# The First 40

## A history of DAI

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# FOREWORD

There are three reasons we wanted to write a book to mark DAI's 40th anniversary. First, to preserve the story of our beginnings. We tell the story often, but this is the first time it has been written down. Second, to remind ourselves that our mission, values, and behaviors are real, living principles woven into the fabric of the company and exemplified in the people who built it. Third, to create a scrapbook of memories of some of the people and events that have shaped the company over our first 40 years. The stories told in this book will help us remember the many more people, places, and stories—those not mentioned in these pages—that have influenced us over the years.

DAI is a real-world success story. It is the story of the American entrepreneurial spirit, driven by the passion to make a difference in the lives of disadvantaged people and the imperative to build a viable, vibrant platform that can continue to make a difference for a long, long time. In the day-to-day reality of year 40, it is easy to forget that DAI started with no market, no projects, no revenue, no employees, no bank, no rules, and no organization. Through a combination of hard work, talented people, wise decisions, and good fortune, DAI—in September 2010—now manages more than 100 projects, operates in more than 50 countries, employs more than 2,500 people, and will generate nearly half a billion dollars in revenues, helping millions of people in need around the world.

The real importance of this moment, however, is not the first 40 years, but the next 40—most critically, the next 10. The next 10 years will determine whether we can make an American success story into a global success story. Over the next 10 years, we'll execute a new strategy designed to bring our strengths, our experience, and our commitment to a changing and in many ways expanding landscape of international development—a landscape that will see more development driven from the ground up, more decision making in countries that have traditionally been the recipients of donor assistance, and a more diverse and influential array of local actors in the development arena.

As this book shows, we have had a sense of that evolving landscape for a long time and a notion of how we needed to evolve in response. We have dabbled around the edges of this realization and learned plenty of lessons about the challenges that lie ahead in building a truly global development company. We have never been more motivated, more energized, or better positioned to launch the transformation that will define the next chapters of DAI's history.

Many people helped create this book—too many to credit by name. We must, however, thank our professional historian at History Associates, Ken Durr. Special thanks also to Tony Barclay, for his powers of recall and his determination to get the story right, and to our many photographers, most of them DAI staff. Catherine Kawmy was our able liaison with History Associates, Steven O'Connor edited the book, and Joanne Kent designed it.

This book is dedicated to the DAI employees who so ably set the stage for DAI's future. This book is their story. To them, I say we are grateful and we are in your debt. You have inspired us to try to be as smart, as committed, and as energetic in taking on the challenge of the next 40 years as you were in the first 40.

James Boomgard
President and Chief Executive Officer
September 2010

Several key DAI staff in the 1970s and many DAI employees in subsequent decades found their inspiration in the Peace Corps. Here, President John F. Kennedy greets Peace Corps volunteers.

Chapter One

# Something to Believe In, 1970–1980

On a quiet street in northwest Washington, Don Mickelwait sat on the steps of a townhouse, waiting and worrying. It was the summer of 1979 and half a world away a project team headed for war-torn Southern Sudan was stuck in Kenya without transportation. Mickelwait's company had promised to mobilize the team quickly, proving its commitment to help the regional government with its rebuilding program, but now it looked as if that commitment might not be fulfilled. For nearly a decade, Mickelwait and a band of other "pragmatic idealists" had been traveling the world, acquiring new skills and knowledge, and making a living in a field that spoke to their values and challenged their intellects. They had created a small company, Development Alternatives, Inc. (DAI), whose mission was to make a difference in the world by improving the process of delivering economic development. DAI had only recently begun to take off, but sitting on the steps that hot summer day, its president wondered if it was about to crash.

A year earlier, a DAI team had helped the U.S. Agency for International Development (USAID) design a project to revitalize the agricultural economy of Southern Sudan after 17 years of civil war. Christened the Sudan Agricultural Manpower Development Project (SMDP), the project would place technical advisors at three different training institutions and the regional ministry of agriculture headquarters in Juba. This team not only needed vehicles suited to the very rough roads of Southern Sudan, but they would have to live in prefab housing, hauled overland by truck from Kenya, to be built by the contractor. It was a difficult job that DAI had competed for, successfully, but it required financial resources and know-how that seriously stretched a young company.

Mickelwait had good reason to be worried. The contract with USAID called for DAI to buy eight Land Rovers—at a cost of $200,000—but that was much more money than the company had in its bank account. If they couldn't pay for the vehicles to be delivered in Nairobi and driven to Juba, Mickelwait and his partners might lose the contract, or perhaps even the company. Several weeks earlier, DAI had submitted bills for other contracts to the government, but these hadn't yet been paid. The Sudan project team was sending in daily telexes, each one grumpier than the last. This morning's read much like an ultimatum: someone else will buy the Land Rovers if we can't come up with the money. As he thought about Land Rovers, the problems waiting to be tackled in Southern Sudan, and the survival of the company, good fortune arrived in the form of a postman bearing a check from USAID paying the earlier invoices. "It saved us," Mickelwait later recalled. The team in Nairobi got the keys to their vehicles, and the difficult work of implementing SMDP got started.

# Development

By 1979, the notion that the United States should not only supply financial aid but also help restructure, stabilize, and develop struggling nations a world away was a familiar one. But still it had a relatively short history. The modern idea of "foreign aid" grew largely out of the nation's experience after World War II—the Marshall Plan in Europe and, to a lesser extent, similar programs elsewhere had effectively brought distressed nations back into the worldwide economy. The motives behind such aid were complex but boiled down to three essentials: anticommunism, humanitarianism, and a desire to boost international trade and investment. The means of providing aid could also be complicated, but ultimately it meant either money or know-how—the latter dubbed "technical assistance." During the late 1940s and 1950s, U.S. foreign aid was provided mostly in the form of large capital infusions and investments to build dams and highways, and supply heavy machinery manufactured in the United States. The cultures and traditions of impoverished "third world" countries—so called in contrast to the "first world" (developed democracies) and the "second world" (communist countries)— were largely ignored by self-confident planners and engineers.

By the end of the 1950s, many had begun to question this approach. An unlikely best-selling novel, *The Ugly American*, exemplified a new way of looking at the problems of poverty and underdevelopment. At about the same time, intellectuals, most notably Walt Whitman Rostow, in his book *The Stages of Economic Growth* (1960), were coming up with compelling "linear stages" models that purported to show how impoverished nations could be enabled to develop along the lines of Western nations—a model taken to be the norm.

An ambitious vision of development flowered under the Kennedy administration, specifically its "New Frontier" commitment to spreading freedom and improving the lives of people mired in poverty. The new President soon pushed through legislation, the Foreign Assistance Act,

**Established in 1961, the U.S. Agency for International Development, or USAID, was charged primarily with providing overseas, nonmilitary development assistance.**

which was enacted in 1961 and replaced two predecessor agencies with USAID. Perhaps just as important, Kennedy inspired a generation of idealists with the creation of the Peace Corps, also in the first year of his presidency. Committed to working within the cultures and institutions of developing countries, Peace Corps volunteers—mostly young college graduates filled with enthusiasm and curiosity, but with little real-world work experience—went through intensive language training before starting two-year tours as teachers, health workers, and community development advisors in dozens of poor countries, usually at remote rural sites.



**Donald R. Mickelwait (above right) worked for the Air Force and USAID before meeting Charlie Sweet at Harvard's Kennedy School of Government.**

**After working at the U.S. State Department in Vietnam, Charlie Sweet (right) was thinking about a self-sustaining business model for doing economic development work.**



## Collecting People

Don Mickelwait and the founders of DAI had come to development around the same time as the Peace Corps, and ultimately they would work alongside many Peace Corps volunteers. However, their perceptions of the possibility of change in the developing world had been shaped more by work associated with the military in Southeast Asia. Their conviction that development work could be done on an entrepreneurial basis reflected an idealism of a different stripe from their Peace Corps counterparts, and one that was less widely accepted—for as the 1960s wound down, few Americans believed that economic development could be much more than a philanthropic exercise.

It was Charles Franklin "Charlie" Sweet who was most certain that this was not the case. Sweet grew up in Ithaca, New York, where his father was a professor at Cornell. He was exposed to the basics of agricultural development there, but soon took a different route. After graduating in 1964, he worked in Vietnam for International Voluntary Services, a group that often operated in even tougher situations than the Peace Corps, before joining the U.S. State Department. Soon Sweet was running youth programs in Vietnam that were part of a larger effort directed by the highly influential counterinsurgency expert General Edward Lansdale. Later, Sweet got his first taste of Washington when he worked on the staff of Vice President Hubert Humphrey.

By the time he enrolled at Harvard's Kennedy School of Government in 1969, Sweet was thinking about doing economic development on a competitive, cost-effective, best-value basis that was self-sustaining because it was profitable. He wanted to create a business model that would embrace the rigors of the marketplace—competition and innovation—plough its returns back into the organization and its people, and thereby grow a company to serve as an engine for progress in the developing world.

Sweet's partner in this vision had an equally varied background. Donald R. Mickelwait grew up in the Pacific Northwest—his mother a teacher and his father a high school principal in Eugene, Oregon. Mickelwait attended the Uni-



John M. Buck also met Charlie Sweet at the Kennedy School. Buck served to ground the idealistic thinking of the co-founders.

versity of Oregon, where he was part of the Air Force ROTC program; after graduating in 1955, he served in the Philippines and Okinawa. He returned to Oregon to earn a master's degree in economics and then headed back to Asia—this time working as a civilian for the Air Force and eventually for USAID. In Thailand during the Vietnam War, Mickelwait worked for seven years on border projects and rural development programs in the northeast hill country. After these eye-opening—if ultimately unsuccessful—efforts, he arrived back in the United States, determined to strengthen his credentials at the Kennedy School and pursue a career in economic development.

