Tactics of Facilitation for Sustainable Market Systems Development

BEAM Exchange, Gatsby Foundation, and Aga Khan Foundation
Market Systems Game
Session 1: Sustainability
What is sustainability?
Sustainability is…

The **capacity of a system** to ensure that **differentiated products and services** continue **beyond the period** of an intervention

The system is **solution-seeking** and
Market system effectiveness increases when...

- Norm: constant upgrading
- Innovation/differentiation
- Competitive response internalized
- Transparent rules
- Zero-sum tactics
- Specialized services
- Joint response to opps. & threats
- Joint marketing
- Embedded services
- Political favoritism
- Anti-compete rules
- Collusion

Developed by Mike Field and Marshall Bear
Sustainability applies to our work in 3 levels:

1. The role of the program (strategic rationale)
   - Utilizing a facilitative approach as opposed to direct delivery

2. Where we choose to intervene in a system (leverage)
   - Working at leverage points, considering those who have power and influence

3. How we engage with partners (tactics)
   - Tactics of facilitation, our intensity and exit strategy with partners
### 1. The Role of the Program

<table>
<thead>
<tr>
<th>Function</th>
<th>Who does?</th>
<th>Who pays?</th>
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<tbody>
<tr>
<td>Training farmers</td>
<td>NGOs/gov’t</td>
<td>Donors</td>
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<tr>
<td>Dissemination of market information</td>
<td>NGOs</td>
<td>Donors</td>
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<tr>
<td>Organizing producer organizations</td>
<td>NGOs</td>
<td>Donors</td>
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<tr>
<td>Building capacity of POs</td>
<td>NGOs</td>
<td>Donors</td>
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Extension Services – who does, who pays?
2. Finding a Leverage Point

Intervening so as to affect the behavior of the whole industry…targeting feasible options for change.

Adapted from the Springfield Centre
3. How We Choose to Intervene

- Who do we work with?
- What is the behaviour that we want them to change?
- How do we encourage behaviour change?
- How do we ensure it is sustainable change?
Activity 1.1: Mapping Root Causes
Why do we use a root cause analysis?

• Problems within market systems are also complex
• We want to intervene where we can instigate the largest impact throughout a system (leverage points)
• We want to address the cause of a problem, not the symptom
What’s different?

Conventional Approach

What problems do people/firms have?

How can I help to solve these?

Systems Approach

What problems do people/firms have?

Why isn’t their environment providing solutions to these?

… Why isn’t the system working for the poor?

Developed by the Springfield Centre
Why do farmers sell at a very low price?

- Immediate cash needs
- Lack of planning
- Lack of financing options
- Lack of adherence to standards
- Cost of storage is too high
- Transportation networks are fragmented
- Poor infrastructure
- No organization amongst transporters
- Lack of articulated demand for streamlined networks
- Bad history of cooperatives
- FIs don’t want to deal with fragmented and poor farmers
- Don’t take time to understand or develop business case
Mapping Root Causes Activity

1. Define problem statement

2. Why is that?

3. Why is that?

4. Why is that?

5. Why is that?

5 WHYs method
Problem statements

Cocoa
- Farmers who sell organic cocoa do not get paid premium prices.

Savings
- People do not save in formal institutions, thus exposing themselves to risk of theft or inflation.

Inputs
- Farmers do not consistently use quality inputs for agricultural production.

Forestry
- Smallholders have poor silviculture and harvesting techniques.
Activity: questions to think about…

• What are the incentives of market actors?
• What are the mindsets of market actors driving their positive or negative behaviours?
Debrief

• Where could your program intervene?
• Where does your program currently intervene?
• Where is there the most potential for impact?
2. Where We Choose to Intervene: Farmers have poor access to extension services...

