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Why do meso organisations struggle to change?

Markets and demands are changing constantly. Continuous structural change processes in industries, services and regions demonstrate the reality of economic life cycles. Firms feel these changes directly and are challenged by adapting to them. Due to market and coordination failures, they require support from meso institutions to gain access to information, technology and knowledge. However, economic change not only requires continuous change by businesses but also



continuous institutional change of the meso organisations supporting them. If the latter do not anticipate changing market requirements and adjust their services and promotion approaches to these requirements, they risk losing their initial purpose.

Diverse entry points and challenges in changing meso organisations

We regard the work by meso organisations as good entry points to promote systemic change. These organisations can play a decisive bridging and supporting role for businesses (see also the four dimensions for assessing meso institutions in the article: *Assessment of meso organisations for opportunities for improvement*). Most competitive regions demonstrate a strong knowledge flow between organisations and enterprises. To increase their responsiveness, we have supported meso organisations in different ways through:

- Cooperation with certain industries, locations or value chains aiming at promoting innovation, competitiveness or network-driven knowledge flows between businesses and supporting institutions
- Support of governmental organisations to develop more targeted and bottom-up-driven meso policies

(see Article 2 '*What and why meso organisations?*') and funding schemes for meso organisations

- Direct organisational development consultancy for certain organisations such as universities, technology centres, associations, etc.
- The promotion of linkages between different meso organisations and businesses based on the identification of support demand from the business side.

Meso organisations are embedded in their social context

Instead of approaching meso institutions with an organisational development handbook, our approach to institutional change is rather based on complexity and system thinking. We see meso organisations as cultural artefacts as they mirror the societal context from which they emerge. Their belief systems are shaped by and emerge in their respective environments; their development is path dependent. Schein (2004) expresses this as follows: *"If we understand the dynamics of culture, we will be less likely to be puzzled, irritated, and anxious when we encounter the unfamiliar and seemingly irrational behaviour of people in organizations, and we will have a deeper understanding not only of why various groups of people or organizations can be so different, but also why it is so hard to change them."*

Understanding and supporting change in and with these organisations require clear insight into their driving forces, their own role definition and self-understanding, and an understanding of their organisational culture of cooperation and learning. How are they embedded

in their environment? How is knowledge exchanged, and how are learning and cooperation with other organisations and the business sector structured?

The various challenges for institutional change typically experienced are the following:

- Meso organisations might **see themselves as key providers of knowledge** and less as learning organisations. They sometimes lack real insight into, and communication with, the business sector and

other supporting organisations. This is especially evident in societies with a hierarchical, top-down policy structure in which bottom-up strategies and learning are rather weak.

- In regions where many meso organisations are publicly supported, **they often become project and funding scheme management units instead of learning organisations.** They adjust their approaches and support mechanisms based on available funds and not on joint learning. Teams in these meso organisations see themselves as managers or technocrats rather than as network facilitators or knowledge brokers. The dependence on project funds and prospects for future fund raising make changes in self-conception very difficult.
- **Meso organisations are path dependent.** In some societies we find hierarchical structures where “command and control” is the dominant



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organisational culture and obedience of employees is a key expectation. Learning exchange in such an environment is somewhat restricted.

Meso organisations are driven by incentives

In many cases, meso organisations require external support because they provide non-commercial services and public goods to address market and coordination failures. Therefore incentives influence the orientation and priority setting of meso organisations.

Certain incentive structures contribute towards a change-resistant culture in meso organisations:

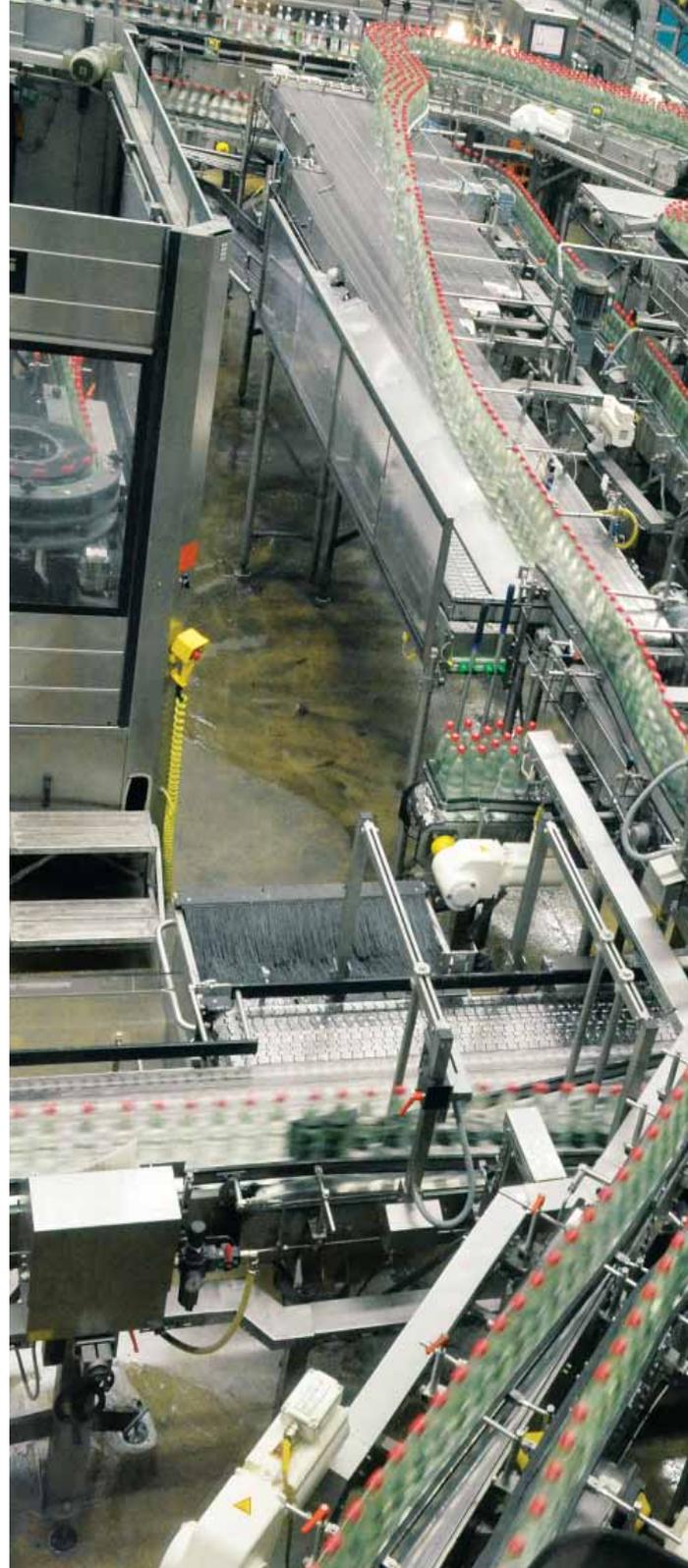
- **A linear understanding of meso policy and programme implementation:** Funding of many

meso organisations is based on quantitative delivery indicators. This approach prevents them from learning jointly with businesses and knowledge providers.

- **Survival status:** In many developing countries and regions we find a lack of meso policies and support programmes. In such a situation, meso organisations have to survive mainly by selling their services, without the flexibility to change.
- **Supply vs. market focus:** Meso organisations often tend to interpret their role in the supply of services without considering the real enterprise demand. In this case they lack a deeper understanding of temporary or permanent market and coordination failures that businesses face and how to address them. This situation differs from a deliberate **supply-**

push approach that aims at anticipating innovation requirements (see Article 4 'Assessment of meso organisations for opportunities for improvement').

- **Lack of competitive pressure for knowledge exchange:** In order to successfully achieve competitive advantages of enterprises or locations, it is necessary to promote knowledge exchange. We often find that knowledge sharing of meso organisations and government bodies is weak due to a lack of trust, insufficient funding or isolated meso policy interventions. This undermines any efforts in those organisations to open up and change.
- **Basic research vs. an applied and demand-driven perspective:** Organisations such as universities are often rather basic research oriented. Taking a more applied research approach in cooperation with the business sector requires a total shift in orientation and mind-set. Applied research can also involve a proactive supply-push approach that is based on foresight of potential future markets.





Change requires a deeper understanding and space for experimentation

In conclusion we can say that there are prominent self-interests in play in meso organisations. What we have to have a better understanding of in the design of development practice and support programmes is that not all meso organisations are interested in change or in participating in change processes. Donors, organisational development experts and other consultants need to be able to put themselves in the place of their partner organisations in an effort to understand how they are shaped by and positioned within the system. It also requires experimentation. Openness to change emerges in processes and by trying different options (see Article 4 '*Assessment of meso organisations for opportunities for improvement*').

Reference

Schein, E. H. 2004: **Organizational culture and leadership.** The Jossey-Bass Business & Management Series, San Francisco.

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