Planning for The Electricity Sector in Colombia

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Searching for a New Approach

During the early 1970s, the World Bank shifted its emphasis away from physical infrastructure towards agriculture and the social sectors. This required major changes in the Bank's organization and in its investment and technical assistance tools. It became difficult for its development clients to adapt to new policies, shift priorities and organize projects under the new policies

A study of agricultural and rural development projects (Smith, Lethem, Thoolen 1980) under the new policies revealed that borrowers lacked commitment to policy objectives; project designs left out environmental variables affecting implementation; and programs relied too much on earlier rational, technical approaches, paying too little attention to social and political realities.

The Bank also began to shift its loans from projects to whole economic sectors, such as agriculture, transportation and trade. This changed relations between levels within the Bank and with its clients. Donors tried to redesign existing organizations for the program's enlarged scope, but found it difficult. The Bank and government agencies reached the limits, not only of their own organizing experience but also of what was known in the field.

Power and Policy

In the 1980s we began an Action Research Program to improve the Bank's development projects. Our model was based on a particular understanding of power. *Chart 1* shows how potential power increases as our purposes expand from individual, short-term problem-solving to serve medium-term community values—and still more when we serve the long-term ideals of a whole system.

For example, while several hundred people might share the goal of increasing one private company's profits, the goal of eliminating hunger might be shared by a whole nation, creating much more potential power. A policy power field consists of all related actors, organizations, and events. The field extends horizontally to include all inputs to policy makers and to those affected.
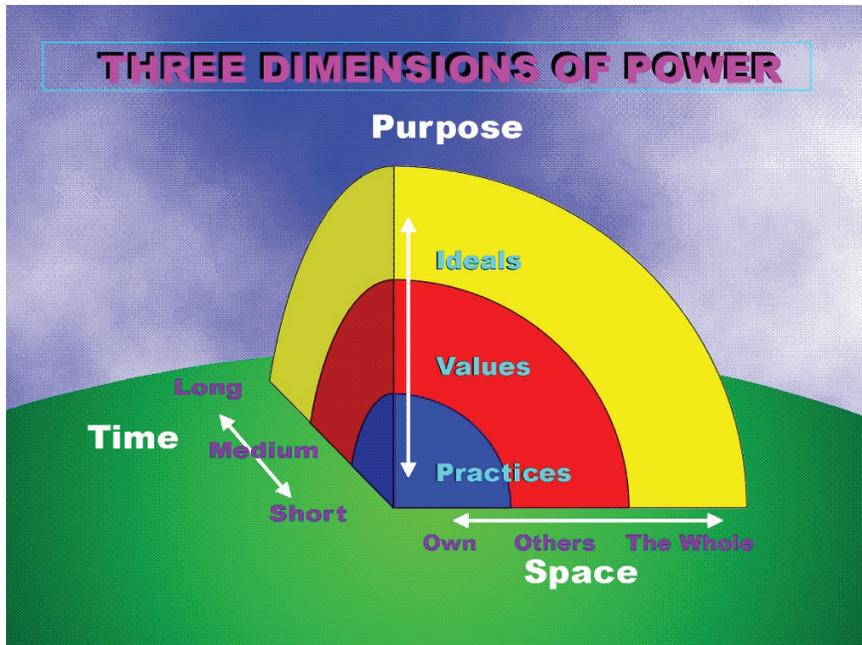
Chart 1

