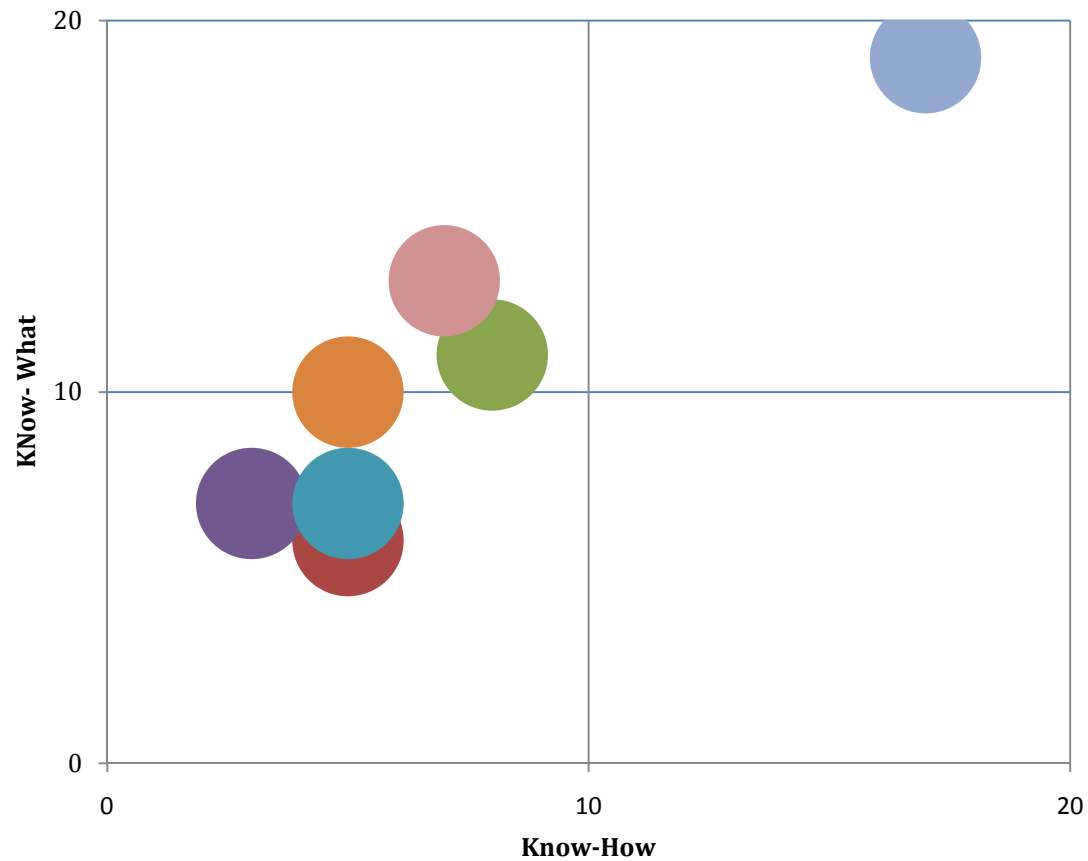


# Organizational Diagnostic for Market Facilitation

*Assessing your organization's understanding of what to do and how to do it*



## **Introduction**

Markets are complex, dynamic and difficult to predict with certainty. Creating sustainable changes in markets requires that businesses and market actors feel a sense of commitment and ownership over their new activities and behaviors. It requires that donor-led interventions respond to existing and future market demands, while stimulating this sense of ownership. The market facilitation approach attempts to respond to these two needs. To effectively undertake a market facilitation approach, organizations must understand the fundamentals of business and markets, the underlying issues which are limiting market growth and the sequence of changes that may be required. They must be learning organizations, aware and adaptive to the changing market trends and opportunities that will emerge over time. Within this operating culture and environment, facilitators can then design interventions which strategically target key industry constraints. This sounds simple in theory; however, implementing this type of approach is difficult.

Many international development organizations are effective at service development implementation approaches that follow a linear set of repeatable and predictable interventions, generally focused on primary producers and on staff's activities (e.g., farmer training, input provision, market actor forums and workshops). These interventions are important, but will be insufficient for effective market facilitation, which requires staff to read and respond to changing market dynamics in ways that minimize market distortion and stimulate increased economic growth. Furthermore, it requires that interventions are designed and staff are incentivized to respond to the dynamic and unpredictable nature of markets and change through on-going learning and iteration.

