

MANAGING AID IN CONFLICT AND TRANSITION

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Acronyms

ADAPT: Analysis Driven Agile Programming Techniques
CLA: Communicating, Learning, and Adapting
CSO: Civil Society Organization
DAI: Development Alternatives, Inc.
DCHA: Democracy, Conflict, and Humanitarian Assistance
DDD: Doing Development Differently
DFID: Department for International Development
ENAC: Ethnic Nationalities Affairs Center
GIZ: Gesellschaft für Internationale Zusammenarbeit
HR: Human Resources
IDIQ: Indefinite Delivery/ Indefinite Quantity
IFES: International Foundation for Electoral Systems
IRC: International Rescue Committee
INGO: International Non-Governmental Organization
IREX: International Research and Exchanges Board
IRF: International Renaissance Foundation
IRI: International Republican Institute
LGBTI: Lesbian, Gay, Bisexual, Transgender, and Intersex
M&E: Monitoring and Evaluation
NGO: Non-Governmental Organization
NDI: National Democratic Institute
ODI: Overseas Development Institute
OECD: Organization for Economic Co-operation and Development
OSCE: Organization for Security and Co-operation in Europe
OTI: Office of Transition Initiatives
PLC: Program-Level Change
PPR: Program Performance Review
RA: Rolling Assessment
SRS: Strategic Review Session
SWIFT: Support Which Implements Fast Transitions
TAF: The Asia Foundation
USAID: United States Agency for International Development
USDI: Under Secretary of Defense for Intelligence
WWS: Woodrow Wilson School of Public and International Affairs

Executive Summary

Conflict and transition countries present unique challenges to the management of aid. In these settings, aid actors must navigate complex dynamics while operating on limited information to achieve objectives within short timeframes. Private sector approaches to managing entrepreneurship and experimentation may offer relevant lessons to aid programs operating in volatile environments: adaptive management and lean startup are two such innovations. An exploration of how the Office of Transition Initiatives (OTI) in the U.S. Agency for International Development (USAID) has applied these methodologies, in combination with a comparative analysis of other organizations, produced constructive recommendations for operating in conflict and transition contexts. We have distilled the management structures and good practices that may enable aid organizations to better operate in challenging contexts into the four categories¹ below:

1. **Organizational Culture:** Creating a culture of investigation and intellectual honesty involves promoting experimentation and communication, as well as engaging local partners to ground programming in specific contexts. Organizations like OTI should leverage existing organizational structures and practices that facilitate honest and open communication, continue to engage deeply with local partners, and invest in diversifying contacts and partnerships.
2. **People and Skills:** Work in this field requires comfort with steep learning curves, resiliency to short-term failure, and innovation in response to intractable problems. Organizations like OTI should prioritize capacity for innovation and rapid learning when hiring, but also focus on institutional mechanisms that reinforce these values.
3. **Tools and Systems:** Bottom-up program design, feedback loops, validated learning, and innovation accounting can be useful for guiding, evaluating, and improving programming in dynamic settings. Organizations like OTI should explore ways to design systems that are flexible, include formal roles for local beneficiaries, and involve accounting for learning in order to better translate activities into program-level impact.
4. **Enabling Environment:** Coordination with other actors facilitates shared learning, and effective adaptive management is dependent on a broader environment. Organizations like OTI should explore ways to communicate with other actors without becoming entangled in overly time-consuming coordination mechanisms, and they should work to educate other actors about the value of the flexibility adaptive management and lean startup principles bring to aid management in complex environments.

Though not explicit in its application of either, OTI largely aligns with both adaptive management principles and the lean startup fundamentals of iterative learning. Both approaches comprise valuable tool sets for organizations operating in challenging and dynamic environments.

¹ These four categories (discussed in section “New Approaches to Managing Aid in Conflict and Transition”) are taken from: “Managing Complexity: Adaptive Management at Mercy Corps.” Mercy Corps, June 17, 2015.

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Lastly, we would like to thank all of the stakeholders and experts we interviewed during our field research. Given the sensitivity of their work, we have refrained from naming many of the individuals and organizations whose insights guided our research. Without their generosity and candor, however, this report would not exist.

Course Background

This report is the culmination of a five-month graduate policy workshop titled “Managing Aid in Conflict and Transition.” It was completed by ten Master in Public Affairs students at Princeton University’s Woodrow Wilson School of Public and International Affairs (WWS) between September 2017 and January 2018. Graduate policy workshops are a second-year practicum through which WWS students undertake a consulting project for public sector clients. For this workshop, we coordinated with the U.S. Agency for International Development’s (USAID) Office of Transition Initiatives (OTI).

Guided by Nealin Parker, Lecturer at the Woodrow Wilson School of Public and International Affairs and former Chief of Staff for the U.S. Department of Housing and Urban Development, the class prepared country-specific deliverables for OTI Burma and OTI Ukraine. Five students each traveled to Burma and Ukraine to conduct research on technical questions posed by the client regarding aid delivery in each context. The Ukraine team studied the influence of Russian media in eastern Ukraine, while the Burma team analyzed the effect of national security laws on aid programs supporting peace and democracy-building. We created this report for internal use by the OTI country teams.

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Introduction

Delivering aid in conflict and transition settings involves many political, ethical, and operational challenges. Situations on the ground change rapidly, requiring providers to adapt quickly to new circumstances in order to remain effective. Adjustments must occur at many levels, such as to the identification of objectives and the design, implementation, and monitoring of programs. Centered on principles of continuous self-review and iteration, adaptive management and lean startup methodologies provide useful approaches to organizations working in complex contexts. Both approaches serve to institutionalize the flexibility and agility needed for an organization to work effectively in conflict and transition settings.

Recognizing the tremendous potential for change that exists in such environments, the United States Agency for International Development (USAID) formed the Office of Transition Initiatives (OTI) in 1994 to support post-Cold War political transition in Eastern Europe. This uniquely positioned OTI within USAID and the broader aid world as a provider of flexible and localized political aid in conflict and transition settings.

Since its inception, OTI has been heralded as one of the most adaptable and forward-thinking offices in the U.S. government. Its commitment to flexible, field-driven programming at the nexus of aid and foreign policy continues to draw praise from the international development community and beyond. But has OTI become predictable in its adaptability (as many scaled organizations are prone to do)?

To distill the most promising approaches to managing aid in conflict and transition contexts, we explored OTI's implementation of adaptive management and lean startup methodologies. We also compared OTI's practices to those others' navigating the same complex space. Of interest were the private sector innovations in management which OTI had already incorporated. Additionally, we hoped to identify opportunities for growth or constraints that may render these approaches less relevant to public-sector aid delivery. This report summarizes our findings then presents recommendations for improving the management of aid in conflict and transition settings by more effectively applying the principles of adaptive management.

Broadly, we found OTI to be a highly adaptive organization, especially compared to similar organizations in the field. Specifically, OTI has built a strong culture of investigation and intellectual honesty which encourages experimentation. This culture is institutionalized in OTI's tools and systems which promote learning and experimentation while also generating flexible, responsive programs. OTI's recruitment practices facilitate the hiring of diverse, risk-tolerant staff who learn quickly and perpetuate the culture of investigation. Finally, OTI engages with local partners in meaningful ways and communicates relatively effectively with other aid actors.

However, opportunities remain for OTI to more effectively apply principles of adaptive management and lean startup. These include formalizing the role of beneficiaries in program design and implementation; formalizing the shift from short-term, experimental activities to long-term investments over a program's lifespan; establishing mechanisms that focus on translating activity-level outputs to program-level success; fostering learning from other organizations even when they

do not perfectly correspond to OTI; and advocating for the use of adaptive management and lean startup approaches by other organizations aiming to advance aid programming overall.

OTI has stayed largely true to its entrepreneurial origins and its commitment to adaptive management. But, as with any organization, there's room to learn. We offer our recommendations for doing so in the pages that follow. This report is organized into three sections. The first section lays out the methodology used for the research and development of this report. The second section introduces the relevant literature on adaptive management and lean startup and their applications to the management of aid in conflict and transition. Finally, the third section analyzes the application of adaptive management and lean startup practices to aid management, and issues recommendations across four principles of adaptive management: organizational culture, people and skills, tools and systems, and enabling environment.

This was a massive task which produced a diversity of answers, depending on how and by whom each question was approached. As policy students, we came to this question with fresh eyes. We are not employed by any organization or institution, and we do not seek to validate or affirm views held by any stakeholder inside or outside of government. Instead, we intend this report to be an independent, informed, external exploration of ways in which adaptive management and lean startup approaches can be applied to aid organizations. We hope that our recommendations are useful not only to OTI, but also to other aid actors interested in enhancing the flexibility and agility of their own organizations and programming in contexts of conflict and transition.

Methodology

This report presents research conducted between September 2017 and January 2018. Findings emerged from more than 40 interviews held in Washington D.C. and during field research in our two case countries, Burma and Ukraine. Interviewees included OTI employees, local stakeholders, and staff from other aid and development organizations including international donors, governments, local civil society organizations (CSOs), and international non-governmental organizations (INGOs).

Interviews involved a basic framework of common questions centered on strategy, implementation, learning, feedback, risk, and relationships both within the organization and between organizations. Field interviews in Burma included representatives from USAID/OTI and the U.S. Embassy, as well as The Asia Foundation, (TAF), Development Alternatives Incorporated (DAI), the Dutch Embassy, Envisage, Ethnic Nationalities Affairs Center (ENAC), International Republican Institute (IRI), Internews, The Irrawaddy, MyJustice, Paung Sie Facility (formerly Peace Support Fund), and Public International Law and Policy Group.

Field interviews in Ukraine included representatives of USAID/OTI, as well as America House, Chemonics International, Detektor Media, Donbas SOS, Freedom House, Gesellschaft für Internationale Zusammenarbeit (GIZ), Institute of Mass Information, International Foundation for Electoral Systems (IFES), International Renaissance Foundation (IRF), International Research and Exchanges Board (IREX), Internews, Kiev Post, Media Development Foundation, National Democratic Institute (NDI), Organization for Security and Co-operation in Europe (OSCE) Project Co-ordinator in Ukraine, and Stop Fake.

After returning from field research, we conducted additional interviews in Washington, D.C. These interviews included representatives from OTI, IRI, Mercy Corps, and NDI. All research was grounded in a literature review of adaptive management and lean startup approaches. Additional desk research included consultation with documents relating to OTI's internal management practices and similar reports from other organizations.

Three caveats should be noted in this analysis. First, research teams only visited two of the 16 countries in which OTI operates. While OTI's work encompasses countries across all stages of political transition, our work focused on Burma and Ukraine, both countries that are several years removed from events signaling the onset of political transition. Both the OTI Burma and Ukraine programs are in their final stages and are expected to close within the next two years. We explored OTI's strategy over the lifecycle of both programs, but our findings may have differed slightly had we been examining programming in countries in the early stages of upheaval instead.

Second, we recognize that OTI is unique in the aid world for reasons that complicate the generalizability of our observations about its management style as a case study. First, as part of the foreign policy arm of the U.S. federal government, OTI often seeks to achieve both political and developmental objectives, complicating processes like defining goals and measuring success in ways specific to OTI's mandate.

Further, OTI operates as a donor-implementer hybrid unique in this space. Throughout this report, we adopt the organization's One Team model which integrates the implementing partner into the formal OTI team. In other words, when we reference OTI, we are speaking of both the donor and implementer components, including OTI headquarters in Washington, D.C., the OTI Country Representative and Deputy Country Representative in the field, and all implementing partner staff in the field.

Although we try to compare elements of OTI's approach with the practices of other aid organizations, this donor-implementer approach has few direct comparisons, if any. Instead, implementers and donors traditionally have different priorities, funding streams, oversight, capacity, and flexibility. OTI's unique approach means that other organizations may not always find OTI's best practices relevant or feasible and vice versa. However, many of these organizations have similar systems for designing, implementing, monitoring, and revising programs, so while direct parallels at the organizational level are rare, comparisons across stages of those processes may be constructive.

Third, our research is undoubtedly informed by our personal experiences and work backgrounds. We would be remiss if we did not acknowledge that our prior experiences, while informing our ability to think critically about the questions herein, also bias our recommendations. Collectively, we have a wide breadth of experience across development, aid, and government organizations. We have worked for the Department of Defense, World Bank, the United Nations, and the Department of State, among others. Two of our authors have previously worked for USAID contractors, Chemonics and DAI. We have tried to challenge our assumptions based on these backgrounds, but our professional and educational experience informs our research and influences the lens through which we view OTI's work.



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Overview on Managing Aid in Conflict and Transition

Best Practices for Managing Aid in Conflict and Transition

This section offers a brief review of the literature related to managing aid in conflict and transition settings. These publications distinguish the goals and challenges of operating in fragile versus stable countries which require different management structures, program designs, and approaches to monitoring and evaluation to deliver program success.