In the late 1960s, the relatively new Kennedy School of Government offered a one-year public administration program oriented more toward economics and analytical studies than administration. Many students in that era were career government employees sponsored by their agencies, unlike Sweet and Mickelwait. So perhaps it was inevitable that the two would meet. Mickelwait soon began to notice Sweet walking around campus in a white rabbit-skin coat. "He carried a briefcase and never went to class," Mickelwait said, and seemed to have "five hundred close personal friends."

Charlie Sweet was indeed what may be called "a collector of people," and Mickelwait was soon part of the collection. Another was John M. Buck, an honors graduate from the University of Michigan and a Fulbright Scholar. As a company commander in the Army during the Vietnam War, Buck served two tours in combat, one under Alexander Haig, with much of his time in hot zones near the DMZ that (theoretically) divided North and South Vietnam. Like Sweet and Mickelwait, he was ready to follow a new path, and had come to the Kennedy School all on his own.

As the year progressed, Sweet gathered a group of a dozen students interested in development who came to be known as his "12 disciples." For endless hours they talked about how they could create a new company to do development work, a vision that Sweet believed in fiercely. He was, in fact, so much a man of ideas that he could hardly be bothered to write term papers or study for exams. Instead, he talked constantly and bit the stem of his pipe—you knew he was excited when you heard the stem cracking. Sweet likely cracked a lot of pipes that year at Harvard. At the time, Mickelwait was also more attuned to ideals than practicalities, so the presence of the third man became crucial. "In the midst of our flights of fancy," Mickelwait recalled, "John Buck could bring it back to Earth."

As the year at the Kennedy School drew to a close, Sweet became obsessed with his emerging idea to the exclusion of all else. In fact, it seemed unlikely that he would earn his master's degree until the May 1970 shootings at Kent State prompted Harvard to cancel all final exams. When Sweet called for his disciples to move with him to Washington, D.C., and put their plans into action, most of them melted away. While a dozen or so people did invest a few hundred dollars in the fledgling firm—an investment that was quickly repurchased from most of them—only Mickelwait and Buck took the leap and went to work for it.

## Three Guys, Savings, and Credit Card Debt

This decision was no mere pipe dream, for Sweet had already incorporated a company. Earlier that spring he had contacted David Gunning, a corporate lawyer and an old friend from undergraduate days at Cornell, who put him in touch with some attorneys who knew the

law in Delaware, where many small companies were formally incorporated. On May 6, 1970, they incorporated "The Development Corporation" with Sweet as the sole director. By the time the trio arrived in Washington a few weeks later, the corporate hierarchy was a bit more elaborate: Sweet was President, Mickelwait was Vice President, and Buck served as Secretary-Treasurer.

From the beginning, Mickelwait and Sweet believed that a business that competed on the basis of technical excellence and quality would have to stay sharp, or it would not survive. They realized that as a newcomer, the company would have to prove itself. They believed that a company owned by its employees would make better decisions for the long term, especially in development consulting, than one owned by outside investors. The team set up shop in a rented house in Georgetown, convinced that business would soon start coming their way. In David Gunning's recollection, however, they looked more like "three guys living on savings and credit card debt" than entrepreneurs with a hot new business.

Sweet's first idea was to invite all of his old friends to the Georgetown townhouse. Lots of people came—but only for dinner. With little to show after several weeks besides dishpan hands, Mickelwait told Sweet that they would have to try a different approach. Sweet found a real office, a single room rented from International Voluntary Services at 1555 Connecticut Avenue, near Dupont Circle. But business

remained slow: some days the men killed time by calling each other on their two office phone lines.

There were a few other details to take care of as well. "The Development Corporation," it turned out, was already the name of a home builder, so in September 1970 the company became "Development Alternatives, Incorporated" to underscore the founders' intention of taking a fresh look at how development work was planned, designed, and implemented.

Initially, business was scarce and DAI had to be opportunistic. The group managed to pick up several small analytical studies from government clients—one of the first assignments was a study of women in the Army, headed up by John Buck. As the group pieced together projects, they settled into a working relationship that made the most of their attributes. Sweet turned out novel ideas at a rapid clip, and he was a brilliant—if undisciplined—writer. Mickelwait was also an "idea man," if a bit more practical. By the fall of 1970, it was clear that Sweet did not have the temperament required to head up a company. He voluntarily ceded the presidency to Mickelwait. Buck, the systematic thinker, proved to be a great editor. After reviewing Mickelwait's manuscripts, he would inevitably ask helpfully, "Did you have an idea here?" and then delete the unnecessary verbiage. Buck also took an accounting course and kept the books in order. They were very simple, as there was little income and, as yet, no salaries could be paid.

Over the next two years, hard work and connections yielded enough business for DAI to stay afloat. In 1972, a Ph.D. macroeconomist named Elliott Morss joined DAI. An important addition to the leadership team, Morss had taught at top universities and had worked in development since the mid-1960s. He could be prickly and sometimes impatient with clients, but he was a brilliant analyst and writer. Morss helped the company obtain some "social indicators" survey assignments, and Mickelwait landed some strategy work in Thailand that was funded by the Department of Defense. DAI also did studies on insurgency and stability for the Defense Department's Advanced Research Projects Agency, and reviewed a RAND study on the Philippines. These small contracts kept the company alive, but made Mickelwait even more determined to build an economic development portfolio at the first opportunity. The chance to do this came in 1973.

## The Process Approach

The events that opened the door for the fledgling DAI grew out of a dilemma that had confounded development analysts and theorists for a long time. Through the 1960s, most foreign aid programs focused on macro-level growth and infrastructure investment, with the goal of increasing economic output at the national level. Yet even when per capita wealth increased, in many developing countries the gap between rich and poor tended to widen, and conditions in rural areas stagnated. In 1973, the World Bank announced a new focus on rural development, and, in parallel, Congress passed a key amendment to the Foreign Assistance Act that called for "New Directions" in development aid and reoriented USAID programming toward rural development and poverty reduction. That summer, USAID's Technical Assistance Bureau contracted DAI "to identify ways of improving design and execution of development assistance programs and projects whose success depends on individual or group action by low-income sections of rural populations." As a baseline for such improvements, USAID required a comparative study of 36 existing projects in Latin America and Africa, all of which were considered highly successful. DAI competed for and won the contract to conduct that study.

This "small farmer study" was a much bigger undertaking than anything DAI had previously done, but the firm was beginning to expand. John Buck, the only one of the founders who was married, had taken a more secure job at the Treasury Department. But in addition to Elliott Morss, DAI's Director of Research, the firm had recruited more intellectual horsepower in the shape of Craig Olson and John Hatch.

Olson held a Ph.D. in international studies from Johns Hopkins' School of Advanced International Studies. Although DAI seemed to him "very much still a start-up thing," he was impressed with Mickelwait and Sweet's commitment to the ideals of development. He joined Sweet in the field, visiting 22 small farmer proj-

ects in Africa. Hatch held a newly minted Ph.D. in economic development from the University of Wisconsin and, like Olson, was a veteran of the Peace Corps. With Mickelwait, he dug into 14 small farmer projects in Latin America. As the work unfolded, Mickelwait and Sweet rotated in and out of the field. One USAID official, upon encountering Hatch and Mickelwait in Ecuador, was impressed. They worked constantly, he recalled, and unlike other consultants who could be arrogant and aloof, the two seemed "deeply involved in what they were doing, and innovative and responsive."

A landmark study, *Strategies for Small Farmer Development* was completed in May 1975 and stirred up controversy by challenging conventional wisdom about agricultural development and engagement with rural communities. Combining case studies of the 36 rural development projects in Africa and Latin America with statistical analysis, it emphasized the importance of active participation by farmers in planning project activities, and argued that the level of resource commitments by those beneficiaries (even in modest amounts) was a good predictor of project success and sustainability. Today, these are almost universally accepted principles of sound development, but some early readers of the study found them revolutionary, and quite unsettling. Morss in particular relished the debate that ensued, and vigorously defended the methodology and findings of the *Strategies* report.



Photo by Jenny Geib, DAI
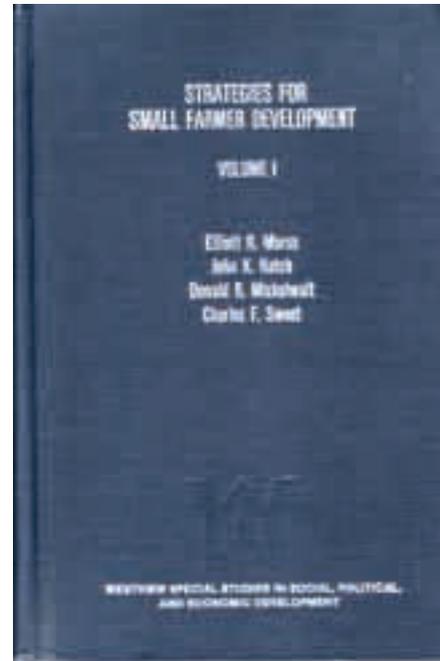


**DAI's small farmer study placed the company's "process approach" in high demand.**

DAI's clients at USAID demonstrated patience, confidence, and loyalty during and after the study. Two of them, Jerry French and Harlan Hobgood, were closely engaged with the study as it unfolded, and when DAI was running short of time and money, they extended the contract and found the extra funds that helped the study team reach the finish line. Like the postman who brought the check to pay for the Land Rovers, French and Hobgood were vital to DAI's survival at a critical time. They also stepped up to defend the quality of the work, which was published in two volumes by Westview Press in 1976, and was widely read in donor agency and academic circles.

