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Leveraging Economic Opportunities

# RECONSIDERING THE CONCEPT OF SCALE IN MARKET SYSTEMS DEVELOPMENT

## INTRODUCTION

Economic development programs are increasingly taking a systems approach (see textbox 1). This paper suggests that the shift to a systemic perspective calls into question the utility of using scale as a key measure of project[1] success, at least in its current usage. While understanding a project's outreach still has a place, it has been traditionally overused as the primary means of assessing a project's impact; a use which creates perverse incentives for projects trying to take a systemic approach. This paper supports this argument by both 1) assessing the relevance and utility of redefining scale using systems thinking, and 2) assessing the implications of shifting the definition of scale to create a more useful concept for systems program design and measure of program impact. Lastly, the paper briefly explores the implications of a revised view of scale for assessing attribution, given the complex dynamics of socio-economic systems.

### TEXTBOX 1: A SYSTEMS APPROACH

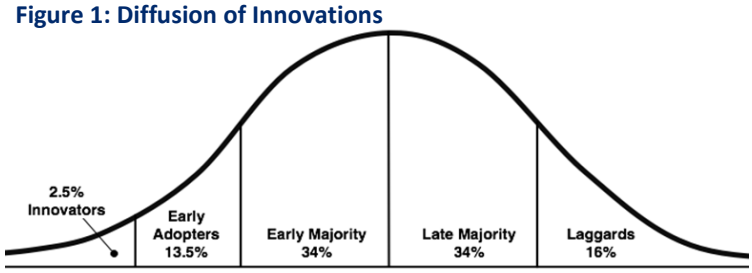
A systems approach recognizes that all economic actors exist within complex socio-economic systems that have their own patterns of behavior, norms and institutions, and that often the poverty one witnesses among actors is a symptom of systemic issues. The systems approach seeks to understand both actor-level dynamics and system-level dynamics, and works through actors in systems to achieve changes at the system level.

From a systems perspective, any statement of scale should be contextual and character-specific. That is, scale should be redefined to include a measure of the spread of a behavior or benefit across a specific population (e.g., X behavior adopted by, or Y benefit enjoyed by, Z percentage of people in a specific market system); and it should consider the process by which the spread was effected (e.g., a self-sustained spread across a network of relationships, beyond what was directly induced by a project). The character of how scale was reached is important given its impact on the likely sustainability of the change, and thus whether it is systemic in nature. While this paper argues for change, its focus is on stimulating discussion rather than proposing specific guidance on how to apply a redefined understanding of scale.

## HOW HAS SCALE TRADITIONALLY BEEN DEFINED?

Scale within development programming has been traditionally defined as the quantity of (usually poor) individuals or households that have participated in or benefited from an investment. This is often defined as those who are directly engaged with or benefit from a project's activities, though this is slowly changing.[2] This paper will focus on scale as a noun or result (i.e., something that is reached or

**Figure 1: Diffusion of Innovations**




*Source:* Rogers, E. (1962). Diffusion of Innovations.

[1] Throughout this document, "project" is used in the generic sense to refer to donor-funded activities rather than according to the USAID-specific definition.

[2] For example, USAID's Feed the Future initiative recently expanded the definition of direct beneficiaries to include beneficiaries deliberately reached through firms assisted by a project.

obtained, as in having "achieve d scale"). This is distinct from the use of scale as a verb or action (i.e., a *process* for reaching large numbers of people, as in "scaling up"), which is addressed in a separate Leveraging Economic Opportunities (LEO) report.[3] A well-recognized framework for understanding scale is the Diffusion of Innovations curve (see figure 1). In this framework, scale is understood as having been achieved when an innovation is adopted by the populations in the right side of the curve: the late majority and the laggards.

However, scale in its typical usage is partially or fully synonymous with impact. While poverty alleviation is the overarching aim of many development projects, scale is most commonly used as a measure of an investment's return and the breadth of impact. USAID's Feed the Future initiative includes several measures of scale that its activities are expected to use,[4] while the Donor Committee for Enterprise Development's Standard for Results Measurement lists scale as one of three common indicators that all private sector development projects are encouraged to collect.[5] Scale is the basis for many of the Value for Money (VfM)[6] measures used by the UK's Department for International Development (DFID) to assess the utility of their investments. Scale is equally important to impact investors, as reflected in the metrics showcased by the Global Impact Investing Network.[7]

Scale is attractive to development funders for several reasons. It is seemingly simple to understand, measure and communicate. It also makes a direct link to the justification for most development investments: reaching and benefiting large numbers of poor and marginalized people.