The implication is that for an organization to be effective at market facilitation, it may need to develop a new set of capacities, skills and knowledge that are currently lacking. This tool aims to help practitioners and managers assess current capacity, understand what might be required, and begin a process of personal and organizational capacity improvement.

## **Purpose**

This tool has two primary purposes:

1. To serve as a starting point for organizations to evaluate their current approach with respect to different components needed for effective market facilitation
2. To offer a platform for conversation about what changes might be required within an organization to take on a market facilitation approach

## **What the tool is**

The tool attempts to break-down market facilitation into day-to-day practices to help an organization understand what effective organizational practice looks like. It is intended to assist managers interested in improving their internal capacity to identify strengths and weaknesses and understand where to begin focusing their efforts.

The tool does this by aggregating behaviors and practices observed from working with over 50 development organizations in Africa and 15+ organizations specifically focused on improving smallholder linkages with markets. These organizations range from leading-edge, innovative projects and organizations designed specifically for market facilitation to established international aid organizations that have a long history of service-delivery-based agriculture interventions. This tool aggregates experiences and trends from these organizations, but is necessarily a simplification of the issues involved, each of which on its own is a complex topic. This tool draws from and targets agricultural interventions, however it reflects best practices of learning organizations that are relevant for all market-driven projects to consider.

## **What the tool isn't**

This tool is not a perfect picture or description of each topic or organization; rather it hopes to highlight important issues that have been observed to affect organizations undertaking a market facilitation approach and stimulate a reflection process and discussion.

This tool is also not prescribing market facilitation as the “right” approach for every situation or intervention. However, if the project or organization is interesting in taking a market-based approach, this tool describes what would be required for market facilitation to be successful given ideal circumstances.

Using this tool alone will not be sufficient for upgrading organizational capacity for market facilitation. Managers interested in improving organizational capacity should use this tool as an initial assessment to start a conversation about areas for growth. Real improvements will require leadership, management commitment and on-going investment in the organization and staff to realize improved performance, learning and capacity as market facilitators.

# Organizational Diagnostic

There are 3 parts to this tool:

- |  |  |
|--|--|
| <b>Part 1: Know WHAT</b>                         | Assessing understanding of the purpose and context of market facilitation  |
| <b>Part 2: Know HOW</b>                          | Assessing organizational capacity to put market facilitation into practice   |
| <b>Part 3: Assessing Organizational Capacity</b> | Assessing how an organization is doing and where it can improve. Visual and electronic tools are provided to capture and represent organizational capacity, strengths and opportunities for improvement. |

## Using this Guide:

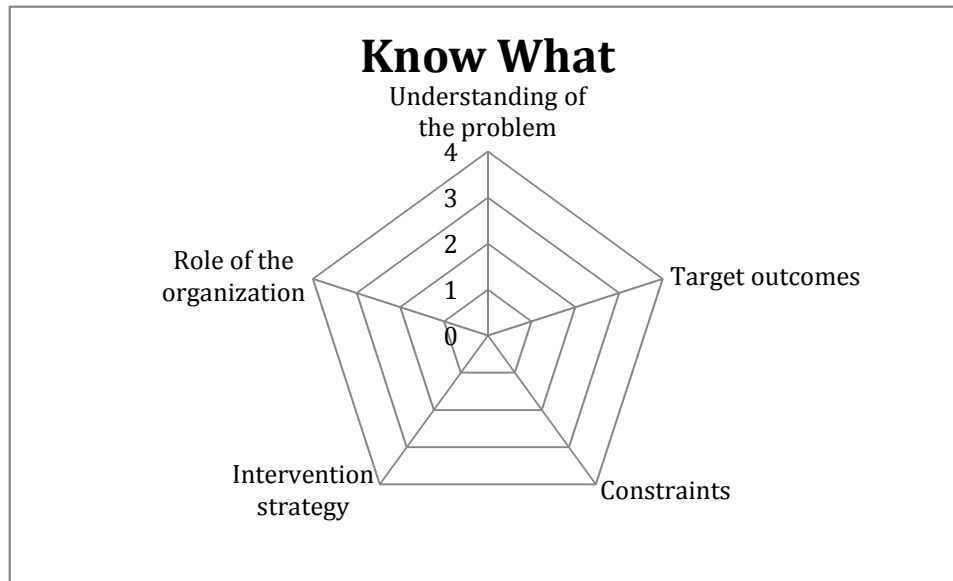
- 1) Review the **Know What** capacities and behaviors. There are 5 questions that target essential components of knowledge and understanding. Based on your organization's actions and attitude, rank the organization from 1-4 for each question. Challenge yourself to think of examples as you go through this matrix. Remember, the value of this exercise comes from rating actual rather than desired action.
- 2) Repeat this process and thought exercise for the **Know How** skills and characteristics. This section unpacks the components of organizational practices that have proven to be critical for market facilitation.
- 3) Add up the score out of 20 for **Know What** and the score out of 20 for **Know How**.
- 4) Plot it on the matrix provided, putting a score of 1-20 on each of the vertical and horizontal axis. How did your organization fare? Where are your organization's strengths? Where does it need to improve? Think about what is needed to get there.

