THE OPERATIONAL GUIDE FOR THE MAKING MARKETS WORK FOR THE POOR (M4P) APPROACH

06 MANAGEMENT
ARE YOU READY, WILLING AND ABLE?

Second Edition

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MANAGEMENT
ARE YOU READY, WILLING AND ABLE?

06

6.1 KEY PRINCIPLES

"Luck is when preparation meets opportunity" Seneca the Younger

"All organisations are perfectly designed to get the results they are now getting. If we want different results, we must change the way we do things." Tom Northup

Stimulating market system change is a multi-faceted and non-linear process. It has distinct management implications for implementers. Implementers, and those who contract them, must prepare themselves for this move away from 'business as usual', ie away from continually fighting fires to preventing fires from breaking out in the first place.

Programme management has to be able to accommodate less predictable interventions. Market systems development programmes work through market players in partnership, at a pace determined by market players, in a way that encourages ownership of the change process. Market players do not operate according to the schedules or procedures of international development agencies.

A less direct, more catalytic approach requires programme managers to provide conditions that are conducive to flexibility, innovation and trial and error. Expectations, especially of what can be achieved in the short-term, also need to be adjusted.

Recruitment and personnel capacity building must be consistent with the demands of the approach. Market systems development is not a logistical endeavour, where delivery according to plan is all that counts. It is an analytical, advisory and catalytic endeavour. It requires credible, strategic leaders with entrepreneurial qualities and a team of staff with a wide range of multi-disciplinary expertise.

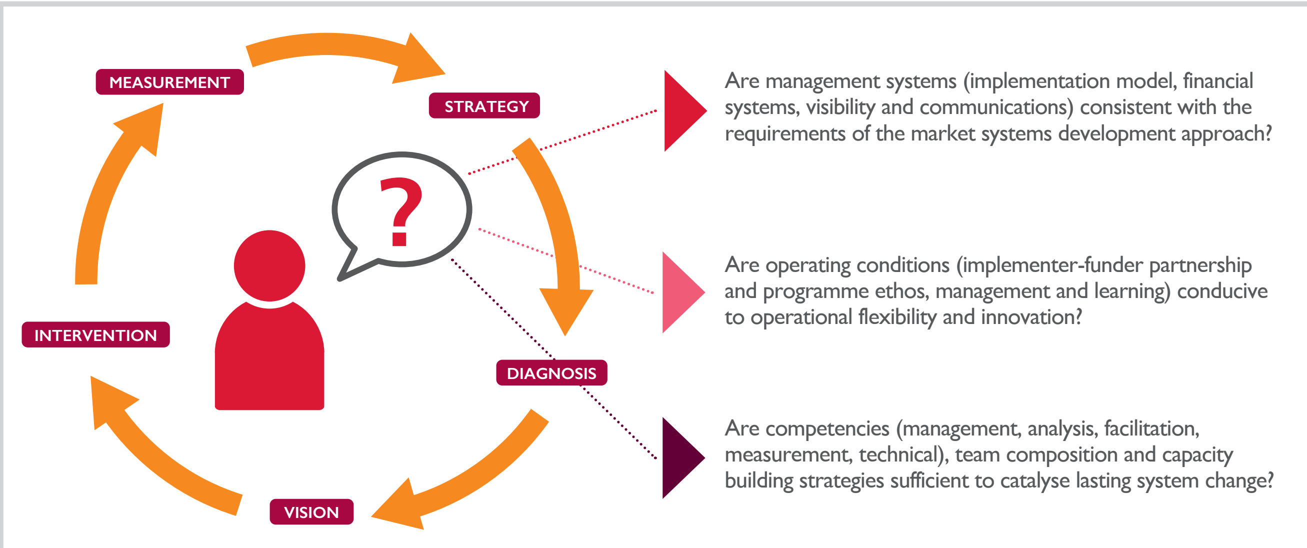

Figure 22: Managing market systems development programming

Aspects of management have already been covered in previous chapters, when dealing with specific considerations of setting strategy, diagnosing markets and establishing a vision, and facilitating and measuring change. Funder-specific considerations have been covered in Chapter 1, Strategy.

