



Change: the road to institutional reform

A. Bos and Akke Schuurmans, *The Netherlands*

MANY PUBLIC AGENCIES in urban areas of developing countries are undertaking reforms in the Water and Sanitation Sector (WSS) to address the poor performance in service delivery. Not all reforms follow the same pattern, but they all aim at a more effective and sustainable service. For institutional reform to take effect a successful path of change needs to be charted out and followed. The change inherent to the process of reform is a complex, time-consuming and multi-faceted subject to deal with. It is therefore not surprising that the subject of change management takes center stage and numerous theories and models to provide insight in this process have been developed.

Although the models seem very logical and applicable to every situation, as they are so generic in nature, the authors of this paper have met skepticism among professional of developing countries, with whom they have shared the different models. Opinions expressed include that the models can hardly be applied to the concrete working conditions and institutional realities faced by them, in their region and country in general and their organization and department in particular. Constraints mentioned to institutional change include lack of transparency, prevalence of autocratic leadership and bureaucracy, and last but not least, corruption. Also other professionals, who are engaged in the piloting of reform processes with public agencies in urban areas of developing countries, expressed their sincere reservations about the “upscalability” of the pilots which were carried out. “Their “pilots inhibit initial promise but soon experiences emerge that failure may be around the corner. The subject of failure of change in itself is nothing new. The literature abounds with evidence and examples of change projects that have gone wrong, some disastrously so (Burnes, 1992). Kotter, 1995 addresses eight most common reasons for failure or organisaton transformation in a well-known publication.

This paper concerns the applicability of existing models of change to *specifically* change processes in public agencies in urban areas of developing countries. The paper firstly reflects basic conditions for a successful process of change. These conditions hinge on existing models of change and seem to apply to any successful path of change; irrespective of the theoretical approach towards change one may prefer and support. Thereafter, two case studies are described and analysed. It concludes with an assessment of the applicability of the change models to the public sector organizations of urban areas of developing countries.

Conditions for successful change

From the 1940s until the 1980s, theory and practice of change management was dominated by the so-called planned approach. The foundation of planned change models were laid by Kurt Lewin and consisted of a 3-step model namely: *Unfreezing* (loosening the organisation so that it can change), *moving* (consciously managing the process of change), and *refreezing* (stabilising and reinforcing the change) (Gilgeous, 1997). However, from the 1980s onwards, planned change has faced increasing levels of criticism, the main ones relating to its perceived inability to cope with radical, coercive change situations or ones where power and politics predominated. Perhaps partly as a consequence of these criticisms on the planned approach, a new approach to change gained ground in recent years. This new approach is often referred to as the emergent approach to change. This approach takes change as a process emanating from the lowest levels, i.e. from the “bottom-up” angle. It stresses that change is an open-ended and continuous process of adaptation to changing conditions and circumstances. It also describes change as a process of learning and not just as a method of changing organisational structures and practices (Burnes, 1992)¹.

Irrespective of the model one may support or prefer most, these models seem to agree on following basic conditions, which are required for successful change to materialize:

Dissatisfaction with the status quo.

Persons directly and indirectly linked to the organisation that is the subject of change need to feel a level of dissatisfaction in order to be motivated to support change.

The importance of a vision and strategy

There is need for (and believe in) a model or vision of the future, which will guide the redesign of the organisation.

Internalisation and diffusion

For the vision of change to be realised, it is necessary that the new approaches, ideas, behaviours and possible formal structures supporting the vision are diffused to other sectors and/or departments and internalised by the people and groups or teams that need to realise it. There needs to be a ground for change to be anchored within the organisation.

Case studies

To test applicability of theories and models, practical cases are given in Box 1 and Box 2. Box 1 describes the successes and obstacles in the change process in the case of Dhaka Water Authority (Bangladesh) where the responsibility for billing and collection has been out contracted. Box 2 briefly describes case about a reform process of a public agency in East Africa. The two cases are analysed in terms of presence or absence of the requirements as described in the conditions for successful change.

Dissatisfaction with the status quo.