It extends upward to include levels of regulation/supervision, such as planning, budgeting, evaluation and oversight committees. It extends downward to units that formulate and implement strategy. Our research identified three distinct power relationships in each power field (*Chart 2*).
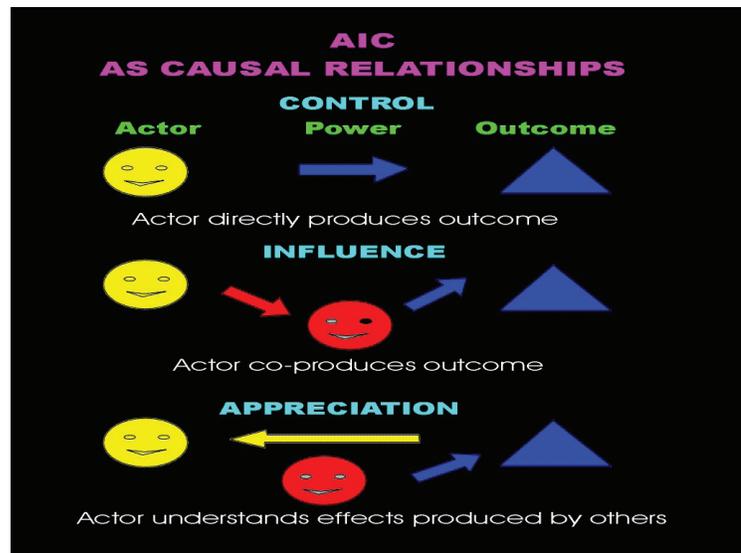

Chart 2

1. CONTROL, at the center, means causing something to happen directly without having to persuade others or to do something else first. For example, cabinet ministers can control their management priorities, time and how much of their energies and emotions they invest in each priority.

2. INFLUENCE means indirect causation, a lesser degree of power. Influence means being from one to 99 percent sure of obtaining a desired outcome, but not 100%. A marketing board cannot control suppliers or customers. It can influence them through the terms negotiated for the delivery of goods or services.

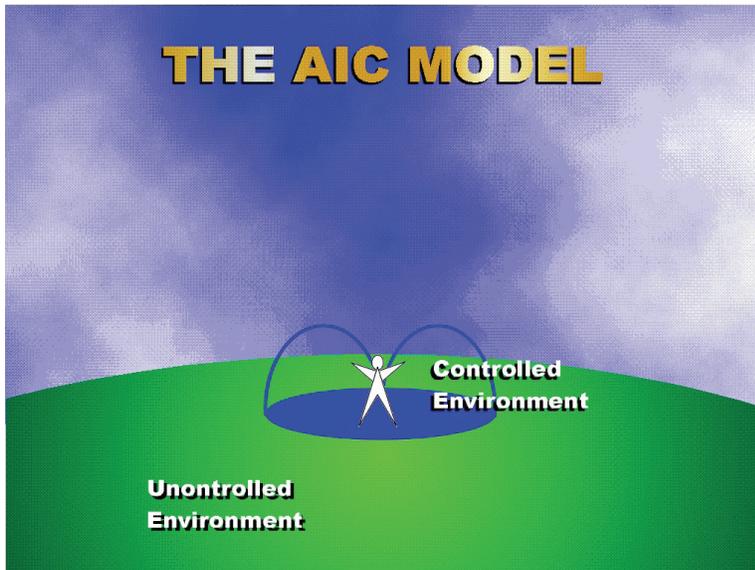3. APPRECIATION means understanding and valuing external events over which

