

## UNDERSTANDING INSTITUTIONS

Prasad Kumar

### SYNOPSIS

In an uncertain and volatile world, Institutions provide stability and longevity. Organizations grow, evolve and mature into Institutions. This evolution needs to be designed and systematic – principled leadership, sense of collective identity and purpose, values led culture, a long view of success, synergy and social impact - are some ingredients of this wholesome entity. Institutional trust is created and fostered in the minds and hearts of people and stakeholders.

This paper, written in three parts, takes a closer look at the components of this heirloom of societies and nations.

The first part of the paper focuses on the important differences between an Organization and an Institution. What do organizations need to move away from and towards along this journey?

The second part discusses the architecture of belonging and membership as seen in both these entities.

And the third part of the paper presents a framework and scaffolding for building Institutions. All institutions answer some questions in perpetuity – Who are we? What is our purpose? What do we do together? How do we do, whatever we do? How do we feel as a community? The reader is invited to delve into this complex process, in as simple a way as is possible.

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## INTRODUCTION

The focus of this paper is on Institution Building. Institutions are relevant in the current VUCA (volatile, uncertain, complex and ambiguous) world and offer stability and security in a modern society. Very few organizations' last beyond a generation or two, however institutions provide a longer lasting sustainability.

To understand Institutions, we need to explore their nature, people, values and human dynamics.

The paper is written in three parts and aims to discuss:

**Part I** - The difference between Organizations and Institutions.

**Part II** - The quality and types of membership that sustain Institutions.

**Part III** - The essential parameters that influence the building and renewal of Institutions.

## **PART I** ***The difference between Organizations and Institutions.***

### **Organizations and Institutions**

Organizations, when led with statesmanship and wisdom, mature into Institutions. The maturation process is an evolutionary and organic one, sustaining its relevance over time. An Institution is not only a set of traditions and time-honored structures and norms - as is commonly understood, but is also a 'gharana', a state of mind, a sense of belonging and ownership that is fundamentally "alive" in the minds of people. A collective sense of identity (who we are), values (what is important to us), processes (how we do what we do), and psychological health (how we feel) form the anchors that bind and hold Institutions together.

But what characterizes Organizations and how do they differ from Institutions?

<b>Organization</b>	<b>Institution</b>
<b>World View and Outlook</b>	
<ul style="list-style-type: none"><li>• Defines itself primarily in the language of economics.</li></ul>	<ul style="list-style-type: none"><li>• Defines itself as a living entity-- a 'persona' and a community of human beings. The collective identity is palpable.</li></ul>
<ul style="list-style-type: none"><li>• Primary focus is on strategy, structure, process, roles, tasks, and results.</li></ul>	<ul style="list-style-type: none"><li>• Focus is on mission, philosophy, aims, meaning, values, culture and belonging.</li></ul>
<ul style="list-style-type: none"><li>• Concerned with quantitative results</li></ul>	<ul style="list-style-type: none"><li>• Concerned with governance and qualitative outcomes</li></ul>
<ul style="list-style-type: none"><li>• Predominantly short term in orientation</li></ul>	<ul style="list-style-type: none"><li>• Long term in approach and commitment</li></ul>