This chapter is aimed primarily at implementers, but it also has important implications for those funding programmes. Implementers must understand the management implications of the approach described in Chapters 1 to 5 of this Guide and be prepared to find ways of dealing with the tension between the bureaucratic norms of large, publicly-funded development agencies and the realities of programmes on the ground. This chapter focuses on three aspects of programme management – readiness, willingness and ability:

Readiness: ***Assess whether systems are ready and fit for purpose:*** Understand where organisational processes and procedures may constrain implementation of the market systems development approach; develop strategies to mitigate these constraints

Willingness: ***Ensure staff are empowered and willing to manage market systems interventions:*** Establish conditions that encourage flexibility and innovation amongst staff, reflecting the dynamic nature of market systems interventions

Ability: ***Equip programme teams with the ability to manage market systems development effectively:*** Assemble programme teams that offer leadership as well as technical expertise, supported by a strategy and resources for building team capacity

6.2 PUTTING IT INTO PRACTICE

This chapter examines the practical management implications of pursuing the market systems development approach as laid out in Chapters 1 to 5.

Implementers need to establish programme management which is consistent with applying the market systems development approach. This means being *ready* (putting in place the necessary systems); *willing* (creating appropriate incentive structures); and *able* (ensuring staff have the requisite capacities for market systems development). Funders must try to encourage implementers to establish these conditions.

Readiness: Assessing whether systems and procedures are fit for purpose

The ***key question*** you need to answer is:

Are your management systems consistent with the requirements of the market systems development approach?

Flexible, responsive programme management is critical. It requires procedures and processes that are also flexible and responsive:

- Implementation models
- Financial systems
- Visibility and communications

Implementation models

Few contracts specify the precise form of programme implementation model to be employed by the implementer, but in practice two models (or hybrids thereof) have emerged:

- *In-house implementation:* interventions are executed by full-time programme staff
- *Sub-contracted implementation:* interventions are executed predominantly by sub-contracted implementation partners or 'co-facilitators'

In-house implementation is the most common model. Its benefits lie in building and retaining in-house expertise and experience in the market systems development approach, and in setting strategy and controlling interventions.

For larger programmes in-house implementation implies high staff numbers and associated personnel costs. Some programmes therefore seek to outsource this burden by sub-contracting implementation activities.

The sub-contracted model can offer a means of quickly widening programme coverage, as well as bringing new expertise and networks into play.

In practice, sub-contracted implementation presents two difficulties. First, finding sub-contractors with commitment to and competence in market systems development is not easy. It can be difficult to determine prior to sub-contracting. Second, orienting, managing and measuring external sub-contractors responsible for delivering key parts of your programme can consume almost as much time and resources as the programme undertaking interventions itself.

The advantage of using sub-contractors, ie their local knowledge and contacts, is often the source of their greatest disadvantage. They tend to have established methods of working and other contracted activities that often conflict with the market systems development approach. Further drawbacks include:

- Experienced staff having entrenched opinions, which prevent them from looking at a problem with 'fresh eyes'
- Pre-existing relationships with market players based on direct support create expectations which can undermine development of more facilitative partnerships

If sub-contracted implementation is necessary it should be based on the principle of partnership, not 'delegation'. Assess the following factors:

- *The need to sub-contract:* sub-contracted implementation is not an easy option. Have you considered alternatives (eg expanding in-house resources or reducing your scope of intervention)?
- *Sub-contractor additionality:* what is the added value a sub-contractor brings (eg outreach, local knowledge, expertise)? Does this justify the costs associated with sub-contractor orientation, management, measurement and systems alignment?
- *Sub-contractor capacity:* does the sub-contractor demonstrate the technical and managerial capacity for market system intervention? What level of support and oversight will you need to provide?
- *Sub-contractor credibility:* Does the sub-contractor have credibility with market players? Does it have historical relationships with key market players that could undermine your programme's approach?
- *Sub-contract terms and conditions:* conventional output-based sub-contracts can create incentives for sub-contractors to deliver outputs irrespective of the sustainability of those outputs. Does the proposed sub-contract sufficiently incentivise effective application of the market systems development approach?