Chart 3

Chart 4

we have no control or influence. It's another way of saying "knowledge is power." For managers, appreciation consists of evaluating the impact of external factors they cannot control or influence. Such factors include the likely impact of regulatory agencies, research institutes, climatic conditions, and economic, social, and political events.
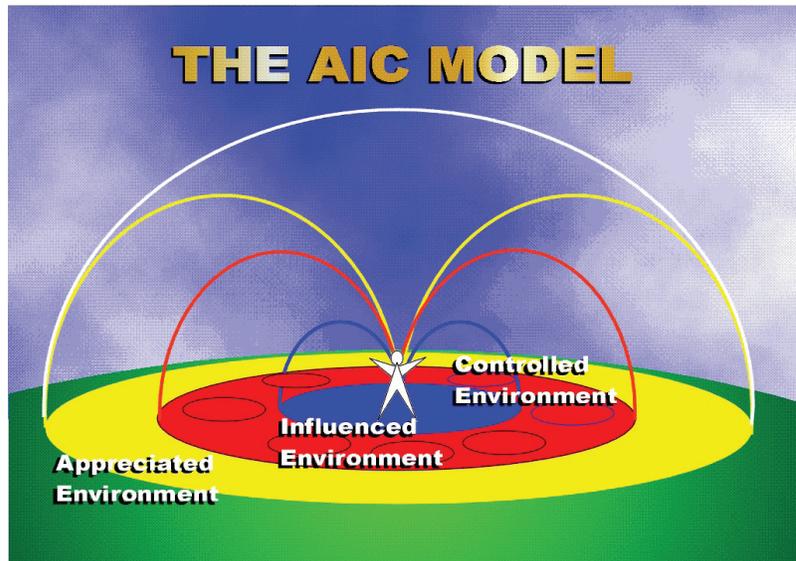
So, we increase the power potential of a policy initiative as we (1) serve higher purposes, (2) have it owned by larger numbers of people and (3) keep it alive over time. As *Chart 3* shows, this developmental perspective is quite different from traditional views of power. The usual model puts us in the midst of a control-centered world battling an often hostile, uncontrolled environment hoping to tame it. The developmental model (*Chart 4*) has us living primarily in a world of influence, forever appreciating the larger world and bringing what is controllable under control. It gives us many more options and, ultimately, more power.

So an organization will become more successful as it increases its ability to manage

power processes. That means creating a flow of appreciation, influence, and control across levels and reducing power differences between them. This is best done by raising the level of purpose served, increasing the time horizon and serving the needs of growing numbers of people.

Raising Level of Purpose

We can raise the level of purpose by working toward broad ideals and widely shared needs over time. Working on mission statements or envisioning desirable futures are ways we do that. Ackoff (1981), for example, describes idealized planning and an interactive process linking an organization's objectives to broad needs and values. This brings separate divisions that might be in conflict closer together.

Development organizations have the opposite problem: they often have high-level, widely supported purposes but they need organizational relationships and resources to carry them out. Unfortunately, governments and organizations trying to operate at the development level often use criteria more suited to the technical or control level. They have no way of valuing appreciation—based on direction—survivability and legitimacy of purpose.

Using All Levels of Power

Understanding an organization's power relative to its environment helps us understand its internal flow of power too.

1. An organization's boundaries define the limits of its control. It attempts to control all elements necessary to achieve its policy "objectives."

2. What the organization cannot control, it tries to influence. Its area of influence extends to sources of inputs and outputs—suppliers, customers or clients.

3. What the organization cannot control or influence, it ought to understand. How does contextual environment affect us in the long term? Is our general direction sustainable?

Parsons (1960) noted three hierarchical levels within any large organization, shown on *Chart 5*. Each concentrates on only one environment and thus deals with one type of power.

1. At the top, the "institutional" level deals with the appreciated environment, ensuring survivability by linking to needs valued by society. Their main output is policy.

2. The "managerial" level chooses the most influential means for implementing policy. Its output is strategy and structure.

3. Only the "technical" level ought be most concerned with control. The key issue is reducing uncertainty through concrete planning, rules and regulation.

To apply this model, we need to overcome power differences, and provide each level a chance to influence decision-makers. We can best do this by introducing a power

Chart 5

flow across the organization to counterbalance the vertical flow (*Chart 6*). We ensure that each level carries out its own appreciative process and has an opportunity to influence deci¬sions that affect it before being controlled by the results.

Search conferences are particularly useful for this purpose. In the case that follows, I will use the example of the creation of energy policy in Colombia to show how a conference was used to balance power and improve policy making.

