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DEVELOPMENT ENTREPRENEURSHIP: HOW DONORS AND LEADERS CAN FOSTER INSTITUTIONAL CHANGE

December 2014   *Jaime Faustino and David Booth*

Australian Government
Department of Foreign Affairs and Trade

Australian Aid

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from the British people

WORKING POLITICALLY IN PRACTICE SERIES
– CASE STUDY NO. 2 –

DEVELOPMENT ENTREPRENEURSHIP: HOW DONORS AND LEADERS CAN FOSTER INSTITUTIONAL CHANGE

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Foreword

For several decades, The Asia Foundation has been implementing development programs through a highly responsive, politically informed, iterative 'searching' model of assistance. Variations of this approach have been an important element in the Foundation's work going back to its founding in 1954. While each program varies, this model is broadly characterized by a heavy emphasis on contextual knowledge and relationships combined with multiple small, nuanced and carefully targeted interventions working closely with local partners. This stands in sharp contrast to the conventional, pre-planned 'projectized' approach that has long been the standard in the development industry. Especially in cases where a development problem may seem to be politically intractable, an approach that focuses on building relationships and expanding knowledge of the landscape of interests and influence, while retaining the flexibility to adjust program strategy and tactics as new information or unexpected opportunities become available, is more likely to yield good results.

An important component of this work has been the Asia Foundation's partnership with The Australian Department of Foreign Affairs and Trade (DFAT), which includes support for program initiatives that are taking a politically-informed, iterative approach. By reflecting on and analyzing such programs, the DFAT-TAF Partnership is helping to shape and sharpen the vigorous discourse on this kind of programming now taking place within the development community. To help improve the quality and objectivity of this research, the Foundation has turned to the Overseas Development Institute (ODI), one of the preeminent development think tanks in the world.

The Overseas Development Institute has been providing analysis of different approaches to development assistance for more than 50 years. More recently it has linked its analytical work on politically informed and iterative approaches to development assistance to the provision of strategic advice and training to different organizations on how these approaches can be can be implemented in practice. ODI's work focuses on the dynamics underpinning sectoral reforms – with a focus on service delivery, justice and security, agriculture, water and transport – in a variety of African and Asian countries.

The Asia Foundation and the ODI are collaborating on this paper series to explore what working politically means in practice. A key contribution of this series will be case studies examining several examples of iterative, politically-informed Foundation programs that are currently underway or recently completed. The purpose of these case studies is to expand the evidence base for understanding how, when, and under what circumstances this programmatic approach works best. With support from the DFAT-TAF Partnership, three action research case studies are currently underway in Bangladesh, Mongolia, and Cambodia. These cases will trace the key programmatic decisions made over the life of the initiative, identify the ways in which relationships and evolving knowledge informed decision making processes, and assess how this iterative programmatic approach affected achievement of development outcomes. For this purpose, ODI researchers will make periodic field visits to the three ongoing program initiatives. In each case, they will observe and reflect on how program managers go about building critical relationships, deepening their understanding of the political and technical dimensions of the problems, and making programmatic decisions in light of changing conditions and new information. In addition to case studies, the series will also include analytical papers.

The current paper describes and explains one version of Asia Foundation's approach to working politically which we refer to as Development Entrepreneurship, an operational model developed initially in the Philippines that provides a coherent, evidence-based alternative to standard donor practices. The paper identifies five distinguishing features of Development Entrepreneurship and explains and discusses the rationale of each. The paper concludes with a set of practical management tools and recommendations that can assist development agencies, and their counterparts, to operationalize a Development Entrepreneurship approach in their day-to-day work.

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Acknowledgements and Disclaimer

Acronyms

ADB	Asian Development Bank
APSC	Australian Public Service Commission
AusAID	Australian Agency for International Development
CGD	Commission on Growth and Development
DFAT	Department for Foreign Affairs and Trade
DFID	Department for International Development
DLP	Developmental Leadership Program
GDIV	Global Development Innovation Ventures
M&E	Monitoring and Evaluation
MIT	Massachusetts Institute of Technology
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OODA	Observe-Orient-Decide-Act
PDIA	Problem-Driven, Iterative and Adaptive
ToC	Theory of Change
TPP	The Policy Practice
UK	United Kingdom
UN	United Nations
UNDP	UN Development Programme
US	United States
USAID	US Agency for International Development

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Key messages

- In view of the growth of interest in 'thinking and working politically' to deliver more effective development assistance, there is a need for operational models that illustrate what this can mean in practice.

- The method known as development entrepreneurship is one such model. It is distinguished by five features: an approach to the choice of objectives; the use of entrepreneurial logic with a bias towards iterative 'learning by doing'; a method for selecting and working with self-motivated partners; a partnership approach for donors; and a set of programme management tools.

- The method targets reform objectives that are both technically sound (high impact, liable to be taken to scale and sustainable beyond donor funding) and politically possible (offering a reasonable prospect of being introduced).

- Reform leaders – 'development entrepreneurs' – working in teams and organizations are the most important element of the method. Within a wider process of coalition-building, they use entrepreneurial methods, including iterative 'learning by doing' and making 'small bets' to find ways of introducing reforms that work even in unpromising political-economic contexts.

- The model includes a way of reconciling bureaucratic constraints and the iterative 'learning by doing' approach of development entrepreneurship, with donor agency staff acting as 'intrapreneurs' – people who introduce new ideas *within* their organizations to create modalities for attracting and working flexibly with intermediaries and entrepreneurial teams.

- The practice of development entrepreneurship can be supported by a set of management and reporting templates that have been used with success in the work of donors, The Asia Foundation and local leaders, organizations and coalitions in the Philippines.

- We believe the model provides useful operational guidance to those in other contexts wanting to improve aid effectiveness. We invite others to test, adapt and improve on it as part of a collective effort to improve aid effectiveness and the lives of people in developing countries.

Executive summary

Most development agencies, analysts and practitioners recognize that institutions shape the course of development and that, in turn, institutional change involves power and politics. An important corollary is that practical development organizations need to be capable of acting with intelligence in the political environment of partner countries, so they help promote, or at least do not stand in the way of, progressive developmental reform. Yet this poses significant challenges for organizations and professionals that were formed to deliver technical inputs and financial resources to development processes on the assumption that others will take care of the politics.

Various communities of practice have been established recently to advance the general idea of thinking and working politically in development agencies. One of the obstacles they face is a lack of well-documented examples of the gains from working in more politically informed ways with aid. Another is an apparent shortage of operational models that provide a coherent, evidence-based alternative to standard donor practices. This paper addresses this particular gap by describing the practice of what has been called *development entrepreneurship* and explaining some of the ideas from outside the field of development that have inspired it.

After briefly indicating the range of reforms to which the method has been applied in the Philippines, the paper identifies five distinguishing features of development entrepreneurship. These include:

- An approach to the selection of reform objectives;
- The use of entrepreneurial logic with its bias for action geared to iterative 'learning by doing';
- Principles for selecting and working with self-motivated partners;
- A view on the role of funding agencies and their staff; and
- A set of practical program management tools.

The remainder of the paper explains and discusses the rationale of each element, drawing on a wide range of thinking in economics, business and management as well as on documented experience in the Philippines.

The first key to the approach is a wise choice of reform objective. Consistent with recent thinking about the need for 'sound second-best', 'best fit' or 'good enough' approaches to reform, the focus is on identifying objectives that are *technically sound, politically possible.* Technical soundness is assessed in terms of:

1. *Impact*: The likelihood the measure will change the incentives and behavior of people and organizations sufficiently, so development outcomes improve;
2. *Scale*: The prospects the reform will spread well beyond the initial project site; and
3. *Sustainability*: The likelihood the reform will continue without additional donor support.

Objectives that combine impact, scale and sustainability are preferable in all of the many fields to which the method of development entrepreneurship is applicable. Experience in the Philippines suggests, in addition, there is particular value in aiming for reforms that are 'self-implementing' in the sense that they lock in new market dynamics or patterns of behavior. This is most likely to be achieved by measures that alter the incentives of politicians, officials, firms and/or citizens without requiring them to redefine their interests or values in a fundamental way.

In addition, the selected objective needs to be politically possible, meaning there is a reasonable prospect of the change being introduced, given the prevailing political realities. For interventions seeking transformational change, all four criteria of technically sound, politically possible reform (scale, impact, sustainability, feasibility) need to be present.

The second distinctive feature of the model is the use of an entrepreneurial logic that encourages iterative 'learning by doing'. Navigating through complex development challenges and 'wicked' problems to discover elusive, technically sound yet politically possible pathways to reform must involve a great deal of trial and error.

The results obtained with traditional models of detailed advance planning and contracted implementation have

been poor in the field of developmental reform, as in other areas of human endeavor. There is increasing consensus that iterative, adaptive 'learning by doing' is a proven and effective way of dealing with complexity. Entrepreneurial logic involves making *a series of small bets* instead of seeking large all-or-nothing opportunities. Decisions at each stage depend on educated guesses, drawing on an equal combination of science, the results gained with small bets and imagination. This involves embracing error as a vital source of learning and the willingness and ability to adjust to new information in a dynamic environment.

The third distinguishing element of the method concerns the people and organizations that are the actors in the iterative process. Many researchers and practitioners recognize the importance of leadership, elites and coalitions in development. Development entrepreneurship highlights the central role of a close-knit team of passionate and determined leaders who are committed to improving their communities and able to absorb setbacks and failure. Such teams require a high-level of trust, a shared agenda and complementary technical and political skills. These qualities enable a team to manage or execute customized technical analysis and political actions in support of formal and informal coalition partners in and out of government. The paper draws on advice from management and enterprise specialists on the relevant traits of individuals and organizations, as well as on how to build and manage strong teams.

The fourth section of the paper explores the conditions under which development agencies, intermediaries and other external actors can support development entrepreneurship. One requirement is to pursue innovation with what is known in the private sector as *intrapreneurship*, whereby program staff are authorized to 'do things differently' and given time and space to put new and innovative ideas into action within large, established organizations. Another is about getting a balance between the element of control funding bodies must retain and the autonomy local leaders need in order to maneuver successfully within a complex and dynamic local context.

Research and practical experience have shown that providing sufficient autonomy is a critical ingredient for fostering creativity and innovation. In the development field, this is a matter of making full use of funding modalities or engagement models that attract the interest and sustain the motivation of self-directed leaders and organizations. Grant funding through intermediaries, such as The Asia Foundation in the Philippines, is one of many viable options;

program staff of the intermediary organization can be well positioned to play a 'coaching' role as part of their support to the local leadership team.

As a contribution to spelling out the application of development entrepreneurship in everyday practice, Section 7 of the paper outlines a set of six *program management templates.* These provide simple, adaptable tools that have proven helpful in managing, reporting about and monitoring and evaluating programs carried out in the recommended manner. Used together, the tools give an integrated and comprehensive view of how an intervention is developing and, most importantly, help identify which of its elements is out of sync and may need attention:

Project element	Management tool
Goal	1. Technically sound, politically possible reform
Process	2. Theory of change 3. 'Measures that matter' 4. Timeline
People	5. Team of development entrepreneurs 6. Coalition analysis and action map

Two innovations are proposed in the use of these otherwise familiar instruments of program management:

- *A distinctive approach to the use of 'theories of change'*: Instead of constructing a single ToC, development entrepreneurship suggests the elaboration of *multiple, time-specific* ToCs. Each ToC is a snapshot of the thinking at a given moment, providing a time-limited opportunity for interrogation of assumptions and the recording of lessons learned. At intervals over time, progress, setbacks, new information, new alignments, etc. provide a better sense of the reform reality, which is expressed and recorded in a new or revised ToC.
- *A set of tools appropriate for managing activities and the monitoring and evaluation of an iterative change process*: Simple qualitative recording tools based on the method of multiple ToCs are one important contribution. Another is a version of the notion from the field of software analytics: the 'one metric that matters'. This calls for the selection and monitoring of indicators that provide reliable pointers to whether or not adequate progress is being made towards the

project objective, as distinct from merely making the reform team feel good about itself. Adjusting for the differences between business start-ups and the field of development entrepreneurship, we use the phrase 'measures that matter'.

The development entrepreneurship model emerged from a series of partnerships among the US Agency for International Development (USAID), the Australian Agency for International Development (AusAID)/Department for Foreign Affairs and Trade (DFAT), The Asia Foundation and Philippine leaders and organizations. Potentially similar initiatives are being taken under The Asia Foundation auspices with support from DFAT in other Asian countries as different as Bangladesh, Cambodia and Thailand. This body of work points to a way forward that should surely be trialed in other parts of the developing world. We invite others to review the approach and, more importantly, test, experiment, adapt and improve on it.