Reality check: Outsourcing strategies

In practice, programmes tend to use a mix of in-house and outsourcing, outsourcing different things at different times. Initially, a programme needs to establish effective systems and learn. At this stage, it is often not capable of managing and overseeing the outsourcing of large components of implementation. It will tend to outsource smaller, more manageable tasks. As the programme gains experience and momentum (and confidence in subcontractors) it is better able to outsource large elements of implementation, perhaps as it enters a new market system. The key lesson, however, is not to outsource strategy, diagnosis and measurement if you want to retain control.

Financial systems

Budgetary and financial management systems designed to assure accountability often lead programmes to define, from the outset, detailed budget breakdowns, spending forecasts and reporting formats.

Budgeting and forecasting in such a rigid and detailed manner is not possible when you intervene through a range of market players, at their pace. The diversity of activities associated with multi-faceted interventions can also lead to an excessive number of budget lines that pose a heavy financial reporting burden.

Try to balance the need for financial accountability with the need to avoid constraining intervention flexibility. It is more practical and less onerous to assure accountability through rigorous financial monitoring, cash-flow management and audits, than prescriptive budgeting.

Reality check: Co-funding arrangements

Co-funded programmes can be more complicated when funders have different accountability and process requirements. To avoid being 'all things to all funders', one solution has been the formation of trusts. A trust is a legal arrangement delegating management and governance authority from funders to a legally-bound entity governed by a 'Board of Trustees'.

Trusts can be complex to establish, but they offer a practical cost-effective means of accommodating multiple funding streams in pursuit of a single, cohesive implementation strategy.

Programme budgets are conventionally split into overheads (ie management, staff and administration costs) and funds spent directly on 'impact'. Funders seek to reduce the level of overheads as a proportion of overall programme budgets, in the interests of demonstrating 'value for money' and that the bulk of funds spent benefit poor women and men.

Influencing market player behaviour is a human-resource intensive process: rarely is it just about providing funds or equipment. You add value through your intelligence, insight, advice, mentoring and impartial mediation. Staff are therefore an essential intervention cost for any market systems development programme.

Categorising staff as overhead instead of intervention costs inflates overheads and under-reports intervention costs which distorts the picture of your programme's financial performance.

Interventions must be costed accurately and fully (eg staff inputs to market diagnosis, negotiations with market players, following up pilots, etc). These costs should also be integrated into your results measurement system to routinely permit a comparison of the costs and benefits of intervention, to aid decision-making and transparent reporting.

Reality check: Implementer incentives

Implementers tend to make most of their profits from staff fees. Variations in staffing plans can therefore undermine their commercial returns, reducing their incentives to be flexible during implementation.

Some agencies are using outcome-based performance contracts and payments as a way of encouraging implementers to focus on achieving impact through programme strategy, rather than personnel allocations, allowing more flexibility about how the programme organises its resources.

Reality check: Contracting mechanisms

Market systems development programmes are typically managed under a single head contract between a funder and an implementer, which lays out the fiduciary responsibility of the implementer and the basis for its legal accountability to the funder.

Effective contracts should safeguard the need for flexibility in implementation. They should emphasise poverty and system-level outcomes and sustainability rather than detailed inputs and activities. Contracts must provide for:

- Operational flexibility, including the ability to reallocate resources over time. The specifics of interventions should not be defined in detail at the contracting stage
- Incremental programme expansion, at a pace determined by opportunities and the responsiveness and capacity of market players
- Regular review to assess and revise intervention strategies and portfolio mix in light of results and market system dynamics
- Longer than conventional programme timeframes (typically five to six years)

Visibility and communications

Programmes engage with an array of stakeholders: target groups, civil society, government, funders, etc. How you communicate with these stakeholders can impact the effectiveness of your interventions and partnerships within the market system.

