Adaptive Management: From the Inside Looking Out

Managing the Enterprise Partners Market Systems Development Programme in Ethiopia

Enterprise Partners

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ENTERPRISE PARTNERS

making markets work for all

2013-2020

EP
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EP was established in 2013, funded by the United Kingdom's Foreign, Commonwealth and Development Office (formerly the Department for International Development), to facilitate market systems development in order to create jobs and raise incomes of Ethiopians, especially women, living in poverty. The primary focus was to stimulate agro-industrial growth and access to finance, with the objective to leverage over GBP 300 million in additional investment and sales, create 45,000 jobs, increase the income of 65,000 people, and support 150,000 people to access financial services. EP had to achieve these results in a specific context: where there were very few MSD programmes and at a time when the Government of Ethiopia was only just beginning to embrace the private sector as a development partner who could support the pursuit of the country's industry-focused, export-led growth goals.

Enterprise Partners Case Study Series

Enterprise Partners released a series of case studies in November 2020 to share the progress, lessons and insights of the programme's seven years of market systems development in Ethiopia. This case study forms part of that series.

Case Study Compendium: Insights and Lessons for Driving Market Systems Change for Inclusive Growth in Ethiopia

Enterprise Partners Programme | 2013-2020

1

Case Study 1

(Synthesis Paper)

Facilitating Inclusive Growth in Ethiopia:

Think Systemically, Act Strategically, Adjust Frequently for Best Results, Enterprise Partners Programme, 2013-2020

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Case Study 2

Enterprise Partners in Support of Industrial Transformation:

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Enterprise Partners' Monitoring and Results Measurement system and DCED experience

The case study compendium and standalone studies can be downloaded at **https://enterprisepartners.org**

Acknowledgements

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This case study is authored by Linda Yohannes, the EP Strategic Communications Lead, with significant critical review by Marshall Bear, a Market Systems Development Consultant. The case study was made possible with the contribution and collaboration of all EP team members.

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Background

The cumulative experience of the Enterprise Partners (EP) programme confirms what many market system development (MSD) practitioners have long recognised; that an agile adaptive organisation is a critical factor for the success of an MSD programme.

At the time of writing, EP had been running for more than seven years, intervening across seven different sub-sectors in Ethiopia – a country with nascent markets – and represented a significant MSD undertaking. A series of case studies[1] on the EP experience have been developed and offer useful insights into how to stimulate change in market systems through the processes of learning and adaptation.

This case study argues that an MSD implementing organisation needs to simulate the very same change processes internally that it is seeking to stimulate externally in order to create the enabling conditions for it to read and react quickly to market system dynamics as they unfold. Specifically, this case study looks at EP's change management at different stages of its sector engagements with government and private sector stakeholders.

The EP team looked back and reflected on the programme's long journey and dug deep into the vast data and information it collected in order to capture and articulate lessons on how to position, create, manage and resource a facilitator to advance the goals of inclusive growth. The lessons speak to the experience and interests of MSD practitioners, donors and their public sector partners, managing contractors and their in-country leadership teams, and development enthusiasts more broadly.

Conceptual Framework: EP's Adaptation of McKinsey's 7S Model

This case study primarily employs the McKinsey 7S Model[2] (refer Figure 1) to analyse EP's organisational development and change management. It also refers to the *Operational Guide for The Making Markets Work for the Poor (M4P) Approach*,[3] and the B*EAM Exchange MSD Competency Framework*.[4]

Developed in the 1970s by McKinsey and Company, the 7S Model is an organisational effectiveness tool. According to the theory, an organisation is most effective when its 7S's - structure, system, strategy, skill, staff and style - are all aligned to the organisation's shared values and vice versa. As a change management diagnostic tool, it is used to understand whether and how a change in one function of the organisation (any one of the 7S's) impacts the other functions. Equipped with such understanding and insight, a manager thereby takes actions aimed at a re-alignment of the 7S's.

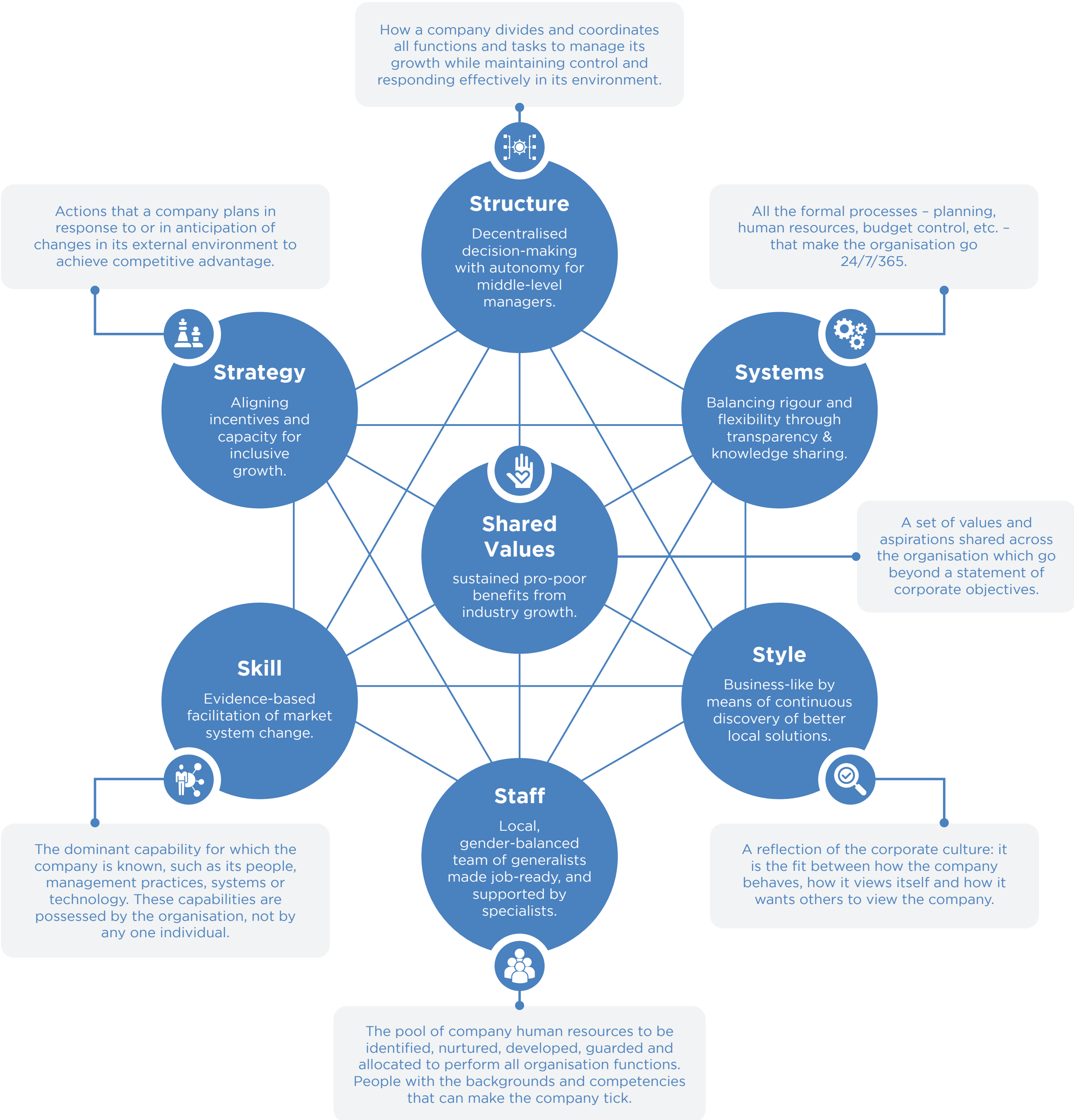
[1] Enterprise Partners 2020 *Case Study Compendium: Insights and Lessons for Driving Market Systems Change for Inclusive Growth in Ethiopia*, Enterprise Partners 2013-2020

[2] https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/enduring-ideas-the-7-s-framework

[3] https://www.enterprise-development.org/wp-content/uploads/m4pguide2015.pdf

[4] https://beamexchange.org/msd-competency-framework/msd-competencies/

Figure 1 McKinsey 7S model as adapted by EP



Note: McKinsey's definitions for each 'S' are outside each circle.

