



Planning Under
Co-operative Mandates

PUCM Objective 4
Research Memorandum No. 2
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DEVELOPING CAPACITY AS PART OF CAPABILITY BUILDING

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INTRODUCTION

The Planning Under Co-operative Mandates (PUCM) research has established in its initial stages that Capability Building consisted of the two factors of “capacity” and “commitment” (Ericksen, et al, 2003). Objective 4 in PUCM, Stage 3, is directed towards the design and delivery of a Practice Development Programme or PDP. Part of the background work for this PDP activity is to review research and development behind the concept of “Capability Building” and its contributing factors of “capacity” and “commitment”. This is the second paper in a series on Capability Building in the context of Plan-Making, Plan Implementation, and Plan Effectiveness Monitoring. The first paper examined “Capability Building” and is titled *Capability Building in Plan Making and Implementation*. This paper examines “Capacity Building”.

CAPACITY BUILDING: DEFINITIONS AND FRAMEWORKS

Standing back from the PUCM use of “capacity”, it is meaningful to ask how the term is used in other work on the subject. For example, one source explains: “The contemporary view of capacity-building goes beyond the conventional perception of training...[the] concerns...require a broad and holistic view of capacity development” (NRM, 2004). The same source associated capacity building with *social capital* (defined as “networks, norms and trust which facilitate co-operation for mutual benefit”). This argument for a broad view echoes work by the UN Development Programme (UNDP, 1998). What is described as “the UNDP’s conceptual approach to capacity building” amounts to viewing the analysis of capacity through a three level framework (as cited in *Capacity.org*, Issue 8, p. 5):

- The systems level (i.e. the regulatory framework and enabling national and regional policies);

- The entity level (i.e. an individual organization’s structures and working mechanisms, its relationships with other relevant organizations, its working culture, its resources);
- The individual level (i.e. the skills and competencies of staff, and work ethics).

The UNDP approach is fully explained at <http://magnet.undp.org/cdrb> which provides a comprehensive *Capacity Development Resource Book*. Similar ground is covered in a briefer account by Patrick Wakely in *Capacity Building for Better Cities* (www.gdrc.org/uem/capacity-build.html).

Another source (ECDPM, 2003) writing under the title *Capacity Development: the Why’s and How’s*, asks questions that include, “What does capacity look like?” And “How can you develop capacity bottom-up?” As part of developing answers to these questions, the European Centre for Development Policy (or ECDPM) reports on an OECD study by its Development Assistance Committee (DAC) (*Capacity.org*, Issue 19, October 2003). The model for this research identifies *capacity* as one of three core variables, the others being *endogenous change and adaptation*, and *performance* (Fig. 1).

