



MDF Case Study No. 5 | Part 4



IN SEARCH OF THE SWEET SPOT IN IMPLEMENTING MSD PROGRAMMES

Managing Messiness for Success

Part 4 of The Messiness Series

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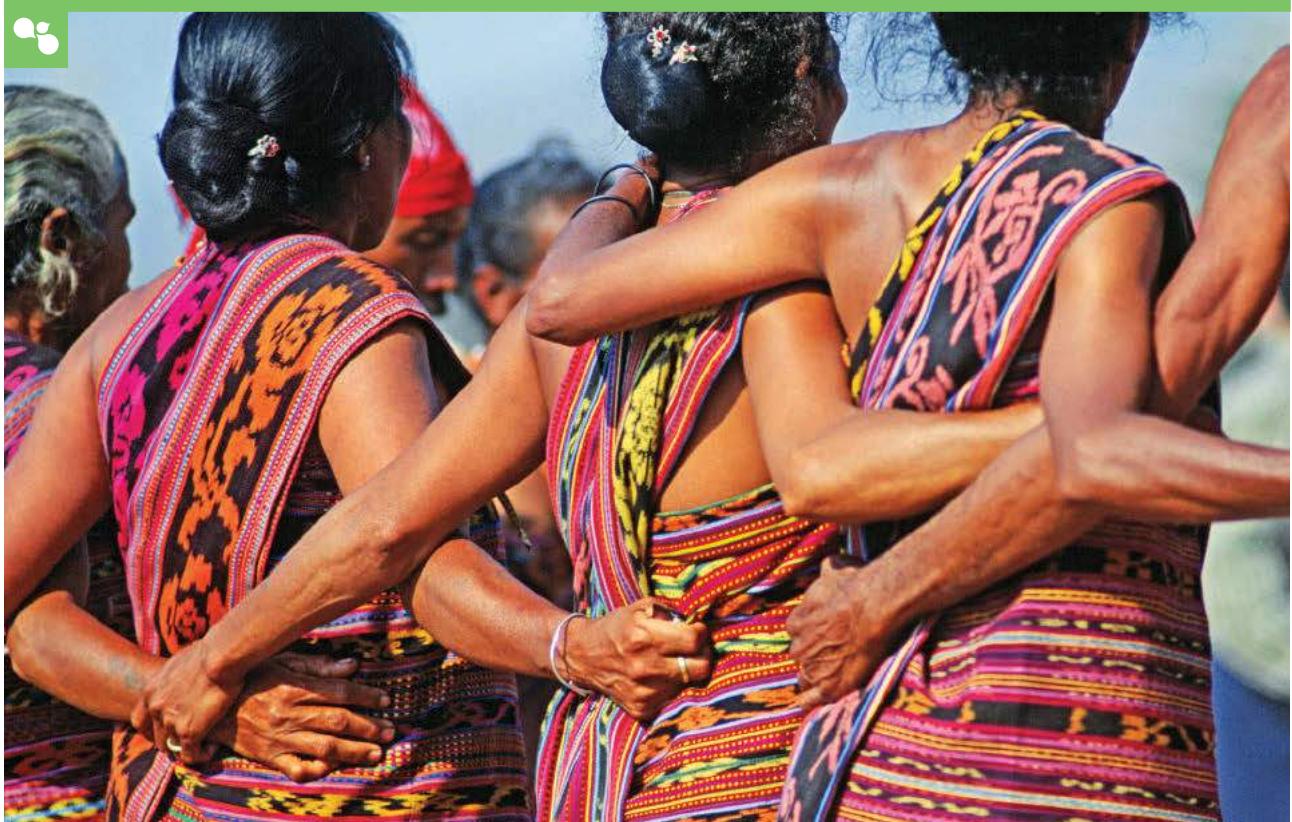


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Abbreviations and Acronyms

CEO	Chief Executive Officer
CLT	Core Leadership Team
CPT	Core Programme Team
DFAT	Department of Foreign Affairs and Trade
HYV	High Yielding Variety
IAG	Independent Advisory Group
LDP	Leadership Development Programme
LT	Leadership Team
MDF	Market Development Facility
MRM	Monitoring and Results Measurement
MSD	Market Systems Development
NGO	Non Governmental Organisation
PNG	Papua New Guinea
SGN	Strategic Guidance Note
WEE	Women's Economic Empowerment

About MDF

The Market Development Facility (MDF) is one of the leading market systems development (MSD) programmes funded by the Australian Department of Foreign Affairs and Trade (DFAT). MDF stimulates investment, business innovation and regulatory reform to create jobs for, and increase the income of, poor women and men in rural and urban areas in the Indo-Pacific region. MDF commenced operations in Fiji in 2011, expanded to Timor-Leste in 2012, to Pakistan in 2013, and to Papua New Guinea (PNG) and Sri Lanka in 2015. MDF commenced a second five-year phase in July 2017.

To achieve its aims, MDF negotiates partnerships with strategically positioned private and public sector organisations in its countries of operations. Each partnership builds on the partner's ownership and leverages their resources to create a tailor-made package of activities that enables them to innovate, invest and/or undertake reforms in such a manner that small farms and firms benefit from

better access to production inputs, services and end markets. This makes them more productive.

Each partnership is underpinned by an innovative yet rigorous commercially-sustainable business model that contributes to broad-based, inclusive pro-poor growth. This drives systemic change in the market: innovations propel a new way of working that ultimately transform business practice within the market system.

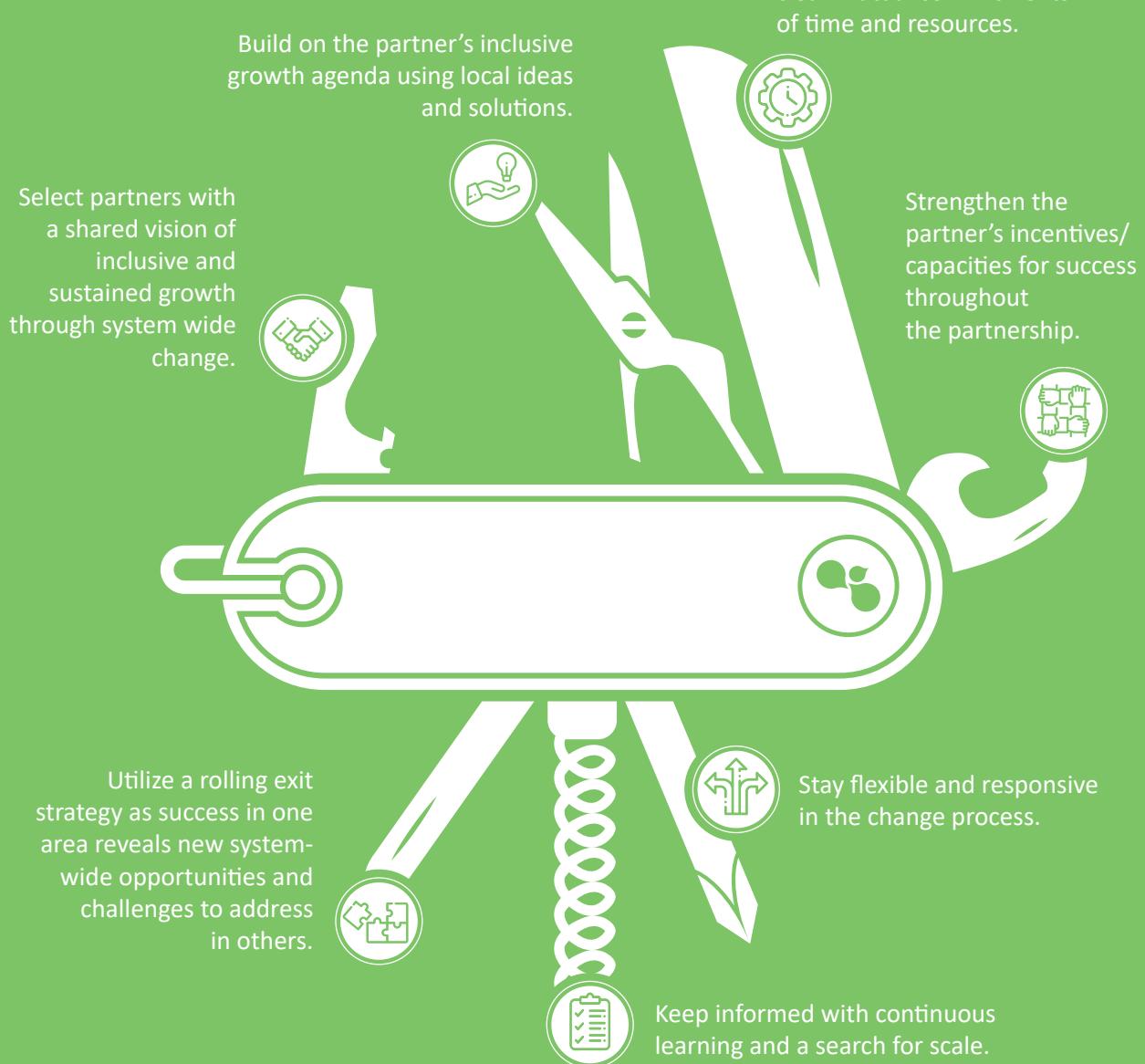
Each MDF country has its own Country Team on the ground to engage the private sector. A Core Leadership Team (CLT), led by the Chief Executive Officer (CEO), works across all MDF partner countries to ensure uniformity and integration of approach and systems across countries, while at the same time providing sufficient operational flexibility for the Country Team on the ground. MDF can be scaled-up to support further market development activities within a country and activities in additional countries as needed.



MDF's Core MSD Principles

In order to implement MSD programmes effectively, managers must ensure that they have the right tools to maintain the core principles. A Swiss army knife is a good analogy:

transferable and flexible, it brings the user to do a number of vital actions which would otherwise be difficult.



About the Authors

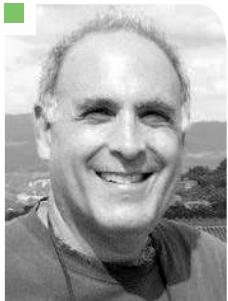


Harald Bekkers is Chief Executive Officer of Market Development Facility. Having gained his PhD in Political Economy from the University of Amsterdam in The Netherlands, Harald began working on Market Systems Development in the Katalyst program in Bangladesh in 2005. Between 2008 and 2011, he worked as a consultant, first with the Springfield Centre, then independently. He specialises in programme and strategy design, programme management, results measurement and specialised research (e.g. on poverty). He also developed a two-week course on Market Systems Development and Results Measurement together with Hans Posthumus Consultancy. In 2011, he started the Market Development Facility, which 6 years later is active in 5 countries in the Asia-Pacific region and recently got extended until 2022.

Dr. Bekkers has authored a range of studies on the role of business services and markets in the development process: "Bangladesh: Changing Markets in Favour of the Poor", with Nabanita Sen, *Asia Brief, Swiss Agency for Development and Cooperation*, 2011; "How to Assess if Markets Work Better for the Poor: Experiences and Results from the Katalyst Project in Bangladesh", with Alexandra Miehlbradt and Peter Roggekamp, *Enterprise Development and Microfinance*, Vol 19. No 1, 2008; "Lowering the Professional Frontier: A Service Market in Development in Ahmedabad, India" In: P.W. Daniels and J.W. Harrington (eds.): *Services and Economic Development in the Asia-Pacific*, Ashgate Publishing, Hampshire & Burlington, 2007; "Between Fixing and Forecasting: Provincial Ahmedabad Brokered into a Bridgehead for Globalization from Below", PhD thesis. University of Amsterdam, 2005; "The Growing Dependence of Public Banking on Private Consultants for Market Expertise and Risk Management in India", *Asian Business and Management*, Vol. 3, No. 4, 2004.

He also authored a range of technical documents for Market Systems Development projects: *Poverty Strategy Paper for the Cambodia Agriculture Value Chain Program*, (CAVAC) 2011; *Program PemBangunan Ekonomi Desa (PropED) Design Document*, (AusAID) 2010; *The Katalyst Income to Jobs Factor: Jobs Created Around Katalyst Sectors due to Additional Growth Within Katalyst Sectors*, (Katalyst) 2009; *Estimating Sector Growth: A Possible Methodology and Indicative Results*, (Katalyst), 2009; *Absorption and Conversion as Urban Pro-Poor Growth Strategies – An Assessment of Labor Mobility in the Furniture Sector in Dhaka*, (Katalyst) 2009; *Opportunities for Market-led Development in Fiji to Support Growth, Employment and Resilient Communities*, (The Springfield Centre with Katalyst) 2008; *Pro-Poor Growth in Practice: Pro-Poor Growth Strategies for Katalyst Phase II, incorporating Gender and Environmentally and Socially Responsible Business*, (Katalyst) 2008; *Katalyst Phase II Project Document*, with Peter Roggekamp and Manish Pandey, 2007.

For the Market Development Facility, Dr. Bekkers has written a number of Strategic Guidance Notes, which represent best practice in Market Systems Development: *MDF Results Estimates for Five Countries 2011-2017*, with Mujaddid Mohsin, 2015; *Achieving Change in Markets: The MDF Framework for Defining and Populating Pathways for Systemic Change*, with Shahroz Jalil, 2015; *How Women Contribute to and Benefit from Growth: Integrating Women's Economic Empowerment in the MDF Approach*, with Victoria Carter and Linda Jones, 2015; *Managing Quality Amid Messiness: How to Foster Implementation-led Learning and Adaptation for Systemic Outcomes – The MDF MRM System for Researching, Analysing, Learning from and Reporting on Results*, with Samira Saif, 2017.



Marshall Bear is an independent consultant with extensive experience in the research, design, backstopping and evaluation of market system development programmes for inclusive growth. He has specific expertise in industry analysis, curriculum design and delivery of technical courses for staff of private sector development programmes and facilitation of group-based strategic planning processes. He co-designed and delivered the core skills curriculum for the Springfield Centre's Making Markets Work training programme from its inception in 2000 through 2012.

Mr. Bear has also co-authored a number of papers on private sector and market systems development:

Think pieces: "From Principles to Practice – Ten Critical Challenges for BDS Market Development," with Alan Gibson and Rob Hitchins, Small Enterprise Development Journal, Vol 14, No. 4, 2003; "Designing BDS Interventions as if Markets Matter" with Mike Field and Rob Hitchins, Microenterprise Best Practices, (DAI/USAID) 2000.

Technical guides: "Managing the Process of Change: Useful Frameworks for M4P Implementers" with Michael Field, EDM Journal (June 08); "Thai Silk: An Introduction to Subsector Analysis" with S. Haggblade, N. Ritchie and C. Gibbons, (CARE and DAI), video and facilitator's manual, GEMINI, 1992.

Technical studies: "Aggregation and its Effects on Kosovo's Fresh Fruit and Vegetable Market System", a review of Helvetas/Swiss Inter-cooperation 12-year Involvement in Kosovo Horticulture (2012); "Enhancing Local Sourcing of Fresh Fruit and Vegetables in Uganda's Domestic Market" with Richard H. Goldman, (ILO) 2005.

Mr. Bear is also a film producer: his latest release in March 2016 was the coming of age drama "Burning Bodhi," starring Kaley Cuoco ('Penny' in *The Big Bang Theory*).





Introduction - Messiness and the 7S Model

The Messiness Series

PART
1

Why and How Embracing Messiness is the Key to Success

This case study outlines the rationale for the series and presents its organizing framework. The central argument is that to create adaptive learning programmes able to manage messiness and embrace complexity, we need to embed ‘flexibility contained by principles’ in methodologies, programme design and results measurement. It examines why we should avoid overly rigorous, standardized practices and instead, focus on the underlying principles which allow flexibility, but prevent an ‘anything goes’ approach in which little could effectively be achieved. Use of an Industry Life Cycle tool allows us to compare the small island economy of Fiji with the much larger, mature markets of Pakistan and enables us to examine the reasons why messiness occurs, and how best to leverage different market and partner contexts.

PART
2

Analysing the Causes of Messiness via Two Further Diagnostic Tools

The second part of the Series builds on the Industry Life Cycle tool used in part one and applies two further diagnostic tools to assess and explore messiness at three different levels. An Ansoff Market Matrix is used to analyse the partner context and a Will/Skill matrix is then used to look at partnership deals. By looking at three partners in Fiji and three in Pakistan, the ways in which partnership outcomes affect and are affected by markets and partner dynamics is examined. The change process can be a bumpy ride with many of the challenges faced only emerging during implementation; the effects of these bumps in the road are explored.

PART
3

How to let go of the 'Proscriptive Orthodoxy' Without Ending up with 'Anything Goes'

The third section of the series outlines some of the implications distilled from MDF’s experiences as relevant to a range of contributors - from MSD practitioners to donors and consultants. It challenges the reader to accept the messy realities of day-to-day MSD implementation and look closer at how, with better and deeper understanding of that messiness, we can move away from inward-looking methodologies and towards a degree of flexibility that drives economic growth for the people who need it most.



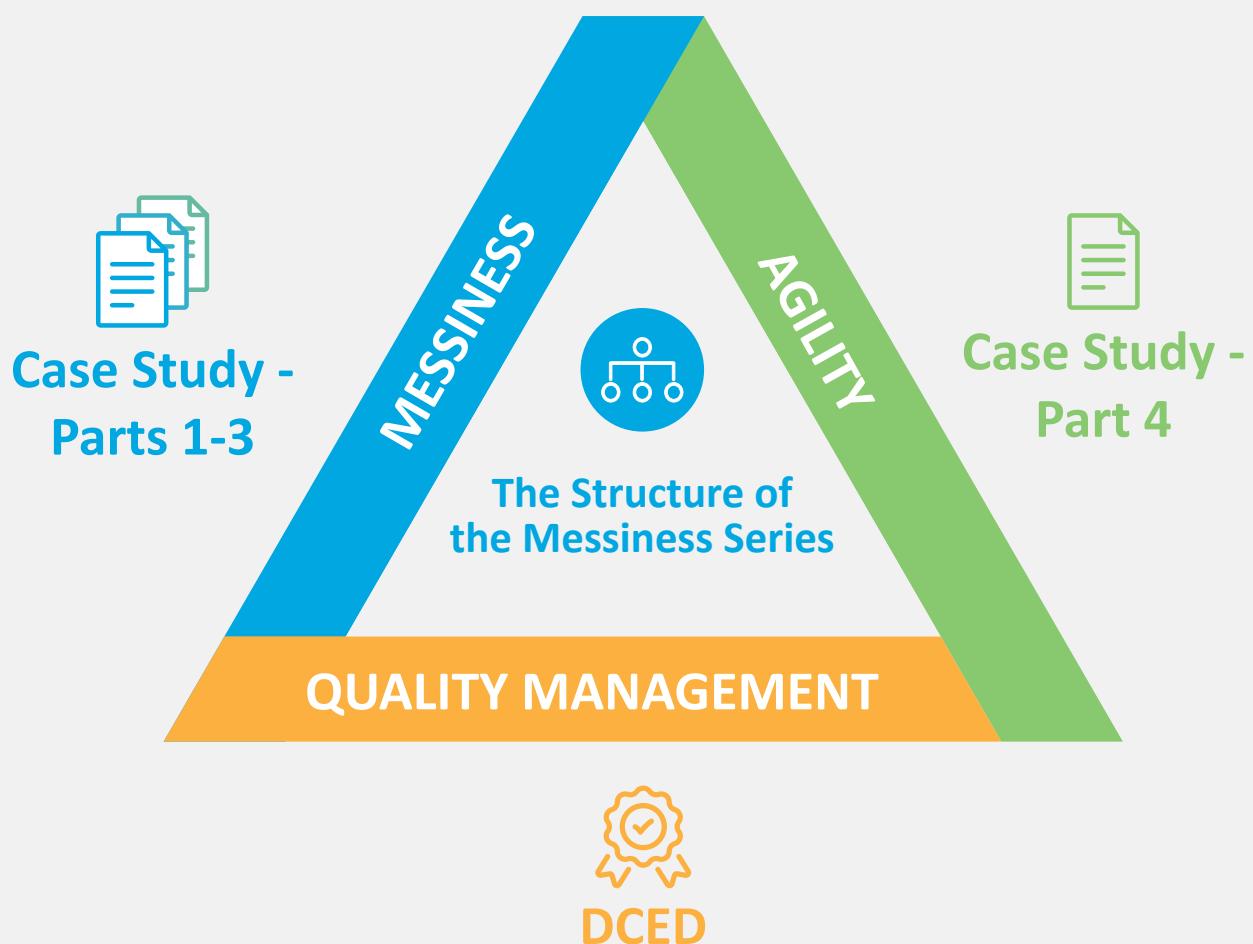
PART
4

Managing Messiness for Success

This final part of the Messiness Series discusses why an agile learning organisation is best suited to manage messiness for success. It will look at what the inter-connected organisational functions are that need to be aligned for programmes to really understand and respond to messiness and outline how they can do that without sacrificing accountability.



The Structure of the Messiness Series



Q

The principles (control points) that guide a quality management system that stimulates learning from results, are sufficiently covered in the Donor Committee for Enterprise Development (DCED) Standard and are therefore not discussed in detail in this case study series.

Overall, the application of MSD principles for programme design and management, as well as results measurement, need to come together to help programmes manage messiness and embrace complexity. The authors therefore aim to illustrate that the success of a programme cannot hinge on a simple, prescriptive, standard set of practices, nor on an 'anything goes' approach that may be very flexible, but lacks the rigour to create sustainable results.



Introduction

In the first three parts of the "Messiness Series", the authors argued that if programmes are to be successful, they require designs, implementation methodologies and measurement systems that are fit for the purpose of embracing messiness and managing complexity across a range of country, sector and market settings.

Influencing change in society is similar to planting a seed in a petri dish already brimming with life. Signals for change are interpreted (and possibly misunderstood) and prioritised (and possibly shelved as too risky). Because of all these competing interests, it is difficult to predict how change will unfold. This does not mean that we, as development professionals, should throw our hands up in the air and say, "this is all too complex!" Instead, we should be prepared to analyse how change is really unfolding and learn from it. This should be the core mission of our work.

If change is a constant and difficult to predict then how should our programmes be organised so that we can continuously learn, adapt and change our strategies and actions to meet our goals? This paper – Part 4 in the "Messiness Series" – discusses why and how an agile learning organisation with a Swiss army knife-like versatility is so important to respond to messiness when working with innovative MSD approaches to inclusive growth. It describes what an agile learning organisation looks like up close and personal by drawing on MDF experience during phase one operations (2012-2017). It unpacks and then repacks how MDF responded to change – whether urged on by its own performance, by changing

market realities or by new funder priorities – while ensuring that its strategy and actions were aligned with its core values.

This retrospective look at MDF's operations required a diagnostic tool to capture the richness and nuance associated with a dynamic organisational change process. The authors chose to use the McKinsey 7S Model to examine MDF's experience of becoming an agile learning organisation because of its relevance to the development experience. The choices a private firm makes in its continuous search for opportunities and competitive advantage are very similar to the choices MSD programmes make in order to be relevant and effective in advancing an inclusive growth agenda.

Each 'S' in the 7S model is valid for all types of organisations whether they are organised around profit and/or around development outcomes. The interplay between the 7Ss imposes a discipline on managers to ensure that how and what they do in the development space is always aligned with the organisation's core values.

After introducing the McKinsey 7S framework, this case defines each of the seven Ss in language relevant to organisations implementing MSD programmes and then applies the tool retrospectively to three separate organisational change scenarios faced by the MDF programme. Each case closes with lessons on MSD programme design and the practice of continuously adapting the organisation to be relevant and results oriented.