Best practices for managing aid in any context center around complying with international aid principles, demonstrating value, and ensuring financial accountability to funders, thereby preventing corruption and avoiding risks to institutional or political reputations. Together, these factors often cause aid agencies to establish, accountability and reporting mechanisms which, while sometimes cumbersome, can be critical to preventing financial waste and exposure to corruption.²

However, operating in conflict and transition states increases the opportunity cost of avoiding risk. When the environment is politically dynamic — even frenetic — “playing it safe” potentially jeopardizes program goals by stifling innovation and hampering an organization’s ability to respond to changing circumstances. To strike a more productive balance between opportunity and risk in complex environments, aid agencies often rely on more flexible program models.

Previous literature reviews on managing aid in fragile contexts, such as Schreter and Harmer’s “Delivering aid in highly insecure environments: A critical review of the literature, 2007-2012,” observe a general lack of substantive, academically rigorous material.³ The literature includes primarily self-published policy studies, good practice guides, and qualitative evaluations by practitioners who rely heavily on interviews and case studies. Researchers are also limited by the difficulty of collecting data in unstable settings, small budgets, and the need to protect sensitive subject matter. Few articles feature peer review, empirical evidence, quantitative analysis, or academic engagement in the design and methodology. While practitioner-focused literature is relevant to operational actors, the tendency to keep findings in-house undermines joint learning and indicates a possible lack of external validity for conclusions.⁴

Within this limited body of work, most relevant literature focuses on the best practices for managing risk and increasing access in highly insecure environments. OECD’s “Managing Risks in Fragile and Transitional Contexts: The Price of Success?”⁵ focuses on risk management in light of the “convergence of development, security, peacebuilding, statebuilding and related agendas in post-

² “Managing Risks in Fragile and Transitional Contexts: The Price of Success?” *Conflict and Fragility*, OECD Publishing (2012): 86.

³ Schreter, L. and Harmer, A. “Delivering aid in highly insecure environments. A critical review of the literature, 2007-2012.” Humanitarian Outcomes Ltd., London, UK (2013): 5.

⁴ *Ibid.*, 5.

⁵ OECD, “Managing Risks in Fragile and Transitional Contexts: The Price of Success?”

conflict and transitional contexts,”⁶ and recommends taking “appropriate risks”⁷ which may produce improved results and outcomes. According to the OECD, “while donors have shown considerable risk appetite in funding programmes in highly volatile and insecure contexts like Afghanistan and Iraq, aid-effectiveness in many transitional contexts such as South Sudan”⁸ is stymied by rigid, time-consuming processes. The paper concludes that “the risks associated with not engaging in these contexts — both for the countries themselves and for the international community — outweigh most of the risks of engaging in the first place. The question therefore is not whether to engage but how to engage in ways that are context-specific and do not come at an unacceptable cost.”⁹

Drawing from these authors and the broader practitioner-oriented literatures, we present below a list of recommendations for improving aid in transition and conflict settings:

Management Structure

Use a complex, but flexible, and iterative management approach. Complex political situations involve many actors often working in parallel toward shared or similar objectives.¹⁰ This and the myriad issues unique to transition environments (e.g. “demobilization and reintegration, human rights and good governance, shadow economies and aid contributions to them, the politicization of humanitarianism and the question of access”¹¹) require leadership and management structures equipped to operate in an increasingly multi-faceted manner.

Emphasize risk management instead of risk avoidance. Within transition environments, there is a tension between risk and effectiveness. Standard, risk-averse aid processes can limit program effectiveness in transitional contexts, where speed and flexibility are required to achieve the desired impact. Speed and flexibility of programming often increase risk, however, as they involve deviation from carefully constructed standardized procedures and practices. According to the OECD, this tension can be relieved through “greater honesty and transparency about exposure to risk between donors and those they fund; and greater realism in conversations between managers and financial controllers about the parameters within which these aid interventions can realistically be conducted and accounted for.”¹²

Program Design

Align with local priorities in different ways in different contexts. As a traditional best practice, development partners align their objectives with the national government’s strategies. However, in transition contexts the government often lacks the will, capacity, or legitimacy to foster development.

⁶ Ibid., 22.

⁷ Ibid., 85.

⁸ Ibid., 15.

⁹ Ibid., Synopsis.

¹⁰ Ann Fitz-Gerald, Paul Molinaro and Derrick Neal. “Humanitarian aid and organisational management,” *Conflict, Security & Development* Vol. 1 , Iss. 03 (2001): 136.

¹¹ Ibid., 136.

¹² OECD, “Managing Risks in Fragile and Transitional Contexts: The Price of Success?": 17.

Additionally, agencies can't assume that the priorities of the governing regime correspond with those of the population or support the country's development. Especially when rampant corruption in the regime in power is a concern, political aid agencies' accountability to their own governments' constituencies may conflict with and necessarily take priority over the recipient government's agenda. In these cases, the organization must build strong coordination and partnership mechanisms, particularly with local organizations. However, organizations must also be careful not to develop parallel systems without considering transition mechanisms and long-term capacity development.¹³

Use more flexible and adaptable planning frameworks. The logical framework approach to planning, first used decades ago by USAID, is now well-embedded in many aid organizations. Des Gasper's "Problems in the Logical Framework Approach and challenges for 'Project Cycle Management'" argues that the approach is problematic in the aid environment. Specifically, it attributes cause-and-effect assumptions to program activities, which is too simplistic and rigid for complex operating environments. Furthermore, in unstable environments where change is the only constant, a framework where objectives are formed at the top disempowers program staff.¹⁴

Monitoring and Evaluation

Improve lessons-learned and feedback processes. In many aid organizations, there is a gap between the dissemination of lessons learned and the actual modification of subsequent behavior.¹⁵ Because volatile environments require rapid identification of and response to problems, it is critical that OTI and other stabilization actors design solutions for bridging this gap and perpetuating the feedback loop throughout the life of a project.

New Approaches to Managing Aid in Conflict and Transition

As aid programming evolves, organizations and other actors increasingly look to the private sector for new approaches to operating in constrained contexts. Below, we explain two methodologies gaining traction in this area: adaptive management and lean startup. Both approaches advocate for a flexible and adaptive programming framework prioritizing in-depth contextual analysis, small investments in iterative experimentation, and built-in feedback loops.

Adaptive Management

When reform requires changing behavior, shifting incentives, and bringing together multiple, diverse, and fragmented groups — or where reform itself is uncertain — new approaches to managing aid are needed.¹⁶ Originally termed "Adaptive Environmental Assessment and Management," the

¹³ "International Engagement in Fragile States: Can't We Do Better?" *Conflict and Fragility*, OECD Publishing (2011): 35-37.

¹⁴ Gasper, D. "Problems in the Logical Framework Approach and challenges for 'Project Cycle Management,'" *The Courier*, no. 173 (January-February 1999).

¹⁵ Ann Fitz-Gerald et al., "Humanitarian aid and organisational management": 141

¹⁶ Leni Wild et al., "Adapting Development: Improving Services to the Poor," Overseas Development Institute (ODI) (2015): 33.

adaptive management approach was developed by ecologists C.S. Holling and Carl Walters. It emphasizes the identification of critical uncertainties regarding natural resource dynamics and the design of management experiments to reduce them. Holling and Walters highlighted the importance of engaging those outside the management institution in the design process to manage conflict and increase contributions to potential management solutions.¹⁷ Since its initial development, adaptive management has gained popularity in the realm of conflict, crisis, and transition programming.

Adaptive management calls on programs to use built-in, rapid feedback loops to adapt strategies, plans, and activities in response to new information. The Alliance for Peacebuilding, a network of organizations working to resolve conflict and create sustainable peace in 153 countries, elaborates: “Adaptive management acknowledges that an organization’s conflict analysis can never be perfect, or its design set in stone, but both require constant re-evaluation and adaptation.”¹⁸ A recent report commissioned by Bond, a UK-based diverse network of civil society organizations and allies working to eradicate global poverty, inequality, and injustice, explains that adaptive management “is characterized by a flexible, exploratory approach in the face of uncertainty and complexity, involving testing, monitoring and getting feedback and — crucially — making course-corrections if necessary.”¹⁹

This section presents an overview of adaptive management approaches across organizations in the international development sector. The framework for the recommendations section of this report is based on four principles of adaptive management, outlined by Mercy Corps. These four principles provide organizations with broad-based adaptive management approaches to managing aid in conflict and transition states and have been further expanded upon in the literature by notable development actors. Together, these sources reflect prevailing views within the aid community of the definition and application of adaptive management.

What Is Adaptive Management?

Compared to traditional management approaches, adaptive management requires a fundamentally different set of tools, processes, leadership, norms, and staff behavior. While traditional management emphasizes adherence to detailed plans meant to solve problems in a linear, mechanistic manner, the adaptive management approach centers on the understanding that uncertainty is endemic to work in complex and dynamic environments.²⁰ To avoid falling into a trap of a one-size-fits-all approach²¹ often used within development, adaptive management proponents advocate for diagnoses of problems to precede prescriptions of solutions.²² This represents a reversal of the

¹⁷ Cited by Rist, L., A. Felton, L. Samuelsson, C. Sandström, and O. Rosvall. “A new paradigm for adaptive management,” *Ecology and Society*, 18(4) (2013): 63.

¹⁸ Salonen, Laura. “Learning and Adaptive Management with the Crisis Management Initiative,” (October 2, 2017).

¹⁹ Michael O’Donnell. “Adaptive Management: What It Means for Civil Society Organizations.” Bond (2016): 5.

²⁰ *Ibid.*, 5.

²¹ Fritz, Levy, and Ort, “Problem Driven Political Economy Analysis.” (2014): 10

²² Dani Rodrik. “Diagnostics before Prescription.” *Journal of Economic Perspectives* 24 (2010): 33-44

traditional best practices approach through which development organizations have often approached problem sets with pre-existing solutions based on their own capacities or experiences elsewhere.²³

The adaptive management approach calls on organizations to meet this uncertainty with constant learning, measuring, innovating, and iterating.²⁴ It also enables organizations to better adapt to changes in needs and opportunities in a timely and intentional manner. This adaptability, in turn, helps organizations achieve greater impact in complex and fluid environments.

The terms “adaptive management” and “adaptive programming” are used to cover similar concepts, though each has limitations. While the first phrase has been criticized for explicitly excluding humanitarian work, the second focuses narrowly on program delivery.²⁵ For the context of this report, adaptive management is used to mean both adaptive programming and adaptive management at the broader organizational level.

Adaptive management is best understood as a broad approach, rather than a specific method or set of tools. In practice, the management of aid in these contexts usually falls somewhere along a spectrum between traditional and adaptive.²⁶ The framework outlined below includes four guiding adaptive management principles for enabling organizations to improve management of aid in contexts of conflict and transition.²⁷

Principle 1: Organizational Culture

Organizational culture serves as both a foundation for and result of people using skills, tools, and systems to manage adaptively. It provides the signals, expectations, and incentives to prioritize learning and adaptation at all levels of aid delivery. Organizational culture can be broken down into four components: (1) leadership; (2) teamwork; (3) physical cues in an environment that reinforce messages about sharing, communicating, learning, and empowerment; and (4) formal mechanisms to reinforce expectations of agility and adaptation.²⁸

The Analysis Driven Agile Programming Techniques (ADAPT) framework created by International Rescue Committee (IRC) and Mercy Corps explains that successful adaptation is more likely when teammates build trust, communicate openly, and support one another in taking risks. The norms established through organizational culture play an important role in ensuring program agility and

²³ Fritz, Levy, and Ort, “Problem Driven Political Economy Analysis.” (2014): 10.

²⁴ Eric Ries, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* (New York: Crown Business, 2011).

²⁵ O'Donnell, “Adaptive Management: What It Means for Civil Society Organizations,” (2016): 5.

²⁶ *Ibid.*, 5.

²⁷ As work on this subject progresses, there is a gradual shift from a focus on principles behind it to using case-studies and more detailed guided approaches. The latter category includes a commonly referenced Mercy Corps 2015 report titled “Managing Complexity: Adaptive Management at Mercy Corps.” This report outlines why adaptive management is important, what it is, and four key elements that underpin it: culture, people and skills, tools and systems, and enabling environment. The report is considered a useful checklist illustrating key facets of adaptive management and is used as the guiding framework for this report.