As you go through this guide, remember to be honest about your assessment—no organization is perfect. We can all improve our knowledge, skills and capabilities in different areas. An honest assessment of your organization's understanding of market facilitation will serve you better as you will be more aware of your organization's strengths and areas for improvement and able to ask for support accordingly.

## Part 1: Know What

This dimension aims to help you assess your organization's knowledge and understanding of market development and facilitation. We have simplified this thinking and knowledge into 5 broad categories with guiding questions to assist your reflection and assessment. The categorization attempts to capture both breadth and depth of understanding. The questions are:

1. **What** is the problem you are trying to solve?
2. **What** are the desired outcomes being targeted?
3. **What** are the constraints inhibiting these outcomes?
4. **What** is the project intervention strategy?
5. **What** is the role of the facilitating organization?



The following matrix outlines some common behaviors among implementing organizations. Read through each section below and rate your organization's current behaviors from 1-4. Remember, be honest and base this assessment on what your organization DOES and how it ACTS, not on what you want it to do or how you want it to act.

**Table 1 - Understanding the “What” behind Market Facilitation**

<b>KNOW WHAT</b>	<b>Conventional agriculture project</b>	<b>Basic understanding of value chains and market facilitation approach</b>	<b>Good understanding of value chains and market facilitation approach</b>	<b>Sophisticated understanding of value chains and market facilitation approach</b>
<b>Rating:</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
What is the problem you are trying to solve?	People do not have enough food and/or are living in poverty. The problem is primarily one of production – quantity, quality and consistency.	Producers have limited access to inputs and output markets. This is limiting their ability to benefit from their work and access different opportunities.	The problem is not just with producers, but also the businesses and market actors that could work with producers. Businesses are not interested or do not know how to work with producers, and producers are not able to engage with them effectively.	The actors in the overall market system, including producers, businesses, supporting service providers, and governing institutions are not cooperating effectively.  There is a lack of commercial relationships between farmer and firms, and between different firms and the service providers that support these businesses.  The current behaviors of producers and firms tend to be adversarial and opportunistic; they are not oriented towards mutually beneficial commercial relationships.
What are the desired outcomes being targeted?	Producers are food secure and have increased incomes.  Production has increased in quantity and improved in quality.	Improved production has led to improved access to stronger output market opportunities and agricultural inputs.  Producers are achieving increased profits from these opportunities.	Well functioning markets that involve smallholder farmers.  Firms are able to have strong relationships with smallholder farmers and are willing to invest in the relationships.  Producers and firms are able to manage their relationships for mutual	<b>Producers and firms are benefiting</b> from improved access to knowledge, products and services available through multiple delivery channels and innovations that allow them to manage their businesses.  <b>Behavior change</b> at farmer and firm level—moving from one-off transactions to strong commercial relationships that allow innovation in a