As highlighted in Chapter 4, programmes should maintain a low profile with the target group. Avoid promoting your 'development' identity, so as not to come between the target group and those market players who serve them and with whom direct relationships need to be built or strengthened.

Programme 'invisibility' may not be desired by your funder or government partners. For instance, your funder might want the programme to be 'visible' to its own constituency. Government might wish to see the programme support the priorities of an entirely different constituency. Neither one of these might be your target group or market partners.

Chapter 5 identifies the need for tailored and succinct communications strategies that enable you to communicate targeted messages to suit different audiences. Simple, clear and relevant messaging is vital if your stakeholders are to understand and support what you are doing and why.

Willingness: Assessing the programme operating conditions

Management systems can be adjusted to allow programmes to operate differently, but funders and implementers also have to want to work differently.

The ***key question*** you need to answer is:

Are programme operating conditions conducive to staff working flexibly and innovatively?

The effectiveness of teamwork within the programme is influenced by: (a) the nature of the funder-implementer management partnership, and (b) the conditions under which the programme will operate.

Implementer-funder partnership

Managing flexible programmes requires genuine partnership between funder and implementer, reflected in shared ownership of programme outcomes and decision-making.

Market systems development programmes take risks. Rigidly defined boundaries of responsibility between funder and implementer can encourage risk aversion. An open and collegiate approach is very important. You should be concerned if you find yourself in a 'them and us' relationship.

Sustainability is rarely a 'quick win'. It requires iterative interventions and longer timeframes. Being patient yet confident that sustainable results will emerge in time is risky for funders and implementers. Risks can be minimised when they are recognised and responsibility for their monitoring and mitigation is shared:

- *Planning:* build consensus and commitment to the strategic framework and its operational implications
- *Implementation:* maintain a joint focus on the programme objectives whilst recognising the need for flexible intervention tactics in pursuit of those objectives. If you are a funder you will need to give implementers 'space' to innovate. If you are an implementer you will need to build your funder's confidence in the decision-making processes shaping the programme's direction
- *Measurement and communication:* share understanding of the change process and what is being measured; be open to learning lessons (positive and negative) in order to refine programme implementation

There will always be a tension between the practical realities of stimulating system-level change and the need to demonstrate tangible results in short timeframes. Realistic projections can help (see Chapter 5), but experience suggests that reconciling this tension is almost impossible unless implementers and funders work together closely.

Programme culture

Intervening through market players reduces the degree of control a programme has. If you are an implementer you need to be willing to work in a way that carries greater risk (albeit to achieve larger scale, more sustainable outcomes) and establish an operating environment that is conducive to staff working flexibly and entrepreneurially.

The ability to operate effectively is reflected in a programme's ethos, leadership and learning environment:

- *Ethos:* effective market systems development programmes are characterised by demonstrable understanding of and commitment to the approach, its focus on sustainability and the facilitative role of aid intervention. This ethos needs to be nurtured by management and supported by the programme's funder
- *Leadership:* implementers need to establish a programme culture and management systems capable of accommodating risk and flexibility. Leadership is the most critical factor in achieving this. Effective management entails encouraging experimentation and calculated risk-taking. Teams need to be empowered to engage with diverse stakeholders and to employ a range of intervention techniques. In parallel, management needs to develop the discipline of analytical rigour and critical thinking, accompanied by effective systems for measurement and learning (see Chapter 5)
- *Learning:* Your interventions can only be responsive and flexible if information flows regularly from the field into your decision-making and back again. Learning is both an attitude and function. It needs to be inculcated across the programme's operations. Features of a strong learning environment include:
  - *Inquisitive people:* staff at all levels ask questions about market systems and interventions, and share lessons about successes and failures
  - *Space for learning:* programmes provide the time and opportunity (progress review, data triangulation) for all staff to reflect regularly on what they are doing, and build mentoring into the tasks of management
  - *Learning is captured and utilised:* staff are expected to capture and share lessons from interventions, and have the mechanisms to do so
  - *Learning as a management criteria:* staff should be assessed and incentivised on their capacity for learning and adaptability

