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# Understanding informal institutions: Networks and communities in rural development

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## Abstract

A major theme within the literature on rural development is that the particular mix of formal and informal institutions present in any situation is a key determinant of development outcomes. However, there is some evidence that in policy and practice there are considerable difficulties in articulating formal organizational realities with the rules and norms embedded in informally constructed social structures. The same difficulty is in evidence in the New Institutional Economics, where the mainstream literature concedes the critical importance of informal and cultural institutions, but has thus far failed to develop an adequate theory of the informal. This recognized weakness is all the more urgent because of the growing emphasis on governance, participation and social learning evident in European rural development policy and practice. A clear understanding of the opportunities and pitfalls that arise in working with informal institutions is required, and therefore theories that provide analytical and operational traction in the 'parallel' realities of the formal and the informal.

This paper starts from the point of view that at the heart of the institutional dilemma lies a difficulty in conceptualising the informal social structures in which informal institutions are reproduced. A review of relevant bodies of theory is presented; drawing on sociological network theory, perspectives on governance and social capital, and new developments in the organisational and management literature. These suggest some starting points for a theory of informal social realities and the institutions that structure them. The paper concludes with a presentation of a theoretical framework for understanding informal structures in rural development in terms of networks and communities.

## To sort out

New structure, as follows:

**Introduction:** State of the art in NIE, relationship with other NIEs, relationship to policy and practice, setup problematique

**Informal institutions:** introduce concepts, justify inst/organisations & formal/informal distinctions, fitness

## Introduction

Institutions are widely considered an important analytical category in understanding rural development (eg Roy & Tisdell, 1998; Scoones, 1998; Mehta et al, 1999; Vorley, 2002), broadly defined as the processes of change that can be observed in rural economy and society, and institutional change has traditionally been seen as a key entry point for fostering the capacity of communities and organisation to engage positively with rural development (Korten, 1980; Uphoff, 1986; Murray & Dunn, 1995; DfID, 2003; SLIM, 2004). Within this, the role of informal institutions and the relationship between formal and informal relationships are often highlighted, yet there is some evidence that for a high proportion of public policy actors, informal institutions are either perceived negatively or dismissed as irrelevant (High et al, 2004c; High et al, 2006 forthcoming).

In research on social learning in environmental management in Europe, for example, formal institutional frameworks have been highlighted as key barriers to the social learning approach (Ison et al, 2004). Reading between the lines it is the disparity between formally constituted rules and procedures in rural governance and the cultural mechanisms available to local policy actors at the catchment scale that causes the difficulty. Similar tensions can be observed in work on endogenous development in Hungary during the accession process (Nemes, 2004a; Nemes & High, 2005; Nemes et al, 2006 forthcoming) – theorised as the tension between local, heuristic forms of governance and the central, administrative systems of national and European government.

The practical impediments to understanding informal institutions are paralleled by the recognised difficulty within the new institutional economics in taking the informal onto

within the new institutional economics (NIE) literature at least, there is a recognised deficiency in understanding them.

While there are other academic traditions that may have more to offer in terms of understanding the informal the difficulties for the NIE in dealing with the realm of the informal are reflected in many policy and management settings.

The underlying difficulty seems to be that the domain of the informal is either considered too complex to take into account or nothing more than a source of corruption and inefficiency, requiring management and control. These concerns are addressed directly elsewhere (High et al, 2004c; High & Nemes, 2005; High et al, 2006 forthcoming). Here, we seek to establish a framework through which the informal can be better understood. The challenge is to provide enough structure to gain analytical grip on informal institutions within policy and organisational settings, while avoiding the trap of becoming so theoretically complex or far removed from practice and experience as to be irrelevant. The robustness of the framework lies primarily in that it is synthetic – it draws together a number of existing academic traditions and builds on the commonalities. However it has also been applied in research on adaptive capacity in the UK rural sector, where it was tested with policymakers, public managers and local

stakeholders as a framing device for understanding the ongoing dynamics of rural development (High & Pelling, 2004; High et al, 2004a; 2004b; Pelling & High, 2005). The paper concludes by pointing to some future steps which could be taken to develop the understanding of the informal within both NIE and rural development practice.