Chart 6

BALANCING POWER—THE COLOMBIA CASE

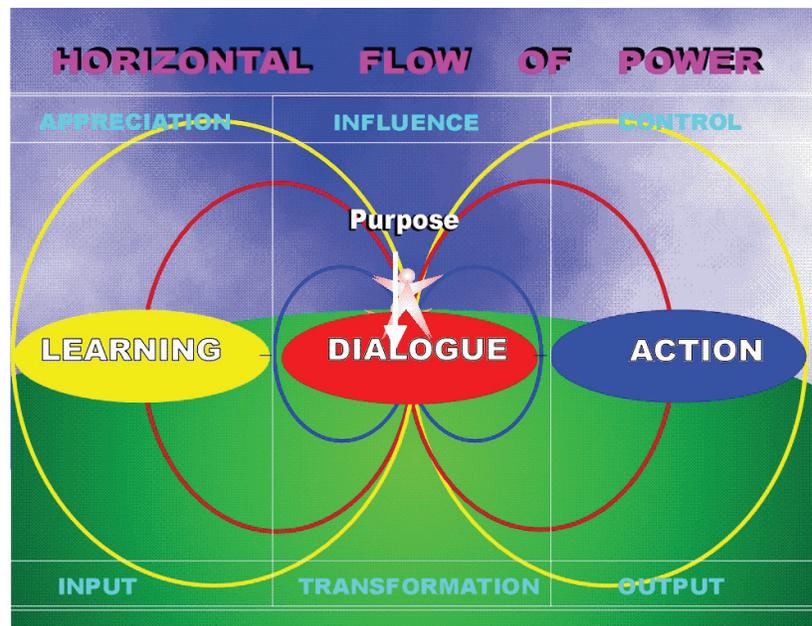During the 1980s the Colombian electricity sector was buffeted by adversity—worldwide recession, devaluation of the peso and a lower rate of demand than forecast. The sector already had underway many capital-intensive hydro projects not easily postponed. Its tariff policies generated too little cash to pay for the investments. Institutional jealousies within the sector made developing common strategies difficult. Many government agencies did not pay their electric bills, and losses due to illegal tapping were estimated at 25 percent.

The sector faced an external debt of some $3 billion—about 40 percent of the country's foreign debt—and it had an over-capacity in generation of 45 percent. Until the early 1970s, each major city—Bogotá, Medellin, and Cali—had its own self-contained utility and investment plan. Little environmental contact was involved. Then, the World Bank encouraged the utilities toward greater physical interconnection and coordination. They set up a new organization, ISA, to coordinate their activities of all the utilities in the country.

Discovering substantial over-capacity in the sector and devaluing the peso in 1984 (doubling the sector's external debt) sounded the death knell for the current policies. It dramatized the effect of the external environment on sector plans and revealed faulty assumptions about demand levels, opportunity costs of capital and the inflexibility built into heavy dependence on large hydroelectric projects.

January 1985, the Minister of Finance appealed to the World Bank for help in what he perceived to be a serious financial and institutional problem. The Bank responded with new concepts of shared power rather than the traditional hierarchical method of providing the electricity sector policy makers with expert solutions. Instead, it facilitated a conference in Santa Marta to develop an appreciation of the sector's total power field.