Organisational Change Diagnostics

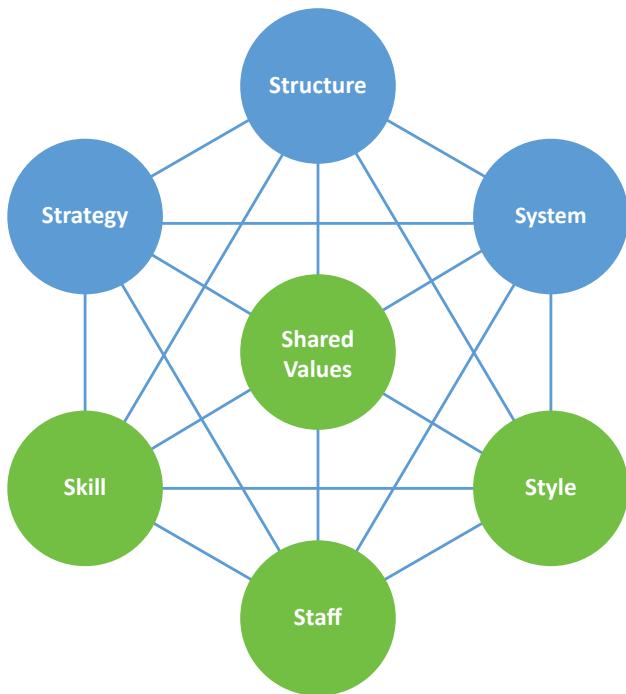
When consultancy firm McKinsey introduced its 7S model¹ it was based on the simple premise that while both are important, changing an organisation's structure or strategy are insufficient to right the ship in a continuously changing competitive environment. An organisation is a complex system with inter-related elements, each of which contributes to an organisation's effectiveness. There are seven key elements of an organisation that are critical to that effectiveness: strategy, structure, systems, staffing, skills, style and shared values. To be effective, McKinsey claimed that an organisation must have a high degree of 'fit,' or internal alignment, among these

seven elements; that is, each S must be consistent with and reinforce the other Ss.

McKinsey created a schematic (see Figure 1) in the form of an atom to emphasise the inter-relationships between all seven elements in an organisation. The authors feel that this diagnostic tool is appropriate to capture the richness and nuance of how an MSD programme learns, adapts and changes its strategy and actions in response to a myriad of market system dynamics in a range of sectors in a diverse mix of country and market settings.

¹ "Structure is not Organisation", Robert H. Waterman Jr., Thomas J. Peters and Julien R. Phillips, Business Horizons, Vol 23, Issue 3, June 1980, pages 14-26.

Figure 1: The McKinsey 7S Model



- Combining the hard Ss – strategy, structure and systems (**blue circles**) – with the soft Ss – skills, style, staff and shared values (**green circles**) – ensures that organisational change is as much, if not more, about people than it is about structure or strategy.
- All seven functions are interconnected. Organisations, like markets, are complex people-driven systems where it is difficult to make progress on one function without also making adjustments in the others to achieve the organisation's purpose. This diagnostic tool enables an MSD programme to simulate its own internal responses to constant change with the types of change it hopes to foster in specific market systems.
- Clarity on a company's competitive and strategic position is particularly important for firms that are competing in emerging industry segments where the environmental dynamics are typically quite turbulent and ambiguous. MSD programmes, like the firms they partner with, have found that the majority of inclusive growth opportunities are in the early or nascent phase of an industry life cycle.²
- The model does not imply any natural starting point for an organisational change effort. There is no assumption that one S has more impact on effectiveness than any other S. In some cases, the critical variable impeding strategy implementation might be staffing; in others, it could be systems or structure. Only by going through a diagnosis of the alignment of all organisation functions can it be determined where to focus attention.



Defining the 7Ss in the Diagnostic Model

The effective use of any tool starts with clarity on its key terms, regardless of how frequently they may be used in the everyday life of an organisation. So, let's start by defining each of the seven Ss in turn, first, as they were defined by

authors of the model and then by how we have interpreted them from an MDF, and more broadly, a development perspective³. Our interpretation defines each S by what it is and what it is not.

² 'In Search of the Sweet Spot in Implementing MSD Programmes: Why and How Embracing Messiness is the Key to Success', page 26, MDF/Palladium/DFAT, Marshall Bear and Harald Bekkers, January 2018.

³ Please refer to 'Annex A: Definitions at a Glance' for a summary table of the 7S definitions.



Shared Values

The authors of the 7S model defined this S as a set of values and aspirations shared across the organisation which go beyond a statement of corporate objectives. A statement of core values needs to be succinct so it can be readily communicated and rich in significance to organisation insiders. These values express the way the company wants to leave its mark. Everything the company does needs to be

aligned with its values. Interestingly, the authors of the model found that core values were evident in the top performing companies even if they were not written down.

Box A provides a few modern-day examples of statements of values intended to be shared across the company, from its top executives to its employees and shareholders.



Box A



Twitter: To give everyone the power to create and share ideas and information instantly, without barriers.



Whole Foods: With great courage, integrity and love—we embrace our responsibility to co-create a world where each of us, our communities, and our planet can flourish. All the while, celebrating the sheer love and joy of food.



National Foods/Pakistan: Passion. People-Centric. Customer Focus. Leadership. Teamwork. Ethics. Excellence in Execution. Accountability.

Pithiness is typically not a virtue of development practitioners and so it is true with MDF's statement of core values which has been defined as more or less like this:

- A vision to foster economic growth with meaningful, significant, and sustained benefits of income, employment, nutrition, climate preparedness and systemic resilience inclusive of vulnerable populations (especially women) living in more disadvantaged regions of a country.
- A mission to search, identify, implement and measure innovative approaches that deliver value from aid investments resulting in inclusive growth caused by better functioning market systems.

Core values need to be shared between the three key stakeholders in an aid investment: the funder, the managing contractor engaged by the funder and the leadership team assembled by the managing contractor to implement the

programme. Values are typically not subject to (much) change during the course of a programme but they can be tweaked to amplify or heighten a new policy of the funder – the owner of the investment. This was true in the case of MDF when DFAT wanted to focus more on Women's Economic Empowerment⁴, climate preparedness and the resilience of market systems at times of natural disaster or conflict. The values of 'inclusivity' and 'sustainability' were deepened but essentially remained unchanged.

DFAT did not use MDF, an existing programme, to serve its broader diplomatic mission in ways that were unrelated to the core values inscribed in its agreement with the managing contractor. Nor did DFAT pre-define the shape the managing contractor's organisation would take – structure, systems, staffing – to pursue its core values. The emphasis must be placed on the idea of *shared* if values are to serve as the foundation against which all seven 7s must be aligned. And, in this case, they were.

⁴ MDF's response to a strengthened DFAT policy Women Economic Empowerment will be unpacked in a case scenario found later in this report.



Strategy

This is the how that serves the why: the actions that a company plans in response to or in anticipation of changes in its external environment to achieve competitive advantage. The authors of the 7S model found that even big prestigious companies replete with strategies and supportive structures could not implement them because of weaknesses elsewhere in the organisation such as an outdated corporate culture or the skill set required to advance a new strategy.

MDF's strategy is the transformation of market systems for inclusive growth. This strategy intentionally moves aid investments away from direct service delivery and paying for impact towards engaging with and influencing market system actors to adopt inclusivity as a viable growth strategy. By aligning the incentives of market players in favour of pro-poor market outcomes, this strategy creates and sustains the benefits through lasting change beyond the period of an aid investment.



The success of achieving development outcomes with this strategy requires that all stakeholders – donors, managing contractors and programme leadership teams – embrace messiness and allow for enough flexibility in programme design and its implementation to determine what it makes sense to do (leverage points in a system) with whom (private, public, community, civil society) and for how long (5-10 years) in a diverse range of country/sector/market settings. Strategy formulation is not the outcome of a one-off design mission which is then fixed and inalterable in a donor/managing contractor agreement.

The process of systemic change is both complex and dynamic, and the programme's strategy will likewise be adjusted as the programme leadership team gains more understanding of those dynamics and is seen as a credible influencer by market system actors. Systemic change is not a linear process that results from a few pilots – 'Quick wins' – which are then presumed ready for replication to achieve scale of impact. It is difficult to predict the pathway by which systemic change will unfold and desired impact is achieved as this is dependent on filling functional gaps so prevalent in systems that block inclusive growth.

- Who has the will and skill (at least somewhat) to pursue a business expansion strategy to occupy these gaps?
- Who is willing to take on the risks associated with business models that ultimately can be made to work?
- What kind of services and enabling rules can be accessed in support of risky pro-poor business/market system innovations?

MSD implementers have learned, however, that the change process is sequenced: it starts by showing that change can work by getting some functions at the core of a system (e.g. market based transactions) to work better and then fostering systemic depth and resilience by enticing others to follow the example. Simultaneously, MSD implementers must work on related functions (support services and rules) that have become easier to 'fix' now that core functions are in place and working better. When a market system performs all critical functions in support of inclusive growth then the system can weather ever changing market dynamics and competitive forces. Better functioning market systems enable the poor to build their livelihoods⁵.

⁵ "Guidelines for Good Market Development Programme Design: A manager's perspective", an unpublished paper by Bekkers, et.al. September 2014.



Structure

The model's authors define structure as how a company divides and coordinates all of its functions and tasks to manage its growth while maintaining sufficient control to ensure it is responding effectively in its environment. It is the way in which tasks and people are specialised and divided, authority and reporting relationships distributed.

The McKinsey 7S model was developed in the 1980s at a time of rapid company growth and complexity when organisations were searching for a form of organisation to cope: decentralized by function, or by division or by a matrix across many dimensions? The authors of the 7Ss found that the problem was not so much how to divide tasks but one of emphasis and coordination: the ability to determine on which dimensions to focus in the evolution of a company and the readiness to re-focus as the critical dimension shifts.

Organisational structure changes with the complexity of the work: so, it was presumed that MDF's organisational structure was bound to change as it grew. MDF began operations in 2011 with only one country programme and a small number of staff. By the end of Phase One in 2017, MDF's programme had grown in size (from 1 to 5 countries and from 2 to 20 sectors of engagement) and complexity (from 4 staff to 103 staff at the end of Phase One operations). MDF's structure will likely continue to change in the course of Phase Two operations (2017 – 2022)⁶.

What began as a centralised structure with a few 'high flying' experts jetting in and out of a country to start operations and select partners changed into a decentralised structure organised around three functional units – implementation, technical support and operations. Only through a decentralised structure could MDF manage the balance between quality and oversight as its country programmes grew in size and complexity, while also being responsive to DFAT's priorities at HQ and in-country.

Programme leadership fine-tuned this structure so that there could be bottom-up and coordinated decision-making by the different functional units to ensure consistent application of MSD core principles (lasting solutions based on innovations and their ownership by local market actors) across all sector engagements. To avoid 'silos' of knowledge that could result from a decentralised structure, MDF actively created networks of organisational relationships to allow for knowledge, experience and skills to circulate between all functional units.

A Core Leadership Team (CLT) mechanism was put in place to create a level playing field between functional managers and country teams and avoid hierarchy that would be inconsistent with the agility needed for a learning organisation. In addition, DFAT created and out-sourced an Independent Advisory Group (IAG) to provide intensive, near continuous oversight to manage the risk of its investment in this new approach. The IAG mechanism would offer an independent perspective on how this new investment was working for all of its stakeholders.

Structure must follow strategy: this is especially true when a strategy of diversity – in country, market, partner context – forces a decentralised structure. A centralised, command and control structure that might work for direct delivery strategies will not work for the MSD approach. However, when a specific system gets out of sync with its intended purpose, an organisation may have to centralise the function to correct the problems, and, when fixed, decentralise it again with a better system and improved staff capacity to manage it effectively⁷.

So, it goes without saying that structure is not: decisions made by one party and forced onto the other parties; rigid, unbending, pre-defined structures that tend to create tensions and distrust between HQ and field operations; and mechanisms, put in place to insure a balance between quality and control, becomes only a lever of control by one party over the others.

⁶ The process of finding a "fit for purpose" organisational structure will be unpacked in case scenario found later on in this report.

⁷ See Case 2 on MDF's Misaligned Monitoring and Results Measurement (MRM) system.



Systems

These are all the formal processes – planning, human resources, budget control, etc. – that make the organisation go, 24/7/365. The authors of the 7S model thought ‘systems’ could be the one dimension that could dominate the other Ss. A large consumer goods manufacturer, for example, wanted to become more market oriented but failed to revise its production oriented planning systems to capture market information vital to implementing its change in strategy. This illustrates a case of the absence of a critical system unable to support strategy. The corollary to this is the presence of an outdated system that undermines strategy by placing too many burdens on operations.

MDF found that it had to create fit for purpose systems supportive of all the other Ss in this diagnostic tool. Where effective strategy implementation requires flexibility donor mandated systems can be rigid, geared mainly to safeguard and guarantee compliance and accountability with their rules. Staffing, another key ingredient of effective MSD programmes, is often pre-defined by donors with respect to the type, number and composition of staff across a programme without reference to context. A manager with the unique leadership style to exercise the right balance between influence and control – vital for effective programme implementation – may be forced to adopt a more controlling leadership style

to satisfy a donor and/or managing contractor’s rules. In fact, MDF has found that style leads systems and structure in achieving organisation effectiveness⁸.

MDF put in place both technical (programme planning, partnership planning/contracting and management, monitoring and results measurement, communications/knowledge management) and operational processes (human resources, procurement, budget control, finance and security) adapted to and reflective of the operating realities in the country context. As such, the systems in place must continually seek an appropriate balance between rigour and flexibility if they are to be compatible with an MSD strategy and a bottom-up, coordinated and networked organisation structure. MDF’s monitoring and Results Measurement System (MRM) is a good case in point: it started well but got off track partly because of insufficient internal oversight at a time of rapid growth and partly because of the confusion in the development community about what constitutes good MRM practice⁹. Rigour (or what was perceived as rigour) trumped the system’s need for flexibility. The MRM system in a few countries became a silo divorced from the implementing units who found themselves devoting more time to gathering information to serve the system but not the information they needed to guide their work.

⁸ See Case 3 on MDF’s search for a fit for purpose management structure.

⁹ The process of getting MDF’s MRM system back on track will be presented in case scenario found later on in this report.



Style

Style is a reflection of the corporate culture: it is the fit between how the company behaves, how it views itself and it wants others to view the company. In their research, the authors of the 7S model found that "...organisations may listen to what top managers say but they believe what managers do. It's not words but patterns of actions that are decisive. The power of style is essentially manageable".

A day in the life of a manager typically is a mess: it is filled with infinite tasks that can't possibly be completed with fragmented and limited time. McKinsey's research into organisation dynamics found that the median time managers spent on any one issue was 9 minutes. Still, an effective manager can accomplish a lot in 9 minutes provided the time is used to (i) signal what's on their mind (ii) reinforce key messages (iii) role model desired behaviours and (iv) nudge people's thinking in the right direction.

Style has a lot to do with the ability of a company to perform. Take, for example, when a merger between two companies is undertaken with all the right synergies for success but it actually fails. Oftentimes, the failure can be blamed on a clash of cultures between the merged companies. The will to make the merger work was simply not there.

Whereas the authors of the 7S model thought that systems might dominate among the 7Ss, MDF found that its leadership style has been the dominant ingredient in 'righting the ship' when any one of the 7Ss became misaligned with its shared values¹⁰. The core principles that guide a market system approach for inclusive growth urges all stakeholders – donor, managing contractor and programme leadership - to adopt a style that creates and maintains the enabling conditions where staff and partners believe they can do their best work. This can prove to be elusive when a donor conveys in all of its agreements pre-defined structures and systems geared more to safeguard compliance than to encourage innovation and risk taking.

In Phase One of MDF operations, programme leadership was able to adopt a leadership style of 'leading from behind' (versus 'follow my lead' on everything), providing guidance and structure, while encouraging staff to discover context relevant solutions with local partners through testing and learning. Managers were able to create open, honest, participatory processes of enquiry, shared learning and action because the managing contractor and the donor representative were able to strike a workable balance between satisfying deliverables, complying with rules and staying focused on the ends. The 'styles' of all stakeholders were in sync.

¹⁰ See Case 3 on MDF's search for a fit for purpose management structure.



Staff

Staff is defined as the pool of company human resources to be identified, nurtured, developed, guarded and allocated to perform all organisation functions. These are the people with the backgrounds and competencies that can make the company tick.

The authors of the 7S model cautioned companies to re-define the people issue away from the narrow confines of the HR department but rather to find effective and practical ways to develop and nurture people into a cadre of future managers. The authors de-bunked the prevailing and polar opposite views of top companies at the time: 'get the structure right and the people will fit in' or 'the right people can make any organisation work.' People count, wrote the authors, but they are only one variable in the 7S model.

Team leaders of MSD programmes agree that people – especially local women and men with knowledge of the context and its history – are the most vital ingredient in their success¹¹. There has been a lot of discussion in the field about the appropriate number, composition, skill set and experience of the people best suited to manage and implement market system development programmes. During Phase One operations, MDF found that:

 **Number:** MDF's in-country implementation units required more people than was originally thought due to the temporary yet intensive role staff play in facilitating market system development, especially in thin markets. MDF found that one business advisor could manage from 2 to 5 partnerships at any one time depending on the context: in thin markets a business advisor invested more time supporting a partner to implement their business plan. In thicker markets, a business advisor's time was used less on direct partner support and more on learning about the partner's experience and sharing this with other market system stakeholders.

 **Team Composition:** Though technical units (MRM, HR, Finance/Budget, Communications, Security) were staffed with individuals specialised in those disciplines, the skills/experience of the day to day implementers were biased in favour of people with a broad set of skills so that they could:

- Identify feasible inclusive growth opportunities in complex country and market settings;

- Design/negotiate mutually beneficial partnership engagements;
- Manage partnerships consistent with core principles (local ownership, solution seeking behaviour);
- Monitor how partnerships unfold, analyse results, learn from expected and unexpected outcomes (the MRM specialists should support this, but not 'take over' the responsibility);
- Communicate lessons from experience in ways all stakeholders would understand.

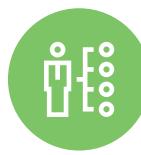
Developed/Nurtured: A common misconception by donors  and managing contractors is that the people needed for MSD programmes are ready-made for the job: just post a detailed position description on any job site and wait for a flood of qualified candidates. The experience of MDF is that people are recruited more on their future potential than on their past experience provided they possess the right mix of analytical and intuitive skills. They must be made-ready for the job because of the unexpected high degree of variability that comes with it. MDF needed to invest in a mix of capacity building mechanisms to develop staff through a combination of coaching, mentoring, job rotations and technical training programmes either done in-house or outsourced to acknowledged capacity building experts in the field¹².

The people issue for MSD programmes is about recruiting staff with the unique combination of analytical and intuitive skills, offering them a competitive compensation package and investing in their capacity to be effective over time. The right staff (broad set of skills) make a big difference in the successful implementation of an MSD strategy when guided by shared values (local solutions owned by local market players), organized in the right structure (allows for frequent/regular coaching/mentoring), supported by the right systems (right balance between rigour/support and flexibility) and enabled by the right leadership style among all programme stakeholders. MDF has found that teams with such skills are well placed to absorb changes in shared values or strategy and therefore greatly contribute to its agility¹³.

¹¹ "Guidelines for Good Market Development Programme Design: A manager's perspective", an unpublished paper by Bekkers, et.al. September 2014.

¹² The Springfield Centre's "Making Markets Work" training programme is the most comprehensive and advanced peer based training programme in the field. The DCED courses on MRM is another case in point.

¹³ See Case 1 on the elevation of WEE in MDF's vision.



Skill

The authors of the 7S model found that companies facing big disruptions in their business conditions must do more than shift strategy or structure. Frequently, they must add a new skill or capability to be competitive: better customer service, quicker response times, new marketing skills. Skill is therefore defined as the dominant capabilities or attributes for which the company is known, such as its people, management practices, systems or technology. These capabilities are possessed by the organisation, not by any one individual, and they have typically been developed over the course of years. When a new dominant skill is needed the company will have to dismantle the old skill – and the systems and structures that support it – so that the new skill can take root and grow.

The dominant skill in effective MSD programmes is the organisation's capacity¹⁴ to facilitate a systemic change process that results in growth inclusive of poor people. All aid investments aim to create value but oftentimes they fall short of sustaining that value without continued aid support. The MSD approach is deliberately designed to address the issue of continuity or sustainability in aid investments: poor people depend on markets for goods and services and when markets function better and more inclusively, then they can be one of the few local institutions poor people can shape with the temporary help of a third-party facilitator.

MSD programmes offer that temporary help by facilitating changes in market player behaviour, attitudes and practices to create more access, engagement and mutually shared benefits for all participants in better functioning markets. The ability to catalyse or facilitate a change process without

becoming a permanent part of the change (e.g. continued aid investments) has many core competencies: system/business analyst, relationships builder, coach, innovator and communicator¹⁵.

Mastering the role of facilitation is easier said than done: the concepts can be introduced through training, but its mastery is only possible with practice. It's unlikely that all the core competencies of facilitation will be found in one person, emphasizing once again the importance of team composition for MSD implementers. Lessons from MDF's experience suggest different core competencies are needed among all stakeholders for a programme to effectively perform its market system facilitation role:

Programme Leadership:

- Ability to lead from behind by influencing change that is owned by others;
- Reconcile the balance between goals, quality and compliance to find solutions consistent with core values.

Managing Contractor/Donor:

- Embrace sustainability and understand the temporary nature of development impact without it;
- Know how to navigate the internal systems/procedures of the managing contractor/donor to support the market facilitation approach.

¹⁴This is the distinction between the skills of staff and the dominant skill of an MSD practitioner. The dominant skill of a direct delivery organisation is more likely the systems in place for the cost-effective delivery of a good or service.

¹⁵For a good description of these capacities see "Being a Market Facilitator: A Guide to Roles and Capacities" Engineers without Borders/Canada, 2008.



What follows next is what we like to call learning in action. The reader will be introduced to three cases where MDF had to adjust some, if not all of the 7Ss to ensure that it continued to function as an agile learning organisation in line with its values. The 7S model is used retrospectively to unpack each of these three cases to show how a change in one function in the organisation reverberates across the rest of the organisation. The cases were chosen so that this paper could illustrate different uses of the McKinsey 7S model as a diagnostic tool for both detecting organisational issues and addressing them in a comprehensive way.

Figure 2 shows, at a glance, a summary of each S as it was defined by MDF for MSD implementers. Each circle

presents the optimum characteristics for an agile learning organisation that can embrace messiness and manage the complexity associated with the market system development approach. This diagram will be used as an aid to the reader, highlighting the inter-relationships between all 7Ss in each of the three cases presented next: when a new donor priority is introduced (Case 1 on a new **Shared Value** on Women's Economic Empowerment), when organisational function becomes misaligned and needs fixing (Case 2 on MDF's **Misaligned MRM System**), or the effect of rapid growth on MDF's management structure (Case 3 on MDF's search for an appropriate management **structure**).

Here is a brief summary of each case.



CASE 1: ELEVATING WEE IN MDF'S VISION

A CHANGE IN ONE S – SHARED VALUES – CHANGES EVERY OTHER S

In 2014, DFAT elevated Women's Economic Empowerment (WEE) to a core value across all of its aid programmes. This case examines how MDF gave meaningful expression to this major policy initiative: the adjustments MDF would have to make in strategy, systems and structure and to an extent in staff and skills to insure that all 7Ss would be aligned with WEE as a shared value while also staying true to its market development approach.



CASE 2: FIXING THE MRM SYSTEM

BEWARE THE SNOWBALLING EFFECT OF A FLAWED SYSTEM ON MANY OTHER Ss ESPECIALLY STAFF, SKILL AND STYLE

This case examines what happens when one S – in this case a key system – gets out of sync with its intended function. MDF not only had to fix its MRM system to get it back in line with its intended purpose but it also had to fix some other Ss – staff, structure and related technical systems (e.g. intervention guidelines) and reinforce other Ss – its style of leadership and facilitation skill – to bring all of the Ss back into alignment with its shared values.