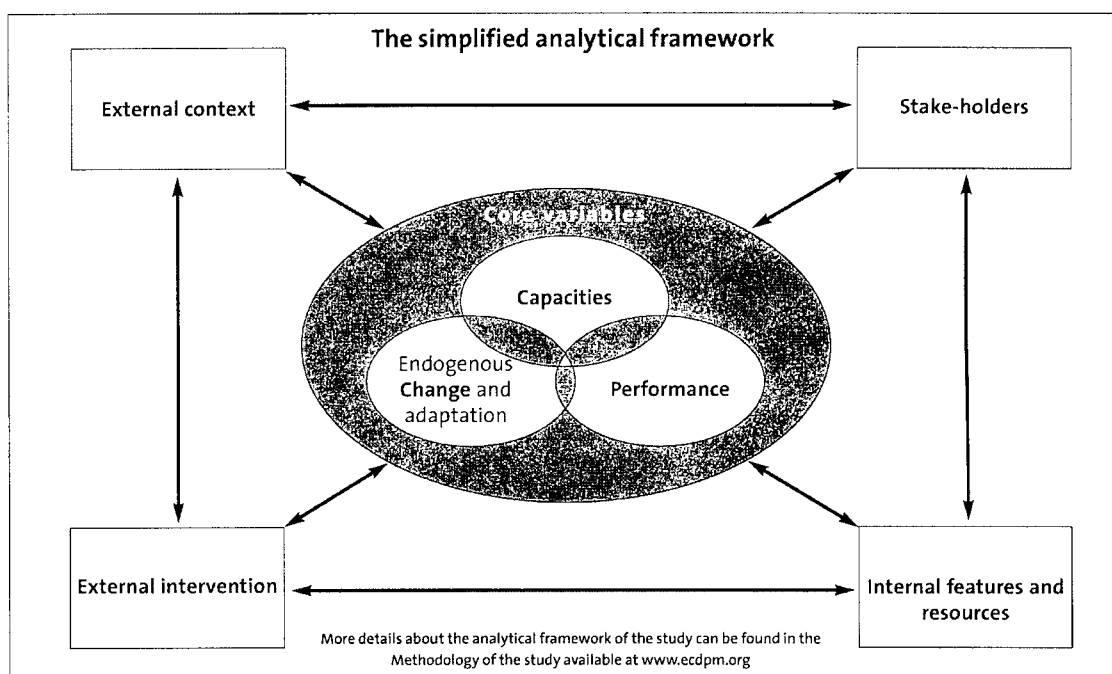


Figure 1: DAC Study on Capacity – analytical framework

Source: *Capacity.org*, Issue 19, p. 2.

While the focus of the DAC study is capacity building by public, private and non-profit organizations active in the field of development assistance, there are references to parallel activities such as national environmental problem solving. When read broadly, many of the conclusions and recommendations of the case studies reported are applicable to the PUCM interest in Plan-making and Implementation. For example, the report on the Jamaican case study (The Environmental Action Programme or ENACT) identifies a third approach to two conventional ones (centrally determined programmes, and persuasion or the creation of demand for a programme). The DAC alternative is to “enhance the capabilities of others to deliver programmes that are supportive of sustainable development.” To do this it has looked for initiatives that are demand-driven and suited to local conditions, while ensuring that the response will add value to others’ programmes. It is explained that:

ENACT has developed a process to proactively nurture pockets of energy, interest and commitment and try to respond to the needs of the groups involved. ENACT is as much responsive as it is proactive (ibid, p. 4).

DAC has used the term ‘responsive entrepreneurship’ to capture the essence of its approach. It compares it “to a venture fund model, in which initiatives come from the participants rather than the investor” (ibid, p. 4). Its mode of operation is described as:

ENACT acts as a capability investor trying to shift the balance towards innovation and organizational change. The organizations and groups concerned must have demonstrated commitment and a willingness to achieve results (ibid, p. 4).

One important observation in the report is on the fact that ENACT specializes “in ‘middle-up and down’ initiatives, i.e. addressing those interventions largely controlled by senior and middle managers in the public sector who ride below the radar screen” (ibid).

Another case study in the DAC report is about an initiative taken by the Environment and Sustainable Development Unit (ESDU) of the Organization of Eastern Caribbean States (OECS). Peter Morgan, the case study researcher, suggests that this ES DU example provides an interesting new perspective:

[f]or those who favour either the blood transfusion method of organizational improvement, i.e. injecting some institutional support here or there into an organization in the hope of improving its general health, or the fast-food approach, i.e. a little training on the side (ibid, p. 8).

While some of the conclusions reached appear relevant to PUCM as research programme encouraging the development of capability, capacity and commitment (or the ‘3 Cs’)¹, there are others that also relate to the process of developing these. They are:

- Learning to learn collectively. This includes both *learning*, and *unlearning*, with regard to performing “existing activities better and how to perform new ones well” (ibid, p. 9). It also includes learning “to give up certain practices that have long been effective” (ibid). The study found a need for staff to learn constantly and collectively, and it recommends brainstorming about ways to solve problems and improve working methods.
- Generating an upward spiral of capabilities and performance. This is suggested in response to the situation where “[O]rganizations can get locked into systemic patterns from which they find it difficult to escape. A few manage to generate an upward spiral that builds on strength” (ibid). Through an awareness of this need a group like ESDU is able to become its own *enabling environment*.
- Learning from inside the organization. This recognizes that staff often tacitly know a great deal about how to improve their capabilities and performance. In order to help to create an environment where these insights can emerge, the study suggests creating a climate for effective internal dialogue and learning. It sees this as being critical to improving performance (ibid).
- Expect to need experimentation, argument, and little-by-little improvements: This warns against trying to put a complete response in place immediately.