			<p>gain.</p> <p>Producers have access to knowledge, products and services they want through a variety of commercial channels.</p>	<p>competitive market.</p> <p><b>On-going improvements</b> driven by firms and producers who are innovating and learning to remain competitive.</p> <p><b>High quality commercial relationships</b> between producers and firms, between firms themselves and with service providers and government institutions.</p>
<p>What are the constraints inhibiting these outcomes?</p>	<p>The challenge is primarily with the producer.</p> <p>The poorest of the poor are unable to participate in the informal or formal market sector.</p>	<p>Producers are not well linked into markets and producer organization is inadequate.</p> <p>Main constraints are cash and quality of produce.</p> <p>There are no market opportunities and/or firms are not interested in working with producers due to high transaction costs.</p>	<p>Limited market linkages between producers and firms and between firms themselves.</p> <p>High transaction costs are limiting firms' interest or ability to work with smallholders.</p> <p>Producers have low capacity and knowledge about how to engage with firms and markets.</p> <p>Incentives are not aligned to ensure mutually beneficial collaboration between market actors.</p> <p>Behaviors currently not oriented towards the market.</p>	<p>See constraints throughout market through a systems lens:</p> <p><i>Some are market related</i></p> <p>Support services are insufficient, enabling environment is not supportive of a competitive, dynamic and transparent market system; incentives for doing business are not aligned, business models not effective to overcome transaction costs.</p> <p><i>Some are based on social norms and behaviors</i></p> <p>People are skeptical about doing business outside of existing relationships or communication channels; comfort with familiar market oriented arrangements; perception that producers are poor and are not viable customers or suppliers.</p>

				<p><i>Some are capacity issues</i></p> <p>Significant firm level behavior change and capacity development is required; farmer knowledge of how to engage with market opportunities is still low; ability to seek and use innovation is low due to social norms and capacity constraints (e.g., literacy).</p>
<p>What is the project intervention strategy?</p>	<p>Standardized interventions focused primarily at producer level constraints.</p> <p>Producer and farmer training to increase production.</p> <p>Provision of full or partial subsidies.</p> <p>Focused on activities with scale up through replication of these activities.</p> <p>Project design limits flexibility of interventions.</p>	<p>Standardized interventions with a broader scope, incorporating needs of immediate market relationships.</p> <p>Establish obvious and immediate market relationships (farmer to aggregator, buyer or processor/input trader).</p> <p>Provision of full or partial financial subsidies.</p> <p>Scale up is replication of activities.</p>	<p>Interventions adjusted based on understanding of the dynamic nature of implementation strategies.</p> <p>Attempts to address constraints throughout all levels of the value chain.</p> <p>Uses a ‘facilitator’ or ‘enabler’ approach to interventions.</p> <p>Uses financial subsidies strategically and with consideration for capacity.</p> <p>Recognizes sequenced nature of interventions.</p> <p>Starts to probe for reason for constraints and behavior changes but struggles to adjust interventions based on information and learning.</p> <p>Scale up is based on behavior changes triggered</p>	<p>Project design provides flexible intervention strategy based on learning from all staff and from recognizing emerging trends in the market.</p> <p>Always probes for reasons for surface constraints and behavior changes and able to adjust interventions based on information and learning.</p> <p>Uses a range of intervention tools (e.g., training, graduated cost sharing, self-selecting mechanisms, competition to drive innovation) strategically to tailor support for industry growth.</p> <p>Tackles constraints at multiple levels within value chain/ industry.</p> <p>Sequenced interventions using a ‘light touch’ approach of adjusting intensity based on</p>



			and driven by market dynamics.	emerging needs and situations <sup>1</sup> . Focused on outcomes and hypothesis driven. Scale up is based on learning through innovation and behavior changes triggered through interventions. Scale up is driven by market dynamics.
What is the role of the facilitating organization?	<p>Service delivery—training, support to government counterparts/extension, provision of inputs/start-up costs, etc.</p> <p>Primary relationship is with producers, some relationships with other firms and service providers.</p> <p>Scale-up of ideas or activities.</p>	<p>Linking farmer with firms immediately accessible and obviously related. (e.g. farmers and aggregators)</p> <p>Reactively addressing market constraints with some firms.</p> <p>Scale-up of ideas or activities with a business mindset.</p>	<p>Market facilitators are relationship builders.</p> <p>Identifying constraints preventing firms at all levels from entering the industry or growing sustainably. Targeting the removal of those constraints with reasonable management of risk.</p> <p>Intentionally stimulating business-minded behavior through activities, discussions, connections, joint demonstrations/ pilots, etc.</p>	<p>Market facilitators are required to take on many different roles, including: coach, relationship builder, business person, communicator and innovator.</p> <p>Assists firms understand and manage risk and benefits.</p> <p>Absorbs risk as required through targeted demonstration of an idea or opportunity.</p> <p>Role is always shifting based on constraints in the system and needs of producers or firms.</p> <p>Staff and organization positions itself as a neutral player – a change agent rather than a market actor or competitor.</p>

---

<sup>1</sup> A light touch approach recognizes and responds to market driven opportunities without getting directly involved in the industry. As staff learn about what is and is not working, the project can adjust the intensity and direction of their resources to target specific opportunities and leverage points to catalyze changes.