<ul style="list-style-type: none"> <li>• Expedience and consequences are in focus</li> </ul>	<ul style="list-style-type: none"> <li>• Convictions and values are in focus</li> </ul>
<b>Environment Interface</b>	
<ul style="list-style-type: none"> <li>• Engagement with the environment is fragile, reactive and suspicious.</li> </ul>	<ul style="list-style-type: none"> <li>• Sensitive to their environments, proactive, relevant and respond in a timely fashion to the conditions around them.</li> </ul>
<ul style="list-style-type: none"> <li>• Grab opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Befriend opportunities</li> </ul>
<ul style="list-style-type: none"> <li>• Are quick to adopt fads and fashions. Appear 'modern' to the observer.</li> </ul>	<ul style="list-style-type: none"> <li>• Assimilate sustainable ideas progressively and are particularly conservative in matters of finance. Appear staid.</li> </ul>
<ul style="list-style-type: none"> <li>• Many are short lived.</li> </ul>	<ul style="list-style-type: none"> <li>• Longevity is the focus.</li> </ul>
<b>Leadership</b>	
<ul style="list-style-type: none"> <li>• Leaders have to frequently explain their actions and defend their decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Faith in the leadership is strong. The benefit of doubt goes to leadership.</li> </ul>
<ul style="list-style-type: none"> <li>• Succession is poor and ad hoc.</li> </ul>	<ul style="list-style-type: none"> <li>• The process for succession is robust and emphasizes a combination of continuity and change.</li> </ul>
<ul style="list-style-type: none"> <li>• They seek "partnership in clarity". Leaders want to be certain and clear in their communication.</li> </ul>	<ul style="list-style-type: none"> <li>• Leaders encourage and seek "partnership in ambiguity". They share their confusions and doubts with other members and invite ownership and initiative.</li> </ul>
<ul style="list-style-type: none"> <li>• Problems move upward to the leaders.</li> </ul>	<ul style="list-style-type: none"> <li>• Proposals move upward to the leaders.</li> </ul>
<b>Roles</b>	
<ul style="list-style-type: none"> <li>• Individuals 'protect' their role boundaries and functional jurisdiction.</li> </ul>	<ul style="list-style-type: none"> <li>• Members sustain each other's roles. Expertise permeates and spreads across roles.</li> </ul>
<ul style="list-style-type: none"> <li>• Inter-role spaces have no 'owners'. Many issues fall between two stools and the 'boss' orchestrates these through persuasion and arbitration.</li> </ul>	<ul style="list-style-type: none"> <li>• Inter- role spaces are attended to. Members volunteer to do what needs to be done in the inter-role spaces and help each other when tasks and roles are hazy.</li> </ul>
<ul style="list-style-type: none"> <li>• Protocols are established to manage inter-role engagement.</li> </ul>	<ul style="list-style-type: none"> <li>• Sensitivity and awareness of what will make others succeed is often the basis of inter - role transactions. Winning together is meaningful.</li> </ul>
<b>Membership</b>	
<ul style="list-style-type: none"> <li>• Members operate largely from an 'economic' and /or a 'professional' contract.</li> </ul>	<ul style="list-style-type: none"> <li>• Members operate predominantly from a 'psychological' contract. Their contributions are mostly voluntary and unilateral in nature.</li> </ul>
<ul style="list-style-type: none"> <li>• Members are contractual in their outlook. They take a rigid view of unexpected developments.</li> </ul>	<ul style="list-style-type: none"> <li>• Members are willing to be contextual in their view. They are tolerant of unexpected and idiosyncratic developments.</li> </ul>
<ul style="list-style-type: none"> <li>• Members are concerned with individual and sectoral wellbeing. Their ambitions are self-oriented.</li> </ul>	<ul style="list-style-type: none"> <li>• Members are sensitive to the common good. Their ambitions are directed towards the well-being and success of all stakeholders.</li> </ul>
<b>Hierarchy</b>	
<ul style="list-style-type: none"> <li>• Hierarchy reflects position, expert and resource power. Designations and titles reflect seniority.</li> </ul>	<ul style="list-style-type: none"> <li>• Hierarchy is a quality of membership and a 'state of mind"- founders, co-founders, institution members, professional and associate members are some forms of belonging.</li> </ul>
<ul style="list-style-type: none"> <li>• Promotions, are based on merit and performance.</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent performance is only the first threshold. Scanning abilities, active institutional membership, ability to influence non-reporting</li> </ul>