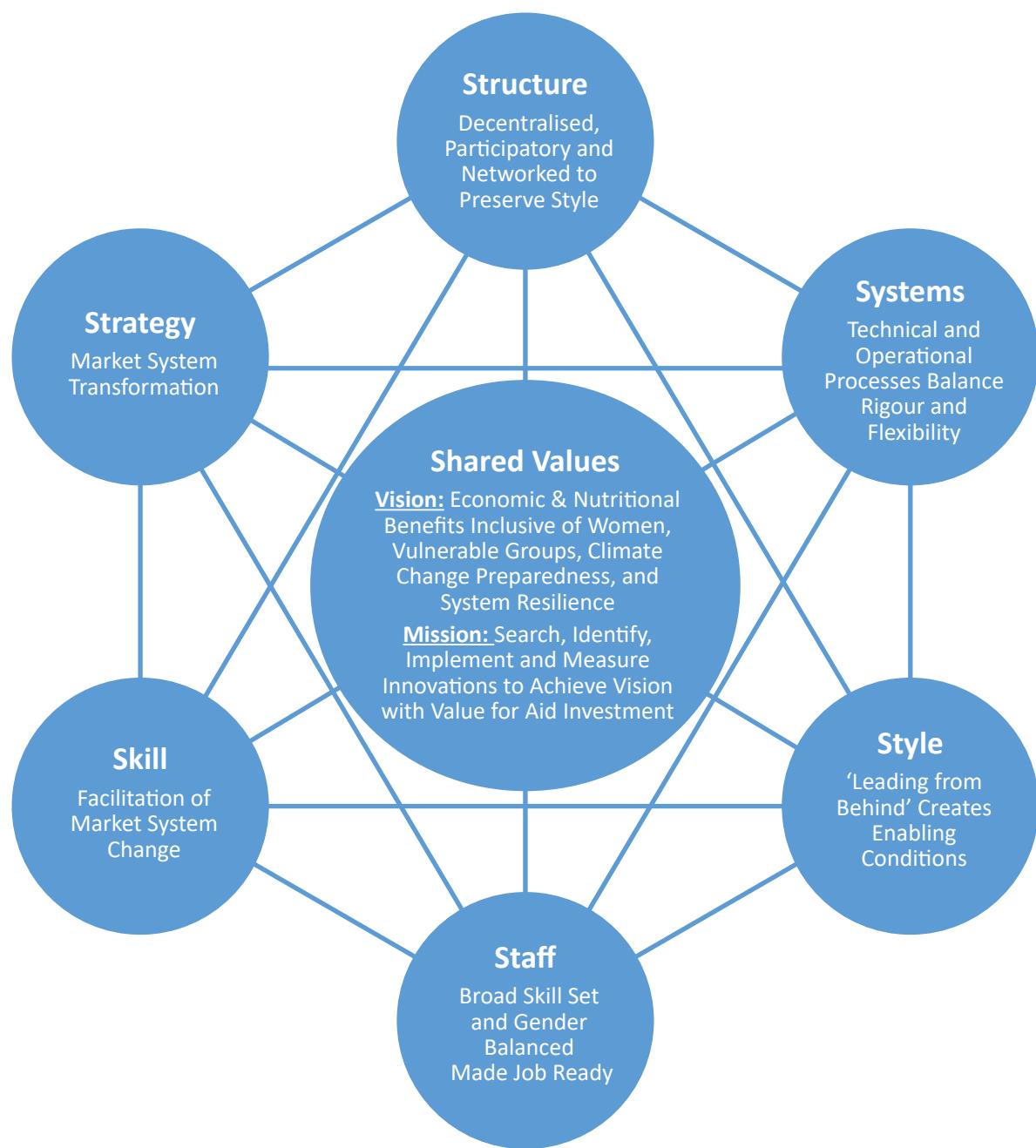
CASE 3: SEARCHING FOR AN APPROPRIATE STRUCTURE

STRUCTURE ALWAYS SERVES STYLE FOR MSD ORGANISATION EFFECTIVENESS (AND NOT THE OTHER WAY AROUND)

MDF instinctively knew that its structure – how it would divide and coordinate all of its functions and tasks to manage its growth – would necessarily change as its programme grew in size and complexity. This third case examines MDF's search for a management structure fit for an agile learning organisation at different stages of programme growth and how its style of leadership was the dominant function which enabled MDF to 'right the ship' through its growth process.

The case concludes with this lesson: Style leads. Versatile staff and skills can be somewhat 'steady'. Structure and Systems follow.

Figure 2: 7Ss for an Agile MSD Learning Organisation





So how did the 7Ss
play out at MDF?





Case 1 - Elevating WEE in MDF's Vision: A Change in one S – Shared Values – Changes Every Other S



Background

In June 2014, Australia's Aid Policy established "gender equality and women's empowerment as a priority for development, and set an ambitious target requiring that eighty per cent of all Australia's aid, regardless of objectives, perform effectively in promoting gender equality."¹⁶

When this new policy was launched, MDF anticipated that DFAT would expect existing programmes to engage with this new policy. MDF set out to research and articulate a Women's Economic Empowerment (WEE) strategy that would give meaningful expression to this major policy initiative, while also remaining true to its market systems development approach, another focus within DFAT.

The foundation of MDF's WEE strategy was based on a simple idea: if women make up about 50% of the economy, it should be possible to reach them in mainstream and more dynamic

sectors of the economy. The prevailing approach to WEE by many economic development programmes at the time was to organise separate activities for women in traditional female-dominated sectors, often very small in scale and in saturated markets with little growth potential (e.g. crafts, kitchen gardens, backyard poultry).

MDF wanted to reach women in the mainstream economy, not just in those activities where their roles were most visible. WEE constraints had to be seen as core sector constraints; meaning that WEE in MDF could not be considered as a separate stream of work. Instead, improvements in WEE would be most effective and sustainable when seen as improvements for the overall sector. Understanding how WEE would best fit within a market system development programme would not be easy, though.

Figure 3: Influence of WEE on Sectors

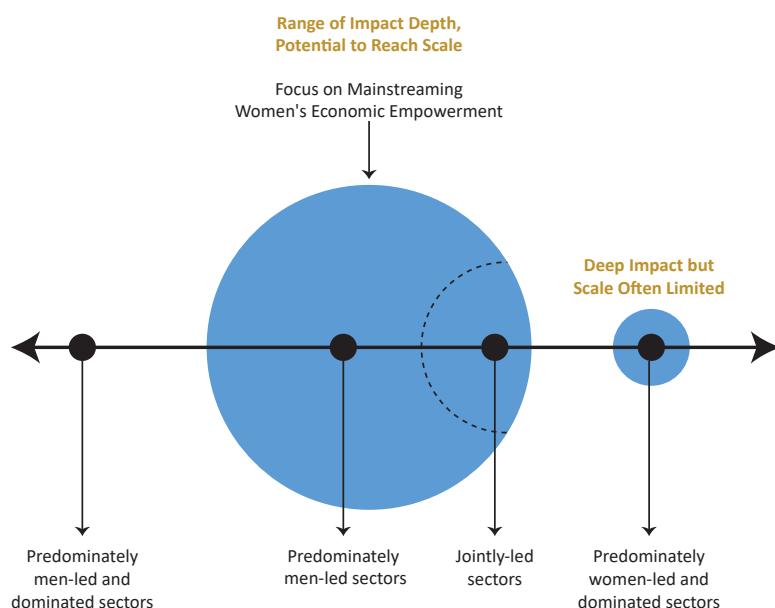


Figure 3: Influence of WEE on Sectors presents a continuum of sectors differentiated by gender participation ranging from those sectors which are women-led and dominated (**small blue circle** on the right end of the continuum) to those which are men-led and dominated¹⁷. Working in sectors on either end of the continuum would be inconsistent with MDF's strategy of reaching women in the mainstream economy. This Figure also shows that the bulk of economic activity would be in predominately men-led sectors (i.e. in terms of visibility, leadership, degree of decision-making authority¹⁸) but where women play critical support roles (e.g. staple and

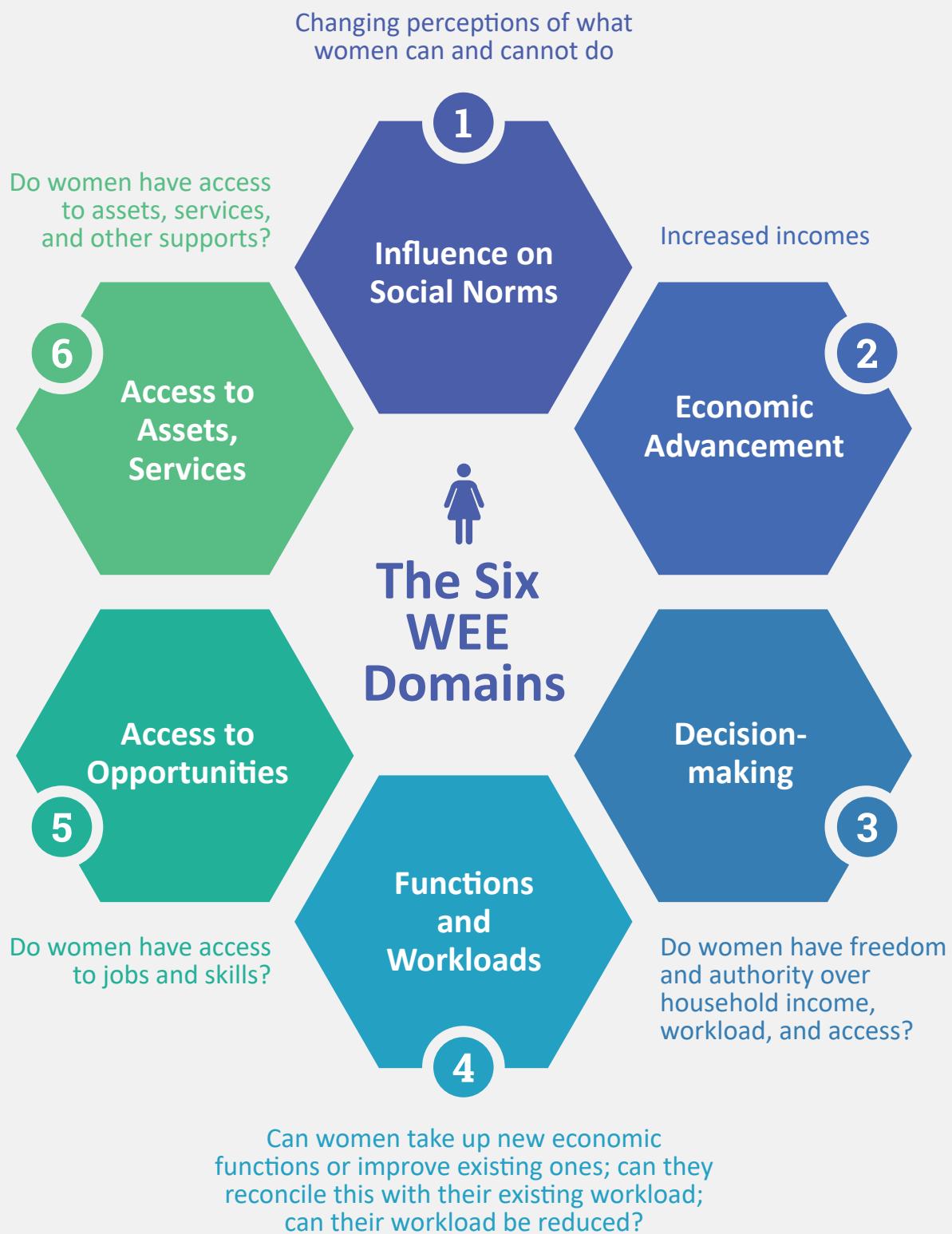
cash crop agriculture) and have a certain degree of influence. In some cases, there is true joint management of economic activities; in other cases, men and women each have a say, with varying levels of authority and control, over specific aspects of economic activities and household investments. While there would be no perceived trade-off between impact and scale in sector engagements within more dynamic sectors (**the large blue circle**), there would be challenges in facilitating other market players to acknowledge the business case and a more visible role for women in sector competitiveness and growth.

¹⁶ Australia Aid: promoting prosperity, reducing poverty, enhancing stability, DFAT 2014.

¹⁷ Ibid, page 6.

¹⁸ The term agency used elsewhere in this case equates with decision making authority.

Figure 4: The Six WEE Domains



MDF formalised its WEE strategy in August 2015 with guidance from an acknowledged expert¹⁹ in WEE for market systems development programmes which led to MDF Strategic Guidance Note (SGN) #4²⁰. MDF recognised that its programme could only work when the potential for WEE change and the appetite for entrepreneurial investment in such change was high – there must be a business case. The WEE strategy required MDF to rethink how to best integrate WEE into all stages of the MDF implementation process²¹ given its commitments to WEE²² and the new questions it raised²³. MDF adopted the six WEE domains (see Figure 4 insert) as the analytical lens through which to research WEE constraints in existing sector engagements and then determine how each partnership might need to be adjusted to advance women’s economic empowerment²⁴.

MDF’s engagement in Pakistan’s horticulture sector is a good example of where social norms conspired against women’s participation in commercial markets. Three MDF partnerships – undertaken prior to the adoption of its WEE strategy- are relevant²⁵: the first case – Baloch Hamza Dates – is a partner who during the course of the partnership, observed the intersection between prudent investment and WEE for himself/themselves; the second case – Magnus Kahl Seeds- is a partner who arrived at this intersection initially through circumstance and then from its own experience; and the third case – Shakarganj Dairy – is a partner who did see the relevance of WEE but was unwilling to adjust its business model to accommodate more women as suppliers.



Baloch Hamza Brothers, a small-scale processor of dates in the conservative province of Balochistan created a separate women-only processing facility for pitted dates. The intent was to attract more women to work in the factory as past experience had proved that women were more skilled than men at this task. The owner’s wife worked in the factory to set an example for families of prospective female employees and to encourage them to allow the female members of the family to work at the facility.



The Pakistan operations of **Magnus Kahl Seeds (MKS)**, a global supplier of HYV onion and shallot seeds, were halted by the 2015 floods in Chitral Province when its existing out-growers – all men with commercial farms located near good roads – were devastated by floods. With backorders mounting, MKS shifted its sources of supply by contracting female growers using the kitchen gardens near their homes in more remote but still accessible areas of the region. MDF adjusted its offer of support to enable MKS to hire and train educated female field agents to provide on-farm training to female out-growers.



Shakarganj Foods Ltd., a vertically integrated milk products company, was reticent to revamp its business model to reach larger numbers of small-scale female dairy farmers but was open to experimenting with approaches with MDF’s support. MDF cost shared with Shakarganj for arranging the services of a local NGO to deliver messages and training to women on the minimum requirements to enter Shakarganj’s supply chain. This is a model now being followed by Shakarganj and competing dairy processors in the country (e.g. Fauji Foods).

¹⁹ Linda Jones.

²⁰ Women’s Economic Empowerment: How Women Contribute to and Benefit from Growth. MDF SGN 4, Version 1, August 2015, page 30, Figure 7.

²¹ See page 30 Fig 7 in MDFSGN 4 for a flow diagram on the integration of a WEE diagnostic in the programme cycle.

²² See MDF WEE SGN4, pages 8-9, for a full list of commitments made by MDF.

²³ See MDF WEE SGN,page 20, Box 5: The diagnostic WEE framework for new questions raised.

²⁴ Note that MDF originally identified the bottom 5 WEE domains and later added the social norms domain as a key high-level WEE outcome, the resultant of changes in behavior (due to changes in access and agency) and social acceptance of these.

²⁵ For an in-depth profile of all three cases see Part 2 of In Search of the Sweet Spot in Market System Development Programmes: While Building the Plane While Flying It is the Only Approach that Works.



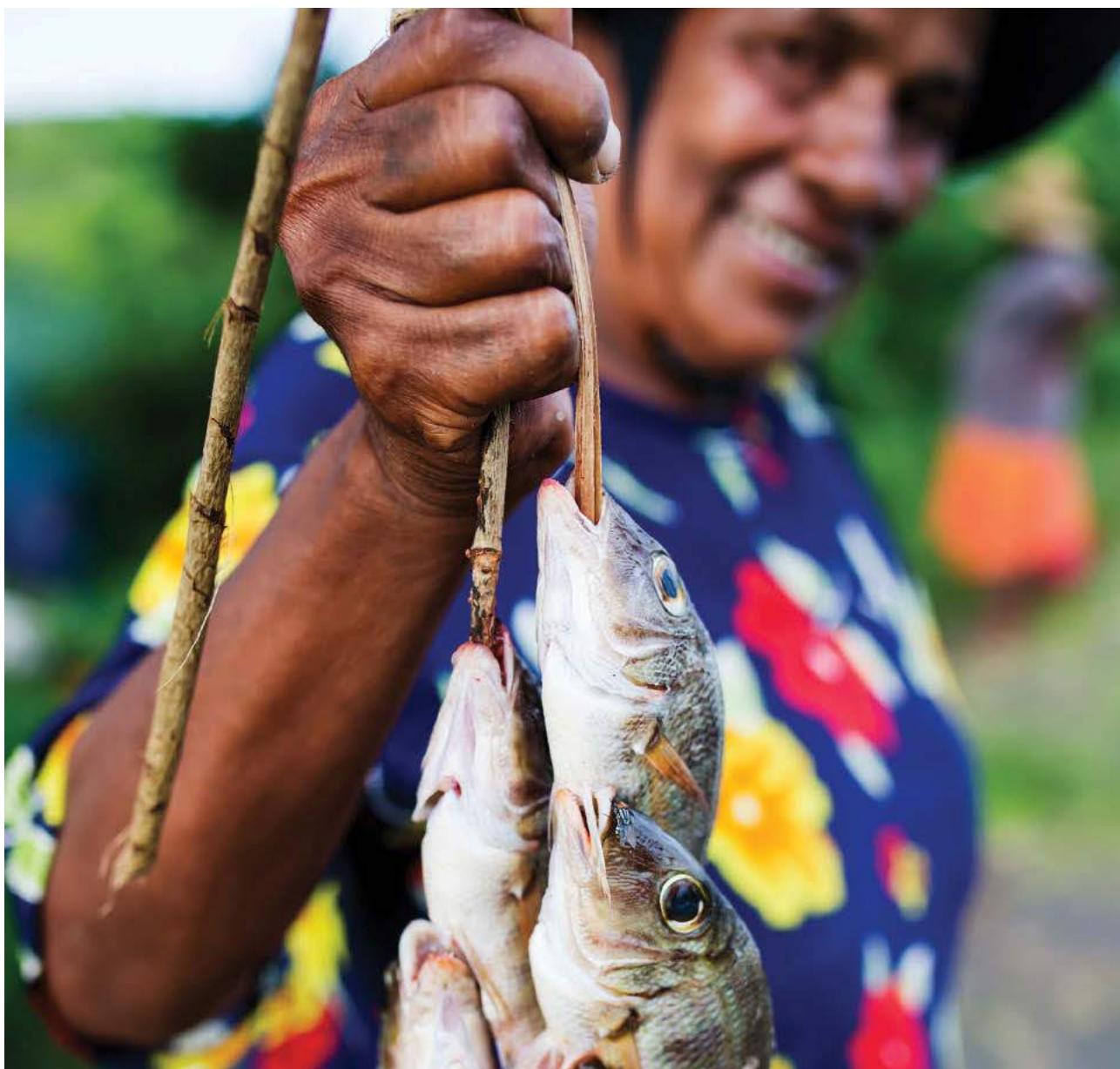
Analysis/Changes Using the 7S Framework

MDF realised that the new WEE policy/strategy would reverberate across the entire organisation. The trigger for the need to realign the 7Ss around WEE was the change in DFAT core values and MDF's subsequent questioning/interrogation of the prevalent approach to WEE in MSD programmes.

The more MDF learned about how to mainstream WEE in sectors in which both men and women perform economic activities and exercise varying degrees of control, and the more MDF learned about household dynamics (how work is distributed, who speaks to whom about what, how decisions are made, and how this is influenced by who earns/holds the money), the more MDF became convinced about the importance of understanding these dynamics to guide its overall MSD strategy. As a result, WEE shifted from being seen

as a separate undertaking usually carried out by women, to being a core MDF focus as important as business innovation, systemic change and poverty reduction.

This change in strategy was bound to have consequences for MDF's internal management systems, which was the next S to change. The new approach to WEE had to be worked out in a Strategic Guidance Note (referenced above), which explained the rationale for the new approach and offered the basic systems architecture for the mainstreaming of WEE in the MDF implementation cycle. This included the 6 WEE domains (Figure 4 above) as areas of investigation for WEE constraints.



A lady proudly holding up her catch in SavuSavu, Fiji.



WEE Partnership Categories

Figure 5: WEE Partnership Categories

Colour keys:

- 5 partnership categories
- WEE engagement
- WEE actions supported by MDF
- WEE benefits



The SGN also defined different categories of partnerships – as presented in Figure 5: WEE Partnership Categories (insert) – based on what had to be done to ensure that each and every partnership would contribute to WEE and at least cause no harm to the position of women. The **outer dark blue ring** defines 5 partnership

categories with its gender focus. **The light blue inner ring** describes women engagement in the sector/partnership, followed by a **light green inner ring** on WEE actions to be supported by MDF, leading to a differentiated mix of WEE benefits noted in the **dark green ring in the centre** of the diagram²⁶.

1

CATEGORY 1 covers the rare scenario in which an MDF partnership is really only relevant to men (men-dominated activities in men-dominated sectors) and no case can be made that a focus on men will come at the expense of women.

2

CATEGORY 2 covers a partnership with activities relevant to both women and men, without a need to do more to reach women. This needs to be confirmed through rigorous monitoring (Baloch Hamza fits this category).

3

CATEGORY 3 covers a partnership in which the activities are relevant both for women and men, but in order to reach women the partner needs to do something extra, such as organising women-only training sessions, hiring female extension workers, or selling a product at different retail points. Partners in category 3 understand the business case for this and are able and willing to undertake these activities (Magnus Kahl Seeds fits this category).

4

CATEGORY 4 covers a partnership with activities relevant to both women and men, but in which case the partner is not really able to undertake the special activities required to reach women (despite the business case presenting itself). MDF is nonetheless comfortable going ahead with these type partnerships provided it sees opportunities for a work around, for instance if a small silage maker is not able to organise separate demonstrations for women, perhaps a local TV station is willing to run infomercials (Shakarganj fits this category).

5

CATEGORY 5 covers a partnership in which the WEE constraint to be addressed goes beyond the partner's business case. Convincing the general public that women working in tourist hotels is a 'decent workplace' may require actions that go beyond what one hotel (chain) can do on its own. Raising awareness about violence against women and finding ways to prevent this may go beyond the capabilities of one progressive company willing to pay women higher salaries.

²⁶See MDF WEE SGN # 4, pages 22-25 for a detailed description of Figure 5.

MDF does not enter into partnerships which could undermine the position of women because the necessary activities relevant for them cannot be undertaken. To get partnerships approved, the WEE criteria must be met.

Between these two tools – the six WEE domains and the five partnership categories – MDF was able to mainstream WEE into its whole implementation cycle. The six domains help define/focus research questions, which then are more explicitly built into its systems: sector research and selection; intervention plans; partnership agreements and MRM. These changes in MDF systems strengthen its analytical muscle for mainstreaming WEE. The six domains were written into the Intervention Guides – MDF key monitoring tool for partnerships. In the results chain and measurement plan the anticipated WEE changes and the means of verification were marked separately. Research questions were updated to include questions pertinent to understanding WEE outcomes better.

The five partnership categories stimulate MDF implementers to think from the outset about how WEE can be strengthened and/or safeguarded when designing and negotiating a partnership. The partnership categories were written into the Partnership Proposal and Justification form – MDF's key design tool for new partnership ideas.

Interestingly, this re-tooling of MDF to mainstream WEE did not affect the **style** of the organisation at all. MDF places a lot of emphasis on the fact that the business advisers managing the partnerships (and the manager that backstops them) must understand all aspects of the partnership, i.e. the business case (and risks), what kind of market response it should elicit, how this generates inclusive outcomes, and how this contributes to systemic change. Specialised staff are kept to a minimum in the office, and typically weigh in with their expert opinions in support of but not within the core implementation process. This is because subject matter experts can stifle discussion and creativity ("I am the expert on this, so you should not question me").

Also, MDF's strategic elevation of WEE did not alter **staff numbers or composition in country offices**. There was no need to hire more people (a layer was added to existing tasks) or change the profile of the people hired (they already were expected to be versatile multi-taskers). But it did become apparent that MDF had to safeguard the gender balance in its country teams even more so than before. Sensitive gender-related topics are often better broached by females talking to females. To mainstream WEE, MDF had to reinforce its existing practice of building gender balanced country teams (the same balance is needed to be able to relate to

the various dimensions of poverty in its programme).