²⁸ “Managing Complexity: Adaptive Management at Mercy Corps,” Mercy Corps (June 17, 2015): 1-6.

adaptability. Program leaders can set the tone in how they interact with staff, including actively seeking input from field staff and demonstrating commitment to act on it.²⁹

The Doing Development Differently (DDD) Manifesto outlined in Box 1 advocates for a diffuse organizational decision-making culture, one with a focus on solving local problems that are debated, defined, and refined by local people in an ongoing process.³⁰ The United Kingdom's Department for International Development (DFID) recently published a Smart Rules framework that also advocates for delegating decision-making to responsible staff who are close to projects (in the field) and empowered to make quicker decisions. One of the fundamental elements of the framework is the space for frontline staff to innovate, take risks, and adapt to realities on the ground.³¹

Box 1: The Doing Development Differently Manifesto

At a workshop in late 2014, a small group of funders, practitioners and researchers came together to examine recent development successes and understand precisely how they had worked. Looking across a range of examples, six principles for Doing Development Differently stood out:

- Focus on solving local problems that are debated, defined and refined by local people in an ongoing process.
- Legitimize reform at all levels (political, managerial and social), building ownership and momentum throughout the process.
- Work through conveners who mobilize all those with a stake in progress (in both formal and informal coalitions and teams) to tackle common problems and introduce relevant change.
- Blend design and implementation through rapid cycles of planning, action, reflection and revision (drawing on local knowledge, feedback and energy) to foster learning from both success and failure.
- Manage risks by making “small bets:” pursuing activities with promise and dropping others.
- Foster real results — real solutions to real problems that have real impact: they build trust, empower people and promote sustainability.

These principles form the basis of a Doing Development Differently manifesto, signed by more than 400 people, with signatories from 60 countries including Afghanistan, Cambodia, Cameroon, Central African Republic, Ecuador, Egypt, Colombia, Kenya, India, Indonesia, Malawi, Mexico, Nigeria, South Africa, Senegal, Tanzania and more.

To find out more, visit: www.doingdevelopmentdifferently.com.

Source: *Overseas Development Institute*³²

²⁹ “Adapting Aid: Lessons From Six Case Studies,” Mercy Corps, IRC, ADAPT (June 2016).

³⁰ Matt Andrews, Leni Wild, and Salimah Samji. “Doing Development Differently” (n.d.).

³¹ “Smart Rules: Better Program Delivery,” DFID (October 2017).

³² Hilton Root, Harry Jones, and Leni Wild. “Managing Complexity and Uncertainty in Development Policy and Practise.” Overseas Development Institute (ODI) (March 2015): 14.

Principle 2: People and Skills

In order to facilitate adaptive management, organizations need to be staffed and structured in a manner that encourages learning, collaboration, and the use of feedback loops.³³ In order to learn and adapt rapidly to new information, individuals (especially those on the frontlines) need critical thinking and creative skills that enable them to collect, synthesize, and analyze data and information.³⁴

Lessons drawn from a collaborative case study analysis conducted in June 2016 by IRC and Mercy Corps emphasize that hiring local staff is an important step towards facilitating adaptive management within the organization. These individuals are often best positioned to collect data and feed it back to the organization quickly.³⁵ This recommendation is also emphasized within the DFID Smart Rules framework. Donor agencies with programmatic staff close to the field, or with regular contact with implementers who have the autonomy to make decisions based on new information, are better suited to facilitate adaptive management. For effective adaptive management within conflict and transition states, staff need to be able to strike a difficult balance between basing decisions on “softer” evidence and maintaining high levels of trust with implementing partners on the one hand, while simultaneously holding them accountable for results on the other.³⁶

Principle 3: Tools and Systems

As stated under Principle 1, a foundational culture of investigation, discussion, and flexibility is an important step towards implementing an adaptive management approach. This culture, however, must be supported and reinforced by the organization’s technical program design, implementation, monitoring, and evaluation tools.³⁷

To ensure agility, organizations should build regular analysis and reassessment of assumptions into programming. This enables teams to understand and adapt to new information in rapidly changing environments.³⁸ As Stankey et al. explain in their “Adaptive Management of Natural Resources” study, this involves “an explicit, deliberate, and formal dimension to framing questions and problems, undertaking experimentation and testing, critically processing the results, and reassessing the policy context that originally triggered investigation in light of the newly acquired knowledge.”³⁹ This process is made possible by multiple built-in feedback loops through which information is collected at the frontlines and then shared back to the implementers, enabling them to respond rapidly.

Principle 4: Enabling Environment

The elements outlined above underpin the adaptive management approach within an organization. However, in order to be effective, the broader environment must allow for organizations to be lean

³³ Mercy Corps, “Managing Complexity: Adaptive Management at Mercy Corps,” 1.

³⁴ Ibid., 4.

³⁵ O’Donnell, “Adaptive Management: What It Means for Civil Society Organizations,” (2016): 13

³⁶ Goeldner Bryne, Karri, Tim Sparkman, and Ben Fowler. “The Road to Adaptive Management: Knowledge, Leadership, Culture and Rules.” BEAM Exchange, July 2014. 17-19.

³⁷ Mercy Corps, “Managing Complexity: Adaptive Management at Mercy Corps.” 6-7.

³⁸ Ibid., 6-7.

³⁹ George Stankey, Roger Clark, and Bernard Bormann. “Adaptive Management of Natural Resources: Theory, Concepts, and Management Institutions.” United States Department of Agriculture (August 2005): 7.

and agile. In the development sector, this environment includes stakeholders such as donor agencies, donor governments, and host governments. In Dr. Dan Honig's study examining international development organizations delivering foreign aid, he found that variation in politically authorizing environments has a substantial impact on development outcomes, development trajectories, and conflicts. Honig summarizes that politically authorizing environments often constrain organizational autonomy.⁴⁰

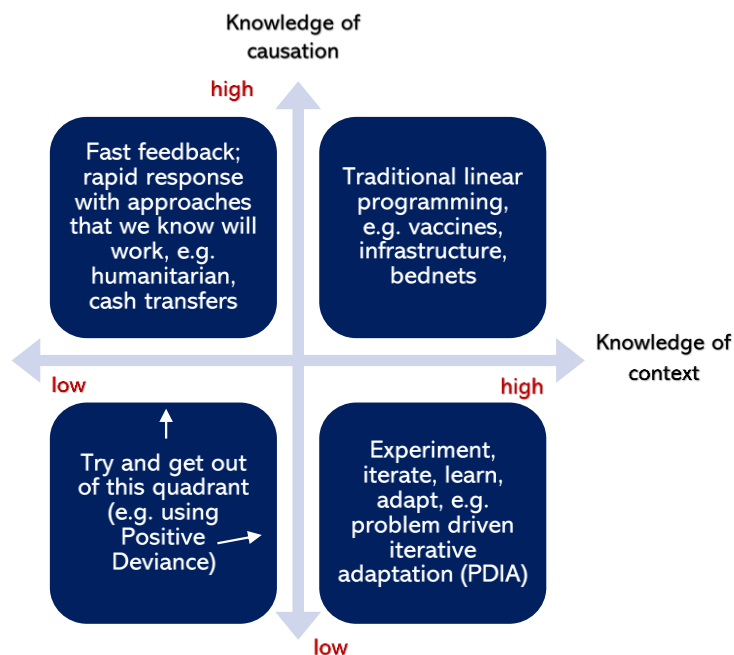
Donor and host governments can support adaptation by expecting and enabling flexibility. In order to fully achieve the tenets of adaptive management, implementers must collect evidence and information and share it with donors to change mindsets, policies, and practices.⁴¹

Another way to ensure agility is through “permeable partnerships.”⁴² For the effective facilitation of adaptive management, organizational boundaries should become more permeable, with ideas and information flowing more freely among all actors within the development sector, including donors, implementers, civil society, private sector, and government. This will lead to greater trust and mutual understanding.⁴³

When Does Adaptive Management Work Best?

The adaptive management approach avoids making assumptions about problems and solutions in complex environments, starting with forming hypotheses, testing these hypotheses, and then revising them in light of what the tests reveal using best available data. Figure 1 highlights the contexts in which different types of adaptation may be most appropriate. It also illustrates that while adaptive management may be underutilized, the need for traditional, linear approaches still exists (i.e. when working in more stable or familiar contexts, addressing a problem with well-tried and tested methods, or dealing with considerable concerns about corruption or transparency, traditional management approaches may be preferable).⁴⁴

Figure 1: When to Use Adaptive vs. Linear Management Matrix



Source: Bond Report⁴⁵

⁴⁰ Dan Honig. “When Reporting Undermines Performance: The Cost of Politically Constrained Organizational Autonomy in Foreign Aid Implementation,” (June 2017): 1.

⁴¹ Mercy Corps, “Managing Complexity: Adaptive Management at Mercy Corps,” 8.

⁴² Mercy Corps et al., “Adapting Aid: Lessons From Six Case Studies,” 8.

⁴³ Ibid., 8.

⁴⁴ O’Donnell, “Adaptive Management: What It Means for Civil Society Organizations,” (2016):11.

⁴⁵ Ibid., 11.

Additional evidence from diverse fields including business startups, military strategy, and development reform demonstrates the increased popularity of this approach.⁴⁶ Compared to traditional management, the adaptive management approach is more sensitive to a fast-changing environment. Development actors increasingly agree that the confluence of new challenges and greater complexity require aid agencies to be able to adapt in a timely and intentional way, by better understanding, and responding to, contextual dynamics.⁴⁷

Lean Startup

Like adaptive management, the lean startup approach is a private sector management innovation that has implications for managing aid programs in conflict settings, even from within a government bureaucracy.

What Is Lean Startup?

Building on the foundation of Steve Blank's work on entrepreneurship at Stanford, Eric Ries coined the phrase in 2008 and popularized it in his 2011 book, *The Lean Startup*. The methodology applies the scientific method to developing businesses and products, calling for dramatically reduced startup times that force innovators to create a minimum viable product as a kind of proof of concept. From there, the model rests on an iterative design process that uses direct feedback from clients or users to inform future activities, as represented in Figure 2.

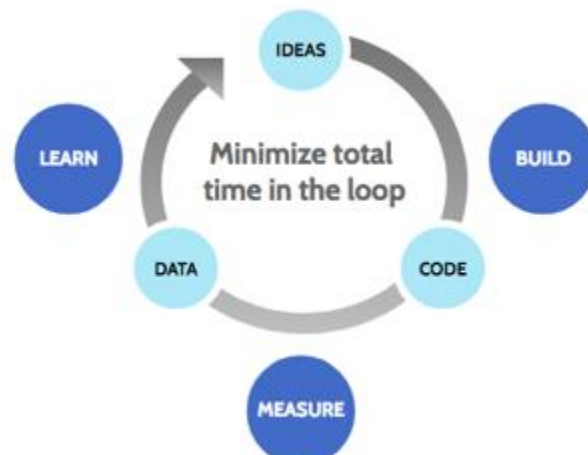
Why Use Lean Startup?

Based on lean manufacturing systems designed to eliminate waste, which includes anything spent on something other than creating value for the end user, the lean startup methodology has clear benefits in the business world: it reduces risk and initial costs, allows companies to avoid expensive failures, and forces entrepreneurs to answer directly to the needs of their customers, improving products' utility and marketability.

The volatility of conflict and transition environments has parallels to the business world that make *The Lean*

Startup a useful resource for aid management and program design techniques. Like entrepreneurs, aid organizations often have tools and theories that may answer the needs of a specific population

Figure 2: Lean Startup Design Process



Source: Reis, A. (2011). *"The Lean Startup"*

⁴⁶ Leni Wild et al., "Adapting Development: Improving Services to the Poor," (ODI) (February 2015): 25.

⁴⁷ Hilton Root, Harry Jones, and Leni Wild. "Managing Complexity and Uncertainty in Development Policy and Practise." Overseas Development Institute (ODI) (March 2015): 13.

in a specific context and, like entrepreneurs, aid organizations may not know whether the solutions they design will meet the needs of their “customers” or beneficiaries until after the program has launched. These similarities in terms of activating concrete capabilities in uncertain environments mean that borrowing from the lean startup methodology may have benefits for those managing aid in conflict and transition.

Perhaps the most fundamental similarity between aid actors and entrepreneurs is that both implement strategies based on assumptions. According to Ries, early activities should be focused on stating those assumptions clearly and testing them rigorously.⁴⁸ Many of the assumptions that both actors make are mundane and generally accepted as best practices. The ones that pose the greatest threats to a program’s outcomes, however, are those assumptions that are “leaps of faith,” such as assuming a desire for an activity, applying ideas from other contexts, or drawing analogies about what might work in one place based on what works in another. The lean startup approach has constructive frameworks for rigorously identifying those assumptions, testing them through launching possible solutions early, and iterating based on direct feedback in order to meet needs and eliminate waste — all of which are applicable to the lifecycle of an aid program in the dynamic, complex environments of countries in conflict or transition.

Many aid organizations operate within larger established bureaucracies, either as offices within government agencies or as implementing partners working with donors in the diverse network of aid actors. Ries notes that these entrepreneurs inside broader organizations are sometimes called “intrapreneurs,” and their work is further complicated by the need to translate experimental goals and outcomes to more traditional accounting methodologies.⁴⁹ In this report, we are cognizant of that tension. We will highlight possible strategies from lean startup methodologies that might be beneficial in designing and implementing aid programs, adapting them to the context of innovative aid management within broader organizations. Our hypothesis is that lean startup practices would fit well within an adaptive management framework, providing ideas and strategies that may be constructive at the programmatic level for organizations working in countries in conflict and transition.

