

Capacity Development BRIEFS

SHARING KNOWLEDGE AND LESSONS LEARNED

WHEN PASSIONATE LEADERSHIP STIMULATES ENDURING CHANGE: A Transformational Capacity Development Anecdote from Uganda

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What causes a water utility in Uganda to reverse course dramatically, from the brink of extinction to financial viability within less than a year? Experts typically maintain that deep organizational changes require a long-term approach to developing staff and organizational capacity—that capacity growth is unlikely to be compatible with short-term efforts. That is mostly true, but sometimes passionate and committed leadership can turn things around in a remarkably short time and make those results stick. This example from the water sector in Uganda turns on its head conventional wisdom about capacity growth and how long it takes to effect enduring change.

Within the development community, certain assumptions about capacity development are held to be self-evident. Capacity and institutional development experts have often noted the perceived conflict between achieving short-term results and building long-term capacity. Some experts argue that a long lag time between capacity-enhancing inputs and the consequent impact is inevitable and that intervening variables make attribution of enhanced capacity all but impossible. Some go further and argue that short-term results are at best a distraction from the real work of enhancing capacity.

Yet, sometimes, achieving short-term results can lead to long-term transformational change, and achieving short-term results and building long-term capacity for change can be mutually reinforcing. The critical question is how to stimulate and sustain this “virtuous” cycle of results achievement and capacity development. The Uganda water sector offers one such example of a transformational process that was driven by passionate leadership and, contrary to popular development wisdom, was front-ended by short-term results producing initiatives that led to longer-term impact.

Capacity Lessons from the Water Sector in Uganda

The experience of the National Water and Sewerage Corporation (NWSC) in Uganda reflects a tripartite relationship among results achievement, capacity

development, and performance improvement. Within a couple of years, NWSC went from being a fiscally and operationally dysfunctional utility to a financially sustainable and efficient service provider. The story of this transformation, as told by Dr. William Muhairwe, managing director of NWSC, and his colleagues, begins on a low note. A few months after Dr. Muhairwe’s appointment in May 1999, a World Bank team traveled to Uganda as part of the first Poverty Reduction Strategy Credit (PRSC) the Bank was designing.² The team expected to recommend significant management changes for the long term sustainability of NWSC. In an effort to preempt these decisions, Dr. Muhairwe impulsively declared to his Board, “We will turn this company around within 100 days, or I will resign.”

The press got wind of his bold assertion and spread it across Uganda. Although Dr. Muhairwe had uttered

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²At the time, the World Bank programmatic lending instrument was called the PERC (Public Expenditure Reform Credit).



the words spontaneously and in a private conversation, he now felt he had to deliver on the challenge he had set for himself. He called all his managers together for a solid week of crisis meetings. The group came up with five areas on which to concentrate: water production, water distribution, collections, customer service, and cost reduction. A spot analysis showed inefficiencies and inconsistencies—170 drivers for a fleet of 120 vehicles, for example. Within a few days, the management group had a clear game plan for starting the utility's turn-around, and as the plan got under implementation, noticeable improvements in utility management and service delivery occurred. Dr. Muhairwe and his team fondly refer to these initial—largely opportunistic—100-day performance improvement projects as their “Start-Up” program.

Stepping Up to the Challenge: Strengthening Management Accountability

To maintain momentum, Dr. Muhairwe implemented a series of six-month “Step-Up” programs, starting in early 2000. Their primary goal was to position each of NWSC's service areas—11 in number at the time—to operate at a break-even level. The strategy was to use existing capacity to revitalize operations, improve service, and increase revenue. It was tough going and frustrating, and initial projects had little impact. By mid-2000 the pressure was on again. During planning for PRSC negotiations, the draft policy matrix mandated full transfer of NWSC operations to private sector management.

Dr. Muhairwe used the push for privatization to fuel his improvement efforts. He told his people that full scale privatization was five years off, and in the meantime there was a job to be done.⁵ He redoubled his efforts to engage his staff to sharpen performance. In 2001 NWSC signed a national performance contract with the Government of Uganda as part of the launch of PRSC 1. Convinced that the contract would provide the framework for a system of accountability and reward, Dr. Muhairwe reassembled his management team and challenged them to establish and commit to specific performance targets. These area performance contracts paralleled measures and indicators contained in the national performance contract. Indeed, the sum of area goals exceeded the targets set forth by the government.

