Study on Capacity, Change and Performance

A balanced approach to monitoring and evaluating capacity and performance

A preliminary proposal

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1 Introduction

The Study on Capacity, Change and Performance has conducted 16 case studies in different sectors, under different circumstances and covering a wide variety social organisation. It describes capacity as *"the emergent combination of attributes that enables a human system to create developmental value"*. From the case studies, the study identified five *core capabilities*, which to the degree that they are developed and integrated successfully, ensure overall capacity. All five are necessary, yet none are sufficient by themselves. In each case, actors tried – in different ways and with varying degrees of success – to balance all five as they did their work[1].

The information from the case studies provides a great opportunity to enhance our understanding of various aspects of development cooperation that focus on capacity. One of these is monitoring and evaluation of capacity and performance. So far the practice of monitoring and evaluating capacity and capacity development has failed to fully recognise the combination of 'hard' and 'soft' characteristics that make up effective capacity. And while 'balanced' approaches that address both the hard and soft sides of performance have been developed in business, in development such approaches are as yet underused and perhaps, undervalued. This publication proposes a 'balanced' approach to assessing capacity, which integrates both the 'soft' and 'hard' sides of capacity and performance. It can form the basis of a comprehensive approach for monitoring and evaluating capacity and performance in practical, multi-stakeholder settings.

Diagram 1: A balanced approach to monitoring and evaluating capacity: assessing change on five core capabilities that affect capacity and performance directly

Capability to produce development results:

What results should we achieve in order to satisfy our target groups and donors? Did we? How? Why?

Capability to relate and create adequate operating space:
What space/relationships should we uphold to be able to achieve our objectives? Did we? How? Why?

Capability to achieve coherence/Vision/Strategy:

What, When, with Whom, How?

Capability to self-organise and act:
What should we be good at in order to act efficiently and effectively? Were we? How? Why?

Capability to adapt and self-renew:

What internal or external trends/factors should trigger internal and/or network change and innovation? Did we respond to these? How? Why?

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[1] Peter Morgan (2006). *The Concept of Capacity.* Draft version, May 2006. p.8.

Our approach takes as a point of departure the five core capabilities identified through the ECDPM Study on Capacity and Performance. These provide a perspective that can help visualise (+/-) change in overall capacity. We may stipulate that at each system level – individual, organisation, network, or system as a whole – *changes observed in these five dimensions mean that capacity and performance are changing.* Progress indicates that they are improving while lack of progress or even a downward trend indicates that capacity and performance are stagnant or worse, deteriorating. Hence, we propose to use these five core capabilities as *judgement criteria* to monitor capacity and performance for development – see also diagram above.

Assuming this perspective allows us to capture the rich, practical and multi-dimensional nature of capacity change and performance and ground our assessment on the insights and actual experience of stakeholders in the field. It also allows us to go beyond merely looking at development results, or impact, to include the full range of DAC evaluation criteria: relevance, effectiveness, efficiency, sustainability and impact. In our view, any *capacity initiative may only be considered successful* if it can be plausibly demonstrated that its interventions have effectively and efficiently contributed to relevant and sustainable changes in the *core capabilities of developing systems*, in line with *the vision, strategy and objectives the system has set for itself.*

Of course, our approach needs to deal with the fact that different stakeholders will have different visions and develop different strategies to achieve greater capacity and perform better in any given situation. In practice, donors and implementing agencies for example, frequently express and nurture vastly different views on capacity. Peter Morgan's paper sheds light on these differences and where they stem from. But also local stakeholders within one system may hold quite different ideas. These differences in views and perspectives can not be shoved off the table by referring to lack of maturity of the system or a temporary lack of consensus amongst its key actors. On the contrary, vast amounts of research underline that such differences of views generally represent legitimate differences of perspective between stakeholders and that if handled well, they form drivers for change and innovation.

Therefore, an important first step in developing any monitoring framework for assessing capacity and performance in practical situations is *to specify the diversity of views and perspectives* with relevant stakeholders, and to identify which are the most pertinent ones. This implies that any framework used to monitor capacity and performance is to be *calibrated with the relevant stakeholders* involved before putting it to use.

2 How can such an approach to assessing capacity be used?

An assessment framework developed and calibrated in such a manner can be used in multiple ways, and can thus serve a variety of purposes:

Firstly, it can be used by the stakeholders involved to keep track of capacity change in practice, to determine whether progress is achieved or not, and to discuss and debate the reasons why. This way it can support (multi-stakeholder) organisational learning and help improve capacity initiatives, assessing the impact of certain interventions against defined objectives.