While 'scale' is understood in broad terms, in practice its definition has varied widely. In part, this could be due to donors' reluctance to define scale very specifically. "Scale" is used to refer to a variety of things: outputs (e.g., the number who received a direct product or service, such as training by a project partner), outcomes (e.g., the number who undertook a behavior change, such as buying a product), and impacts (e.g., the number who gained additional income). The unit of analysis also varies: some projects consider an entire household to be one unit, while others report every family member of a project's client as a separate beneficiary. The varying uses of the term scale make difficult a clear comparison between the results being reported by different development investments and frustrates the aggregation of results across projects, while at the same time making it appear as if two distinct projects in two completely different contexts are comparable (e.g., X project benefited 1,500 people while Y project benefited 25,000 people).[8] Where there is not a clear standard for what scale refers to, there is a clear incentive to use definitions that will include larger numbers of people, even if the impact generated is less, given that the project results will appear more positive. When higher scale numbers are uniformly interpreted as an indication of more successful programming, it creates an incentive to prioritize activities that touch as many people as possible, even if the impact generated is less than alternatives that reach fewer beneficiaries. Breadth is consequently prioritized and the depth of impact is often lost. Moreover, there is little if any attention to the process by which scale was achieved, making it impossible to distinguish between the likely sustainability of different results.

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[3] Brand, M., C. Fowler and R. Campbell. (2015). Applying a Market Systems Lens to Technology Scale Up: A Brief Literature Review. LEO Report #13. USAID.

[4] USAID Feed the Future Indicator Handbook. October 2014.

[5] Donor Committee for Enterprise Development. The DCED Standard for Results Measurement in Private Sector Development: Control Points and Compliance Criteria. Version VII. April 2015.

[6] DFID defines Value for Money as "the optimal use of resources to achieve intended outcomes." See DFID's Approach to Value for Money (VfM). July 2011.

[7] See the Global Impact Investment Network's Iris metrics: https://iris.thegiin.org/metrics

[8] The assumed comparability of project results, just like the comparability of "best practices" between projects, is itself often a fallacy. But that is a subject for another paper.

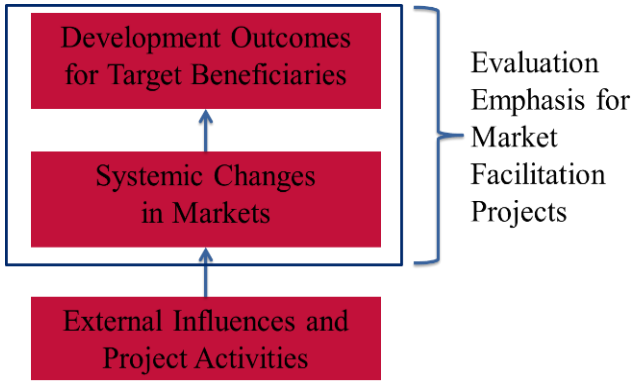
## CHALLENGES WITH USING SCALE AS A KEY METRIC

In taking a systemic perspective to understanding and facilitating change in markets, there are several concerns to using scale as a primary measure of an activity's impact. Perhaps foremost among these is the **inadequacy of scale as a means to assess market systems change**. Systemic change that benefits target populations is increasingly recognized as the fundamental goal of market systems programming.[9] Yet the scale reached by a project is, at very best, a partial indication of whether systemic changes have occurred and often reveals little without a measure of the character of the change affecting so many people. In this sense, scale is to a development project what revenue is to a startup business—a "vanity indicator" that gives a false impression of viability because it does not necessarily indicate anything about the degree to which an intervention is being adapted to fit the context and thereby become viable in the long run.[10] Thus, the Lean approach to starting a business prioritizes learning through a series of carefully designed experiments that inform the business model, rather than the imperative to quickly reach as high a sales level as possible. In parallel, a better indication that a systems project is moving toward systemic impact would be its record of learning and an explanation of how that learning was incorporated into activity design. Of course, that would simply indicate that a project *could* have systemic impact, not that it necessarily will.

From a strategic and managerial perspective, the prominent focus on a project's scale of outreach can negatively influence the orientation and incentives of market systems programming. It can replace a focus on fostering systemic changes—which may take a long time to manifest—in favor of creating immediate impacts on a sufficiently large number of people to satisfy project stakeholders. In other words, the concept of scale is often put to the service of political incentives, driving program managers to discount the depth achieved through facilitation approaches in order to report more quickly the breadth achieved through interventions using a direct delivery approach. Projects facing strong pressure to quickly show large-scale results can have an incentive to simply "buy" these results through the aggressive application of project resources that incentivize participation.[11] Scale obtained in such a way is inherently unsustainable, can be quickly reversed as project resources are withdrawn, can cause harm by perverting local political processes and can further increase expectations of future donor largesse.

Moreover, in projects using facilitation approaches, scale is generally a lagging indicator of change. As presented in figure 2, achieving benefits for target beneficiaries at scale is a result of systemic change, not a precedent. In some projects, changes in market systems may only benefit significant

**Figure 2: Dual Emphasis in Evaluating Market Systems Facilitation**




*Source:* Fowler, B. and E. Dunn. (2014). Evaluating Systems and Systemic Change for Inclusive Market Development. USAID.

[9] Fowler, B. and E. Dunn. (2014). Evaluating Systems and Systemic Change for Inclusive Market Development: Literature Review and Synthesis. LEO Report #3. USAID.

[10] Ries, E. (2011). The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses. Crown Business.