## **The new institutionalism**

*“The study of institutions is one of the most enduring interests in the social sciences. Like all human interests, there has been an ebb and flow – but for the past two decades, we have witnessed a flow of a very high volume. All the major disciplines – anthropology, economics, political science, psychology, and sociology – have become engaged and, as we would expect, each has given its particular thrust and contour to the current. Indeed, recent work has displayed almost as much diversity of definitions and interests within as among disciplines.”*

(Scott & Meyer, 1994: 55)

Institutions have been a matter of considerable interest to scholars of the social sciences for the whole of the twentieth century, during which we saw at least one major reinvention (leading to a distinction between old and new institutionalism). Thus, although an interest in institutions per se was well established in the early part of the century (Hay, 2002), it has been renewed over the last 30 years or so through the development of new institutional approaches to fields such as economics, political science, public administration, sociology and natural resource management (Lowndes, 1996; Jordan & O’Riordan, 1997; Hay, 2002; Vandenberg, 2002).

Institutional approaches to economics have moved on from a mentality of ‘*getting the prices right*’, to one of ‘*getting the institutions right*’, when seeking to explain economic questions such as why some countries are richer than others (Boettke, 1998). Yet the field that has emerged around these questions in economics shares an incompleteness and a pluralism of approach with the new institutionalisms in other fields (Williamson, 2000). Some theorists have attempted a synthesis or at least a dialogue between different strands of institutionalism, seeking unification of the variety of theoretical positions within their field (eg Hall & Taylor, 1996; Vandenberg, 2002), or more rarely across the broad swathe of social sciences (Scott & Meyer, 1994). However, others hold that such a synthesis is undesirable (Hay & Wincott, 1998) or impossible (Jordan & O’Riordan, 1997), given the disparity in underlying assumptions and definitions.

A key distinction in the literature is between organisations and institutions, something that is not always evident (eg Uphoff, 1986). In this paper, following North (1990), and Ostrom (1999), we define institutions as the rules, norms and strategies which shape individual and organisational behaviour (eg North, 1990; Ostrom, 1999). In contrast, organisations are the social structures that embody agency – they are purposeful. North (1990: 3-10) explains the distinction as that between the ‘rules of the game’ and the ‘players of the game’. While Kiser &

Ostrom (1982: 193) justify the distinction on account of the problems of confusion between ideal types and given instances of organisations that is thereby circumvented, North uses it because of the analytical clarity that it enables – in his case an explanation of why economies do not evolve as neo-classical economists might expect.

We find the distinction useful, because it highlights the role of both formal and informal institutions as something other than organisational forms, even in a broader sense of an organisation than solely formally constituted systems of actors. The institutional pressures that shape agency in any particular concrete situation could be experienced as having degrees of formality or informality by different actors, and those experiences could differ significantly for quite legitimate reasons. By focussing on institutions as distinct from organisations, we disassociate our analysis from particular actors (individuals or organisations), and thus emphasise the point of this paper – that there are a range of influences in decision-making which can be observed in the patterns of behaviour of rural development actors, but which are not necessarily explicit in their public explanations of their actions.

It should be noted that institutions do not operate in isolation – they reinforce or counter one another – and thus one can speak of institutional architectures (Pelling & High, 2005) or systems of institutions. Both reinforcement and opposition are possible from given viewpoints, because institutions can have both negative and positive connotations. For example, institutions can not be read in a solely negative sense as constraints. As Nelson and Nelson (2002) point out, they enable as well as constrain – institutions are the points of reference which allow human co-operation. They are based in negotiation and ongoing relationships, and indeed some of the interest in them amongst economists is how they explain how humans escape some of the negative outcomes in human interactions predicted by simple games theory, and how they operate to lower transaction costs within groups and between individuals (Kiser & Ostrom, 1982).

Nonetheless, institutions are not an unalloyed social good. North traces the movement of his thought from a focus on institutions as determinants of economic performance grounded in efficiency, to an understanding that institutions arise primarily through negotiations governed by power relationships (North, 1990). He sees the shaping of institutions by the powerful as the explanation for the long-term persistence of institutional regimes that are not socially optimal: *“Institutions are not necessarily or even usually created to be socially efficient; rather they or at least the formal rules, are created to serve the interests of those with the bargaining power to devise new rules”* (ibid:16).