Secondly, "capacity" is an elusive attribute in strategic planning. The calibrated assessment framework offers the possibility to plan for capacity change much more systematically, defining specific indicators for measuring progress on different desired capabilities.

Thirdly, the calibrated monitoring framework can be used to execute joint evaluations between donors and local stakeholders; while the local stakeholders use it to gather information on a regular basis, draw lessons and seek improvement of their interventions, the same calibrated framework will allow donors to conduct external evaluations, aggregating data over various periods, asking long term strategic questions and debating longer term trends and effects.

3 Monitoring capacity and performance: looking at what really counts in the eyes of diverse stakeholders

To monitor change in capacity and performance requires as a first step *a definition of the changes we expect to occur when capacity improves*. We define these general changes along the line of the five core capabilities identified in the Study on Capacity, Change and Performance. What we expect to see, notice, observe (or not) is a change in:
* the capability to self-organise and act;
* the capability to relate and uphold adequate operating space;
* the capability to generate development results;
* the capability to adapt and self-renew and,
* The capability to achieve and maintain coherence.

From the case studies we then extracted the issues the actors themselves bring forward when describing the successes or failures of capacity development in their particular case. Local stakeholders underlined, for example, the importance of an organisation or network to be seen as *legitimate*; what they in fact expressed over and over again is that a successful organisation or network *should be seen as legitimate* by its main stakeholders. Others in turn stressed that improved capacity *needs to show in the delivery on development objectives*. What these stakeholders say is that an organisation or network can not be successful unless it does deliver specific developmental results. In other words, "legitimacy in the eyes of stakeholders" and "delivery on development objectives" *point directly at* how we view performance in capacity development, but from two quite different angles. And these are just two of the many examples of such *pointers* that emerged during the case studies. Therefore, in our approach to monitoring capacity and performance we propose not to use theoretically construed indicators but these and other pointers that were *brought forward by the various stakeholders* during the case studies to assess capacity and performance on each of the five dimensions, or capabilities, mentioned above.

These issues – explicitly referred to by the stakeholders in the different case studies and used *by them* to point at changes in capacity and performance – we propose to use as *pointers* to assess, evaluate and monitor changes in capabilities and hence, in overall capacity and performance. Box 1 below illustrates this by enumerating the issues brought forward by the stakeholders during the case studies; grouped according to the core capabilities they can be associated with.

Box 1: A number of key issues mentioned in the case studies, associated to the five core capabilities	
1: The capability to self-organise and act	• Has value been generated for partners and beneficiaries? • Is planning followed by effective implementation and monitoring? • Are decisions taken and followed up upon? • Has operational autonomy been achieved and is it used to advantage? • Are human resources managed pro-actively and stimulated to perform their best? • Is the system oriented towards effective action? • Is the integrity of the organization, its leadership and staff widely accepted?

	• Is the organisation or system capable of mobilising adequate human, institutional and financial resources? • Has the system developed the necessary core competencies to do its job well?
2: The capability to generate development results	• Does the organisation/system generate substantive outcomes, as applicable to its mandate – i.e. better health and education; gender equality; or sustainable natural resource management and/or livelihoods, etc. • Are public institutions and services strengthened? • Does it contribute to Improving the sustainability of development results? • Does it offer the best possible service to the largest possible number of people at the lowest possible cost?
3: The capability to relate with others, creating adequate operating space	• Is the organisation or system seen as legitimate in the eyes of supporters and stakeholders? • Is coordination and complementarity achieved with key partners? • Is it accountable to beneficiaries, partners and donors? • Have strong working relationships been developed and are these maintained with friends, partners and stakeholders? • Has adequate operational autonomy been achieved? • Is there a balance between different branches and levels of operation? • Is knowledge and experience networked and adequately shared with partners and stakeholders? • Has the system or organisation been able to mobilise adequate technical and financial resources? • Has it been able to influence the broader policy frameworks it is operating within?
4: The capability to adapt to changing contexts, circumstances and/or self-renew	• Does the management encourage learning and exchange? • Do participants demonstrate the ability and discipline to learn and absorb new ideas? • Is change positively valued? Is a fruitful balance maintained between stability and change? • Is the system able to continuously adapt and respond to changing opportunities and threats? • Is the organisation able to self-assess, learn and develop its capacities on a permanent basis? • Does the organisation register, analyse and absorb the 'changing waves of time'?
5: The capability to integrate and achieve over-all coherence.	• Has a shared vision and strategy been developed? • Does a well-defined set of simple rules exist that govern operations? • Is the leadership intent on and committed to achieving coherence within the system? • Has a clear identity been established, related to the core mandate and interests of the system, and is it maintained? • Have diverse structures inside the system been integrated sufficiently?