## Part 2: Know How

Understanding “What” market facilitation involves, the purpose of an intervention and the problem that is being addressed is only half of the equation. Understanding “how” to apply these concepts at different levels of the organization is also required. The following matrix outlines 5 important elements of organizational capacity that answer the questions:

1 **How do field staff see and work in their role?**

Field staff are the front-lines of the project. Field staff capacity (their knowledge, skills and judgment) and their understanding and ability to act as market facilitators will be essential in creating success.

2 **How does management manage?**

Management approach is key to a successful market facilitation strategy.

3 **How does the organization learn and use this learning?**

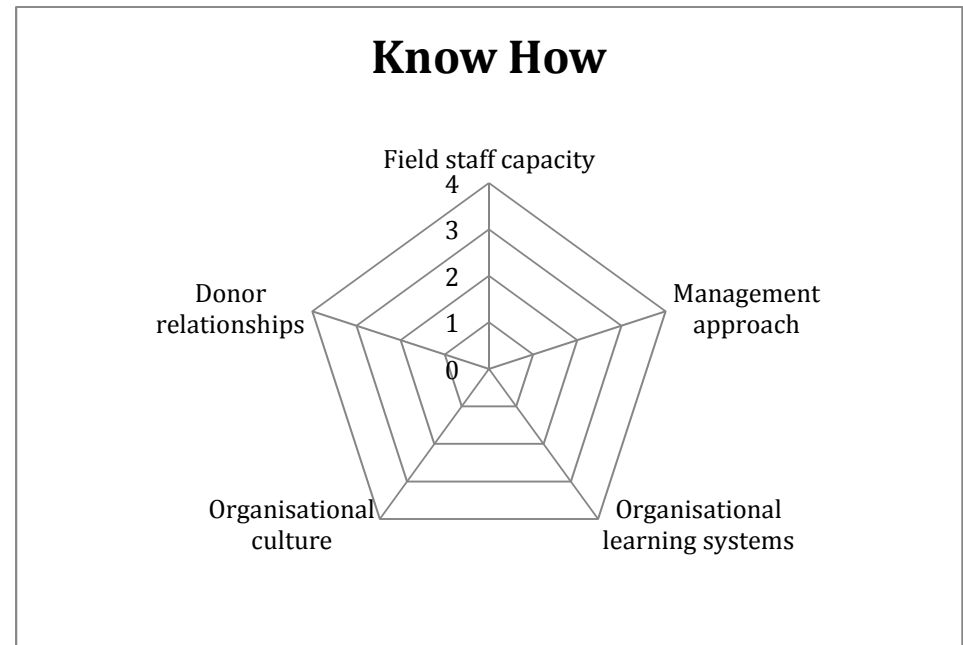
The dynamic nature of markets requires organizations to learn about what is happening within firms and the industry and adjust their interventions accordingly. This requires effective systems of capturing, analyzing and using information and knowledge.

4 **How does the organization operate?**

The culture of an organization establishes the norms of staff behavior and practices. This has a strong influence on how the overall organization functions.

5 **How does the project or organization manage its donor?**

The donor is the client; they pay for the project. The degree of donor comfort and satisfaction with the work being carried out has a strong influence on how practitioners are able to respond to opportunities, learn and adjust interventions accordingly. Improving donor relationships can improve the operating conditions for a project and ultimately the performance and progress of the project, staff and industry.