What was required was that **staff** had to learn the use of new WEE analytics (**skills**) to be effective facilitators, the dominant **skill** of MSD practitioners. Most importantly, **staff** had to learn how to ask sensitive gender questions related to who in the family controls certain resources, how decisions on the allocation of these resources are taken, whether control over resources triggers violent and other undesirable reactions. Business advisers had to be able to speak with more confidence to potential partners about the business case for including activities in the plan relevant for women.

MDF's prospective partner may not have considered or, perhaps were simply unaware of the fact that women constituted, indirectly, such a big part of their (potential) clientele. To make a case, business advisers needed to understand the position of women in greater detail than before. However, because business advisers were already hired they would have to learn to do all this on the job, through coaching by the Quality and Inclusion Director (previously titled the MRM director) or the gender focal point staff member in each country. Coaching included opportunities for implementation staff to do WEE related research with respect to what really happens on the ground.

The mainstreaming of WEE into MDF did have an unexpected effect on **structure**. During the course of implementing MDF's WEE strategy, it became clear that in countries where one person was responsible for researching both WEE and MRM the WEE outcomes were better than in other countries where the responsibility for MRM and WEE was split between two different persons.

When one person was responsible for both tasks more was learned about women's position in the economy, more was known about constraints to their participation, more options were proposed to overcome these constraints and more of the right things got done faster. When these roles were split, dogma and politics tended to do battle with pragmatism and field realities which made WEE an abstract concept and undermined MDF's implementation of its WEE strategy. Based on this experience, MDF adjusted its organisation structure by merging WEE and MRM into one joint working group where all RM specialists were expected to do research and analysis on pro-poor outcomes inclusive of women. With the addition of a new set of WEE considerations and the anticipated increased workload, MDF increased the number of staff by adding a second director to the combined MRM-WEE working group.



Nuanced learning about all system aspects across countries instead of each specialist in their box



WEE-MRM Working Group
shared value and whole of team approach

Finally, reflecting on the entire process, MDF came to realise that WEE had to be fully embraced as a **value shared** by everyone in everything that MDF does. MDF found that unless you – the MDF staff member-- are aware of reaching women and putting in place feasible/viable arrangements with partners, then you are more likely to ignore WEE's importance, in which case you (and MDF) will be at risk of undermining the position of women. There is no such thing as gender neutral interventions. WEE is a zero-sum game: gender blindness quickly results in harm to women. If, for example, women

take care of feeding the animals, but the expert in a silage-making workshop MDF has supported talks only to the men at the village workshop, then men will become relatively more knowledgeable about fodder than women. At its most benign, this training activity is poorly designed by not reaching those who need to be reached. But at its worst, the 'benign' activity could reinforce a potential power imbalance in the household. Once this is understood, there is no way back to viewing gender as a 'side-business'. It must be core.

Figure 6: Mainstreaming WEE in MDF (below) summarises the previous discussion on how a change in shared values – a heightened focus on Women’s Economic Empowerment – reverberated across the entire organisation. When DFAT changed its core values to elevate WEE as a priority in all of its development programmes (Cause: DFAT's core values change) MDF responded by first examining the fit between WEE and an MSD programme (Adjustment 1: MDF explores how to integrate WEE in an MSD programme) and then addressing the ripple effects (ripple effect 2-6 and corresponding adjustments) by making needed adjustments in 6 of the 7Ss in the McKinsey model.

There can be no bigger change – or shock – in an organisation’s life then when it changes its core values as MDF did in the context of the WEE case. It is interesting to note that MDF made significant changes in the ‘hard’ Ss in the McKinsey model – Strategy, Systems and Structure – whereas fewer or no changes were required in the ‘soft’ Ss – Skill, Staff and Style. In this case, the ‘soft’ Ss served as MDF’s ‘shock absorbers’ as it accommodated this major change in values shared between the donor, the managing contractor and the programme leadership.

Figure 6: Mainstreaming WEE in MDF





Funders and development professionals may ask, “Why are programmes not more responsive to changes in donor priorities and changing insights in development practice?” to which part of the answer might lie in the fragmentation within the aid industry, in which research, policy formulation and implementation have very limited interfaces. The forums for debate among seasoned experts whether they be in academia, professional conferences or capacity building events are virtually absent to inform today’s and future generations of development practitioners.

This case points toward the other part of the answer. Even when the change in policy directive is clear and there are practical frameworks to work with, initiating change has far-reaching consequences. Change one S and virtually all other Ss need to change too in order to maintain alignment. This requires a lot of effort from programme management and requires considerable coordination and shared values between the three parties involved in a programme – the donor, the managing contractor and its programme leaders. Practicing adaptive management requires serious adaptation and coordination to ensure alignment!

The underlying values that drive an aid investment are always subject to change in the course of implementing a development programme. In this case, MDF was required to take a deep dive into understanding how best to mainstream WEE into its programme without compromising its market transforming strategy and without taking a tokenistic approach to comply with this DFAT mandate. MDF’s seriousness of intent is reflected by the changes in 6 of the 7Ss it was required to make to give meaningful expression to WEE as shared value of equal importance to innovation, growth, inclusivity and sustainability.

These organisation changes – or adaptive management – were more than minor tweaks. MDF was in a strong position to adapt because of its knowledge of growing sectors and market players already engaged in innovative and inclusive business models. Plus, its organisational culture, emphasising analytics and creativity (embodied in style, staff and skills),

enabled MDF to take on this new layer of complexity, learn from experimenting with it, and realign systems and structure. The soft Ss informed how to adjust the hard Ss. In the life of a market facilitator, change is a constant.

Adaptive management requires an organisational culture (including skills) to absorb the shocks, and the willingness of other parties involved to play ball and accept realignments. In this case the donor, managing contractor and the Independent Advisory Group were on board with the unusual adjustment to the structure in which WEE and MRM are kept in the same space, managed by two Directors. Without the latter, shock absorption would have been way more difficult.

Why is this relevant? Practicing adaptive management is important and natural: priorities and insights do change, and it is normal to expect a response to this. The last thing we want is to see programmes as stagnant contracts, in which change can only come from closing the programme/contract down, doing a ‘redesign’ and creating the next stagnant programme/contract!

Importantly, adaptive management must be a two-way street if its practice is to lead to better performing development programmes. Donor mandates – especially when there is a change in core values to be shared across all programmes – must be met by a shared response by all stakeholders. Funder mandates cannot simply be conveyed to managing contractors and their leadership teams for them to ‘deal with it’. MDF was able to mainstream WEE and improve its organisation performance because of its flexible design and a funder willing to listen to and accommodate the organisation changes that were required.

However, MSD programmes designed with too much rigidity – on strategy, staffing, structures, systems – might very well encourage a kind of token response by a managing contractor to a donor mandate precisely because they will be ‘boxed-in’ by donor rules and their compliance to make the needed changes.





Case 2 - Fixing the MRM System: Beware the Snowballing Effect of a Flawed System on Other Ss Especially Staff, Skills and Style



Background



RM training in Balochistan

MDF's Monitoring and Results Measurement (MRM) system started well but got off track – at least in some countries – partly because of insufficient internal oversight at a time of rapid growth and partly because of the confusion in the development community about what constitutes good MRM practice. In 2016, MDF recognised that the local implementation and results measurement teams were drifting apart, breaking the fragile balance between rigorous MRM, programme quality control and learning. Three warning signs were particularly alarming:

- Result chains, a tool intended for the use of MDF and its partners to manage for quality outcomes, became overly complex and so cluttered that MDF implementing teams and their partners stopped using them.

- Tightly focused indicators that were meant to ensure specificity and consistency in MDF's research on how market system change unfolds were being crowded out by a laundry list of generic indicators thought to be more comprehensive by the MRM team. These indicators were driving the research process instead of the other way around.
- Rigid, clunky and untimely survey research methods resulted from this laundry list of indicators. MDF implementers disengaged from the research process because they were not getting the information they needed and struggled to interpret the results: "Can this be true?"



Fundamental elements for monitoring and measuring performance against sustained and inclusive growth

The optimal system for monitoring and measuring how to improve performance and how to prove that this approach delivers against its promise of sustained and inclusive growth must have these elements:



TIMING

If you ask a question too late then no one can recall the answer.



ADAPTABILITY

Your first set of questions might not be right. You may need to change the focus as you learn from prior research.



MANAGEABILITY

We are implementing organisations, not research organisations.

The in-country MRM team tended to adhere more to strict disciplines on technical research methodologies suitable for statistical analysis of large databases: highly technical survey type language; overly structured questionnaires with too many respondents; and, overly sophisticated quantitative analysis. This tendency was encouraged by training programs, seminars, webinars and expert opinion all advocating for a quantitative research paradigm, centred on a quantitative analysis. The MRM system became biased in favour of a pseudo-scientific process and failed to deliver the right information to one of its primary end users – the business advisers on the performance of interventions relative to desired results.

This disconnect encouraged a separation of roles between MRM and programme operations: programme staff were

discouraged from interacting with a system that didn't help them. MRM teams drifted into their own corner of the organisation, and as they did so, undermined the quality control function required for an agile learning organisation.

MDF knew it had to bring its MRM system back to its sweet spot where sufficient rigour was matched with sufficient flexibility and the use of research methods relevant to context and guided by sound research principles²⁷. MDF was not getting the continuous intelligence gathering it needed to understand, respond and adapt to the 'messiness' around it, and that was necessary in order to manage the quality of its investments and measure the overall effectiveness of its activities.



The Quality and Inclusion team discusses results, lessons and implications for strategy during the Annual Aggregation of Results, Suva, Fiji, January 2018.



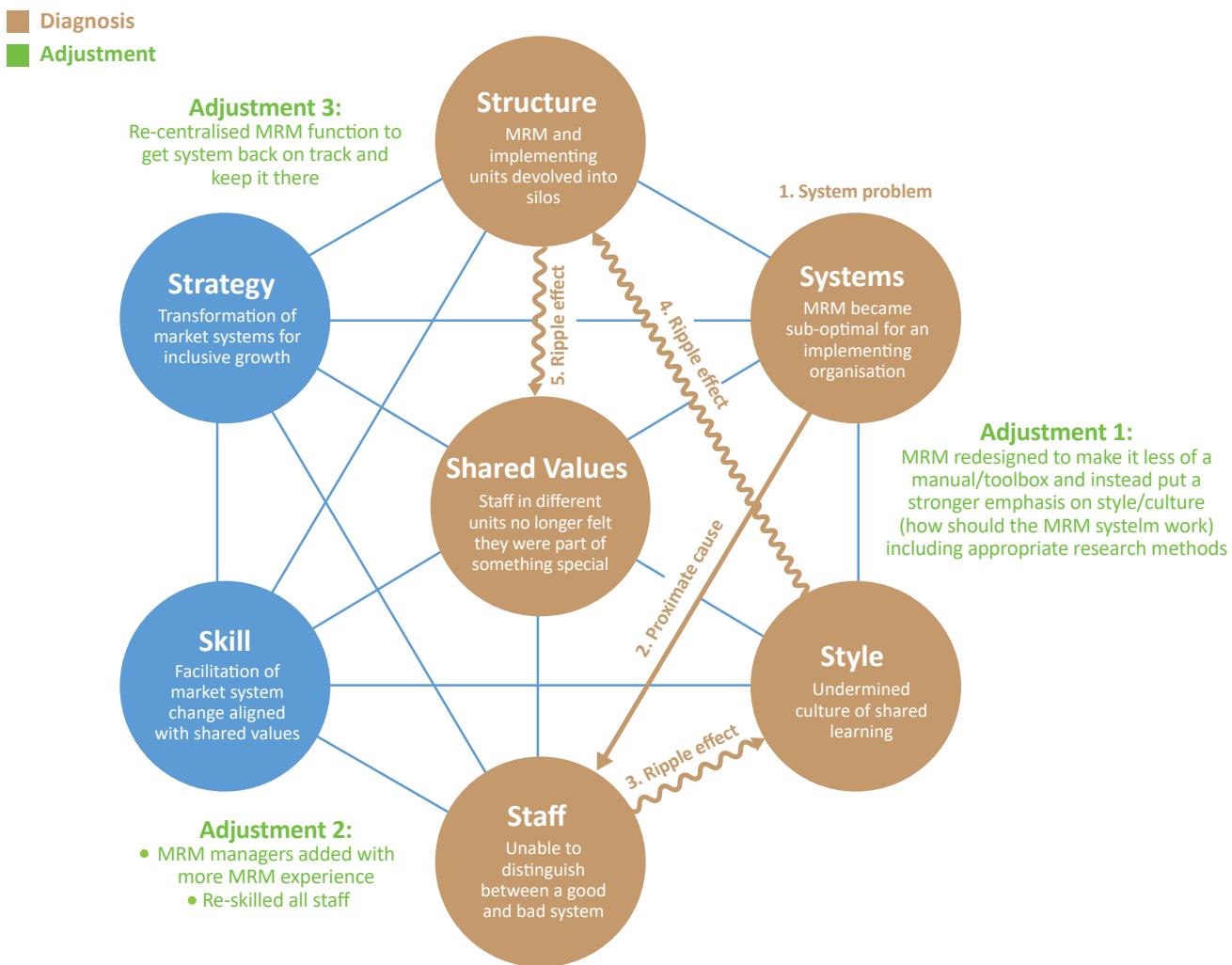
Analysis and Adjustments Using the 7S model

When a problem is detected in one part of the organisation it is simply not enough to solve that specific problem without also looking for the cause of the problem and its ripple effects across the entire organisation. This point is clearly illustrated in the case of MDF's MRM system: it started well but the system got so far off track that it began to undermine MDF's capacity to be an agile learning organisation.

The 7S model is used to first diagnose the proximate cause of the systems' misalignment and ripple effects across an organisation and then to show the corrective actions the programme leadership team put in place to re-align the MRM system fit for the purpose of an agile learning organisation. Figure 7 offers the reader a summary of MDF's diagnostic (**brown**) and adjustments (**green**) that were made to re-align organisational functions to the optimal characteristics for an agile learning organisation.

²⁷ See Managing Quality Amid Messiness: How to Foster Implementation-led Learning and Adaptation for Systemic Outcomes, MDF SGN No. 6, March 2017.

Figure 7: Misaligned MRM Diagnostic and Adjustments



THE DIAGNOSTIC

The **staff** dimension in the organisation was the proximate cause of MDF's out-of-sync MRM **system** – complex results chains, indicator inflation beyond MDF's needs and overly scientific and costly research. Some key staff members responsible for MRM were unable to distinguish between a good and bad system fit for the purpose of an agile learning organisation working with a market facilitation approach.

Too hastily, they bought into a trend within the development field to adopt what they considered scientific research methods²⁸ to prove that a donor investment in market systems development was effective and efficient. They imposed significant changes on the existing MRM system – at least in some countries – partly because of their eagerness, as MRM specialists, to meet the expectations of the many members of the global RM community and

apply the right, rigorous practices, and partly because of the lack of oversight by programme leadership who had been focused on programme growth at the time.

Essentially one could say the requisite staff competencies in MRM were inadequate. The competence in implementing an MRM system does not lie in pushing for quantitative research as much as possible, making questionnaires as comprehensive as possible. Rather it is the opposite: to make the MRM system as user-friendly as possible, selecting appropriate research methods that work in context, focus the research effort on what really matters, and allow for enough flexibility while in the field to allow people to maximize learning and relevance – all without jeopardizing rigor. Turning MRM into a survey machine is easy; making it work for the whole team is an altogether different matter.

²⁸The assumption that quantitative research stands for scientific rigor and qualitative research is ‘anecdotal’ is still pervasive in the MRM community. Significantly, more people worry about having small sample sizes and being sufficiently objective than about whether or not useful insight is gathered that builds understanding and supports decision-making. However, in the 2018 DCED seminar there was a session on qualitative research for adaptive management – a first.

As such, the MRM system eroded as explained above: results chains became complex spider webs, surveys got longer and longer, and the frequency and timing of research became dictated by the capacity of the MRM team as opposed to the timeline against which change in the field was unfolding. Research design and analysis had become the sole prerogative of the MRM specialists.

A misaligned MRM system had a snowball effect on other organisation dimensions (see Figure 7 above for ripple effects 2-5 in broad and corresponding adjustments in green). MDF's carefully nurtured style of leadership – which encouraged a culture of shared learning and participatory, evidence-based processes of enquiry and decision-making, involving implementing staff and MRM specialists – was being undermined by a flawed MRM system. MDF implementing staff were required to invest more time to participate in lengthy surveys and report against a range of indicators that were not getting them what they needed to assess the performance of their partners and sector engagements against MDF goals and objectives.

This disconnect between the prove and improve agendas of MDF's MRM system had a negative effect on an organisation structure that depended on a high degree of coordination and shared learning between functional units. Eventually, the implementation and MRM functional units drifted apart and devolved into silos, each divorced from each other and each doing their own thing. Staff in the different units no longer felt they were part of the same team eroding the shared value of doing something truly exciting and important together.

The flawed MRM system also effected MDF's market transformation strategy and its facilitation skill because of the absence of user friendly information required by staff and partners to know whether or not the partnerships were moving in the right direction and, if not, how MDF might need to adjust its offer of support to its partners to get back on track.



Rania Nasir and members of the MDF Pakistan Quality and Inclusion team interview dairy farmers.

As a first order of business, programme leadership had to get the MRM system back on track by working with the MRM staff to find an appropriate balance between rigour, costs and flexibility to ensure that the MRM system met the needs of all users, including the implementation staff and their partners. This included reviewing and/or adjusting:

- The overall MRM guide – results chain format, indicators, means of measurement – was simplified and made more user friendly. The results chains format was more strictly defined to prevent it from slipping back into spider web-like complexity. The measurement plan page was redesigned to stimulate the team to better think through how and by which means changes should be verified and how all these discrete efforts would add up to a sufficiently rigorous package. The calculations and assumptions page in which the outcomes of all these efforts are brought together to inform the figures in the results chain was redesigned to provide more structure and prevent overcomplicated calculations. More menus were built into the guide to help teams make clear choices and explanatory text boxes were reduced to a minimum to reduce time spent on these. A clear sign-off protocol was established to ensure that implementing staff, MRM specialists, country team managers and the central MDF MRM Director all agreed to the final document.
- A standard template for field assessments was introduced, giving it more clarity of purpose while also using more appropriate research methods (e.g. sample size, length of questionnaire and analysis framework). A sign-off sheet on MRM related assessments was created to insure feedback loops between the MRM and implementation teams and the Country Director.
- The MRM manual was rewritten to put more emphasis on the culture of the system as opposed to its steps. Additionally, the name WEE-RM²⁹ was replaced by Quality and Inclusion to emphasise that its purpose was not to ‘just’ measure results but to be a tool to analyse the quality/health of the investment and its inclusive nature.

Once the MRM system was rectified MRM staff and structure had to be addressed. The number of central Quality and Inclusion Directors overseeing the whole WEE-MRM system was doubled from one to two – but importantly no strong functional division of labour was built in to prevent geographical or thematic silos from re-occurring.

Within each country, a mid-level manager was assigned to the MRM team, often an MRM specialist with international experience – to supervise the quality of work more closely

and help re-enforce the culture of collaboration between MRM specialists and implementing teams. The MRM teams in most countries were expanded to give MRM specialists and implementers enough time to do good research and work on a useful analysis of the results – while also integrating a heightened focus on WEE strategy into MDF’s MRM system (see Case 1).

MDF aspires to be a decentralised, bottom-up network organisation in which the optimal balance is sought between local decision-making and just enough central oversight to guarantee quality and consistency and manage risk for every process. As capacity in the organisation grows, one would expect a gradual trend toward further decentralisation. In the case of MRM the process was re-centralised, with the Quality and Inclusion Directors signing off on all research and all intervention guides. This level of scrutiny may again be reduced in time.

With the systems, staffing and structure refreshed, next a significant re-skilling and staff capacity development exercise was undertaken. This was done in the form of weeklong, sometimes two or three-week long workshops in which MRM specialists and implementers and mid-level managers worked on putting the MRM system into practice. They worked on their own interventions under the supervision of an MRM expert to learn the ‘art’ of making the right trade-offs that keep MRM practical and rigorous.

A related internal management system – MDF’s half-yearly internal portfolio and review mechanism – was strengthened to insure a disciplined process of informed decision-making on programme adjustments and next steps. Country Directors from other countries and/or a Quality and Inclusion Director or the Team Leader were present in the review to discuss findings, learnings and next steps.

To summarise, an improved system, a changed country office structure to insure accountability of the MRM function to the country office, somewhat more staff with upgraded skills and experience enabled MDF to restore a style of leadership that encouraged discovery and learning and restored the shared value of doing something important together. The flawed MRM system didn’t derail MDF’s market transformation strategy or its facilitation skill, but with the changes that were made the MRM system was able to contribute to advancing the strategy and supporting MDF’s facilitation role in markets as it was originally intended.

²⁹In a previous renaming exercise Women’s Economic Empowerment (WEE) was added to the name RM to emphasize that both had to be analyzed within the framework of the same research/results verification system – see Case 1).



Donors, managing contractors and, one could add, reviewers may sometimes wonder: "Why are these MSD managers so uptight about the way they run their programmes?" to which part of the answer lies in the fact that reconciling compliance with on-the-ground realities and delivering sustainable development outcomes in line with donor expectations is challenging at the best of times. This case pushes the argument a bit further. Balance and alignment between all the Ss in an organisation can be hard to establish, but when in place they can also easily be lost. Once this happens imbalance and misalignment can spread to many parts of the programme, which can make restoring them all the more difficult. The case also shows how seemingly quite mundane 'operational' changes in systems – who does what, who approves what, what goes into a manual, which (research) language do we use, not use – can go a long way to restore organisation balance and alignment.

The MRM case is a good example how the 7Ss form an interdependent system that shapes organisational performance. It also shows the repercussions even when there are small imbalances in the system: the managers being just a bit too busy and perhaps not experienced enough to detect problems early on; the MRM specialists being just a bit too green and too susceptible to the noises in the international community around them; and there just not being enough checks and balances in the systems and structure to enforce discipline in an otherwise very creative process. It also demonstrates how much work had to be done, at all levels of the organisation, to fix the problem. In

recent DCED audits MDF received very high scores. In 2017 Timor-Leste, Sri Lanka and Pakistan were audited, with the former two countries receiving an audit score of 93% and the latter 94% (indicating that in all three countries MRM practice is robust). PNG and Fiji will be audited in 2018. It can be concluded that MDF fixed the organisation system that was out of sync with an agile learning organisation.

This case also describes a much riskier scenario than Case Study 1. In the case of the strategic elevation of WEE, MDF could 'lean' on its soft Ss – style, staff, skills – to absorb the required strategic changes and adjust systems and structure to ensure alignment with its share values. The programme had to work hard for this, did some reinventing of methodology and the systems that guide it, and had to rethink or adjust most of the other Ss, but the core values of the programme were never at risk. MDF's Swiss pocket knife-like versatility worked well to maintain MDF as an agile learning organisation.

Case 2 describes how a systems failure threatened to overthrow these same soft Ss (particularly staff and style), putting the agility and effectiveness of the whole programme at risk. This is all the more important because there can be a natural tendency in many staff to create, or drift to, more traditional organisational models, with more hierarchy, more demarcations, less creative space, less agility, but which are also less challenging. The MSD manager must always stand on the barricades defending the desired organisational culture – tweaking systems and structures in the process – to maintain the required Swiss pocket knife like versatility.