4 A prototype assessment framework for assessing capacity and performance

Annex 1 presents a *prototype assessment framework*. In this framework we have included a selection of issues that resonated most strongly in the case studies. These are taken as *pointers* that direct the assessment process towards those elements of capacity and performance that stakeholders consider to be essential. The pointers have been formulated in such a way that the higher the scores on each of them the more robust the corresponding capabilities can be expected to be. We propose this prototype assessment framework may serve as a *basis for developing contextualised, calibrated monitoring frameworks with relevant stakeholders* where changes in capacity and performance need to be assessed.

However, the pointers included in the prototype assessment framework may not be equally pertinent to all situations, nor is there any certainty that a fixed list of pointers includes all relevant ones for a particular purpose within a certain context at a certain point in time. This means that before using the framework a *calibration process* should ensure the validity and relevance of the pointers in the assessment framework in the particular context. Also, we have limited ourselves to four pointers per capability. Not because we believe that only these are relevant but because, after having reviewed the literature and the different cases of our study, we believe these provide a good starting point in many situations. Yet we consider the lists neither definitive nor exhaustive. The ones proposed may be used to inspire the stakeholders to define their own criteria or may be accepted by stakeholders and used as they are. In general, we expect some of the pointers included in the prototype framework to be accepted and used, while additional ones are formulated by the stakeholders to complete the assessment framework for their particular situation and purpose. It is important that the *calibration process* provides space to the stakeholders to do this and hence, they are able to develop a framework that reflects their sense of purpose and of the context in which the assessment takes place.

5 A five step approach to assessing capacity and performance

We propose five steps to engage stakeholders in assessing change in capacity and performance:

1. *Situational reconnaissance and stakeholder analysis*: to explore the situation, the purpose of the assessment and to determine who the relevant stakeholders are and how they can be involved in the assessment process.

2. *Calibration of the assessment framework*: together with the key stakeholders to determine how different stakeholder perspectives affect the choice, interpretation and use of the pointers proposed; to add complementary ones if needed, and to define the relative importance of each of them in judging capacity and performance in the particular situation at hand; and generally, to agree on the way the framework is going to be used.

3. *Implementation of the assessment framework*: the gathering of evidence, views and opinions from the stakeholders; analysis and debate; concluding in the stakeholders assessing the capacity of the system under scrutiny y by scoring its performance on all pointers included in the calibrated assessment framework. Implementation may include a variety of collective as well as individual instruments of inquiry.

4. *Devolution of the consolidated draft results of the assessment process to the key stakeholders*; to generate a debate leading to an assessment by the stakeholders of whether the consolidated

assessment results provide a fair picture of what they experience in practice. Qualifications by stakeholders of (certain aspects of) the assessment report may be included in its final draft. These may include proposals for changes in the assessment framework and/or methodology also.

5. Sharing of final draft of assessment report with the full range of stakeholders.

Annex 1: Prototype Assessment Framework: A balanced approach to assessing capacity and performance

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(A) Ability to create adequate operating space and relationships

Pointers:
1. Legitimacy in the eyes of relevant stakeholders
2. Integrity of the organisation, its leadership and staff
3. Operational credibility/trustworthiness
4. Adequate alliances with relevant external stakeholders
5. …

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(B) Ability to achieve development results

Pointers:
1. Substantive outcomes such as better health and education
2. Strengthening public and private institutions and services
3. Improving governance and multi-stakeholder participation
4. Improving sustainability of development results
5. …

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(C) Ability to develop and implement a coherent vision and strategy/achieve internal coherence

Pointers:
1. A clear mandate, vision and strategy
2. A well-defined set of key operating principles
3. Leadership intent on achieving coherence, balancing stability and change
4. Consistency between ambition, vision, strategy and operations
5. …

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(D) Ability to adapt and self-renew

Pointers:
1. Adaptive management culture
2. Opportunities, incentives and discipline to learn
3. Confidence to change: space for diversity, flexibility, creativity
4. Adequate understanding of shifting context and relevant trends
5. …

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(E) Ability to self-organise and act

Pointers:
1. Inspiring leadership/action-orientation
2. Ability to plan, decide and act collectively on decisions
3. Effective human, institutional and financial resource mobilisation; low transaction costs
4. Effective monitoring of follow-up
5. …

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