1. Introduction

There is no longer any *fundamental* disagreement about the role of institutions and institutional change in development. Students of the subject agree that a country's institutions – the formal and informal rules of the game that apply within its borders – have a heavy influence on the development trajectory it is able to follow. Along with a constantly evolving global context (usefully re-emphasized by Root, 2013), the prevailing institutions determine the extent to which a society is capable of making effective use of its financial, human and natural resources, with available technologies, to promote inclusive growth and development.[1] Institutional change is therefore the key to development progress.[2]

Moreover, since institutions support and are shaped by structures of power, institutional change is invariably political. This, too, has passed into mainstream thinking. In the words of Rodrik and Rosenzweig (2009), '[e]conomists increasingly acknowledge the importance of institutions – the rules of the game in a society – and the nature of political and power struggles that lie behind them. [I]ssues of governance, politics, and power are no longer a sideshow; they constitute a central element in the field' (6).

A current challenge – and an area where there is much confusion – lies in translating this analytical consensus on institutional change and the centrality of politics into the operational practice of organizations that are set up to support development progress. Points of view on this subject include doubts about both the responsiveness of institutions to purposive action in general and the possible contribution of development agencies in particular. On the latter issue, there are major questions about the ability of the large official organizations to become better attuned to the political dimensions of institutional reform in partner countries. There is also a severe lack of operational models that show what 'thinking and working politically' can mean for a development organization, and how it can contribute to development results. This last issue is the one that motivates this paper.

The documentation of better ways of working on institutional reform with aid has begun. Drawing on evidence gathered at a series of informal meetings at London's October Gallery, Booth and Unsworth (2014) discuss seven cases of development interventions supported by development agencies. In these cases, it is argued, 'donor staff were successful because they adopted politically smart, locally led approaches, adapting the way they worked in order to support iterative problem solving and brokering of interests by politically astute local actors' (iv). Booth and Unsworth invite discussion of the proposition that 'politically smart, locally led' – as defined in their paper – captures what is distinctive about a range of experiences of achieving better than usual development results by working in a different way with aid resources.

The present paper is a contribution to this discussion. It treats in greater depth an operational approach that has proven productive in the country context of the Philippines. The method assessed may be considered a variant form of 'politically smart, locally led' as developed by Booth and Unsworth, who identify six core features contributing to aid effectiveness:

- Iterative problem-solving or stepwise learning;
- Brokering relationships and discovering common interests;
- Being politically smart;
- Local leadership;
- Flexible, strategic funding; and
- A long-term commitment, with continuity of staffing.

We believe development entrepreneurship provides particularly powerful lessons to those wanting to address the big challenges of institutional reform for development. The added value comes in part from the application to the development field of ideas that have proven their value in various private enterprise contexts. This paper draws on the way some private companies have achieved spectacular successes through programs and policies to promote innovation and creativity. It also explains how these principles can be adapted to the field of developmental reform. The specific model was incubated in a series of economic reform experiences in the Philippines, but the key concepts and tools seem applicable to difficult change processes of a variety of kinds in many countries. The paper is written in the hope that funding agencies and implementing partners will consider the method applicable to their contexts, and that they will want to

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1. Economist Paul Romer (2013) argues that 'progress, in the broadest sense, is a function not just of the development of new technologies, but also the development of rules that make sure that we use those technologies appropriately to make us all better off'.
2. Following Douglass North (1994), we see institutional change as the outcome of the interplay of formal and informal rules, organizations and individuals.

test and adapt it to meet their particular needs.

The paper has eight sections. In the remainder of the Introduction, we provide some reasons for rejecting radical skepticism about purposive institutional change and state more fully the aims of the paper, placing it in the context of recent discussions about development assistance and politics. Section 2 then introduces what we call development entrepreneurship, an iterative and politically informed way of working with aid. We identify five elements of the model, discussing the first four in Sections 3, 4, 5 and 6. Section 7 sets out the final element: six management tools that can help in translating development entrepreneurship into everyday practice. Section 8 concludes.

1.1 INSTITUTIONAL CHANGE: WHAT HAS BEEN LEARNED

As Douglass North has reminded us, 'knowing the kind of institutions that need to be put in place to realize economic growth does not tell us how to acquire them in the first place' (2008: 4).[3] Nonetheless, several things have been learned over the past decade, with the effect that the gap in knowledge is now narrower than it once was.

First of all, many now agree with Grindle (2007) and Rodrik (2007) that there is no standard recipe for institutional change leading to economic development; institutional reform priorities need to recognize country specificities and development stages. Signaling the entry of this view into mainstream thinking, the 2008 Growth Commission Report concluded its review of experience in 13 countries by remarking 'Each country has specific characteristics and historical experiences that must be reflected in its growth strategy' (CGD, 2008: 2).

> " Aid is 10 percent technical and 90 percent political – former AusAID Assistant Director "

This recognition of the importance of country context has largely displaced ready-made reform menus, such as the Washington Consensus, at least in the discourse (see, for example, Rodrik, 2006). No one now admits to making one-size-fits-all policy recommendations. A range of new words or phrases conveying the need for a more context-sensitive approach have influenced thinking significantly: 'good-enough governance' from Grindle (2007), 'building on the status quo' from Moore and Unsworth (2010), 'best-fit, not best practice' from Williams et al. (2009) and Levy (2010) and 'second-best institutions' from Rodrik (2008). The World Bank's *Problem-Driven Governance and Political Economy Analysis* (Fritz et al., 2009; 2014) is representative of the shift in thinking.

Another emerging point of consensus is that elites, defined as those whose influence on decision-making and whose share in the benefits are disproportionate to their number in the polity, play an important role in fostering institutional change. Opportunities for reform exist because elites are not monolithic and differences in elite interests can often be exploited. According to Robinson (2010), both disunity of elites and elite decay can be triggers of institutional change. Therefore, understanding how elites form around sets of institutions and how elite factions change over time is a crucial ingredient in designing and implementing interventions to improve social welfare.

A third point that is no longer an 'unknown' is the importance of change-oriented coalitions and political networks for introducing and sustaining reform. Successful institutional reforms are seldom the work of single actors, whether individual leaders or organizations. As summarized by Leftwich and Hogg for the Developmental Leadership Program (2010) '[c]oalitions (formal and informal) are groups of leaders and organizations that come together to achieve objectives that they could not achieve on their own' (49).

> "A compelling case has been made for the recognition of complexity and therefore uncertainty in change processes"

Fourth, a compelling case has been made for the recognition of complexity and therefore uncertainty in change processes (Hummelbrunner and Jones, 2013; Ramalingam, 2013). Using political intelligence to capitalize on uncertainty is a theme of successful reform in Latin America and elsewhere (Grindle, 2002). More prospectively, and based on abundant evidence of the sources of failure in public policy reform, Andrews et al. (2012) have articulated a view that many practitioners share, that sound public policies are achieved through processes that are problem-driven, iterative and adaptive (PDIA) – that is, they are both learning-oriented and geared to meeting specific challenges. These ideas are increasingly setting the agenda for researcher-practitioners (see, for example, Campos et al., 2013).

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3. See also North (1990; 2003).

A final point of consensus is the recognition that ideas matter. Dani Rodrik (2014) has recently challenged the notion that 'interests' are overwhelming drivers of political positions and outcomes. Policy ideas are themselves subject to both manipulation and innovation, and thus are part of the political game. Rodrik argues convincingly that 'new ideas about policy – or policy entrepreneurship – can exert an independent effect on equilibrium outcomes even in the absence of changes in the configuration of political power' (190). This echoes Victor Hugo's claim that 'there is nothing more powerful than an idea whose time has come'.

1.2 WHY IT REMAINS DIFFICULT

For the past 25 years, development donors have been coming to the view that politics, local context, leaders, elites, coalitions and ideas are key factors affecting their ability to influence institutional change. For former Australian Agency for International Development (AusAID) Assistant Director General John Davidson,

> Aid is an intensely political act. My experience in the countries that I've worked in is that aid is 10 percent technical and 90 percent political. This is why better leadership in local management is crucial to success, because it's about how politics works on the ground.[4]

But translating this recognition into changed practice has been far from easy. Part of the difficulty lies in the implications for donors of getting involved in politics (Acemoglu and Robinson, 2012; Carothers and de Gramont, 2013). Some of the challenges can be traced to the origins of the development profession and the development assistance business.

Originally, development organizations were envisioned as providing the two things developing countries were thought to be principally lacking: technical expertise and financial resources. Even in the early days, there was implicit recognition that development had political as well as technical dimensions. However, a division of labor was agreed in which development agencies would provide the 'technical assistance' and finance while host governments would handle the politics. The charters of the World Bank and the Asian Development Bank (ADB) explicitly enshrined this division of labor. The ADB text states '[t]he Bank, its president, vice-president(s), officers, and staff shall not interfere in the political affairs of any member.'[5] This provided an environment in which processes, procedures and practices evolved on firmly technocratic lines.

There are growing challenges to this division of labour. In an effort to incorporate political awareness into operational practice, many development agencies, programme implementers and other practitioners have turned to applied political-economy analytics or ideas about 'thinking and working politically'. Initiatives of this sort include the UK DFID's Drivers of Change work (2004, 2009) and Political Economy Analysis in Action trainings (ODI/TPP, recurrent; Harris, 2013); the World Bank Institute's Leadership for Results,[6] and United Nations Development Programme's *Institutional and Context Analysis Guidance Note* (UNDP, 2012). Some organizations, such as the World Bank and OECD, have organized internal political economy 'communities of practice'. Both the Australian DFAT and USAID have established internal Thinking and Working Politically communities of practice. The Australian-funded Developmental Leadership Program, now based in three universities, is undertaking research to better understand: the practice of thinking and working politically; how developmental leaders emerge; collective action and coalitions; the roles of attitudes, values and ideas in developmental leadership; and interaction among government, state, business and civil society (DLP, 2014).

There is also evidence of donor field officers intuitively adopting methods involving thinking and working politically in the absence of any

"There is a shortage of operational models of thinking and working politically"

guidance in this direction 'from above'. Examples in USAID and AusAID/DFAT relate to field officers just 'knowing' some combination of political forces outside their control was stalling what they were trying to achieve and seeking ways to adapt to this and challenge traditional ways of programming, for example by using rolling design processes, setting high-level objectives but leaving outputs to be determined iteratively etc.[7] A number of the cases reviewed by Booth and Unsworth (2014) involved a spontaneous adjustment of ways of working by experienced practitioners, not the adoption of a prescribed new analytical approach.

In these various ways, the traditional division of labor is being challenged. However, thinking differently is easier than working differently (Rocha Menocal, 2014). As Carothers and de Gramont (2013) note, inside development agencies there continue to be sharply different views about the idea of politically smart aid. For some, it is 'a chance to finally reverse

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4.   Quoted in Derviş et al. (2011: 8).
5.   Article 36 of the ADB Charter (1966), entitled 'Prohibition of Political Activity: The International Charter of the Bank'.
6.   http://wbi.worldbank.org/wbi/content/wbi%E2%80%99s-leadership-results-l4r
7.   This point was raised by Lavinia Tyrrel and there is some supportive evidence in Booth (2014).

the original sin of narrowly technocratic approaches to development', but others view it as 'an analytically weak leap into a jungle of potential complications and distractions' (7). We agree there are several different obstacles to making further headway on these lines.

One is the big difference in ways of working that may be entailed, and what this means in terms of organizational and professional incentives inside agencies. For example, the classic career in a development agency follows a relatively clear path: become a subject matter expert, say in public finance, then move between and among headquarters and country offices to build a sufficient range of experience; and, finally, for some, move into senior management. Taking politics and country context more seriously would seem to require a capacity development strategy that cuts across and in some respects is clearly against this traditional career path: hiring staff who are country experts – people who understand the context and dynamics and have deep networks – and then promoting those with proven ability to first acquire the needed technical expertise and second figure out its relevance to the context.

A second obstacle, and one which motivates this paper, is the apparent shortage of operational models of thinking and working politically. There is a particular paucity of examples where a fresh approach – meeting a funding agency's guidelines and requirements – has generated demonstrably better development results. It is perhaps unreasonable to expect development agencies to transform themselves so long as the evidence on why this is important is indirect and based largely on negative experience. More importantly, without a vision of the alternative operational model, it is not clear which current practices really need to change and which could be left alone.

The next section of the paper provides a summary of the kinds of reforms and reform results in the Philippines that underpin the idea of development entrepreneurship. It then sets out what we consider to be five distinctive features of the approach. The sections that follow elaborate on the rationale of each element. We conclude with a summary and final reflection on the possibilities and constraints development agencies face in supporting programs of this sort.