In both case studies, the incentives for change seem to be more donor driven than related to a concern within the agencies about the problems they face in supplying water and sanitation services to city dwellers. In the case of Dhaka, the involvement of private contractors was a prerequisite of the World Bank for more funding and in the case of the East African town, the donor had also insisted on institutional reform. In both cases, the condition of existing dissatisfaction with the status quo is not fulfilled, as it seems virtually absent.

Box 1: Out-contracting billing and collection, DWASA, Bangladesh

To address the need for safe water and sanitation, Dhaka Water Supply and Sewerage Authority (DWASA) was set up in 1963. Currently, DWASA produces over 0.9 Mm³ of water per day and serves some four million people. The water supply system of DWASA is characterized by high system losses. During a pilot leak detection and waste prevention program undertaken in one operating zone, 1991, it was estimated that of the total water produced in that zone only 44% was billed. The remainder was attributed to administrative and technical losses. Major factors contributing to administrative losses were (i) incomplete customer base, (ii) un-metered sewerage connections, (iii) illegal and illegally reconnected service connections, (iv) inaccurate and tampered with meters and (v) invoicing of wrong meter readings by corrupt practice of the revenue collectors. Technical losses were mainly caused by leaky pipes.

To improve the situation, the World Bank, as a pre-condition to finance the fourth Water Supply project, mandated that activities related to billing and collection should be contracted out. The contracting out program, Program for Performance Improvement (PPI) was initiated on a pilot basis in two zones. The World Bank indicated that experience gained in the two zones would be used for extending the program in the remaining zones. In late 1997, DWASA contracted out the revenue billing and collection in two of its seven operational areas, on a pilot basis. One zone was contracted out to a private contractor, and one to an Employees Co-operative of DWASA called the Consumer Supplies Co-operative Society LTD (ECSCSL), who took on DWASA staff. The major terms and conditions of the contract concerned meter reading preparation of bills, delivery and recording of paid and unpaid bills, disconnection of illegal connections and defaulters. The contract was initially for fourteen months. Evaluation of the 14 months period revealed that the private contractor failed to achieve the targets whereas the co-operative exceeded them. Then, both zones were awarded to the Co-operative.

Under the management of the ECSCSL, revenue collection and billing has increased significantly in both zones. Whereas expenditures had exceeded revenues until 1997, in the period between 1997 and 2000 the losses were turned into profits. At the same period system loss had also reduced significantly. Another impact was the reduction of about 120 DWASA staff and officers, who were seconded to the contracting out Program and who were paid out of the earnings of the PPI program. Although significant

improvements had been made in revenue collection, it was revealed by review of relevant documents that a number of problems had constrained the process. Bottlenecks mentioned were that contractor's responsibilities and obligations had not been spelled out clearly, lack of experience of the private contractor, strong resistance from employees and officers towards the private contractor, delays in handing over customer data bases to the contractors and shortage of required numbers of meters.
(based on Khan, 2001)

Discussions with DWASA officials highlighted another important issue. While initiation the initial contract, existing staff had been employed by the programme in order to identify and reconnect illegal connected connections. The incentive for the staff to join this initiative consisted of an increase of four times in salary. Although initially this seemed the right motivation, after a certain time period it did not prove to be sufficient and staff wants to return to old practices as this provides more money.

The importance of a vision and strategy

In both cases there has been a lack of shared vision. Strong resistance in the agencies shown in East Africa by taking back responsibilities and in Bangladesh by dissatisfaction with salaries, show that other groups must have had another, may be unexpressed vision.

Internalisation and diffusion

The case of East Africa indicates that after a promising and successful pilot, the "new" effectively and efficiency approach is not appreciated by the municipality (as they are likely to have wanted access to the profit) the old structures are re-established, which indicates zero chances for diffusion and internalisation.

The case of Dhaka gives mixed information. On the one hand, the initial success of the Consumer Supplies Co-operative Society LTD (ECSCSL) shows that the principles of effectiveness are adopted to some extent. On the other hand, the initial information about the resistance towards the private contractor allow the authors to hypothesise that powerful groups in the agency fiercely resisted the "contracting out to real private contractors"¹ option. Besides, the observation of growing agony among employees of the ECSCSL in spite of the huge salary increase they received since they joined ECSCSL. This seriously reduced chances for diffusion and institutionalisation of the organisational set-up that was piloted.