**As business picked up, DAI moved into new digs at 1823 Jefferson Place, N.W., Washington, D.C. (center).**

The *Strategies* study also had important things to say about project design. Up to that time, the usual approach to project planning resembled an architect's blueprint—a detailed plan covering all contingencies from beginning to end. But these plans rarely worked in practice due to complications that inevitably arose. DAI's analysis posited that projects worked best when they followed a "process approach" that created space for managers and project participants to deal with unanticipated events, and the likelihood that some interventions might initially fail, but could be adapted or redesigned during the project. Philosophically, the process approach embraced disciplined learning and experimentation, with course corrections being the norm, rather than the exception (as would be the case in a traditional project design). As Mickelwait described it, "Instead of preparing a blueprint, we start a program with a known goal and we find the answer as we go along." DAI's team argued that the process approach was also more likely to produce benefits that would be self-sustaining after the project terminated. DAI did not invent these concepts, but in *Strategies*, DAI posed the right questions and came up with answers that USAID as the client, and many others in the development community, found persuasive.

The small farmer study proved to be a turning point for DAI. "After that," said Mickelwait, "people started to value our expertise, and we were in high demand." The company began paying salaries and moved into more sizable quarters, a townhouse at 1823 Jefferson Place in Washington. It was still something of a shoestring operation. "Don Mickelwait and Charlie Sweet did everything from editing to bookkeeping to writing and signing checks," recalled Craig Olson.

Most staff members who joined DAI in the 1970s had a Ph.D., which was something of an "entry ticket" to the profession as viewed both by DAI and its USAID clients. By 1976, the doctors at DAI included Don Jackson (agricultural economist) and David Gow (anthropologist), both trained at the University of Wisconsin Land Tenure Center; George Honadle (public administration) from Syracuse University; and Peter Weisel (development economist) from the University of Oregon, Mickelwait's alma mater. But even with these pedigrees, staffers had to be ready to do everything from making coffee or photocopies to writing complex proposals. When there were tough issues to tackle, they would sit around a single lunch table to talk them out.

DAI still faced a dilemma. Its revenue stream was dependent on short-term studies, evaluations, and project design assignments that required the staff to be on the road constantly, and the flow of business was unpredictable. DAI wanted to build up its technical expertise, but it was risky to employ a cadre of full-time staff when billable time fluctuated from month to month. A pure short-term contracting business was difficult to scale and implied a lifestyle unsustainable for most people (Sweet and Mickelwait were the exceptions, both virtual vagabonds). DAI's first contract after *Strategies* lasting more than one year placed Peter Weisel in Kenya as a rural development planning advisor (1975–1977); the second, a subcontract to Robert Nathan Associates in 1976, placed three rural cooperative advisors in Bolivia but gave DAI almost no technical or management role. Nevertheless, such work gave Mickelwait a taste of the "technical assistance" business and he decided that DAI should move in that direction.

The firm's financial condition was shaky, but gradually improving. By the time the 1977 fiscal year closed on June 30, the balance sheet still showed negative retained earnings. As the sole shareholders throughout the start-up period, Mickelwait, Sweet, and Morss had borne all of the risks of the business without capturing any financial rewards. Their patience and unselfishness set the tone for managing a business through lots of uncertainty. While they liked the idea of broadening ownership by offering stock for purchase by senior staff, they remained wary about doing so when profitability was still out of reach.

A path to profitability and growth was beginning to be visible, however. After the small farmer study was completed, USAID contracted DAI to help design 12 new rural development projects that would fulfill the agency's New Directions initiative. These were opportunities to build on the study's findings by designing projects that would put the process approach into practice. Charlie Sweet relished this work. He was able, recalled a colleague, to take a seemingly insurmountable problem, consult with the right people, and then "stay up all night, drinking scotch and eating potato chips, and write a document that told the story." The first design that DAI completed was for a project in Tanza-

nia, finished in September 1975. In July of the next year, Sweet led a team that completed an innovative design for a project in eastern Zaire (today's Democratic Republic of the Congo, or DRC). Mickelwait and others, meanwhile, helped USAID design projects in Afghanistan, Asia, and Latin America. Of these, it was the Zaire project, in the remote province of North Shaba, that proved to be a game-changer for DAI.

## Turn to Implementation

In the 1970s, for many development professionals with high-level academic training, producing evaluations, sector studies, and project designs was challenging and fulfilling work. The assignments drew on their specialized training, the scopes of work were intellectually rigorous, and the resulting publications were a way to earn status and respect in the field. In the era of "blueprint" planning, the actual work of implementing projects wasn't considered terribly interesting or challenging. But by 1977, one of the things being debated over DAI's lunch table was whether the company should try to get into implementation. Elliott Morss, who always kept one foot in academia, insisted the company should stick with its highly regarded studies. It might be a "niche" business, Morss conceded, but it would maintain intellectual rigor and avoid entanglement in the messy details of supporting teams at remote overseas locations with all of the attendant logistical and financial responsibilities.

But there were powerful arguments in favor of pursuing implementation contracts. One was self-evident. Winning them would provide greater stability and higher revenue that could enable DAI to at last become a profitable enterprise. There was also a compelling substantive reason. In the blueprint days, splitting up design and implementation might have been reasonable, but if one accepted the premise of the process approach, it followed that implementation was no longer an afterthought—indeed, the constant monitoring, evaluation, and readjustment that the process approach called for was the essence of good implementation. If DAI was going to be true to its own principles, it would have to see how its concepts panned out in practice, and sustain its learning process over the full project cycle.

There were different models for managing the new generation of rural development projects. Whenever possible, it was preferable to work through existing institutions in the host country. That way, local norms and culture would be respected, stakeholders' commitment would presumably be higher, and there was much more likelihood that the project would be self-sustaining. But that was not always possible. Local institutions, where they existed at all, might be failing, weak, or corrupt, requiring the donor and its implementing partner to field a project management team, its size and relationship with local structures determined case by case, project by project. That field-level engagement meant a huge expenditure of time, exper-

tise, energy, and especially money. Above all, for DAI, it meant unprecedented challenges in mobilizing and supporting teams at remote locations. North Shaba, for instance, was no less than 1,000 miles from Zaire's capital, Kinshasa, a logistical problem that was only solved in the project's second year, when Sweet persuaded the USAID mission to let DAI buy a four-seater single-engine plane and hire a pilot. In Southern Sudan, the team's home base in Juba was about 700 miles by bad road from Nairobi, and the team relied on short-wave radio to communicate between Juba, Yambio, and Rumbek.

Over the next couple of years, DAI competed successfully for implementation contracts for several more New Directions projects in which it

had played a role in the design. But fielding and supplying project teams, managing procurement and logistics, and staying solvent in a time of rapid growth remained constant challenges for the firm.

## The Big Projects

Like Charlie Sweet and Don Mickelwait, Tony Barclay grew up in a college town, New Haven. He majored in African history at Yale, served as a Peace Corps teacher in Kenya, and earned a Ph.D. in anthropology at Columbia based on 18 months of field research in western Kenya. While working on a contract in Nairobi for the United Nations Environment Programme,



**DAI's work in Southern Sudan signaled a shift in focus from design and evaluation to implementation.**

Photo by Jenny Geib, DAI

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## Travelers' Tales

In 1979, Charlie Sweet and Tony Barclay were traveling together on assignment with the North Shaba project in the Congo. The pilot who usually flew the project plane backed out at the last minute, so they hired a Belgian pilot who claimed to know the interior to take them to the field. They survived to tell the tale, but only just.

There's only one way to navigate the Congo, and that's to know the landmarks between the rivers and rainforests, and always keep them in sight. Once the plane was airborne, it quickly became evident to the DAI pair that their pilot had no such familiarity with the Congolese interior. As the meandering plane began to run low on fuel, it became more and more apparent that the pilot was simply lost. The only other passenger—a laid-back Californian, organizational development consultant, and amateur pilot—said: "He can't kill us in this plane. It doesn't fly fast enough."

The fuel gauge hovered near empty; the passengers wondered where the pilot might put down. He initially thought to land on some standing water but ended up changing course, heading for a road with a yellow truck on it (intending to ask the truck driver for directions), and crash-landing in the bush. A frantic last-second radio message, consisting almost entirely of expletives, to another aircraft in the vicinity meant that the downed plane's whereabouts were at least known—so Barclay and Sweet, miraculously unscathed, were able to catch another plane the next day.

Shown here: Sweet (left) and Barclay, just after the landing.

Barclay encountered Charlie Sweet, who encouraged him to stop by the DAI office in Washington to meet Don Mickelwait. In late 1976 Barclay did just that, and he left with a promise from Sweet and Mickelwait of a staff position "if we win a few more contracts."

