

2/1 OPEN SYSTEMS MODEL

What is it?

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

Table 6: Structuring Information on Institutional and Organisational Characteristics

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

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

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

CHECKLISTS

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

Checklist 1

External Environment Checklist

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

9. Consider the key elements of Institutional Analysis.

Figure 5: Institutional Analysis

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

Checklist 2

Checklist on Financial Resources and Systems

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

Financial management

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

Accountability and auditing

Budgeting

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

Checklist 3

Checklist on Role and Strategy

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

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

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

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

Checklist 4

Institutional Models – Culture

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

Checklist 5

People and Human Resource Management

HR responsibilities

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

Record keeping and manpower planning

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

Rewards

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

- pension
- flexible hours
- child care

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

14. Do people get paid on time?

Performance management

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

Development

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

Recruitment

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

Promotion

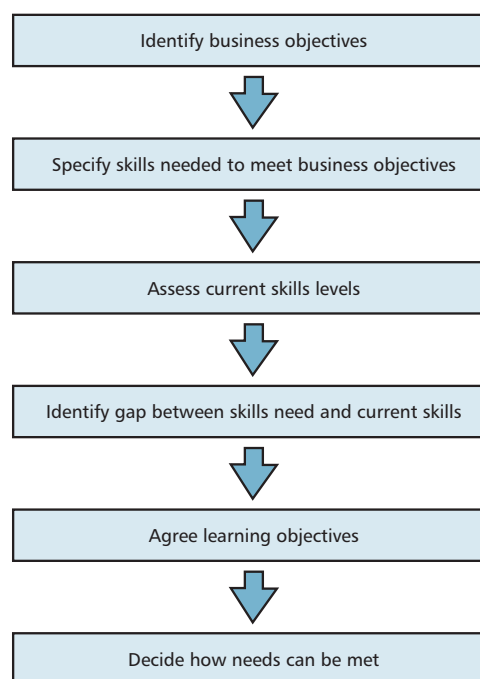
28. Is there a clear grading and career structure?
29. Are there opportunities for promotion?
30. Is promotion the only way to get an increase in pay/status?
31. Are there clear criteria for promotion?:
- performance in the job
 - years' service
32. What is the promotion process?:
- individuals apply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

Exit

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

Identifying and meeting development needs

Identifying needs



Meeting needs

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

Checklist 6

Checklist on Management Systems and Practices

General

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

Checklist 7

Reviewing organisation structure

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

Structure: Centralisation v. Decentralisation

For Centralisation

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

For Decentralisation

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

Factors influencing degree of centralisation

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

Checklist 8

Checklist on Outputs and Performance

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