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# Changing Programs to Fit New Strategies: Some Lessons from Ukraine

***When IFC's advisory services strategy evolves, it can lead to major program changes. This requires good risk management, because clients, donors, government, partner organizations, and staff are affected. A good strategy, coupled with solid management and well-executed programs, can do a lot to increase IFC's effectiveness. But it's easy to slip up.***

An irritated government official calls the country manager with a complaint. A donor delivers a frosty message about future funding prospects. Your project's best people leave in droves. Anyone who has worked on IFC Advisory Projects long enough has experienced these scenarios first-hand.

Problems like these are more likely whenever strategic changes are put into place. This is unavoidable: it is simply not possible to make everybody happy when changes are made. If handled poorly, you can jeopardize key relationships, put funding at risk, demoralize your staff, or damage IFC's reputation. But with a little planning it is possible to manage these risks. Luckily, IFC has plenty of examples to learn from.

## *IFC Strategy Change in Ukraine, circa 2000*

One example of a major strategy shift took place in Ukraine in 2000, when IFC decided to discontinue its Business Development Project and use its resources for a new Corporate Development Program, which focused on corporate governance. This was not a light decision. IFC had set up 11 business consulting centers throughout the country in partnership with local governments, and had forged them into a network[1]. The program extended IFC's reach to small businesses beyond Kyiv, which appealed to donors. The Swiss had already agreed to fund a continuation of the project, which provided employment to about 50 people.

The reason for the strategy change was straightforward: Corporate governance was more in line with IFC's core business than small business consulting. Furthermore, the 1998 financial crisis in Russia had made corporate governance a hot issue. Having made the decision, how did IFC execute it without getting itself in hot water? How did it manage the risks that come with strategic change? Can these lessons be applied as IFC redefines its core products?

## *Lessons Learned*

### *1) Create a Strategy That Goes Somewhere*

***What we did.*** IFC's new strategy took us to a different, but clear, direction. Even before the 1998 financial crisis, it was obvious that the business center model had limited impact. But the crisis created an urgent need for fresh ideas and a new approach. By proposing a strategy with

1 The project (1995-2001) was funded by the British Know-How Fund and USAID at a cost of about $3 million. By the end of 2000, the centers had helped clients mobilize $13.8 million.

a clear, logical direction, IFC was able to convince key stakeholders that it made sense to drop the Business Development Project.

***The result.*** IFC executed a major strategy change and built up its Ukraine Corporate Governance program, a model which has since been replicated globally. IFC looked brilliant and forward-thinking. IFC showed that it could react to changing economic conditions and create a focused, relevant program to address a serious private sector issue. The Swiss felt we were using their resources wisely and were grateful for IFC's advice.

***The lesson.*** Make sure you're going somewhere when making a strategic change. It isn't enough to just stop doing something – you have to redirect your energy, your brains, and your resources in a new and better direction. This message is important – without it, you will encounter resistance from donors, partners, and even your own staff.

### *2) Let the Program Run Its Course*


***What we did.*** IFC considered dropping the project early, but finally decided to let it run its course. All obligations were met – to local government, donors, and partners. The most valuable component of the project, on business policy, was preserved and evolved into a separate Business Enabling Environment (BEE) program.

***The result.*** IFC closed the business center project while developing a successful spin-off BEE program. By deciding not to close the project early, we avoided unnecessary conflicts with the donor, local officials and partners, and avoided reputational risk. We also gave our staff time to find other positions both within and outside of IFC, and were able to keep our best talent. Many of them are still with IFC today.

***The lesson.*** Impatience to get the new strategy moving is understandable – but wrong. When IFC implements a program, it has obligations to donors, government, partners, and project staff. IFC can both fulfill these obligations and move in a new direction at the same time. Canceling a project because of a strategy change carries big risks. It is difficult for donors to find new uses for returned funds, and difficult to explain to their own governments. It also sends the wrong message to your staff, increasing the risk of losing your best people and demoralizing the rest.

### *3) Talk to Your Donors*

***What we did.*** IFC discussed its new ideas with the Swiss before setting its new strategy in stone. Switzerland had already bought into the business center idea, so it was important to lay out the arguments and convince them that their taxpayer money would have greater impact through corporate governance than through business centers. The Swiss were convinced, and the new strategy was settled before any action was taken.

***The result.*** IFC treated Switzerland with respect and as a true partner by discussing the change in strategy before executing it. The close relationship with Switzerland continues to this day. Corporate governance remains a top priority for Switzerland's development program.

***The lesson.*** As key partners, donors should always have input on decisions that affect programs which they fund. Include them in discussions early on so that they share ownership. We are using their money, and if they are excluded from important decisions, they could take their funding elsewhere. In the long run, this will lead to better, long-term relationships and more funding opportunities. If the Funding Mechanism for Technical Assistance and Advisory Services (FMTAAS) is weakened because of the current financial crisis, this lesson will become even more important.

### *4) Get Input from Your People*

***What we did.*** There was significant, passionate internal debate before the new strategy was adopted. Although discussions possibly dragged on too long, IFC management consulted with program managers, project managers, and key staff as part of the decision-making process. The decision makers were in Kyiv and Moscow, not Washington.

***The result.*** Strong opposition to closing the project led management to decide to let it run its course. There was some bitterness after the decision was made. But years later, it is clear that it was the right choice. Corporate governance remains important to private sector development and has become an important product, strengthening both IFC advisory and investment services. The business center model has faded away as a developmental tool almost everywhere.

***The lesson.*** The people on the ground have valuable knowledge that should be considered before making a strategic change. They are well placed to inform management of risks and can effectively deliver new messages to partners. This may sound obvious, but IFC does not always consult its people on the ground before making major strategic changes.

### *5) Look after Your Staff*

***What we did.*** IFC did not do anything in particular to help staff affected by the decision, although by letting the program run its course, there was more time for them to make alternate career plans.

***The result.*** There was lingering resentment as a result of the decision. Corporate Governance staff was perceived as benefiting at the expense of Business Development Project staff. Since Swiss funding had been expected, this was a heavy blow.

***The lesson.*** It would have been better to more actively assist affected staff. Help with résumés, cover letters, interview coaching, and placement with other IFC projects could have been offered proactively to take the sting out of the decision.

## *Why This Matters Now*

As IFC refocuses its advisory services work, closing or discontinuing programs is inevitable. By learning from our past experiences in executing strategy changes, we can reduce risks, make changes less painful, and put our energy into executing better, more focused programs in the future.

We can also use strategy changes as an opportunity to show donors that we are cutting-edge thinkers who are the partners of choice in private sector development.