Raising the Level of Purpose

We deliberately elevated the level of purpose in the conference by visualizing the electricity sector's problems as those of the whole Colombian economy. In an idealization exercise participants were asked to play the role of concerned Colombian citizens rather than their normal sector roles. The electricity sector was figuratively destroyed and the participants were asked to produce the best design possible for the future of their country in the next 24 hours.
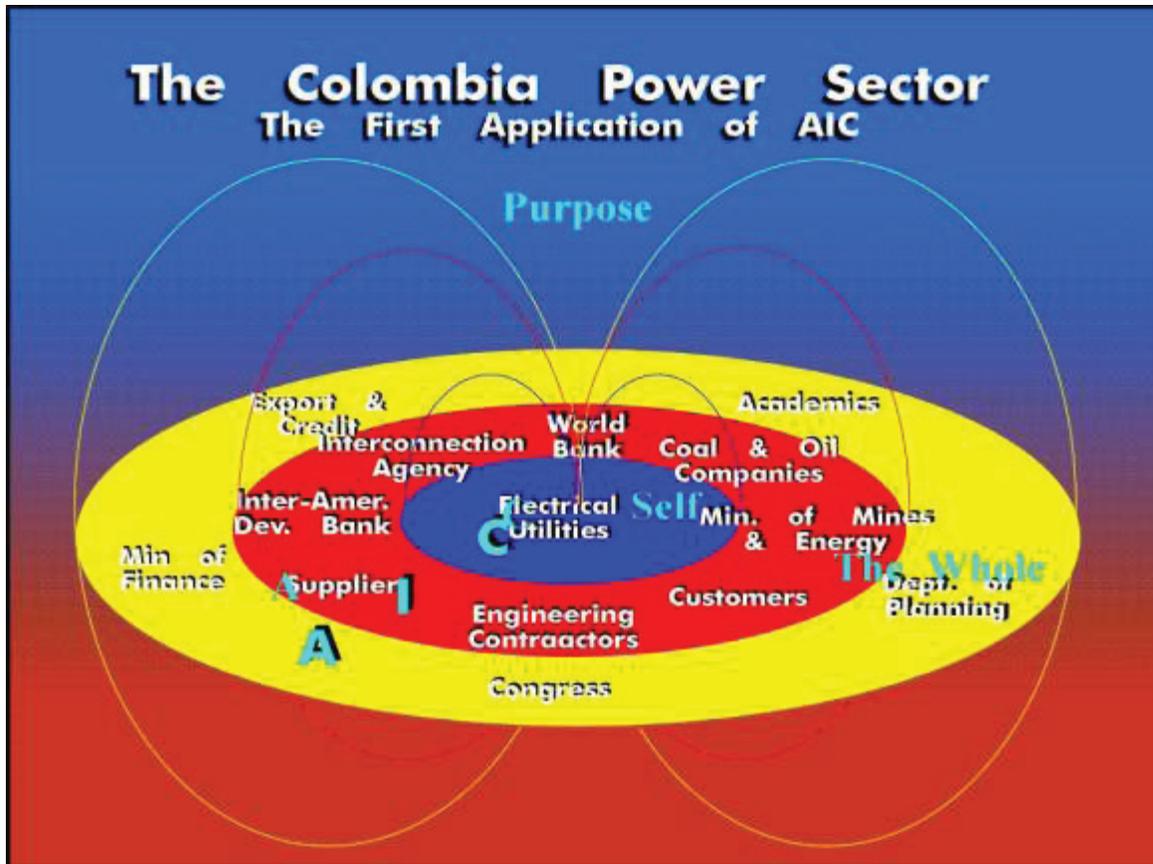
Chart 7

Using all Levels of Power

Some 60 participants attended the workshop, drawn from a bipartisan list to represent all three system levels (*Chart 7*). From the national policy level came the sponsoring agencies—Mines & Energy, Planning, and Finance, and academics from local universities specializing in energy policy (appreciated environment). From the influence level we drew heads and key staff of energy sub-sectors like coal and oil (influenced environment).

The subordinate level was represented by key power sector institutions—major city and regional utilities (controlled environment). Several congressmen and senators represented consumers. In addition, academics and consultants with knowledge of the sector were invited. Three World Bank and Inter-American Development Bank staff attended as observers.

Creating a Horizontal Flow of Power

The workshop was designed as the first of the three horizontal power processes: learning, politics and planning.

1. The workshop's *learning* function provided all three levels of the hierarchy with a common appreciation of the electricity sector's realities and possibilities. It was organized into three parts: creating an ideal future; examining the present realities and possibilities, and a search for options to move toward the ideal. The broader environmental perspective adopted at the workshop revealed that most of the problems could not be *solved* by measures within the power sector's internal or controlled environment. These problems could only be *resolved* through participation with external stakeholders, broadening the horizontal dimension of the power field as far as possible. A new "sector" was required to mediate between the interests of energy sub-sectors like coal, electricity, and oil, and those of the nation. The workshop thus provided a common appreciation across three levels: the electricity sector; its superior, the national energy planning level; and its subordinate, productive enterprises.