	relationships, generation of proposals for change, are all critical qualifiers.
<ul style="list-style-type: none"> <li>• Single individuals are treated as singular resources.</li> </ul>	<ul style="list-style-type: none"> <li>• An individual is viewed as a multi-dimensional being and represents versatile potential.</li> </ul>
<b>Autonomy</b>	
<ul style="list-style-type: none"> <li>• Self-determination is difficult.</li> </ul>	<ul style="list-style-type: none"> <li>• Thrives on self-determination. Encourages autonomous action.</li> </ul>
<b>Induction</b>	
<ul style="list-style-type: none"> <li>• Socialization - do's and don'ts - is a predominant way of induction for new entrants.</li> </ul>	<ul style="list-style-type: none"> <li>• Acculturation - 'our way of life ' - anecdotes, stories, rituals, myths, anxieties and the enthusiasm that surrounds the community, are shared while inducting new entrants.</li> </ul>
<b>Vibrancy</b>	
<ul style="list-style-type: none"> <li>• In the early stages of an organization the Eros (action energy) is strong. As the organization evolves into a more stable state, Ethos (process energy) emerges to complement Eros.</li> </ul>	<ul style="list-style-type: none"> <li>• In addition to Eros and Ethos, institutions are characterized by their focus on Mythos (meaning, intent, purpose) and Pathos (pains, struggles, intensities and sensitivities). Mythos and Pathos act as the sources of institutional philosophy and learning.</li> </ul>
<ul style="list-style-type: none"> <li>• Vibrancy arises from action, success and victory.</li> </ul>	<ul style="list-style-type: none"> <li>• Vibrancy arises from meaning, purpose and learnings.</li> </ul>

These differences are on a continuum and no one characteristic taken singly can define the stage of maturity. Interplay of a majority of the characteristics will determine the transition from organizations to institutions.

## **PART II *The quality and types of membership that sustain Institutions.***

### **Membership Contracts**

There are fundamentally, three kinds of membership contracts:

1. **The economic contract** - The focus here is on money and lifestyle. What will I get paid if I deliver on expectations? What more will I get paid for exceeding expectations? How much money will I lose if I fail to deliver? Monetary life goals inform this contract.
2. **The professional contract** - The primary concern here is about the nature of work. What will my role be? How will this role enhance my resume? What more will I learn in this role? What could I expect to be doing in the future? What skills will be needed? Is the role challenging? Will it provide visibility? Centrality? In building competent and "professional" Institutions, an active professional contract is crucial and fundamental.
3. **The psychological contract** - The emphasis here is on the implicit psychological expectations: Of being treated with respect; of being heard and valued; of fairness and transparency; of trust. The sense of belonging is rooted in this contract.

Every citizen of a community and a member of an Institution will act from all three contracts, to a lesser or higher degree.

Most leaders and senior citizens of work communities and Institutions do explicitly address the economic and professional contracts. They do very little to make the psychological contract explicit and engaging

To take this 'soft' and 'fuzzy' area of Institution building further, it will be helpful to view the Institution and its members from a different perspective.

### **TYPES OF MEMBERSHIP**

We are likely to see five different strains of engagement and commitment, reflected in five membership stances:

1. Founder members
2. Co- Founders
3. Institutional Members
4. Professional Members
5. Associate Members

### **Founder Members**

#### **Key characteristics**

- These individuals, as the name suggests, are founders of the Institution.
- They have dared to rebel or dream and sculpt their dream into a reality.
- They embody the seminal idea, purpose and mission of the Institution.

- Their convictions, charisma and the strength of their ideas have drawn others to the firm.
- They are able to invite partnerships in a shared destiny.
- They are the proponents of the mission, purpose and meanings (mythos), the values and culture (ethos) and represent the primal action energy of the community (Eros). Very often, they live with the agony, the anxieties and the painful residues (pathos) that are an integral part of building an Institution.
- Their psychological contract is overwhelming, and their professional contract is overactive. Their economic contract is mellow. The psychological contracts of other members revolve around them.
- Founder members are the gatekeepers between the Institution and the rest of the world.
- They inspire, define and defend.

### **Challenges**

- Their personal identity often gets fused with the Institutional identity and they have difficulty in letting go and handing over to successors. They sometimes treat the institution as their personal property.
- They encourage and accentuate a sense of contrived 'peerage' with the next generation, often promoting sibling rivalry.
- Successors find it very difficult to take their place and 'fill the idolized gap'.

### **Co- Founders**

#### **Key characteristics**

- The first few individuals who get drawn to the founder's mission and dream.
- They share the founder's dream.
- They provide the much needed moral and psychological support and companionship to the founder.
- Initially they may be seen as followers but very soon they command a following of their own.
- They are seen as role models and become mentors within the community.
- Their psychological contract is intense; their professional contract is immaculate; and their economic contract has a strong strain of 'sacrifice'.
- They may seek a great deal of autonomy while subscribing to the core values of the mother institution.
- They amplify, codify and disseminate the fundamental principles, values and purpose of the Institution.
- They are ideal candidates for starting of new entities and diversification under the mother umbrella.