2. Development entrepreneurship: Origins of the idea

What we call 'development entrepreneurship' is an iterative and politically informed way of working with development assistance. It takes its intellectual inspiration from a wide range of sources including international development, economics, politics, behavioral science, military strategy, software development, business and entrepreneurship. The principal empirical source of the method comes from a series of transformative reforms in the Philippines that involved one of the authors of this paper working in a nonprofit international development organization, The Asia Foundation. Established in the 1950s, The Asia Foundation seeks to support a peaceful, just and thriving Asia through a range of programs in governance and law, economic development, women's empowerment, environment and regional cooperation. It is headquartered in San Francisco, USA, with field offices in 18 Asian countries and a regional headquarters in Bangkok.

> **" Development entrepreneurship takes its inspiration from a wide range of sources "**

The reforms in question concerned a number of strategic economic policy issues in the Philippines, including telecommunications, sea transport, civil aviation, property rights and excise tax on alcohol and tobacco products. Readers will guess that there are fascinating political stories behind each of these reform episodes. In almost all cases, powerful interests receiving monopoly rents resisted the reform. There is excellent case material about the difficult and intense political battles through which the resistance was eventually overcome. For the reforms in telecommunications, sea transport, civil aviation and property rights, readers are referred to the book *Built on Dreams, Grounded in Reality: Economic Policy Reform in the Philippines* (The Asia Foundation, 2011). The case of the excise tax reform on alcohol and tobacco products is explored in Sidel's *Achieving Reforms in Oligarchical Democracies* (2014), commissioned by the DLP, and Booth's *Aiding Institutional Reform in Developing Countries* (2014), which was the product of a partnership between DFAT, the Overseas Development Institute (ODI) and The Asia Foundation. For the present purpose, we provide only a snapshot indicating the nature of each reform and the scale of its impact.

2.1 TELECOMMUNICATIONS EXAMPLE

This reform, documented by Mirandilla-Santos (2011), opened up the telecommunications sector in the Philippines against the resistance of a politically backed telephone monopoly. It was achieved through a combination of new technology (cellphones), executive action by two presidents (Ramos and Estrada) and a network of 'politically savvy policy entrepreneurs'. There were two steps: the first allowed the entry of new companies into the mobile telephone sub-sector and fostered competition; the second entailed the issuance of new 'interconnection rules' to give a more even playing field to the new providers. The dominant carrier had used its market power to earn rents from anti-competitive interconnection practices. Since the second policy change, the mobile subscriber base has grown spectacularly, as Figure 1 illustrates.

Figure 1: Telecommunications policy and number of mobile phone subscribers *(millions)*
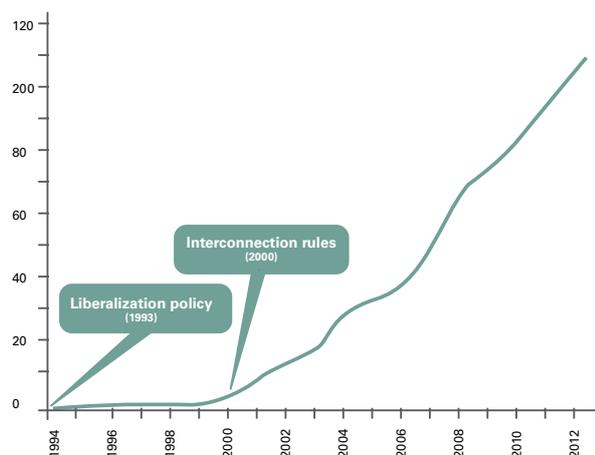

Source: Philippines National Telecommunications Commission.

2.2 CIVIL AVIATION EXAMPLE

Liberalization of air transport was opposed by the dominant carrier, owned by the wealthiest man in the country at the time. According to the case by Salazar-Rodolfo (2011), it involved three policy changes over a lengthy period, in each of which a group of policy entrepreneurs played an active role. The first came to fruition as a 1993 executive order by President Ramos that allowed new carriers to enter and compete in the market. The second was a 'pocket open skies policy' for a specific airport (former Clark Airbase of the US military), which allowed further liberalization and competition. The final step involved a policy declaring full and open access to all secondary airports to further drive competition and increase air access. Figure 2 illustrates the cumulative benefits.

Figure 2: Civil aviation policy and number of passengers *(millions)*
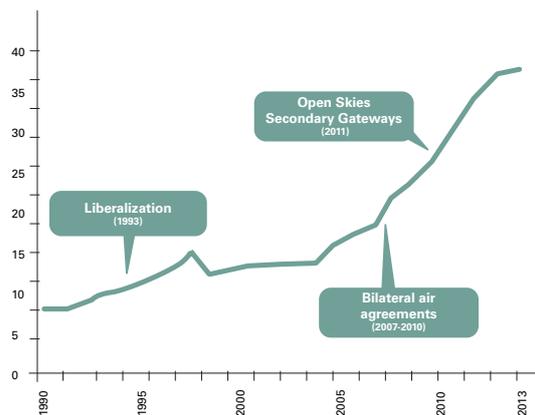
Source: Philippines Civil Aeronautics Board.

2.3 SEA TRANSPORT EXAMPLE

This reform, case studied by Basilio (2011), was the result of a 12-year campaign against a profitable but inefficient load-on, load-off system of (containerized) sea transport that was imposing heavy costs on the domestic economy of the Philippines and especially the smaller islands. The coalition opposing reform included the port regulator, shipping companies, port operators, labor unions, and local politicians. In 2003, President Arroyo issued a policy to promote a different system (roll-on, roll-off loading of trucks), which eliminated many cargo-handling steps and significantly reduced transport costs, as Figure 3 illustrates. This was not a case of far-sighted presidential initiative but the result of the eventual discovery by reform entrepreneurs of a smart way of getting the potential gains from roll-on, roll-off onto the political radar of senior politicians and the president. A key step was mobilizing the influence of business groups in Mindanao, and the president's political interest in courting their vote for the 2004 presidential elections.

Figure 3: Sea transport savings from roll-on, roll-off policy (2003)
compared with load-on, load-off charges (US$)
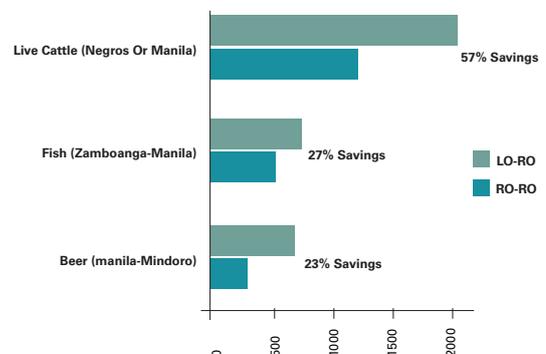
Source: ADB (2010).

2.4 PROPERTY RIGHTS EXAMPLE

This case involves a legislative reform, the Residential Free Patent Act, which created an administrative procedure for titling occupied but untitled lands. Previously, the policy framework allowed titling through expensive and time-consuming judicial procedures or a procedure to purchase the land from the government. With virtually the same number of government personnel, the two-page Residential Free Patent Act led to a 1,500% increase in the number of titles issued (Figure 4). As documented by Chikiamco and Fabella (2011) and Booth (2014), the reform coalition responsible for this outcome was cleverly steered by a small network of active reformers who intermittently received financial and other support from donor sources. The campaign was markedly more successful than other donor-supported efforts on the same issue that followed a more conventional approach because it had a much greater ability to steer around and help shape political obstacles.

Figure 4: Residential Free Patent Act and number of residential land titles issued
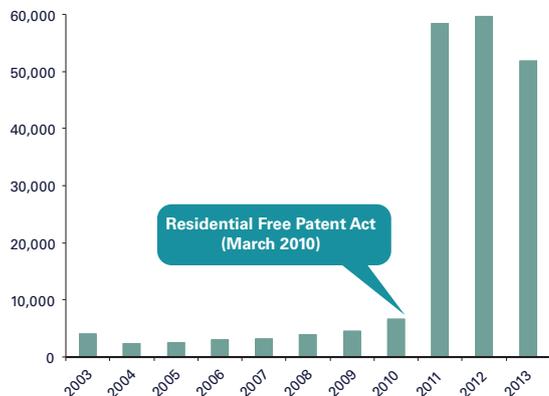
Source: Philippines Department of Environment and Natural Resources.

2.5 EXCISE TAX AND HEALTH EXAMPLE

This case, studied by Sidel (2014) and Booth (2014), involved the introduction of legislation to significantly increase tax rates on tobacco products and alcohol, to reduce smoking prevalence, increase government revenue and raise additional finance for poverty-oriented health spending. The principal reform opponent was the dominant tobacco company, with a 90% market share and corresponding financial and political resources. A pro-reform coalition including executive agencies, legislators, economists, health professionals and advocates was coordinated by a smaller set of reformers, who discovered ways of overcoming the initially overwhelming political resistance. The impact of the law has been significant. In 2013, the first year of implementation, the law raised about US$ 1.2 billion in additional revenue. Of that, 75% was earmarked for subsidizing universal health care.

Figure 5: Reform of excise tax on alcohol and tobacco and increase in revenue earmarked for pro-poor health spending
(billions of constant 2000 pesos)
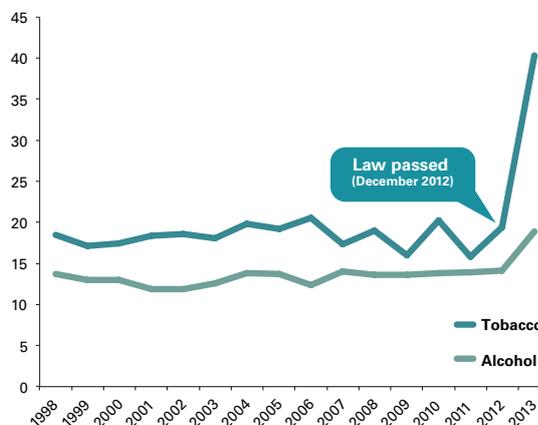
Source: Philippines Department of Finance.

2.6 THE METHOD

The rest of this paper draws on major lessons from these successful reform experiences, including the setbacks and failures embedded in them. We outline a method of development entrepreneurship distinguished by five features:

- An approach to the selection of reform objectives;
- The use of entrepreneurial logic as opposed to linear logic; in other words, a bias towards action geared to iterative 'learning by doing';
- Principles for selecting and working with partners;
- A view on the facilitating role that can be played by funding agencies and their staff; and
- A set of practical program management tools.

Each of the following sections describes and justifies one of these features.

3. Choosing objectives: reforms to foster institutional change

As noted at the beginning of this paper, the concept of development entrepreneurship draws on an insight of Douglass North about institutional change – that one of the keys to improving outcomes is to influence the interplay among formal rules, informal rules and social actors. It is accepted that informal norms, values and conventional practices are often difficult if not impossible to change through development interventions, as they fall in the domains of family, culture, religion and the like. Therefore, development entrepreneurship focuses almost exclusively on changing formal rules, but with an eye to how they interact with informal rules.

> **" One of the keys to improving outcomes is to influence the interplay among formal rules, informal rule and social actors "**

We use the term 'rules' in a broad sense to include the secondary legislation, policies, regulations, court decisions and official practices that may not be enshrined in law but are part of the formal sphere rather than the informal/unwritten norms. Thus, the type of reform targeted recognizes the interplay between laws and regulations on the one hand and informal rules governing each society or community on the other. But it does not try to change the character or values of people; instead, it seeks to change their destiny. This is where the notion of 'best fit' is relevant; best practices cannot be transplanted precisely because each context is different, especially in the informal domain.

The method acknowledges there are technical and political dimensions to choosing policy reform objectives. In a development entrepreneurship approach, the goal is to achieve reforms that are both *technically sound and politically possible* – those occupying the area of overlap between the two circles of Figure 6.

Figure 6: Choosing reform objectives: technically sound, politically possible
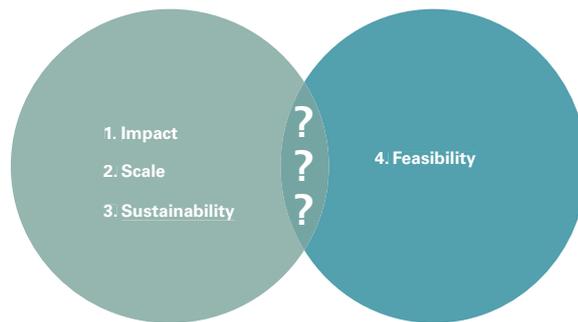
Source: Authors.