The OTI Model

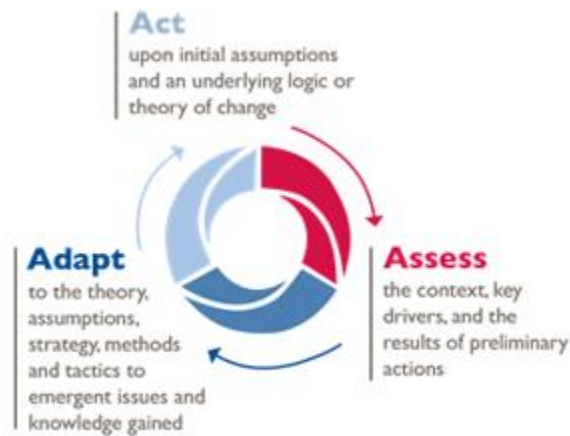
OTI provides a compelling case study through which to explore adaptive management and lean startup approaches as applied to managing aid in conflict and transition. OTI’s adaptive programming philosophy aligns to a large extent with both, illustrating their relevance in this field.

⁴⁸ Eric Ries, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* (New York: Crown Business, 2011): 81-82.

⁴⁹ *Ibid.*, 26-27.

By definition, OTI operates in dynamic conflict and transition environments where its programs are intended to promote positive political change. OTI's mission and mandate derive from the idea that U.S. assistance can support peaceful, democratic outcomes that advance U.S. foreign policy objectives during times of political transition or crisis.⁵⁰ This is done by seizing “emerging windows of opportunity in the political landscape to promote stability, peace and democracy by catalyzing local initiatives through adaptive and agile programming.”⁵¹

Figure 3: OTI Adaptive Programming Model



Source: Hall, A. “OTI Overview.” Presented at Princeton University, Princeton, New Jersey, October 27, 2017.

In recognition of the unique set of constraints and opportunities associated with such environments, USAID created OTI with structural, procedural, and cultural characteristics that allow it to operate with greater flexibility, speed, and emphasis on innovation than many of its USAID counterparts. These elements are most clearly visible in OTI's management philosophy, derived from theories of adaptive programming. OTI's model of adaptive programming (Figure 3) adheres to the following principles, which guide the design, implementation, and evaluation of OTI's programs:^{52,53}

- **Action research:** Rapid assessment of interests in the relevant context aimed at creating a theory of change and beginning programming within a short time frame.
- **One team:** Commitment to working with partners in a collaborative way through joint program development and implementation including shared vision and strategy, shared responsibility and risk, open and direct communication, and respect for roles and boundaries.
- **Local ownership:** Emphasis on local ownership of program activities in the countries in which OTI operates.
- **Intentionality:** The decision to operate in areas, or to conduct activities, that are not heavily covered by other comparable actors, allowing OTI to effect change in areas that are not oversaturated in order to determine attribution to their programs.⁵⁴

⁵⁰ Marian Leonardo Lawson, “USAID’s Office of Transition Initiatives After 15 Years: Issues for Congress,” *Congressional Research Service Report* (May 27, 2009): 1.

⁵¹ “OTI Mission Statement,” *Where We Work*, last modified December 1, 2017, accessed December 1, 2017, <https://www.usaid.gov/political-transition-initiatives/where-we-work>.

⁵² Hall, Andrew. “OTI Overview.” Presented at Princeton University, Princeton, New Jersey, October 27, 2017: 10.

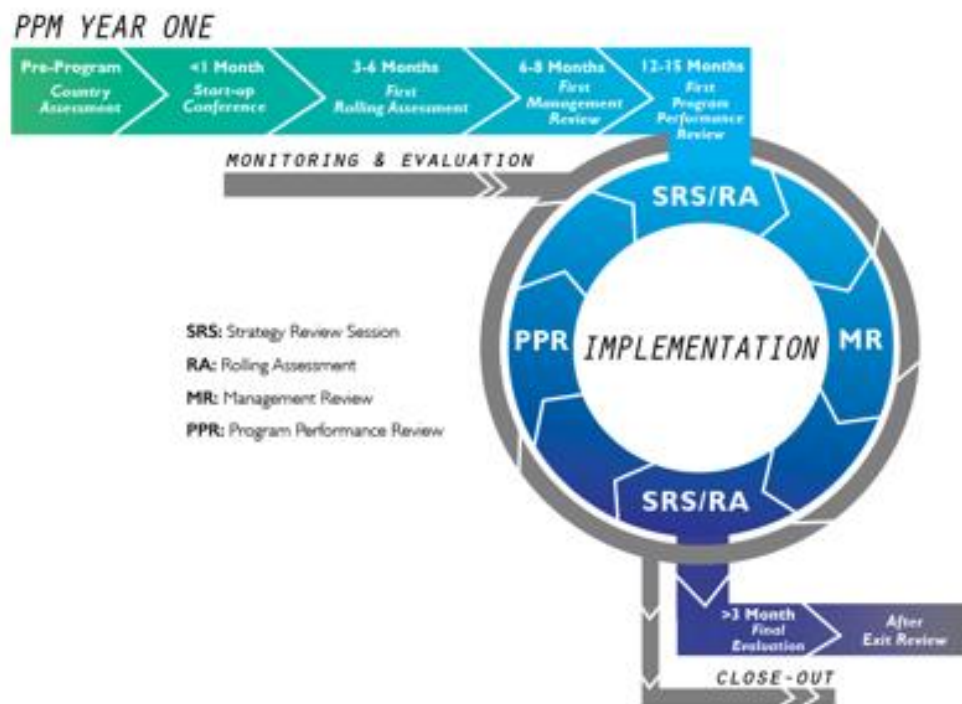
⁵³ For more information on OTI’s approach, techniques, and tactics to management, see: “Procedures and Best Practices in Priority Areas,” *OTI Field Operations Resource Materials*, version 1.0 October (2005).

⁵⁴ Though this is an ideal to which OTI aspires, in practice OTI has on occasion deviated from this principle for strategic reasons. Particularly, we see this in the cases of Iraq and Afghanistan.

- **Experimentation:** Commitment to embracing programmatic risk and allowing for failure to support learning and inform future decision-making through formal and informal feedback loops at the strategic, program, and activity levels.
- **Theory of change:** A structured way of connecting activities with impacts, outcomes, and assumptions.

OTI builds its commitment to experimentation into its operational model. The Project Performance Management (PPM) cycle (Figure 4) builds in regular checkpoints to ensure constant iteration and responsiveness to the operating context. Rolling assessments (RA) and strategic review sessions (SRS) are strategic-level meetings of all in-country staff, with staff from Washington joining the latter. Management reviews (MRs) and program performance reviews (PPRs), which consist of groups of experts who review the strategy and management of a program, occur regularly throughout the project lifespan as well. These checkpoints allow OTI to identify and scale small successes, as well as pinpoint and pivot from small failures.

Figure 4: OTI Project Performance Management (PPM)



Source: Hall, A. "OTI Overview." Presented at Princeton University, Princeton, New Jersey, October 27, 2017.

In order to assess the effectiveness of any particular management approach, it is crucial to first understand the ways in which the OTI model defines success. Critically, while OTI programs may have similar outputs to traditional humanitarian or development projects, its intended outcomes and definition of success are different. Rather than alleviating need or supporting economic development, OTI expects its program activities to support U.S. foreign policy objectives "by helping local partners

advance peace and democracy” and addressing “key political transition and stabilization needs.”⁵⁵ Broadly speaking, OTI defines success in terms of effects (i.e. positive changes in public attitudes, perceptions, or behaviors that contribute to peace and democracy) and responsiveness (i.e. the speed and effectiveness with which its programs respond to and inform U.S. foreign policy and local developments).

The findings and recommendations presented below aim to enhance the success that OTI has seen to date by drawing on lessons learned in the application of adaptive management to aid delivery in conflict and transition settings. These recommendations should be considered in terms of how they contribute to these two elements of success.



© Hecke71. *Traditionelle Frauen aus Myanmar* / Adobe Stock

⁵⁵ “Office of Transition Initiatives (OTI),” USAID Who We Are, last modified November 4, 2016, accessed December 1, 2017, <https://www.usaid.gov/who-we-are/organization/bureaus/bureau-democracy-conflict-and-humanitarian-assistance/office-1>.

Examining OTI Management in Conflict and Transition

In this section, we examine OTI's management practices through the lens of the four adaptive management principles outlined above: (1) Organizational Culture, (2) People and Skills, (3) Tools and Systems, and (4) Enabling Environment.

Each of the four sections follows the same structure. For each finding, we explore four elements:

1. **Best Practice:** Relevant practices of adaptive management and lean startup
2. **Other Organizations:** The degree to which other organizations use these practices
3. **OTI Practice:** The extent to which OTI uses these practices
4. **Recommendation:** Advice for continuing or adjusting OTI practices moving forward

Principle 1: Organizational Culture

Organizational culture is a foundation for and result of adaptive management practices. It provides signals and incentives that permit and perpetuate experimentation, learning, and adaptive programming. Establishing norms that encourage teams to build trust, communicate openly, and support each other in taking programmatic risk is crucial to effectively implementing adaptive management principles. In this section, we discuss the importance of creating and maintaining an organizational culture that reinforces investigation, intellectual honesty, and locally driven problem solving.

1.1 Culture of Intellectual Honesty and Investigation

It can seem like adaptive programs are driven by individual personalities, but when it comes to creating and maintaining an organizational culture that facilitates the experimentation and adaptability these contexts require, structure matters as much — if not more — than staffing. Adaptive management and lean startup alike call for institutional mechanisms that prioritize learning and feedback. In order to establish a truly investigative culture, organizations must create space and incentives for intellectual honesty around the success or failure of experiments.

Best Practice

In conflict and crisis environments, an organizational culture that allows for intellectual honesty when it comes to critical assessments of initiatives' merits is crucial. While mid-project reviews and periodic evaluations are necessary to track the strengths and weaknesses of a project as it develops, fostering a culture of intellectual honesty throughout the life of project requires establishing an environment in which lessons learned are fully incorporated into the design of the project.

Organizations like OTI may be tempted to rely primarily on bringing in outside talent to create this kind of uniquely innovative culture. According to Eric Ries, however, creating this kind of culture doesn't require hiring "superstar entrepreneurs" from outside. Instead, management across the organization can emphasize that critical thinking, experimentation, analysis, and creativity are crucial

to the organization's success.⁵⁶ When it comes to incentivizing these skills, we understand that OTI operates under USAID's broader human resource constraints. For example, the closed system of promotion for Foreign Service Officers (FSOs) can disincentivize working with OTI, and the promotion process for FSOs can make it difficult to prioritize flexibility. A solution might be for USAID to explore the possibility of allowing Personal Service Contractors to supervise FSOs. This would allow their direct supervisors to provide their annual reviews, making it more possible for OTI to take advantage of and champion "intrapreneurs" from within bureaucracies, like FSOs who may bring crucial language skills and regional expertise to OTI.

More generally, Ries argues that there are three primary mechanisms that cultivate a culture of investigation and innovation. First, operating in an environment with "scarce but secure resources"⁵⁷ means that innovators within an organization are not overly conscious of or careless with money. Second, autonomy and authority to develop innovative solutions means that experimental activities can be implemented quickly, without the baggage of unnecessary bureaucratic obstacles. Finally, individual team members need a personal stake in the outcomes they pursue — this sense of shared ownership across an organization lifts morale and perpetuates an organizational culture in which experimentation is valued.⁵⁸

Ries also asks teams at an organization's genesis to adopt two rules:

1. Be tolerant of all mistakes the first time.
2. Never allow the same mistake to be made twice.

These rules work well in the beginning to set the cultural tone of an organization or for a program, but teams will need to have more complicated, comprehensive standards as they move forward.⁵⁹

Other Organizations

The National Democratic Institute (NDI) spoke in great depth about the role of culture in driving the success of their projects. The personality of a single field director can make or break an initiative. For them, systemizing how to identify leaders with the essential "startup" traits has not been easy. While hiring the right people is important, this example highlights that management structures must also be in place to reinforce institutional culture as to avoid a relying on a single personality to drive the success of the project.

OTI practice

OTI has successfully created an organizational culture that not only allows for intellectual honesty but also builds critical reflection into the lifecycle of programs through formal, comprehensive review processes. An essential component of intellectual honesty is the capacity to actively promote open, honest, and transparent communication between all members of an organization. Feedback and criticism with the intention to improve the overall project's aims should be encouraged. During our

⁵⁶ Eric Ries, *The Lean Startup*, 62-63.

⁵⁷ *Ibid.*, 254.