2. The influence or *political* phase involved taking the workshop proposals, identifying the most influential stakeholders from each level, and forming a steering committee—the Technical Energy Board—to mediate major stakeholder interests. Its tasks were to:

   • Test the basic directions indicated by the Santa Marta workshop and formalize the sector decisions that would be made by the national government.
   • Examine the sector's strategic alternatives in the national economy and the roles of four sub sectors.
   • Test the new organizing approach through a new working relationship.

   The World Bank facilitated the process. The Colombians made their own diagnosis and recommendations. The Board influenced by appraising the recommendations, provided inputs to the government's political negotiation process at CONPES, the parliament.

3. In the *planning* phase the Technical Energy Board negotiated objectives with each energy enterprise, and provided political and strategic support necessary to achieve the objectives. The enterprise implemented the objectives. The Board thus became the enterprises' ally in managing their influenced and appreciated environments.

By sharing power the parties moved from joint appreciation of the problem to joint influence and shared control. This horizontal flow overcame the shortcomings of the more traditional and limited vertical flow of power between government and the enterprises.

Outcomes

So successful was this approach that one Technical Board energy consultant, Guillermo Perry, became the next Minister of Mines. He was regarded as the only minister with a plan, and was able to introduce fairly unpopular and drastic changes such as cutting the size of the sector by 25 percent and raising rates. The extensive appreciative work gave the country an understanding of the realities of the current situation and hope that the new lines of action that had been developed would solve the basic problem. The influence work ensured that the right people were in the right place to influence movement in the policy directions.

Conference Design

The detailed conference plan follows. It includes six major tasks or exercises, to be self-managed by small groups using facilitators and reporters.

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SEARCH CONFERENCE DESIGN

The search conference provides a way to enable stakeholders (those involved in and affected by an organization's decisions) to develop a picture of the whole situation that affects their purposes. That means to see the social, political and cultural as well as the economic and technical factors that affect them, to see the past and the future influencing equally interaction in the present. I treat such conferences as part of a wider organizing process. So I'm particularly interested in the specific role such conferences play in that broader process.

"For example, my own idea goes something like this. Organizing requires managing three sets of relations—to ourselves (control), to others (influence), and to the whole (appreciation). Search conferences are concerned with the third relationship. They help participants better understand the whole of which they are a part. To effectively focus on relationships to the whole, we have to limit peoples' concern with relationships to others or with the self. Search conferences may possibly be judged by how well they meet such simple criteria.

"From these simple criteria, we can identify relevant principles, for example, the needs to:

1. *Eliminate power differences between the participants (that would divert energy to relationships to others),*

2. *Ensure that information flows with equal probability between any of the par-*

ticipants, thus ensuring equal access to all aspects of the whole that each appreciates,

3. *Allow participants their own interpretation of results, accepting that the whole is too huge and complex to be analyzed, categorized, by any one person.*

"Once such principles are identified, designers can find many ways to use the principles not only to plan conferences but to provide other means for meeting the same needs.

"My approach has basically evolved over time working with teams of managers. I discovered that most problems could not be addressed (i.e. controlled) from within the team and needed other people from the external environment. Getting managers to include outsiders was difficult because of their sense of lack of control.

"Eventually I began treating contracting as a 'framing' problem, and discussed with potential clients the balance necessary between the presenting issues and the 'power' to address them. We would then adjust either the size of the problem or the extent of participation to ensure that we had all three levels of power present in order to effectively ad¬dress the issues in the center.