The contracts came in. In the fall of 1977, Barclay joined the home office support team for DAI's first big contract, to implement the North Shaba project in Zaire. This was one that Sweet had helped design, and it reflected many of the process approach themes and principles. Prior to 1960, North Shaba (then called North Katanga) had been the breadbasket for the prosperous copper and cobalt mining area in the country's southeast corner. But in the period after Congo won its independence from Belgium, the country's infrastructure, government institutions, and many communities were ravaged by civil conflict. The highly developed road system built by the Belgians had crumbled, and with no way to reach markets, production of maize in North Shaba had plummeted, driving prices in the copper mining areas sky high. The Mobutu government centralized what power it had during the 1970s, ignoring the rural areas and creating a culture of corruption, while aligning itself with the United States as an ally against the spread of Marxist revolution in neighboring countries such as Angola.

This, of all of the New Directions projects, would be the one in which the project implementation team would have to break new ground, working

with and around existing institutions. Barclay was puzzled at first: "Why, I wondered, are we trying out these ideas in Zaire, against such long odds? Then I saw the possibilities, and I concluded that if we can make things work there, we'll have a good shot at being successful almost anywhere else."

After being selected for the contract in June 1977, DAI faced a huge challenge. The projected costs of launching the team and supporting it over the first six to eight months were higher than the firm's total revenue in the entire previous fiscal year. Those costs would be reimbursed—eventually—in the form of new revenue, but the immediate question remained of how DAI would access the working capital to run the project in the initial months. Mickelwait asked DAI's bankers to advance the cash in return for control over DAI's contract receivables. When they refused, he persuaded USAID's Contract Officer to authorize a substantial advance that would be liquidated during the term of the contract, a provision that was permissible but seldom used by the government. Once again, an understanding client placed faith in the company, and those expectations were fulfilled.

Things were even tougher on the ground in Zaire. It was a remarkably complicated project—farmers' organizations had to be created, roads had to be built, and maize had to be grown with improved seed varieties and sold in distant markets. But the process approach gave North Shaba a chance. Said Barclay, "If you

## An Unusual Expense

**In 1979, Tom Armor and Peter Weisel were winding up the week working on the Arusha project in Tanzania. Normally they would fly to Nairobi, Kenya, to take a plane out, but that day they learned that as part of a dispute over tourism revenue, Tanzania had closed its borders to motorized vehicles. Weisel and Armor would have to fly to Ethiopia and then Kenya, at great expense. At their hotel bar, however, they encountered a Belgian tour operator who provided views of wildlife via hot air balloon. He offered to sell the two one of his nonmotorized conveyances.**

**"The story gets long," Armor explained later, "but more to the point it fell to me to list 'one hot air balloon—$600' on my expense account upon finally returning to the United States." When the DAI office queried Armor about the expense, he was ready: he produced a clipping from a Kenyan newspaper headlined "Travelers Reach Nairobi by Balloon."**

load everything up with targets—this many farmers, this many acres, this many tons of maize year by year by year, this many bridges and this many roads—then you're probably going to sink the project" from too many unpredictable things that crop up during implementation. North Shaba did not sink—DAI adapted. At one point, when the U.S. General Services Administration had failed to order, let alone deliver, heavy equipment for road and bridge construction, USAID turned to DAI and added funds for procurement to the contract. "We didn't say no," Barclay recalled. "We said we had better find out how to order and deliver backend loaders and dump trucks."

North Shaba accounted for more than one-quarter of DAI's revenues by 1979, but it was joined by several other contracts far larger than anything the founders had imagined just a few years before. The Integrated Rural Development Project, conducted in partnership with North Carolina's Research Triangle Institute (RTI), first managed by Peter Weisel and later by Barclay and George Honadle, began in 1978 and provided an umbrella for 14 subprojects—later expanded to 24—that encompassed a range of initiatives from monitoring and evaluation systems to management studies and farmer organization workshops across the globe. The Indonesia Provincial Area Development Program (PDP), launched that same year, was a flexible project experimenting with decentralized management and planning in two provinces, Central Java and Aceh. Like North Shaba, PDP had a rocky first year, but with lots of hands-on attention from Mickelwait, DAI was able to turn it around and earned praise from USAID and several extensions of the contract that ran up to 1984.

The year 1979 brought two more sizable implementation contracts. SMDP in Sudan, like North Shaba, had deep roots. Don Humpal, an agricultural development specialist and Peace Corps veteran, had joined DAI in late 1977, shortly

after Barclay. In early 1978, he began working with Olson, Barclay, and Mickelwait, designing a project to restart farming in the aftermath of civil war. SMDP started up in the summer of 1979 with anthropologist Richard Smith as Chief of Party. It was only a short time later that Mickelwait faced the Land Rover problem that almost sank the company. Worries about money faded, however, when the team members went into the field in Sudan, sleeping in bombed-out buildings and thatched huts until their houses were ready, and working hard to keep personality conflicts in check during stressful circumstances.

The last of the big 1970s projects, the Arusha Planning and Village Development Project in Tanzania, also was based on a New Directions design team in which Sweet and Weisel had played important roles. But despite the best laid plans in a strong DAI proposal, things fell apart: the firm's Chief of Party candidate dropped out just before USAID interviewed members of the proposed project team. At the interview, the head of the panel asked where the Chief of Party was. Mickelwait and Sweet said he had bowed out. "Who is your replacement?" The two DAI founders exchanged glances, and Sweet said, "I am."

Sweet went out to Tanzania and stayed for almost three years, but the Chief of Party role created a lot of stress for him and the project team. Regional Tanzanian government officials loved him because he put their interests first and agreed to almost anything they asked for—including the procurement of ammunition to kill rabid dogs in the town of Arusha. DAI's team of advisors was technically strong, and most worked extremely well with their Tanzanian counterparts. Together, they produced a high-quality regional development plan and effective district-level subprojects, but this was a high-drama project throughout Sweet's time as Chief of Party. Morss made frequent visits to Arusha as an economics advisor, and Mickelwait appeared there on numerous occasions as a firefighter and peacemaker. By 1982, Tanzania had fallen out of favor with the Reagan administration, and USAID was in the process of winding up most of its assistance to the country. Sweet's deputy, Mike Sarco, took over as Chief of Party in 1982 and managed the project close-down.

**DAI conducted a large and challenging project in Arusha, in northern Tanzania.**



Photo by Fanny Schertzer, Wikimedia Commons

## To the Homestead

The growth spurt of the late 1970s was understandably exhilarating. Until 1977, DAI had never posted a profit. In fiscal year 1978, it had net income of $38,000 on sales of $1.4 million. In fiscal 1979, DAI earned twice as much on revenues just under $2 million. In physical terms, the company was also spreading out:

after outgrowing the townhouse on Jefferson Place, it leased part of the house next door and one floor on another across the street. The number of shareholders expanded from 3 to 10 after a stock offering at the end of 1978. Although the amount invested by purchasers was modest in dollar terms, this step helped solidify the senior team and demonstrated their commitment to DAI's future. Annual stock offerings became the

**John Buck left DAI soon after its founding but returned in 1980 as Vice President of Finance and Management.**

norm after this. The offering documents obliged employees who bought stock to sell it back to the company at a fair valuation if they left or retired.

A loose, enthusiastic, and inexperienced back office operation took shape as DAI's home office struggled to support the project teams in the field. By the summer of 1979, there were as many as five people working full time purchasing and shipping supplies. Then Sweet went to Tanzania, leaving the home office to Mickelwait, who himself always felt more at home in the field. Just as it "became too much," Mickelwait recalled, Tony Barclay, whose wife was then expecting their first child, decided that he could not sustain six or more months of travel a year, and would probably need to leave the firm. That was when Mickelwait asked Barclay to manage the company for three months, while he went out on the road. "I don't know anything about running this business," said Barclay. "None of us do, so do your best," replied Mickelwait. As it turned out, Barclay took naturally to the new management, perhaps unexpectedly for an anthropologist, and soon found himself immersed in the mounting challenges created by DAI's success.

Geography alone made DAI no run-of-the-mill business. Early every month, invoices from Africa and Southeast Asia were sent to Washington, checked, and sent out for submission to USAID mission offices in those countries. At some point in the next 30 to 90 days, depend-



Development Alternatives, Inc.

Ten Year Financial Summary

| Fiscal Year (July 1-June 30) | Gross Income | Net Income | Net as a Percentage of Gross | Home Office Overhead Billing Rate |
|---|---|---|---|---|
| 1971 | $ 3,900 | (6,587) | | |
| 1972 | 30,219 | (55,647) | | 60% |
| 1973 | 163,597 | 6,797 | 4.155% | 75% |
| 1974 | 192,686 | ( 446) | | 75% |
| 1975 | 250,314 | ( 4,929) | | 75% |
| 1976 | 440,902 | 15,054 | 3.414% | 85% |
| 1977 | 718,705 | 21,990 | 3.095% | 85% |
| 1978 | 1,371,941 | 38,308 | 2.797% | 92% |
| 1979 | 1,999,972 | 76,760 | 3.838% | 92% |
| 1980 | 5,180,870 | 206,090 | 3.136% | 92% |

ing on circumstances, USAID would sign off on the invoice and authorize payment to DAI. Invoicing alone was a complex and sluggish system that sometimes looked like it could sink the company. Purchasing and payroll only made things worse: the telex constantly clacked with someone on a project somewhere needing something—money, equipment, manpower—and despite Barclay's best efforts, they were always "racing to catch up." DAI had never planned for fast growth and soon found itself in deep waters. The first trained accountant who came on staff was overwhelmed by the growth spurt in 1979–1980, and made so many erroneous entries that the 1980 results were deemed "unauditable" by Arthur Andersen. In early 1980, the cavalry arrived. Bored with his job at Treasury, John Buck agreed to come back and straighten out the finances. As Vice President of Finance and Management, Buck began to make the necessary changes—hiring a new controller, producing better financials, and tightening accountability—perhaps just in time.