## **Formal and informal institutions**

While the new institutional approaches to economic behaviour can claim some successes such as a coherent explanation for the existence of the firm as an organisational form (Williamson, 1986; , 2000), and the path dependency of the development trajectories of nations (North, 1990), these are primarily at the

macro level. The institutional behaviour of individuals is still poorly understood (Rizzello & Turvani, 2002), along with the informal institutions that shape interactions at the micro level. We argue that this is in part due to the curious inability of new institutional economics to get to grips with informal institutions (High et al, 2004c). It is not a matter of a lack of recognition of the informal, or even a lack of appreciation of them. The difficulty seems more deep-seated, and perhaps to do with the limitations of the characteristic analytical and methodological tools that economists tend to employ.

While not formally constituted, such institutions have a social reality and legitimacy beyond simple '*habits or preferences*' (Lowndes, 1996: 193). North, for example, is clearly aware of the central role of informal institutions, and particularly of those underpinning cultural values. For example, he says he has no explanation for the success of the movement which abolished the slave trade (North, 1990: 85), which does not at least include changes in ideas and values. There is something more at work in economic development and human society than rational human self-interest (see Frank, 2004 for a much fuller discussion of this point). It is perhaps because of this openness to socially constructed, culturally derived institutions that Vandenberg (2002) suggests North's work marks the beginning of a reconciliation between neoclassical economics and the '*...socialised actions of modern sociology*'.

However, while the existence of informal institutions is well established within the new institutional literature (Lowndes, 1996: 183; North, 1990, chapter 5; Ostrom, 1999), there is considerable uncertainty about how they come into existence, how they change and on the nature of the relationship between formal and informal institutions (North, 2001; Rizzello and Turvani, 2002; Williamson, 2000). Indeed it is not unfair to say that in much of the economically oriented new institutional literature, informal institutions are problematic. So while North (1990, chapter 5) states that the majority of institutions are informal and is clearly interested in the long term effects of informal institutions on social and economic trajectories, he has no adequate explanation of how they arise and change (Lowndes, 1996: 187-8; Williamson, 2000).

Perhaps because of this, North and others such as Williamson (2000), tend to treat culturally derived institutions as relatively permanent, changing only slowly if at all, with the result that culture then becomes an exogenous variable (North, 1990:188), albeit an important one. This is recognised by Eggertsson (1996: 13) who says, "*...it is commonly believed that informal institutions, such as norms and customs, change relatively slowly, and therefore, in studies involving marginal changes in formal rules, informal institutions can often be taken for granted.*" However Eggertsson goes on to argue that this cannot hold in long term analyses or where step changes in formal institutions occur. Formal and informal institutions do not operate in isolation from one another – they are both parts of the overall institutional architecture. They have different relevancy to given decisions by given actors, and can act to modify one another in particular situations. There is considerable evidence for this, including some well documented cases in topics such as coalition politics (Mershon, 1994), European

Union governance and development (Olsen, 2002), and the transition of the Central and Eastern European countries to democracy and market economics (Gel'Man, 2004).

In the absence of a satisfactory understanding of informal institutions, North (2001), Ostrom (1999) and others have focussed on formal institutions as a locus of opportunity for change and reform. Some go further, presenting informal institutions as purely a source of inertia and corruption (Lowndes, 1996: 188-9). The difficulty of analysing informal institutions and the tendency to treat their existence as a source of resistance, rather than a resource for change, is echoed within the majority of the management literature (Shaw, 1997: 235). For example, in the work of Argyris and Schön (1996), informal institutions are recognised, but are still treated as a problem to be solved and tractable to top-down management effort.

Research with rural policy makers in the UK and elsewhere reinforces the view that it is difficult to reconcile the informal institutions with the formal rules and procedures of civil servants, agency managers and other representatives of the state (High et al, 2004b; High et al, 2004c; SLIM, 2004; High et al, 2006 forthcoming). That is not to say that there are not theoretical and methodological traditions that attempt to foster practices that respect informal institutions: an awareness of informal, embedded realities is present in the literature on participation (Chambers, 1997) and policy coalitions (Sabatier and Jenkins-Smith, 1993), for example. However, the question is whether an approach founded in the realities of rural development can ever be compatible with policy and organisational contexts that have an inherent top-down bias. What is required are traditions of understanding that make sense from the perspective of managers and policy-makers and yet are suitably subversive to the view that the role of decision-makers is to make and enforce decisions

Accounting for informal institutions is therefore not a simple matter of theoretical tidiness. Adequate explanations of informal institutions are required in understanding many kinds of rural development and change, from adaptation to shocks and trends (High & Pelling, 2004; Pelling & High, 2005) to governance and participation (High et al, 2006 forthcoming; Nemes et al, 2006 forthcoming). An analytical framework that gave traction on informal institutions and their relationship to the formal would represent progress over the current conditions, especially if it were relevant to the situation and understanding of a variety of rural actors. We suggest that there are two broad themes that appear across a range of literature and which are therefore worth considering. These are networks and communities, analytical categories that appear in different guises and are sometimes concatenated. In the following sections a range of literature which seems relevant to these concepts is examined, in order to draw out some of the wider themes underpinning them within the social sciences.