Technically sound, politically possible reforms have strong similarities to the notion of an 'elegant solution' in disciplines such as mathematics, engineering and programming, defined as those that achieve the maximum desired effect with the smallest, or simplest, effort.[8]

Technical soundness is judged in terms of sustainable impact on development processes, using three criteria:

1. *Impact*: Is the reform likely to change the incentives and behavior of people and organizations sufficiently, so outcomes improve?
2. *Scale*: Is change likely to spread well beyond the initial project site?
3. *Sustainability:* Is the reform likely to continue without additional donor support?

Objectives that combine impact, scale and sustainability are preferable in all of the many fields to which the method of development entrepreneurship is applicable. Experience in the Philippines suggests, in addition, that there is particular value in aiming for reforms that are 'self-implementing'. The key feature here is that *the reforms become part of everyday practice* – as a result of either 1) market dynamics, where consumers and firms are locked

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8.   See, for example, http://searchsoa.techtarget.com/definition/elegant-solution

into interacting in a new way, or 2) changes in the relationships between state and non-state actors that induce politicians, bureaucrats, private organizations and citizens to adopt new forms of self-interested behavior. Technically sound reforms become 'self-implementing' when they trigger changes in *behavioral incentives,* without requiring changes in political or bureaucratic *interests* that are unlikely in the medium term. Taking the values and character of people as largely given, the approach looks for reforms that work with those values to improve social outcomes. Such reforms provide donors and implementing partners with a particularly effective 'exit strategy', as reform becomes the new *status quo*.

There are strong similarities between this understanding of technical soundness and the definition of transformational change provided in a 2011 UNDP report:[9]

> Transformational change is the process whereby positive development results are achieved and sustained over time by institutionalizing policies, programmes and projects within national strategies. It should be noted that this embodies the concept of institutionally sustained results – consistency of achievement over time. This is in order to exclude short-term, transitory impact. (7)

" Politically possible refers to the likelihood that the 'stars may align' in the relevant areas "

Politically possible, in our understanding, refers to the likelihood that the 'stars may align' in the relevant areas, so as to allow a reform to happen. This may mean discovering leaders and coalitions that are willing to spend their political capital on promoting a specific formal rule change. It may mean assessing ways and means by which opposition forces can be diverted, disabled or won over. Because people, emotions and interests are involved, determining politically feasibility is an extremely difficult endeavor. The world of reform process is too complex and changeable for more than hunches and educated guesses. People involved in such processes, no matter how well connected or smart, will always have partial information. To 'join up the dots', many assumptions and untested hypotheses need to be investigated. Often, there is no empirical test to determine whether political conditions favor reform.

Development entrepreneurship calls for an acceptance by development agencies and practitioners that experience, piecemeal evidence and educated guesswork combined represent the primary tools to be relied on in assessing the possibilities of a political environment, as well as the actions most likely to result in reform. This may be imperfect, but, as Voltaire advised (in *La Bégueule*), the perfect can become the enemy of the good.

Table 1 is a summary of the four criteria for identifying technically sound, politically possible reforms. These should be considered simultaneously and not sequentially.

Table 1: Operational criteria for selecting technically sound, politically possible reforms

Criterion	Comment
Impact	Likelihood the reform will change incentives and behavior of organizations and individuals to improve outcomes
Scale	Likelihood the reform will have effects going well beyond project area
Sustainability	Likelihood the reform will be implemented without additional donor support, becoming part of the everyday practice of government bureaucracy or locked in through market dynamics
Feasibility	Likelihood of discovering leaders and coalitions willing to spend their political capital to promote reform and of achieving a favorable conjunction of forces within the current political context

Development entrepreneurship, like problem-driven iterative adaptation (PDIA) (discussed below), is intended for use in solving specific development problems. To identify the broad reform areas that need attention, a number of approaches can be adopted, including Rodrik's growth diagnostics, which serves to identify the 'binding constraints' on development in a given country and period. The four criteria of development entrepreneurship add to this a method for exploring the variety of reform initiatives that might help address a binding constraint. This drilling down to focus on a specific change objective is an essential first step in the 'learning by doing' that is a key to success in introducing reform.

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9. Some readers will object that our emphasis on feasibility as well as technical soundness may mean choosing interventions that are worthwhile but not very transformational, in the sense of achieving large institutional changes reasonably quickly. However, we would invite them to consider how often in history large and sustained institutional changes have occurred quickly, as opposed to building up incrementally as a result of a series of small steps and critical decisions. The aspirational discourse of the development aid business seems to us to be often at variance with historical experience in this respect.

We have observed that, at times, development agencies and implementing partners become so preoccupied with deliverables and implementation processes that they lose sight of the importance of selecting wisely a specific reform objective and changing the reform when conditions warrant. The property rights case is a good example. At the broadest level, the lack of secure property rights was identified as a binding constraint on the increased investment essential for creating more jobs and reducing poverty. In that context, the lack of land titles was agreed on as an important area of focus. The project team then explored a range of options, pursued several with mixed results and some dead-ends and eventually settled on the Residential Free Patent law as the best (technically sound, politically possible) candidate.[10]

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10. For more details, see Chikiamco and Fabella (2011).

4. The process : complexity and learning

In recent years, several writers (Kolko, 2012; Ramalingam, 2011) have described development as a set of 'wicked problems'. Coined by urban planners Rittel and Webber, (1973), the expression 'wicked' refers to a broad range of problems that involve changing the mindsets and behavior of a large number of people. Ritchey (2007) summarizes the characteristics of wicked problems as follows (2-3):

1. Problems are only really understood after solutions are developed. Because problems are hard to define, solutions are also hard to define.
2. Solutions to wicked problems are not right or wrong, but more accurately 'better', 'worse', 'good enough' or 'not good enough'.
3. Each wicked problem and solution is essentially unique. Coupling many factors and fluid social and political context, means that no two problems are alike, and the solutions to them will always be customized.
4. Every solution has consequences. One can only learn about the problem by testing solutions.

An Australian government report concedes that tackling wicked problems is an 'evolving art' but recommends numerous principles, among them 'holistic and not partial or linear thinking'; 'innovative and flexible approaches'; trying to 'effectively engage stakeholders and citizens in understanding the problem and in identifying possible solutions'; gaining 'a better understanding of behavioural change by policymakers'; and a tolerance for 'uncertainty and accepting the need for a long-term focus' (APSC, 2005: 35-36).

A corollary of this thinking is acceptance that there is no single point in time when full understanding and control are achieved. Relationships, networks and ideas are constantly being discovered and discarded in response to random shocks and events. Social and political realities are self-organizing systems characterized by non-linearity and unpredictability (Ramalingam et al., 2008). Thus, for Owen Barder of the Center for Global Development (2012), development is multi-causal and highly political,

and involves many people and organizations. This complexity makes it difficult to isolate and identify problems and find solutions.

4.1 ENTREPRENEURIAL LOGIC

To reduce the information gap and manage uncertainty, entrepreneurial principles have been a central feature of reform success in the Philippines. To explain what this means, we need to draw on literature that will be unfamiliar to many development practitioners but that speaks quite directly to the realities of development work.

Contrary to the popular perception that entrepreneurs 'make it up as they go along', coherent and predictable logic guides their behavior. Based on extensive research, University of Virginia Business Professor Saras Sarasvathy (2005) argues that entrepreneurs use effectual logic, defined as 'a process that allows goals to emerge contingently over time from the varied imagination and diverse aspirations of leaders and the people they interact with' (2). In contrast with entrepreneurs, managers use causal logic, defined as starting with 'a pre-determined goal and a given set of means, and seeks to identify the optimal – fastest, cheapest, most efficient, etc. – alternative to achieve the given goal' (ibid.). She goes on to argue that entrepreneurship is a method and process. Summarizing Sarasvathy (2005; 2008),[11] the five principles of entrepreneurship are:

1. *Bird in Hand*: An acceptance of how the world is, what resources are at their disposal and whom they know.
2. *Affordable Loss*: Recognition that failures and setbacks are part of the process of finding and determining the 'winning formula'. Instead of making large bets at the start, entrepreneurs make a series of small bets. Based on feedback and assessment, further actions are taken.
3. *Strategic Partnerships*: Understanding that collaboration, working with others, is essential

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11. These themes are explained and illustrated in textbook format by Read et al. (2011).

for success. Entrepreneurs build partnerships with self-selecting stakeholders. By obtaining these commitments from key partners early on, entrepreneurs reduce uncertainty and co-create with interested partners.

4. *Leveraging Contingencies*: Awareness that new developments and surprises can be turned into opportunity. For entrepreneurs, the correct response to surprises is 'adjust and embrace the change'. This attitude is an expression of entrepreneurs' confidence in their ability to recognize, respond to and reshape opportunities as they develop. Entrepreneurs thrive on contingency.

5. *Pilot in the Plane*: Entrepreneurs tend to focus on activities within their control. 'An entrepreneurial worldview is based in the belief that the future is neither found nor predicted, but rather made.' There is no need to predict the future because they believe their actions can influence and shape events.

"Successful innovation comes from making a series of little bets, learning from the failures"

In his book *Little Bets: How Breakthrough Ideas Emerge from Small Discoveries* (2011), best-selling author and entrepreneur Peter Sims shows how breakthrough results were achieved by methodically making small bets in order to discover and develop new ideas. Rather than linear thinking and long-term plans, Sims argues that successful innovation comes from making a series of little bets about what might be a good direction, learning from the failures of the experiments and from small but highly significant wins. The book draws lessons from a broad range of individuals and organizations, including Ludwig van Beethoven, Thomas Edison, the story developers at Pixar Animation Studios, Steve Jobs, Grameen Bank's Muhammad Yunus, comedian Chris Rock, Amazon's Jeff Bezos, US President Obama's media campaign team, the US Army's Chief of Strategic Plans and companies such as Procter & Gamble, Starbucks, Google, SAP, 3M and Hewlett Packard, among others. The process Sims suggests is similar to the iterative one proposed above. Summarizing (based on Sims, 2011: 13-14):

1. Experiment: Learn by doing, with small prototypes.
2. Play: Stimulate creativity through play and humor.
3. Immerse: Get insights and ideas from the ground up.

4. Define: Use insights from experimentation to define new problems.
5. Reorient: Be flexible and pivot when necessary.
6. Iterate: Repeat, refine and test assumptions.

The notion of iteration as a proven method for dealing with complexity is also used in many industries. In software development, Eric Reis developed the 'lean method' to guide start-up companies. Ries challenged the conventional wisdom about elaborate business plans and detailed forecasts, and about the importance of creative genius, relentless hard work, milestones and lengthy time cycles in launching and evolving 'perfect products'. Instead, he argued, companies should continually submit their vision, products and strategy to painful market tests through iterative product releases (Blank, 2013).

In his book *Lean Startup* (2011), Ries claims startups can shorten their product development cycles by adopting a combination of business hypothesis-driven experimentation, iterative product releases and what he calls 'validated learning'. Ries' overall claim is that, if startups invest their time into iteratively building 'minimum viable' products or services to meet the needs of early customers, they can reduce the market risks and sidestep the need for large amounts of initial project funding and expensive product launches and failures. As summarized by Blank (2013: 5-6), the lean start-up method is based on three key principles:

> First, rather than engaging in months of planning and research, entrepreneurs accept that all they have on day one is a series of untested hypotheses – basically, good guesses […]
> Second, lean start-ups use a 'get out of the building' approach called *customer development* to test their hypotheses. They go out and ask potential users, purchasers, and partners for feedback […] The emphasis is on nimbleness and speed […]
> Third, lean start-ups practice something called 'agile development' [which] eliminates wasted time and resources by developing the product iteratively and incrementally.

According to Blank, 'agile development builds products in short, repeated cycles. [It] produces a "minimum viable product" – containing only critical features – gathers feedback on it from customers, and then starts over with a revised minimum viable product' (9). This contrasts with the more traditional 'waterfall' method of software development, which was based on long product-development cycles that presupposed knowledge of customers' problems and product needs. Figure 7 is Blank's schematic of the lean start-up method.

Figure 7: Schematic of lean start-up method

Requierements
Planning
Analysis &Design
Initial Planning
Implemetation
Evaluation
Testing
Deployment
Minimum Viable Prodcut
Customer Feedback

Requierements
Planning
Analysis &Design
Implemetation
Evaluation
Testing
Deployment
Minimum Viable Prodcut
Customer Feedback

Requierements
Planning
Analysis &Design
Implemetation
Evaluation
Testing
Deployment
Minimum Viable Prodcut

Source: Reproduced from Blank (2013: 9)

Ries suggests including the notion of 'productive failure' in employee performance evaluations – instances when employees have tried something and failed but have learned valuable lessons or have been able to adapt from something that didn't work to something that did (McKinsey Global Institute, 2014). This is very much in line with iterative thinking and with the 'learn by doing' of entrepreneurial logic.

