

05 Jul 2016

New research: Achieving conceptual clarity on systemic change



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What is systemic change? How do we achieve it, and how do we measure it? Drawing from both theory and practice, new BEAM research seeks to improve our understanding of the concept.

Systemic change has been part of the BEAM Exchange learning agenda since its inception and remains on our list of 'hot topics'. New **research** commissioned by BEAM looks at the conceptual foundations of change in economic systems. The research goes beyond a study of theoretical literature by applying the findings to Palladium's NU-TEC market development programme in Northern Uganda to test its real-world applicability.

The theory

Our literature review explores the fields of evolutionary economics and new institutional economics. The latter has formed the conceptual background of market systems approaches, in particular the Making Markets Work for the Poor (M4P) approach. But we found that our understanding of its concepts and relevance was in need of a refresher.

The reading led us to believe that the traditional view of economics is not particularly helpful for market systems approaches. The traditional view posits that the economy is striving towards a stable equilibrium where supply matches demand at a given price and then transactions take place. In particular, it assumes perfectly rational players and complete information, which is not what development programmes experience on the ground.

In contrast, evolutionary economics sees the economy as an evolutionary system that does not strive towards a stable equilibrium but shows patterns of constant change. In its essence, evolution is about trial and error to find appropriate solutions for a given problem in a given context. Evolution in the economy is driven by businesses trying to develop new products and services in response to changing consumer needs and to competitive pressure. Some products are successfully taken up by the consumers, others are not. The ones that are selected are amplified when businesses put more resources into them and other businesses copy the idea.

Evolutionary economics sees market actors as agents in this system, where decision-making is not based on perfect information and rationality but on the information actors are able to capture in their local environment as well as their past experiences. The thinking posits that human actors have strong cognitive biases and are strongly influenced by their surroundings.

The traditional economic view provides a roughly accurate picture of macro-economic patterns during times of relative stability, but fails to explain realities of individual interactions on a micro level as well as patterns and behaviours in times of instability, crisis and change. It also fails to make useful recommendations on how to influence change processes, particularly in situations of high uncertainty. This is where new institutional economics can help us out.

Institutional economics focuses on the institutional matrix – the collective effect of all institutions – which shapes economic performance of a region, sector or country. Institutions are ‘the rules of the game’, they can be formal, written rules and laws, or informal, intangible social norms and values. Institutions evolve over time and are based on beliefs and ‘mental models’ (the things that help people make sense of the world) that are dominant in a given context.

In practice

How can we use these insights from the study of the theory in our practice?

First, for programmes applying market systems approaches, institutional economics necessitates that analyses and intervention strategies need to go beyond understanding behavioural patterns. In order to understand the economic system, programmes need to understand the institutional matrix and the underlying mental models and beliefs. This understanding can be used to guide **root cause analysis**. Knowing how these institutions shape the behaviour of market actors can help programme teams understand underlying biases that influence decision-making. In a recent **BEAM Think Piece**, Eric Derks and Mike Field provide good examples of how recognising institutional bias led to improved intervention strategies.

Secondly, understanding the economy as an evolving system can shape intervention strategies: rather than developing solutions for specific problems and try to scale them up, a programme can tap into the evolutionary mechanisms of variation, selection and amplification by promoting innovation and local solution-finding mechanisms and their uptake in societies.

The research team is now applying the learning and insights in practice. With support from Palladium, we are working with the 'Northern Uganda: Transforming the Economy through Climate Smart Agribusiness' (NU-TEC) programme to apply some of the concepts of evolutionary and institutional economics to better understand the market systems the programme is active in. We are also looking at how this knowledge can help develop more effective interventions.

Outlook

In addition to the work with Palladium and NU-TEC, we are also engaged with other practitioners on the topic. So far we have organised two practitioner workshops in London and Lusaka. Active discussions have been held with [Adam Smith International](#) (ASI) to explore how our insights can be applied to their programmes that apply market systems approaches.

While the findings of the literature review are being applied in the real world, we are doing further reading into how we can introduce new language from complex adaptive systems science to help practitioners formulate propensities and dominant behavioural patterns in the market systems they work with. We are also exploring thinking from the emerging field of anthro-complexity to find ways to improve programme effects on influencing the institutional matrix of a given area.

Preliminary results of the collaboration with NU-TEC will be shared at the [SEEP Conference](#) in September, and published on the BEAM website later this year. The findings of the literature study, and a practitioner brief on how to practically apply the insights from the research, will be published later this year.

Find out more about the [research](#).