An enduring management tool, the 7S model continues to be used by managers to increase the effectiveness of all kinds of organisations, including MSD programmes. One notable attempt to adapt the 7S model to MSD work is to be found in the Messiness Series by Harald Bekkers and Marshall Bear[5]. By using the MSD-adapted 7S model, Bekkers and Marshall demonstrated the importance of continuously re-aligning the Market Development Facility, a multi-country MSD programme, so that it could adapt its response to complex and/or messy market systems while

[5] Bear, M. and H. Bekkers (2018), *In Search of the Sweet Spot in Implementing MSD Programs*, The Messiness Series Part 4.

always keeping an eye on the shared values. The 7S model has been further adapted by EP to better fit the Ethiopian context and unpack EP's organisational change management experience. EP's definitions of each 'S' are inside each circle (see Figure 1 above) and listed below for ease of reference.

Shared Values

Sustainably create jobs and incomes through industry growth

Structure

Decentralised decision-making with autonomy for middle-level managers

Strategy

Aligning market player incentives/ capacity for inclusive growth

Systems

Balance rigour and flexibility through transparency and knowledge sharing

Style

Business-like by means of continuous discovery of better local solutions (or best- practice solutions from elsewhere that were adapted to Ethiopia)

Skill

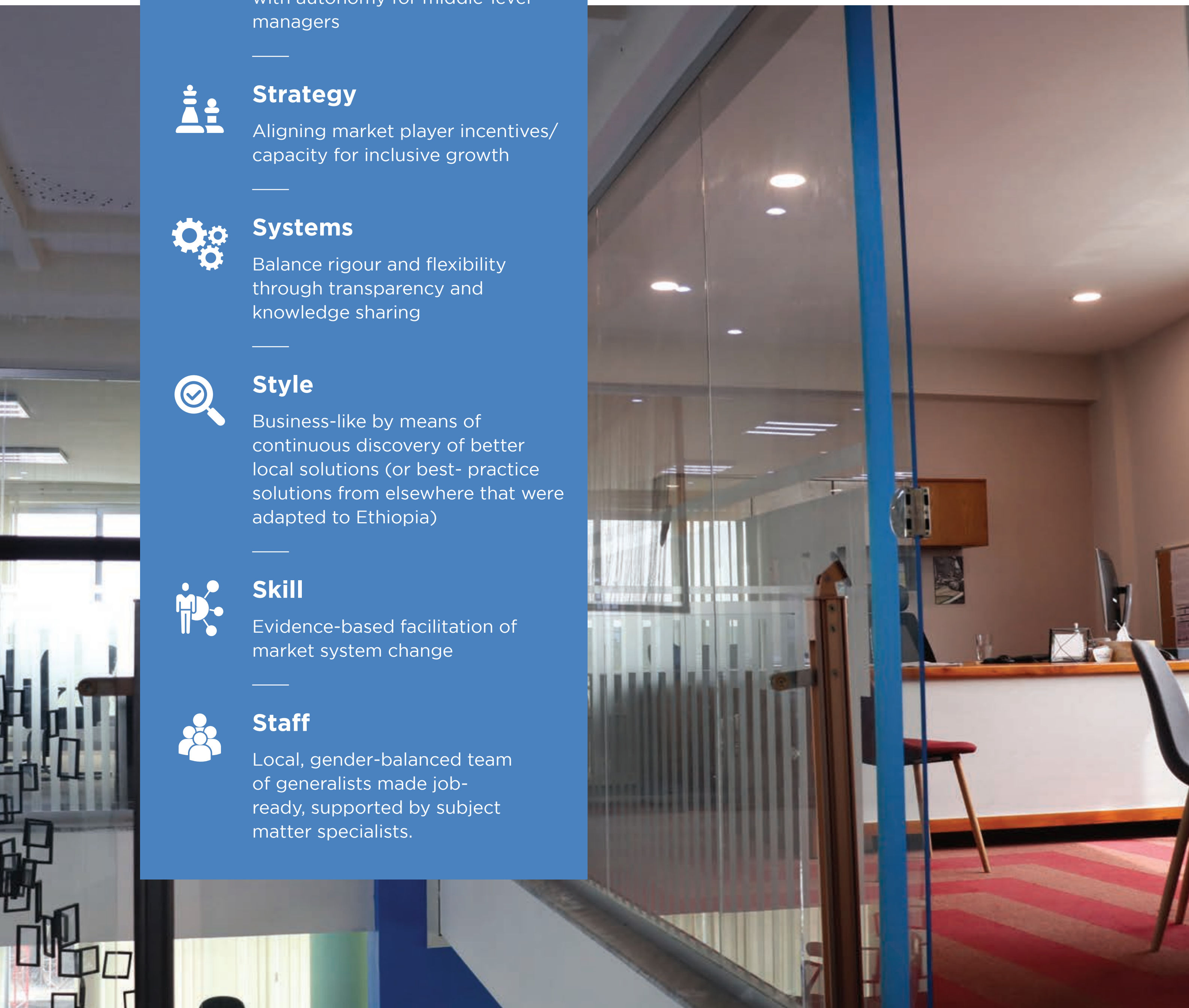
Evidence-based facilitation of market system change

Staff

Local, gender-balanced team of generalists made job-ready, supported by subject matter specialists.

EP's 7S alignment was achieved after years of evolution, adapting to challenges in its environment and making corresponding changes in its internal organisational set-up. Still, it should be noted that the achieved alignment was not perfect; the 7S-diagnosis should be regularly repeated as ideal alignment between organisational functions and core values is never a steady state but a constantly moving target.

This case study will refer to both the original McKinsey definitions and as they have been adapted by EP to discuss three organisational change management scenarios or 'organisational crossroads'.



Scene-setter:
Three Organisational Crossroads

Through different project implementation stages and across many years of activity, EP faced various challenges in facilitating private sector-led inclusive growth at a time when the government of Ethiopia was only just beginning to embrace the private sector as a development partner in its pursuit of industry-focused, export-led growth. These 'crossroads' that EP found itself at required internal changes in order to adapt to the external context so that it could pursue its objectives. EP confronted and responded to these challenges through a continuous change management process. Although there were many crossroads of varying significance, three particular scenarios have been selected for discussion:

1
Scenario 1
Stakeholder mis-perceptions of EP as a donor-funded programme

2
Scenario 2
Effective facilitation without undermining shared values

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Scenario 3
Seeking synergies between complex sectors

This adaptive management case study starts in February 2015, when Nebil Kellow was appointed as the EP Team Leader. Nebil's priority objective was to accelerate the programme's operations from the inception and market strategy design phase to MSD intervention implementation. A financial analyst in the UK, Nebil returned to his native Ethiopia in 2006 to set up a management/investment consulting firm. Nebil was the closest fit to the Team Leader job which required someone who knew both MSD and the Ethiopian context. One of the first tasks Nebil undertook as Team Leader was a stocktake of the ways in which EP was not fulfilling its purpose. He articulated a number of challenges and continued this constant review process in the subsequent years, identifying constraints to the programme's performance and adjustments that needed to be introduced to the organisation. In other words, he '7S-diagnosed' the programme with a view to identifying and addressing misalignments.