"If we are unable to obtain a match between the issue and the relevant 'power field,' we do not proceed. The appreciative part of the design owes much to the search conference and to Russell Ackoff's idealized planning. The influence part owes much to negotiating theory, and some technology from organization development, e.g. "fish-bowls" for debate. —William E Smith, PhD

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AN EXPLORATORY PLANNING WORKSHOP

The Electricity Sector, Colombia, Latin America

Objectives

1. Develop improved policies to overcome and prevent future financial and institutional crises in the sector.

2. Develop new linkages between groups, organizations and institutions affecting and affected by those policies.

3. Provide a support network to individuals as they implement the policies.

4. Prepare an action plan that includes all participants.

Sponsor

World Bank And Ministries Of Finance. Planning And Mines And Energy, Colombia Conference

Task

Diagnose of financial collapse of the electricity sector and develop lines of action and policy recommendations to remedy the situation.

Stakeholders

60 people—Mines & Energy, Planning, Budgeting Departments; coal and oil companies, senators, congressmen, academics, consultants, World Bank staff, IDB staff

Length

Three Days. Place: Santa Marta, Colombia

Conference Managers

William E. Smith, Turid Sato and Arnoldo Martinez

ORGANIZING PROCESS

APPRECIATION	INFLUENCE	CONTROL
Realities Potential	Priorities Human Impact	Choices Reflection
LISTENING	DIALOGUE	CHOICE

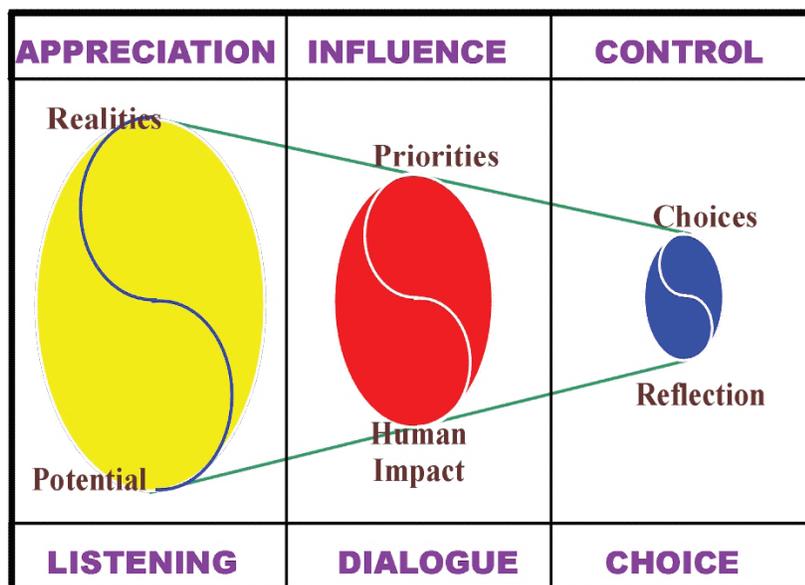Chart 8

Role of Facilitators

Each small group will have a facilitator and elect a reporter. The facilitator will: read the instructions for each exercise and ensure that they are understood; inform the principal facilitator if more time is needed; ensure that each participant has equal opportunity to contribute; ensure that materials are available for the group (paper, pens, flip-charts, transparencies); organize papers from presentations.

Role of Reporters

Reporters will keep track of major points made; prepare a summary for presentation and ensure that it represents the team's views; present summary reports to plenary sessions.

Workshop Process (*Chart 8*)

Exercise 1; Image of Current Realities
Purposes

1. Create increased awareness of the current state of economic development and its effect on participants.

2. Explore the realities facing any program of economic development.

3. Bring out the richness of the experience represented by all participants.

Individual Task

Think about the current state of the electricity sector. Imagine what would happen to Colombia in the next ten years if nobody took any new initiatives. To help communicate your insights in a meaningful way draw a picture that captures, as best you can, what you see and what you feel about that future. When you finish join your small group to share your picture, and the thoughts and feelings you had in creating it.

