues of institutional arrangement, leadership and knowledge. Culture/organizational behavior can be a strong source of motivation and behavioral control towards collective ends.⁹¹ Culture is also a tool that can be utilized by leadership to enhance organizational performance. The creation, maintenance, and change of an organization's culture are the leader's primary responsibility. In practice and research, public management also increasingly incorporates culture as a manageable variable for bringing about organizational reform, such as creating an uplifting mission and organizational culture and breaking away from the traditional bureaucratic paradigm.

Culture is mentioned in many literature of capacity development, especially in its implementation in a specific country like China, where one of the main conventional international theory and practice did not fit the specific culture due to different historical and cultural reasons. Community participation in China arises from a complex phenomenon of historical, political, institutional, social and cultural realities. There is a general lack of clarity in the meaning of participation, which can create serious misunderstanding for farmers and officials alike. For farmers, the concept is sometimes associated with mass mobilization campaign and unpaid participation in infrastructure development. For instance, during the mass mobilization campaigns of the Great Leap Forward in 1950s and Cultural Revolution in 1960s, rural residents were constantly mobilized for political participation, community labor and community cost sharing, activities which tended to benefit mostly Party cadres, government officials, and local leaders. Farmers thus negatively associate the term “participation” with the worst effects of these social experiments. Chinese policy leaders also remain skeptical of participatory approaches and are often reluctant to introduce them because they require a fundamental change in both of their own working skills and attitudes. Furthermore, the characteristics of the administrative context in China are inherently structured towards centralized decision-making and bureaucratic control. Thus government administrators prefer to maintain the status quo in order to fulfill their bureaucratic interests. The transfer and rotation of staff becomes a significant issue when capacity has been outside of local control. In this case, not only the training officials will disappear, but it creates a lack of ownership and commitment among officials who know that they may soon leave.

The Implementation of A Public Private Partnership (PPP) Project in China

The intention of PPPs is to shift the development paradigm, take the needs of the vulnerable community into consideration, and create a role for them in their own development.⁹² The inherent goal is to change the concept from “beneficiary” to “participation”.⁹³ However, this western concept has encountered some unique obstacles in its implementation in China.

The concept of public and private partnerships (PPPs) was brought to China in the late 1980s.⁹⁴ In enhancing PPPs in China, the dominant role of the central government and the critical roles of local governments must be taken into consideration.⁹⁵ China has an extensively developed network of local organizations (multiple channels as well as multiple tiers) which have had tremendous effects in bettering a variety of economic and social measures of development, over the past two decades. The central government is fearful that it will lose its “power” when communities have more ability and the right to make their own decisions.⁹⁶ As with other countries, partnerships will eventually be set up in line with the

economic, political, cultural and historical conditions of China, as these continue to evolve.⁹⁷

In implementation, shifting the current system into more participatory structures requires institutional change as well as improving individual capacity for engagement in participatory. Individual capacity refers to attitude, knowledge and skills.⁹⁸ Attitudes towards the poor have long been the major point of the top-down, non-consultative approaches in China. The project showed that villagers were willing to participate as stakeholders in the planning of the project.⁹⁹ The case of China clearly illustrates that capacity development can only be implemented by understanding the local cultural, social, economic and political contexts.

5. Summary of findings

These findings demonstrate the utility of reviewing related but distinctly separate disciplines with the UNDP's current approach to capacity development. There are a number of different ways these disciplines can be used to analyze and expand notions of capacity. Through the research objectives that guided this work (investigating and identifying supporting linkages, cross-pillar linkages, and new insights), the team found evidence and theory that generally supports the UNDP approach, and did not identify any instances of direct conflict with the theory researched. These findings provide rich contextual evidence that can broaden and strengthen the UNDPs approach, by incorporating private sector approaches to leadership cultivation, investigating the utility of the emerging field of e-governance, examining cutting-edge research in employee motivation, and using systems theory approaches to improve assessment tools.

IX. Recommendations

The SIPA team recommends to UNDP the following three points, based on our findings, objectives, and insights.

1. A formal policy analysis should be conducted of UNDP's methodology to examine ways in which the new insights could be integrated. The analysis should give specific focus to the assessment portion of the project cycle including the assessment tool. Integration of the new insights into a UNDP approach might mean significant changes to the assessment questionnaire. The UNDP should analyze ways and methods in which the assessment may change, in addition to conducting research on appropriate and reliable ways of measuring the new insights. A number of assessment

tools and methodologies were identified in the ‘new insights’ section of this paper, and may assist UNDP in analyzing how best to incorporate the new insights into their current approach.

2. A comparison of this team’s research findings with the actual UNDP experiences on the ground should be conducted. An analysis should be done measuring ways in which, if any, theory differs from actual experiences. If divergences do exist, analysis should be conducted examining the reasons for disparity and whether those reasons are captured by the theoretical literature.
3. Finally, we recommend for the UNDP to continue its partnerships with the academic community. Over the course of this project this team has tried to master the selected disciplines. We found the disciplines to be far reaching, complex, and documented by extensive sets of literature. Continuing partnerships with academic community will serve as the most efficient method for the UNDP to continuously keep watch over new theoretical insights within disciplines, in addition to new disciplines. Partnerships will allow for the continuous appraisal of the UNDP’s approach and will prevent the approach from becoming static.

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