Dr. Muhairwe made it clear that managers would be held accountable for the performance of their area and would receive financial rewards if they achieved the targets. Some managers initially dragged their feet, but all of them gradually embraced the effort, especially after the first wave of managers successfully set, reached, and received rewards for achieving their goals. By the end of 2001, eight of the original eleven areas were breaking even. At the same time, the number of areas rose to 13, and NWSC reduced its staff by

54 percent to 850 people. Dr. Muhairwe sensed that the tide had turned in terms of building a results-oriented utility culture. His managers were becoming more skilled and confident. In fact, he had managed to build a cadre of leaders who were in turn challenging and empowering their own people in a similar manner.

In the midst of this effort, Dr. Muhairwe had the opportunity to spend two weeks at an executive development program in the United States. What he heard there only confirmed his conviction about what he and his colleagues were doing at NWSC. In fact, he realized that he had been using a homegrown version of the famed General Electric Co. “*Work Out*” approach to organizational performance improvement and capacity building; this approach is based on creating 100-day cycles of results achievement through collaboration, empowerment, and accountability. Spurred by his renewed confidence in what his team was doing, Dr. Muhairwe launched NWSC's “Stretch Out” program. Muhairwe and his team designed this program to scale up the results they had achieved and drive them further throughout the organization. Their initial focus was on one significant challenge: to improve operating margins, while expanding the number of new water connections. By concentrating on a series of 100-day revenue collection targets, the teams were able to increase collection efficiency from 75 to 95 percent within a year.

NWSC continues to be profitable, and its success continues to inspire other organizations across Uganda. Dr. Muhairwe also travels extensively to other countries to share his experiences at NWSC and encourage his counterparts to adopt similar approaches to moving organizations to higher performance and capacity—he and his colleagues are currently providing coaching and support to leadership teams in a number of water utilities, including those of Kenya and Tanzania.

Stepping Back and Letting the Clients Figure it Out...

In reflecting on his experience, Dr. Muhairwe described an unusual relationship with the World Bank team who worked with him to transform NWSC. He said that he always felt able to drop by and discuss the challenges and obstacles with members of the team. In response to these conversations, Muhairwe's counterparts would track down management literature that could help, offering it with strong doses of encouragement. He also described the Bank team's willingness to spend hours talking with him about how to apply the latest theories and trends at NWSC.

⁵NWSC had experimented on a smaller scale with two contracts with private operators in the Kampala area between 1998 and 2001 and had outsourced several of its non-core functions such as security, cleaning, and vehicle maintenance to private contractors.



The NWSC story illustrates the powerful link that can exist between achieving near-term results and developing organizational capacity for achievement and performance. The transformation in capacity and performance started with a drive to achieve extraordinary results—in 100 days. It was fueled by a relentless focus on achieving increasingly ambitious results. The “hands-off,” yet supportive stance exhibited by the World Bank team actually created the space for Dr. Muhairwe and his team to own the challenges—and the results.

“The key is not that they stepped in and waved a magic wand, restoring NWSC to profitability,” Dr. Muhairwe explains. “Rather, they stepped back and let us figure it out for ourselves.”

Yet, many questions remain. Will clients have the capacity to implement efforts without the detailed guidance that development projects used to provide them? Do clients have the technical capacity to figure out the right solutions? Will they know where to start and how to sequence implementation? Will they have the leadership and managerial capacity to drive implementation? Will they be able to create the right context to ensure sustained implementation and results?

These questions are important, but they are often rooted in a world view that assumes that complex change efforts can be mapped out in advance and foreseen to produce desired results. The reality suggests that achieving long-term results requires constant iterations and experimentation that cannot be engineered in advance or managed from on high. Rather, the best that can be done is to continually shape the right context for this experimentation and discovery to take place.

The Leadership Challenge: Unleashing Capacity

As the NWSC case illustrates, the turnaround did not happen because donors—or Dr. Muhairwe for that matter—worked out some magical answers. Rather, he created a compelling context in which a multitude of answers emerged, some no doubt quite different in each of the water areas in the country. Where did these solutions come from? They came from people on the frontlines, who were in turn challenged by their managers to achieve unusual results. Moreover, these answers and strategies evolved and changed in response to the various challenges that Dr. Muhairwe threw at the system—from “Start-Up,” to “Step-Up,” to “Stretch-Out.” The NWSC story demonstrates a key principle: The capacity to figure out the right answers often exists locally; the challenge for donors and practitioners is to give people the space to come forward with the answers that work for them.