## **Challenges**

- They act as gatekeepers between the founder and members of the community.
- Their personal identity sometimes becomes fused with the founder.
- When the founder does not let go, the co-founders may get disenchanted and their psychological contract may get ruptured.
- As the Institution matures, they may have dreams of their own, feel suffocated and start another Institution, to become founders elsewhere.
- They often become involved in covert power struggles and sibling rivalry. The first strains of 'rebellion' in the community may have a source here.

## **Institutional Members**

### **Key characteristics**

- These individuals join in at various points in the building of the Institution - either by invitation or by application.
- They explicitly and implicitly share the purpose and values of the Institution.
- They often represent the values of the Institution to the outer world. They are the 'value-holders'.
- They influence and lobby for important decisions within the community.
- They almost always keep the Institution before themselves. They willingly go through inconvenience and harsh times for the good of the community. They choose to participate in dealing with the bad news.
- They demonstrate competence often in the same area as the core competence of the Institution.
- They transcend role boundaries effortlessly, sustain other people's boundaries, provide integration across constituencies and influence non-reporting relationships effectively.
- Their psychological contract is collaborative, anchored and strong; their professional contract is selfless and contextual; their economic contract is frugal and functional.
- These individuals give the benefit of doubt to the leaders of the institution and champion the cause of the community.
- They are often seen as "custodians"

## **Challenges**

- As the Institution matures, they may compete with the co-founders for centrality and visibility.
- They sometimes become victims of the power struggle between the co-founders and the founders

## **Professional Members**

### **Key characteristics**

- These individuals join the community post start up and just prior to the growth stage.
- They demonstrate state-of art professional skills.
- They bring values of excellence, a performance culture, relevant systems and a strong work ethic to the community.
- What the community does and how well the community performs, is championed by these competent individuals.
- Their economic and professional contracts are primary. Their psychological contract is weak and often considered unimportant by them.
- They demand clarity of roles, expectations and resources.
- Their primary dedication is to their expertise and profession. The values and ethics inherent in their profession take precedence over Institutional concerns.
- The Institution and the work community often becomes an infrastructure for their professional pursuits.

### **Challenges**

- They are autonomous, protect their 'turf' vigorously and promote differentiation. They have difficulty in influencing non-reporting relationships.
- Quid Pro Quo attitude is strong.
- Institutional members often see them as transient mercenaries.
- They often find reasons to complain about the current situation and exercise the right of displeasure with self-righteousness.
- They find it difficult to give 'the benefit of doubt' to leadership of the community.

## **Associate Members**

### **Key characteristics**

- These individuals have just entered the community and are finding their feet, often as 'probationers'. • The mission, vision, performance, corporate brand and the economic benefits of associating with the Institution and work community have attracted them.
- They look forward to induction, mentoring and acculturation by the community.
- They are often in 'recipient' positions
- Learning is a major theme in their professional contract, their economic contract is speculative and their psychological contract is of 'goodwill'.

### **Challenges**

- They often put the work community and Institution 'on probation' as they are testing the waters.



## Building Membership

The integrity, vibrancy and effectiveness of a work community and Institution is influenced by:

1. The percentage of members in each category.
2. The rate of conversion from one category to the next i.e. Associate to Professional to Institutional to Co-founder to Founder.

Of particular significance is how the transition across Institutional and Professional memberships is handled. This matrix may provide a starting point:

		Professional Membership	
		High	Low
Institutional Membership	High	Position As Institution Leaders Role Models Mentors	Retrain Redeploy
	Low	Counsel and Mentor for Values in Institution Building	Exit

Those who are high on both Institutional and Professional membership are ideal candidates for leadership positions. They may take up opportunities such as starting a diversification project, running an acquired business or leading an offshore business.

Sometimes Co-Founders and Institutional members lose heart and in their low cycles, may regress to a lower order of commitment level e.g. a Co-founder may decide to restrict psychological involvement to that of a professional member, for a period of time.