Conclusions and recommendations

It can be concluded that the reasons for problems encountered in each of the cases can be explained by pointing at virtual absence of the first condition for successful change. The first condition for change to be followed through successfully is that members of an organization need to be dissatisfied with the status quo. There is little doubt that change processes need to be built on a considerable level of dissatisfaction, which can then be translated into a motivation to change. Once this motivation is present, chances for fulfillment of the two remaining basic conditions for change, i.e. the presence of a vision and the institutionalization of approaches, also increase considerably. As the two remaining conditions are so dependent upon the presence of

Box 2: Accepting change for the better?

In an informal conversation, one of the authors had a very interesting counter with a consultant working for an European aid programme. This consultant was facilitating reform of urban water companies East Africa. This reform took place in outsourcing responsibilities from the municipality to newly established water companies. The consultant proudly told about the new installations for meter readings and about the new staff recruited. He also showed impressive charts of three months revenue-collection carried out by the newly formed company. Revenues had risen every month and were already at a rate never reached by the times at which the municipality was carrying out collection by itself. Losses had been turned into profits increasing every month. However, after a few months the person responsible for collection of revenue and disconnection of illegal water kiosks had been imprisoned without apparent reasons. After a period of about one-week, he was released without any explanation. A short period after his imprisonment, the activities carried out by the new company were brought back under the umbrella of the Municipal Council. A steep decline in revenue set in as of the onset. The consultant saw no reason to stay with the agency for the time being and was moving to another municipality to facilitate the same kind of pilot project, with the same government agency.

dissatisfaction, it is not surprising that these two remaining conditions were not or hardly present in the case studies either.

The final explanation for the problems described in the case studies ends here if the paper is limited to the application of existing models of change. However, it is not felt that an in-depth explanation is given for the problems encountered and described in the two case studies. For an in-depth explanation of the problems, attention should be drawn to the *reasons* for the lack of dissatisfaction among persons and groups in the agencies. Apparently, a considerable group of people of the agencies described in the case studies was satisfied with the status quo and the question is why they were satisfied and did not feel an urge to change the situation. This question can only be answered by carrying out in-depth research into the rational behind the seemingly irrational and inefficient status quo. Just assuming that the existing functioning of public agencies responsible for water supply is inefficient and irrational, is wrong. Anthropological literature on informal low-income housing in urban areas of the developing world suggest, that one may find highly rational and effective informal networks and structures exist behind the facade of ineffective and irrational formal structures. Existences of these networks do not serve the masses but serve the interests of a small, well-connected and internally highly cohesive network. Persons connected to this network thrive on continuation of the status quo and will strongly resist any threat to it (van der Linden, Meijer, Nientied, (1991), Yap, (1982). Unless such informal networks are investigated and exposed, change projects have little chances for success.

In numerous change models, the importance of carrying out in depth analysis of the status quo before introducing models of change is emphasized. It would therefore not be justified to conclude that the existing models of change need to be modified in order to be applicable to the specific

situation of public agencies in urban areas of the developing world. Rather, the types of models applied should be expanded upon. Anthropological models should supplement the application of the existing models of change to gain better insight into the context in which the agencies that are subject to change operate. The context in which institutions in the North operate are likely to highly differ from its' partners in the South.

Finally, the importance of thorough evaluation and impact studies of change processes in public sector agencies in urban areas of the developing world should be stressed. Studies that have applied change as well as anthropological models to analyse reasons for success and failure are extremely hard to come by. Such studies however, will provide a proper basis on which future change programs can be built.

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Footnotes

¹This short introduction by no means provides a comprehensive overview of theories on change management but is meant to give the reader a rough idea of different perspectives and approaches towards change.

²With "contracting out to real private contractors" is meant the contracting out to parties which are not connected to and have no existing interest in the agency.

ANNETTE BOS, Lecturer in the Water Services Management, IHE, Delft, The Netherlands.

AKKE SCHUURMANS, Freelance Consultant and Guest Lecturer at IHE, Delft, The Netherlands.