⁵⁸ *Ibid.*, 204.

⁵⁹ *Ibid.*, 235.

interviews in Ukraine, OTI's implementing partner Chemonics spoke freely about its capacity to lend feedback to a project that was not succeeding in its aims and its capacity to reorient OTI towards its mission objectives.

The physical layout of the office in both field case studies was also designed to facilitate close communication, immediate feedback, and a real sense that all of the program staff — both from OTI and from the implementing partner — belong to one team. In Ukraine, Chemonics shares its office with OTI staff. In Burma, OTI and its implementing partner, DAI, are conveniently located just across the street from each other, strengthening coordination and facilitating efficient and open dialogue. OTI field staff also maintain offices in the DAI building, allowing them to split their time between DAI and the U.S. Embassy. Building a cohesive team culture using physical proximity seems effective in both countries we visited, but this requires attention to logistics and location of staff early in a program's lifecycle, as well as agreement from the security officers in the U.S. Embassy.

OTI's Four Corners management model is based on the assumption that experimentation is best facilitated through close communication and immediate feedback among members of OTI's DC-based and field team members. The Four Corners of a program are the OTI team in DC, the implementing partner's team in DC, the OTI field team, and the implementing partner's field team. Often, these four corners are four specific individuals, but the OTI field team "corner" can be represented by the OTI Country Representative and Deputy Country Representative. Regardless, the crux of the model is that all four function as a single team.

OTI program staff praised the Four Corners model as a tool for communication and as a means of ensuring intellectual honesty. As Michael Stievater, Chief of Party for the UBCI II project told us, "Four Corners keeps lines of communication clean on a daily basis. Tasking is always run without crossing corners... I take direction from OTI field office. Field OTI does not talk to Chemonics DC. My HQ gives me money to do what OTI field wants to do. I don't talk to OTI DC [except when] we have Four Corner calls. It minimizes mixed messaging and ambiguity."

The Four Corners model is crucial to programming in Burma as well, and its implementation formalizes inclusive communication. In any team working on the same issue from the same perspective, groupthink might be a challenge. It may be even further intensified in contexts of conflict and transition in which information is limited and aid actors may be collaborating with relatively closed circles of contacts. OTI's Four Corners model is a safeguard against this, as it integrates valuable voices and perspectives from DC in brainstorming and decision-making processes.

Also noteworthy is how Four Corners ensures OTI programs remain closely tied to evolving policy priorities in Washington. Input from Congress, the White House, and other government stakeholders informs OTI programming, which can enhance effectiveness in these transitional, high-priority environments. Washington perspectives inform OTI efforts and vice versa. Though outside the scope of this report, this high-level policy feedback loop exemplifies the critical nature of rapid communication in settings of conflict and transition.

Recommendation: *Continue to leverage the Four Corners management model to promote intellectual honesty, and to create and maintain organizational norms that permit and perpetuate iterative experimentation.*

Maintaining a unique culture that rewards entrepreneurial experimentation requires commitment from management but also formal mechanisms — even those as simple as physical proximity of OTI team members’ offices — and a willingness to evolve. Mechanisms such as building Four Corners feedback into program design create team buy-in and prevent a “gotcha culture” from hindering creative action. The tools and systems described later in this report can also serve to maintain this culture.

Some of these mechanisms will need to evolve over time. In line with Ries’ two rules for organizational tolerance of mistakes as a program continues (mentioned above), it may be necessary for organizations like OTI to redefine what they mean by making the “same” mistakes. For example, perhaps OTI may want to make the “mistake” of supporting conferences in sectors that have not been fruitful only once. However, OTI investment in nascent organizations in order to validate their work and build local capacity — even if their initial activities are not immediately successful — would be a mistake worth making twice.

1.2 Creating Local Solutions to Local Problems

OTI prides itself on being driven by local needs and identifying context-specific solutions rather than applying transferrable frameworks across dissimilar settings. Local partners can help OTI carry out its work, but involving local partners can also be a crucial part of signaling and operationalizing an organization’s cultural orientation toward creating and implementing local solutions to local problems.

Best Practice

Leaning on and learning from local partners offers two key programmatic benefits. First, it allows for deeper understanding of the context and a wider network of contacts, which can be helpful for organizations with few local staff members. Second, it may help develop local capacity and program sustainability as local partners gain experience implementing projects.

More broadly, this approach aligns with the best practice from adaptive management of creating and maintaining a culture that supports learning and adapting. It also conforms with lean startup principles of maximizing value for the end-user and testing assumptions, since having a deeper understanding of the context will support both. Also consistent with the lean startup approach, partnering with local organizations encourages them to take ownership of the work.

The ability of aid organizations to implement this best practice may be limited by several factors. For example, if only a small pool of local nonprofits with the capacity to effectively implement activities exists, they may become oversubscribed as multiple donors crowd in to work with them. If oversaturated, these nonprofits may suffer from an increased reporting burden and reduced focus on certain products. These dynamics also have the potential to exacerbate conflict or tension by preferencing, or being perceived to preference, certain actors. Another long-term problem arises if

local partners come to depend on a specific donor for the bulk of its funding and activities. If the donor withdraws funding in the country, these civil society organizations (CSOs) may struggle to survive.

Other Organizations

Other organizations tend to work closely with local partners as well. One grant-making organization in Ukraine told us it aims to develop local capacity by relying on local partners to carry out the majority of its work. “Our long-range goal is to put ourselves out of business,” an interviewee said. However, many organizations seem to draw partners from a limited call sheet of local relationships.

OTI Practice

OTI’s model encourages local partners to implement its programs. In part this stems from the fact that OTI can act flexibly in disbursing grants, giving small amounts over short time periods to a wide range of small organizations. Indeed, in Burma, OTI mainly issues grants in cash rather than in-kind. This leeway to give either in-kind or in cash disbursements allows OTI to work with a wide range of local players.

One advantage of leaning on local partners is that OTI can expand its depth and breadth of contextual understanding in order to improve its impact. Local organizations have often worked on the ground for years and their employees are likely to have grown up and developed deep connections in the country. In addition, by relying heavily on local organizations, OTI may help develop capacity and sustainability. Local partners that work closely with donor organizations will be better equipped to continue their work after the donor withdraws support.

Box 2: Expanding Impact Through Local Partners

OTI’s local partner in Burma, ENAC, brings tremendous value due to their deep contextual knowledge and connections. ENAC understands the country’s complex peace process thoroughly and has the unique ability to bring its many stakeholders together, including ethnic armed organizations, ethnic political parties, other CSOs, and community-based organizations. This local knowledge also enables ENAC to craft well-informed policy recommendations and constitutional and legal reform.

Recommendation: *Continue to engage deeply with local partners and look for ways to diversify contacts and partnerships.*

Centering program design around local partners operationalizes a cultural orientation toward solving specific problems in specific contexts. OTI and other organizations can build on these practices by empowering staff to engage with and broaden their networks through resources, where possible, and by emphasizing the importance of understanding local cultures and languages. Working to maintain a representative sample of local partners is also a challenging but valuable and perpetual necessity.

Principle 2: People and Skills

This principle of adaptive management emphasizes the importance of a culture permissive of experimentation and rigorous learning processes through which teams are able to rapidly collect, analyze, and act on feedback as part of an iterative design process. These skill sets are compatible with, but perhaps unique within, larger bureaucracies more used to institutional structures that stress traditional transparency and accountability over the flexibility and agility required in dynamic contexts of conflict or transition. In this section, we discuss the question of recruiting the right people for these roles.

2.1 Hiring

When it comes to creating and maintaining a uniquely experimental organizational culture, recruiting the right types of people and skills matters.

Best Practice

Adaptive management and lean startup methodologies require personnel to be comfortable climbing steep learning curves quickly, resilient in the face of short-term failure, and energetic in response to seemingly intractable problems. Creative thinkers with prior experience in dynamic contexts and the capacity to distill concrete lessons from rapidly iterated experiments are likely to succeed, so it could be beneficial to prioritize some of these traits, in addition to other more traditional qualifications, in hiring strategies.

Other Organizations

Many representatives from other organizations we met with spoke openly about the need to find employees with the right cultural fit. Some mentioned that some programs can be driven by key staff, making personality a lynchpin of success in contexts where tight timeframes make quickly orienting new staff to organizational cultures and practices a challenge.

OTI Practice

OTI stands out in its practice of recruiting beyond the traditional development world. However, OTI also demonstrates through its coherent organizational culture (discussed under Principle 1: Organizational Culture) and tools and systems (discussed under Principle 3: Tools and Systems) that hiring is not the only way to cultivate the human resources necessary for effective adaptive management and programming.

OTI's unique hiring practices have helped it distinguish itself culturally within USAID. Part of this is due to an institutional willingness and ability through OTI's notwithstanding authority to make relatively quick decisions to bring in experts from outside of government. OTI team members attributed some of their ingenuity and success in maintaining a distinct organizational culture to OTI's capacity to recruit individuals from beyond the broader USAID development world. According to Chief of Party Michael Stievater in Ukraine, "Very few people come from mainstream aid to OTI... If you've never had a program audit before, you can be creative."

Valuing creative thought over sector experience also allowed the Ukraine team to avoid what they termed a “gotcha culture” in which mistakes are harangued upon. Team members highlighted examples in which they felt comfortable challenging assumptions and voicing concerns, even about widely accepted programs. Personal cohesion not only within the team, but between OTI and U.S. Embassy missions, were also noted as fundamental to the success of establishing longer term projects in the region. As Stievator said, “it’s all about personalities.”

OTI’s willingness and ability to bring people into the organization who are new to the field is a strength that brings fresh eyes and approaches to intractable problems. However, this can manifest in an assumption that bureaucrats would not be able to match outsider ingenuity to maintain the kind of creativity that OTI program management requires. In some cases, this may be true. In the next section, we will outline institutional mechanisms we believe can mitigate that challenge.

Recommendation: *Prioritize innovation and rapid learning in recruitment.*

An important caveat is that, while discussed in class and interviews, neither our course nor our research delved deeply into key elements of organizational operations such as finance, human resource management, or procurement. Examining constraints and practices around these topics would be of interest in future research and analysis. While not our focus, our research did clearly indicate that creating a culture of intellectual integrity, programmatic risk-taking, and clear communication can be bolstered by recruitment of the right individuals. OTI’s recruitment strategy supports its ability to maintain a culture of programmatic risk-taking, flexibility, and successful handover to longer term projects. This does not mean those with more traditional bureaucratic backgrounds should be overlooked, however, as culture is as much about organizational institutions as it is human resource development.

Principle 3: Tools and Systems

For an organization to manage adaptively, its technical and managerial tools and systems must support a foundational culture of investigation, discussion, and flexibility. This principle of adaptive management emphasizes the use of tools and systems, such as validated learning, feedback loops, and processes under finance, procurement, monitoring and evaluation to support adaptive management. In this section, we discuss the value of bottom-up program design to develop and launch ideas, the use of closed feedback loops to collect information to improve those ideas, the use of validated learning to determine how much and how often to change ideas, and the use of innovation accounting to measure the degree to which an organization is making progress toward improving its ideas.

3.1 Bottom-up Program Design

Program design is the process of translating the objectives of a program into activities for implementers on the ground. A top-down approach to program design is driven by inputs from leaders and experts inside or outside the organization. A bottom-up approach to program design generally involves extensive community participation and local input to develop ideas. Adaptive

management and lean startup methodologies prioritize bottom-up approaches that center on beneficiaries.

Best Practice

One of the most important tenets of adaptive management is generating local solutions to local problems. Lean startup methodology reiterates the importance of sourcing ideas directly from “users” or “customers” rather than relying on theories or market research. In the OTI realm, this would entail obtaining direct input from program beneficiaries to understand the root causes of issues OTI is trying to address and the best ways to address them.

Other Organizations

Some organizations follow methodologies that require even more participation of program beneficiaries in the initial phases of program design (see Box 3).

Box 3: Participatory Systemic Inquiry: Comprehensive, Bottom-up Program Design

Under NDI’s Participatory Systemic Inquiry methodology, stories are collected directly from the targeted population and fed into a systemic picture of the dynamics that maintain a specific issue. “Inquiry teams” initiate work with a list of known stakeholders, including people on the ground directly affected by the issue, and move towards the inclusion of voices that are normally excluded but that are ultimately impacted by programming. Inquiry can take the form of interviews, individual and group discussions, as well as information-gathering. The rationale behind this approach is that even when multiple stakeholder perceptions are included in the initial and subsequent context analysis, power relationships determine which perceptions become the norms that guide program design. In contrast, under a participatory system, problems are diagnosed and solutions are proposed and reviewed at the community level.

OTI Practice

Within OTI, program design is informed by two major sources: U.S. foreign policy priorities (inherently top-down) and inputs from OTI’s field offices (potentially bottom-up). From the perspective of the field team, program design could be top-down or bottom-up depending on the ability of different stakeholders to influence program design: Embassy leadership, OTI Country Representatives, implementing partners (including local staff), and program beneficiaries.