## **Networks in sociology**

The contribution of the sociological understanding of networks to the NIE has been recognised as important, but an undeveloped part of the story (Williamson,

2000). Within the study of rural development, several strands of network analysis can be discerned. According to Murdoch (2000: 408-9), network approaches can be characterised as vertical – concerned primarily with links between rural spaces and the wider agro-food sector – and horizontal – concerned with the integration of the non-agricultural rural economy with a set of spaces that straddle urban and rural spaces. This bears comparison with the politico-spatial horizontal and vertical processes highlighted by Nemes (2004a; 2004b), something which is beyond the scope of this paper. Murdoch points to a number of relevant traditions: commodity chains and actor-network theory in the case of vertical networks, and network approaches to innovation and learning in the case of horizontal networks. In this section we will add to that by considering Granovetter’s sociological exploration of networks, and the applications of networks to issues of governance.

An important contribution to the understanding of networks was made by Granovetter (1973), who proposed that the analysis of social networks would be an important tool for linking micro and macro sociological analysis. He concluded that the “*personal experience of individuals is closely bound up with larger-scale aspects of social structure, well beyond the purview or control of particular individuals*” (ibid: 1377). His seminal work begins with an examination of the “*strength of ties*”, and he distinguishes between strong ties founded in long exposure, emotional intensity and the reciprocation of services, and weak ties that are more ephemeral. Strong ties, in Granovetter’s thinking correlate well with similarity of identity – strong ties are more likely to occur between similar individuals (ibid: 1362), and are likely to lead over time to relational closure. The result is clusters of strong ties between similar individuals, which we would distinguish as a process of community building.

What established Granovetter as a leading sociologist of networks was his weak tie hypothesis: That where a relationship serves as a ‘bridge’ between different parts of a network (that is a unique link between different parts of a network, at least locally), the bridge is always a weak tie. The significance of this is that weak ties are critically important in the diffusion of information and influence:

*“Intuitively speaking, this means that whatever is to be diffused can reach a larger number of people, and traverse a greater social distance...when passed through weak ties rather than strong. If one tells a rumour to all his close friends, and they do likewise, many will hear the rumour to all his close friends, and they do likewise, many will hear the rumour a second and third time, since those linked by strong ties tend to share friends. If the motivation to spread the rumour is dampened a bit on each wave of retelling, then the rumour moving through strong ties is much more likely to be limited to a few cliques than that going via weak ones; bridges will not be crossed.”*

(Granovetter, 1973: 1366)

From this we observe that identity is presented as crucial to the clustering of relationships, and that weak ties operate to break down the barriers to information flows that arise from the closure of strong relationships.



## Governance

An area in which the importance of networks to rural development is increasingly being recognised, and which arguably builds on the work of Granovetter, is the study of new forms of governance (Cheshire et al, 2006 forthcoming). In this field, three modes of social co-ordination are often distinguished: network, hierarchy and market. The collaborative nature of networks is often contrasted with the directive role of bureaucratic hierarchies and the competitive activities of markets. The inclusion of networks amongst governance types can be seen as an extension to policy and social co-ordination of Granovetter's (1985) critique of Williamson's (1975) typology of economic action, based solely on market and hierarchy. In other words, accepting that the modes of interaction that determine political and social action are embedded in context, history and personal relationships in the same way that Granovetter argues economic activity is.

Much of the literature on network governance, particularly that in public administration (cf Berry et al, 2004: 548), skates over the contradiction immediately revealed in phrases such as '*network management*' and '*network manager*'. The contradiction is that the roots of associational activity are personal relationships rather than formal roles, and that networks can be distinguished from hierarchy through their informal mode of self-organisation (see Thompson, 2004: 414-7, for a review of recent thinking on self-organisation in networks). Another way of looking at this contradiction is in terms of the difference between policies that attempt to *direct* informal networks to flourish, and policies that are designed to *allow* informal networks to flourish. The literature on participatory development is particularly critical of top-down efforts to direct bottom up development (eg Cooke & Kothari, 2002) .