This is a story about how an MSD programme – its team leader, managers and advisors – made organisational adjustments in line with an understanding of the market system dynamics as identified through team networks, staff observations, data collection and monitoring systems.

The organisational changes made in response to the three crossroads/challenges selected for discussion were first informed by observations of the external factors that were inhibiting EP's ability to operate effectively. This was followed by a diagnosis of which organisational function was in need of urgent change and how a change rippled across other functions. The EP-adapted McKinsey 7S model is used, retrospectively, to tell these change management stories. Finally, this case reflects on how the organisational changes that were made helped EP improve its ability to operate.

Stakeholder mis-perceptions of EP as a donor-funded programme

Observations

Government and private stakeholders conditioned to expect grants

Thanks to decades of overseas official development assistance, as well as humanitarian assistance due to Ethiopia's history of natural and man-made crises, Ethiopians are familiar with aid and aid organisations. A result of aid historically being given in the form of direct delivery is that aid organisations are popularly viewed as heavily-funded arms of foreign governments that disburse handouts. This view is also held, to an extent, by government and private institutions and organisations, although instances of development programmes working with private sector partners is much less common.

How EP was to be perceived by stakeholders was therefore pre-determined by this widely-held perception of development assistance. EP's stakeholders were conditioned to expect grants and approached working with EP as a beneficiary rather than partner. In such a scenario, pro-poor market outcomes are not the primary incentive of programme stakeholders nor do stakeholders necessarily 'own' the project objectives. They are certainly not likely to expect to share the cost of market transformation. Preventing the crippling effect of these expectations on EP's aspirations of becoming a trusted partner, capacity builder and, most importantly, a facilitator of market system change, required that EP presented itself with a new face to reset perceptions.

Real and meaningful partnerships were uncommon and required the right messaging to form

As stated, Ethiopia is development-assistance rich. Thousands of NGOs, many of them international, implement programmes which almost always involve the government at various levels, from federal to the smallest woreda (a third level administrative division) and kebele (wards within woredas). This often results in government institutions having multiple projects working with them at any given time, competing for their time and energy in ways that do not always embed the 'development work' within their routine tasks. This proliferation of partnerships has negatively affected the quality of engagement to be expected from government stakeholders; partnerships are therefore often put in place as a formality. As an MSD programme, it would have been self-defeating for EP to settle for such ineffectual partnerships where the commitment to the goals was not mutual.

Diagnosis/Response

These observations led Nebil to conclude that there was a poor fit between how EP saw itself and how it wanted others to see it. Stakeholder mis-perceptions were undermining EP's ability to implement its MSD approach – the private sector development approach that was chosen and supported by the United Kingdom's Foreign, Commonwealth Development Office (formerly DFID) as the programme donor.

A change in style was needed

EP needed a tighter definition of its style and to strengthen how it communicated its objectives and strategy to stakeholders and prospective partners.

"We wanted our partners to see us as consultants. We wanted everything about us, including our brand, to say 'We're here to consult you on improving the market you're in, but we don't charge. In fact, we have some money to invest if you'll co-invest in activities that will open doors for you and others in the market.

- Nebil Kellow

Style is 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.

Style Adapted to EP: Business-like by means of continuous discovery of better local solutions.

EP needed others to see it as business-like, where success is rewarded by continuous discovery of better local solutions. Only when partners correctly perceived EP's role would its style be fit for the purpose of facilitating inclusive and sustained growth.

Staff convey style

EP's style needed to change. What appeared more like an NGO in style had to become more business-like. To be contextually fit for the purpose of facilitating the discovery of local solutions for market constraints, EP staff needed to learn, adopt and promote this culture. They were recruited because they demonstrated the attributes needed to be effective representatives of this culture while the MSD training they received reinforced this further. The management team and all programme intervention managers were required to showcase such a style in their manner of engagement with public and private partners, as well as in their professional networks. EP management and the intervention managers would sometimes role-play the needed style during lunch times. Role plays would include an EP manager approaching, convincing or negotiating with a business owner (played by an EP staff member).

It should also be mentioned that Nebil with his background in business and investment, as well as his private sector-related interests and public appearances in Ethiopia, brought to EP experience in similar business interactions.

Appearance conveys style

The typical donor-funded development project office building in Ethiopia is indistinctive. they are often unmarked, or may display an acronym of the (usually long) project name next to the donor's logo. EP wanted something different. It wanted to project that it meant business. A local interior designer was commissioned to transform the office into one that had character, resulting in people initially often not knowing what EP was – a private company, a foreign donor-funded project with a new look, or something else? This 'curiosity' was good for EP; the team could then inform stakeholders why and how EP was different from a more conventional aid-funded programme.

Changes in style affects system

EP's communication system needed to change so it could reinforce an understanding of its style and culture to all stakeholders. It had to cease donor-like communication, for instance, of putting adverts in newspapers inviting businesses to apply for 'grants' and instead have intervention managers seek out and support businesses with the right skill and will.

EP needed to create a communication system around the concept of 'dual identity branding' in order to project an audience-specific identity as necessary. For its 'market' audience, EP omitted or kept a low-profile about the fact that it was UK Aid-funded or the size of its budget. Market-oriented communication products focused on EP's self-standing attributes, sectors it worked in, its MSD approach and successes in its interventions. EP's 'development' audience such

System refers to the formal processes – planning, human resources, budget control, communication – that support the organisation.

System Adapted to EP: Balance rigour and flexibility through transparency and knowledge sharing.

as its donor, who seeks high visibility to address its political and taxpayer base, and other development organisations received communications on how the programme achieved impact at scale and pro-poor market outcomes achieved through better functioning market systems. Such a communications strategy involved a close consideration of who needed to know what, when and in what form.

One of EP's communication tools, its logo, was designed by an external branding agency to fit this purpose. As stated above, the simple fact that EP as a programme had a well-developed distinct brand was enough to lend it a 'corporate' image and disassociate it from its 'developmental' role from the perspective of its market audiences.

Still, EP's communications were generally modest. It avoided aggressive visibility and for this reason consistently opted to communicate results via partners' platforms rather than from its own, and maintained a low key presence on social media. Instead, EP's strategic communications team preferred to provide technical assistance to its partners' communications units. Toward the close-out of the programme in 2020, however, EP felt freer about communicating its achievements and contributions, including via a series of case studies, inclusive of this case study, which document and communicate EP's knowledge-rich experience as an MSD programme.

Resulting Changes

The above measures taken to disrupt firmly established perceptions about aid organisations resulted in fresh attention to the programme and a more positive reception from partners. Its 'local-but-modern' look and feel encouraged confidence that its technical capacity was world-class, which was complementary to its attempt to be a capacity builder and a trusted partner.

One instance exemplifies this. As one of the private sectors that received considerable aid, the leather sector in Ethiopia was conditioned to receive grants without having to show concrete innovations. During one of EP's partner selection and intervention design phases, a footwear manufacturer stated that their company was the most prominent in Ethiopia and therefore at the forefront of the severe challenges the industry was facing. The company claimed that if EP had any resources to invest in the leather sector, they were entitled to be a recipient and use any resources received as they chose.