Figuring out the “right” solutions, however, (in the right place and at the right time) is only one step in

the journey to sustainable results. The other, perhaps more critical challenge is actually to travel down the path—to implement these constantly evolving solutions. The capacity for making change happen tends to be the weakest link in the chain that leads to results. Here again, the NWSC story offers another important insight: Chances of successful implementation can be improved if (a) people responsible for implementation are engaged in formulating the desired changes, and (b) implementation efforts are organized to show demonstrable impact in 100-day cycles. The NWSC story suggests *that the capacity to implement and to make change happen exists in organizations, but it often lies dormant until the right context is created.*

Creating a Context for Achievement: Lessons from Crises

In crisis situations, a sense of “change or perish” often exists, and individuals, teams, organizations, and societies can almost instantly mobilize to take effective action. In a crisis, the factors that normally get in the way of swift, effective action fall away. Clashing egos, conflicting agendas, aversion to risk taking, red tape, poor methods of communication, and time-honored traditions are all quite easily sacrificed. Previously unthinkable feats are accomplished in record time, and group members operate with a higher level of team spirit, energy, and creativity. Passionate leaders can use crises to tap into capacity people never knew they had, a phenomenon that is as easily observable at the level of personal experience as it is at the group level.

Natural disasters of all kinds typically unleash this response. But creative leaders do not need to wait for natural disasters or crises to unleash this capacity. They can create the same underlying conditions of urgency and high stakes that drive people and organizations to tap more of their capacity—and one way to do this is through translating long-term plans into 100-day “must-do” goals.

Passionate—and Engaging—Leadership

Learning from crisis situations to galvanize collective action requires individuals who are willing to step forward and take risks. The quality shared by these individuals is an uncommonly stubborn belief in the possibility, or even inevitability, of succeeding despite the odds and seemingly insurmountable obstacles. These individuals are not exhibiting the “heroic leadership” so often glorified in management literature nor a belief in their own ability or influence, but rather a conviction about what one’s team and organization can achieve, once properly focused and mobilized. It is this “engaging” quality of Muhairwe’s leadership that stands out.

It is this same “engaging” quality that we have observed in a variety of situations—and countries—

where the same phenomenon of capacity unleashing has occurred. These are individuals that are not necessarily at the top of the formal authority structure, but who choose to step into the role of empowering others and inspiring them to reach for seemingly impossible goals. The presence of these types of individuals can make a big difference in terms of driving the “results agenda” in development work. In fact, some of the focus of development work needs to be on creating the conditions that enable and encourage these individuals to step forward and take their rightful place in driving the results agenda in the development of their country.

Where to Start?

In development work, the question of sequencing and pacing of interventions occupies a lot of time and attention. This often leads to protracted discussions among development professionals and national leaders (complemented by participatory consultations at all levels of society) to figure out the right blueprint for change: policy reforms, institutional reforms and so on.

No doubt this is tremendously critical work, as long as it does not become a substitute for taking action or an excuse for delaying action. In the case of NWSC, when Dr. Muhairwe came on the scene privatization policy was at the top of the agenda; he brushed that agenda aside and focused on improving operations—starting immediately with 100-day results.

A focus on grand reforms can lull development professionals and government leaders into a false sense of security. It can be tempting to think that enhanced performance can be signed into existence with the creation of a legal document or policy statement. Organizational, institutional, and policy reforms may be a stimulus for accomplishing better results, but without

an explicit focus on performance improvement and a specific mechanism for achievement, the link between reforms and results is a hit-or-miss proposition.

Perhaps a better approach is to start where there is urgency at the local level for achieving better results, even if the path to achieving these results is not yet clear, and the policy and institutional environment is not yet quite optimized.

Conclusion

What we can learn from the Uganda water experience is not simply that some short-term results can stimulate positive changes in organizational capacity. We may also surmise that charismatic leaders can cause profound changes within a short time frame. Compelling leadership, however, is often cloaked in magical, inspirational overtones that cannot be replicated, much less scaled up. So then, how do we demystify leadership in the context of this work and deconstruct it to its core components? Is it realistic to expect, wait, and hope for capable leaders to emerge? In this regard, perhaps the more important lesson from this experience is that of enabling context creation. It is the creation of a compelling utility environment that inspired staff and managers to outperform their expectations; thus, the task for donors and development practitioners may be both to encourage capable leadership and to allow for organizational environments to provide a compelling context in which natural leadership emerges and teams are motivated to outperform.

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