A study for the Scottish Executive in the field of Community Planning prepared a Learning Development Framework with four learning areas that complement the DAC action areas above (Eglinton, 2002). The four learning areas are:

- Skills and competencies
- Knowledge

¹ Another reference which could help PUCM as a research body is the report with conclusions drawn from a study of NGOs in South Asia contributed by N.A. Banerjee to *Capacity.org*, Issue 19, pp 6-7. In the same issue there is a presentation of key competencies underpinning a Ugandan hospital which helped it achieve excellent performance (see ibid, page 10).

- Attitudes
- Values

While each of these learning areas are important foci for capacity building, the report emphasises that, “The objective must be to build capacity *to change and develop attitudes and behaviours*, as opposed to just providing information and knowledge” (Eglinton, 2002, para. 4.7) (emphasis added).

The Scottish study, although directed at Community Planning, has some lessons which could be applicable to capacity building in Plan-making, Implementation and Plan Effectiveness Monitoring (ibid, paras. 6.1-6.6):

- Clear up any confusion about what “capacity building” (and its companion aspects “capability” and “commitment”);
- Expect an absence of a learning culture around the ‘3-Cs’;
- Prepare for a “Knowing-Doing Gap” – that is, “the difficulty of moving from awareness and understanding to implementation and delivery of Plan-making, Plan Implementation and Plan Effectiveness Monitoring”;
- Fragility of capacity building arrangements over time due to institutional restructuring within the organizations;
- Encourage continuing programmes to address a likely fragmentation and under-supply in the delivery of training services;
- Ensure there is “flexibility and a considerable degree of local ownership in the identification of capacity building requirements”.

Following on from the last bullet point, the study also explains the value of preparing *Capacity Building Plans* for each organization involved. These plans enable there to be a strategic approach to capacity building and commit organizations to carrying out supporting actions to a self-determined time scale. A suggested framework for these plans includes (ibid, para. 6.7):

- Statement of key aims and objectives
- Baseline or scoping study
- Audit of agreed capacity building requirements
- Formulation of delivery options and agreed approaches
- Costed-out programme and project plans for delivery over an agreed timescale

The Scottish study also drew some conclusions on learning approaches and methods which are especially pertinent to a Practice Development Programme (or PDP) for PUCM 3 Objective 4. It recommends the use of a wide range of approaches and learning methods, and the following are suggested (ibid, para. 6.9):

- Networking: This may be formal or informal and is expected to link councils with community groups/interests;
- Secondments or shadowing;
- Learning forums: this can involve a range of learning methods and sources – intranet databases, seminars, newsletters, visits, shared problem solving;
- Internally devised and delivered workshops and training events;
- Externally devised and delivered workshops and training events;
- Development of electronic networks;
- Working with and through further and higher education, community and voluntary sectors, private sector and other agencies.

Work has also been carried out on the subject of capacity and the “need to bridge the gap between macro policy levels and local communities” (*Capacity.org*, Issue 22, July 2004). This span of interest suggests a problem in building capacity between policy-makers and implementers so the direction of the report is on capabilities required for what it describes as “‘linking up’, ‘networking’, ‘building connections’ and ‘strengthening interactions’” (ibid, p.1). The research concludes that attention needs to be paid to “developing the capacities of organizations located in-between macro-level institutions and the local level” (ibid). This is called “meso-level capacity development”. This concept could be applied to PUCM as a research body being transformed into one with a capability building function through its Practice Development Programme (or PDP) objective, just as it has been to the SNV Netherlands Development Organization.

The Internet reveals work on capacity building being undertaken by agencies within the United Nations. For example, following on from *Agenda 21* (Chapter 37), the UN Department of Economic and Social Affairs (Division of Sustainable Development) has been promoting Capacity Building, with an emphasis on efforts based on participatory approaches (UN Commission on Sustainable Development, 1998, Decision 6/3: see website). Attention is also drawn to the *Plan of Implementation* for the World Summit for Sustainable Development (WSSD/2002) which, *inter alia*,

“called for enhancing and accelerating human, institutional and infrastructure capacity building initiatives...” (ibid, UNCSD).