During an initial assessment, OTI staff do not design a full list of interviewees ahead of time, but instead begin with known interlocutors to the U.S. Embassy and ask them for referrals of less likely partners, creating concentric circles of individuals in search of new partners. These assessments include a wide array of potential beneficiaries. This information, as well as what is learned from initial activities and other research, come together to help OTI formulate a theory of change framework defining how the proposed actions will translate to outputs, outcomes, impacts, and ultimately achievement of the program objective. The theory of change details assumptions that would need to hold for an intervention to meet its objective. Despite attempts to reach out at inception, program

design is arguably more heavily driven by U.S. foreign policy priorities and executed by the Country Representative (in a more top-down approach).

According to the OTI model, while idea generation for new grant activities can come from anyone, the responsibility lies largely with local staff with on-the-ground knowledge and ties to the local community. In OTI, “local staff” include both OTI staff based in-country and local personnel hired by OTI and its implementing partners. Based on our research in Burma and Ukraine, we found that OTI assumes that for day-to-day program design, local staff or implementers can serve as proxies for program beneficiaries. Country team leadership will often hire local staff with purposefully different backgrounds to gain the most from this model. In practice, however, program design does tend to be more diffuse. In Burma, some activities are proposed to the field team by CSOs or external actors who may or may not currently work with OTI, and the funding decision depends, in large part, on the alignment of the proposed activity to the priorities set in the program-level change (PLC) matrix (OTI’s strategic framework that sets program objectives to guide decision-making at the activity level).

Recommendation: *Formalize a role of beneficiaries in program design.*

In general, OTI’s interventions are informed by local perspectives and we recognize the constraints in terms of politics and resources that may prevent more formal relationships with beneficiaries. However, program design could benefit from a more formalized process of gathering input from final program beneficiaries. It could be useful to look further into bringing Participatory Systemic Inquiry into the design and review process of activities or the overall program strategy. It might also be helpful for this type of process to inform RAs or PPRs. This process would be ideally incorporated into the program design phase and serve as the basis for modifications to the program’s theory of change while providing a more transparent picture of the types of activities that the community itself would consider valuable and productive.

3.2 Changing Your Strategy Using Feedback Loops

The previous section discussed where ideas come from. This section considers how ideas should change after they are launched. Feedback loops — the two-way lines of communication between a producer and a customer — are an effective mechanism used to drive that change.

Best Practice

One of the fundamental tenets of the adaptive management approach is the use of built-in feedback loops. These loops can function externally, collecting and responding to feedback from customers, beneficiaries, and local partners. They can also function internally, creating lines of feedback between staff in different departments or locations. At all levels, building feedback loops into managerial tools and processes helps organizations manage more adaptively. Adaptive management emphasizes that once products have been designed and put on the market, it is important to establish and maintain closed feedback loops with customers — i.e. producers not only solicit feedback from customers,

they also give feedback to customers informing them how their feedback was used (Figure 5).⁶⁰ This allows organizations to understand the degree to which their products are meeting customer needs, and to convey to their customers how the company is using their feedback to generate a better product. *The Lean Startup* similarly advocates for feedback loops — the more a supplier understands a customer, the more a product can be improved.

USAID's Learning Lab emphasizes this practice of adaptive management. The Learning Lab is an interactive community of organizational learning and knowledge management enthusiasts, USAID staff, implementing partners, and development practitioners. Lab participants can access and contribute to tools and resources on integrating

collaborating, learning, and adapting (CLA) for USAID programming. As the Lab explains, “getting honest feedback from service recipients can help nonprofit service providers and agencies at all levels of government ensure their work effectively addresses the needs of the people they serve. It’s equally important to close the loop by letting those who provide feedback know that their input was put to good use.”⁶¹

Finally, it is important to distinguish feedback loops from monitoring and evaluation (M&E). Data collected through M&E tell an organization whether their products are hitting targets, but often do not capture the value a customer attributes to a product or how it can be improved. M&E is still valuable, however, and should be used alongside feedback loops to enhance an organization’s capacity to adjust and improve products.

Other Organizations

Most of the organizations with whom we spoke tended to gather feedback from grantees when these discussions naturally arise — usually in the context of M&E frameworks and along broad programmatic timelines. Few organizations maintain the kind of rapid, closed feedback loops advocated by adaptive management and lean startup methodology.

OTI Practice

Feedback loops are well-integrated into OTI program operations. OTI teams in Burma and Ukraine cited use of feedback loops with staff, grantees, and other local partners. OTI’s activity cycle, SRSs, RAs, MRs, PPRs, and informal weekly meetings all serve as mechanisms that enforce feedback loops.

Figure 5: Producer-Customer Feedback Loop



Source: Bartello, Dani (2016), “Validating Your Beta Testers by Closing the Feedback Loop”

⁶⁰ Bartello, Dani. “Validating Your Beta Testers by Closing the Feedback Loop” *Centercode Blog*, March 29, 2016, <https://www.centercode.com/blog/2016/03/validating-your-beta-testers-by-closing-the-feedback-loop/>

⁶¹ Thomas Kalil and David Wilkenson. “Harnessing the Power of Feedback Loops” USAID Learning Lab, Jan 3 2017.

In addition, OTI's Four Corners model standardizes feedback loops between OTI in the field (the "customer") and in Washington (the "producer") to ensure programs increasingly evolve to respond to local needs and realities on the ground. The OTI activity cycle also functions as a closed loop feedback system because, throughout the cycle, there are checkpoints that solicit grantee feedback (the "customer"), at which point OTI (the "producer") works hand-in-hand with grantees to incorporate their feedback, as part of deciding whether to pivot or persevere.

While OTI has formal feedback loops set up among staff and grantees, it does not appear to have formal feedback loops set up with beneficiaries. OTI staff may informally meet and solicit feedback from beneficiaries at conferences, workshops, or other activity events. In terms of formal project management procedures, however, OTI relies on grantees and other local partners to pass feedback from beneficiaries up the chain during regular grantee check-ins and at closeout reviews. It is likely important information is left out or lost in the process.

To a degree, this makes sense. OTI works through grantees and local partners who carry out OTI activities, which means that these organizations are the ones who take the lead in collecting feedback from beneficiaries and adapting programming accordingly. It is also a smart strategy for OTI to work through local partners in order to maintain credibility and effectiveness through local ownership. However, feedback loops between OTI and beneficiaries are extremely valuable; having fewer feedback loops directly with beneficiaries means important, particularly marginalized, voices may not be heard.

Recommendation: Continue using existing feedback loops, but consider setting up more formal, closed feedback loops with beneficiaries.

OTI embodies a key tenet of adaptive management, incorporating a culture of investigation through the use of feedback loops in day-to-day project management to supplement M&E efforts. This is a valuable organizational practice that should continue to be a main feature of the OTI model. However, OTI may be able to strengthen its investigative culture by setting up more formal, closed feedback loops with beneficiaries. Perhaps beneficiaries could be invited to be part of the PPR or SRS process. Or perhaps beneficiary feedback loops could be set up as a regular checkpoint in the OTI activity cycle, similar to grantee check-in meetings.

We acknowledge that speaking directly to beneficiaries is not always possible. Among other reasons, beneficiary environments may be too dangerous for OTI staff to enter, opening direct lines of communications may risk inadvertently generating false expectations, and OTI programming is highly sensitive — sometimes to such a degree that OTI seeks to minimize its visibility. Nonetheless, to the extent that it is possible for OTI to set up direct feedback loops with beneficiaries, we recommend doing so. OTI's current model relies on local staff and grantees to capture and convey beneficiary feedback to other OTI project staff. Grantees and local staff are both unlikely to be perfect proxies for beneficiaries, which means the addition of formalized, closed feedback loops between OTI staff and beneficiaries could improve OTI projects' ability to seek and utilize beneficiary feedback to drive programming and keep beneficiaries informed of how their feedback is being incorporated. This could be particularly true for beneficiary voices that have normally been excluded.

3.3 Degrees of Flexibility in Design and Implementation

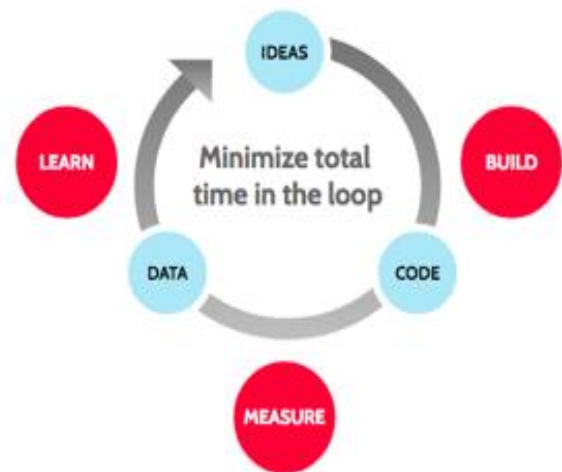
The previous sections discussed where ideas come from and how they should be changed once launched. This section focuses on how much and how often to implement that change or, in other words, how flexible and experimental organizations should be in their design and implementation of activities. Flexibility and experimentation involve the capacity to try out new ideas, change course, pursue new goals, and pivot based on feedback or changing contexts. If left unchecked, however, it can come at the expense of focus and consolidated impacts.

Best Practice

Adaptive management and lean startup methodologies stress the importance of seeing program implementation as an iterative, experimental process. Managing adaptively involves devolving decision-making and encouraging flexibility. Organizations should be willing to change course and have structures and systems that enable that to happen. Assumptions that underlie a program's or an organization's theory of change should be constantly tested. As the validity of assumptions change, adaptive management allows for the redefinition of activities or flexible shifting of resources to new activities. This reduces waste and makes the most use of existing knowledge in uncertain environments.

Lean Startup asserts that ultimately, goals of this kind are only useful if they can be folded into a process of what Ries calls "validated learning" (see Figure 6). Validated learning is an experimentation process that involves "beginning with a clear, concrete hypothesis, then evaluating activities empirically based on that hypothesis." As Ries writes, "Unfortunately, if the plan is to just see what happens, a team is guaranteed to succeed — at seeing what happens — but won't necessarily gain validated learning. This is one of the most important lessons of the scientific method: if you cannot fail, you cannot learn."⁶² A concrete hypothesis tested through experimental activities allows failures and successes to inform future programming.

Figure 6: Validated Learning Process



Source: Reis, A. (2011). "The Lean Startup"

Permitting implementers flexibility in program design and implementation also encourages the kind of experimental failures that provide opportunities for validated learning. However, these experiments should always be evaluated against targets that help organizations develop better activities in the next round and minimize the time it takes to run those experiments. In short, experiments should become smarter and more effective as organizations hone in on what "product"

⁶² Eric Ries, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* (New York: Crown Business, 2011).

works best. This ties experiments to a bigger picture goal so that flexibility (experimentation) doesn't come at the expense of focus (impact).

To do this, Ries highlights the value of setting clear quantitative targets early so that these failures will be clear and can be addressed right away. For a company, these targets might be revenue goals. For OTI, this might look like setting goals in terms of how many ethnic groups will be represented at advocacy trainings or conversations. However, goals at this granular level could also constrain program implementers, pointing them toward specific outputs when more creative, experimental activities might be beneficial. Finding this balance between activity-level flexibility and program-level focus is challenging, but critical.

Other Organizations

Many of the other organizations we spoke with were implementers, rather than donors, who are constrained by donor funding cycles and negotiations. For example, Internews International cited the ability to get funding for new ideas that pivot from previous programming, but once a donor has signed on to a specific suite of activities, it could be difficult to change course mid-implementation. The window for flexibility exists, but it is more limited.

Most organizations utilized either best practices-based program design, research-based program design, or a mix of both. Transition environments are characterized by low levels of verified information and constant change. In such environments, implementers face incentives to exhibit programmatic caution — doing more of what worked in the past in a similar context, or engaging in rigorous zero-base planning by reviewing all aspects and assumptions of the program. In this exercise, the program seeks solutions by treating each problem at hand as unique. Figure 7 plots these two approaches against validated learning. Both approaches have merits — the best practices-based approach is quick and has demonstrated success previously (albeit in a different context); the extensive research-based approach is more time-consuming, but creates an opportunity to discover new solutions.

Figure 7: Approaches to Idea Generation

		Speed	
		Slower	Faster
New Ideas?	Yes	Research Zero-base planning	Validated learning
	No	- not best practice -	Best practices from other contexts

While no interviewee outside OTI made explicit reference to the validated learning model, many of the organizations we examined did use state-of-the-art research methods to design program activities, emphasizing focus rather than flexibility in program design. For example, NDI's program combatting discrimination against lesbian, gay, bisexual, transgender, and intersex (LGBTI) individuals in Ukraine used detailed state-of-the-art quantitative and qualitative research tools to identify priorities (Box 4).