Mentoring for an increase in the quality of membership is a labor of love and conviction -- traversing the world of commitment, faith, values, belonging, identity, career anchors and life aspirations.

As pointed out earlier, the integrity of Institutions is almost completely dependent on the integrity demonstrated by its people in the membership and their commitment levels. CEO's, senior leaders of work communities and HR professionals have an opportunity and an accountability to accelerate the maturity of members along these dimensions.

They must perhaps deemphasize organization power and structural hierarchies - President, VP, GM and the like - and refocus on mapping their memberships along the lines discussed. For who knows, many a VP may actually demonstrate professional membership and a lowly assistant may show a high quality of Institutional Membership?

## **Part III - The essential parameters that influence the building and renewal of Institutions**

### **INSTITUTION BUILDING - A MODEL**

In this part, I present a model for Institution Building. This model is rich in theory and application - it lends itself to a detailed treatment of the subject. In this paper, however, I propose to cover only the bare- bone fundamentals.

### **INSTITUTIONAL VIBRANCY**

It is important to understand that all institutions are communities - work communities where affiliation also happens or affiliative communities where work also happens. Secondly, some key aspects that distinguish a community from a random aggregation of individuals and groups, is:

- A shared and common purpose.
- Contribute to society.
- Shared values, traditions and norms.
- Long lived.
- Rules of entry, membership and exit.

Embedded in all communities is a sense of vitality, a sense of vibrancy, that is indicative of the health of the institution. In times of good health, there is a strong connection amongst members and overwhelming synergy in all that they do. In times of ill health, there is apathy among members and vibrancy is at a low ebb.

To intervene and build Institutions, leaders and members need to be in touch with the pulse of the community.

## ANCHORS THAT INFLUENCE VIBRANCY

There are four anchors that influence vibrancy and institution health.

These are:

ANCHOR I	ANCHOR II
<p><b>1. THE CULTURE-IDENTITY ANCHOR - WHO ARE WE?</b> - This anchor is concerned with the question "who are we?" It embodies the aims, mission, philosophy, values, and culture. It is seeded by the founders and seasoned by the history that the institution has lived through. It provides the identity and the persona of the institution. The DNA or genetic code is alive here. When this anchor is eroded, vibrancy is dispersed, members feel disconnected and the institution is in the center of an identity crisis - it lurches and wavers till a renewed meaning and sense of identity is re-established.</p>	<p><b>2. THE STRUCTURAL ANCHOR - WHAT WE DO?</b> - This anchor deals with the theme of "what we do". Positioned here are issues of vision, business / work strategy, organization structure, roles, goals, results, rewards/punishments. When this anchor is fractured, members feel directionless and no development initiatives occur - most members restrict their contributions to maintaining the status quo. The sense of success and professional confidence is threatened. The economic and social value of the Institution diminishes.</p>
ANCHOR III	ANCHOR IV
<p><b>3. THE PROCESS ANCHOR - HOW WE DO, WHAT WE DO?</b> - This anchor addresses the question "how we do, whatever we do" -- the major focus here is on sustainability, predictability and stability ---processes, quality, ethics, norms and systems. Ways of doing things are constantly improved and delivery is made consistent over time - 'quality is character and character is quality'. A dilution of this anchor encourages ad hoc behaviour and members become more expedient in their approach. The credibility of the Institution is tarnished.</p>	<p><b>4. THE SENTIENT ANCHOR - HOW WE FEEL?</b> - The focus here is on feelings - community feelings... and the concern is with "how we feel". When members of a community work together, they encounter the vicissitudes of community life and sensitivity and feelings are generated. The psychological health of the community will depend on the way it responds to these feelings. The opportunity to express and share sadness, joy, grief, shame, togetherness, anger, anxiety, helplessness and irreverence is crucial for institutional health and longevity. Ignoring this anchor can lead to toxicity, low morale, excessive formality, suspicion, self-doubt, disengagement and a fractured sense of belonging.</p>

## COHERENT ATTENTION TO ALL ANCHORS

All four anchors exist at the birth and through the life of a community. Unfortunately, leaders and members of many business organizations take a myopic view of their communities and over engage with the Structural and Process anchors. They provide scant regard and attention

to the Culture - Identity and Sentient anchors, attending to them only when the work community is already in trouble.