Team Task

Each in turn share your image, thoughts and provide a brief explanation. Listen carefully. You may ask questions but this is not the time for critical questions or analysis. Your group then draws an image putting together as many of the group's ideas as possible. The reporter will: Make notes of key points and copy the image and a brief written explanation of the image onto a flip chart for presentation to the plenary; organize the group picture and the individual pictures into a group to place on the wall to form an "art gallery" of current realities.

Plenary Task

The reporter of each team presents the group image. Each individual adds comments about their picture and its relation to the group.

Exercise 2: The Ideal Design of the Electricity Sector

Purpose

Imagine the future of the electricity sector if you were able to implement any policies you wished. How would the area be different from now? Assume that you have all the power necessary to implement your proposals.

Individual Task

You no longer have your current position. You are acting as a group of concerned Colombian citizens. What would the sector look like? Try to imagine it.

Team Task

The facilitator reviews the instructions, timing and obtains a volunteer to act as reporter. Share, in turn, one of your major ideas. Continue the round until all major ideas have been shared. Discuss commonalties and differences. The reporter will record the major ideas on flip chart. Together with the group select the most creative way possible to present a synthesis of the ideas—image, metaphor, story, proverb, dance, theater, etc. Put visuals on a flip chart e.g. images, brief explanation of any dance or theater, for inclusion in the final report.

Plenary Task

The reporter organizes the group to make a presentation.

Exercise 3: Strategies for Approaching the Ideal

Purposes

1. Develop creative approaches, models, processes and techniques for improving economic development.

2. Ensure that the most influential factors are taken into account when developing a strategy.

3. Ensure that key elements of the strategy are fully debated.

Individual Task

Imagine that you are in the future and the policies you created have been implemented. Look back to the past and identify two or three key events that made your ideal feasible. Think why these events were so important. Make notes to share with your group.

Team Task

The reporter helps the group discuss and review their list of events and record them in the form of a causal map. The group then discusses the implications of these events for a strategy of economic development. Produce a map showing the relationships between the major events and a brief explanation of any strategic implications.

Plenary Task

Each reporter presents his or her joint causal map and implications.

Exercise 4; Stakeholder Reactions

Purposes

To trace the effects of the events you mapped in the previous exercise on the people involved and affected. Who were the key individuals, groups, organizations and institutions? How did they feel and how did they react?

Individual Task

Review the events you created in the previous exercise and imagine specifically who—what persons, groups or institutions were involved. Try to put yourself in their shoes and ask yourself how they felt when the event occurred. Look at all facets of their life to assess the effects—social, cultural, political as well as economic.

Team Task

Discuss your findings in your group and produce a group picture of the effects of the events on the people of the Colombia.

Plenary Task

Role-play of debate between major actors involved in and affected by economic development.

Exercise 5: Creating a Flan of Action

Purposes

1. Design the specifics of an approach to improvement in the electricity sector, taking into account your learning from the previous exercises.

2. Develop support for actions you wish to take.

3. Build on the commitment of the participants.

Individual Task

Take a look at all the events that you considered crucial for creating your ideal

design of the electricity sector and the reactions of people to those events. Devise a line of action that you could contribute to that would overcome some of the difficulties outlined and contributes to some of the positive outcomes you envisaged. What would you like to accomplish? How can you leverage your influence to encourage others to participate?

Team Task

Discuss your list of key actions with your team. Synthesize discussion in the form of a plan of action. Who should have responsibility and who will provide support? What resources are required? What is the time frame for action? Where should future sharing take place?

Plenary Task

Presentation from teams. Discussion of Next Steps.

Exercise 6; Reflections

Purposes

1. Reflect on the work achieved.

2. Prepare for return to normal work.

3. Gain perspective on achievements.

Plenary Task

Open reflection on results vs. expectations. Statements of actions and difficulties anticipated. Feelings about accomplishments.