**After a slow start, DAI's revenues and income rose substantially.**

## Sticking to the Straight and Narrow

In the 1970s, doing business—whether commerce or development—with foreign clients had long involved a variety of customary, but unsavory, transactions. USAID, in fact, was the only international development donor that made a serious effort to eradicate such problems—typically characterized by government officials and other influentials skimming development funds through "paper" local firms, padded expenses, or consulting deals. In 1977, in response to some high-profile cases of this kind in the private sector, Congress passed the Foreign Corrupt Practices Act.

Mickelwait and Barclay went to see a lawyer for a primer on the new law. The odds of getting caught are low, the lawyer advised, but "the odds of going to jail if you're caught are very high," he cautioned. "It's called a felony." That resolved the problem. Henceforth, Mickelwait and Barclay kept an eye out for international funding but resolved never to sign a contract at the cost of corruption.

The breakneck growth of the late 1970s created some less visible but serious cultural challenges. One was a perceived disconnect between the ideals of development and the imperatives of running a business. As late as the 1970s, said Gary Kilmer, who joined DAI in 1980, most development practitioners with academic backgrounds were deeply skeptical of business, and viewed profit as nothing more than a "necessary evil." Even among DAI's home office staff, several of whom had begun buying stock in the late 1970s, there was a sense, perhaps best expressed by Craig Olson, that doing development and running a business posed a fundamental conflict. "Are we a development company or are we a profit-making company?" he asked. At the time, Olson recalled, "there was also no little bit of anxiety because as you grow larger, you inevitably go from informality to more formality and from no rules to some rules."

By 1980, most of DAI's development professionals had been convinced that the firm could prosper without losing its "development ethic," and if a hint of ambivalence remained with some, it was evident to most that a profitable company could afford to do more of the development work that the founders and the staff so fervently believed in, and do it better. Seen in that light, the company's performance in fiscal 1980 seemed to point the way toward a bright future. In that year alone, DAI's revenues more than tripled from just under $2 million to $6.5 million. The number of personnel tripled over the same period, while profits grew from $77,000 to $202,000. Most important, the people of DAI could see with their own eyes that the projects they were implementing were beginning to make a real difference, in Sudan, Indonesia, Zaire, and elsewhere.

It was a heady time, then, when in late July 1980, just a few weeks after the close of what everyone believed to be a remarkable fiscal year, DAI's managers and their families

gathered in the well-appointed surroundings of the Homestead Resort in the mountains of Hot Springs, Virginia. For three days they celebrated their accomplishments and made big plans for the future. Mickelwait had already approved the opening of a regional office in Indonesia, and had hopes of winning new contracts from big donors like the World Bank and the Asian Development Bank, while also breaking into the private sector in Indonesia and neighboring countries.

It had indeed been a remarkable run, and perhaps they could be forgiven for having their heads in the clouds at the Homestead. "We all celebrated," recalled David Gunning, who had been on the Board of Directors almost since the beginning. "But no sooner did they get back to D.C. than they found that the accounting had been done all wrong and we hadn't been making that kind of money." Adjustments were in order, and Mickelwait made sure his team's feet were back on solid ground. Fortunately, DAI's people understood better than most that there was no shame in evaluating, learning, and moving on.

Chapter Two

# Learning by Doing, 1981–1991

DAI's leaders went into the 1980s with high expectations based on the growth spurt of their recent past. But these advocates of the "process approach" were soon disappointed, as the vision that reverberated at the Homestead gave way to a realization that the market was changing, and some difficult adjustments would have to be made. The long-term USAID contracts that had ramped up DAI's revenue were running their course, and prospects for replacing them were easier to imagine than capture. As it turned out, the slowdown of the early 1980s was a partial blessing, allowing the company to strengthen its internal systems and focus on improving its implementation capacity. At mid-decade, DAI began growing again, although for Don Mickelwait, at least, the lure of diversification had still not produced the desired results. As the 1990s began, DAI narrowly escaped a merger that initially seemed very

advantageous, but would have been a disaster. Management regrouped, and recognized that the company was now better positioned to chart its own course, and new market opportunities emerged that opened the door to a long period of steady, profitable growth.

## The View from the Plateau

The enthusiasms of summer 1980 led naturally into new initiatives. One of the biggest was the opening of DAI's first regional office in Jakarta, Indonesia, in September of that year. The office was the brainchild of Jerry Silverman, who had led the Provincial Area Development Program (PDP) and persuaded Mickelwait that this was a beachhead for multiclient expansion in Indonesia's sizable market for development consulting services. Both believed the office would provide credibility with the World Bank, the Asian Development Bank, and the Indonesian government, and open the door to work with private sector clients. Silverman's continuing part-time responsibilities on PDP diluted this effort, however, and DAI never figured out how to market its services outside of the familiar USAID domain. By 1982, the cost of the Jakarta office (well over $100,000 annually) was a drain on DAI, and Mickelwait decided to close it. But the appeal of Indonesia remained as strong as ever.

At the time, 99 percent of DAI's revenues came from public sector clients, and almost all of that from USAID. The election of Ronald Reagan in 1980 seemed likely to reduce U.S. foreign aid

**DAI's shift to a greater emphasis on commercial, rather than government, projects started from the ground up in Indonesia.**

Photo by Mary Jane Stickley, DAI

spending, and demand in the technical areas where DAI had made its name—rural development and small farmer agriculture—might disappear under the new administration. Commercial ventures in developing countries, Mickelwait believed, would be less vulnerable to shifting political winds. In the fall of 1980, DAI earmarked $100,000 to develop a new service line focused on private enterprise, with export crop development in Indonesia as the leading edge. This called for bringing people onto DAI's staff who had a different type of expertise.

George Metcalfe looked like the ideal person to establish DAI's new Enterprise Development Division (EDD). He had been a principal in Technoserve, a nonprofit organization that was a pioneer in the still young enterprise development field. In some respects, Metcalfe was a development professional of the old school like Charlie Sweet, given to hauling a duffel bag full of papers and bottles of scotch around the world while he wrote a business plan for virtually any idea that seemed promising. Metcalfe brought along Peace Corps and Technoserve veteran Gary Kilmer, and the two traveled extensively to and from Indonesia, trying to start businesses that dealt with exotic products such as desiccated coconut and winged beans.

EDD soon had a host of other ventures in the works, all of which sounded intriguing but did not produce any revenue for DAI. Its timing was unfortunate: essentially an R&D effort aimed at taking the firm into new territory, it had been launched in a year when DAI's revenue was flat, and costs of all types were under pressure. Fiscal year 1981 closed in June with the

company incurring a small loss ($23,000), and by the end of that year—with no new big wins from DAI's core business, and EDD costs having broken Mickelwait's budget—this initiative was also closed down. The thin margins that could be earned from DAI's traditional business, and its lack of experience in attacking new markets, had punctured the Homestead balloon.

Although it anticipated big changes at USAID after Ronald Reagan's election, DAI still found it hard to shift gears. Several of the senior staff continued to do applied research and support USAID field missions under the umbrella Integrated Rural Development (IRD) contract, which expanded the firm's geographic reach into Egypt, the Philippines, Pakistan, and other countries. IRD was a carryover from the late 1970s, and it constituted a source of intellectually challenging work, some of it published in journal articles and later in a book authored by Elliott Morss, George Honadle, and RTI's Jerry VanSant. The cost of negotiating and administering IRD's many small subprojects, however, was quite high, and much of the remaining revenue stream came from project design and evaluation contracts of short duration (three weeks to three months) that were competed under USAID indefinite quantity contracts, or IQCs.

Mickelwait was bent on going after every one. "We thought that every possible contract was a small mountain and you climbed it." On another occasion, Mickelwait recalled that his approach was to "get the flag and charge the hill. It didn't make too much difference to me what the hill was." This approach, which Mickelwait later

**As USAID moved away from large, long-term projects, DAI bid on a host of smaller, rural development projects in Egypt and elsewhere.**

"brought this business sense and judgment to the game." There was also a homier appellation for the two: "Mom and Dad." As one veteran put it, "Certain things you took to Dad and certain things you took to Mom."

With Mickelwait charging a host of hills and Barclay laboring to create order at headquarters, DAI was working harder than ever before. Unfortunately, the revenues did not reflect it. The view from the plateau was dispiriting: from 1981 to 1983, revenues remained in the $6 million to $7 million range. And as competition grew ever tougher in the USAID marketplace, DAI struggled to control its overhead costs while maintaining quality, staff morale, and the technical edge that had built its reputation. The challenge was not just that DAI was managing a large portfolio of short-term contracts, some well under $100,000. To backstop the large multiyear implementation contracts such as North Shaba and PDP, DAI had chosen to hire and retain a cadre of senior technical staff—this had been the rationale for hiring Barclay and others with similar backgrounds and skills. But relative to many competitors, this made DAI a high-cost service provider, and it was far from clear that the market would value in-house expertise and its associated costs in the same way that DAI itself did.

The poor results in 1981 and lack of growth in 1982 and 1983 kept margins extremely thin. DAI raised some new capital through annual stock offerings to employees, and, when things got very tight, obtained temporary loans from

described as "creative opportunism," was perhaps unavoidable in the early 1980s as DAI scrambled to piece together from many smaller projects the revenue formerly achieved in a few big ones. But it meant that DAI's business model was reverting to the one that had proven unsustainable, for practical reasons, when the original team chased billable days and spent many months on the road.