  A learning culture must be invested in. It requires:
  - Allocation of time in the calendar for learning and exchange, and recognition of its validity (eg in terms of reference)
  - Allocation of resources for specific research activities that adds to understanding and learning

Ability: Assessing staff competency to deliver

The effectiveness of any market systems development programme depends on its people. Finding, training and motivating the right people is vital to success.

In recruiting and establishing teams the ***key question*** you need to answer is:

Do you have the requisite breadth and depth of competencies to catalyse lasting system change?

There are three aspects that you need to consider:

- Core competency needs
- Team composition
- Capacity building strategy

Core competencies

The diversity of contexts, market systems and interventions means that it is rarely possible to have, or even predict, all the skills you need within one organisation. What you must have are the basic attributes and competencies of market systems development within your core team (see Figure 23, overleaf): managing, analysing, facilitating and measuring interventions. These are transferable across systems, and this inter-change is actually beneficial. System-specific technical expertise is needed within the core team, but can be complemented by outsourcing.

A combination of these competencies is therefore essential:

- *Management:* conventional programme management emphasises the delivery of outputs and thus the management and administrative capacity of senior staff. Intervening in complex and dynamic market systems and working through market players places even greater emphasis on robust and responsive management and leadership.

  Some programmes separate technical and managerial leadership (eg a general organisation manager and a technical portfolio manager) to ensure both skills sets are adequately provided for.