EP's Intervention Manager and the Technical Director spent a considerable amount of time studying and understanding the firm-level challenges, elevating the discussion to reach an agreement with the business owners that the challenges were more systemic and prevalent across many manufacturers. Eventually an intervention that addressed market aggregation was developed, and involved a technology and standard certification programme that attracted the co-investment of ten footwear manufacturers.

But clear messaging alone was not enough to create effective partnerships. EP needed to demonstrate to prospective partners why a facilitation approach to market system development – described in the paragraph above – could be a better way to approach a problem faced by an individual firm. Before EP could show others the value and practice of a facilitator, it had to take a close look at how it understood, practiced and communicated this role.

Effective facilitation without undermining shared values

Observations

Through managing and communicating its style (e.g. staff and workplace), EP was able to overcome the initial problem of stakeholder mis-perception and enjoy renewed reception for the right reasons. However, when formalising partnerships, EP still needed to discern and strategically circumvent partner expectations around aid dependency as well as consider additional – and possibly more strategic – roles than the direct service delivery favoured by government entities. The core value of an MSD approach over a more conventional direct delivery approach is that it aims to deliver the sustained benefits of jobs and income through better functioning market systems. Market systems are far too complex and messy for any single market player – public or private – to drive industry growth. Market transformation is far more likely where there is effective cooperation between market players, especially at the nascent stage of market development.[6]

According to Nebil, "EP couldn't be big enough (e.g. available funding resources) or right enough (e.g. think tank-type know-how) to drive change." Instead, EP had to be seen as an informed and honest broker capable of influencing and shaping an evidence-based, participatory, stakeholder-driven change process toward a shared vision of inclusive growth. As such, EP's core organisational skill had to be facilitation; to catalyse a change process among key stakeholders without becoming a permanent part of the change. By showing EP's public sector partners the value of the market facilitation role, they could re-examine their roles in stimulating more private sector-led industry growth.

Diagnosis/Response

These observations led EP's leadership team to re-double its efforts to define for itself what facilitation was and why its practice was so important to achieve its objectives of sustained pro-poor benefits within Ethiopia's industrial growth. Only when the EP team understood and fully embraced this organisation-wide skill could it re-align prospective partner expectations with how best EP could support them in pursuing their inclusive business models (private sector) or mandates (government).

Facilitation skill needs defining and strengthening

The skill of facilitation combines both science and art. A facilitator needs to understand the underlying causes of market system under-performance in order to define market strategies and manage interventions for results. Science provides a facilitator with the evidence on the 'why' behind the market system changes required to foster more competitive and inclusive growth. The 'art' of facilitation – the intuitive ability to guide a process of change towards locally-driven solutions versus directing a process towards pre-conceived solutions – provides a facilitator with a toolkit on how to guide an evidence-based, stakeholder-driven change process through its different stages of first seeing the need for change, planning for it and staying the course through the twists and turns of implementation. In Ethiopia as

[6] Bekkers, H. (2020), *Enterprise Partners in Support of Industrial Transformation: Building and Industrial Labour Services Market in Ethiopia*, Enterprise Partners.

in many developing economies, the knowledge of the 'what' and the needed solutions may be there; it is often the 'how' and the execution that flounders.

During EP's early stages of market analyses and strategy design, its team of subject matter specialists and consultants effectively exhibited the 'science' side of facilitation as they produced detailed market system studies and carefully crafted intervention strategies and put in place best practice, DCED-compliant monitoring plans.

As active implementation began and progressed, the 'art' side of EP's facilitation skills were found to be inadequate at the time when it had to be much stronger for a number of reasons. EP saw that there was no one right pathway to transform markets at scale. Instead, there were multiple and shifting entry points that were learned by doing, experimenting and allowing for failure by both partners and EP. The EP team's facilitation skills needed to focus more on encouraging, advocating, handholding and keeping momentum to promote ownership of business models by public and private partners where the outcomes were uncertain. Beyond direct engagement with individual partners, EP needed to coordinate stakeholder platforms of different types such as steering committees and technical working groups where EP managers frequently had to deal with existing public and private actors and players of varying will and capacity for their role. EP would have to use both sides of its facilitation skill: 'science' would yield a shared understanding of the issues and agenda for change; and 'art' would generate a shared excitement and confidence in a diverse stakeholder change process.

Skill: The 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.

Skill Adapted to MSD: Evidence-based facilitation of market system change.

Changes in skill affect staff

When it became clear implementation demanded stronger facilitation skills, EP re-assessed its staffing function across two dimensions: staff competencies and team composition.

Staff is a pool of human resources to be identified, nurtured, developed, guarded and allocated to perform all organisation functions. It is the people, their backgrounds and competencies.

Staff Adapted to MSD: Local, gender-balanced team of generalists made job-ready and supported by subject matter specialists.

Add more generalists to the team

One of the ways to strengthen EP's core skill of facilitation was to acquire staff who had the relevant competencies. EP embarked on recruiting (internally and externally) more generalists over subject matter specialists as growth in its portfolio required more staff with the core attributes that would allow them to develop into adept facilitators. Subject matter specialists, while more experienced, were often older and tended towards a fixed mindset with less willingness to stop, learn and, where necessary, change approaches when there were new developments in a sector or when the designed approaches failed to work. It was thought that early-career professionals with little or no specialised training or work experience were more likely to be constant learners, open to thinking more creatively and provide the energy needed to see through the often lengthy processes that required a lot of effort. According to Nebil, they could be 'made ready' through on-the-job and formal training in MSD.

Staff recruitment focused on young professionals with appropriate educational backgrounds, such as business, economics and sociology and with the attributes associated with best practice facilitation:[7] entrepreneurial, innovator, relationship-builder, coach and communicator. These competencies were needed to work with market actors and manage partners and engage in stakeholder forums. These skills would be critical to change long-entrenched business practices; change that would be reliant on behaviour change.

This was met with some challenge when tension developed between the older, Ethiopian specialists and the incoming younger, sometimes diasporic Ethiopian generalists. Members of EP management had to do some reconciling of this to manage the mostly perceived but sometimes real differences. For example, frank conversations were held outside of the formal office setting to acknowledge the contributions of both, reassuring specialists that their local knowledge was important while also explaining the benefit of introducing new talent and new approaches.

Promising young professionals were fast-tracked to positions of intervention manager, a job which involved fast-paced facilitation and adaptation. This move also created space for interns to grow within the organisation as it created more internal professional development options. Of course intervention managers needed to be technically versed to meaningfully participate in collaborative work with partners, but a basic, self-taught understanding of the sector could be adequate provided they were supported by subject matter specialists under long or short term consulting contracts. Correspondingly, the average age of employees also went down from 43 in 2015 to 35 in 2018 (refer Figure 2).

[7] Operational Guide for The Making Markets Work for the Poor (M4P) Approach, and the BEAM Exchange MSD Competency Framework: https://www.enterprise-development.org/wp-content/uploads/m4pguide2015.pdf and https://beamexchange.org/msd-competency-framework/msd-competencies/

Figure 2 Gender, age and origin data of EP employees 2013-2018

Change in staff composition: National staff and gender representation

Nationality: Nothing says 'donor-funded' more than an overwhelming presence of international staff in a development project. It feeds into the perception discussed earlier of aid programmes only providing grants, hampers the development of partnerships on mutually shared goals and, even more so, the facilitation of solution-seeking behaviour among market actors. In 2015, 66 percent of EP's 39 staff members were foreigners. By 2018, through a recruitment policy of both internal and external staff that favoured capable Ethiopians over foreigners, 83 percent of the 46 staff members were Ethiopians (refer Figure 2).