By widening the search on Capacity Building to the management literature a report by McKinsey and Company (2001) is instructive. While the orientation is to nonprofit organizations and “understanding the characteristics of successful capacity building investments” (McKinsey, 2001, p. 6), its consideration of “Effective Capacity Building” can be read in the context of Plan-Making, Plan Implementation, and Plan Effectiveness Monitoring. McKinsey reports (ibid, p. 15) that its study of 13 nonprofit organizations produced three lessons:

- Lesson 1: The first step in dramatically developing an organization’s ability to achieve its mission, vision and overarching goals is *to reset aspirations and strategy*;
- Lesson 2: The importance of *good management*;
- Lesson 3: Effective capacity building requires *patience* (i.e. “it takes longer and is more complicated than one would expect” (ibid, p. 15).

But, as McKinsey acknowledges in the balance of the report, this still begs the question “What does ‘capacity building’ consist of?” Is there a framework that can demonstrate that, and can we assess the degree to which an organization is building effective capacity?

THE MCKINSEY CAPACITY FRAMEWORK

Since it functions as a Business Management consultancy, McKinsey’s interest is in answering questions such as “If building capacity is vital to the long-term health and effectiveness of nonprofit institutions,..., how can we determine the capacity gap of a particular nonprofit institution?” (ibid, p.33). To start developing an answer to this question the research first constructed a framework in the form of a triangle (Fig. 2). Within the triangle are seven essential elements. These elements are structured on three dimensions:

- Higher level elements: aspirations, strategy and organizational skills;
- Foundational elements: systems and infrastructure, human resources, and organizational structure;
- Cultural element: which serves to connect all others.

The terms used in the Capacity Framework are defined in Table 1.

Table 1: McKinsey Capacity Framework Terminology

McKinsey Capacity Framework Terminology	
Aspirations:	An organization’s mission, vision, and overarching goals, which collectively articulate its common sense of purpose and direction.
Strategy:	The coherent set of actions and programs aimed at fulfilling the organization’s overarching goals.
Organizational Skills:	The sum of the organization’s capabilities, including such things (among others) as performance measurement, planning, resource management, and external relationship building.
Human Resources:	The collective capabilities, experiences, potential and commitment of the organization’s board, management team, staff and volunteers.
Systems and Infrastructure:	The organization’s planning, decision making, knowledge management, and administrative systems, as well as the physical and technological assets that support the organization.
Organizational Structure:	The combination of governance, organizational design, interfunctional coordination, and individual job descriptions that shape the organization’s orientation towards performance.
Culture:	The connective tissue that binds together the organization, including shared values and practices, behavior norms, and most important, the organization’s orientation.
<i>Note: The model in Fig. 2 and the terminology used in it applies to effective capacity building in nonprofit organizations. Source: McKinsey 2001, pp. 33-34.</i>	



EXHIBIT
CAPACITY FRAMEWORK

Figure 2: McKinsey Capacity Framework

Source: McKinsey, 2001

EVALUATING CAPACITY DEVELOPMENT

Another field of research within international development co-operation is the evaluation of capacity development. This is reported in *Capacity.org*, Issue 17 (April 2003). The research is in the context of an organization's capacity viewed as "its potential to perform – its ability to successfully apply its skills and resources toward the accomplishment of its goals and the satisfaction of its stakeholders' expectations" (ibid, p. 3). Participants in the project established five 'guiding questions':

- What are the key capacities that need to be developed [in research and development organizations]?
- How can managers foster organizational capacity development?
- How can partnerships be built for organizational capacity development?
- How should organizational capacity development efforts be evaluated?
- How can evaluation be used to strengthen capacity and improve an organization's performance?

The model for this study of organizational capacity assessment brings together organizational capacity, the organization's internal environment, and the external operating environment (Fig. 3).