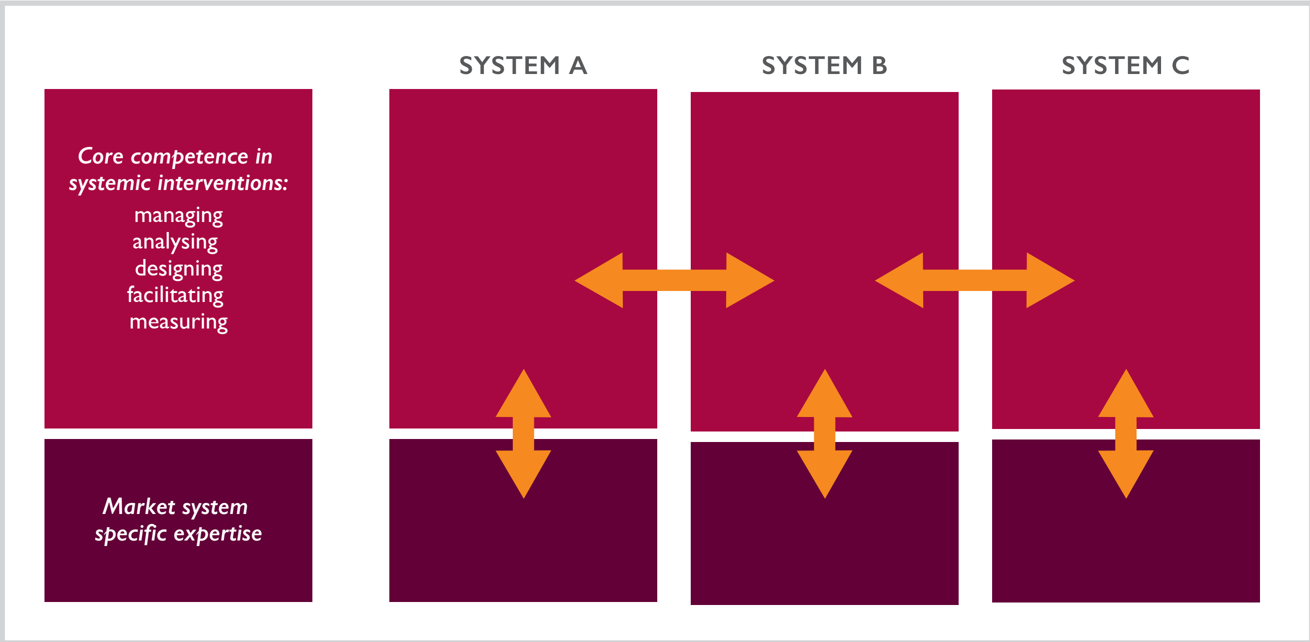

Figure 23: Core competencies in market systems development

Effective management is also important at intervention-level. Market systems development programmes are often organised around particular market systems (eg primary education or fisheries) or specific supporting systems (eg regulation or research). This structure requires 'middle management' leadership of each intervention, with the capacity to drive and focus the work programme and intervention teams

Reality check: Management style

Openness (including about failures), mechanisms and incentives for exchange, learning, and decision-making (driven by analysis and critical feedback) are all essential parts of programme culture.

Management can contribute to this culture by sending the right signals and leading by example. Conversely, there are some warning signs that may indicate management style might be inhibitive to such a culture:

- Reporting and procedures which are overly rigid or formal (where delivering reports or complying with procedures becomes the driving force)
- A management structure which is very hierarchical or authoritarian (where the prevailing orientation is to satisfy the next level up the chain)
- Decision-making which is unilateral or bureaucratic (where initiative is stifled or slowed down)
- A culture of blaming individuals for lack of progress (where fear of failure restricts openness)

- *Analysis:* the ability to stand back from individual market players' perspectives, look at the wider market system context and identify where intervention is required. Teams must add value to the process of market player consultation by identifying constraints and opportunities at the system-level.
  Specialist analytical skills are often called upon when taking account of more entrenched societal factors. Specific skills important to market systems analysis include:
  - *Political economy:* the *status quo* often represents a 'political' settlement which favours vested interests. Pro-poor change challenges entrenched vested interests and meets resistance. Teams need to be skilled at understanding the political economy of change and in finding ways to overcome resistance to change
  - *Gender:* teams need to be skilled at understanding disadvantages between women and men in market systems and in finding ways to resolve these imbalances in the system
- *Facilitation:* market systems development is about catalysing others to change. The ability to 'facilitate' that change process is an essential competency, made up of a number of attributes:
  - *Communicator:* facilitators constantly give and receive information. They must be adept communicators with a diversity of stakeholders and able to interpret information
  - *Relationship builder:* improving relationships is central to market systems development. Facilitators must be skilled at bringing people together, changing perceptions and fostering trust. They should be effective mediators and resolvers of conflicts
  - *Entrepreneur:* facilitators need to be entrepreneurial and credible to the private sector. This is a departure from the conventional expectation of familiarity with development norms. Facilitators need some business experience
  - *Coach:* facilitation involves building capacity and confidence. This requires a capacity to assess needs, provide support and guide the change process whilst not undermining ownership
  - *Innovator:* innovation is a driver of market systems development. Facilitators must be creative and able to identify and stimulate new ideas in others. A good facilitator has enthusiasm for a continuous process of learning
- *Measurement:* all team members need some level of capability in monitoring and results measurement and, importantly, the willingness to be self-critical and open to learning
- *Technical:* a strong interest and/or track record in relevant target market systems. Credibility in the eyes of market players requires technical competence

Reality check: What a CV cannot say

Facilitation skills and aptitude are not easily presented in a CV. Programmes should consider means of exploring key aptitudes either at interview or during probationary periods, for example:

- A simple spreadsheet with analysis tasks to test basic confidence with numbers, analysing ratios and relationships, and spotting patterns
- A simple reading and presentation task to test comprehension, interpretation and communication skills
- A 'field' exercise to gather information, test basic observation and engagement skills, and assess resilience in field conditions

Team composition

An effective team is one that balances the requisite competences and attributes needed, supplementing them with external expertise as required.