As we have said above, the contradiction is also evident in practice, and this may explain why empirical studies of partnerships and network governance, which have largely focused on formal networks, have surfaced so many difficulties (Huxham, 1996). Troublesome themes such as lack of access, failures to build and sustain trust, undemocratic processes, non-accountability, inequality and power imbalances are apparent. What this has in common with the literature on participation is that while in theory the focus is on informal, embedded relationships, the practices they nourish often concentrate on the creation of formally constituted structures, supported by externally resourced change agents operating under de-personalised professional standards.

Thus, although the new institutionalists would agree with Roy & Tisdell (1998) that good governance depends on appropriate institutions, the question is whether an approach founded in policy and organisational contexts that have an inherent top-down bias can ever be comfortable and competent when it comes to network governance? An important question about network governance is that, given the long history of interest in the topic under various guises, why are attention and resources so often directed towards creating governance structures that operate under similar canonical institutions to those that already exist, and which are perceived to be inadequate? Perhaps it is simply the case that given

an existing repertoire of institutional strategies, the natural inclination is to continue to use them in any new domain.

Another explanation is that the fear of corruption or even the perception of corruption makes the informal undiscussable. The risk that private interests may affect the performance of public roles (Lowndes, 1996: 188), seems in many formal contexts to engender a social frame (sensu Goleman, 1998: 195-234) that silences any meaningful reference to shadow networks. So, while it is true many illegal and illicit networks operate in the shadows in antagonism to public and social interests (McIlwain, 1999; Raab & Milward, 2003), does this contaminate all network activity in practice? High et al (2006 forthcoming) suggests not, providing a counter-example of ethical action in the informal an institutional environment where the possibility of corruption is well recognised.

Drawing on this examination of governance, we therefore suggest that progress on understanding the conditions that shape rural development depends on a change in thinking about the informal, institutionalised in such a way as to allow organisational actors to bring their social skills to bear on their formal roles. Therefore traditions of understanding and practice that make sense from the perspective of managers and policy-makers are required, which are nevertheless suitably subversive to the view that the role of decision-makers is to make and enforce decisions. That is not to say that formal structures are or should be unnecessary. Instead we propose that a deeper understanding of the interactions between formal and informal institutions, will enable a more effective understanding of governance, and will support more effective practice amongst policy actors and public administrators (2006 forthcoming).

## **Social capital**

A possible candidate tradition in which the informal is recognised, and which has begun to be used in policy delivery and public management practice is social capital (Baron et al, 2000). It has attracted policy attention from many of the organisations funding rural development programmes including the likes of the World Bank (Harriss, 1997), the UK government (Ashley & Carney, 1999; Carney, 2002; PIU, 2002), and a range of civil society actors such as CARE (Carney, 2002) and IIED (Bebbington, 1999). Theoretical expositions of social capital and the practices they purport to support have been strongly critiqued (Fine, 2001). Yet there remains considerable potential for a more critical engagement with informal institutions through the language and ideas of social capital (Pelling, 1998; Pelling & High, 2005).

Social capital has been defined as the *'features of social life – networks, norms and trust – that enable participants to act together more effectively to pursue shared objectives'* (Putnam, 1995: 664-5). The interpersonal relationships that give form to social capital and are a site and outcome of reciprocity can be categorised in bonding, bridging and linking capital. Bonding capital is shared between individuals with similar socioeconomic characteristics, and typifies the relationships within ethnic, class or religious groups. Bridging capital describe less dense social networks, particularly associations between people with shared

interests or goals but contrasting social backgrounds. Linking capital, like bridging capital cross group boundaries but in this case signifies a vertical relationship for example between social classes (Putnam, 2000).

The balance between bridging, bonding and linking capital points to a society's orientation towards social fragmentation, cooperation or hierarchy. Strong bonding ties are associated more with survival than with development. They are essentially conservative, accruing when individuals withdraw from maintaining associations with the wider society and turn to close-knit groups. This reduces the exposure of group members to perceived external risks, but also tends to reinforce views that other groups and the wider society cannot be trusted in social or economic exchange, leading to a fragmentation of society, slowing down the flow of information and undermining collective action. Olson (1982) argued that societies characterised by bonding capital exhibit interest group politics, lobbying and cartel economics.