**Table 2 - Understanding the "How" Market Facilitation**

<b>Know How</b>	<b>Conventional agriculture capacities</b>	<b>Basic capacity for market facilitation</b>	<b>Good capacity for market facilitation</b>	<b>Excellent capacity for market facilitation</b>
<b>Rating</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Field staff capacity (Refer to “Being a Market Facilitator: A Guide to Staff Roles and Capacities”)	High degree of agronomy or community development knowledge. Activities focused.  Generally scores 1’s on Being a Market Facilitator Guide.	Understands general concepts of market facilitation, but are not sure what it looks like in practice.  Low business acumen.  Still largely focused on farmer level constraints and firms immediately around the farmer; lack clear vision of the big picture.  Risk averse; hesitant to try new ideas.  Activities focused.  Scores a range of 1’s and 2’s on Being a Market Facilitator Guide.	Good business skills.  Focused on farmer and firm level constraints; aware of the broader industry environment, but unsure how to engage with these players.  Able to create 1 <sup>st</sup> degree market linkages.  Interested in learning and testing new approaches.  Starting to communicate successes and challenges to colleagues and partners.  Mostly 2’s on Being a Market Facilitator Guide.	Focused on outcomes (not activities) – solution seeking and proactive.  Creative problem solver, able to tailor interventions to suit the needs of the firm and industry.  Innovative, strong problem solvers, collaborating with teammates.  High capacity on Being a Market Facilitator Guide (mostly 3’s): strong communicator, business person, relationship builder, coach and innovator.  Couples analytical thinking with targeted, strategic action.
Management approach	Centralized decision making.  Uses only linear planning systems to make sure that work gets done on time (e.g., log frames and work plans).  Surprised by changing trends.  Reacts to new situations rather being adaptive and	Realizes the need to re-consider management approach for value chain/ market oriented projects, not sure how to do it.  Sees importance of investing in staff development as market facilitation requires new behaviors and skills.  Vision is established, but	Able to stimulate and direct innovative field-based ideas while providing clear vision for team.  Recognizes the importance of management’s role in creating a vision, setting clear performance metrics and enabling a culture of open communication.  Staff performance is based	Uses various management tools and approaches to keep staff aligned on project vision in an ambiguous operating environment.  Uses M&E as a critical management tool to achieve outcomes.  Invests in development of staff, values field level knowledge.

	<p>pro-active.</p> <p>Focuses on completing activities.</p> <p>Focused on efficiency—burn rates, number of producers reached, crop yields, etc.</p> <p>Staff performance is based and evaluated on their ability to complete activities and generate and collect data.</p>	<p>unsure how to communicate it in a way that makes it clear to field staff and stimulates action.</p> <p>Not sure how to manage in an ambiguous environment.</p> <p>Staff performance is based and evaluated on their ability to collect data, implement activities and work as a team.</p>	<p>and evaluated on their ability to communicate and stimulate industry changes.</p> <p>Beginning to coaching staff and invest in field staff development.</p> <p>Manages for outcomes not activities (behavior change).</p> <p>Starting to promote experimentation, creating ‘safe’ environments for staff to test out new ideas or skills.</p> <p>Introducing incentives to promote positive &amp; desired staff behaviors; careful in using controlling or directed approaches.</p> <p>Focused on effectiveness of interventions.</p>	<p>Learns and adjusts interventions quickly based on that learning.</p> <p>Accepts that failures are part of the innovation and learning process.</p> <p>Promotes a culture of feedback and on-going learning and innovation.</p> <p>Staff performance is based and evaluated on their ability to observe, analyze, communicate and stimulate industry changes.</p> <p>Able to manage a cultural change process within an organization or team as it moves towards being more innovative.</p> <p>Sees the organization as a system, and understands the implications of management activities; highly self-aware.</p>
<p><b>Organizational learning</b></p>	<p>Responds to donor reporting requirements through M&amp;E metrics and reports.</p> <p>Conducts periodic impact assessments.</p> <p>Learning integrated into program improvements at pre-defined dispersed intervals (e.g., program design, mid-term evaluation); long turn-around times.</p>	<p>Sees the need to get real-time information to make better decisions, but doesn’t know how to manage this in the face of reporting requirements.</p> <p>Monitoring activities driven by donor requirements rather than implementation needs.</p> <p>Starting to invest in new ways of learning and communicating between</p>	<p>Learning is used as a management tool.</p> <p>Starting to provide feedback to and from the field staff.</p> <p>Starting to have a culture of learning, but not yet well linked to action (perhaps limited by resources, management approach, culture, low comfort with failure).</p> <p>Learning focus is driven by management, not owned</p>	<p>Learning is critical for effective facilitation and industry growth. It is used as a management tool at all levels for on-going improvements; ownership from all levels of staff.</p> <p>Staff participate actively in learning and industry diagnosis function which informs management decisions ensuring on-going adjustment of interventions.</p>