Another variation on the iterative process comes from John Boyd, a US fighter pilot and military strategist.[12] Boyd proposes a decision cycle called the OODA loop, which stands for Observe-Orient-Decide-Act (see Figure 8). It describes the process by which an entity (either an individual or an organization) reacts to an event. The key to survival and victory is an ability to make appropriate decisions more quickly than one's opponent can. Originally developed for air combat and dogfights, the OODA loop has become an important concept in litigation and business (Fingar, 2011).

Figure 8: The OODA loop

Observe
Orient
Act
Decide
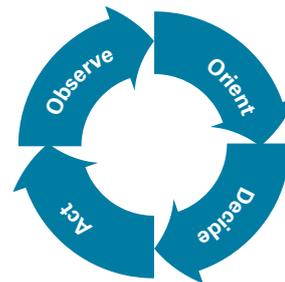
Source: Reproduced from Osinga (2007).

4.2 ITERATIVE 'LEARNING BY DOING'

The notion of 'learning by doing' has many proponents from a broad range of fields. In their book *Just Start: Take Action, Embrace Uncertainty, Create the Future,* three business leaders outline a proven process for achieving goals in an uncertain world (Schlesinger et al., 2012). The recommended process looks like Figure 9.

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12. The authors are grateful to Rene Sanapo for the information on Boyd.

Figure 9: An iterative process for achieving goals under uncertainty
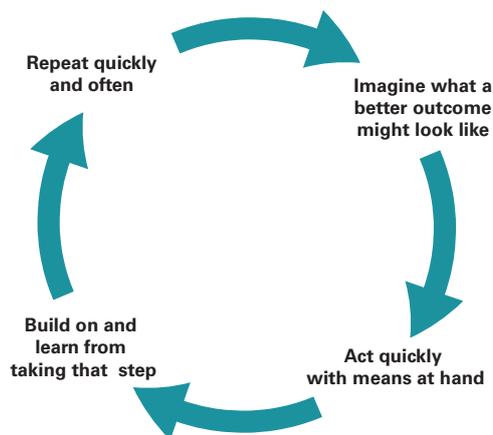
Source: Adapted from Schlesinger et al. (2012).

In his 2011 book *Adapt: Why Success Always Starts With Failure*, Financial Times journalist Tim Harford advances similar themes with compelling historical and contemporary evidence. To find solutions to some of today's big problems – climate change, financial instability, global poverty – Harford argues, we must go back to basics, examining the circumstances in which ingenuity has broken through in the past, and then considering how to replicate them.

"Everybody has a plan until they get punched in the mouth – boxing champion Mike Tyson"

The starting point is evolution. Harford provides evidence on how companies have risen and fallen throughout history in a way that resembles Darwinian selection. For him, because we live in an increasingly complex world, people and organizations must constantly adapt – and that means accepting failure as part of the learning process. Trial and Error and Variation are the most effective way to solving complex issues. Thus, attempts at long-term planning should be discarded in favor of constant testing of variations (and quick adaptation).[13] This echoes former boxing champion Mike Tyson's observation that '[e]verybody has a plan until they get punched in the mouth' (in Berardino, 2012).

Several experienced researchers and practitioners have proposed more iterative or evolutionary approaches in the field of development. Owen Barder persuasively recommends the principles of evolution, variation and selection for solving complex problems.[14] Instead of a single predesigned approach with specific steps, an evolution-based approach accepts there are many unknowns. It suggests a variety of approaches be pursued based on available information and educated guesses. Selection then is the stage of assessing which of the approaches is working and which bet has a higher likelihood of succeeding.

Matt Andrews' (2013) problem-driven iterative adaptation (PDIA) is a rightly influential operational notion, building on a large body of evidence and insight from the World Bank and colleagues at Harvard. Already a decade ago, Pritchett and Woolcock (2004) were arguing that the best way to approach development challenges is just to start with a reasonable hypothesis, and then iterate based on experience. In a recent paper, Ramalingam and others (2014) review their implementation of a program to test new operational research methods, based on theory for complex systems. They argue that addressing wicked problems requires real-time operational research to identify gaps between project designs and emerging outcomes. This calls for a 'learning by doing' approach to management and decision-making (3).

In their review of seven case studies, Booth and Unsworth (2014) argue:

> In all the cases, iterative problem solving, stepwise learning, brokering relationships and discovering common interests were key to success, allowing actors to understand the complex development challenges they faced, identify and negotiate ways forward, and find solutions that were both technically sound (if not optimal), and politically feasible (iv).

4.3 LEARNING FROM FAILURE

The other side of 'learning by doing' is the recognition that failures are part of the road to success. Author John Neal (1793-1876), who broke with formal traditions by using colloquialism in his writing, counseled that 'a certain amount of opposition is a great help to a man. Kites rise against, not with the wind.'[15] Henry Ford noted that '[f]ailure is simply the opportunity to begin again, this time more intelligently.'[16] In a review of great entrepreneurs like Steve Jobs of Apple, Bill Gates of Microsoft, Jeff Bezos of Amazon, Martha Stewart, Jack Bogle of Vanguard and Howard Shultz of Starbucks, CNBC's chief editor Eric Schurenberg (2014) notes 'the

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13. For more, see 'Adapt: Why Success Always Starts with Failure', by Tim Harford, at http://www.youtube.com/watch?v=KR_mCvb-KyY
14. See http://media.owen.org/Evolution/player.html
15. http://www.goodreads.com/quotes/310680-a-certain-amount-of-opposition-is-of-great-help-to
16. From Anderson (2013).

> **"The best way to approach development challenges is to start with a reasonable hypothesis and then iterate, based on experience"**

thread that stands out, partly because it's unexpected, is failure. Or more precisely: the ability to absorb failure and – by determination, grit, pugnacity, whatever – turn it into success.' Recent research has highlighted that people who take personal responsibility and ownership are much more likely to learn from and work harder after that mistake (Myers et al., 2014). Development workers might prefer to heed North's advice that '[w]e must also learn from failures, so that change will consist of the generation of organizational trials and the elimination of organizational errors' (1990: 81).

4.4 DECISION-MAKING UNDER UNCERTAIN AND UNPREDICTABLE CONDITIONS

As noted above, entrepreneurs work hard to manage and limit risk by avoiding large gambles in favor of taking a series of *small bets based on educated guesses*. In the development field, the idea of being reliant on 'educated guesses' can be troubling. It appears to conflict with the emphasis increasingly being placed on scientific programming and 'evidence-based' interventions, ideally supported by rigorous impact studies such as randomized

control trials. Despite the rhetoric, the reality is that the 'scientific planning' is mostly useful in instances where risks can be calculated. But, in many aspects of life, including business, politics and development, uncertainty reigns. Not all the alternatives or the consequences are known, not all the risks can be calculated because everything is dynamic, there are unintended consequences and surprises are common. In situations where risks cannot be calculated, people and organizations turn to educated guesses and rules of thumb (Fox, 2014).

As argued by blogger Tom Gram (2010), business professor Henry Mintzberg (2004; 2009) provides a useful framework for managing under real-world (i.e. uncertain and complex) situations. He proposes distinguishing between science, art and craft as follows:

1. *Science*, defined as the 'analysis, rooted in the scientific method (meaning here scientific proof more than scientific discovery)'.
2. *Craft*, defined as using and learning from experience as part of an iterative process.
3. *Art,* defined as the use of creativity that enables the emergence of insights and creation of a vision.

Mintzberg argues persuasively that effective management and decision-making are based on equal combinations of science, craft and art without any one category completely dominating. 'After years of seeking these Holy Grails, it is time to recognize that managing is neither a science nor a profession; it is a practice, learned primarily through experience, and rooted

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Figure 10: The sources of educated guesses

	Science	Craft	Art
Relies on	Logic And Evidence	Practical Experience	Creativity and Imagination
Approach	Planning	Testing	Visioning
Contribution	Systematic Analysis	Lesson from past and tests	Synthesis

Educated Guesses

Source: Adapted from Gram (2010).

in context' (2009: 9, cited by Gram, 2010). In this framework, educated guesses are the outcome of a combination of evidence, experience and imagination (Figure 10). Based on feedback, promising ideas and strategies are eventually arrived at; others are dropped before they incur large costs. Implementing the process rapidly increases the probability of finding feasible solutions.

> "Successful interventions will not have a single theory of change, but a series of time-specific theories of change"

4.5 ITERATIVE PROCESSES AND ENTREPRENEURIAL LOGICS IN DEVELOPMENT WORK

The method of development entrepreneurship links ideas about iterative processes and entrepreneurial logics to the practice, now common in the development field, of using 'theories of change' (ToCs) to inform program design. ToCs are supposed to make explicit the implicit notions of program designers about how the desired outcomes are to be achieved and why this is realistic. Normally, ToCs are fixed for the duration of a program.

How, then, is the potentially conflictual marriage between an entrepreneurial approach and ToC practice to be accomplished? We would say by acknowledging that the relevant information and analysis is subject to constant updating, with the effect that successful interventions will not have a single ToC. Rather, they will have a series of time-specific ToCs.

A ToC might be compared to one's financial net worth, a snapshot of one's financial health taken at a specific moment in time. The importance and value of determining one's net worth is not in the number *per se* but in the ability to compare it with earlier versions. Similarly, using multiple time-specific ToCs helps us understand how thinking has evolved and which educated guesses we got right and which were wrong. There are also other important benefits of using multiple, time-specific ToCs:

1. It instills the practice and discipline of questioning everything.
2. It makes thinking explicit so team members have a common understanding of current ideas.
3. It helps explain the logic of our thinking to others.

In the early phase of projects, ToCs may be expected to change significantly because of the process of identifying and drilling down to technically sound, politically possible reforms. In extreme cases, ToCs can change several times in a week in the very early stages. The process of testing, action and reflection (what worked, what didn't work and why) is precisely what allows a team to reach the level of specificity needed to change incentives and behavior.

Figure 11: Theories of change within an iterative process

Source: Authors.

Figure 11 is our representation of the place of ToCs in the iterative process of development entrepreneurship. ToCs are multiple and time-specific. Over time, they become increasingly specific about the recommended, technically sound, politically possible, reform and about the strategies, activities and outputs needed to achieve it.

4.6 MONITORING AND EVALUATION OF ITERATIVE LEARNING

One of the major challenges to an iterative approach is monitoring and evaluation (M&E). In programs with predefined logical frameworks, M&E is relatively straightforward. The iterative process and shifting strategies, if not changing objectives, of development entrepreneurship raise legitimate M&E issues. How can we measure something that is often changing? To address these concerns, the method has turned to two sources. One is the community of researchers, implementers and evaluators who have been developing Outcome Mapping tools to address this kind of need. A second is the experience of The Asia Foundation in monitoring the activities it supports and in its reporting to its donors. The current set of M&E tools is a combination of qualitative and quantitative measures.

On the qualitative side, a small set of simple recording tools, such as those illustrated in Section 7 of this paper, can be very helpful. They include means of recording the succession of time-specific ToCs, time-specific constituency (or stakeholder) maps and a timeline for tracking, interpreting and indexing documentation on significant milestones or progress markers.

" **Choosing actionable metrics is one of the most challenging elements of development entrepreneurship**"

On the quantitative side, we take inspiration from 'the one metric that matters'. This notion from the field of software development and commercial start-ups has been found to be highly relevant to the promotion of economic and social reforms in the Philippines. In their e-book *Analytics Lessons Learned: Case Studies on the Use of Lean Analytics* (2013), Alistair Croll and Ben Yoskovitz describe it as a single number that entrepreneurs should care about the most at the current stage of their business startup. Following Ries (2011: Ch 7), they recommend 'actionable metrics' that reveal hard truths about whether the start-up is on the right track to achieve success. These are contrasted with 'vanity metrics' that make the operation look good but do not capture the information that would tell you whether the approach being taken is the right one or should be changed.

In our field, the 'one metric that matters' needs to be interpreted more loosely as 'measures that matter', but the basic idea remains relevant. It is about finding metrics linked to the type of reform being pursued that reveal hard truths about the progress being made, or not made, at the stage the project has reached.