It has been argued that bridging capital enables social collaboration through its wide array of loose associations (Putnam et al, 1993), a point that echoes Granovetter's weak ties hypothesis. Bridging capital acts as a network for the communication of a participant's reputation, creating an incentive for trustworthiness and reciprocity. In studies of networking by managers, Burt (1997, 1998) has shown that strong communal ties can prevent different groups coming together for a common cause. He argues that whilst individuals with large networks will have more social capital, how one is positioned within an organisation's fields of formal and informal relationship can be just as important. When gaps appear in the communication channels between different parts of an organisation 'structural holes' open. Individuals able to network to bridge these holes will have utilised social ties effectively and so have more social capital.

The third capital, offers a potential distinction concerning informal relationships which opens up issues of power, patronage and corruption. According to Pelling & High (2005), societies rich in linking capital benefit from active pathways for facilitating the transfer of goods and information up and down the social hierarchy, but are liable to have difficulties in maintaining social trust and cooperation. In unequal patron-client relationships clients have the opportunity to leverage resources from the hierarchy. Rose's (2000) discussion of the Russian concept of '*blatt*' is a good illustration of this, where individuals with a good reputation and a wide array of social contacts are able to circumvent cumbersome formal procedures for accessing goods and information. But this is at the cost of limited scope to impose sanctions on patrons opening up relationships to exploitation and dependency. Thus the hierarchical relations underpinning linking capital are as useful for top-down social control as they are for delivering social development.

Existing networks of social capital can act as a cultural memory, as the embodiment of past successes at collaboration or of descents into fragmentation and dependency. This can provide a ready template for future cooperation, but also a barrier to interventions that require a reconfiguring of social capital ties and networks. If building developmentally positive stocks of social capital

requires the reordering of an individual's social ties, this will always be set against the resilience of established links embedded as they are in history and habit. Thus working with social capital requires emotional intelligence (Goleman, 1996) on the part of individuals, and formal institutions that incentivise it on the part of organisations involved in rural development (High, 2005).

Finally, social capital highlights the role of trust in social relationships (Pelling & High, 2005). Trust has been defined as:

*"The expectation that arises within a community of regular, honest and cooperative behaviour, based on commonly shared norms on the part of other members of that community."*

Fukuyama (1995: 26)

Embedded in this definition is the notion that trust not only exists when it is enacted, but that individuals and societies can build institutions that are more or less conducive to the surfacing of trusting relationships. This affirms the link to the new institutional economics, where institutions are held to cut down transaction costs, and enable modelling of other actor's decision strategies (Kiser & Ostrom, 1982).

In his most recent writing Putnam (2000) has shifted emphasis from trust to reciprocity. Trust reinforces norms of generalised reciprocity, but reciprocity is a social attribute through which trust is enacted in interpersonal transfers of information or resources. Reciprocity is differentiated into balanced and generalised forms. Balanced reciprocity takes place between two individuals who, perhaps routinely, exchange gifts of a roughly equal value (friends or neighbours exchanging holiday gifts). Generalised reciprocity is less direct, an individual might help another without expecting anything in return but rather in the knowledge that a third party will be predisposed towards extending help knowing the reputation of the first individual for generosity and helpfulness. General reciprocity relies on the propagation of reputation and the threat of its withdrawal as a social sanction against free riding behaviour (Putnam et al, 1993).

Thus from social capital we see an affirmation of the two broad qualities of relationship observed by Granovetter. Bonding capital loosely correlates to the operation of strong ties – forming and holding together tight communities of similar individuals. Bridging and linking capital generally operate through weak ties, though not all bonding ties can be described as 'strong' and neither are bridging ties necessarily 'weak'. The capacity of individuals to change the orientation and complexion of their social ties gives social capital a dynamic quality Leonard and Onyx (2003). There is strong disagreement about the opportunities available for intervention to foster social capital. (Ostrom, 2000), for eg argues that social capital is hard to construct through external intervention, whereas (Fox, 1996) argues that while social capital can spontaneously emerge, it almost certainly needs assistance from outside actors in order to survive. The focus on trust in the social capital literature highlights its importance as a basic explanatory variable within informal institutions, and perhaps points to some

methodological integrities that need to be respected when engaging with the informal.