		staff (e.g., workshops, trainings).	throughout the organization. Focused on explicit knowledge capture, not yet investing in ways to share unspoken/ tacit knowledge.	Monitoring behavior changes (through proxy indicators) of actors throughout the value chain.  High capacity of all staff to manage and use learning tools and systems and act on their knowledge.  Tools and systems are constantly upgraded; tools are used to trigger reflection.  Culture of learning, strong feedback loops up and downwards to capture explicit and tacit knowledge.
Organizational culture	Risk averse, limited learning from challenges, failure is avoided and never published.  Many organizational layers; hierarchy of decision making.  Little to no feedback between organizational levels.	Feedback loops are slow and punctuated by downward communication.  Willing to try something new, but only with extensive evidence of effectiveness; risk averse.  Slow to incorporate learning into programmatic and strategic interventions.	Open culture of feedback between management and staff and between staff themselves.  Invests in learning by testing different tools or systems to improve communication.	Innovative and flexible.  Values learning and takes action to incorporate lessons and trends into strategies and interventions quickly.  Strong open communication feedback loops.  Clarity of purpose and direction.
Donor relationships	Follows donor requirements.  Limited discussion on what is required to make the program successful or discussion of successes <i>and</i> failures.	Understands the need to manage the client (donor), but still unsure how to do so effectively.  Unsure how to address unproductive pressures that seemingly contradict desire and incentives for learning. (e.g.	Open conversation with donor about what is working and what is not on the project, and what is required to accelerate success.  Working to find a balance between reporting and accountability to donor and creating space for the project	Strong relationship with donors; able to mutually learn from challenges and implementation to improve quickly.  Project has the space to innovate and learn to achieve performance and outcomes.  Donor has sufficient

		appropriately messaging M&E requirements with learning needs to all staff)	and staff to innovate and learn.	understanding of the project activities, goals and objectives; feels comfortable with communication (both good and bad).
--	--	--	----------------------------------	--

### Part 3: Assessing your results

By now you should have a better sense of where your organization stands and where there is room for improvement. To give a visual representation of this, use the following tables and tools.

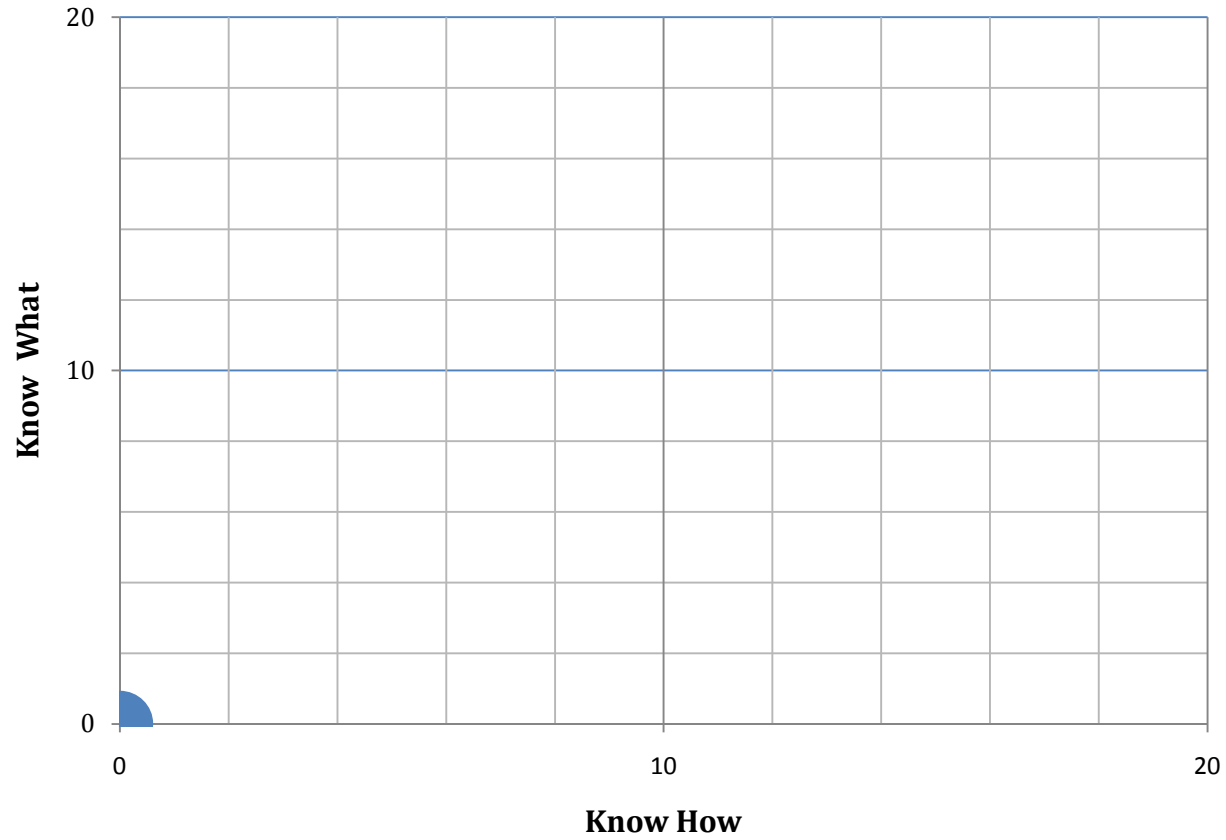
**Step 1:** Mark your score in the following charts, or use the [excel tool](#) provided.