Choosing actionable metrics is one of the most challenging elements of development entrepreneurship. It is most difficult at the outset when the technically sound, politically possible reform may be ill-defined and when the ToC is in flux. Over time, however, as the reform objective and theory of change become clearer, identifying the 'measures that matter' also becomes easier. Until the final phase, progress towards a development reform objective will usually be about processes, not 'tangible' results. But process measures are not all of the same value. There will be those that have a certain ideological appeal, such as those reflecting the numbers of participants in an advocacy event, demonstrating the 'inclusiveness' of the campaign. And there will be others that show more directly whether the current version of the reform strategy is working. In the Philippine property rights and excise tax reforms, the metrics that mattered at various stages in the process related to the proportion of influential members of Congress who had demonstrated a willingness to expend some of their political capital on supporting some version of the reform bill.

The monitoring of progress towards an objective is different from providing the sort of evidence of impact illustrated in Figures 1-5 above. Nonetheless, Croll and Yoskovitz maintain that some of the same principles apply to both types of activity. These include:

1. The measures should be easy to understand.
2. Ratios or rates should be used, rather than absolute numbers, to enable comparison.
3. The relevant data should be credible and relatively easy to collect.
4. The metrics should be based on robust assumptions about cause and effect.
5. Given that they need to change over time, 'measures that matter' should be discussed and agreed on by key partners through consensus.

The benefits of using measures that meet these criteria include:

1. Keeping focused on transformational as opposed to incremental change;
2. Helping link analysis, action and outcome;
3. Providing a clear, measureable definitions of success applicable to the stage that has been reached;
4. Fostering a culture of testing;
5. Showing impact to others in an easily grasped graphic form.

5. People and organizations: partners in reform

Development entrepreneurship recognizes that many types of leaders and organizations need to be involved in achieving a given reform. Critical contributions will be made by formal and informal coalitions of people in and out of government who are willing to spend their limited political capital to introduce a specific change. But, among these people, there need to be some entrepreneurs.

One important set of people will be *a cluster of leaders working as a team in a local partner organization*. This team will be the main provider of the iterative learning, coordination of effort, brokering of relationships and sense of direction within the wider coalition. Experience suggests its motivation and makeup is vital.

This element of the approach is arguably the most important, because concepts and methods have no force unless people convert them into action. Development entrepreneurship celebrates the singular importance of leaders who act with perseverance and determination to achieve transformational change objectives. These are the people we refer to as development entrepreneurs. Writing in his Foreword about the individuals whose stories are told in *Built on Dreams, Grounded in Reality*, Adrian Leftwich noted:

> […] these development entrepreneurs were not single, solitary, isolated, or sole agents of change. On the contrary, they were brokers, facilitators, doers, shakers, movers, operators, orchestrators, and activists who knew when, where, and how to mobilize other people (some in key places), interests, ideas and resources to bring about institutional innovation or change in the specific context of the Philippines' political and institutional environment […] In short, they were able to use the windows, the critical junctures, or the triggers, to mobilize politically in support of key institutional changes or innovations (2011: xxv).

Development entrepreneurs are leaders who commit to making social organizations work for the greater good by creating the circumstances that lead to the adoption of better institutions.

'Creating the circumstances' means undertaking the necessary technical and political actions; identifying or formulating an alternative to the *status quo* and evidencing its benefits; bringing the alternative to public consciousness; identifying the obstacles and interests that stand in the way of its realization; identifying potential allies for adoption; and softening the obstacles with alternatives that favor attainment (Faustino and Fabella, 2011).

Others have highlighted the role of leadership and committed action in achieving institutional change against the odds. In his 'Find What Works' (2013), blogger Dave Algoso critiques the important work of Matt Andrews (2013a) for its limited attention to the actors in the drama. For Algoso, '[t]he book's analytical rigor almost made me forgive it for its one major oversight: the lack of people.' He continues, '[t]he individuals who make decisions – whether the big decisions about the course of reform, or small ones about whether to go along with it – should be at the center of our analysis.' In his more recent work, Andrews (2013b) acknowledges the importance of leadership, but goes on to argue, '[i]t appears that change is complex and requires similarly complex multi-agent leadership interventions – not individual heroes.' This hints at questions about coalitions and networks that we return to below.

Based on experience and research, a few critical traits seem to distinguish development entrepreneurs.[17] One of the most important is the notion of *grit*. Angela Duckworth, a researcher at the University of Pennsylvania, uses this word to describe people who combine a passion for a single mission with an unswerving dedication to achieving that mission, whatever the obstacles and however long it might take. Duckworth developed a simple 12-question self-assessment test called the Grit Scale.[18] Tested on more than 1,200 West Point

"Development entrepreneurs are leaders who commit to making organizations work for the greater good "

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17. Apart from the output of the DLP; see, for example, McKinley (2013).
18. The grit test is available at http://www.sas.upenn.edu/~duckwort/images/12-item%20Grit%20Scale.05312011.pdf

freshman cadets, the test was an accurate predictor of which cadets persisted and which ones dropped out of a summer training course.

Other important traits for development entrepreneurs include courage – the willingness to act decisively in the face of uncertainty – and intellectual humility – the ability to listen to others and admit mistakes.[19]

Some skeptics question whether people with this combination of traits actually exist. A review of the reforms in the Philippines provides the evidence. For example, civil aviation liberalization was a 20-year battle starting in the early 1990s. Remarkably, even today, the development entrepreneurs who started the campaign continue to pursue the long-term goal of full open skies. Over the 20-year period, their work was often not compensated. Instead, they cobbled together the needed resources, including by dipping into their personal savings. In the property rights reform, the key development entrepreneurs started work under a USAID project in October 2006. Scheduled funding ended in September 2008, which coincided with a critical phase in the legislative process. For one year, the local leaders as well as the responsible Asia Foundation staff worked without pay to provide assistance to legislators and other coalition partners. In October 2009, enlightened leadership from USAID Philippines Mission Director Jon Lindborg and Program Officer Tyler Holt enabled funding for the activity to resume.

> **"We hypothesize that development entrepreneurs are present in many country contexts"**

We hypothesize that development entrepreneurs are present in many country contexts. A fundamental challenge, however, is to create the funding modalities and organizational environments that will attract them.

5.1 FINDING, ATTRACTING AND WORKING WITH DEVELOPMENT ENTREPRENEURS

In his book and entertaining video *Drive: The Surprising Truth about What Motivates Us* (2009), noted author Daniel Pink explores the core of human motivations. Drawing on extensive secondary research, Pink argues people perform at their peak level if they are motivated from within, by intrinsic as opposed to external (extrinsic) factors. In the past, management methods have relied heavily on extrinsic rewards, such as money and fear of punishment. Pink shows that, over the long term, intrinsic motivation leads to more creative outcomes, in part because people who are intrinsically motivated are more persistent or, in the words of Duckworth, have more grit. Based on this evidence, Pink identifies three elements that intrinsically motivated people seek and cherish:

1. Mastery: The desire to make progress and get better at something that matters;
2. Purpose: The desire to make a contribution in the service of something larger than ourselves; and
3. Autonomy: The desire to direct our own lives.[20]

It would be most surprising if these principles were not applicable to development workers. It seems more likely that the gains from providing sufficient autonomy have simply not been visible because so many development projects are managed through rigid contracts that specify outputs, activities and deliverables in detail.

It appears, moreover, that providing autonomy is critical not only for individuals but also for organizations. A paper by Dan Honig (2014) has examined the organizational features of aid delivery organizations. Based on a dataset of 14,000 evaluations of development projects from nine international development organizations, Honig concludes that '[a]utonomy is critical in facilitating organizational responsiveness to complex, unpredictable environments' (36). And, provocatively, 'If our drive for results leads us to control aid too tightly, we may end up accomplishing precisely the opposite of what we intend' (39). In another study, Imran Rasul and Dan Rogger from University College London assembled an extraordinary dataset of 4,700 public sector projects in Nigeria to conduct a rigorous survey to quantify the management practices of the 63 different organizations responsible for those projects. Citing this study, Owen Barder (2014) notes, 'The important thing in their data […] is that it is the autonomy, not the results measurement, which is bringing about the improvement.'

In Section 6 of this paper, we explore how development agencies can create an environment where staff and partners enjoy greater autonomy while maintaining the necessary fiduciary and financial controls.

5.2 LEADERS, TEAMS AND COALITIONS

Our emphasis on leaders and entrepreneurs has led some to accuse us of a 'big man' interpretation of history (Green, 2014). However, it is well established that successful entrepreneurs work with others in teams and organizations. Successful serial

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19. In a recent op-ed piece, Thomas Friedman (2014) recounts the five attributes internet giant Google looks for in new employees. They include intellectual humility – an ability to recognize and admit mistakes to others. Laszlo Bock, Senior Vice-President of People Operations for Google, is quoted as saying, '[w]ithout humility, you are unable to learn […] Successful bright people rarely experience failure, and so they don't learn how to learn from that failure.'

20. Daniel Pink, 'Drive: The Surprising Truth about What Motivates Us': https://www.youtube.com/watch?v=u6XAPnuFjJc

entrepreneur Richard Branson (2010) comments that:

> People tend to think of entrepreneurs as lone heroes, but this isn't how it works in real life. Many live up to their reputation as risk-takers and some remain outsiders, but despite this outlier status, entrepreneurs need support to be successful.

Ucbasaran and his colleagues (2011) note that '[e]ntrepreneurship scholars are increasingly acknowledging that entrepreneurship is often a collective activity carried out by an entrepreneurial team' (3).

> **"Team members must be willing to be vulnerable – to reveal what they don't know or understand"**

There is also strong evidence that smaller groups (and teams) tend to make more accurate decisions. A 2006 study reviewed the performance of various group sizes ranging from individuals to groups of two, three, four or five people. It concluded that groups of three, four or five came up with more efficient solutions to a math-based problem than even the best individuals working alone (Laughlin et al., 2006). Business professor Jennifer Mueller (2011) finds larger teams diminish perceptions of available support for team members when dealing with stressful experiences and promote performance. Iain Couzin and Albert Kao, a professor and a graduate student of ecology and evolutionary biology, respectively, have found that the 'wisdom of the crowds' does not necessarily lead to better decisions. Instead, the results of studies on individuals in groups, whether composed of humans or other animal species, suggest small groups maximize decision accuracy across many contexts (Kao and Couzin, 2014, cited in Zimmer, 2014). Jeff Bezos, founder of internet giant Amazon, which had over 117,000 employees in 2014, likes to use the 'two pizza rule' for strategy and development teams. If it takes more than two pizzas to feed the team, the team is likely too big (Giang, 2013).

5.3 BUILDING GOOD TEAMS

Again building on both experience and research, there seem to be some key characteristics of good teams. One of the most important is a high-trust environment. In his book *The Speed of Trust* (2008), Stephen Covey argues persuasively that this is 'the one thing that changes everything'. For him, trust is the hidden variable in the formula for organizational success:

Old paradigm   > Strategy x Execution = Results
New paradigm > Strategy x Execution x Trust = Results

Heathfield (2012) cites a 1993 dissertation by Duane Tway, which defines trust as 'the state of readiness for unguarded interaction with someone or something'. Summarizing Heathfield on Tway, the three building blocks of trust are:

1. *The capacity for trusting,* referring to your ability, capacity and willingness to risk trusting others;
2. *The perception of competence*, consisting of your perception of your ability and the ability of others with whom you work to perform competently;
3. *The perception of intentions* – that is, is your perception that the actions, words, direction, mission or decisions are mutually serving rather than self-serving.

Our experience agrees with this; if any one of the three features is missing or weak, it is almost impossible to establish a genuine relationship based on a high level of trust.

The implications of not establishing a high-trust environment among team members are enormous, because the trust is the gateway to candor – the honest and frank exchange of ideas vital for 'getting to the best idea'. Solving complex and dynamic problems requires team members to be unafraid to ask questions or propose wrong or seemingly 'dumb' answers. Team members must be willing to be *vulnerable* – to reveal what they know and think as well as what they don't know or understand; to acknowledge mistakes and celebrate better ideas, wherever they come from. And, since the path to success is filled with a series of course corrections based partially on evidence and partially on guesses about what seems to be working and what does not, candid and timely conversations based on trust are essential to finding the correct way forward (Ferrazzi, 2012).

> **"An initial stakeholder map, full of educated guesses, is a good starting point "**

Scientific research is also teaching us how to build successful teams. Research led by Alex Pentland of the Massachusetts Institute of Technology (MIT) Human Dynamics Laboratory (2012) points out an intriguing reality: how people communicate turns out to be the single most important predictor of team success, and is as important as all other factors combined, such as intelligence, personality, skill and content of discussions. In other words, your mother's advice 'it's not what you say, but how you say it' turns out to be scientifically sage advice.