### **The informal in management studies**

Finally, we turn to the management literature where a growing potential for responding to the informal can be perceived within theory and methodology developed in two schools of thought: (i) communities of practice (Brown & Duguid, 1991; Wenger, 1999; Lesser et al, 2000), and complexity science perspectives on management (Shaw, 1997; Stacey et al, 2000; Shaw, 2002). What these approaches have in common is that they start from the understanding that informal relationships are essential to the operation of organisations and challenge top-down thinking about them. It is observed that shadow systems (after Shaw, 1997) of informal, social relationships permeate canonical organisations (*sensu* Brown & Duguid, 1991) and are a critical source of adaptive and operational capacity. It is further argued that if an organisation is to maximise benefit from shadow networks, management *in relation to* shadow networks is a more appropriate stance than attempted management *of* the shadow networks.

For Wenger and Shaw, communities of practice and shadow networks arise in response to shared challenges and evolve with their own rhythm and life. Community members may come and go (Wenger, 1999: 99), but the community of practice will live on or perish according to its own inherent dynamics. Thus Wenger (2000a), asserts that informal organisational structures such as communities of practice cannot be shaped by management effort, constructing them in terms of their response to organisational change rather than submission to it. Shaw (2002), too challenges the assumption that organisational dynamics are the product of intentional dynamics and that the 'gap' between formal and informal organisations is something to be bridged and controlled. Instead, she embraces the informal as a locus of opportunity for change, where new opportunities arise through engagement and conversation. The challenge is not so much one of how to drive change, but how to participate in the way that things change over time (*ibid*: 172). This requires "conceptual ability brought to bear on the large-scale combined with individual skills of communication exercised at the small scale." (Stacey, 2001: 234).

Thus we propose that the institutional architecture of rural development encompasses exactly those informal spaces in which local culture is expressed, and inverts the usual view that the problem is to bring unmanaged spaces within management control. Instead, it needs to be recognised that unmanaged spaces are pervasive and enable the ongoing operation of individuals and organisations even within highly formalistic institutional contexts. Thus the skills that local agents use to navigate unmanaged spaces overlap those that organisational actors require to make canonical institutions work. That is not to say that formal structures are or should be unnecessary. Instead it is proposed that a deeper understanding of the interactions between formal and informal institutions, between the canonical and the shadow systems, will enable a more effective understanding of rural development.

For Wenger, practice is constructed as a shared activity with a history and a culture of its own. A community of practice is a group characterised by such a practice, though not all groups with shared activities are communities of practice - some being too large or too ephemeral or not coherent enough and so on. It is intrinsically associated with identity, and the overlapping of identities through multiple memberships of different communities of practice is an important explanation of how different communities relate. Wenger develops this idea in terms of '*constellations of practice*' (Wenger, 1999: 126-31), which are configurations of relationships that contain discontinuities which suggest they are not coherent enough to be considered communities, but which include several (perhaps overlapping) communities of practice.

### **Conclusions: A theoretical framework for the informal**

In conclusion, we suggest that understanding organisations and the institutions that shape them is a key part of understanding rural development. It seems reasonable to extend this analysis beyond the formal institutions that are most visible in public life, and look at those forms which interpenetrate them and enable them to work. Drawing together the discussion above, we suggest that a framework for understanding institutional architectures (systems of interlocking institutions) can be constructed around two common social patterns of organisation: communities and networks. These can be characterised in terms of the different qualities of relationships that they sustain, and the institutions that they entail.

We define communities as groups of people who are perceived in terms of a shared identity. This includes communities of place and culture, but also communities of practice, whose identity is derived from shared activities. Shared identity is expressed in similar interests and shared values, and therefore the important institutions in a community are likely to include shared understandings of what the community is and what membership entails. These tend to have a taken-for-granted quality, and it can be threatening to question them. Thus community bonds tend to be quite tight, as with bonding social capital. The negative side of this is that they can be exclusionary, and non-membership of such communities can give rise to ill feeling between insiders and outsiders. Wenger's work though, points to a way out of this, through his examination of multiple membership and overlapping identity.

Community boundaries do not necessarily reproduce those of the formal organisational contexts in which they occur, and thus communities tend to arise through mutual engagement rather than management fiat. As strong ties grow through repeated exposure, it is perhaps possible to enable the development of communities where they are considered desirable, through making time for individuals to interact. They are a potential resource for rural development, because shared interests and similar worldviews make negotiating and endorsing plans and reactions quicker and easier. Having said that, much of the recent literature on participatory development warns against making simplistic assumptions about shared identity and shared interest in communities (Guijt & Kaul Shah, 1998).