- System 1: Direct delivery of extension services to farmers
- System 2: Work with retailers to offer/improve on extension services to farmers
- System 3: Work with the input wholesalers to train retailers on extension service provision
- System 4: Work with supply chain firms to train input suppliers

1,500,000 farmers
500,000 farmers
50,000 farmers
5,000 farmers

Developed by the Springfield Centre
Session 2: Partner Selection and Engagement
2. Where We Choose to Intervene:
Farmers have poor access to extension services

- **System 1**: Direct delivery of extension services to farmers
  - 5,000 farmers

- **System 2**: Work with retailers to offer/improve on extension services to farmers
  - 50,000 farmers

- **System 3**: Work with the input wholesalers to train retailers on extension service provision
  - 500,000 farmers

- **System 4**: Work with supply chain firms to train input suppliers
  - 1,500,000 farmers

Developed by the Springfield Centre
How Change Happens by Derek Sivers
Diffusion of Innovations Model

Adapted from Everett Rogers
2. Characteristics of early adopters

• On the look out for **new ideas** and take risks
• Motivated by wanting to stand out be considered “head of the pack”
• Tend to be more well connected and **well informed**
• More socially respected: others **observe** and **respond to their success**.
Analyzing needs of partners and how to work with them:

**Will and Capacity Matrix**

- **High capacity - High will**
  - Why aren’t they influencing the system already? Are there bigger problems in the system?

- **High capacity - Low will**
  - What incentives do they need? How can we improve their understanding?

- **Low capacity - High will**
  - What skills or resources do they need? Who can provide them? How can we use role models?

- **Low capacity - Low will**
  - Should we even work with them?

Developed by the Springfield Centre
Activity 2.1: Applying the Will/Capacity Matrix

1. Identify the market actors related to the areas of intervention you previously selected in your root cause map

2. Use the Will/Capacity Matrix to analyze the needs of the selected market actors
What do we mean by behavior change?

**Mindsets**
- an established set of attitudes, beliefs, opinions, and values

**Behaviors**
- practices or actions which reflect mindsets
McKinsey Behavior Change Model

Reinforcing mechanisms

Role Models

Understanding and conviction

Capacity building

McKinsey & Co. Behavior Change Model

But I don't want to change!
Activity 2.2: Applying the McKinsey Behaviour Change Model

1. Choose one market actor you previously selected and identify a current behaviour that you would like to see improve or change

2. Use the McKinsey Behaviour Change Model to generate a number of activities you would use as a facilitator to help change that behaviour
Session 3: How to influence market actors
What do we mean by an innovation?

• Generally, it can be new or improved…
  – strategy
  – product or service offering
  – aspect of business model
  – role/responsibility
Building Business Cases

Buying Down Risk

Pushing the Demonstration Effect

Accelerating Crowding In
• Understand the drivers (interests and motivations), build and communicate the value for the actors to take on a new behaviour

• May be social, personal, financial, etc.
Building and communicating business case example

A project has developed a business case that aims to encourage agrovets to adopt customer oriented business strategies. Project staff emphasize to target agrovets the benefits of this model:

• Grow sales by 1) eliminating the need for farmers to come into town to buy inputs and 2) reaching new customers in rural areas

• Building customer loyalty by running promotional events and positioning themselves as an expert
• To demonstrate the benefits of new market behaviours...

• If it is too risky for the market actor to bear the cost and time of taking on the behaviour/activity on their own for the first time...

• Using strategic “smart” subsidies
The agrovet is interested in the Village Agent Retail Model (VARM) but is unsure whether it is worth the effort of hiring an agent and whether the products will sell.

The project suggests that they can cover 50% of the cost of the village agent’s salary for one month. Therefore there is little risk in the agrovet testing the VARM.
# Buying Down Risk vs. Financial Assistance

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<th>Buying Down Risk:</th>
<th>Financial Assistance:</th>
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<td><strong>What is it?</strong></td>
<td>The project offers to subsidize the cost of offering a product or service if the partner is uncertain about its success because the idea is new and untested</td>
<td>The project offers to subsidize the cost of offering a product or service that has already been in use or has been proven to be successful in a particular market</td>
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<tr>
<td><strong>Purpose:</strong></td>
<td>Building conviction in the partner for a new innovation by sharing the risk of trying</td>
<td>Trying to solve a capacity or resource problem</td>
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<td><strong>Sustainability:</strong></td>
<td>If they weren’t doing it before, they will likely see the value and continue with it</td>
<td>If they weren’t doing it before, they likely won’t continue doing it</td>
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</table>
• Early penetration of innovation or behaviour change within the market system
• Early adopters continue adapting it without project assistance – can it be demonstrated to the rest of the system?
• Kicks off the crowding-in process
A project has been working with industry associations and local governments to organize forums for showcasing their partner agrovets who have successfully taken up the Village Agent Retailer Model (VARM).