The research summarizes the practices of great teams:

1. They communicate frequently.
2. They talk and listen in equal measure, equally among members.
3. They have frequent informal communication.
4. They explore for ideas and information outside the group and bring what they learn back to the team.

For development entrepreneurship teams that are pursuing institutional change objectives, four complementary roles are suggested (Table 2). Individual team members may have more than one role. It is important to note that some of the skills and roles do not have to be on the team but can be present in the broader 'coalition'.

5.4 BUILDING COALITIONS

To transform the idea of building coalitions into operational practice, we draw on an often-used stakeholder-mapping tool. We refer to this as a Coalition Analysis and Action Map to emphasize the link between analysis and action. It involves three dimensions (rather than the usual two): 1) the level of influence of those involved; 2) their position on the issue; and 3) their willingness to spend their limited political capital on the reform. Since the starting point and appreciation of the issue are different for each constituent, the map helps identify specific customized activities and outputs to move them towards spending their political capital on the decision-making (see Figure 12).

Each constituent should be treated as an individual campaign with a specific set of activities designed to move him, her or it along a trajectory – from lack of understanding and awareness to commitment, reflected in willingness to spend limited political capital on the reform. In other words, reform campaigns need to be customized, and not 'one size fits all', because motivations, understanding and biases are often very different for different stakeholders.

Table 2: Roles in a development entrepreneurship team

Role	Comment
1. Team leader	Coordinates team members to integrate technical and political dimensions.
2. Technical	Provides the technical analysis.
3. Political skills and networks	Has personal and professional networks to enable the technical analysis to get to the right people.
4. 'Insider'	Individuals who have deep knowledge and experience in the reform area. They provide understanding on the 'business model' or decision logic that sustains the status quo. They often bring a robust network in the reform area. This is often the most difficult team member to find.

Figure 12: Coalition analysis and action map
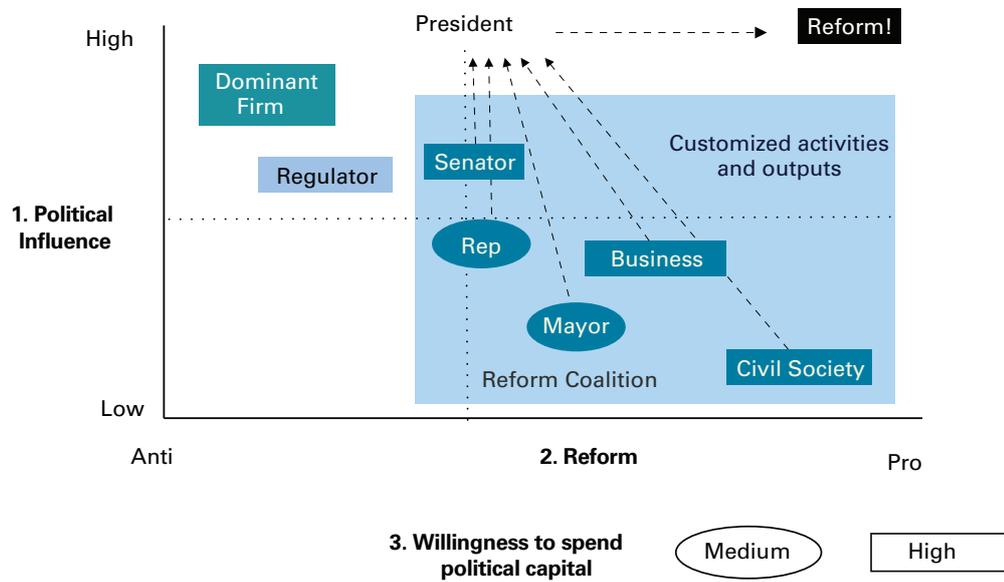
Source: Authors.

Figure 13: Coalition-building continuum

Lack of understanding   Awareness   Commitment
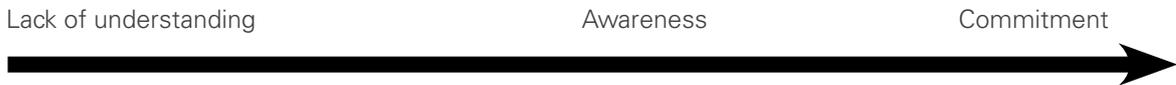
Source: Authors.

As with theories of change, an initial map, often full of educated guesses, is a good starting point. Based on these guesses, specific activities and outputs are developed and implemented. Based on the feedback, the map should be reviewed and updated regularly, so it serves to further develop strategies and activities. Over time, a series of maps will be generated. Implemented properly, the series will reflect increasing levels of clarity and understanding. The series then serves as a record of what has been learned and becomes helpful for M&E purposes.

Up to this point, we have discussed three distinguishing features of development entrepreneurship as an operational method: the choice of technically sound, politically possible reforms; the iterative process employing entrepreneurial logic to identify means of achieving those reforms; and the characteristics of the coalitions, leaders and teams that are most likely to implement such a vision. The paper now turns to the fourth key element: the form of external support from development agencies that is consistent with development entrepreneurship.

6. The role of external supporters: innovation and *In*trapreneurship

There is increasing recognition of the importance of innovation in development. For example, the Australian government recently established a Development Innovation Hub to drive increased innovation throughout Australia's aid program. In a June 2014 speech on the new aid paradigm, Foreign Minister Julie Bishop explained:

> Successful private sector enterprises embrace innovation and manage risk because they realise the most exceptional methods and technologies can be the most difficult to develop but bring the best results. Our innovation hub will be a model for exciting change in the aid program and perhaps elsewhere in public service.

Another example is the US-led Global Development Innovation Ventures (GDIV) that includes the UK's DFID and Australia's DFAT. Its goal is 'to build a global investment platform that reimagines how to support breakthrough solutions to the world's most intractable development challenges'.[21] GDIV hopes to unlock 'investment capital from both private and public sectors, to scale solutions commercially or through public sector adoption'. This has strong similarities to development entrepreneurship's objective, where reforms become part of everyday practice through market dynamics and/or government procedures and practices.

"In the private sector, leaders who innovate within established organizations are called 'intrapreneurs' "

Notions of entrepreneurship, innovation and 'learning by doing' may seem difficult to implement in large government organizations like development agencies. In fact, while there are numerous good examples of these approaches in the private sector, there are few in the development assistance field. In the private sector, leaders who put new ideas into action *within* established organizations are called 'intrapreneurs'. This section examines the role of intrapreneurs in private enterprise and then turns to examples in the development community to help our understanding of how, in a few cases, innovative practices have emerged. We then explore the issues and challenges involved in replicating those experiences.

6.1 INTRAPRENEURSHIP IN THE PRIVATE SECTOR

According to Norman Macrae (1982), the first use of the term 'intrapreneur' and 'intrapreneurship' is a 1978 paper written by Gifford and Elizabeth Pinchot. Richard Branson (2011) proudly acknowledges the role of intrapreneurs for expanding his vast business empire:

> Virgin could never have grown into the group of more than 200 companies it is now, were it not for a steady stream of intrapreneurs who looked for and developed opportunities, often leading efforts that went against the grain.[22]

Table 3, based on Morris and Kuratko (2002), distinguishes between entrepreneurship and intrapreneurship.

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21. http://www.usaid.gov/news-information/press-releases/usaid-and-dfid-announce-global-development-innovation-ventures
22. See also 'Intrapreneurship Case Study', at http://www.intrapreneurshipinstitute.com/resources/sir-richard-branson-successful-multi-billionaire-entrepreneur-supports-and-uses-intrapreneurship/

Table 3: Comparing entrepreneurship and intrapreneurship

Similarities	Differences
• Both involve opportunity recognition and definition. • Both require a unique business concept that takes the form of a product, process or service. • Both are driven by an individual champion who works with a team to bring the concept to fruition. • Both require that the entrepreneur be able to balance vision with managerial skill, passion with pragmatism and proactiveness with patience. • Both involve concepts that are most vulnerable in the formative stage, and that require adaptation over time. • Both entail a window of opportunity within which the concept can be successfully capitalized on. • Both are predicated on value creation and accountability to a customer. • Both entail risk and require risk management strategies. • Both require the entrepreneur to develop creative strategies for leveraging resources. • Both involve significant ambiguity. • Both require harvesting strategies.	• In start-up entrepreneurship, the entrepreneur takes the risk; in intrapreneurship, the company takes the risk other than career-related risk. • In start-up, the individual entrepreneur owns the concept and business; in intrapreneurship, the company typically owns the concept and intellectual rights, with the individual entrepreneur having little or no equity in the venture at all. • In a start-up, potential rewards for the individual entrepreneur are theoretically unlimited, whereas in intrapreneurship an organizational structure is in place to limit rewards/compensation to the entrepreneur/ employee. • In a start-up venture, one strategic gaffe could mean instant failure; in intrapreneurship, the organization has more flexibility for management errors. • In a start-up, the entrepreneur is subject or more susceptible to outside influences; in intrapreneurship, the organization is more insulated from outside forces or influence.

Source: Morris and Kuratko (2002) cited in Maier and Zonovia (2011).

Many large corporations, including Anaconda-Ericsson, Apple, AT&T, Corona Data Systems, Data General, DuPont, GE, Genentech, Lockheed, Rubbermaid, Sony, Texas Instruments and Toyota have successfully promoted intrapreneurship, leading to significant results (Haller, 2009). To understand intrapreneurship in action, three brief examples will be sufficient.

The first example[23] is how intrapreneurship led to the creation of *Post-it Notes,* one of the most common office supplies. The hit product owed in part to 3M's longstanding 'bootlegging' policy, which allowed employees to spend up to 15 percent of their time at work developing their ideas. In 1968, 3M scientist Spencer Silver invented a light, repositionable adhesive but with no apparent and ready use. For five years he tried to convince others inside 3M of its potential value. One day, Art Frey, a colleague of Silver, was in church and noticed his bookmarks were constantly falling out of his hymnals during choir practice. He remembered Silver's adhesive, and in that 'a-ha moment', *Post-it* was born, at least as a concept. The product languished until a marketing manager, Bill Shoonenberg, designed a campaign called the Boise Blitz to drive sales and blanketed the state of Idaho in *Post-its*. The sticky notes went national in 1980 and have now become part of everyday office and household supplies.

A second intrapreneurship example[24] is the invention of Sony *PlayStation*, which became a major revenue source for Sony Corporation. Working at Sony's sound lab, Ken Kutaragi was disappointed with the sound of his daughter's Nintendo game console. He imagined a dedicated digital chip for sound might improve the quality of the games. For a time, he moonlighted with Nintendo, who were developing their next game console. He was almost fired when Sony execs

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23. Based on Swearingen (2008).
24. Based on Swearingen (2008) and Haller (2012a).

discovered what he was doing. Fortunately, Sony CEO Norio Ohga saw the value of his innovation and encouraged Kutaragi's efforts to continue working with Nintendo. Eventually, Kutaragi helped Sony develop its own gaming system, which became the *PlayStation* launched in 1994. Kutaragi founded Sony Computer Entertainment, one of Sony's most profitable divisions.

The final example[25] is *Google*. As at 3M, *Google's* '20 percent innovation time' allowed engineers to spend one day a week working on projects not in their job description. Software engineers used the time to develop something new or to fix something. This led to a series of successes (as well as it share of failures, like *Google+*), including the ubiquitous *Gmail, Google Talk, Google News* and its enormous moneymaker, *AdSense*, which accounts for about 25 percent of the company's $50+ billion 2013 revenue.

3M's 'bootlegging policy' and Google's '20 percent innovation time' represent operational efforts to allow their personnel greater autonomy. As noted earlier, 'autonomy' is one of the three elements Daniel Pink views as critical for fostering creativity and innovation.

6.2 INTRAPRENEURSHIP IN DEVELOPMENT AGENCIES

In view of the successes produced by instilling an intrapreneurial culture in large corporations, we are bound to ask: is intrapreneurship possible in development agencies? The answers may be different with respect to multilateral and bilateral agencies, and official and non-governmental organizations. In this discussion, we are concerned mainly with the official bilateral agencies, about which we are inclined to answer in the affirmative.

"There is evidence of donor field officers intuitively adopting methods involving thinking and working politically"

The same evidence we have used to illustrate the strengths of the development entrepreneurship method is relevant to this issue. After all, each of the Philippine economic reform successes was achieved with support from either USAID or AusAID (now DFAT). How was this possible?