Box 4: NDI's Innovative Research Methods

NDI uses the Implicit Association Test, a set of questions that identify the biases underlying people's thoughts and expressions of opinion, to inform its programming. Knowing what these biases are and which populations hold them helps the organization design better targeted and more effective activities. This is a strategy that focuses resources on pre-identified needs, rather than emphasizing flexibility, fitting within Figure 7, above.

Because we spoke largely to implementers — who are constrained in their programmatic flexibility by donors — it is perhaps not surprising that we observed few organizations implementing the kinds of adaptive management and lean startup methodologies that guarantee flexibility.

OTI Practice

A focus on maintaining flexibility and protecting partners' ability to take programmatic risks is the bedrock of OTI operations and is built directly into its tools and systems. Our research found that in Ukraine and Burma alike, OTI field teams were committed to using the tools and systems that allow them to maintain flexibility at both a philosophical and practical level, even years into their programming. For example, OTI's program cycle includes regular checkpoints to shift strategy throughout the project performance and management cycle during RAs and SRSs, which are strategy-level meetings of all in-country staff; PPRs, in which a team of experts reviews the strategy; and MRs, which are more focused on operations but, nonetheless, often offer strategic insights.

Box 5: Empowering Teams through Four Corners

The OTI Ukraine team cited the Four Corners model as critical to their ability to make decisions about programming based on context in the field. In one instance, the team chose to allocate resources to activities with greater visibility to build confidence in the reform process. Rather than do traditional education interventions, such as teacher training and parent-teacher associations, the team established administrative service centers which serve as one stop shops for citizen services and provide a tangible, visible reminder of the progress of reform. They selected out of the former set of interventions because, while those contribute to educational outcomes, they are better suited to organizations which work with longer timeframes and larger resources. Four Corners provided the framework that empowered the team in the field to make that decision.

The way that OTI sets program priorities illustrates the way that its institutional mechanisms ensure flexibility at all levels of management. In Burma, OTI sets strategy and priorities through a program-level change (PLC) matrix, which outlines a strategic framework for topline priorities. This framework helps staff organize programming and evaluate ideas and, according to OTI Burma field staff, challenges them to do projects that connect to broader goals.

That said, OTI systems and processes encourage flexibility, allowing deviations from the PLC matrix if justified. When opportunities arise for CSOs to intervene on issues that are pressing, OTI is able to

support them. For example, the rapidly developing Rakhine crisis in Burma had not initially been central to OTI's involvement in the country, but is a serious humanitarian and political crisis with significant implications for OTI's paired PLC objectives of promoting peace and preventing inter-communal conflict. Some of the CSOs with which OTI regularly partners have the ability to work in Rakhine; when they see opportunities for intervention, OTI has the flexibility to support them in their work. The overarching PLC matrix is also formulated with a commitment to flexibility that mirrors program-level adaptation. It is updated frequently with input from OTI and its implementing partner, and is reviewed every year based on a guided SRS involving the entire OTI staff. Regular assessments combined with annual deep analysis further ensure that the program stays responsive to current needs and opportunities.

OTI's business model also enables adaptive programming. The transition initiatives account provides access to dedicated financial resources every year. The option to use personal service contractors allows quick additions of specific skills and expertise when required. Procurement through the Support Which Implements Fast Transitions (SWIFT) contracting mechanism enables quick award of contracts to pre-approved holders of Indefinite Delivery/ Indefinite Quantity (IDIQ) contracts. These mechanisms allow OTI programs to act effectively when boots need to be on ground immediately.

At the activity-implementation level, OTI partner organizations have flexibility to take risks because of a number of OTI-specific management structures. Giving small grants, touching base through weekly updates, and monitoring programs through broad indicators that give implementers flexibility on what specific activities look like on the ground are all practices through which OTI embodies its commitment to flexibility in implementation. The Four Corners model also ensures flexibility and experimentation in OTI programming, by freeing OTI field staff from high-level political engagement in DC that might constrain their activities and inhibits flexibility in program design (see Box 5).

The fact that OTI's PLC matrix is created with broad input also encourages USAID/OTI staff in Washington to liaise with Congress and other policymakers, making stakeholders across the U.S. government comfortable with OTI's dynamic and adaptive program design process. As OTI Ukraine Country Representative Ben Long put it, "the structure exists for the art to happen."

However, OTI's flexibility at the program design-level requires several assumptions, such as: staff will receive accurate and actionable feedback, staff will be able to identify what is working, staff will share this feedback into the system, and staff will have the capacity to find new partners, if necessary, and make shifts. Also underlying OTI's program management is the assumption that the risks inherent to flexibility in program design outweighs the accountability that traditional management would prioritize instead. Allowing — and even encouraging — programmatic risk has strengths: it allows OTI to work with a wider range of CSOs, particularly in settings where capacity might be low.

Yet, these philosophical priorities and their impact on practical aid management can have weaknesses. The focus on maintaining flexibility could manifest in a collection of small, experimental grants that can appear to involve a lack of focus at the program level. Commitment to flexibility also requires vigilant adherence to overarching priorities like those outlined in PLC matrices. Similarly, scattershot activities carried out by low-capacity organizations relying on short-term, small grants in cash could have unintended or unexamined consequences. While OTI programming aims to balance

flexibility with focus, requests from implementing partners who recognize OTI's flexibility can sometimes lead to funding of activities that are only tangentially related to program objectives. New, urgent, and tangentially related activities may create a new branch of important work or be extraneous to the program objective.

Recommendation: *Continue to commit to flexible programming supplemented by additional tools to provide program focus, but shift to less experimental investments as programs mature.*

OTI's commitment to flexible experimentation is extremely important in the dynamic environments in which it operates. However, that commitment to flexibility and experimentation may grow less valuable as programs mature. For example, as the capacity of CSOs and transition or peace process stakeholders grows, intentionally investing in less experimental, longer-term activities and partnerships might generate broader, more sustainable outcomes. This could be especially true as OTI considers handing over a program to a long-term development entity within USAID.

This is not to say that OTI should harden its approach to programming in the latter phases of projects — OTI can still flexibly respond to U.S. Embassy, USAID, and other requests or contextual shifts, such as an Embassy desire to identify new partners late in a program for a pipeline into broader USAID or other foreign policy work, or a major event such as a new Constitution. However, toward the end of a project, there is greater marginal benefit in improving investments OTI has already made as opposed to running more short-term experiments. This includes both ramping up support to local organizations that have demonstrated increased capacity and success, as well as honing in on technical areas or sectors that have proven promising. OTI largely already makes this shift toward the end of its programming. However, the organization might benefit from acknowledging this practice as a formal as a part of the OTI model. This could make the transition between OTI programs and long-term development programs more seamless and deliberate.

Finally, there is an important caveat to this recommendation: there are some cases in which OTI might want to deviate from the validated learning model. For example, as time constraints permit, OTI might take the approach in the upper left-hand corner of *Figure 7: Approaches to Idea Generation*, and invest in doing more in-depth research prior to launching activities. OTI could use state-of-the-art research tools, such as the Implicit Association Test used by NDI. This tool could be used, for example, to understand relations to the Slavic narrative in Eastern Ukraine. While it may slow implementation, this investment could more effectively inform activity design through a better understanding of the problem at hand.

3.4 Measuring Success

We have thus far considered where ideas should come from, how they should change, and how much or how often they should change. In this final section of Tools & Systems, we discuss how to measure that change. Specifically, we explore how to measure success in organizations that constantly shift priorities and promote experimentation.

Figure 8: Innovative Accounting Process



Source: Reis, E. (2011). "The Lean Startup"

Best Practice

Adaptive management is complementary to, not a replacement for, M&E. Monitoring systems are a critical part of the learning and decision-making process and should be used in addition to adaptive management processes to enhance program delivery and prove impact. The lean startup approach uses "innovation accounting" (Figure 8) to measure whether an organization is making progress toward validated learning. This involves an accountability framework with three steps: (1) establishing a baseline by launching a "minimum viable product" (MVP) that generates data that can be used to improve products, (2) tailoring the product to better

meet needs, which should be demonstrated through an increased product take-up rate, and (3) deciding to pivot or persevere.⁶³

Without appropriate take-up indicators, organizations may progress through the innovation accounting cycle and generate final products that customers do not want. To prevent this, Ries advocates "cohort analysis,"⁶⁴ which looks not just at how many new customers come through the door, but at their yield. In other words, how often, if at all, do users log in a second time, or make usage of a product a part of their day-to-day lives? This is one of the benefits of innovation accounting—it avoids what Ries terms "vanity metrics,"⁶⁵ such as gross number of customers or first-time log-ins. For OTI, vanity metrics might be the number of beneficiaries who came to a training or total potential beneficiary market for a radio program. While important, these numbers only tell part of the story. Cohort analysis tells us whether beneficiaries used what they learned in a training, or whether they actually tune in to listen to the radio program. These metrics are often harder to measure, but they tell an organization much more about the success of its product. As Ries says, "if you are building the wrong thing, optimizing the product will not yield significant results."⁶⁶

Other Organizations

Many organizations we spoke with defined success using two measures: (1) benefitting a large number of people (scale) and (2) continued operations or impacts post-program (sustainability). To measure that success, most set up M&E plans by project and require quarterly reporting from subgrantees. These organizations seem to be less driven by hypotheses and more driven by donor requirements. Rather than experiments, most organizations run activities without interruption from start to end and measure outputs and outcomes with traditional M&E tools — logical frameworks, baseline surveys, size and scale indicators, and theories of change — that get set early on and infrequently revisited as activities are implemented.

⁶³ Eric Ries, *The Lean Startup*, 149.

⁶⁴ *Ibid.*, 123.

⁶⁵ *Ibid.*, 135.

⁶⁶ *Ibid.*, 126.

OTI Practice

OTI takes an approach more in-line with principles of adaptive management and lean startup. It embraces the idea of starting with a hypothesis and learning through validated learning experiments. In line with the lean startup innovation accounting methodology, OTI often (1) launches a pilot program or activity (minimum viable product) that generates data that can be used to improve ongoing activities and programming (products), then (2) tailors the program (product) to better meet beneficiary (customer) needs, demonstrated through increased participation of beneficiaries (increased product take-up rate), and (3) decides to adjust, renew, or close an activity (pivot or persevere). As OTI staff explained, the organization's ability to learn from short, small investments is often what makes it so effective.

OTI is very good at progressing through the innovation accounting cycle, but the "take-up" indicator can be harder for the organization to get right. For OTI, that "take-up" indicator should hold the success of an activity accountable to overall objective-level impact. However, this is extremely hard to do. As mentioned in the OTI Model section, OTI defines success in terms of effects and responsiveness in the broadest sense. But these are program-level definitions of success — hard to translate into indicators that can be measured at the activity level. Thus, OTI's success-measurement methodology requires a high degree of comfort with ambiguity because it may not be clear whether an activity is successful at the objective-level until well after the activity has ended. Constantly changing contexts also means OTI is often revisiting its definitions of success. In combination, these make it difficult for OTI to utilize traditional M&E processes. As a result, OTI's measurements of success can sometimes turn out to be qualitative and anecdotal.

Recommendation: *Emphasize the role of innovation accounting in translating activity-level success into program-level impact.*

Part of OTI's advantage is its ability to adapt in order to remain relevant to an evolving or deteriorating political situation. This often means shifting definitions of program success based on a changing environment and being comfortable with ambiguity in terms of whether activities are contributing to achievement of objective-level impacts. While these sacrifices may be necessary to enable OTI's progress toward validated learning, the organization might consider incorporating more a rigorous review of activity-level success that draws from the lean startup innovation accounting methodology. Simply put, if an activity is never going to contribute to objective-level impact, making it better by going through the validated learning cycle will not make a difference. Thus, OTI would benefit from a better way to hold activities accountable to their correlating objectives.

We understand that OTI is already thinking about how to measure success more effectively. The organization can make progress on this issue by continuing to avoid reliance on vanity metrics. Storytelling through anecdotal evidence or estimated numbers of beneficiaries impacted can be useful, but should never be used alone to justify activities. OTI might also set up indicators that hold activities to objective-level impacts. Though it might be unlikely that any single activity would move the needle on an objective-level impact, standardizing consideration of these higher-level impacts at the activity level might be useful in tying activities to impacts. OTI could also utilize the lean startup cohort analysis methodology to track return rates and quality of engagement with beneficiaries.

Though cohort analysis may paint less rosy pictures of activity-level success, this information would give OTI a clearer picture of its progress toward objective-level success. Both of these methods could be formalized into the PPR and SRS process. These metrics would shine a light on whether activities are contributing to objective-level impacts, thereby building more successful programs overall.