EP, being led by Ethiopians and having a staff of mostly locals, had many advantages. Capable national staff better understand the political economy at national and sector level, and better navigate the issues that affect the work. They are more suited to the work of facilitating change at the pace set by the market player. National staff are also far more approachable and trusted than expatriates in Ethiopia, where a level of mistrust of foreigners is prevalent due in large part to the country's insularity from the outside world. Only the most exceptional expatriate can go beyond a cordial but fundamentally distant relationship.

When it came to holding honest and fruitful dialogue and consultations (often in the vernacular language) and doing facilitation work with private and government actors, EP's national staff were at a clear advantage. They were better suited to move partners outside of their comfort zones to try new ways to solve intractable development problems.

EP's national staff members interviewed for this case study[8] also said they approached their job with a genuine desire to work out solutions for Ethiopia's development challenges and contribute to creating a better society for their fellow citizens. Working on the interventions with a knowledge that they were 'doing it for their country' added to the job satisfaction and this intrinsic motivation consequently resulted in better performance.

Another unintended positive of having more national staff was that, unlike government employees who are paid low salaries and thus may be more concerned with immediate needs, national staff of foreign-funded development projects tended to be better-paid (when national staff filled posts held by international staff, they enjoyed salaries that, while not the same as the international staff, were comparable) and, with their basic needs met, they aspired to work toward the country's potential and social actualisation. This is despite, not instead of, Ethiopians' tendency for nationalism. What this means is that in line with EP's aim to maintain a staff that possessed the un-teachable attributes, in addition to having commitment - one of the un-teachable attributes – the staff also enjoyed a level of financial security which allowed them to focus on and pursue aspirations for the greater good.

Gender: Some of EP's interventions were closely related to people's personal, day-to-day lives. For example, HIPSTER (Hawassa Industrial Park Employee Sourcing and Training Employees in the Region), an intervention aimed at building an industrial labour services market and whose end-user beneficiaries were 90 percent women, involved planning for how factory workers sourced from the rural towns with no prior exposure to city or industrial life would survive in the city. Female intervention managers were able to raise gendered issues a male might not think of unless informed by research. Even if male staff were feminist and informed (EP had a cross-cutting women's economic empowerment framework and advisor), female staff were still valuable in linking theory and practice.

Female intervention managers helped create safe spaces to hold interviews and focus group discussions with workers on sensitive topics such as sexual harassment and menstrual hygiene. This greatly informed facilitation and lobbying for meaningful solutions for the unique needs of this particular labour market as well as future interventions designed to complement and support HIPSTER results. Such gender-sensitive teams were able to provide the more hands-on management the interventions required.

EP's recruitment of more women improved gender parity among staff, increasing from 76 percent male and 24 percent female in 2015 to 50 percent male and 50 percent female in 2018 (refer Figure 2).

Skill and staff changes affect EP's HR system

EP shifted from traditional recruitment methods (job advertising, CV reviews and interviewing to find 'ready-made' staff) to an HR practice of 're-recruiting' existing employees to fill job vacancies. This was undertaken for both entry-level and mid- or senior-level posts. The mid- and senior-level posts, while not filled by inexperienced young graduates, were filled by individuals that demonstrated the required skills as opposed to possessing the technical qualifications. In this 'on-the-job-recruitment,' internal candidates were screened on the basis of having some kind of higher education training and, more importantly, having exhibited the critical 'un-teachable' qualities (commitment, desire to learn, willingness to leave one's comfort zone, ethics and values) in their current job.

> The unteachable qualities, are things you are born with or learned early in life. You need a critical mass of your employees to possess these attributes for the ship that is your organisation to not sink, but sail, and sail well.
>
> ***- Nebil Kellow***

The underlying belief supporting this 'on-the-job recruitment' was that it takes time for an employee's core competencies to be revealed and/or shaped.

Recruitment was a task the Team Leader did not delegate. Nebil understood that people were the single biggest asset of an MSD programme. He interviewed direct reports and sometimes reports of direct reports in addition to strictly enforcing reference checks. He often reached out to his own personal contacts to get a genuine assessment of re-recruited or newly recruited staff. Throughout the organisation, he emphasised a principle of hiring people not only for who they were on their CV but also the impression they made during the lengthy interview and written assessment/presentation EP always required from finalist candidates. To help hiring managers think through the candidates they were looking for, he often discussed the shortlisted candidates with them prior to selection.

Capacity building

EP created a strategy and a system for staff capacity-building. EP employees enjoyed an abundance of professional development opportunities, including but not exclusively: specialised, thematic in-house trainings delivered by industry experts; overseas training; seminars and workshops; and Friday 'learning' sessions where employees used their afternoon coffee break to share lessons from off-site training sessions with all staff. Since 2015, over 50 EP staff members attended more than 150 training sessions in 10 different countries, including Ethiopia. The wide-ranging themes of these training sessions included markets for the poor (M4P) approaches, monitoring and results measurement (MRM), the DCED MRM standard, market system change, women's economic empowerment, communications and writing skills.

Wengel Tessema,
EP's Young Leather Sector Coordinator

Wengel, 33, sits in the lobby of one of the hotels dotting Addis Ababa. Her reading glasses and work laptop are put away. She loves her job, but unwinding after work with people who had insider's insight into her line of work was even better. At the table with her are people who, like her, work in the leather industry in Ethiopia: a footwear manufacturer executive, the daughter of the family that owns the largest and the oldest tannery, and a foreign buyer who is in town to inspect factories. They are in the industry to make money; she is in it to see how she may contribute to the development of the leather industry in Ethiopia. Apart from what she learned from her seniors at EP who expertly led the market analysis and designing of market strategies, it was what she learned during these chats with those working in the industry that greatly informed her work.

"As great as studies can be, the real learning happens when you talk to people who explain why things happen the way they do," Wengel explained.

"I spent those first few months learning all that I could about the leather sector in Ethiopia, reading, spending time with people who worked and invested in leather."

Despite not having a technical background in the leather industry (she studied economics) and having worked within EP's Monitoring Results Management team for a few months, Wengel was recruited 'on-the-job' and offered a role as the leather intervention team manager in 2016. The EP management's decision to move Wengel into this role paid off. She went on to develop the concept for and launch nine interventions, closing three of them due to poor results and completing six, including the 'Tannery Productivity and Marketing' intervention which was scaled up after generating beyond-expected results. In her three and a half years in the position, interventions managed by Wengel generated £6.3 million in sales (one of the outcome-level results), contributing 24 percent to the sales generated by EP until March 2020. Overall, interventions led by Wengel facilitated the improved practices in 13 tanneries, four shoe factories and four raw hides and skins traders, accounting for 17 percent of EP's 'firms changing practice' result.

The most notable facilitative work Wengel did was to lead an intervention aimed at the drafting and adoption of the National Leather Roadmap of Ethiopia.[9] This intervention was designed to tackle challenges brought about by a 150 percent tax imposed on the export of semi-finished leather - an ill-prescribed policy to incentivise tanneries to export higher-value leather. The result was a major failure by Ethiopian tanneries to step up to the challenge because they lacked the required technical, financial and marketing capacity. Although these challenges were recognised, there was no coordinated national effort to address the problem. EP, represented by Wengel, emerged to be the independent body to lay out the facts and figures and facilitate what needed to be done.