[11] The pressure to expend heavily to reach large numbers of beneficiaries often combines with pressure to increase a project's "burn rate" (i.e., the rate at which the project is spending its budget), which market systems projects are notoriously poor at achieving.

numbers of people or businesses after the project has concluded.[12] It is consequently of little help to managers in terms of guiding their selection of project strategies.

## TOWARDS A REVISED APPROACH TO UNDERSTANDING SCALE

Market systems programs need a new approach to thinking about and reporting on scale. For a market systems facilitation project, any behavior changes or benefits for target populations have to be understood and reported in the context of the character and assumed durability of the systemic changes that created them. Scale should be understood as the outcome of the evolution of systemic features, including networks of relationships, the pace of learning and adaptation, systemic biases, rules and norms, and behavior patterns. Without this type of qualification, the numbers generated from traditional scale indicators may just reflect temporary changes in behavior or benefits that could never be maintained because there was no corresponding change to the underlying incentive structure that influenced the pre-existing behavior. Consequently, the traditional "breadth" understanding of scale (i.e., the number of people benefiting relative to the whole) needs to be complemented by a "depth" understanding of systemic changes that support the widespread behavior change and benefit.

### TEXTBOX 2: MEASURING SCALE BY MEASURING SYSTEMS

Market systems practitioners have become reasonably proficient at measuring agent-level behaviors, but lack a framework for describing system-level behaviors. Agent-level behaviors are most notably described by the prominent Adopt, Adapt, Expand, Response (AAER) framework.[i] In a forthcoming paper, two of the authors will discuss a broader framework that attempts to characterize system-level phenomena such as networks, adaptation, biases, rules and norms.

[i] Nippard, D., R. Hitchins, and D. Elliott. (2014). Adopt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes. The Springfield Centre for Business in Development.

A more systemic description of scale achievements, therefore, should include two things:

- Context—the percentage of the population in a given system that has adopted the behavior or received the benefit an intervention sought to induce, and
- Character—the process by which the change took place, allowing an observer to judge the degree to which an observed change was directly engineered by a project versus the degree to which behaviors or benefits changed owing to self-sustaining waves of influence within local networks.

## IMPLICATIONS FOR PRACTITIONERS AND DONORS

There are several implications of this argument for donors and implementers. The first is that donors should deemphasize scale as a critical measure of the effectiveness of market systems development projects in the near term in favor of measures of systemic change and learning. This requires shifts in how projects are tendered, awarded and assessed.

Second, donors and implementers should accept from implementers evidence of contributions to scale achieved indirectly (i.e., via imitation of other market actors) as well as that achieved directly from interaction with the project and its partners. Projects should understand whether and how they contributed indirectly to change, so the extent of broader uptake becomes clear and is understood to be separate from direct outreach. Results chains and theory-based

[12] Sometimes a long time after project conclusion; it is for this reason that DFID has taken the step of including two-year ex-post impact reviews for many of its market systems projects, and the LEO project is conducting ex-post assessments for two completed USAID-funded projects.

contribution analysis are particularly useful for this since, by tracing a causal process, they also provide evidence of the character of change at any scale.

Third, all projects should incorporate indicators of systemic change into their measurement systems. Metrics for measuring scale (on a superficial level, the degree to which agents in a bounded system have changed behaviors) must be accompanied by metrics for measuring systemic change and durability, and the use of related monitoring tools that give insight into the mechanism by which the change has occurred. Toward this end, donors should stop trying to assess reported scale numbers that do not include adequate context (i.e., the total population out of which the scale figures are derived); and accept that using scale figures to judge project impact will often be misleading, and will in most cases require additional resources to assess changes well after the closure of the intervention under examination.

## WHERE IS ATTRIBUTION?

The ideas presented above suggest a need to rebalance present efforts to attribute impacts to development investments. At present, most monitoring and evaluation systems focus primarily on trying to attribute ultimate development benefits to specific projects and interventions. This raises several concerns. An orientation towards fostering systemic changes complicates the ability to confidently attribute change, given the more indirect role of a market systems project in fostering change. Just as the immediate result of a directly-delivered service is easy to attribute, the long-term impacts of less direct intervention strategies are much less so. Under the market systems approach, implementers recognize that a greater range of factors shape the evolution of market systems. And the long timeframes over which systemic changes manifest exacerbate the challenge of attributing the results they create.

This suggests a need to bolster efforts to investigate attribution for observed systemic changes, such as changes in firm buy-in, networks of trading relationships, investment patterns, and business model diversity. Given sufficiently specific statements of the systemic changes a project seeks to induce, and appropriately crafted tools to measure these changes, a market systems program can more feasibly focus on measuring its primary impact on systemic changes than on intended beneficiaries. In contexts where systemic changes only happen slowly, and consequently impacts on scale can take even longer, seeking evidence of systemic change can yield results within the project lifetime. While trying to attribute developmental impacts to a project may not be abandoned entirely, it would no longer be viewed as the key way to assess a project's effectiveness. However, several questions remain: Could the field of development, with its significant political pressures, ever be satisfied with limiting its claims of attribution to systemic changes, rather than large-scale impacts? Further, could it ever be satisfied limiting itself to claims of contribution, rather than attribution?

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