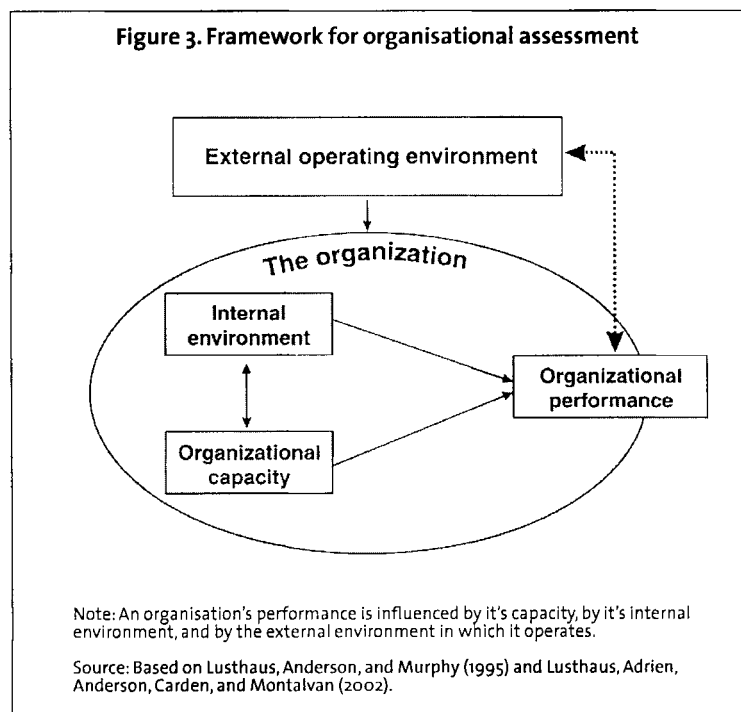


Figure 3: Framework for organizational assessment

Source: *Capacity.org*, Issue 17, p. 5

One of the outcomes of the research has been the conclusion that there needs to be “a more holistic approach to organizational capacity development, in which the organization leads its own capacity development efforts” (ibid, p. 6). Central to achieving this ‘led from within’ approach are the following aspects:

- Adequate support from decision-makers in high level positions
- An organizational environment that is conducive to learning and change
- Monitoring and evaluation that is built into capacity development effort from the outset – to promote continuous cycles of action, reflection and improvement.

A series of steps have been identified in the research (Fig. 4).

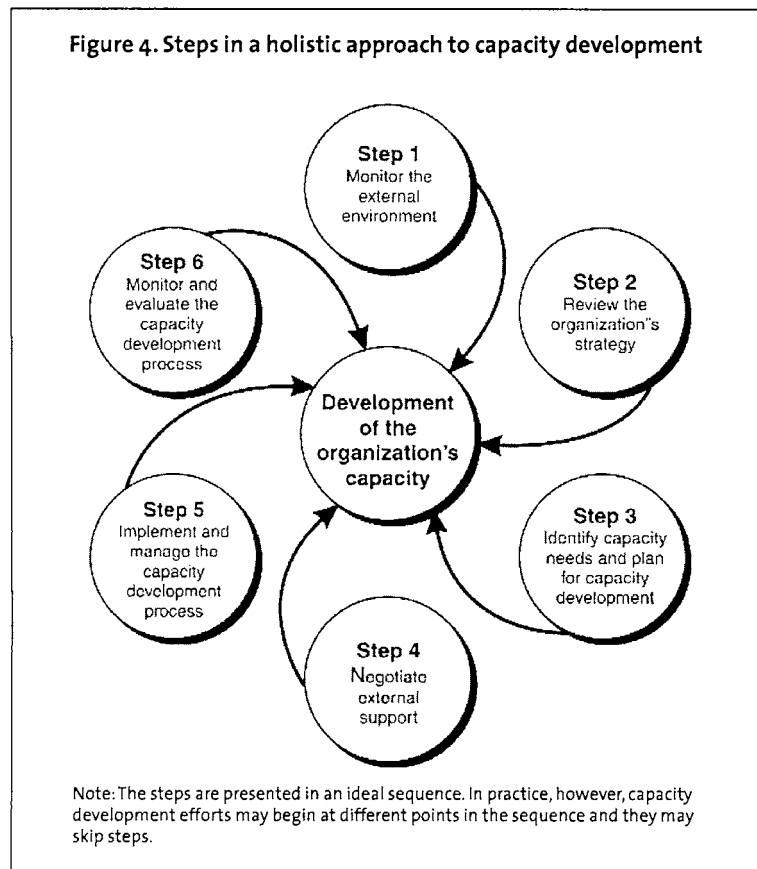


Figure 4: Steps in a holistic approach to capacity development

Source: *Capacity.org*, issue 17, p. 6

Further reporting on approaches for evaluating organizational capacity development, and tools for capacity assessment will be the subject of *PUCM Objective 4 Research Memorandum No. 3*.

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