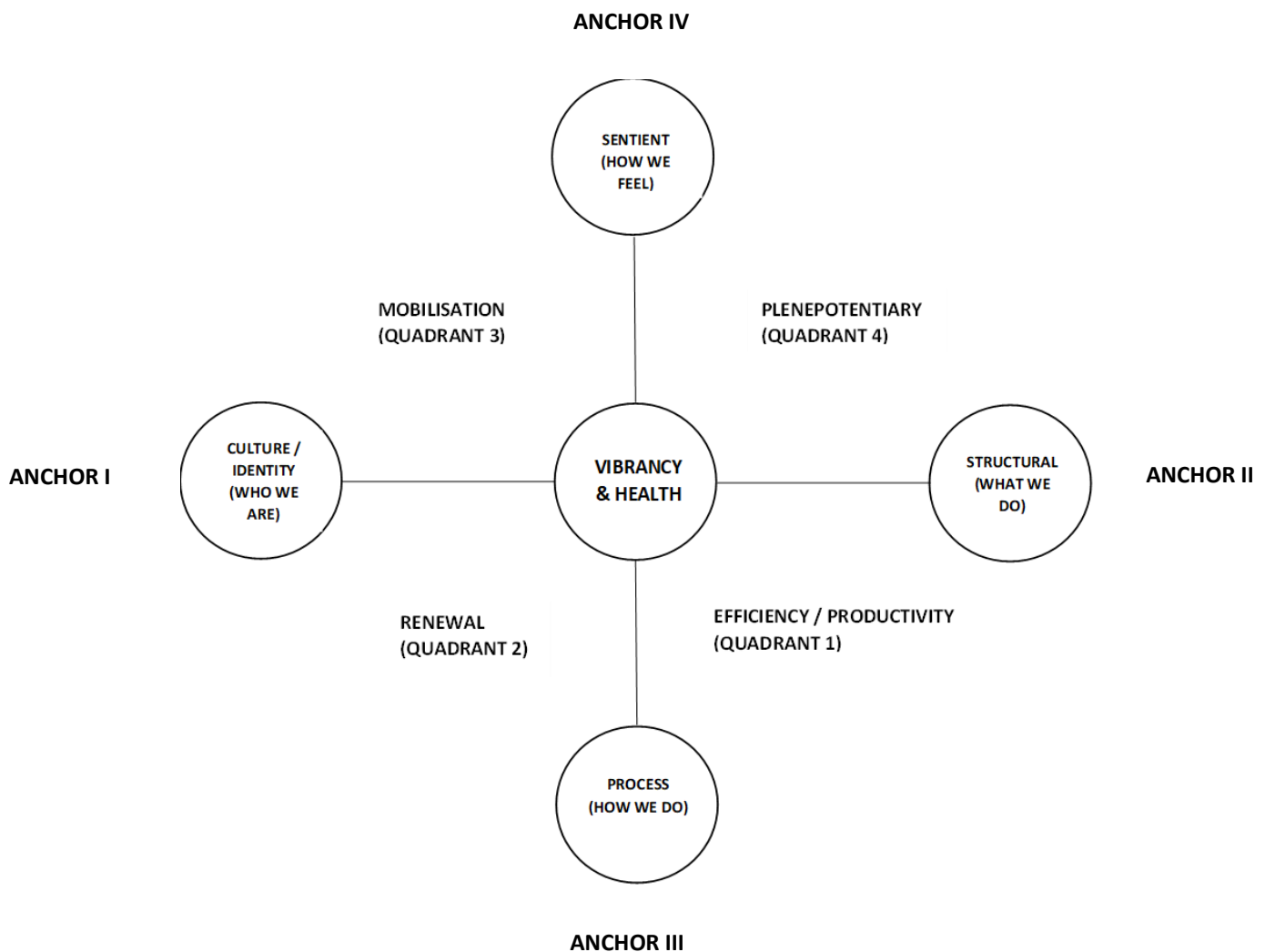
The Culture - Identity and Sentient Anchors are also more 'difficult' to engage with - particularly, for the aggressive, over-analytical, 'macho' managers who are prisoners of objectivity and linear logic. These anchors deal with issues that are less tangible, more subjective and associative - they lend themselves to qualitative thought.