Principle 4: Enabling Environment

In addition to implementing the three principles previously discussed (organizational culture, people and skills, and tools and systems), organizations must also exist within an enabling environment that supports adaptive management and lean startup principles. In order to fully incorporate these two approaches, the broader environment of stakeholders, governments, and donors all must support an organization's commitment to doing so. This environment can be supported by donor mechanisms, processes, and expectations designed to enable adaptive management during both design and implementation stages of a project. It also requires "permeable partnerships," or porous organizational boundaries that allow ideas and information to flow freely among all actors within the development sector, including donors, implementers, civil society, private sector, and government. In this section, we discuss how coordinating with other donors and implementers, learning from other organizations, and externally advocating adaptive management and lean startup methodology can generate a supportive enabling environment.

4.1 Coordination with Other Donors and Implementers

In any given conflict and transition setting, it is likely that multiple donors and implementers have a presence and work on similar issues. They may overlap in mission, activities, local partnerships, and other aspects of their work. Coordinating refers to the extent to which such organizations in an area work with one another. This can vary from simply knowing others are present or what they are doing to planning activities and setting strategies together.

Best Practice

Organizations working in the same area should stay abreast of what others are doing in the region to avoid duplicating efforts. This supports the adaptive management best practice of ensuring "permeable partnerships" so that ideas and information can be diffused throughout the sector. This approach also conforms with the lean startup tenet of maximizing value for the end-user and eliminating any waste that does not support that goal — in this case, avoiding duplicative work.

The key benefits of coordination are that organizations can avoid duplicating activities, better allocate resources, exploit economies of scale, and learn from one another. On the other hand, coordinating requires significant effort and organizations may not work well together because they differ in objectives, scale, methodology, or culture. It can be hard to schedule meetings which can become "check-the-box" activities rather than venues to truly work together. Coordinating also adds layers of bureaucracy; if donors want to adjust their strategy, they not only need to rework their strategy with internal actors within their own organization, but may also need to seek agreement and support from other organizations on the ground.

Another challenge is that organizations may operate too differently for it to make sense to combine efforts. To start, donors may have competing agendas given their governments' mandates or pre-established strategy. Other factors depend on the nature of the organization: some donors, such as OTI, manage a budget orders of magnitude larger than others, or operate on a much faster timeline, which makes it hard for them to partner with other organizations. Finding a good match is hard, OTI Ukraine explained that its sizeable budget yet nimble operations makes it an uncommon breed. Britain's aid arm, DFID, has a sizeable budget as well and similar foreign policy goals, yet even these do not always align. Cultures can cause friction as well. As OTI country teams mentioned, it is easier to coordinate "in the family" with US-based organizations such as the State Department rather than those "outside" such as DFID or *Gesellschaft für Internationale Zusammenarbeit* (GIZ). Concerns about sharing information is another obstacle to greater collaboration.

Other Organizations

In our research, we found that some organizations keep in close touch and actively try to complement one another, while other organizations participate in coordination meetings, but do not necessarily adapt their work accordingly. Coordinating to the extent of integrating strategies and programs is uncommon, most likely because of the many challenges described above.

OTI Practice

We found that OTI in Ukraine and Burma do stay in the know about what other organizations or other entities within the State Department are working on. The two OTI country teams maintain regular contact with their counterparts and know them personally. For example, the Burma team meets with USAID and U.S. Embassy staff every two weeks, with additional contact as needed, to update each other and share ideas. This allows the different entities to speak with one voice to those outside the Embassy. A caveat is that both OTI Ukraine and Burma programs are more established, having been on the ground for several years already. For programs in early stages, which often change rapidly, coordinating is more challenging, though still vital.

Recommendation: *Stay abreast of information about other actors' efforts, but avoid time-consuming bureaucratic coordination.*

OTI can continue to take advantage of the benefits of working alongside other actors, such as preventing redundant activities, better allocating its own resources, and learning from others. At the same time, it can continue to avoid the kind of deeper cooperation that takes time, adds bureaucracy, and may not pay off. When engaging in this level of coordination, OTI should make sure to identify areas where its work overlaps with others and adjust its activities accordingly. It should also make sure not only to learn from others but also to capture those learnings and use them to inform OTI programming as needed.

4.2 Learning from Other Organizations

Organizations attempting the kind of iterative experimentation necessary in dynamic contexts often see themselves as unique, solving problems others will not attempt to address due to a lack of interest or capacity. However, learning from others in challenging spaces can provide useful data, allowing organizations to avoid wasteful experiments and build on progress elsewhere.

Best Practice

For a new organization to succeed from its founding, it must view itself as distinct from all other organizations that preceded it. Recognizing gaps in the system is precisely what drives innovation. However, as an organization grows, reinventing the wheel at each new juncture can become burdensome. The capacity to share experiences with other organizations, even where fundamental structural differences exist, informs the development of new best practices and allows the organization to remain relevant to partnering organizations.

Eric Ries highlights the value of communities of practice in uncertain environments, and though aid in these settings involves political and security constraints that make collaboration difficult, these dynamics can also heighten the utility of shared lessons learned in terms of mitigating risk.

Other Organizations

OTI functions differently from other aid organizations, such as NDI and International Republican Institute (IRI), particularly because the One Team model incorporates both donors and implementers. Yet, while these institutions operate with different objectives across different time scales, they all point to similar organizational strengths, which include but are not limited to: capacity to collect innovative data, capacity to build relationships with local CSOs, intellectual integrity and willingness to end ineffective programming, programmatic risk in initiatives taken, and a management system driven first and foremost by field office directors supplemented by administrative support from headquarters.

Our conversations with partnering agencies confirmed that each organization recognizes its comparative advantage in the aid and development space. NDI points to its well-established presence in Ukraine and suggests it rarely looks to other organizations to critically analyze its internal management structures.

Likewise, IRI has a long history of working in closed countries in general and supporting ethnic groups exiled from Burma in particular. The IRI implementation model has many parallels to OTI programming, particularly in terms of incentivizing flexibility in restrictive contexts. IRI, however, plans for long-term engagement in countries — sometimes 20-30 years — and so structures programs to address immediate needs then moves quickly to strategic planning around longer term gaps, piecing together donor funding to support their work.

The Asia Foundation (TAF) also programs over longer time frames than OTI, but its program management model is similar to that of the OTI field team: adaptive to local needs and opportunities.

OTI Practice

OTI is situated along a spectrum of aid and development organizations that take programmatic risk. Conversations between organizations regarding the management of their programs appear limited. While OTI offices in Burma and Ukraine had productive working relationships and a general awareness of what donor and implementer agencies in the country were doing, interactions focused primarily on avoiding duplication rather than on shared learning. We heard very little about shared data at the programmatic level across organizations, much less management practices.

Recommendation: *Actively communicate with other institutions in the development and aid world, even when assessing the evolution of internal management structures.*

If all actors in the aid space view themselves as too distinct from each other to cross-evaluate, development of adaptive management practices in the sector will be slow. Given the range of similar strengths and challenges discussed by each of these organizations, it would be beneficial for all parties to communicate about experiences not just specific to local projects but also to lessons learned in the best practices of managing aid in conflict environments.

4.3 Build an Environment that Supports Adaptive Management

Adaptive management requires buy-in and flexibility of donor and host governments to accept and encourage reassessment of program objectives and activities. An organization can only be as adaptive as the broader environment allows it to be.

Best Practice

Organizations should work with other actors in the aid ecosystem to support the development of an enabling environment. Adaptive management identifies this need in calling for shifts in “policies, mindsets and practices” that allow for organizations to manage flexibly.⁶⁷

For donors, this means being permissive and supportive of adaptive approaches. This can be done by allowing flexibility at all stages, including budget allocation, work planning, monitoring, evaluation, and reporting. By allowing this flexibility, donors empower implementers to incorporate adaptive management principles into their organizational culture, people and skills, tools and systems, and collaboration with other organizations.

For implementers, this means managing up by educating donors, host governments, partners, and other actors in the broader aid environment about the value of adaptive management and lean startup principles. By sharing information about these approaches, their applications, and their results in an intellectually honest way, implementers can encourage other actors to be more trusting and open to the use of adaptive management, which ultimately creates an environment with less rigidity and greater acceptance of iterative adjustments.

Other Organizations

Throughout our interviews, we did not identify any organizations explicitly working to promote an understanding of adaptive management and lean startup approaches. For the most part, interactions between organizations focused on coordination and, at times, sharing of lessons learned as discussed in Findings 4.1 and 4.2. Any discussion of deviations from traditional management approaches typically occurred on an ad-hoc basis when expectations were not met. For example, if a previously agreed-upon activity and its related indicators become irrelevant given shifts in the country’s dynamics, the implementing organization would approach the donor organization to explain the situation and develop a plan for reporting results accordingly.

⁶⁷ Mercy Corps, “Managing Complexity: Adaptive Management at Mercy Corps,” 8.

Beyond the scope of our interviews, it is worth noting that much of the literature cited in this report's literature review, produced by organizations including Mercy Corps and International Rescue Committee (IRC), represents one key component of adaptive management: educating actors at all levels of the aid ecosystem about adaptive management principles and their value added in aid delivery. While these publications may, at first look, appear to be intended for similar organizations, they do provide helpful guidance for implementers and donors alike and are a critical first step in fostering discussion around the merits of adaptive management approaches in aid.

OTI Practice

As evidenced throughout this report, adaptive management and lean startup principles have long been applied within OTI and are well established as part of the organization. Within USAID, OTI has a reputation for managing aid flexibly in the dynamic situations in which it operates. More so than the other organizations we met with, OTI has set expectations for adaptation and change as standard characteristics of its programming. In speaking with donor and funder organizations in the field, though, we found that OTI's flexibility was accepted, but not necessarily understood.

Recommendation: *Educate donors, host governments, partners, and other actors about the value of adaptive management and lean startup principles for managing aid in conflict and transition environments.*

OTI is not an island unto itself; it exists as part of a broader environment and is constrained by USAID objectives, U.S. foreign policy directives set by the Department of State, budget allocations determined by Congress, and conditions established by the host governments of the countries in which it operates. OTI has been successful in leveraging adaptive management and lean startup approaches to conduct its work, but its ability to be fully flexible is limited by its broader environment. USAID, the Department of State, Congress, host governments. These other actors must embrace the unique characteristics of OTI in order for the organization to thrive.

OTI should begin by more intentionally illustrating the value of adaptive management approaches across the U.S. government. Compared to other USAID programs, OTI is less stable, more expensive, and takes on more risk. These differences run counter to the broader culture, but the merits are evident in this report. OTI works within a highly resource constrained USAID. But by highlighting its unique benefits, OTI may encourage greater investment in operations and finances — the enabling systems of the OTI model — benefitting not only OTI, but USAID more broadly. Championing these practices to host governments and other aid actors would have benefits as well, particularly in terms of creating and supporting a culture more conducive to iterative, experimental activities.

Conclusion

Countries in conflict or transition present some of the most challenging environments in which aid organizations operate. Unique in the world of peace and democracy promotion, OTI has managed to combine flexibility and focus in a model that has proven successful at adapting and catalyzing meaningful change in complex contexts.

This report has analyzed how OTI's approach to management plays out, both in principle and practice, using the lens of adaptive management and lean startup methodologies. It has presented insights into the areas where OTI is effectively following best practices and where there are lessons still to be drawn from the literature and from other organizations.

In addition to providing OTI with an outsider's perspective of their model, we hope that this report may also be useful for OTI's organizational strategy looking forward. In *Lean Startup*, Ries suggests that the challenge of maintaining a coherent culture as an innovative, experimental organization becomes more difficult as an organization becomes more established. This challenge of establishing a new status quo will be increasingly important for OTI to address as it builds its portfolio of successful programs and its reputation of agile programming.

In many of the conversations that informed this report's findings, other organizations referenced looking to OTI as the gold standard of flexible, responsive aid management. As such, OTI should consider the implications of its transition from, in Ries' words, "radical outsiders to the embodiment of the status quo."⁶⁸ Organizations like OTI that initially incentivize risk-taking and experimentation may find that in the long-run they need to invest in creating institutional incentives for implementing what works, rather than exclusively promoting experimental risk-taking. Though the ability to work within the specificities of each new context it enters is one of OTI's greatest strengths, it may also be beneficial to consider creating frameworks that reward sharing and acting on best practices from other contexts or even other organizations operating in similar spaces. In order to maintain a culture of intellectual honesty, it will be increasingly necessary to underpin informal mechanisms like organizational culture and hiring priorities with formal mechanisms like feedback systems and program-level tools that allow adaptive management practices to remain successful at scale.

Rigorous evaluations of the application of these private sector approaches in the world of international aid will also be increasingly important moving forward. These principles are relatively new innovations in this realm, and though they seem effective in theory and anecdotally, a broader analysis of their impact would be a valuable follow-on to the exploration undertaken in this report.

⁶⁸ Eric Ries, *The Lean Startup*, 268.

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