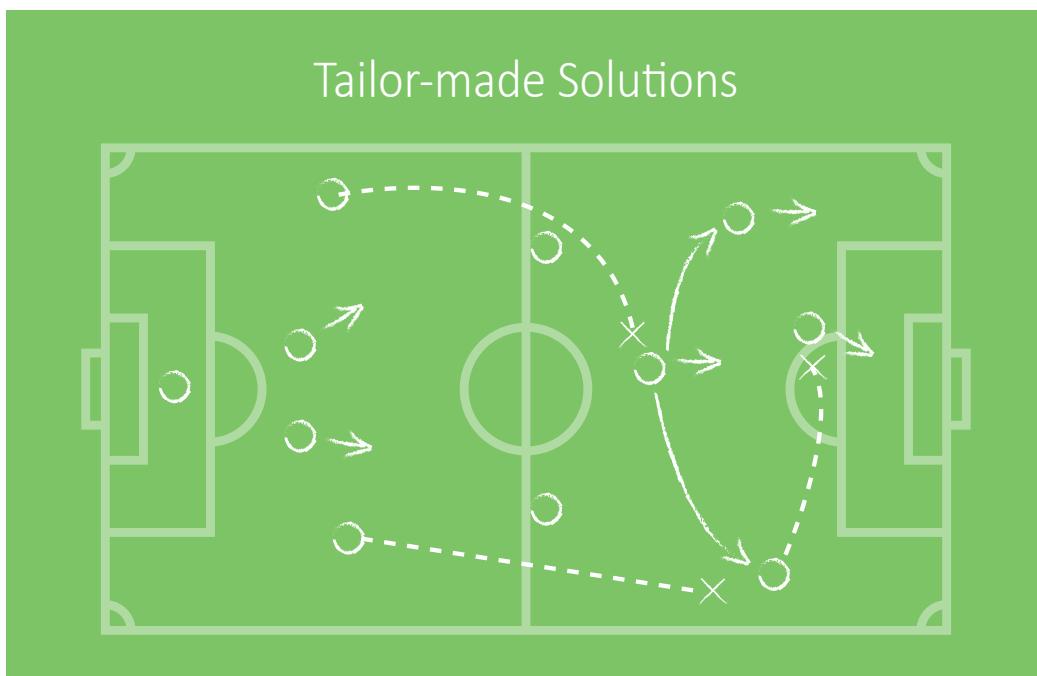
Mele Fong conducting interviews in Naga Village, Ra, Fiji.

Why is this relevant?

MSD managers should not mind responding to changes in the shared values that underlie the *raison d'être* of the programme or key strategies as long as the proposed changes do not contradict other shared values. As a case in point, the strategic elevation of WEE does not need to undermine an MSD mandate if handled well. However, when it comes to systems and structures the MSD manager needs some degree of freedom – and a donor and managing contractor sensitive to this need to ‘fiddle with the screws of the apparatus,’ loosening some up, making others a bit tighter. Compliance and, prominent in this case, scientific rigour, needs to be adhered to, but the manager needs the leverage to do this in way that is congruent with the other Ss to ensure overall organisational alignment.

Everything can be fitted in – WEE, rigorous research, strong systems – but it is the MSD manager that must do the fitting, possibly with the help of an outside perspective – but this cannot be done by an outsider alone. Why? The outsider will not have enough insight into how the organisation can/should work.

Let's use the example of a football team to illustrate this point: based on the available players, the coach needs to develop an effective style of playing, making most of his team's strengths and the opportunities at hand while masking/mitigating his/her team's weaknesses. This also cannot be done with standard solutions – it needs to be tailor-made to work.



‘What if’ MDF had been managed like a typical contract with a lot of structure and strategy predefined and where many of the changes and trade-offs mentioned above would have to be agreed to, in detail, by the donor? If that were the case, then adjustments described in this case likely would have been less agile, the fitting less tailored. When MDF knew it needed two Director positions for Quality and Inclusion – and incurred more ‘overhead’ – it also knew that it didn’t want to

go the traditional route of splitting responsibilities, for instance between MRM and WEE (or inclusion more broadly). When MDF needed to increase the number and composition (some international) of MRM staff and re-write terms of references, it had the flexibility to make adjustments in structure and systems to insure alignment across all 7s. In how many development programs is this the case?



Why is this important for an agile learning organisation?

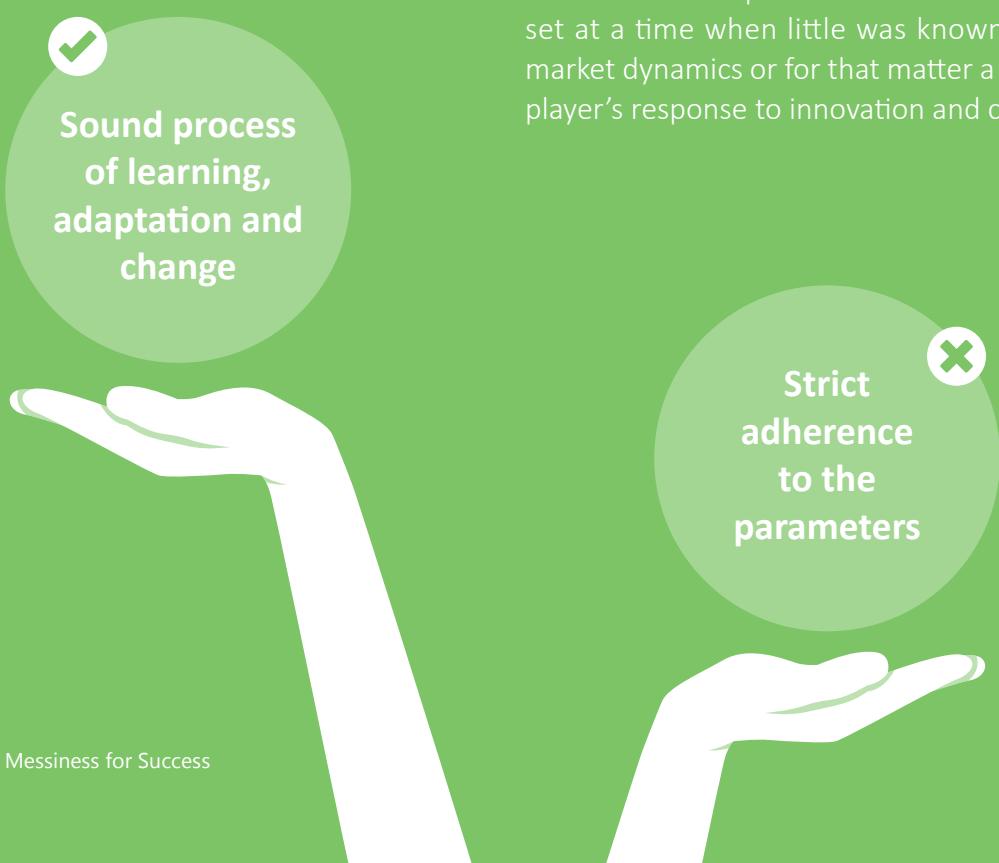
This case shows that a poor understanding, a poor fitting of the key instrument for learning, research – oh the irony! – threatened to undermine the learning culture of MDF. A layman's notions of scientific rigour – a preference for quantitative research techniques over qualitative techniques, a push for large sample sizes and complex (unworkable?) methods such as randomised control trials – threatened to overshadow the importance of keeping it practical.

This stems from a lack of appreciation for how hard it can be to collect reliable information in the field. Travel distances, imprecise units ("I sold my produce in three big fertiliser bags and ten paint buckets"), regional dialects and sensitive topics (who controls the bank

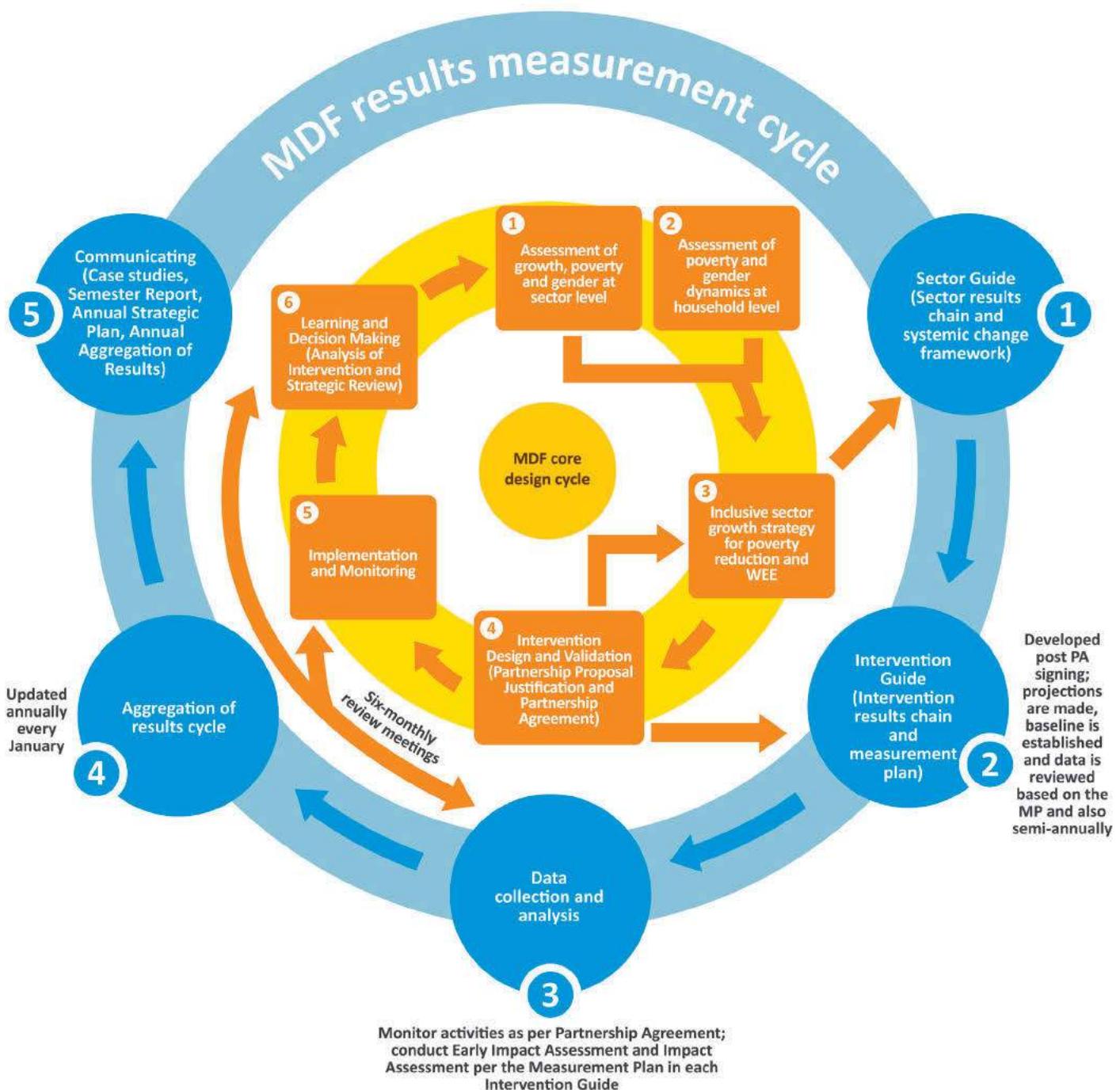
account) all can be dealt with – but it takes time. Misconceptions about the nature of MRM can result in misconceptions about what is needed to execute MRM. But this also stems from a lack of appreciation for the importance to make research work for an organisation.

In an overly prescriptive environment, these misconceptions cannot be addressed, leaving the programme vulnerable to having a misaligned MRM system with questionable value, which can lead to a negative cycle of less team effort, less use of information and more questions around whether the investment is justified at all. As a result, learning does not take place and the ability to deal with messiness is eroded.

As this case illustrates, it's much more important to manage messiness using a sound process of learning, adaptation and change than strict adherence to the parameters or result targets set at a time when little was known about market dynamics or for that matter a market player's response to innovation and change.



The MDF Learning Cycle

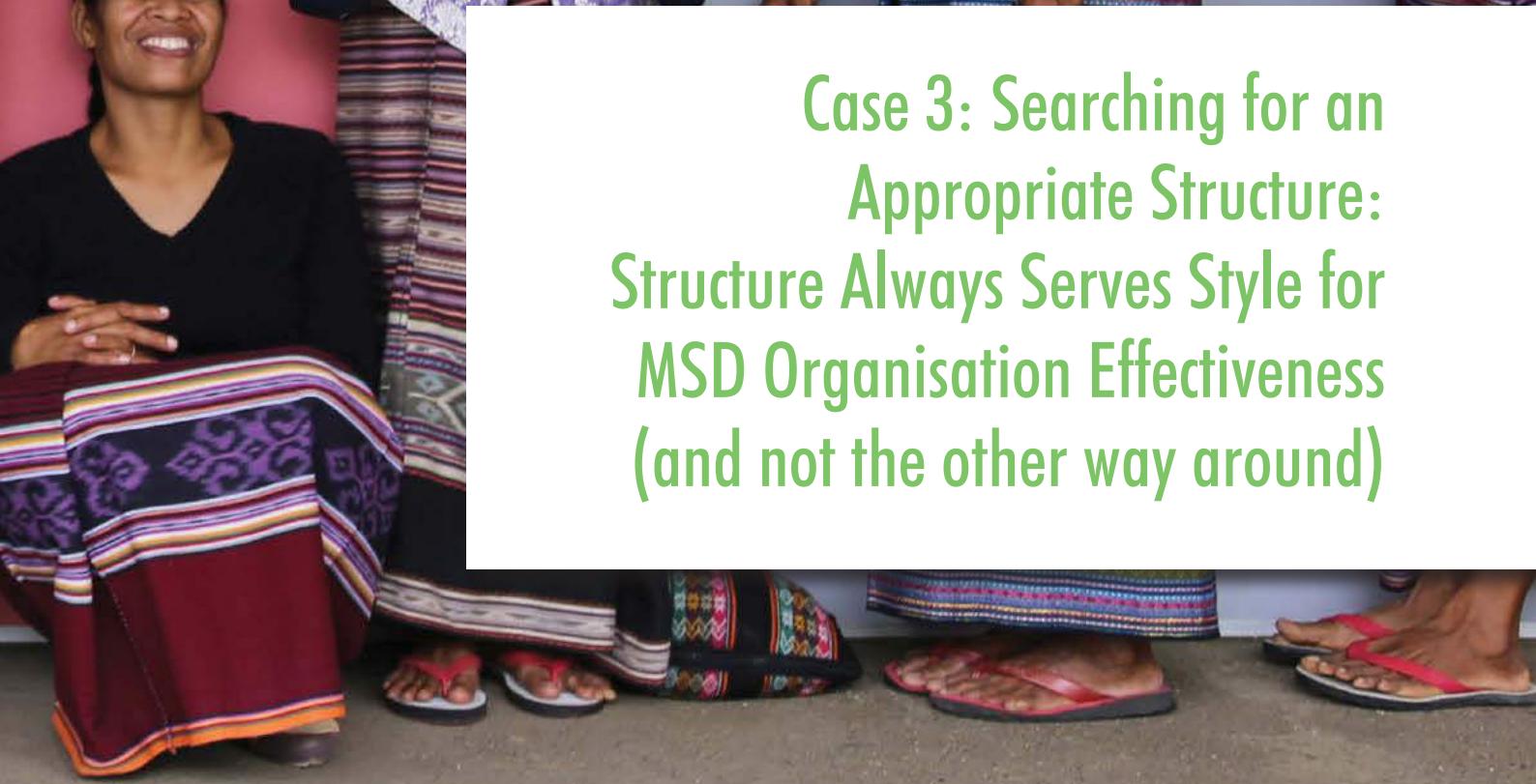




koperat



Case 3: Searching for an Appropriate Structure: Structure Always Serves Style for MSD Organisation Effectiveness (and not the other way around)





Background

The Market Development Facility benefitted from a flexible, some would say ‘skeletal’ programme design (go forth and promote inclusive growth...use the MSD facilitation approach... and the DCED standard to measure impact) to search for and continuously discover a *fit for purpose* organisational model and related management structure.

The stakeholders involved in the MDF design instinctively knew that going down the traditional design route of a prescriptive, ‘regimental’ top-down command and control-type organisational model – while (possibly) appropriate for programmes designed to direct-deliver services and meet logframe targets (e.g. in health, education, entrepreneurship, business development) – would not work for an approach designed to create value and lasting impact.

Instead they looked to the core principles of the MSD approach, by now firmly established in the market development practice, for guidance on an organisational model that would enable MDF to:

- Select partners with a shared vision of inclusive business growth.
- Build on their agenda using local ideas and solutions.
- Strengthen the partner's incentives and capacities for success.
- Be flexible and responsive in the change process.
- Remain informed by continuous learning and a search for scale.

They realized that in order to foster a culture of innovation and learning within MDF, its organisational model would have to be loosely defined (at least at the beginning), relatively flat, and supportive of a process of searching and adjustment to capture opportunities for inclusive growth. What was needed was a organisational model that was able to respond to what it encountered in the field and pool talent between sectors and disciplines to foster the flow of information and new ideas. The leadership would have to stand in the back supporting, coaching an effective engagement with local economic stakeholders as opposed to drilling instructions.

Collaboration between staff should not be hindered by hierarchy and narrow specialisation.

The model had to be something bottom-up and coordinated without anyone trying to nail down exactly what that meant at the time of the design. As such, the MDF design document identified four Core Programme Team (CPT) functions (staffed by a Team Leader and managers for Monitoring Results Measurement, Operations and Administration) and Country Implementation Teams (staffed by Business Analysts and Results Measurement Specialists). That was it! There was no structured hierarchy, no specified numbers of personnel, no sectors that the programme had to work in. The programme started with a budget and some initial targets (but not an entire logframe) and a list of topics important to the respective DFAT ‘posts’ in-country including gender equality among others. From there on it was up to the programme to define a management structure fit for the purpose of innovation and learning.

From its ‘skeletel’ beginnings, MDF’s management structure would emerge over time in a context of rapid country/programme expansion. MDF started implementation in 2011 with 4 CPT managers, subsequently accompanied by 6 staff actively engaged in 2 sectors in 1 country (Fiji). Over the course of Phase One, MDF staff numbers grew to 103 with a portfolio of 148 partnerships in 5 countries. As the title suggests, this case will show MDF’s ‘search’ for a fit for purpose organisation structure which would be consistent with its shared values (e.g. inclusive growth), strategy (e.g. market transformation), skill (market system facilitation), all guided (not directed) by appropriate organisation systems (planning, partnerships, human resources, budget management). This ‘search’ would be informed at the very outset by a style of leadership (agile and creative yet methodical in searching, analyzing, learning and responding) the stakeholders believed would achieve their shared values of inclusive growth.

The three points below describe this leadership style in some detail and serves as added background to this case before unpacking this ‘search’ in the different stages of MDF’s growth.

1

Ensure that (units of) business advisers are ‘field-facing’ so that they can engage local stakeholders as effectively as possible while also being supported by managers to strategize, prioritize and help business advisers get unstuck when they encounter implementation problems they are unable resolve on their own.

There are three district creative processes involved in MDF’s skill of facilitation: (a) identifying, designing and negotiating new partnerships; (b) measuring their effectiveness over time; and, (c) translating evidence of outcomes into learning and strategy. They form the core of the facilitator’s approach to risk management and generating pro-poor outcomes with value for money. It all boils down to market intelligence!



Partnership

Each partnership agreement must be individually tailored to ensure that all critical aspects of the partner’s inclusive business expansion strategy (Ansoff Market Matrix!) are addressed, factoring in the will and particularly the skill of the partner (Will/Skill Matrix!). The agreement must be structured in such a manner that MDF retains enough oversight to ensure the quality of the work and to make a timely intervention as and when needed while reinforcing the partner’s incentives and ownership. There are no ‘standard’ models for this. The package of investments and activities that goes into a partnership agreement must be cobbled together taking into account the key principles mentioned above and as much contextual information as possible.



Measurement

Research efforts by definition cannot follow a standard template. The research efforts must be rigorous, and this rigor comes from identifying the right research tools (e.g. sample design, sample size and research questions), working out how to use them including the appropriate timing for applying the right tools. Again, the assessment of what would be most feasible, would generate the most reliable and useful information must be based on the sensible application of good research practices and as much contextual information as possible.



Learning

Translating findings into learning and strategy is again a process that must be informed by a nuanced interpretation of gathered evidence in its market system context. Do the expected outcomes differ from the actual outcomes? What accounts for the difference: the plan, the partner, the context? What does this mean in terms of next steps towards the ultimate objective given what is known of the market system MDF seeks to transform? The rule of thumb is that interventions never go as planned in influencing something as complex, interwoven and dynamic as a market system, so there is always plenty to analyze and understand.

Business advisers and results measurement specialists must have the time and space to intellectually engage with these processes. Analysis, brainstorming, negotiating is much better done in teams. Staff must know each other’s work well and/or work in groups for each staff member to be able to contribute. Hierarchy and specialisms must not stifle discussions (“I know best because...”). Internal management systems must facilitate field travel and internal approval processes that can keep pace with the speed of the stakeholders (often the private sector) and their continued motivation to engage (partners can be de-motivated by too much paperwork and unwanted reporting burdens).

Yet, it is understandable, and quite likely, that staff at the coalface will get stuck implementing these non-standard processes, and thus the implementing organisation should be prepared for this.

2

Ensure that technically qualified country team leaders can operate sufficiently close to the ‘frontline’ so that they can support implementing units in all creative processes.

MDF managers, and especially those responsible for a Country Team, must be extremely versatile and well-rounded to effectively manage the MSD approach. They must be capable of engaging with all stakeholders (donor, managing contractor, program leaders, the private sector, partners) with sufficient energy and attention to detail in all aspects of management: the politics of aid and donor priorities, the technical direction and delivery of the program, compliance against all operational processes to donor and managing contractor rules, MRM, communication and knowledge management.

MDF managers must be able to formulate priorities and manage expectations with an acute awareness of the politics and priorities of its funders which can often contradict each other! Effective managers must commit themselves to due process and carve out adequate investment of time and resources to deliver programme results that is supported by evidence (MRM), learning (knowledge management) and its dissemination to all stakeholders (communications). Managers must be entrepreneurial to spot opportunities for inclusive growth when they appear with a timely and creative response. Stakeholders, broadly defined, must be professional and responsive in delivering results while adhering to core principles of MSD!



Timor-Leste Country Director Shariful Islam and the Greenfields team on a visit in Atauro Island, Timor-Leste.

Above all else, it is the manager’s technical skill to think and act as a facilitator of market system change that is pivotal in reconciling all these different expectations and management requirements. It is this lens that informs the many daily tradeoffs and decisions needed to ensure a motivated team, a team that is organised in the right configuration, supported by the right kind of systems, clear on programme strategy and priorities, and aligned to the donor’s expectations. Only then can the country team truly perform responsively and creatively while adhering to key principles and due process, generate results and meet expectations. The room for maneuver is limited and yet the bar for success is high. It takes the expertise of a market systems facilitator with a unique understanding of the many and varied contexts (and not the fly in-fly out kind), to keep things going. The ‘machine’ will likely get stuck many times in the mud and for many different reasons – the manager needs to be able to dig it out.

While technically qualified managers may be preferred in-country to get the core business right, it is understandable, and likely, that they are not experts in all management areas, and thus the implementing organisation should be prepared for this, too.

3

Ensure that country/field managers can operate flexibly but within boundaries of technical standards, risk management and compliance while consciously avoiding a top down directive process or creating a false dichotomy between HQ and the field.

This is best achieved by 'leading from behind', a leadership style that needs to be practiced throughout the whole organisation. This style promises to deliver a motivated team across varied contexts which is capable of effectively and uniformly implementing an MSD strategy while also safeguarding the whole organisation against risks (legal, security and others) and insuring compliance with funder/managing contractor rules. This style requires a leader/manager with the intuitive and technical skills to both influence and guide staff at the same time: to challenge the implementing and technical teams (implementing units within country, the entire country team, or for instance the MRM working group covering all countries) while also kicking the tires to see that all is well. But if all is not well the leader/manager should be able to step in where needed and correct problems (see Case 2 on MDF's MRM system). This type of leader will be a good listener, a relationship builder, a coach, and a communicator with the ability to encourage solution seeking behaviors by others and only in rare occasions dictate the solution. The Country Team, and the different 'units' within the team, must be in the driver's seat. This leadership style is about making 'searching'³⁰ effective, not about replacing it with directives. The leader serves as a role model, messages best practices and serves as a safety net.