The method was developed through a series of multi-year grants among The Asia Foundation, USAID, AusAID/DFAT and Philippine leaders and organizations. In each agency, leaders, or, for our purposes, 'development intrapreneurs', maneuvered through the bureaucratic procedures and approvals from senior management, finance and contracts officers and desk officers in home countries to create program modalities that supported iterative, politically informed programming.[26] In all cases, it took many, many people to make change happen, or what Matt Andrews calls 'multi-agency leadership'. Each success was due to individuals working in teams, networks and coalitions to refine, test and develop ideas. In addition, however, managers had to be willing and able to provide the safe space for innovation (and failure). Some gave room for others to test, fail and succeed. Some provided critical inputs to hone and sharpen ideas and practice. And others, in the contracts and financial management and audit offices, executed their procedures to ensure the public resources were being used wisely.

6.3 STRIKING THE RIGHT BALANCE BETWEEN CONTROL, ACCOUNTABILITY AND AUTONOMY

We have emphasized the importance of providing enough autonomy or 'room for manoeuvre' to allow leaders with the development ecosystem to test innovative solutions. The reality is that most development work does not encourage autonomy but often the opposite. Rigid contracts with fixed logical frameworks and deliverables reduce contractors and implementing partners to 'painting by numbers' – filling in the picture outlined by the funding agencies.

The experiences in the Philippines point to the central role a flexible grant agreement can play in attracting development entrepreneurs. As one development entrepreneur put it to us, 'We are going to do this anyway, so giving us resources is a bonus and makes it a little easier.'[27] Structured properly, grants seem capable of providing the balance between, on the one hand, accountability for the action and the resources and, on the other hand, the autonomy critical to attracting the right set of leaders. In the required type of grant agreement, the broad objectives are agreed on, but workplans, activities and outputs are only indicative, allowing an iterative process to be undertaken.[28] In other words, the activities and outputs are illustrative and

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25. Based on Haller (2012b) and Mims (2013).
26. For details, see Booth (2014).
27. Dr Victor Limlingan, former Civil Aeronautics Board member, who developed and implemented the initial critical phase of civil aviation liberalization.
28. Two Philippine examples can be consulted. The USAID-supported Economic Growth Hubs Annual Report (October 2009 to September 2010) is available at http://pdf.usaid.gov/pdf_docs/Pdacs745.pdf; more information on the DFAT-supported Coalitions for Change (2011-present) may be found at http://aid.dfat.gov.au/countries/eastasia/philippines/Pages/governance-init4.aspx

"A flexible grant agreement can attract development entrepreneurs, allowing an iterative process to be undertaken"

are implemented based on assessments of what might be the most effective way to introduce a reform. To justify and account for the resources spent, reports on the previous quarter's or year's activities and outputs are submitted. These conditions, created by 'development intrapreneurs' in development agencies, are what have permitted development entrepreneurship to thrive and play a critical supporting role in introducing transformational changes.

In his review of two Philippine reforms, property rights and excise tax taxation and public health, Booth (2014) explores a critical question: how was it possible for this to happen on an aid-funded basis, given the difficulties that aid agencies usually have in working in a flexible and adaptive way? He suggests the following conclusions (xii):

- The traditional form of donor support – the large pre-programmed reform project – breaks several of the cardinal rules of effective reformism;
- Under typical conditions, competitive tendering of a project implementation contract involves specifying in advance both what you want and how you expect to get it, which is already a mistake;
- Tendering also skews the selection of implementers towards organizations and individuals with impressive technical qualifications, distracting from a proper assessment of the political needs;
- The funding modality must be of a kind to attract people and organizations that are motivated to pursue their own reform agenda and are equipped to do so;
- The team on the ground must be freed from donor default concepts on country ownership, stakeholder inclusion, transparency etc.;
- Partnership funding modalities exist in most official bilateral agencies, and they can and should

be used more widely and continuously to support key reforms;
- However, the funder must be consistently willing to 'let go' and to resist internal pressures to reassert control;
- Funding the front-line reform team through a respected intermediary organization can be very helpful.

These conclusions made a simple distinction between partnership funding modalities that leave front-line reform teams with significant autonomy and the 'traditional' form of project contracting in the Philippines and elsewhere, which emphasizes pre-programming and tight control. As studies of better ways of working with aid are beginning to show, the relationship between funding modalities and ways of working on the ground is slightly more complicated than this implies. There are certainly civil society grant modalities that have nearly all of the disadvantages of an implementation contract, as evidenced in Nigeria and other parts of Africa (Derbyshire and Mwamba, 2013). On the other hand, some of the politically smart, locally led initiatives described by Booth and Unsworth (2014) were large DFID programs implemented under contract, albeit in somewhat untypical circumstances, as a result of exceptional intrapreneurship and/or with approval and monitoring rules that were less rigid than those followed by DFID in 2014.

This suggests the need to regard several issues as open questions to be settled in further discussion, experimentation and research. We suggest two such topics:

- To what extent can donor contracting and monitoring modalities be made sufficiently sophisticated that they *routinely* permit and reward an entrepreneurial approach to program management and team-building for change?
- In view of the systematic biases and reflexes in large, politically led bureaucracies, should direct contracting be avoided whenever possible, with support to reform entrepreneurs being provided routinely through trusted intermediary organizations?

7. Program management tools for development entrepreneurship

Development agencies and partners increasingly acknowledge the importance of political dimensions in institutional change and the importance of engaging with these in an intelligent way. They have made considerable progress in developing analytical frameworks for explaining and understanding the political economy of the *status quo*. Until now, however, these have not provided very much guidance on feasible ways of working that, so to say, build political intelligence into a distinct type of operational practice.

7.1 SIX TOOLS

This paper makes a contribution to ongoing efforts to document experiences in which development impacts have been achieved with aid-funded interventions that are in one sense or another politically smart and locally led. Based on reform experiences, research from a broad range of disciplines and some imagination, the paper has outlined an operational approach, called development entrepreneurship. Table 4 provides a summary of the challenges confronting development practice, the concepts developed to address those issues and six management tools that operationalize those concepts.

This section provides a set of templates developed for managing development entrepreneurship programs. Many are familiar tools but were adapted and used as part of The Asia Foundation program management as well as reporting to donors. They are offered to respond to the demand, often heard in donor discussions about thinking and working politically, for straightforward answers to the question 'what do I do differently on Monday morning?' The tools are intended to assist and be used by all involved in development: donors, intermediaries, grant-making and operating foundations, local leaders and organizations, etc.

Given the time constraints on managers and staff, these are intended to be simple and easy to complete. There are significant benefits to using the tools together. One is the ability to give a clear and concise snapshot of the reform activity at a specific moment in time. For example, except for the timeline, each tool can easily be placed on a single presentation slide or sheet of paper. Single slides are useful when reporting to donors or during team meetings. A second advantage is the ability to guide strategic analysis of the project. Used together, the tools can help determine whether the project components (goal, process and people) are working well together and, if they are not working well, which ones need attention. As well as assisting project management, reporting and monitoring, they generate a 'paper trail' that can support internal and external evaluations.

> **"The practice can be supported with a set of management and reporting templates"**

Table 4: Summary of development entrepreneurship concepts and management tools

Challenge	Concept	Management tool
Goal	Transformational change	1. Technically sound, politically possible reform
Process	Iterative process and entrepreneurial principles	2. Theory of change 3. 'Measures that matter' 4. Timeline
People	Leaders and coalitions	5. Team of development entrepreneurs 6. Coalition analysis and action map

Source: Authors.

Tool 1: Technically sound, politically possible reform

Criteria	Project comment
1. Impact	
2. Scale	
3. Sustainability	
4. Feasibility	

Tool 2: Theory of change

ToC category	Project comment
Current situation	
Technical and political analysis with proposed reform	
Technical and political action with signs of success and failure	
Reform introduce and incentives and behavior changed	
Improved social welfare	

Tool 3: 'Measures that matter'

Criteria	Project comment
1. Easy to understand	
2. Ratios or rates of change to make comparisons	
3. Relatively easy to collect	
4. Relatively clear link between project intervention and outcome	

Tool 4: Timeline

Date	Event or activity *Significant events, key milestones or progress markers achieved and relevance, setbacks and other major changes*	Role of program (if any)	Reference file for evidence

Tool 5: Team of development entrepreneurs

Criteria	Team member
1. Team leader	
2. Technical	
3. Political skills and networks	
4. 'Insider'	

Tool 6: Coalition analysis and action map

High **Influence** **Low**		
	Anti	**Attitude to reform**	**Pro**

Note: There is a third dimension, to be recorded separately: willingness of the constituent to spend his/her/its limited political capital on the proposed reform.

7.2 COMPARING DEVELOPMENT ENTREPRENEURSHIP TO OTHER APPROACHES

Problem-driven iterative adaption (PDIA) is an increasingly influential perspective on what works in development and one that has important affinities with the approach discussed here. In their paper, Andrews, Pritchett and Woolcock (2012) present a table contrasting 'mainstream development' practice and PDIA. Table 5 reproduces their original and adds a column for development entrepreneurship.

Table 5: Contrasting approaches – mainstream, PDIA and development entrepreneurship[29]

Elements of approach	Mainstream development projects/policies/ programs	Problem-driven iterative adaptation	Development entrepreneurship
What drives action?	Externally nominated problems or 'solutions' in which deviation from 'best practice' forms is itself defined as the problem	Locally problem-driven— looking to solve particular problems	Similar to PDIA
Planning for action	Lots of advance planning, articulating a plan of action, with implementation regarded as following the planned script	'Muddling through' with the authorization of positive deviance and a purposive crawl of the available design space	Similar to PDIA – use of entrepreneurial logic to find technically sound, politically possible reform
Feedback loops	Monitoring (short loops, focused on disbursement and process compliance) and evaluation (long feedback loop on outputs, maybe outcomes)	Tight feedback loops based on the problem and on experimentation with information loops integrated with decisions	Similar to PDIA – emphasizes and iterative 'learning by doing'
Plans for scaling-up and diffusion of learning	Top-down – the head learns and leads, the rest listen and follow	Diffusion of feasible practice across organizations and communities of practitioners	One of the criteria of technically sound, politically possible reform
Funding modality	Primarily through contracts	Not specified	Suggests grants that balance autonomy, control and accountability; open questions about contract modalities
Who drives action?	Donors, government partners, contractors	Not specified	Leaders in teams and coalitions
Program management tools	Many tools, such as logical frameworks	Not specified	Six program management tools

Readers will notice that the similarities between PDIA and development entrepreneurship are considerable. On the other hand, three notable elements are not specified in PDIA: funding modality, 'who drives reform' and program management tools. These are all about implementation or converting a broad analytical concept into operational practice. In that sense, development entrepreneurship may be seen as an operational method that articulates some of the practical implications of PDIA as an approach to development assistance.

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29. The first two columns are drawn from Andrews et al. (2012).

8. Conclusion

"Recent experience provides concrete examples of an 'ecosystem' for transformational change – donor staff acting as 'development intrapreneurs' and local teams of 'development entrepreneurs' delivering results"

This paper is a contribution to current efforts to find smarter and more effective ways of using development aid to facilitate progressive institutional change. It is informed by the emerging analytical consensus on the importance of context, on the role of elites and coalitions, on acknowledging complexity and uncertainty and on the role of ideas. It brings these ideas together with experience from actual cases of successful reform. The paper has outlined development entrepreneurship, a model for improving the odds of introducing transformational reforms. Development entrepreneurship focuses almost exclusively on changing formal rules, in the broad sense, while being acutely aware of the interplay with informal rules. Five features distinguish the development entrepreneurship model:

1. Criteria for identifying technically sound, politically possible reform objectives;
2. The use of entrepreneurial principles with their bias towards action geared to iterative 'learning by doing';
3. Principles for selecting and working with self-motivated leaders who are able to work in teams and build coalitions;
4. A view on how donor agencies and their staff can provide a conducive environment for such work by acting as 'intrapreneurs'; and
5. A set of simple and practical program management tools that can help manage, monitor and evaluate programs.

The partnerships that have emerged in recent years among USAID, AusAID/DFAT, The Asia Foundation and Philippine leaders and organizations are concrete examples of a conducive 'ecosystem' for transformational change – donor staff acting as 'development intrapreneurs' and local teams of 'development entrepreneurs' delivering results. Potentially similar initiatives are being taken under The Asia Foundation auspices with support from DFAT in other Asian countries as different as Bangladesh, Cambodia and Thailand. These are the focus of ongoing action research studies involving ODI staff. This body of work as a whole points to a way forward that should surely be trialed in other parts of the developing world. We invite others to examine the approach and adapt, test, and improve on it as part of a collective effort to improve aid effectiveness and the lives of people in developing countries.

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