Administratively, working to encourage agreement and action by a committee composed of busy government officials required the gamut of facilitation skills. After a lengthy process, the National Leather Roadmap was inaugurated in 2020 as a guiding document owned by multiple stakeholders. The success of this intervention is evidenced by the fact that, after EP's direct involvement ended, as per the roadmap recommendation a rule change took place removing the restrictive tax on semi-finished export of leather for local tanneries

EP adapts facilitation skill without undermining values

The learning process for EP continued and direct delivery emerged as not only an unavoidable but also an important skill beyond facilitation. Poor capacity is a pervasive feature of public development actors in Ethiopia. The factors are complex to address and compound one another. This often means that despite partners aspiring to fulfil their roles in a partnership, that is to effectively lead, manage and, most importantly, sustain pro-poor benefits, without more capacity to perform these functions partners could be reduced to mere approval and authorisation-giving bodies.

In response to this observation, when having to choose between addressing capacity issues that could eventually lead to systemic market development, and declining an intervention because it would involve direct delivery, EP saw merit in engaging in direct delivery to build capacity, provided there was an agreed exit strategy between EP and its partners that ensured sustainability.

[9] Yilma, T. Tessema, W. and Grant, W. (2020), *Changing the Rules with Strategy, Evidence and Action: Lessons from our Cotton and Leather Interventions*, Enterprise Partners

Resulting Changes

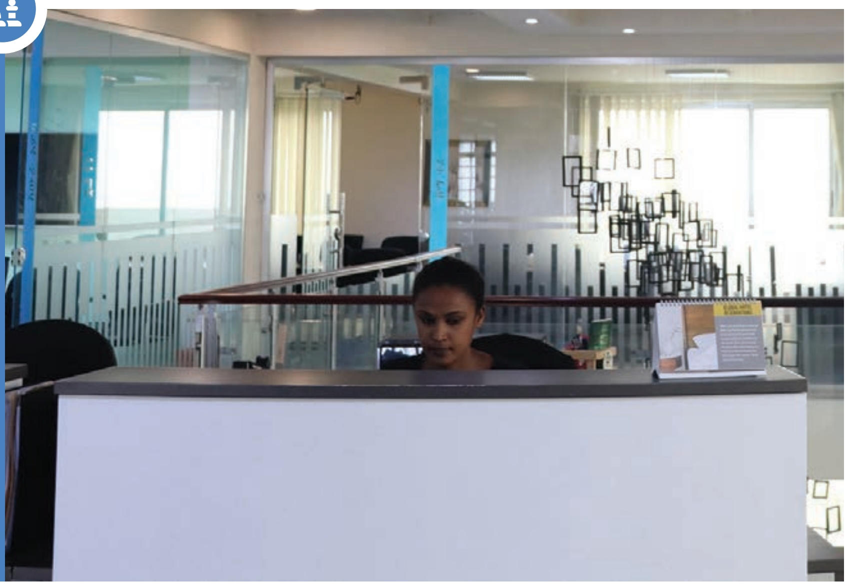
EP's adaptation of its strategy in the different sectors as required resulted in, and facilitated, more results. For instance, the Small and Medium Enterprises Finance Project and the Women's Economic Development Program (WEDP) managed by EP did not follow the MSD approach, but always sought MSD-like sustainability. WEDP had a credit facility of USD45.9 million funded by the World Bank to support the development of SMEs owned or partially-owned by women. EP provided technical assistance to build the capacity of participating microfinance institutions delivered in the form of workshops and training sessions. After years of providing capacity building, EP's exit strategy included seeking to make investing in capacity building mandatory by the Ethiopian central bank for microfinance institutions. In so doing, it aimed to create demand for training by financial institutions and experts. While this endeavour to bring about what would be an MSD 'rule side' change was pending at the time of writing, EP also linked market actors with training skills to supply microfinance institution capacity building services at an affordable price (18 consultants graduated from a certification programme run jointly by the Association of Ethiopian Micro Finance Institutes and the Frankfurt School of Management). EP encouraged microfinance institutions to buy these services by sharing the cost of the first round of technical services.[10] At the time of writing, over one year on, this exit strategy proved effective as more microfinance institutions continued to see the benefits of the capacity building programme and hire these experts, although they were not obliged to.

EP chose to deliver services directly to its microfinance institution partners in order to dramatically improve access to financial services for many thousands of small and micro-sized enterprises, many of which were female-owned businesses, without undermining its core value of sustained pro-poor benefits through more inclusive financial services markets. This choice was guided by an exit strategy where EP would search for the best alignment between market player incentives – the Central Bank, microfinance institutions, their customers and service providers – and their capacity to ensure long-term market-based relationships.

Further evidence of this better understanding of facilitation (including employing a degree of direct delivery where necessary and useful) is presented in the other case studies within this series. Together these case studies document the strategically iterative journeys of EP interventions in the leather, cotton and garments sectors.

Strategy: Actions a company plans in response to or in anticipation of changes in its external environment to achieve competitive advantage.

Strategy Adapted to EP: Aligning incentives and capacity for inclusive growth.



[10] Itana, K. and Grant, W. (2020), *Transforming Financial Service Markets for Micro, Small and Medium Enterprises (MSMEs) in Ethiopia through Direct Technical Assistance to Financial Institutions: The Case of Enterprise Partners*, Enterprise Partners

Seeking synergies between complex sectors to optimise value for money

Observations

Even as a programme designed as a multi-sector, multi-year, multi-million (GBP 61M budget) programme, EP found itself to be spread too thin. Priority sectors of engagement (agriculture and finance) were big and complex with elongated value chains cutting across agriculture, processing, manufacturing, services and export trade. EP reduced the number of sectors from five to six in 2017, but still found its portfolio to be too complex. This presented EP with significant organisational challenges: how would it ensure a shared big picture understanding of EP's vision across sector teams and operating units, and how would it find synergies between seemingly disparate sectors so that lessons learned in one could be applied to others?

Diagnosis/Response

Right structure not performing as intended

Finding a shared vision and synergies between sector teams required a high degree of internal communication and coordination between different units within EP. Although EP had sensibly divided its functions and tasks and decentralised decision-making to middle managers of complex sector programmes, the units they managed became silos, detached from the big picture looking only at their own sector interests.

Add to this an informal management and leadership team whose membership was haphazard and a culture that was not transparent nor conducive to bottom-up leadership began to emerge. The top management also lacked an up-to-date and strategic bird's-eye-view of the interventions, which had serious implications considering EP's middle management enjoyed considerable autonomy and the liberty to exercise adaptation in their interventions.

EP had put in place the right structure but it was not effectively serving its needs to find synergies between sectors and, in doing so, allocate resources as efficiently as possible.

Structure is how a company divides and coordinates all functions and tasks to manage its growth.

Structure adapted to MSD: Decentralised decision-making with autonomy for middle-level managers.

System strengthens synergy

EP launched a Quarterly Sector Review, or QSR system as it was referred to internally, to deliver transparent communications and the inter-staff exchanges necessary to seek synergies between sectors. The QSR involved a quarterly half-day workshop for each sector. It brought together management, the MRM team, intervention managers, thematic advisors (gender and green growth advisors), operations personnel and report writers and created an opportunity for staff to interact and provide input into each other's decision-making. As a result, intervention teams were able to make more evidence-based, strategic decisions that benefited from monitoring data. The presence of report writers meant intervention managers could provide input into reports while not having to direct their attention away from implementation to report writing. Intervention managers presented PowerPoints focused on the key points and the report writers turned these into reports.