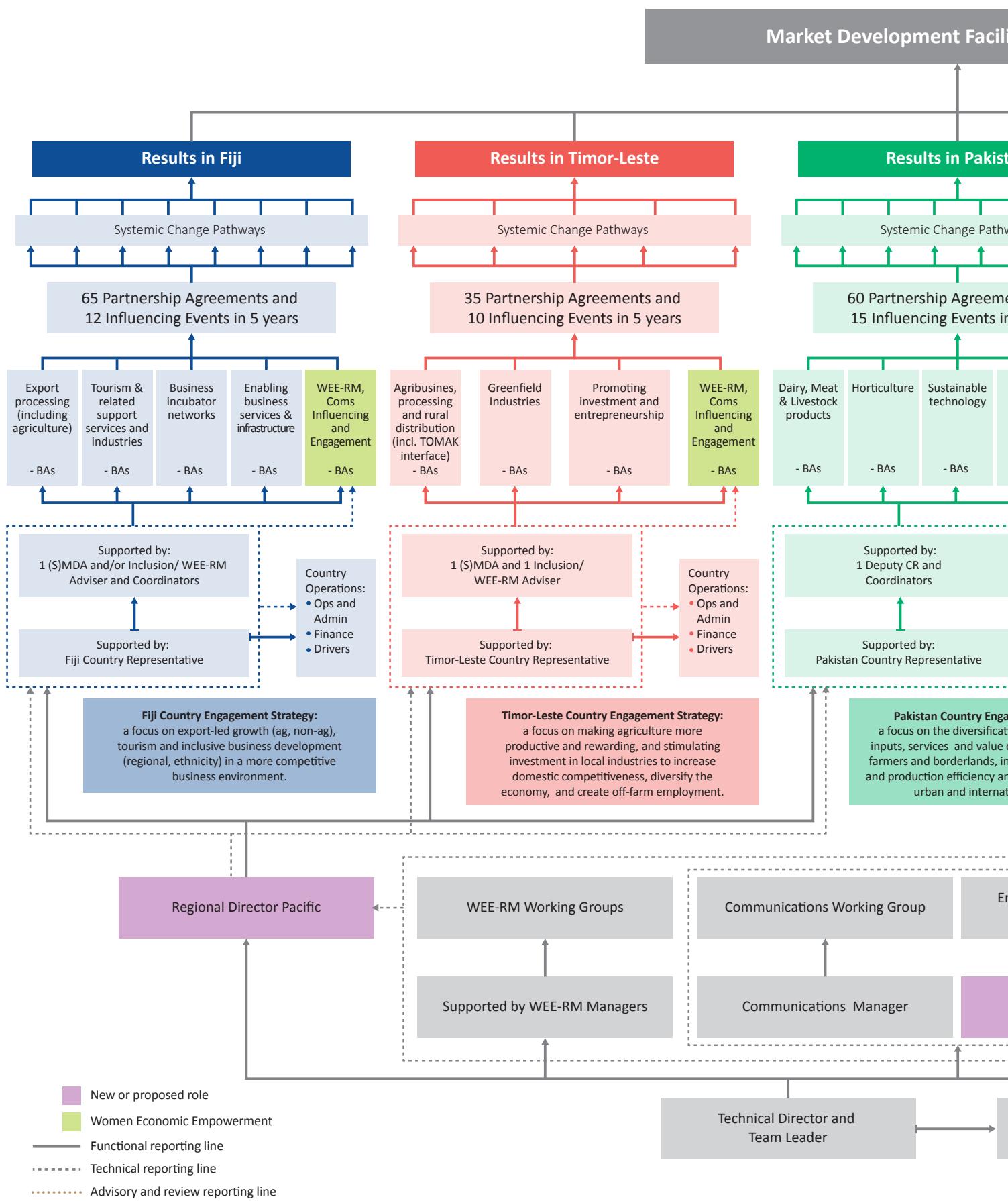
In a span of 5 years, MDF's management structure evolved as this unique multi-country Facility grew in size and complexity and resulted in, by 2017 (the end of Phase One), a layered management structure in support of – in service to – the desired leadership style that made MDF tick. The reasons why we chose this case's title – *Structure Always Serves Style (and not the other way around)* – will be examined through each stage of MDF's growth and its search for a management structure fit for the purpose of an agile learning organisation. Figure abc: MDF's Management Structure (as of 2017) provides a simple organisation schema on what MDF looked like at the end of Phase One. The next section on Historical Analysis/Changes Using the 7S framework will show why and how this structure was built up over time.



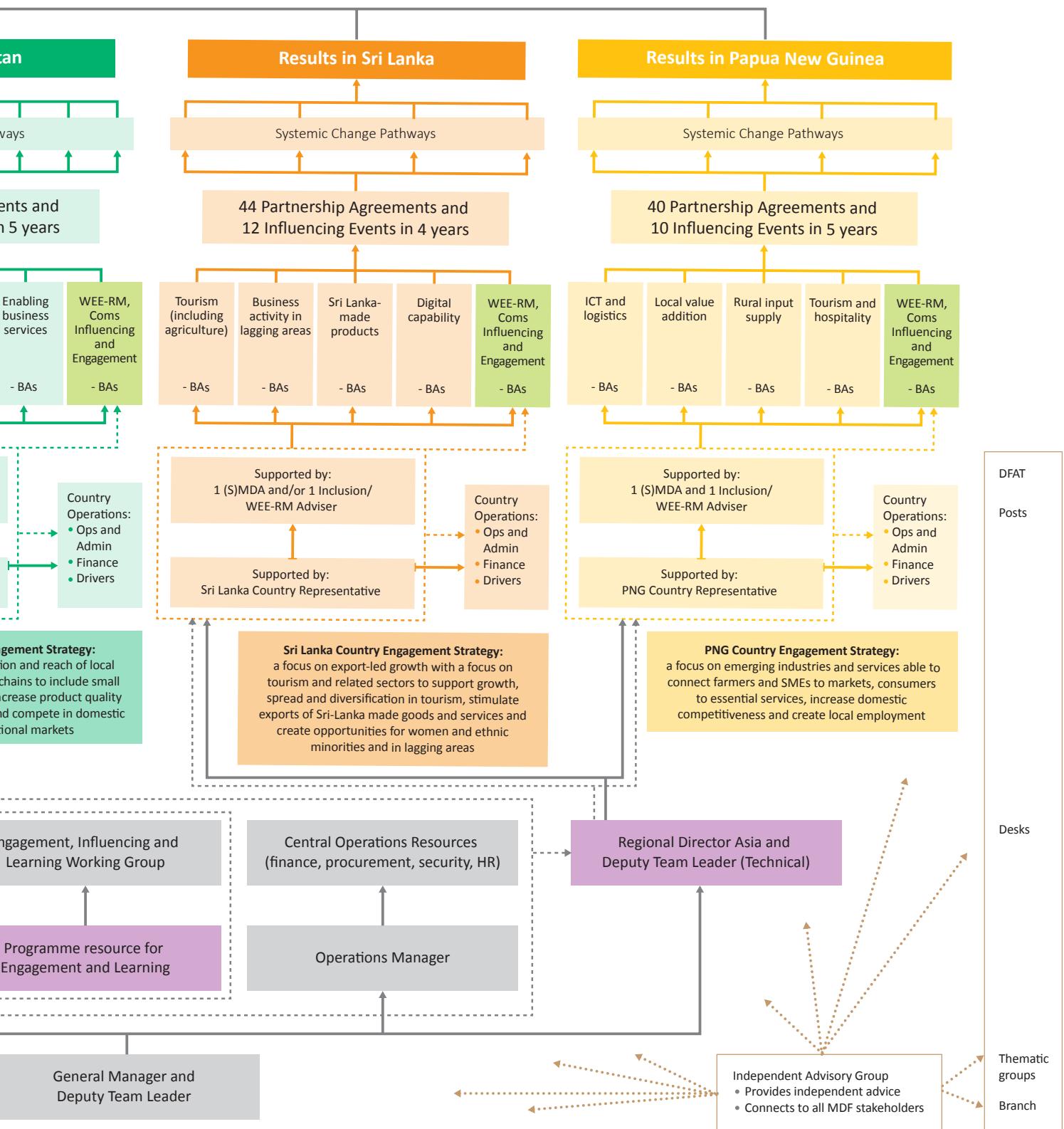
Arsenio Borromeu measuring coffee cherries in Rai-taran, Emera, Timor-Leste.

³⁰ 'Searchers vs Planners' a phrase coined by William Easterly in his book 'The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good', March 2016.

Figure 8: MSDF Diagram



Country Organogram





PRECURSOR TO MDF: DFAT'S CHALLENGE FUND

DFAT's Market Development Facility was preceded by a challenge fund mechanism tasked with finding in-country market leaders and cost sharing their business innovations designed to reduce poverty and stimulate wider sector growth. The organisation structure presumed that a few Australia-based 'high flyers' – private sector development experts – would jet into a country, make partnership deals with relevant players in selected countries of interest and

manage/support these partnerships from a distance, aided by a minimal in-country presence (a local consultant part-time involved in the challenge fund and a local expert panel to assess proposals).

This approach proved to be too light touch with very limited problem solving capacity. Some partnerships made it while others did not live up to their 'promise'.



Questions about this programme approach would have to be answered in follow-on economic growth programmes:

- ↳ Were the partners selected the most strategic/appropriate ones?
- ↳ Could a more robust research and selection mechanism generate better outcomes?
- ↳ Could a limited number of partnerships per country result in transformative, systemic change beyond improvements to the business model of the challenge fund's select few private sector partners?
- ↳ Could the business facilitation approach imbue the kind of creative problem solving and 'out of the box' thinking it did in dynamic Asian markets to thinner and much less dynamic markets of the Pacific (Fiji, PNG, Timor-Leste) or in post-conflict environments (Pakistan, Sri Lanka and again Timor-Leste).

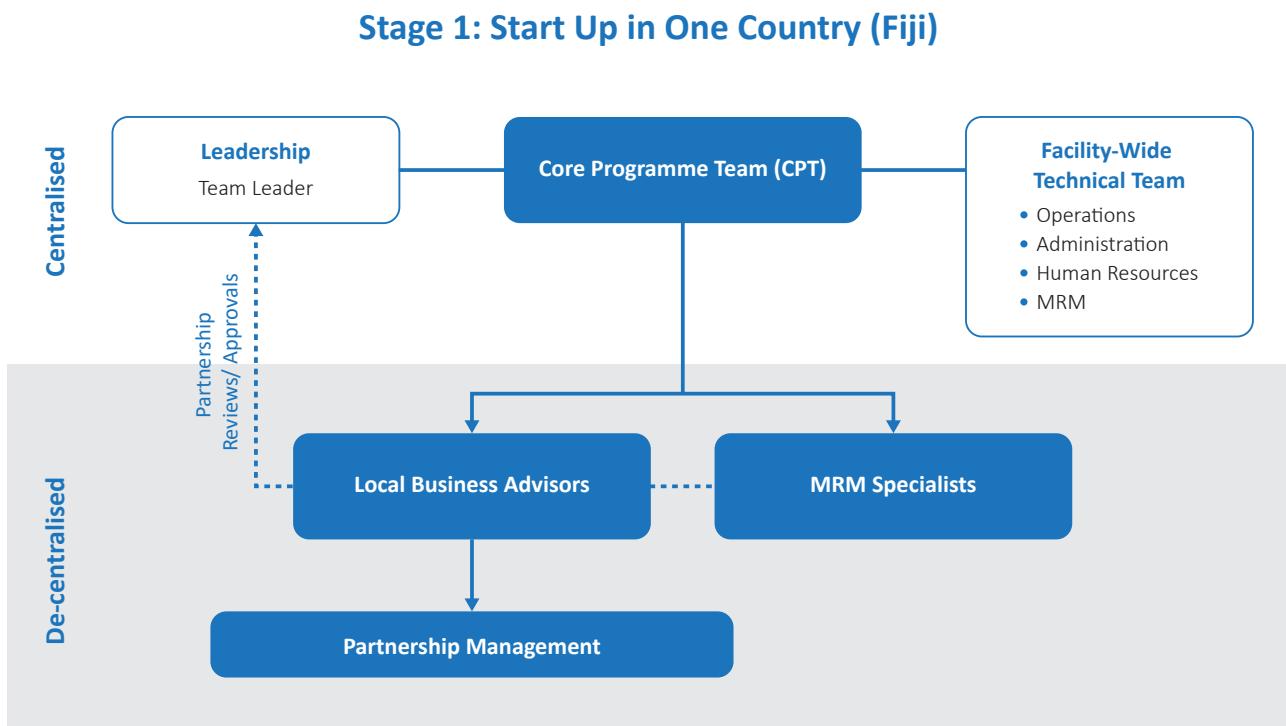
STAGE 1: MDF EARLY IMPLEMENTATION



Miliana Ratu, Fiji Country Coordinator, speaking at a product launch of an MDF partner, Suva, 2013.

In Stage 1, MDF's early implementation, MDF's organogram was very basic as illustrated by **Figure 9: Stage 1: Start Up in One Country** (Fiji). MDF did not emulate the challenge fund's 'jet-in high flyer' approach for obvious reasons and instead put in place the Core Programme Team (CPT), an internal mechanism located together in one MDF country (Fiji). This team was tasked with managing the multi-country Facility (then still one country) which included identifying potential sectors of engagement, training the local team, leading market analysis, developing a country strategy, backstopping partnership development, ensuring results measurement was in line with the DCED Standard and, finally, insuring that all operational systems were compliant with applicable Australian and national law.

Figure 9: Stage 1 Start Up in One Country



This structure was more developed than the challenge fund structure, but still light in touch, especially if one considers that the country team structure was also pretty bare bones. The size of country teams was not predefined (good!), nor was its structure worked out in detail (also good!), identifying only the business adviser and results measurement specialist positions with no international

manager in a supervisory role. The underlying assumption was that a small team of local business advisers and results measurements specialists, under the permanent but, as the Facility would expand, possibly increasingly long-distance, fly-in and fly-out guidance of the CPT, could launch and build country operations in the right direction.

STAGE 2: MDF COUNTRY AND PROGRAM GROWTH

This basic structure would not work the moment MDF expanded to more countries. In all countries in which MDF was destined to be active (originally Fiji, Timor-Leste and the Solomon Islands) it would be the first MSD program of its kind. The implication is that all local staff recruited, although perhaps talented and informed about the local context, would be entirely new to the MSD approach including the techniques to identify, negotiate, manage and monitor partnership opportunities for inclusive growth. Such new teams would need permanent in-country guidance – much more than could be covered in abstract step by step training programs (remember the messiness described in previous parts of this series) or in Skype calls. They would need an experienced, in-country leader, able to help translate the MSD methodology into practice while also insuring adherence to MDF's shared values, how it defines strategy, what kind of style, staff

and skill profile it pursues, and how structure and systems should support this.

The methodology and implementation philosophy needed an anchor point in-country. It was surprising to learn how staff, when given creative freedom in a relatively flat, relatively democratic and relatively open, non-compartmentalized structure, are inclined to create bureaucratic processes, hierarchy, and seek out their own organisation 'corners' ("this is my topic..., that is his/her topic..."). Apparently, it can be daunting not knowing the answers or way forward beforehand. Or, perhaps people simply gravitate to the more familiar traditional organisational set up, a model wholly 'unfit' for the type of agile learning organisation required to effectively implement an MSD approach.

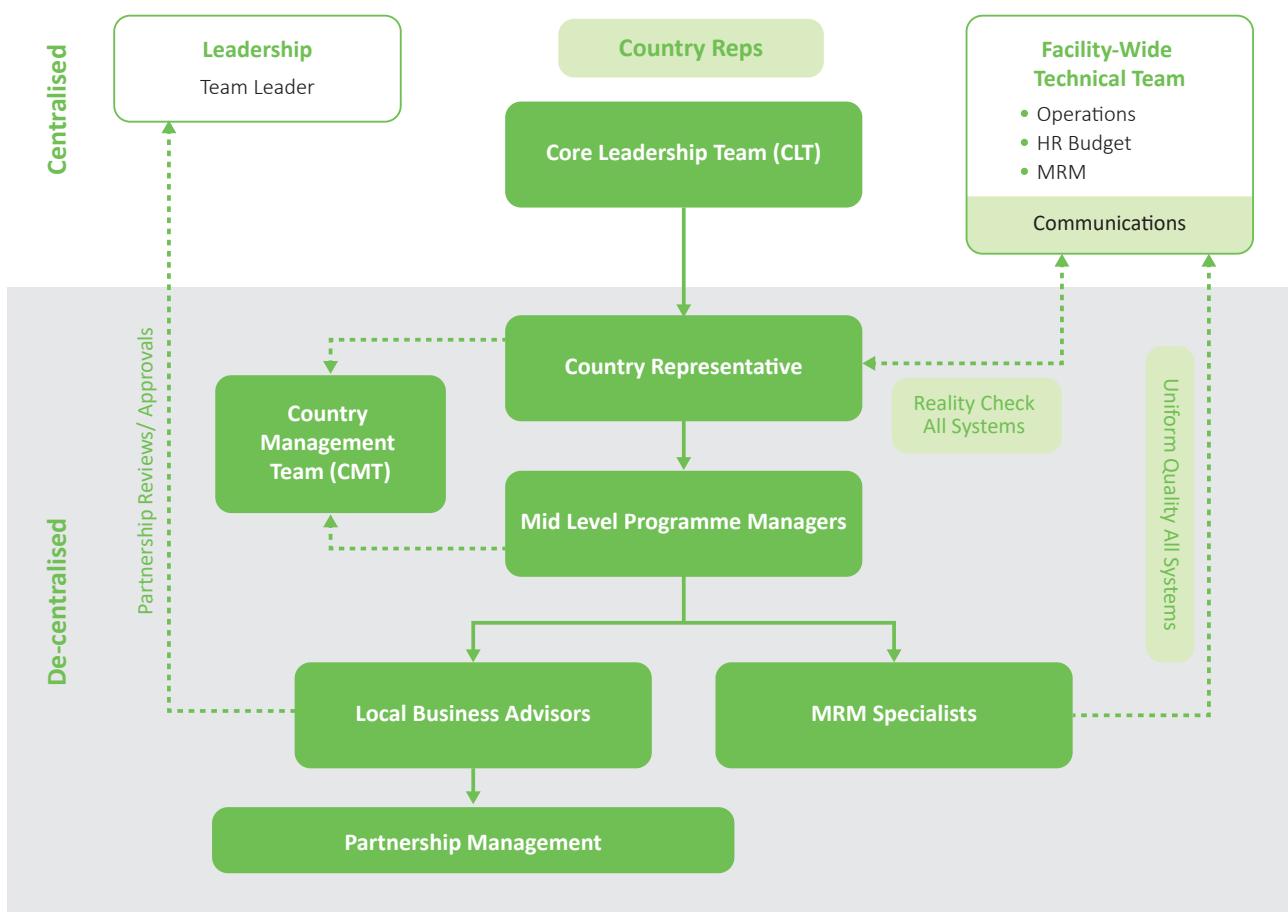
Expansion from One to Two Countries

Figure 10: Stage 2 Growth: from One to Two Countries shows the changes MDF had to make in its management structure to accommodate a growing program. The green shaded boxes in the figure show changes in MDF's structure including lines of authority (solid arrows) and lines of communication (dashed arrows). The first adjustment to the original MDF structure was the introduction of a Country Representative. This would typically be an international position (at least in the early years of the programme), filled with a person with technical MSD experience. The reasons for going down this path were explained above. The CPT felt it needed an anchor point in country to institutionalize the MDF methodology with the right style of leadership.

This first change immediately warranted a second change to the structure in order to preserve MDF's leadership style. Thus far, the CPT had been positioned above the country teams in the overall management of the Facility. When the country representative position was added to the structure s/he was likely to have the best feel for setting priorities and adapting internal systems (MRM, operations) appropriate to the country context (remember the balance and reconciliation of different needs mentioned above). The hierarchical relation between the CPT and the country team got in the way of this.

Figure 10: Stage 2 Growth: From One to Two Countries

Stage 2 Growth: From One to Two Countries



To create a level playing field, the CPT was abolished and instead a Core Leadership Team (CLT) was created, chaired by the Team Leader, in which all managers, whether representing a country or a shared function were equal to each other. Thus, a new structure was born in which each

aspect of programme implementation (Strategy, Human Resources, Client and Stakeholder Management, MRM, Communications, Operations) involved two managers – the Country Representative along with the appropriate manager of the CLT. This became an important feature in

an organisation in which a new system – communications – was added (see Figure 9) and multi-tasking increasingly became the norm. Checks and balances had to be built in. The technical managers were required to collaborate with the country representative to ensure that (i) strategy and systems met the required quality standards and were applied uniformly across the Facility and (ii) they remained feasible and helpful for the country teams.

Results measurement, for example, is primarily the responsibility of the Country Representative. S/he needs to put adequate resources in place to make sure that results measurement is commensurate with the DCED standard. However, Country Representatives may not always know exactly what this takes in terms of time and skills, may not always recognize overly complex or somewhat undercooked research efforts, and may at times be pulled into too many directions. Thus the Facility-wide MRM manager should also be involved in working out country requirements and recruitment and, together with the Country Representative sign-off on key outputs. The MRM Manager can help ensure consistency and quality in MRM efforts, whereas the Country Directors helps ensure that the application of standards and practices is done in a manner befitting the country context.

The next change was the creation of mid-level managers. This change in structure and staff numbers served a couple of purposes:

- To share the expanding day to day workload of the country representative;
- To be the first point of contact for business advisers on problem-solving, research, etc;
- To create a talent pool of future MDF leaders.

Mid-level management positions could be filled by either international or local staff depending on what seemed most feasible. This change in structure – adding an extra layer –

could have created more distance between the business analyst and the Country Representative and undermined MDF's style of 'leading from behind'. Mid-level managers were deliberately designated as 'coordinators' or 'advisers' instead of the more hierarchical 'manager' with field staff still reporting directly to the Country Representative. Overall mid-level managers served more as 'vassals' to the Country Representative than lords of their own fiefdom. Together, they formed the Country Management Team. The message was clear: the success of implementation in country could never be dependent on one person – it needed a team.

MDF chose to keep the existing system of partnership review and approval intact. Business advisers would continue to submit a growing number of partnership proposals and partnership agreements directly to MDF's Team Leader. This facilitated direct communication and a continued sense of knowing each other in an expanding Facility. A change in structure reinforced the need to keep an existing system unchanged so that MDF could preserve its leadership style – 'leading from behind' – that might have been compromised by too much distance between the 'field facing' business units, the Team Leader and the Core Leadership Team.

With growth, MDF also needed to re-think the roles played by the internal mechanisms it had created to insure the balance between technical rigour and in-country realities. The existing members of the CLT – comprised of MDF's Team Leader and specialist functions shared facility wide – had to be expanded because the MRM manager, whose portfolio also included communications and environmental compliance, was over-stretched. A separate Communications Manager staff position was created to take on the communications and knowledge management functions and in so doing free up time of the other managers shared across all country programmes.



Interviews in Alotau, Papua New Guinea.