Thus communities give an organisational unit of analysis in accord with individuals' own perceived interests. As with any form of organisation, they have different facets and there can be disagreement even within their membership over their shared identity and boundaries. Also membership is not necessarily mutually exclusive, and communities overlap, giving a dense texture to social architecture. But because of their conservative nature, they can also close down opportunities for change. Therefore it is also worth investigating a more open social form, the network.

Networks arise in social life across boundaries of difference. Thus unlike communities, common interest is not assumed, but instead is negotiated. Networks are essentially artefacts of a requirement for co-ordination. Although networks do not create and maintain a shared identity amongst their members (or if they do, we would consider them to be more akin to communities as we have defined them), they do have their own identity, arising through the regularities in their qualities, history and trajectories. Without a taken for granted basis in common interest, networks perhaps less likely to give rise to formal organisational forms than communities, with any co-ordinated action being more transitory.

Networks are also less dense than communities, and this together with their more ephemeral nature may be their weakness. They are a site of bridging social capital, linking together organisations and communities. The encounter with different values and worldviews that occurs through networks makes engagement in networks a significant opportunity for learning, and hence a key site of interest in rural development. The informal institutions that shape networks are key to understanding the mediating relationships that enable integrated rural development (*sensu* Nemes, 2005; *sensu* Nemes & High, 2005)

It may be that operating as an individual in a network requires a different skill-set to working within a community. With their basis in relationships between individuals, there is a danger that forcing networks into existence will result in a paper exercise or a locus of discontent. However, we suspect that there is much that can be done from a management perspective to foster networks. Having said that there is also an opportunistic quality to networks and opportunities to create and maintain networks arise wherever relationships can be established across difference:

What both networks and communities have in common is that they are founded in relationships of trust. Within a community, trust arises from shared interest and on-going engagement. In a network, trust is required in order to negotiate a mutual interest, and arises through ongoing engagement. Trust may be harder to establish through a network relationship, although there is plenty of evidence to suggest that networks successfully rely on institutions of trust and the transitivity of trust to operate. Trust can be invested in individuals and expressed in personal relationships. However, it can also arise through institutions, arising from the social contracts embedded in formal organisational forms, and the general and specific reciprocity engendered by prevailing cultural frames.

While networks and communities are interesting in their own right, it is in combination that we suggest they prove a powerful analytical tool – providing purchase on the informal institutions and relationships of the informal, as well as the more visible formal organisational realities of rural development. Communities provide a powerful focus of social energy and resilience, but without the linking function provided by networks they risk becoming isolated from the broad pool of human experiences and learning in which tomorrow's solutions to emerging issues might be found. Networks on the other are perhaps too diffuse, failing to provide an adequate basis for organised action, except in circumstances where the need to do so overrides the transaction costs involved in negotiating across different interests.

This suggests to us that institutional architectures should be analysed in terms of the articulation between communities and networks, and between the formal and the informal aspects of social life. Changes in adaptive capacity and opportunities for adaptive action are more likely to be picked up through such a lens than if only part of the social fabric is visible. A systemic analysis of adaptive capacity should therefore asks questions about different kinds of institutions and relationships, seeking points of common ground as a starting point.

As a concept, trust offers one locus of intersection between communities of network, and its importance within both types of social structure points to its central role in organisation and intentional action for adaptive capacity. A more subtle unifying principle is the understanding that networks and communities are not fixed categories, but that institutions and sets of social relationships change over time and between different viewpoints. Grasping this requires a flexibility of understanding and a willingness to appreciate different viewpoints.

Something about tying together the logics of networks – refer to Thompson (Thompson, 2003), chapter 4 in particular and the difficulties of understanding the logic of networks.

This framework helps resolve it. Lets hypothesise that exchange works through networks, and that co-identification works within communities. This explains why it is so damn difficult to unpick the rump of gifting – we need to look at the sorts of relationships that support gifting.

Also Wenger gives a way out of the weak link hypothesis – obviously still important, but the assumption of unity of identity is undermined, and multiple membership of communities of practice breaks down the assumption that strong ties transmute. Some of the difficulty is to do with the way that he quasi-defines strong ties.



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