At the same time, DAI's back office struggled to keep up with the ever-growing number of contracts. Mickelwait's working agreement with Barclay was that he would handle strategy and new business if Barclay would focus on day-to-day operations and coordination of the billable assignments and travel of home office staff, a relationship soon dubbed the "Don and Tony Show." Mickelwait, as David Gunning put it, was "the dreamer, the guy with the great ideas, many of which were not marketable." Barclay

several senior managers, including Mickelwait and Barclay. By 1983, thanks to the diligence of John Buck, the firm was able to negotiate a revolving credit line from its bank to finance receivables, which stabilized its finances. In all, despite the disappointing failure to grow, the company had succeeded in surviving, a notable achievement given the change in the underlying marketplace.

In the cash crunch of 1981, the firm made a decision that seemed both opportunistic and unavoidable at the time, but had important strategic implications. Without the means to contribute $84,000 in cash that was due to its employee profit sharing plan, DAI contributed an equivalent amount in stock to the plan. Gunning counseled management to buy those shares back as soon as possible, since it appeared to be a risky, involuntary investment on behalf of the employees. But over the next several years, as the company remained consistently profitable, those shares stayed in the plan. In the mid-1990s, they formed the foundation of the Employee Stock Ownership Plan (ESOP), which eventually became the sole owner of the company.

## Competition and Change

The market signals meant a lot more than telling DAI that long-term contracts were "out" and short-term contracts were "in." A number of new competitors had entered DAI's market-place, and in late 1983 a fire bell rang. USAID solicited bids for a new project in Southern Sudan, and DAI, with four years of experience on the ground in a particularly difficult region, should have been a front-runner. But the company didn't even make the shortlist of bidders, due to technical shortcomings in the proposal. At the same time, USAID contracting officers had begun placing more emphasis on cost—a criterion that worked to DAI's disadvantage. Management had been mildly concerned about overhead costs for some time, but in June 1984 DAI was shut out of a critical IQC in the agriculture sector, eliminating access to short-term engagements that had been the firm's bread and butter for almost 10 years. In the debriefing, USAID admitted that its selection criteria favored firms with the lowest "multipliers"—that is, the lowest cost and profit burden applied to salaries. This indicated that DAI's principal client was not prepared to differentiate on quality between firms that fielded unattached consultants (sometimes labeled "body shops") and those with in-house staff expertise. While DAI certainly made use of external consultants, it had worked hard to build its store of technical talent and was proud of the continuity of knowledge it could bring from one assignment to another.

DAI's response to this disappointing loss was swift and decisive. A midyear 1984 budget adjustment cut overhead costs by 20 percent—enough, wrote Mickelwait, "to maintain our competitive position in a difficult marketplace." It was a tough thing to do. DAI had attracted good development practitioners because it was able to offer both challenging work and man-
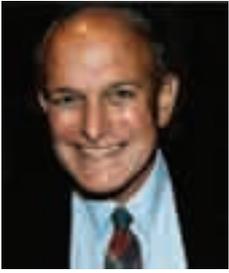
Agricultural engineer Jim Wolf died of cancer in June 2001. DAI's Jim Wolf Fellowship honors his legacy of mentorship and learning, each year providing two junior or midlevel staff with funding to expand their professional knowledge.

ageable travel schedules and compensation at or near the top of the profession. To make these changes, DAI was forced to tighten up its "corporate lifestyle," reduce some benefits, sublet unused office space, and limit the amount of unbillable (overhead) time that home office technical staff could incur.

As always, when the question "what next?" was posed, the answer was "we must diversify." Starting in 1983, Mickelwait made a concerted effort to open doors at the Asian Development Bank (ADB). That effort eventually bogged down, because DAI found that it could compete successfully for short-term project preparation assignments with the ADB itself, but the bigger loan-funded contracts that followed were usually out of reach due to questionable decision making practices among government officials in countries such as Indonesia, the Philippines, and Pakistan. Several opportunities surfaced in those countries that clashed with DAI's values and the dictates of the U.S. Foreign Corrupt Practices Act, so the company had to walk away from them.

More promising was a simultaneous effort to diversify on the "adjacency principle," by moving into a technical area alongside DAI's traditional focus on smallholder agriculture. In this case, DAI's objective was not to reach a new client, but instead to broaden its service offerings to its principal client. At the time, most water

resources and irrigation development work was controlled by a few universities in the western United States. But Don Humpal, who lived in Sacramento and had courted Jim Wolf, an agricultural engineer working with a California-based engineering firm, convinced management that establishing a western office would provide DAI with the credibility it needed to compete.

DAI gave Humpal and Wolf a green light, and the two set up a "DAI West" office in Sacramento. Before long, the two of them were teaming with Peter Reiss, an anthropologist specializing in water resources management, who had joined DAI in 1980 to work in Egypt and later returned to the home office. The trio fashioned a distinctive approach. They emphasized the institutional ("soft") side of water resources management, taking cultural and social systems as well as engineering into account. Their work on an irrigation research project in Pakistan particularly impressed USAID technical specialists in the water management field. With their home base a continent away from headquarters, Wolf and Humpal were able to focus on their strengths and avoid many of the distractions of DAI's daily routine. Newly christened the Technical Services Division, the team broke new ground for DAI, demonstrating the firm's capacity for adaptive learning and responsiveness to client needs.

## Back on the Growth Path

Don Mickelwait was not one to beat around the bush. In a late 1981 report to the Board of Directors, he bluntly admitted that "DAI has muddled so successfully in the past that a grand strategy has not been imposed." Indeed, through the first half of the 1980s, the "creative opportunism" marketing strategy had kept the revenue coming in even if it had not lifted DAI above its plateau. During the same period, little thought had been given to the role that corporate structure played in stifling or facilitating growth. Although there had been attempts to rationalize the structure of the company in the early 1980s, the prevailing arrangement had been a simple distinction between short-term and long-term contracting, the latter being defined as engagements lasting more than one year.

By 1985, however, that distinction had grown increasingly meaningless. Barclay found that it was nearly impossible to manage the work and ensure high-quality performance when "everybody was floating around." Some type of divisional structure was required, but what

would it look like? In mid-1985, Barclay invited management specialist Stark Biddle to analyze the company and work with management to define its internal structure. Biddle facilitated a process that settled some key issues; his in-depth knowledge of DAI led to him being asked to join the Board of Directors later that year. Three divisions were created: one for Development Management and Planning, a second for Private Sector Development, and the third for Agriculture and Technical Services. All these groups answered to Max Goldensohn, recently returned from the field, where he had served as Chief of Party in North Shaba. A proven manager and natural "traffic cop," Goldensohn was named Vice President of Operations. This

**By 1986, DAI placed project work into three divisions to manage its increasingly wide variety of jobs. This would not be the last time the company would be restructured.**



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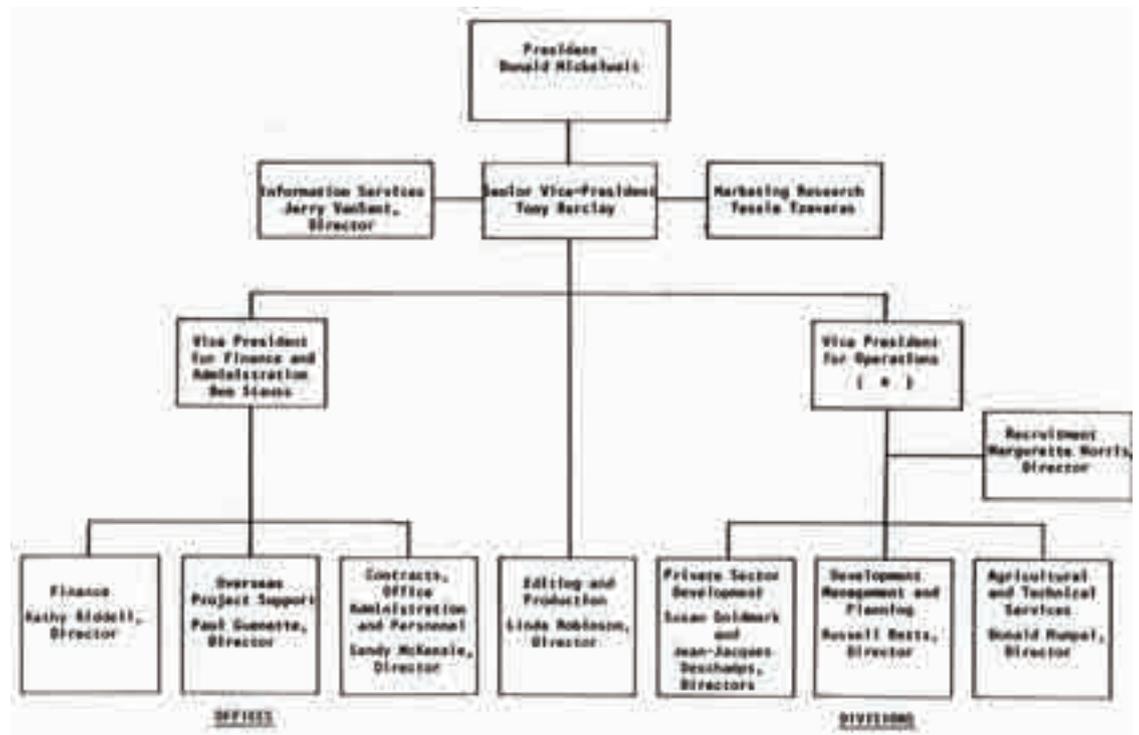
restructuring was intended to provide more autonomy to staff and create a more responsive organization. Most importantly, it was intended to enable the company to grow. But the question remained of where new growth and profitability would come from. By the end of 1986, DAI's revenues reached $8 million, but it was only a break-even year.