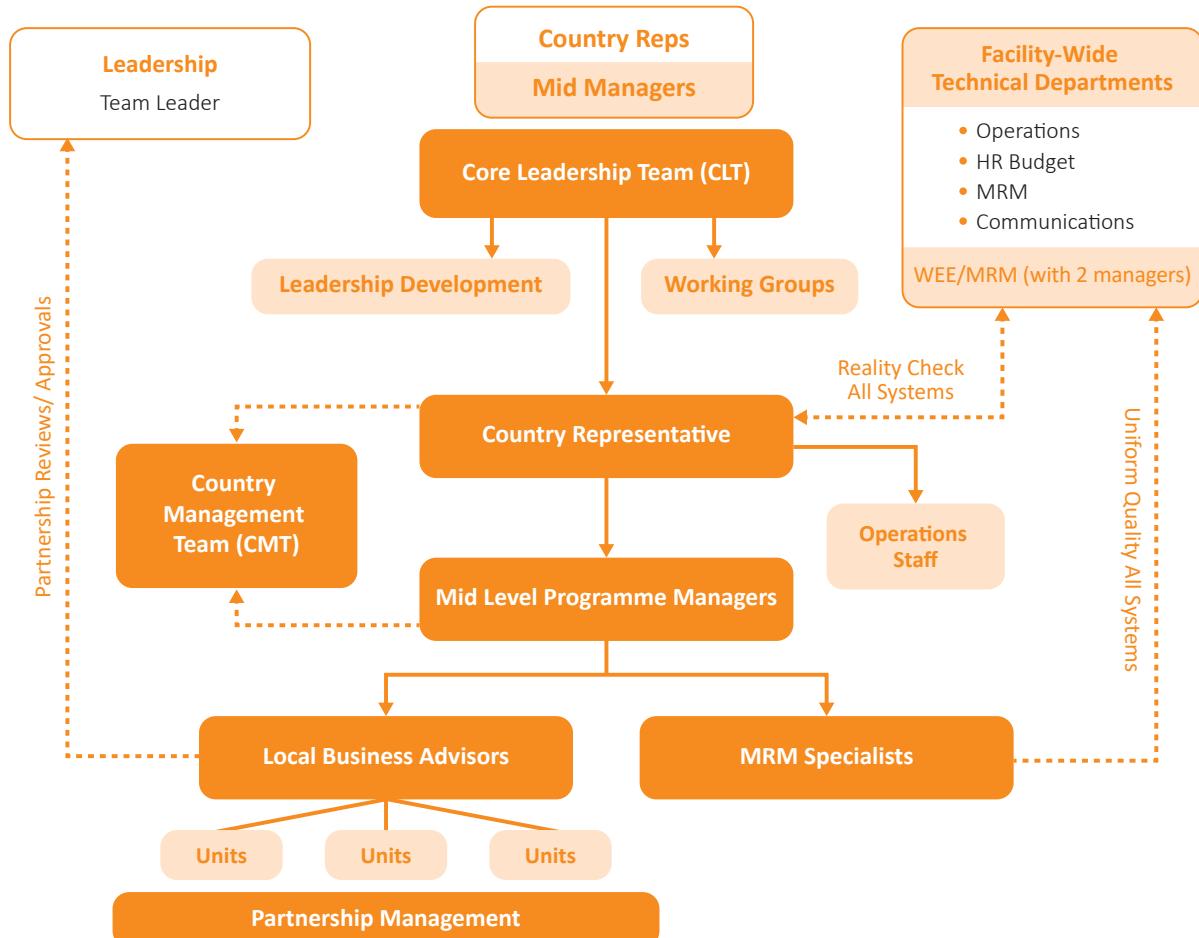
Expansion from Three to Five Countries

When MDF expanded from three to five countries further adjustments to its structure would be needed. **Figure 11: Stage 3 Growth: from Three to Five Countries** shows the changes MDF made in its management structure to

accommodate rapid growth by adding three new countries to the Facility's operations. Once again, changes are represented in the flesh shaded boxes.

Figure 11: Stage 3 Growth: From Three to Five Countries

Stage 3 Growth: From Three to Five Countries



MDF was managing a growing number of systems in parallel with each other (demanding more multi-tasking skills from CLT managers) to keep up with programme growth and the widening variation between countries. Systems had to be better defined to guide a growing number of staff and detect early warning signs where things were going wrong in implementation. More capacity was needed (influencing structure and systems) to bring new countries (or new staff in 'old' countries) up to speed. Also, more capacity (again, influencing structure and systems) was needed to support the 'department heads' (the CLT managers) to allow them to multi-task around the growing number of processes and handle more transactions.

Clearly, the expansion from 3 to 5 countries was not going to be a 'walk in the park'! How could MDF preserve its flat,

informal, creative, entrepreneurial learning culture (style) – so critical to its success – as it grew from a small to a much larger team spanning two continents? How could MDF build in more capacity – find and develop more of the right kind of people – while also insuring that all staff were on board with its culture and style when there would be longer lines of communication involving many more people.

As MDF grew, how could it reconcile being an entrepreneurial search engine for inclusive growth opportunities while at the same time being an institute for teaching and supervising its 'students' in this new market systems approach of practicing development? The next five points show how MDF went about answering these questions using the 7S model.

Firstly, an operational **systems** review was undertaken for what had become a mid-sized multi-locational organisation. Operational systems were strengthened while seeking to preserve MDF's entrepreneurial, creative **style** and in some cases trying to strengthen it. The number of operational **staff** in country was modestly expanded to handle the growing HR, IT, procurement, travel and security requirements for a growing team and to free up Country Representatives, so they could focus more strategically.

At the same time, MDF made a small but significant adjustment to its **structure** and related staff additions. In a growing, more complex and diverse organisation the central, facility-wide or shared functions had to be strengthened to preserve quality and consistency, and this meant forming small departments around the managers of these shared functions. Operations (finance, procurement, HR and security), was the first to expand, as was recommended by the afore-mentioned review, with MRM and Communications to follow, each in a different way. In time, as operational procedures were well engrained in country teams, more responsibilities were delegated to the country teams so that the shared resources could focus more on trouble shooting and upgrading Facility-wide functions (e.g. consolidated finances, due diligence and HR).

Secondly, as this expansion coincided with the increased emphases on WEE, the MRM manager got overstretched and a second WEE-MRM management **staff** position had to be created (see case 1 and 2). MRM **systems** (and one could argue, style and staff know how) had to be re-established in some older country programmes and introduced to the new ones, which required some centralisation to keep a better check on things. WEE had to be built up in terms of **systems**, **style** and **staff**. This required the attention of two managers rather than one. To ensure that WEE and MRM were in-synch and both feeding into the same process of learning, one facility-wide WEE-MRM space was created in which there would be no functional distinction between the two managers – a unique solution to handle more scale and multiple systems (WEE, MRM) without ending up with the kind of fragmentation that limits exchange and learning³¹.

Thirdly, to avoid a situation where strengthened systems, described above, would unintentionally drive the **style** (culture) of the organisation, three steps were taken to articulate more clearly the idea of '**creative learning spaces**' – already embedded as a mechanism in MDF's internal structure – in which different staff could and should collaborate. These three steps were:

- 1** Within country teams the notion of team work was reinforced by the formation of 'units'. A 'unit' comprised a team of four to eight business advisers who work together and manage a portfolio of partnerships in one or two Strategic Engagement Areas (e.g. horticulture or tourism). Specific business advisers are responsible for specific partnerships, but the unit as a whole is responsible for planning, strategy, analysis of results and learning. Each unit member is expected to know what the whole unit does and contribute to the discussion instead of being focused on his/her own work only. A mid-level manager ensures that all unit members understand and effectively work within MDF systems (e.g. planning, partnership, MRM) and is represented in highly networked forums of information sharing and decision making. The aim is to make the unit work as independently as possible. The role of the mid-level manager is to 'have the unit's back' but not to 'run' it. The unit became the central building block of the whole facility³².
- 2** Facility-wide 'working groups' were established to ensure exchange, learning and consistency in approach. The first working groups to emerge were organised around shared systems/functions such as MRM, WEE, the whole communications apparatus, and the whole operational apparatus. Later, more informal thematic working groups were formed such as around tourism, a sector common to four out of five MDF countries. With more formal planning, strategy and portfolio review systems in place, in-country reviews were opened to other senior managers – representatives from other MDF countries and/or shared managers – so that the discussions could benefit from an outside perspective.

³¹ Mainstreaming of WEE in MDF country programmes worked best when the MRM specialist also looked after WEE (see Case 1).

³² Reference to MDF SGN No. 6 for a description of these units as 'creative learning spaces'.

- 3 At the country level, the notion of a Country Management Teams was reinforced to handle the growing number of processes running in parallel (more MRM, more WEE, more communications, more stakeholder engagement, more formalized operations, and with more to come). At the Facility-level, a new Leadership Team (LT) was formed which consisted of all CLT managers and all mid-level managers. The LT would meet once a year and serve as a discussion and training platform to build understanding and know-how around MDF's continuous process of reinvention.
-

Fourthly, MDF made it a policy to consider internal candidates for the growing number of mid-level manager **staff** vacancies as they would bring an understanding on how MDF works, its unique systems and related processes. Also, a Leadership Development Program (LDP) was set up to create opportunities for MDF **staff** for accelerated learning by enabling them to, temporarily and with sufficient mentoring, step into positions for which they have the potential but lack the experience. Upon completion of the LDP, the person could compete in the open market for the new position, and if not selected, could continue in their existing role.

Finally, and not surprisingly, the Team Leader got overstretched and hence a full-time Deputy Team Leader **staff** position was created to operate as a Chief Operating Officer next the Team Leader, taking over the general management of the Facility.



Quality and Inclusion and Communications discuss key messages for the 2018 Annual Aggregation of Results, Suva, Fiji, January 2018.

Entering Phase Two (2018 – 2023)

More “evolutions” in MDF’s structure and systems are already planned for Phase Two. The human resources **system** will be given a boost to hasten the pace of on the job learning for all staff, particularly in generic skills such as, writing skills and time management to increase productivity and versatility. More emphasis will be given to a modular step by step year-long orientation/socialisation process for

new **staff** hires to get them up to speed on all that MDF does and how it does it. Formal training and follow-up will be woven into this plan. For established **staff** more emphasis will be given to learning key management skills (such as planning, writing etc) to become more productive managers.



Phase Two Implementation Priorities

Phase Two implementation will also usher in some new priorities such as the following:



A broader inclusive growth agenda

This started with WEE in Phase One. People with disabilities will be added in Phase Two. This will mean more processes/systems running in parallel as part of MDF's core business.



A multi-investor strategy

MDF will search for ways to work more closely with blended finance mechanisms and create investment vehicles for third party investors (e.g. impact investors, banks, or corporations, presumably Australian companies). This will be another process/system to run in parallel as part of MDF's core business, but with possible implications for staffing numbers and their skill set.



A greater influencing (vs doing) agenda

This is illustrated by MDF's work in tourism promotion in Sri Lanka (and other MDF countries) where its support will focus more on brand promotion through awareness raising events versus working directly with market players in the core of the tourism market. This will require MDF to build the right networks, different from past networks, and formulate short term relationships with ancillary market players (eg advertising companies) and find creative ways to measure their contribution to MDF goals and objectives. This will mean an elevated, programmatic role for MDF's communications team, and the adoption of a wider range of tools to enhance its core facilitation skill. With an appropriate mix of more 'hands on' and 'hands off' tools it is expected that more results can be achieved!



A greater focus on economic diplomacy

This will be in support of Posts' relevance in country – a change in the organisations objective, which can influence its strategic focus, the kinds of things it does, staffing and skill requirements.



A broader yet targeted learning agenda

This will be in support of a learning agenda directly for DFAT and related community of practices across DFAT departments and within the broader donor world. This, too, will add a new task with implications for staffing and skills.

These new priorities will inevitably usher in the next chapter of MDF's continuing 'search' for a structure, systems and related staff numbers and composition that is able to accommodate new challenges while preserving its core skill of facilitating a strategy of market transformation for inclusive growth with a style of leadership befitting a learning organisation that is continuously striving to achieve a balance between technical rigor and on-the-ground realities. This 'search' will benefit from a Facility that already has in place:

- A uniform platform for implementing a market systems strategy across multiple countries;
- A flat organisational structure to retain MDF's style of participatory information sharing and decision taking processes in the context of an expanding organisation with multiple management layers;
- Robust systems organized within appropriate structures and Facility wide mechanisms – such as 'creative learning spaces', working groups – that encourage country teams to be creative solution seekers with enough checks and balances to make sure they don't go overboard.



MDF Pakistan ready to showcase MDF supported agricultural innovation in Pakistan at the Dawn Agro Expo, Lahore, 2017.



In Case 2, an internal system failure (MRM) triggered an MDF response to protect the core values of its MSD programme. This case showed how much effort MDF put into preserving its core values in the face of rapid structural expansion and the addition of new layers (systems) of complexity.

More scale adds complexity but it should not result unnecessarily in an hierarchical structure that disempowers implementers, removes decision making from the coal face and stifles agility: the MRM systems and structure, the tails as it were, should not start to wag the dog. When more systems and related structures (for operational compliance, due diligence, environmental compliance, MRM, WEE, other forms of exclusion, climate change, communications, stakeholder influencing, development community learning)

are added this should result in greater, not less, agility to learn and be relevant.

With more desired scale and resulting complexity, MDF tried to stay as compact as possible: a bottom up networked structure with short, decentralized lines of communication and implementers in control of as many systems as possible. This structure allowed for technical rigor to ensure quality and accountability and with central controls in place to preserve the organisational culture and alignment between all 7Ss.

Was this a walk in the park? Not really! But MDF's Phase One experience offers some relevant and important lessons for the design and management of MSD programmes and the organisations who manage them.



Why is this relevant?

MDF has been yanked out of balance by its rapid pace of growth and its donor's changing development objectives. MDF is likely one of many MSD programmes 'yanked' out of balance for similar or different reasons. MDF's response to 'right the ship' has been to reinforce its core culture (**style**) to minimize the distance between management layers (**structure**), and encourage maximum flow of information (**systems**) for doing and learning so that staff would still feel they were still part of something special (**shared values**).

Now imagine trying to 'right the ship' when it goes out of balance – and it will as all programmes face changes in demands, budgets and focus – within the context of a highly prescriptive donor and managing contractor agreement: a log frame that prescribes outputs and outcomes and a contract that prescribes the rest; a managing contractor who may be reluctant to raise for discussion with the donor the tension between on-the-ground realities of a programme and the contract

benchmarks for fear that these tensions may be seen as 'problems' that might be (mis) interpreted as signs of poor management; and, finally, a donor who expects contract execution instead of change management.

An agile learning organisation is the embodiment of the concept 'adaptive management'. If this form of management is to succeed, then the donor, the managing contractor and programme leadership must embrace shared values and work in a tri-partite partnership so that donor signals (e.g. a bigger focus on WEE) can be effectively channeled to the programme ("in order to do justice to WEE, we need to change this and this...") which in turn can be effectively delivered, without contract modalities, corporate priorities or misconstrued profit incentives ("do they suggest this for the betterment of the programme or their bottomline...?") distorting or at worst undermining this signal. Try to capture that in a contract for aid delivery!



Why is this important?

In their own organisations, MSD programmes must simulate the kinds of changes in attitudes, behaviors and practices required to embrace messiness and manage complexity they use to counsel in their private or public sector partners. Change is a constant: whether it is a change in shared values/strategy (e.g. WEE as a programme strategy or as a business model), rapid growth and expansion (e.g. as an MSD programme or as date processing company), or failure of a system (e.g. MRM for an MSD programme or the procurement of fresh Kava in Fiji from outgrowers). In MDF's experience, it is

the soft Ss – leadership style, supported by staff, and skills – that creates and builds an appropriate strategy based on what is needed (the strategic how), and systems and structures (the tactical how) to deliver the why. The soft Ss lead, the hard Ss – strategy, structure and systems – follow in order to preserve style staff, skills and shared values. This case is important because it offers managers – and students of change management – a set of lessons to guide their organisation to greater levels of performance.

1

All Ss form an interrelated ecosystem – a change in one S leads to changes in many Ss. Such changes should be accepted as signs of healthy adaptive management.

2

The soft Ss, style in particular, leads the hard Ss (strategy, systems, structure). Style is expected to be relatively constant, followed by staff and, somewhat, core skills, whereas strategy, systems and structure are expected to change. Avoid putting controls for accountability and compliance in systems and structure that in reality should change.

3

If a retrofit, a realignment needs to be undertaken, it is ideally the programme leadership that should take the lead in doing the plumbing: standard 'cookie-cutter'-type strategies, systems and structures are unlikely to work; and external support while offering the advantage of an outsider's perspective will be less informed about team capacity and context. Bottom-up leadership and a style of leading from behind should be respected and reinforced with appropriate checks and balances to insure accountability.

4

Development is not a matter of a big purse, but of great brains. Development organisations should not be seen as delivery mechanisms alone but as genuine, evolving, organisations that possess a great deal of intellectual property. The soft Ss – style, skills, staff – should not be seen as 'overhead' but as the keys to quality management for achieving inclusive growth at scale.



The soft Ss lead, the hard Ss – strategy, structure and systems – follow in order to preserve style staff, skills and shared values.





Conclusion: The Key to Agility and Learning

The authors have argued that development is a messy process. Navigating the complex and difficult-to-predict nature of social change is akin to navigating the ebb and flow of ever-changing market dynamics, business opportunities and the upsets caused by disruptive innovation – you must respond, you cannot sit still! It is therefore appropriate to apply the 7S model from the business world to the world of development programming to see what it tells us.

McKinsey developed the model to show that all key elements of an organisation must be aligned in order to be truly competitive. As a former CEO of Royal Dutch Shell once remarked, “a good idea is 5% of the work”. The remainder of the work lies in turning that idea into practical innovation, plans and processes in an aligned organisation – that is what managers do. As mentioned, McKinsey saw all 7Ss as equally important and did not want to impose a certain order to them, but did suggest that the ‘hard’ Ss (strategy, systems, structure) were somewhat leading in terms of shaping the soft Ss (style, staff, skills), with systems most leading of all. A manager ‘runs’ the organisation through its systems, and through systems, alignment between the other Ss is furthered – it represents the manager’s world view.

What did the application of the 7S model to three MDF cases teach us? The first lesson is quite obvious: all cases demonstrated just how interlinked the 7Ss are in a development programme – like in a ‘real’ organisation! Whatever the cause may be – a change in core values, an internal ‘system failure’ that needed fixing or continuous growth that needed to be translated into a system and structure still supporting the organisation’s style and culture – the manager must determine how much room is needed to ‘fiddle’ with all 7Ss to ensure alignment with a program’s goals and the effective and efficient delivery of aid.

This brings us back to the key questions raised in the first part of this series, about how to reconcile an approach, a method able to deal with messiness with increasing demands for compliance. What are the implications of understanding development programmes as organisations that need internal alignment (and the fidgeting to achieve this)?

Donors define the core values that their investments should serve and they may define certain expectations with regard to the quality or robustness of the systems that will disperse their funds. What the application of the 7S model to the MDF cases shows is that when taking these core values and system guidelines as the starting point, the other Ss should be left (largely) up to the programme to fill in, including the strategies to meet the core values and the actual systems and structures to meet the quality/compliance standards defined for these. The cases also underscore that frequent changes to the core values will cause the programme a significant amount of work and therefore should be kept to a minimum.

In order for this to work, contract deliverables need to be defined against ‘proof’ that the programme is well-aligned, does respond well to the challenges at hand by designing sounds strategies and building an effective team, and is able to build up the right skill set, systems and structure to run in an effective and efficient manner. The guidelines for such process deliverables, defining the ‘vital signs’ of a well-aligned, agile learning organisation are still to be written (but the annex B to this chapter starts to outline what they may look like).

Also, contract incentives should be aligned with these process deliverables. A managing contractor should not be tempted to hire short-term advisers as opposed to building a local team because more margins are to be made on the former. The contractor should not be tempted to short-circuit an always somewhat unpredictable local learning process by a ‘slick’ STA or home office driven process. When compliance cuts short valuable learning processes it undermines the value of an agile learning organisation and aid effectiveness.

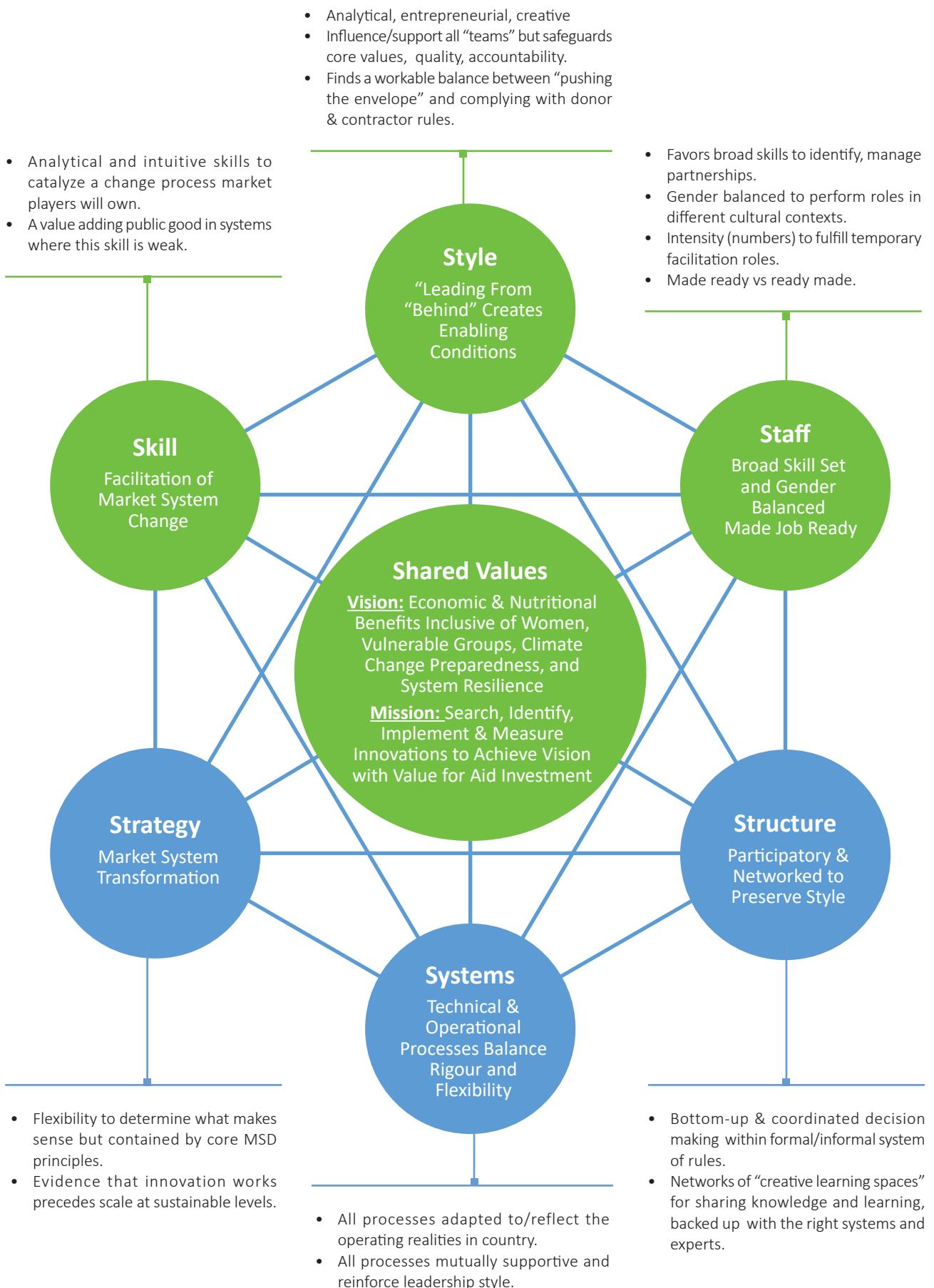
The role of the managing contractor is to support the process of making sure all Ss are in alignment. This is not achieved by rolling out standard processes or pushing compliance criteria down to the programme level, but in providing professional technical and operational expertise on how to reconcile core values and system requirements in ways that work in support to the appropriate management style: leading from behind.

The role of the programme is, finally, to uphold the right organisational style and culture to make best use of its freedom to operate; its ability to ‘fiddle’. The MDF cases demonstrate what a programme can and must do to remain an agile learning organisation – development is not about faithful, unimaginative contract execution even when this is the perfect process-oriented contract as defined above.

The second lesson is more thought-provoking. Whereas the McKinsey model sees the hard Ss, centered around systems, shape the soft Ss, the MDF cases seem to suggest the opposite pattern: the soft Ss, centred around style, shape the hard Ss.

Figure 12 shows what a 7S model looks like for an agile learning organisation using the MSD approach. **Shared values** continue to sit in the middle of the 7S diagram. The soft S **style** is the organising principle that sits at the top – flexibility contained by principles. A creative, problem-solving style in the hands of staff who can execute this style shape a flexible **strategy** that defines the pathway to an achievable outcome without prescribing solutions and processes that would hinder, stifle the achievement of this objective. **Systems** work in support of **style** and **strategy**. Facilitation **skills**, the core competence of an MSD implementer, shape, like style, the appropriate systems and staffing to allow for the effective implementation of a market facilitation strategy for inclusive growth. **Structure** is the (hard) organising principle in support of this dynamic.