The pressure to honor short term commitments made to investors, and the incapability of many leaders to manage the tension between the short- and long-term imperatives, has led to an erosion of the Culture-Identity and Sentient anchors in most organizations.

The vibrancy and the sustainability of communities is dependent on how healthy each of these anchors are. Senior citizens and leaders can build their communities and transform them into Institutions by focusing their attention on managing and developing all these anchors coherently.

### ALL ANCHORS AHOY!

The interplay of these anchors with each other provides a model for regenerating vibrancy and transforming communities into institutions.



The four anchors surround the central circle that represents the vibrancy and they matrix to produce four Quadrants.

- At the center of this model is the circle that represents the vibrancy and health of the Institution.
- The energy in the center will flow to that quadrant which receives the attention of leadership and the members of the community.
- Each quadrant represents a preoccupation, a mind set and a focal theme.
- There are four themes that emerge in each quadrant:
  - Quadrant 1 - Efficiency / Productivity
  - Quadrant 2 - Renewal
  - Quadrant 3 - Belonging / Mobilization
  - Quadrant 4 – Plenepotentiary Membership

## APPLICATION OVERVIEW

All interventions in Institution Building must occur around the four themes.

**To build Institutions, we must work on all the anchors coherently.**

- For example, in a "start-up" and up to the "consolidation" stage, it is crucial to focus on all the four anchors and simultaneously address the questions - who are we? What do we do? How we do, what we do? How we feel?
- In the hustle and bustle of a start- up, the founders and the start-up teams tend to focus their energy largely to business strategy, market development, structure, roles, systems and so on. The intervention must therefore get the team to focus on other anchors as well.
- When the community focus is largely on renewal, many fundamental questions of organization identity, purpose, values and process are revisited. At this point, it is also important to attend to issues of Efficiency and Productivity, Belonging and Membership. If this is not done, the community will get too inward in its focus and lose touch with external realities.
- Sometimes communities focus on belonging and mobilization. This often occurs when the community is rallying around growth, extension or survival. Attention to this also occurs soon after a turnaround or after many voluntary and involuntary separations, rightsizing and so on - a 'healing touch' is often required and those who have survived the holocaust need to be regenerated.
- Communities with a strong ethic of ' affiliation' and 'human relations' tend to invest a great deal of energy and attention to "*who we are*" and "*how we feel.*" The interventions at this stage must reinforce this attention and concurrently activate strategy, structure, efficiency -- so that the community does not tilt towards being "over affiliative" and "under achieving".
- Diversification, expansion both globally and locally, calls for 'plenepotentiary membership"' of a significant magnitude. The community needs strong Institution-cum-Professional members, who feel an internal sense of empowerment and have no hesitation in acting as ambassadors of the Institution, in far off geographies, often at the leading edge. They represent the Institution in all its aspects and act independently on its behalf.

At these times, communities need to attend to "empowerment for growth" and focus on '*how we feel*' and '*what we do*'. At this juncture, if the interventions do not address the Institutional anchor of '*who we are*' and the core values' that bind the community, it may get fragmented into over-autonomous hegemonies.

- Some communities get bureaucratic and slow. They get outpaced by the market and competition. The pace of external change outstrips the rate of internal change. The inward looking centralized and hierarchical community needs to rework its strategy and empower its members to take speedy action relevant to the emerging external realities.

This model is best navigated by inspiring and competent leaders, with the assistance and advice of experienced OD Process Consultants, who understand Institution Building and work alongside.

As we conclude this part, we must remind ourselves that Institution Building and Revitalization is possible - not through control, policing, legislation and reaction but by systematic and well-designed series of long haul interventions that gives credence to the psychological and social dynamics of work communities.

**Reference:**

- 1) This paper draws from the core ideas of the work of late Prof Pulin K Garg and few of his senior associates in the Indian Society for Individual and Social Development. The author has been an integral part of the initial group of senior associates who gave substance to Pulin's work on this subject.
- 2) Arie de Geus and his book - The Living Company, have also inspired this paper.
- 3) Charles Handy and many of his writings.
- 4) The author's experience in Institution Building in various settings.