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SOME IDEAS ON INSTITUTION DEVELOPMENT

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## Some Ideas on Institution Development

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As we look at the total history of mankind we find that improvements in technology and resulting rise in income have been occurring in almost every society. The discovery of technology was sporadic and its use would rise and fall so that examination of the economic welfare of the world over one thousand year intervals might not show progress over every interval.

There occurred in England, however, a series of technological changes in the 18th and 19th century which resulted in rise per capita productivity so rapid that it could be measured by decades. This "take off stage" of economic growth soon spread to Western Europe, North America, Australia and New Zealand. Later it spread to Japan, Russia and Eastern European countries.

A large number of social scientists and especially economists have concerned themselves with the cause of economic growth. Waves of theories have crossed the academic horizon as growth has been explained by the Protestant ethic, capitalism, capital-labor ratio, availability of markets, incentive structure, developed manpower, etc. Most of the economic barriers center around a capital shortage yet Robert Solow has estimated that of the increase in output per man-hour in the United States from 1909-1949, not more than thirteen per cent was due to increase in capital.<sup>1/</sup>

Moses Abramovitz came to a similar conclusion in a statistical analysis of a longer period in the United States.<sup>2/</sup>

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1/ Robert L. Solow "Technical Change and the Aggregate Production Function". Review of Economics and Statistics Vol. XXXIX, August, 1957. Pp. 312-320.

2/ Moses Abramovitz "Resource and Output Trends in the United States since 1870". National Bureau of Economic Research, Occasional Paper No. 52, New York, 1956.

If economic growth is not due primarily to capital inputs, what are the major causes? Hagen attributes economic growth to the discovery of new knowledge which makes possible an increase in the output of goods and services per unit of land, labor or capital and the incorporation of that knowledge in production processes. He further states that it includes "not only scientific and technical advances but also the devising of new forms of organization or methods of procedure which make the society more efficient in production." <sup>3/</sup> The focus of this paper will be on the new forms of organization needed to foster economic growth. The term "institutional structure" will be used instead of "form of organization" whereby "institution" means a formal or informal organization designed to attain or maintain societal goals. By structure is meant the pattern in which the constituent parts are organized or put together to form the whole. Institutional structure, then, refers to the organizational characteristics of the institution. It includes those characteristics of the institution which exercise a strategic influence on the decision making process within the institution and effects the work decisions and productivity of the personnel of the institution. Institutional structure is a composite of basic structural characteristics.

I wish to assert two underlying propositions - propositions which I believe can be well supported but time does not permit me to validate fully today. The first proposition is that institutional structure affects the attitudes, work habits and productivity of the personnel within the institution which, in turn, determines the performance of the institution. Institutional performance refers to how well the institution attains or maintains societal goals or those objectives which society has designated to the institution.

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<sup>3/</sup> Everett E. Hagen "On the Theory of Social Change". Dorsey Press Inc. Homewood, Illinois. 1962, p.11.

It is recognized that developing and traditional societies have different goals. The goals of traditional societies are more social and can be characterized as being the survival of the tribe, the extended family and the group, while the goals of a developing society are more economic and focus more on the development and survival of the individual. The values, attitudes, work habits and productivity of developing and traditional societies also differ greatly. It follows that institutional characteristics would also differ between these two types of society. Hagen finds that traditional societies are characterized by close interpersonal relations, hierarchical social structure, predominance of spiritual forces, authoritarian personality, elitism, and status by birth rather than merit.

The second proposition follows from the first, and that is that countries attempting to move from traditional societies to economically developed societies must be willing to fundamentally alter their institutional structures.

It is hypothesized that the following structural characteristics are essential for a developmental institution:-

- a. Clearly defined goals
- b. Democratic decision making process
- c. Mature and experienced leadership
- d. Delegation of responsibility and authority
- e. Adequate physical and fiscal resources
- f. Staff improvement program
- g. Continuous program review
- h. Linkages with other institutions which have similar goals
- i. Promotion based on merit

a. Clearly Defined Goals

The determination of goals is the initial indispensable step for any institution. Unless the objectives of an institution are

clearly delineated and understood, internal policies will be confused, programs will be working at cross purposes, and the personnel will be frustrated.

b. Democratic Decision Making Process

The people who are affected by an institution's decisions should have a voice in the formulation of policies which affect them. This is necessary so that the decision maker(s) has been apprised of the interest of all of the people affected by the decision. It is also necessary for personnel morale. A central truth of psychology is that a person puts forth his best efforts under conditions that he has helped to determine and that satisfy his need for self-expression and growth. It is for this reason that democratic administration in which all participate is superior to authoritarian administration. This broad participation does not mean that the administrator yields all of his rights to make a decision. The administrator may disregard the recommendations if his judgement tells him to do so. When he does he should inform the people involved and give his reasons for deciding contrary to their recommendations.

c. Mature and Experienced Leadership

Leadership is the key to institution building. The leadership sets the tone of an institution, inspires its people to work willingly and enthusiastically. Leadership is more a matter of influence over people than an authority over them. Leaders need technical, human and conceptual understanding as well as judgement and imagination. Many of the qualities of leadership cannot be determined by aptitude tests or personal acquaintance. It is, therefore, necessary that these qualities be tested in actual leadership roles. These leadership roles include committee chairmanships, acting department heads, department heads etc. It takes time, therefore, to localize the leadership positions.

d. Delegation of Responsibility and Authority

The sine qua non of effective administration is the delegation of clearly defined responsibility and authority to subordinate departments and staff. Delegation of responsibility and authority gives each employee a particular task so he may limit and concentrate his attention on that task. If each employee understands and shares the objectives of the institution he should be able to work out his own method of meeting the objectives for which he is responsible.

e. Adequate Physical and Fiscal Resources

There is a critical limit of resources which must be allocated to an institution before it can function effectively and efficiently. This limit will be contingent upon the type and purpose of the institution.

f. Staff Improvement Program

Stagnancy is a disease which attacks individuals and institutions when the staff becomes inbred and loses contact with the larger society. In order to ward off the disease it is necessary for staff members to remain in close contact with developments within their professional field and outside of their home institutions. Outside professional contacts are especially necessary for smaller institutions where there may be only one or two staff members in a professional field.

g. Continuous Program Review

The recognition of continuous program review as a necessary institutional structural characteristic has only recently been acknowledged. In the United States many institutions employ personnel to perform only this function. These "think tanks" may be a permanent part of the institution and built into the organization or they may be short term consultants. Continuous

program review is more important in a stable, well established and traditional institution. Conversely, a growing institution with a steady influx of new personnel with new ideas has less need for a deliberately contrived program review.

h. Linkages with Other Institutions which have Similar Goals

The areas of developmental activities usually cannot be so clearly demarcated that the institutions within these areas can operate effectively without coordinating their activities with other institutions. It is, therefore, necessary to build formal and informal linkages to (a) minimize duplication of activity, (b) identify gaps of activity, (c) coordinate joint activities, and (d) establish communications.

i. Promotion Based on Merit

It is almost a truism in economic development that a person will work harder if the fruits of his efforts accrue to himself or his designee. This is true whether the fruits of labor be money, status or power.

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