Know What - Knowledge about approach	
Component	Score ( 1-4)
Understanding of the problem	
Target outcomes	
Constraints	
Intervention strategy	
Role of the organization	
Total	/20

Know-How – organizational capacity	
Component	Score ( 1-4)
Field staff capacity	
Management approach	
Organizational learning systems	
Organizational culture	
Donor relationships	
Total	/20

Step 2: Plot the aggregate score on the appropriate axis below or use the [excel-tool](#) provided.

## Organizational Effectiveness





### **Step 3: Assessing your results**

- Where does your organization stand? What surprised you?
- What are strengths you could build on?
- What might it take for your organization to move up another level?
- What is one area that you would like to improve practices in?
- Who might you need to work with to do so? What additional investments might be required?

Depending on where your organization stands, there are different options for improvement. It won't necessarily be easy, but the good news is that it's possible.

**Table 3 - Understanding your organizational diagnostic**

Know What	Know How	Organizational Diagnostic Explained
0-10	0-10	<p>If your organization is in this quadrant, your organization might need to rethink your strategy for market facilitation. The organization might be thinking and talking about market facilitation and a value chains approach, but your actions have yet to catch up with your ideas. Be honest about what your organization does, what it wants to do (and why) and what type of organization it want/needs to become. Taking the time to facilitate this conversation with others in the organization staff now will pay off in the future as your team is able to put ideas into practice. As was stated previously, market facilitation is not the only approach to a situation and may not be appropriate for all organizations.</p>
10-20	0-10	<p>Your organization understands what is required for market facilitation and the organizational requirements to support it, but is still not sure how to put that knowledge into practice or may not have the necessary market facilitation skills on the team. To build these skills and translate theory to practice, try sending staff on a few exchange visit to another organization(s) that do this type of work. Have them come back and share what they learned with your team and challenge (and support) them to put it into practice.</p> <p>If the organization and staff don't have the skills or capacity required then they will either have to increase that capacity through learning exchanges, practical trainings, mentoring and coaching, etc. Some tough decisions about who to keep and who needs to go may have to be made based on their performance in being able to stimulate relationships and incentivize industry growth. New staff may have to be hired who have the required skills.</p>
0-10	10-20	<p>In this situation, your organization has many of the necessary staff knowledge, skills and attitudes, the structure and management to support it and good relationships with your donor. You might be lacking a strong and experiential understanding of the problem (sustainable competitive and innovative market growth) and what needs to change to enable it. This is likely a knowledge deficit that is appearing as staff concerns and strategic mistakes. Hire some experts into the team, send staff on exchanges and workshops to see how other organizations operate and understand market facilitation and encourage deeper thought with lots of genuine curiosity and "why" questions.</p>
10-20	10-20	<p>Your organization understands market facilitation in depth and is operating so as to enable all staff to participate in high performing roles. New ideas and best practices are always emerging, so keep learning both from the business environment and other organizations so as to continue innovating and improving. Look at the areas that you were strongest and those where you were weakest to determine where your organization need to focus improvements first.</p>

**Table 4 - improving Organizational Effectiveness for Market Facilitation**