Many agrovets, not linked to the project, have expressed interest in the VARM after learning about how the model achieves high sales and farmer loyalty. Some agrovets have begun using the VARM to distribute their inputs.
The extent to which non-target and non-competing actors copy or respond to the presence of an innovation so that becomes the “norm” within a market system.

Not only replication or adoption!
Who is crowding in?

Project intervened here

Crowding in happens here

These tend to be:
- Non-target, non-competing actors
- Non-target, competing actors
Crowding-in Example

The agrovet ‘early adopters’ who have taken up the Village Agent Retail Model (VARM) are now gaining increased sales and expanding into new areas.

The project hears that a few input suppliers have approached certain agrovets that they saw during a recent association event in Dar Es Salaam to start a network of agrovets, utilizing similar branding and outreach strategies.

The success of this new streamlined outreach model begins to cause smaller, ‘laggard’ agrovets to go out of business, as they have not been able to retain existing customers nor reach new customers.
Activity 3.1: Light touch vs. Heavy Touch
Facilitation

**LIGHT TOUCH**

The project is...

**Less** prescriptive
Investing **less** money
Investing **less** resources
therefore
**MORE** partner ownership

**HEAVY TOUCH**

The project is...

**More** prescriptive
Investing **more** money
Investing **more** resources
therefore
**LESS** partner ownership
Light/Heavy Touch Activity 3.1

• Rank the activities from light touch to heavy touch on flipchart.

• Once complete, all groups hang their flipchart on the wall. Go see how other groups have ranked the activities.

• Discuss!
Light/Heavy Touch Activity 3.2

• Each group assigned 1-2 activities.
• Think about how these activities apply to your work
• Discuss what it would take to make this activity ‘lighter’ or ‘heavier’?
Key takeaways:

• Understanding that we *always* start with the lightest activities first – *generally this is building the business case*

• Some partners, depending on their response, might require the use of heavier facilitation to build *momentum*

• The biggest issue we see with projects is going *too heavy, too soon*
Have you tried everything else?

Present Ideas & Share Information
(pilot data, ROI, role model info)

Role Models Share Information

Link Businesses/Networking

Exposure Visits

Mentorship/Coaching/Demonstration

Buying down risk

Financial assistance

Risk of Unsustainability

Low

Market Distortion

High
Session 4: Exit Strategy
strategy on transitioning or ending support to a partner
• Phasing-out investments in a particular activity once a certain level of behaviour change has been reached or the partner has not demonstrated commitment to the change.
• “Rolling” exit strategies:

1. Continuously testing partners’ commitment to the change by putting conditions on accessing project support (“buy-in” must be demonstrated)

2. Generally, the uptake of a specific behavior change reveals other constraints that need to be addressed for that change to be sustained; thus the project exits the initial change process and focuses on a different one
1. Work through ROI of doing village promotion events with agrovet. Do you think they fully engaged in the process?

2. Share with agrovet information on a similar business doing the promotional events. Did they initiate a visit to the business?

3. Propose the use of a 40/60 cost-share on 3 promotional events. Did the agrovet make plans to continue with it in the next term?

4. Project identifies the agrovet is having difficulty managing their increased inventory…
# Exit Strategy Activity

## Phase of Systems Change

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<th>Current Market System Condition</th>
<th>Next Action of Project</th>
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<td>You are seeing <strong>early adaptation</strong> among input firms you have partnered with after you initially introduced the innovation of customer service strategies</td>
<td>The use of customer service strategies starts to generate competitive pressure that pushes other input firms and actors interacting with input firms to change how they’re doing business</td>
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1. How would you test the commitment of these market actors?
2. What happens when they don’t pass “the test”?
Debrief
Debrief

• Test partners’ commitment throughout – let them “self-select” in

• Don’t be afraid to step-away from or end a relationship with a partner – find another early adopter or try another leverage point!

• “Rolling” exit allows us to be flexible in our strategies - systems change is the priority
Wrap-up

What will you do differently next week?

How will you share what was discussed here with your team?

How will you stay in touch with the network in this room?
Wrap-up

Everyone get into concentric circles, when the music begins the inner circle will move clockwise while the outer circle moves counter-clockwise.

When the music stops share with a partner!