Figure 12: Best Set Up for an Agile MSD Learning Organisation



Why does the MSD 7S diagram look different from the 7S diagram for a profit seeking business? The answer is simple and again brings us back to the questions raised at the start of the Messiness Series: in development, the standard processes deployed often do not necessarily work in support of effective development outcomes. Style, as informed by

notions of what kind of development methods we need to create sustainable change, is needed to keep processes and systems on track and in check.

Let's return to the questions posed by the Messiness Series upon which the reader can reflect.

1

Do we, as members of the development community, still tend to see aid too much as something that should be delivered through time-bound programmes as opposed to being created through organisations with a much longer lifespan as they perform well?

2

Do we still tend to see staff as overhead as opposed to an investment in professional staff to make them ready to generate an overall better development return?

3

Do we still tend to blur the distinction between providing things by means of an efficient distribution process to address an immediate need (following an emergency response or charity rationale) and a process of long-term, sustainable, continuing improvement in conditions through an efficient and effective facilitation process (i.e. development)?

4

Do we still focus our measurement on achieving narrow activity targets of signs of aid effectiveness ('how many did you reach') versus the longer-term transformation of more inclusive and sustainable institutions (markets) by aid-induced change?

How one answers these questions will dictate how aid investments are designed, managed and evaluated. The authors of the Messiness Series see a lot of aid resources (thinking, time, people and funding) going into one-off programme design, rapid mobilisation of (small) teams to execute the programme design and a strong emphasis on controls to ensure that distribution is compliant. These type behaviours and practices are conferred to all types of aid investments regardless of their type: direct delivery versus facilitated processes of enduring institutional changes. This is like doing things in the same way and hoping for a better result.

When one acknowledges the importance of embracing messiness and managing complexity

to achieve desired development outcomes, then one must also acknowledge the importance of an agile learning organisation in the driver's seat steering the processes that advance desired change. And, finally when the offices of donors and their managing contractors recognize the correlation between an agile learning organisation and results, as we think this 4 part Messiness Series has, then a different style of managing aid investments is endorsed – as much as the prevalent processes and systems allow – to push toward a paradigm shift in aid. Style – the philosophy of flexibility contained by principles- is the key not only to an effective implementation methodology, but also to an effective organisation in support of this methodology.





Annexes



ANNEX A: Definitions at a Glance

7Ss	Creators' Intent	MSD Interpretation	
		What It Is	What It Is Not
Shared Values	<ul style="list-style-type: none"> A set of values and aspirations shared across the organisation that goes beyond a statement of corporate objectives. The way the organisation wants to express itself, to leave its own mark. Everything is focussed toward alignment with these values. 	<ul style="list-style-type: none"> A <u>vision</u> of aid investment held by all stakeholders – donor, managing contractor and programme leadership – to foster economic growth with meaningful, significant, and sustained benefits of income, employment, nutrition, climate preparedness and systemic resilience inclusive of vulnerable populations (especially women and the disabled) living in the more disadvantaged regions of a country. A <u>mission</u> to search, identify, implement and measure innovative approaches to achieve its vision. <u>Value</u> for aid investments results from sustainable impact caused by better functioning market systems organised around the purpose of inclusive growth. 	<ul style="list-style-type: none"> An open door to serve donor interests unrelated to the core values inscribed in the agreement. Pre-defining the shape the managing contractor's organisation will take – strategy, structure, systems, staffing – regardless of the context in which it operates.
Strategy	<ul style="list-style-type: none"> The actions that a company plans in response to or in anticipation of changes in its external environment to achieve competitive advantage. How a company will create real value in line with its values. 	<ul style="list-style-type: none"> The <u>transformation</u> of market systems for inclusive growth. <u>Flexibility</u> as contained by core principles to determine what makes sense to do (leverage points in a system) with whom (private, public, civil society) and for how long (5-10 years) in a specific country/market context. <u>Recognition</u> that systemic change is dynamic and sequenced: the change process starts by showing that change works, followed by its adoption/adaptation by other system actors before it can become a system norm. 	<ul style="list-style-type: none"> The outcome of a one-off design mission when the organisation's 'strategy' is fixed. A linear process of change resulting from a few pilots which are presumed to be ready for impact at scale. A 'quick win' with a market player unless it contributes to a better functioning market system.

7Ss	Creators' Intent	MSD Interpretation	
		What It Is	What It Is Not
Structure	<ul style="list-style-type: none"> How a company divides and coordinates all of its functions and tasks while maintaining sufficient control to insure it is responding effectively in constantly changing complex environments. The way in which tasks and people are specialised and divided, authority and reporting relationships distributed. 	<ul style="list-style-type: none"> <u>Bottom-up and coordinated</u> decision making by different functional units (implementation, technical and operations) couched within a system of formal and informal rules to insure quality, consistency and results. <u>Networked organisational relationships</u> to allow for knowledge, experience and skills to circulate between all functional units. <u>Independent review</u> mechanism to assess, periodically, quality outcomes (systemic change) and pro-poor impact useful for all stakeholders. <u>Core Leadership Team (CLT)</u> mechanism creates level playing field between functional units to avoid hierarchy. 	<ul style="list-style-type: none"> Decisions made by one party and forced onto the other parties. Rigid, unbending structures that tend to create tensions and distrust between HQ and field operations. Third party review mechanism becomes a lever of control by one stakeholder over the others.
Systems	<ul style="list-style-type: none"> All the processes, formal or informal, that makes the organisation go, 24/7/365. This is how the work gets done. 	<ul style="list-style-type: none"> <u>Technical Processes:</u> Long range strategic planning, partnership planning and management, results measurement, communications and knowledge management. <u>Operational Processes:</u> Human resources, procurement, budget control, finance and security. All processes are adapted to and reflect the operating realities in the country context. All processes are mutually supportive and reinforced by the informal rules (style) and vice versa. 	<ul style="list-style-type: none"> Processes that alone are designed to safeguard and guarantee compliance with donor and managing contractor standards/rules. Processes are not 'silos' – divorced from each other – that can operate irrespective of the organisation they are meant to serve. Processes in themselves are not standards; they can adhere to a standard of practice but they must evolve and be relevant to the local context. Processes cannot be codified into one operational manual that serve the entire organisation operating in diverse settings.

7Ss	Creators' Intent	MSD Interpretation	
		What It Is	What It Is Not
Style	<ul style="list-style-type: none"> The will to make the strategy work. The fit between how the company behaves, how it views itself and it wants others to view the company. What effective managers do with infinite tasks and fragmented/limited time: signal what's on their mind; reinforce key messages; nudge peoples thinking in the right direction. 	<ul style="list-style-type: none"> <u>All Stakeholders</u>: 'Leading from behind' creates & maintains the enabling conditions where motivated people believe they can do their best work in line with the organisation's values. <u>Programme Leadership</u>: Sorting of symptoms from root causes; discovery of context relevant solutions through testing and learning; open, honest, participatory processes of enquiry. <u>Managing Contractor</u>: Strike a workable balance between meeting the donor's needs while also providing overall guidance to program leadership. <u>Donor</u>: Strike a workable balance between meeting its constituency needs while providing big picture guidance to the managing contractor. 	<ul style="list-style-type: none"> <u>Programme leadership</u>: It's not about me. It's about leading from behind. <u>Managing Contractor</u>: It's not about command and control. It's about influence and support. <u>Donor</u>: It's not about strict compliance to contracted means – deliverables – but staying focused on the ends and supporting the means.
Staff	<ul style="list-style-type: none"> A pool of human resources to be identified, nurtured, developed, guarded and allocated to perform all organisation functions. The people, their backgrounds and competencies. 	<ul style="list-style-type: none"> The intensity, composition and development of people who can play critical roles in creating and sustaining value in complex and messy market systems where the work is being performed. <u>Intensive</u> due to the temporary role staff are meant to play in facilitating inclusive growth. <u>Composed</u> of people biased in favor of a broad vs a narrow set of specialized skills able to: <ul style="list-style-type: none"> Identify feasible inclusive growth opportunities in complex country and market settings Design/negotiate mutually beneficial partnership engagements Manage partnerships consistent with core principles (local ownership, solution seeking behavior) Being able to communicate in ways all stakeholders understand <u>Developed</u> by opportunities, resources for continuous learning on the job and incentives for improving performance. 	<ul style="list-style-type: none"> <u>Ready-made</u> because of the unexpected degree of variability that comes with this work. <u>Overhead costs alone</u> but a legitimate programme cost that is required to deliver high level outcomes. <u>A competitive labor market</u> with high numbers of people looking for jobs and careers in MSD. <u>Hired</u> strictly against a standard position description.

7Ss	Creators' Intent	MSD Interpretation	
		What It Is	What It Is Not
Skill	<ul style="list-style-type: none"> The dominate capabilities or attributes for which the company is known such as people, management practices, systems, technology. These capabilities are possessed by the organisation, not by any one individual, and they typically have been developed over the course of years. The firm may need to learn new skills and unlearn old skills when making a shift in strategy or its values. <p><u>Programme Leadership:</u></p> <ul style="list-style-type: none"> Ability to lead from behind by influencing change that is owned by others; Reconcile the balance between goals, quality and compliance to find solutions consistent with core values. <p><u>Managing Contractor:</u></p> <ul style="list-style-type: none"> Embraces sustainability and understands the temporary nature of development impact without it. Knows how to navigate the internal systems/procedures of the managing contract in support of the market facilitation approach. <p><u>Donor:</u></p> <ul style="list-style-type: none"> Embraces sustainability and understands the temporary nature of development impact without it. Knows how to navigate the internal systems/procedures of the donor in support of the market facilitation approach. 	<ul style="list-style-type: none"> <u>General:</u> The <u>art and science of the facilitation</u>: an action or agent that seeks to bring about change in a market system in order to achieve a public benefit or outcome without becoming a permanent part of the change. The effectiveness of the facilitation approach is largely dependent upon the attitudes, behaviors and skill of local staff with ability to catalyze a change process that confers ownership and influence by its stakeholders. Facilitation is a value adding public good in systems where this critical function is weak or non-existent. 	<ul style="list-style-type: none"> Derives from a highly specialized or academic technical discipline Relies on past experience alone where 'solutions' found elsewhere fit most any context. Discomfort with ambiguity or inability to make decisions with limited information



GUIDELINES FOR GOOD MARKET DEVELOPMENT PROGRAM DESIGN

A managers' perspective, September 2014



Good program design is a key factor contributing to the success of market development programs. unfortunately, too many current designs have major flaws, which prevent programs from becoming successful even before they get started.

WHY START A DIALOGUE ON GUIDELINES FOR GOOD PROGRAM DESIGN?

We believe that a market development approach like Making Markets Work for the Poor is the best way to be successful in achieving lasting economic growth in developing countries. Also, this approach has the potential to generate the best value for money.

However, realizing this potential of 'sustainable and efficient impact at scale' has proven to be difficult. In fact, the track record of many market development programs, and private sector development programs more broadly, has actually been disappointing when compared to what could (and should) have been achieved. Fifteen years after the publication of the 'Blue Book' – the donor guide for small enterprise development – we do see successful interventions here and there, but we do not see too many successful programs. In other words, we have been getting better at designing interventions that work and achieve results, but we have not been getting better at designing the programs able to 'produce' such interventions on a consistent basis.

We do have the 'hits' that excite us about the potential of the market development approach and development assistance in general, but producing these hits is often still a matter of 'hit and miss'.

We as implementers believe that following two key factors underlie this lack of consistency in program performance and are the main hurdles to successful program implementation:

- I. Program designs are rarely based on what works. They normally have many elements that unintendedly prevent effective implementation.
- II. There is a serious lack of capacity and skills to implement programs successfully and nothing is done to address this outside programs.

With this seven page document, we would like to start a dialogue on what makes programs consistently successful and how to prevent program design from being a hurdle to sustainable and efficient impact as scale.

In starting this dialogue we acknowledge that the persons in donor organisations responsible for the design of new programs often have to go a complex process to get programs approved. Nevertheless, despite this political reality, we believe that there is sufficient 'room for maneuver' in this process to incorporate lessons from the field to program improve design.

LESSONS FROM THE FIELD AND IMPLICATIONS FOR PROGRAM DESIGN

We gained our management experience in programs designed to improve the working of market systems around small enterprises and farmers, instead of providing direct support to beneficiaries. Working in an indirect, systemic manner makes results more likely to last beyond the lifespan of a program and makes them achievable at scale.

We want to emphasize that we attach much importance to value for money – development assistance needs to

be efficient and effective in order to make a meaningful change in the lives of millions and be seen by the taxpayer as a cause worth supporting. We do not want to be a drop in the ocean, nor do we want to be seen as excessive. The lessons from the field and implications for program design outlined below stem from our thinking on how to deliver aid in the most effective and efficient manner in order to create sustainable results at scale – in other words, how to deliver the best value for money in development practice.

Our programs – as well as many others – operate in complex and dynamic environments (systems), in which results are not easy to predict upfront. This complex reality cannot be ignored when the purpose of development assistance is to stimulate social change (as opposed to providing handouts). Our programs can only be successful if we embrace this complexity and constantly challenge our understanding

of how these systems work, learn from our experience and adjust activities where necessary. Programs based on an oversimplified perception of reality and designed to deliver simple, ‘one size fits all’ quick fixes are unlikely to be successful. Program design must respect the implications of operating in a complex environment.



One of the key lessons for good program design that we want to highlight in this paper is that:



The competence of local experts is perhaps the single most important factor for successful implementation in complex environments. More than anything, there is a need for donors to invest in skills and expertise.

Other key lessons in relation to good program design are:

1

Having **flexibility in terms of how to engage with whom** for the disbursement of development funds, so as to be able to engage the most suitable local partners in the most efficient and effective manner.

2

Having the **flexibility to adjust program portfolios and activities**, based on learning of what works and what does not in complex environments.

3

Having a program governance structure that monitors and steers decision processes and capacity rather than activities.

4

Having **enough time** to build up a program, build up staff capacity, learn, become truly effective, and have the time to reap the benefits from this process.

5

Having **realistic expectations** about what a program can achieve within a specific time frame and context to avoid forcing a program into quick wins over lasting results.

The table below can give guidance how to include these lessons from the field into program design.

Lessons From Managers	Implications for Good Program Design
	1. Staff

1. Systemic (market) development requires that National Experts take centre stage in program analysis and implementation. International experts, short-term and long-term, cannot substitute for National Experts as it is very difficult for them to capture the subtleties of a complex local business environment; they can support operations, but National Experts need to be at the heart of them.
2. Systemic (market) development requires high quality staff with: (a) an analytical mindset able to understand the underlying forces in complex markets; (b) specialist insight derived on the ability to do, amongst others, primary field research; and (c) creativity to come up with tailor-made, innovative development solutions. Such skills are rare and typically need to be honed by on-the-job training and exposure in the field; staff are therefore not a 'ready-made' commodity but need to be trained on the job. Persons with such skills, or the ability to acquire them, are often very talented individuals with an educational background that supports critical thinking who are typically highly sought after.
3. Systemic (market) development is staff intensive, because analysis, identification of partners and intervention design takes time; the investment in staff pays back in consistent programs with a strong process in place for identifying and managing sustainable intervention; staff numbers will vary in time, in relation to how the portfolio develops (see below).
4. International managers' main tasks are to create the right work environment and to transfer skills to National Experts; which coaching staff needs varies in time. Unfortunately there is not much common knowledge on how to build and guide a successful organisation in this manner.
5. These lessons are not different for subcontracts; local development organisations rarely employ the right staff and are therefore unlikely to be successful.

Good program design should...

Staff 1 ...allow programs to hire the people with the right, but rare profile and offer them a competitive package and an attractive work environment; they are the key to success.

Staff 2 ...allow programs to hire the right number of people; staff is not an overhead that needs to be kept as small as possible; they form the beating heart, the engine of the organisation.

Staff 3 ...allow programs to propose how many staff they need and in which positions; avoid predetermining positions and numbers in the head contract (both national and international).

Staff 4 ...allow programs to hire staff based on potential rather than experience and allow time for on the job training and coaching, which initially could be done by international managers and experts.

Staff 5 ...allow for arrangements that are conducive for learning and coaching such as a flat organisational structures and simple management arrangements, which allow managers to interact and transfer easily.

Staff 6 ...allow for a centralized office to that exchange and learning can take place, instead of considering a centralized office an overhead.

Staff 7 ...not allow for prearranged implementing partners; at the start of a program it may discover that since the initial design the environment has changed; as a result inbuilt arrangements may have lost their relevance and may even become a hindrance for effective implementation.

Staff 8 ...include civil servants only when incentives and capacity are right.

2. Flexibility

Programs operate in complex and often very dynamic environments. This implies the following:

1. Initial program design may be outdated or may proven to be partially incorrect when the program starts off (the environment has changed since the initial design or the design team could not grapple with complex local realities during the time-bound mission).
2. It is difficult to predict with absolute certainty which intervention models and partnership will turn out to be successful (despite the emphasis on tailor-made design); many factors and forces influence to what extent change will stick; implementation is not a linear ‘roll out’ – bad partners and interventions models into very successful ones if there is a willingness to learn.
3. A program’s portfolio needs continuous adjustment to maximize results; adjustments should be based on increased understanding of what works and what does not, should respond to new opportunities, and should optimize the allocation of resources; this is not a process of random trial and error but of guided optimisation based on the notion that not all interventions will be successful.
4. Early in the program, the portfolio should be broad enough to allow for these adjustments and preferably should be designed by the program itself as part of an inception phase instead of written into the head contract.
5. A program should have high-level aggregated targets, not market / intervention-specific ones.
6. A program should have flexibility in terms of which tools it applies (different problems and partners may require different tools).
7. Donor management of programs should not be about activities ('what does the program do'), but about monitoring decision processes, capacity and results ('what does the program intend to achieve and how').
8. Successful interventions have genuine private sector ownership; this results in unpredictable timing and budget absorption; budgets are not easy to predict and will increase in time and will increase in time.

Good program design should...

Flex 1 ...allow validation of the initial design in terms of:

- a. Targets;
- b. Impact logic and approach;
- c. Focus (geographical, markets, thematic);
- d. Organisational set up and staff numbers;
- e. Budgets (total, distribution between years, distribution between budget lines).

Better would be to limit the initial design to a framework that defines the process to make this framework operational and key success criteria; this could be done during an initial 6 to 8 month inception phase.

Flex 2 ...allow programs to take all operational decisions, but:

- a. Have an external steering / advisory body that monitors the implementation / learning process and focuses on strategic decisions.
- b. Involve host governments in a strategic, monitoring role rather than an approval role.
- c. Have donor and program agree on overall targets (not on targets for markets or interventions): contract deliverables should define process steps that ensure good outcomes instead of specific outputs.

Flex 3 ...ensure that a program is large enough to allow for a balanced portfolio of markets and interventions, while being small enough to avoid the need for bureaucratic controls.

Flex 4 ...accept flexibility (especially in case of activity funds) in yearly budgets and actual spending or add program elements with more predictable spending;

Flex 5 ...have budgets with few budget lines and allow fungible budget lines.

Flex 6 ...create space for procurement and grant mechanisms that are conducive for interaction with the private sector.

Flex 7 ...not pre-select partners in the design phase.

Flex 8 ...be careful to expect success stories in the first two years.

Lessons From Managers	Implications for Good Program Design
3. Sustainability and Systemic Change	

1. Sustainable outcomes triggered by systemic changes render long-term value for money but take considerably more time and effort to realize than short-term fixes.

Programs need to be given sufficient time and resources to design truly sustainable and systemic interventions.

2. Programs have to make trade offs between aiming for long-term, lasting change or early wins; a program can aim for ‘low hanging fruit’ to have some results early on, but cannot compromise on its systemic approach and opt for short-term fixes.

Compromising on the criteria that make an intervention sustainable in one case undermines the position of the program to negotiate these criteria in another case.

Good program design should...

Sustainable 1 ...provide sufficient time and incentives for a program to pursue a systemic approach, instead of creating pressure to deliver results early on.

This can, for instance, be done by asking the program to define which systemic changes it aims to achieve and how, at an appropriate time into the program and writing this into the head contract as a contract deliverable.

Sustainable 2 ...make a clear choice for a systemic approach and accept the implications in terms of resourcing (e.g. staffing), timeline and the criteria that are part of this approach

Efficient and effective, consistent programs need a coherent, interlocking design; compromise programs are not likely to work.

4. Timeline and Duration

1. A market development program goes through a number of stages towards the above mentioned ‘guided optimisation’ of efforts and resources:

First two to three years

- a. Learning from field analysis and, simultaneously, building team capacity;
- b. Translating and testing learning by launching initial market-related activities;

Mid-term, around year three

- c. Reflection on what worked and what did not, and, based on this, adjustments;

After mid-term

- d. Adding systemic elements and achieving scale.
2. The first two years of a program lay the foundation for delivering success later on; a strong team should take shape and the initial activities should show ‘how success looks like’.
 3. Programs should have strong internal yearly targets for staff capacity and initial market changes; the indicators to measure these should be agreed upon and could be used by donors to monitor whether a program is on track.

Good program design should...

Duration 1 ... allow programs to have a duration of five to seven years; a ‘go or no go’ point could be built into the design after two or three years.

A design with a duration of only two to three years with a possible extension does not allow a program to phase and plan properly.

Duration 2 ...include a performance monitoring system for the donor that respects the program stages; the system should focus on the required capacity early on in the program, which includes:

- a. Staff capacity to analyze and engage;
- b. Credibility with the private sector;
- c. Quality of strategies;
- d. Process oriented management systems;
- e. Managing a portfolio with enough potential for impact;
- f. Assessing early signs of change in support markets.

Duration 3 ...allow external reviews to respect the same program stages and preferably includes a series of review moments, each with a phase-specific agenda, executed by the same review team.

Lessons From Managers	Implications for Good Program Design
5. Learning Organisation	

1. The complexity and the inherent need for adjustments require programs to become a genuine learning organisation, but also one that acts on the lessons.
2. Learning is not about simple market facts; many elements of how markets behave are hard to capture in documents (for example, the working of the economy, understanding private sector partners, their real incentives and interests.)
3. Learning does not only come from attending training programs; learning is a continuous process and comes from being part of the whole implementation cycle (assessments – implementation – results measurement) and (nearly) all research efforts related to this
4. Field exposure to new markets and new countries stimulates learning.
5. The requirement of being a learning organisation means that staff retention needs to be high; this puts significant demands on the working conditions of local staff.

6. Impact

1. The first impact figures can often not be expected until year four; projections based on changes in the support markets can allow for more credible projections.
2. A theory of change with a timeline can be a good basis for an agreement between donor and implementer on what is reported.
3. Impact measuring systems take time to setup; this should be started early on in the program.
4. In complex environments it is very hard to understand impact (impact can be very diverse), let alone having it measured by outsiders; a system of internally measuring and external quality control is the best option in most cases.
5. Good internal impact measurement starts with staff being able to articulate the impact logic (result chains) of a particular intervention, define indicators, and think through which measurements tools how and when to be used.

Good program design should...

Learning 1 ...ensure that an internal learning (M&E) system is in place; this system should be about drawing lessons for all experts in the organisation; in order to do so, at regular intervals internal discussion sessions should be held to review findings from the field and extract lessons.

Learning 2 ...include a role for the donor to checks the analytical and self-reflecting culture throughout the program.

Learning 3 ... ensure that (nearly) all research is done by program staff, while only specific technical research and maybe larger impact assessments are outsourced; consultants should support instead of replace them.

Learning 4 ...allow for sufficient budget to invest in program (for training and exchanges with other programs) and to retain staff.

Good program design should...

Impact 1 ...ensure a realistic expectation of when impact can be expected, based on a realistic theory of change.

Impact 2 ...have a good internal impact measurement system initiated latest by the end of year1; this system should be in place / functional in year two.

Impact 3 ...test key indicators early on.

Impact 4 ...consider having an external system audit done; the DCED audit system can be considered.

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