System refers to the formal processes – planning, human resources, budget control, communication – that support the organisation's function, 24/7/365

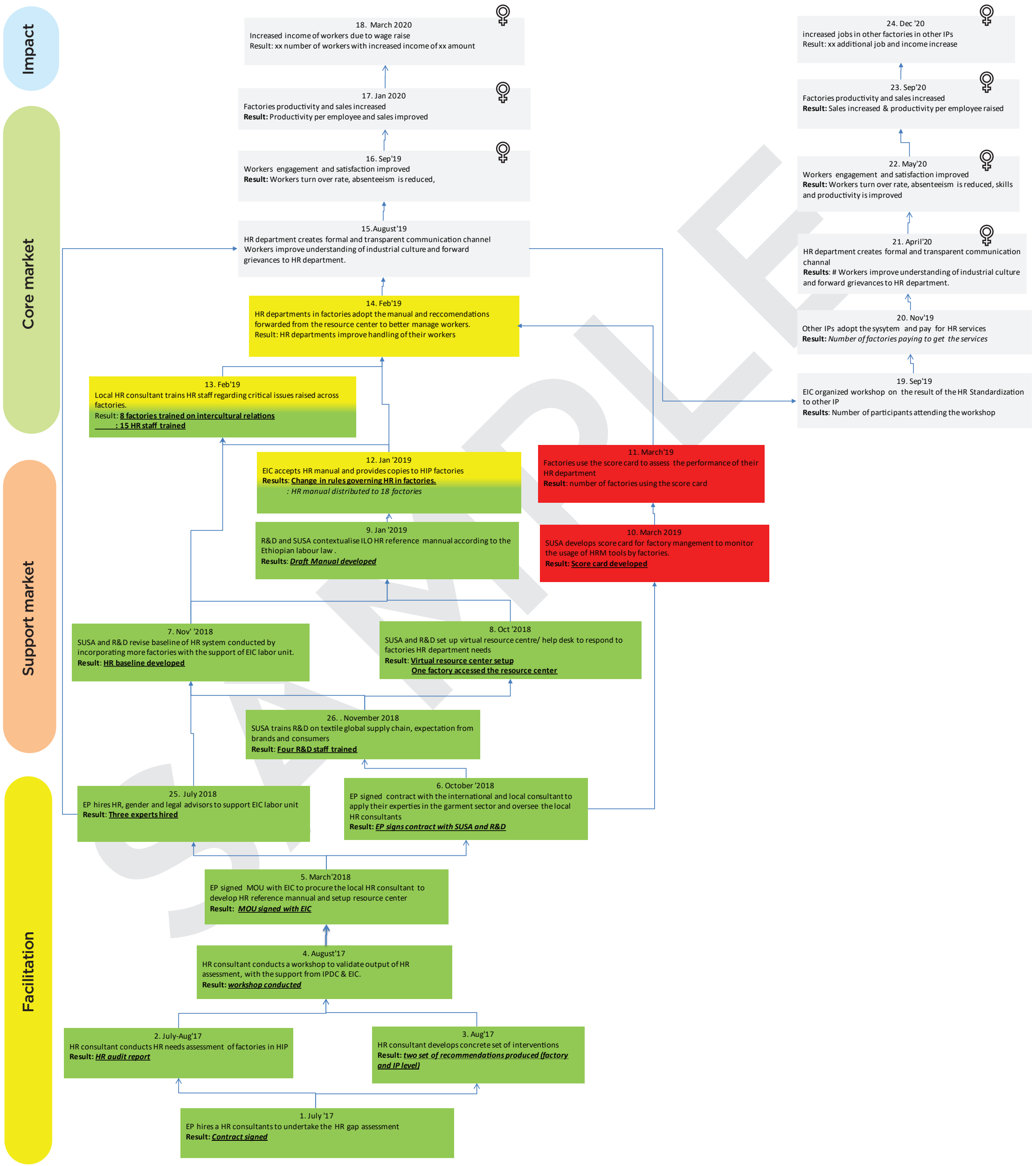
System adapted to MSD: Balance rigor and flexibility through transparency and knowledge sharing.

Interventions were also made more effective as a result of evidence-driven, timely action as the MRM team and intervention managers started working more closely. Interventions were launched, scaled-up or closed more efficiently as a result of timely debate and discussion that could not have been done through commenting on paper or on a one-to-one basis. Management was able to steer the organisation in the right direction as the big picture and ground-level practice were better aligned. The QSR system also allowed lessons from one sector which were replicable to other sectors, especially in relation to the political economy of Ethiopia, to be shared.

A key lesson was that if the QSR was a standalone process, it would be an additional burden on busy team members. In EP, the QSR was well integrated with other organisational processes, reducing the additional time needed for preparation and increasing the usefulness of the sessions. For example, quarterly output data was collected during QSR preparation and reported at the beginning of the week, helping staff to understand the overall progress of EP. Moreover, the QSR was used to gather data for the quarterly progress report, a milestone deliverable to the donor.

In order to conduct the QSR efficiently, intervention, thematic and MRM teams gathered the latest data on their interventions before coming into the session. They also updated the intervention guides and market strategies to reflect the most recent changes. The results chains were changed if necessary based on learning in the previous quarter. They were also colour-coded to visually demonstrate progress. **Red** areas indicated activities and results that were off-track, **yellow** areas moderately off-track and **green** areas progressing as planned (refer Figure 3). The process of agreeing on the colour-coding before the QSR encouraged intervention and MRM teams to work closely together to monitor the progress of interventions and collect supporting evidence. This warmed up team dynamics and increased synergies. It also encouraged a culture where failure was OK and curiosity to understand what was happening in the red zones was generated. "There was more gold in the red than in the green," Nebil said.

Figure 3 EP's colour-coded results chain



Before QSRs, EP's annual programme review was carried out by external evaluators and was a daunting activity for staff. The evaluators audited the programme's results and ways of achieving them. This involved extensive interviews with staff members. A score which had significant consequences on the continuity of the programme from the perspective of the donor was given. The team found the process intimidating and were anxious throughout the preparations. Once EP began holding QSR sessions, annual reviews became less intimidating as the QSRs gave staff the chance to become re-attached to the big picture, and the chance to really consider the question 'is EP strategically on track?' This was the essence of the question asked by the annual review teams and the QSR process meant the EP team was prepared for the annual reviews because they had self-assessed progress each quarter.

Resulting Changes

Many new interventions were launched or adapted as a result of the QSR process. EP's support in HIPSTER and interventions in the leather sector were also decided following animated QSR discussions between intervention managers, MRM team members and management. For example, there were many debates around HIPSTER as the team worked through various ideas and concerns and considered whether the intervention was big enough to generate the numbers and results expected from it. These discussions led to the decision to launch several interventions to support HIPSTER, including Tatari.

Tatari was an intervention born out of a synergy between EP's overarching finance and agriculture sectors. A special savings product designed by the EP finance team for garment workers, Tatari helped increase worker retention in the Hawassa Industrial Park by offering a savings scheme for workers through which their monthly savings were matched by the employers and higher interest rates were guaranteed.