Despite the restructuring, legacy practices and procedures stood in the way of growth in the mid-1980s. Proposal writing, for example, remained all art and no science in the early 1980s. As Peter Reiss recalled, "Somebody got an RFP, took it into an office, closed the door, and basically they said, 'Come out when you've finished it.'" Clearly, DAI needed some schooling, so Mickelwait enrolled in a part-time executive

**Don Mickelwait went back to Harvard for more training and returned with a new marketing enthusiasm for bringing in business. It paid off.**



training program at Harvard Business School. He returned from the first sessions "charged up," and urged his colleagues to become much more aggressive about sending people out on "recon" to secure advance information for upcoming proposals and line up potential team members. Mickelwait himself frequently walked the halls of the USAID/Indonesia mission, popping into offices, asking questions, and, whenever he could, reading any competitor's proposal that might be lying around. Word traveled fast. "They used to send messages out saying, 'Mickelwait's coming, lock your door,'" he admitted. His enthusiasm sometimes drew similar responses at DAI. When Mickelwait returned from marketing trips with big ideas, staffers warned of "another solar flare" liable to shake up the company. Barclay did his best to moderate the ups and downs of the mercurial leader.

The new energy and market focus would soon start to pay dividends. DAI was a different company from the one that had gambled with its balance sheet at the Homestead. Mickelwait set a conservative tone by mandating a potluck, bring-your-own-bottle office holiday party in December 1986. But he and Barclay, with the Board's approval, were determined to move ahead. If consistent profitability was still elusive, DAI's founder had learned two very important things. The first was that with USAID decentralizing much of its decision making to overseas missions, there was "a multitude of contracting windows" with more new bidding opportunities than DAI had previously recognized. The

second was that the firm was ready to grow, and had a much more expansive mind-set. "All of a sudden," he recalled, "it became clear that we no longer had any business being a niche company."

## A New Generation

Incremental revenue growth was complemented by a gradual but highly significant cultural change, as staff members based in Washington and those running projects overseas embraced wholeheartedly—in many cases, for the first time—a true corporate identity. Rather than being a loose collection of like-minded development professionals, DAI had become something much bigger. In part, this change was brought about by physical proximity: in 1980, the company had expanded beyond three townhouses on Jefferson Place into leased quarters in the Board of Trade building, three blocks away on 20th Street. It was a relief to everyone when all the staff regrouped in the new YWCA headquarters building in mid-1981, at 9th and G streets (Gallery Place). More than one employee remembered that the move into common shared space helped foster a more businesslike atmosphere.

While the firm was consolidating its identity and upgrading its office facilities, the old debate about whether DAI's mission was to "do well" or to "do good" resurfaced on several occasions, and for some staff, the apparent conflict had never really been settled. Mickelwait and Bar-



**DAI's growth forced staff into various quarters that were eventually brought together at 9th and G streets in downtown Washington. The company newsletter announced the move.**

clay had long ago resolved the question in their own minds: it was critical to do both, and they saw no real contradiction between the two. It was mainly Barclay's job to see that DAI actually delivered on both objectives in a well-balanced way. By 1987, he had started setting financial targets and further tightening up both the divisional structure and the finance and administration functions of the company. (By this time, John Buck had taken up a Chief of Party job running a customs reform project in Haiti.) Barclay also helped DAI's more recent hires get used to the development rationale of profitability. The ownership group continued to grow as many of the new hires bought shares in the company, usually in modest amounts.

## Democracy and Discontented Smokers

**Don Mickelwait was serious about health—his own and that of his employees. To this day, DAI staff enjoy company-subsidized gym memberships and sponsored athletic activities. Mickelwait was also, in his own words, "an early adopter," whether buying personal computers or waging war on secondhand smoke.**

**In the early 1980s, nearly a decade before the issue became mainstream, Mickelwait imposed a smoking ban at DAI. "I decided that having to breathe someone else's cigarette smoke was simply not what we should have to do in an office." It was, of course, more complicated than that. DAI was home to few smokers but to many fervent believers in individual rights, and at the time, smoking bans were still considered infringements of the rights of smokers. Mickelwait soon received a petition signed by 22 DAI employees, few of whom were smokers. Although the President and chief shareholder of DAI valued employee involvement more than most, in this instance he was willing to hold the line against democracy at work. The ban held, and in time the general public—like Mickelwait at the time—would more commonly uphold the rights of nonsmokers over those of smokers.**



Yet the process of bringing professional management to DAI had been a fitful one. The company's veterans, after all, viewed themselves more as development professionals than business managers, and they did not take to management roles easily. As one veteran put it, "In the home office, a divisional manager was usually a person who was between overseas assignments and couldn't wait to get back into the field, where the *real work* was done." Under those circumstances, DAI saw no alternative but to bring in trained managers and administrators; the "none of us knows how" blank check that Barclay had received from Mickelwait no longer applied. Ben Stauss, who came in as controller in 1980, succeeded John Buck as Vice President of Finance and standardized accounting practices and financial reporting. But many of the veterans found the new systems and the people implementing them quite mysterious. Gary Kilmer recalls management at headquarters "looking very earnest about things I didn't understand."

DAI, with its ambivalence about business orthodoxy, wasn't the ideal place for every breed of development professional. Some of this awkwardness was inevitable, because DAI expected a more personally engaged type of management than was taught in business school, but some of it was due to the peculiar culture where, very often, respect could only be earned through long service overseas. Even old-timers harbored an "us versus them" mentality, pulling for the company when at headquarters and chafing at its restrictions when in the field.

The difficulties in developing a new generation of professionals were in part a result of changing expectations among its clients. Ten or 15 years earlier, when the development consulting profession was itself very new, a start-up firm such as DAI could hire young, generalist doctoral graduates with Peace Corps backgrounds, and they could quickly earn their

spurs and become assets in the firm's proposals for new work. By the 1980s, though, USAID and other big donors were demanding more specialized expertise in banking, marketing, public administration, and related fields. This trend had begun in the Reagan administration, which altered the development paradigm by emphasizing capacity building in the private sector, trade and investment, and policy reform, and de-emphasizing rural development and smallholder agriculture.

DAI lagged for several years in its response, but by the mid-1980s, new members of staff included Stanford M.B.A.s (Paul Guenette), Michigan State Ph.D.s (Jim Boomgard and David Wilcock), and numerous other new hires who increased its technical range and depth. In a few cases, proven talent was discovered and hired away, as happened when Susan Goldmark and Jean-Jacques Deschamps both joined the World Bank after nearly a decade at DAI.

Finding the right personnel became a much higher priority for DAI. The company was always on the lookout for new talent—there were some 2,000 names in its recruitment database in 1988, for example. But often it was the best new professionals who found DAI, and not the other way around. When they did, they would go through a round of intensive interviewing with Mickelwait, Barclay, and other senior managers, all of whom were looking for a good "fit." What qualities indicated that someone would fit well in DAI's culture? A problem-solving mind-

set that was not constrained by a narrow disciplinary viewpoint, Barclay explained. "Someone who is strong in critical thinking," he continued, "and inherently skeptical of the conventional wisdom, but not someone who is cynical."

As DAI's business development efforts came to involve more and more multiyear proposals and (when successful) contracts for providing technical assistance, the tasks of pricing proposals and administering contracts took on greater importance. DAI undertook a prolonged search for a contracts manager in the early 1980s, and found it difficult to match the required expertise with a personality that would work well in the company's informal, field-oriented culture. Sandy McKenzie, who had worked for many years on staff at Peace Corps headquarters, cheerfully admitted that she lacked the detailed knowledge specified in DAI's job description; but she displayed a can-do attitude and a willingness to learn that persuaded Buck, Barclay, and Mickelwait to offer her the position. She stayed at DAI for more than 10 years and was a consummate team player, devoting long hours and maintaining unfailing good humor as last-minute deadlines came and went, and occasional crises erupted and subsided.

Mickelwait and Barclay both had self-sufficient, "I'd rather do it myself" streaks, and neither recognized the need for executive assistant support until 1982, when Buck pressed them to hire someone who could track their constant movements and find them at the other end

DAI ACTIVITIES REPORT
May – August 1986

In the 1980s, after rapid growth and a string of veteran departures, DAI struggled to foster good communication between Washington and the field.

recruiting capacity during the 1980s. A resilient team, all of whom had lived in West Africa in recent years, worked in the 9th Street office across the hall from Max Goldensohn. Heidi Lowenthal and Mary Jane Stickley became DAI institutions in their own right, juggling always-urgent-do-it-now requests from Goldensohn with good humor and an uncanny ability to find the right people who could do the work "the DAI way." Lowenthal's successor, Sherie Valderrama, maintained this sharp focus on recruiting both talent and character, oversaw the design and installation of a computerized Recruitment Management System, and eventually was honored with the DAI Values Award in 1999.