Market systems development requires a mix of 'thinkers' and 'doers'. Over-dependence on either one of these attributes can be problematic.

Thinkers are important in order to:

- Gather, analyse and evaluate information
- Step back from the detail and keep sight of the 'big picture'
- Think strategically and prioritise
- Assess and make decisions

Doers are important in order to:

- Coordinate and manage activities and people
- Operate independently and with purpose
- Be persistent, dealing with and adapting to rejection and failure

Capacity building strategies

Attracting and retaining the calibre of staff needed requires appropriate investment in human resources and working conditions.

Market systems development remains unfamiliar to many practitioners. Experience demonstrates that:

- The market systems development approach can be learned and does not require specific technical expertise
- 'Direct delivery' approaches can be difficult to 'unlearn' for many development professionals

Where good facilitation skills are not readily available, programmes must invest both time and resources in building capacity during and after mobilisation. A practical and well-resourced capacity building strategy may include:

- *Mentoring:* ongoing mentoring within and between intervention teams, led by those experienced in the market systems development approach
- *Training:* structured professional development schemes for teams combining local and international packages ('training of trainers') and in-house skills development ('cascade training')
- *Backstopping:* recurrent technical backstopping from market system development experts to intervention and portfolio managers, and programme-level backstopping to team leaders
- *Staff secondment and exchange:* secondment of senior staff between programmes to share experience and train new staff
- *Networking and peer learning:* remote and face-to-face learning fora (eg LinkedIn groups) and events

Reality check: Staff turnover

Programme experience highlights the specific risk of high staff turnover, particularly at senior levels, when newly commissioned programmes seek to build new teams. This can be extremely disruptive to programme and team development. Managers need to consider the incentives in place to retain staff including remuneration, training and/or secondment opportunities.

6.3 "DON'T MAKE THE SAME MISTAKES I DID…"

Getting the 'right' experience

Figure 23 describes the mix of expertise required in an effective market systems development intervention team. When looking for experienced personnel to grow existing teams or establish new ones, managers should focus on the core competencies required (ie management, analysis, design, facilitation and measurement).

A common mistake, often exacerbated by the appraisal criteria favoured by funders when assessing personnel in programme proposal documents, is to prioritise technical expertise in a specific system during team identification and staff deployment.

In practice, technical expertise is more difficult to transfer across systems in a multi-market systems programme, than competency in managing and implementing market systems interventions. In fact, very focused technical experience in a specific system can be a hindrance to analysing a system's constraints dispassionately, and to introducing new perspectives and solutions to 'disrupt' the *status quo*, which might come from a different supporting system entirely.

Similarly, it is important not to judge the capability of an implementing organisation purely on the basis of a corporate capability statement providing a long list of seemingly market-oriented initiatives implemented to date. If you are a funder looking to commission an implementing organisation, or an implementer looking to sub-contract some of your implementation, you must probe more deeply into an organisation's track record in providing the kind of management systems and operating conditions described earlier in this chapter. Most crucial of all is the calibre of proposed leadership.

Effective management of the portfolio of market systems and interventions

Effective market systems development is responsive to the dynamics of those systems. Some interventions will work, others will need adaptation and some will need to be dropped. Not everything will work.

Managers must be prepared to make tough but informed decisions about the programme portfolio, be that in terms of entire market systems or interventions within those systems. In the absence of timely decision-making, portfolios tend to grow whilst retaining increasing numbers of ineffective interventions, or even market systems which are unlikely to change.

Staff should be equally prepared to accept intervention portfolio decision-making. Whilst successful interventions require team commitment and motivation, it is important that individuals do not become so attached to those interventions that they resist making the necessary decisions when changes are required.

Adaptation or stopping of interventions in response to market system signals should be expected and regarded as normal in a programme with an effective learning culture. It should be seen as a positive process by staff, not a reflection of failure. Managers must instil a culture and mindset that is supportive of trial and error and self-evaluation. Staff should be confident of support rather than 'blame' when changes to intervention strategy or tactics are called for.