Summary and Lessons

Summary

Intervening in complex market systems comes with a warning that implementers of MSD programmes have recognised for some time: cause and effect relationships are identifiable only in retrospect, they are unlikely to conform with prior expectations of how things work and, as a result, interventions must be flexible as outcomes may be unforeseen.[11]

Recent adaptive management literature emerged from this recognition and highlights the importance of finding the right balance between flexibility and accountability in donor-supported MSD programmes. The bulk of the literature on adaptive management in MSD programmes has focused on how an MSD programme engages with players in a market system to foster sustained pro-poor outcomes through purposeful experimentation, and adjustments in its strategy and tactics based on the results of detailed, planned experiments.[12] System change is often described using terms such as 'shifting institutional bias' or 'aligning market system functions and players'. Programme tactics to facilitate these desired outcomes are often referred to using terms such as 'feedback loops', 'pivots' and 'probe, measure and respond'. EP adds its experience to this sub-set of MSD literature by unpacking several of its journeys of discovery through the purposeful experimentation and adjustments in agriculture, labour and financial services markets in Ethiopia.[13]

There are comparatively fewer case studies on the topic of adaptive management that view an MSD programme from the inside looking out: from inside the organisation and its management looking out to complex and messy market systems. In these cases, you will read about how MSD programmes improved their organisational effectiveness using such terms as 'collaboration, learning and adaptation,'[14] 'alignment between organisation functions and core values,'[15] and 'influence of culture on success.'[16] EP, in this case study, adds to this body of knowledge on adaptive management by showing the symbiotic relationship between an MSD programme's performance and the conditions it creates within the organisation to enable an effective response to changing market system dynamics.

[11] The Cynin Framework referenced in USAID publication, Complexity-Aware Monitoring, Version 1, July 2018

[12] USAID's CLA (https://usaidlearninglab.org/qrg/understandintg-cla-0); Beam Exchange (https://beamexchange.org/search/?q=adaptive+management)

[13] DevLearn (2020), *Journeys to Impact: Charting New Pathways from Pilot to Scale for Market Systems Transformation in Ethiopia*, Enterprise Partners

[14] CLA for what: Cases on /Zambia and AVC/Bangladesh, USAID

[15] Bear, M. and H. Bekkers (2018), *In Search of the Sweet Spot in Implementing MSD Programs*, The Messiness Series Parts 1 to 4.

[16] Byrne, Fowler and Sparkman, *The Road to Adaptive Management*, https://beamexchange.org/resources/776/

1

Scenario 1
Stakeholder mis-perceptions

The first scenario unpacked the organisational adjustments EP made to its 'style' (culture) and its communication 'system' to counteract stakeholder misperceptions of EP as a donor-funded programme. By not paying for change to happen (i.e. direct delivery) but rather influencing others to take ownership of a change process (i.e. facilitation), MSD programmes face a common challenge when it comes to stakeholder perceptions. EP's stakeholders initially saw EP as a gatekeeper of donor funds meant for them, and this posed a real challenge for a programme that aimed to form genuine and meaningful partnerships. EP needed its stakeholders to see it as a 'partner in business' and as business-like, where success was rewarded by continuous discovery of better local solutions. EP re-branded itself around this style and then made changes in its staffing, appearance and communications to convey this style to its partners. These internal changes gave EP fresh attention and reception among its external partners. Its local-but-modern look-and-feel encouraged confidence that EP's technical capacity was world-class, which was complementary to its attempt to be a capacity builder and a trusted consulting partner.

2

Scenario 2
Effective facilitation without undermining shared values

The second scenario – demonstrating the value of market system facilitation to effect desired change – required EP to first strengthen its own core skill as a market systems facilitator which in turn had multiple ripple effects on other organisational functions: staff, system and strategy. Though strong on the science of facilitation – market research, intervention strategies, monitoring plans – EP was less strong on the art of facilitation – the intuitive skills to encourage, advocate, handhold its partners when the outcomes of their innovations (e.g. business models or policies) were uncertain. EP had to strengthen the art of its facilitation skills by rethinking staff competencies (e.g. generalists versus subject matter specialists), staff composition (e.g. nationality, younger professionals and gender balance) and by putting in place a more appropriate human resource system (e.g. recruitment, capacity building). EP discovered that it would need to adapt its core facilitation skill by taking on a direct delivery role to compensate for the absence of supporting functions in some market systems (e.g. no capacity building skills for micro finance institutes). It did so without undermining its core value (e.g. sustained benefits) by ensuring it had an exit strategy when it took on a direct capacity building role for microfinance institutions.[17] These internal organisational changes strengthened EP's ability to act as an effective catalyst or influencer of local stakeholders so that they took ownership of a change process in support of competitive and inclusive growth. From the Small and Medium Enterprises Finance Project and the Women's Economic Development Program in the finance sector to interventions in the garments, leather and cotton sectors, the effectiveness of EP's facilitation skills when combined with direct delivery was evidenced in the results of its interventions.

[17] Itana, K. and Grant, W. (2020), *Transforming Financial Service Markets for Micro, Small and Medium Enterprises (MSMEs) in Ethiopia through Direct Technical Assistance to Financial Institutions: The Case of Enterprise Partners*, Enterprise Partners

3

Scenario 3

Seeking synergies between complex sectors

The third scenario unpacked what EP did inside the organisation to find and leverage synergies outside the organisation when working in a disparate mix of agriculture and financial market systems. EP's decentralised organisational structure worked to improve its performance by shifting authority and responsibility to operational units, but it also had the unfortunate side effect of discouraging information sharing across teams. Operating units became siloed and detached from the big picture which in turn undermined the ability of top management to steer the programme with an up-to-date and strategic bird's-eye-view of all interventions. EP addressed this structural problem by putting in place an information sharing and planning system, known within EP as the Quality Sector Review system. Every quarter it brought together in one room management, MRM, intervention managers, thematic advisors (gender and green growth advisors), operations and report writers so that they could interact and provide input to each other's decision-making. As a result, intervention teams were able to make more evidence-based, strategic decisions that benefited from monitoring data while report writers alleviated the need for intervention managers need to spend less time writing reports and more time on implementation. The QSR system contributed to EP's operational efficiency and value for money while also supporting synergies between sector engagements. It is likely that Tatari, a savings scheme for garment factory workers that EP facilitated with one of its microfinance institution partners, would not have been created without the inter-staff exchange encouraged by the QSR.

Lessons on Adaptive Management

EP's experience in adaptive management as recorded by looking from the inside out mirrors lessons from MSD programmes elsewhere with one major distinction: EP captured lessons in the Ethiopian context where there were very few MSD programmes and at a time when the Government of Ethiopia was only just beginning to embrace the private sector as a development partner who could support the pursuit of the country's industry-focused, export-led growth goals.

MSD programmes start with the core values (e.g. sustained benefit flows) and strategy (e.g. market transformation) shared between the donor, the managing contractor and the programme leadership team. With these S's a given, the other S's should be left (largely) up to the leadership team to fill in – style, skills, systems, structure and staff able to facilitate desired pro-poor market outcomes. This is likely the best way to ensure the right balance between an MSD programme's performance and accountability.

An MSD programme's effectiveness in stimulating market system change requires an implementing organisation that can simulate within its own operations the same type of innovation, risk-taking, evidence-based decision making, openness and honesty it advocates for its market partners. Internal adaptive management enables effective facilitation of external adaptive management.

A 7S or other type of organisation development diagnostic shows just how interdependent the different functions of an organisation are. If left to their own devices, the 7S's of an organisation can evolve and drift away from each other and undermine the core values of an MSD programme. Checking and ensuring they are aligned is key even if externalities remain the same, and more so if they do not.

No two contexts are the same. Donors should not impose strategies and approaches that worked in other programmes without allowing a programme to learn its own lessons by going through its dual processes of adaptive management.

Government of Ethiopia entities, whether line ministries, parastatals or technical institutes,v could benefit from the lessons of the value-add role EP played as a facilitator that brought together the unique roles and resources of government and the private sector to advance Ethiopia's growth goals. This was achieved through facilitating cooperation rather than competition and duplication of effort.

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