As a new generation came in, some in the older generation moved on. George Honadle, Elliott Morss, and Jerry Silverman all departed in the early 1980s, never having fully adjusted to what Honadle called "the dictates of organized evolution and survival." At the end of the decade, veterans Ken Koehn and David Gow also left. A sad landmark of sorts was passed in 1988, when Tom Stickley, who with wife Mary Jane had served in West Africa, Haiti, and Indonesia, died of a lung infection and hepatitis—the first death in DAI's extended family. Exotic illness also tripped up Charlie Sweet, who came home in 1982 from Tanzania under doctor's orders, due to a lingering foodborne virus he had picked up in the field. Sweet's health remained shaky for years to come, and he never rejoined DAI's management team. He died in March 2009, at the age of 66.

of a telex or fax line, pick up loose ends, and direct callers and visitors to the right person in DAI. Martha Rawasia, later known as Martha Keller and Martha Fowler, was probably the only person who could have handled her three bosses so effortlessly while becoming a friend and confidante of everyone who worked at DAI or crossed its threshold as a visitor. She moved out of town in 1985, and came back two years later—after Barclay approached her on bended knee—and remained with DAI for almost 20 more years after that.

With a more expansive view of the market, more proposals to write, and more short-term consulting teams to be staffed, DAI augmented its

## A Different Direction

By 1981, soon after M. Peter McPherson took the reins as the new USAID Administrator, the Reagan administration began to redefine the goals and strategies for U.S. foreign assistance. It became apparent that rural development, particularly in its "integrated" form, in which multiple activities were combined in the same project, was out of favor. The shift in USAID priorities presented a challenge to DAI. In a 1981 note to the Board of Directors, Mickelwait wrote that "we have taken our knowledge base—small farmers—about as far as it can be marketed." At least it was clear what was taking its place: policy makers at USAID were emphasizing the power of free market principles. Mickelwait noted, "USAID's mantra is now private sector development," and there was more than mere Reaganite ideology behind this policy shift. Over the preceding years, Congress had become disillusioned by the complexity and slow rate of progress in rural development and poverty reduction programs, and economists such as DAI's Morss and Elliot Berg (who joined DAI in 1989 as its chief economist) were making the case for reforming agricultural policy and liberalizing markets.

This shift in emphasis soon began to influence and reshape existing USAID projects, including some in DAI's portfolio. In North Shaba, Zaire, DAI's Chief of Party in 1982 and 1983 was David Gow, an anthropologist who had joined the firm in 1976 and remained a strong proponent of integrated rural development. Responding

to the agency's new policy directives, USAID's country mission team started looking at ways to merge this small farmer maize project with a private, Belgian-run cotton company that was also operating in North Shaba. This "privatization solution" looked attractive from 1,000 miles away in Kinshasa, but Gow wanted no part of it. Like many of his contemporaries, he was motivated more by solving the problems facing poor farmers than by finding a sustainable market-based model for North Shaba. Soon Gow and his clients at USAID were at an impasse, and DAI changed the project's leadership. Max Goldensohn, who knew Zaire well and had almost 20 years of experience running projects in remote corners of Africa, took over from Gow and put things back on track. Goldensohn was highly pragmatic. He treated the cotton company as a bona fide partner, although he knew its management capacity was weak, and eventually persuaded USAID that a full merger would not succeed. In his tenure, the North Shaba project fulfilled all of its key objectives and became known as one of USAID's premier projects in Sub-Saharan Africa.

By 1986, DAI had learned how to adapt its business strategy and match its skills and knowledge base more effectively with USAID's private sector orientation. Proof of this came with the award of an $8 million contract to manage the High Impact Agricultural Marketing and Production (HIAMP) Project in the Eastern Caribbean, a region where the Reagan administration had decided to invest heavily after its military inter-

vention in Grenada in 1983. Originally, HIAMP was an unusually experimental and innovative project that aimed to bring U.S. agribusiness expertise and deal-making techniques to the very small island economies of Barbados, Grenada, and their West Indian neighbors.

Mickelwait had participated in the design of HIAMP, along with Don Humpal, who recalls "it was very complex, and Don [Mickelwait] probably understood it better than many of our clients and local counterparts." This distinction cut both ways: it helped DAI prepare a winning proposal, but it also meant that HIAMP was perceived as a risky venture by many of its stakeholders. The project goal was to empower local entrepreneurs to move the economy beyond tourism, bananas, and sugar cane to high-value export products. Although DAI's team identified many promising opportunities—encompassing

**DAI worked in the Caribbean and elsewhere to help economies diversify from rural agriculture into the production of exportable goods.**



28 subprojects across seven island states—most of the prospective local investors proved risk-averse, and personnel and policy changes in USAID's regional agriculture office resulted in restrictive directives that frustrated the field team, as well as Humpal and Mickelwait. Four years after it started, the leaders of the original DAI team were gone, and HIAMP lost its entrepreneurial edge, with most of its activities scaled back to a more traditional technical assistance model.

In other countries, however, DAI demonstrated greater persuasiveness and staying power when it brought new ideas to the client's table. In Indonesia, Bill Fuller—after many years in Asia with the Ford Foundation—had arrived in 1982 as a noncareer USAID mission director. He encouraged innovation by his own staff and the organizations that supported the country program. Among the new initiatives was the Central Java Enterprise Development Project (CJEDP), whose design would involve in-depth analysis of leading subsectors in the provincial economy. This challenging task appealed to Mickelwait, who threw his energies into writing a successful proposal for the two-year project design contract. Gary Kilmer was named CJEDP's Chief of Party, and he found himself interacting closely with Fuller's highly engaged team at USAID, which demanded a rigorous analytical approach to this novel project. Kilmer recalls, "They needed convincing that their ideas would really work in practice." Among those initially on USAID's side of this exercise was Jim Boomgard, a young academic who had been trained

in rural enterprise development and subsector analysis—a process that examines all of the steps in the chain that leads from sourcing raw materials to delivering finished products to the market—and had applied it to the furniture industry in Thailand.

Boomgard had begun his graduate work in the history of economic thought and the philosophy of science when an internship at Research Triangle Institute led him into the world of economic development. He then earned his Ph.D. at Michigan State in agricultural economics, based on his pioneering subsector work in Thailand. His first role on the CJEDP team was as a USAID contractor, but he was soon working side by side with Kilmer. And although he had a research background when the project design process began, the experience soon convinced him that turning development theory into effective practice was where his future lay. When USAID eventually approved the design and issued an RFP to implement CJEDP, Boomgard's proposed role as Chief of Party was a key factor in DAI's win. He became a DAI employee, took the reins of the project in the fall of 1985, and managed a project that broke new ground supporting Indonesia businesses in shrimp farming, rattan furniture exports, and other products with high employment generation potential.

In mid-1987, Boomgard moved to Washington. His first assignment in DAI's home office was to write up the lessons learned from the



**Jim Boomgard (left) and Gary Kilmer (second from right), with colleagues in Indonesia.**

CJEDP design and implementation process. The resulting document was valuable inside and outside the firm, because it refined DAI's approach to small business promotion, and was well received in USAID circles, where enterprise development was receiving greater emphasis in many country assistance programs. For most of the next year, he managed a multicountry study that became known as the "Microenterprise Stocktaking," and positioned DAI to break into the emerging field of microenterprise development. In 1989, these efforts culminated in DAI winning a new, worldwide project whose acronym, GEMINI (Growth and Equity through Microenterprise Investments and Institutions), became a household word in the development community.

## Promoting Agricultural Exports in Sri Lanka

**The $7.7 million Mahaweli Agriculture and Rural Development (MARD) Project in Sri Lanka, on which DAI served as a subcontractor to Oregon State University, was a landmark project of the 1980s. MARD was designed by Don Mickelwait to initiate agricultural production of the staple crop rice on one hand, and to promote diversification to more export-friendly crops on the other. The project had a tough start. USAID rejected DAI's first pick for Chief of Party, so Mickelwait persuaded Max Goldensohn to take the job. Goldensohn accepted and led a team of six "expats" and nine Sri Lankans in a project that would ultimately last eight years.**



Photo source: Wikimedia Commons

**Tea plantation near Kandy, Sri Lanka**

# A Bigger Ship

While it was solving new development problems abroad, DAI was also learning how to grow and prosper at home. In 1987, the company achieved its highest net income to date, on revenues of $12.7 million, and had 40 employees working on projects overseas in a dozen countries.

As DAI doubled in size, computerization became a boon to management and staff. The 1980s were the "going digital" decade for most corporations, and the usual pattern was for computerization to begin in the back office and then eventually be applied to operations. But because Mickelwait was an early convert to personal computing, DAI computerized backward. It bought its first DEC word processor in 1981, a move fiercely resisted at first by its veteran production typist, who was wedded to his IBM Selectric. Other innovations soon followed. Mickelwait put an Ohio Scientific PC in an empty office and invited staff to try it out. By 1983, he had hired someone to install one of the first office-wide email systems on Televideo equipment, a hot item at that time, and by 1985, most DAI staff traveling overseas carried heavy 8-bit Kaypro PCs, which were the size and weight of a sewing machine. Carol Kulski, who arrived at DAI with the DEC word processor, accompanied one of Mickelwait's consulting teams to Pakistan and produced the team's report in the field, something the USAID mission had neither asked for nor expected. It was not until 1987, however, that the company installed the Deltek automated accounting system.

As the company grew, the staff shared in the benefits. Individual stock ownership had been available to the most senior employees since the late 1970s, and the profit sharing retirement plan now held 30 percent of DAI shares, most of which had been contributed during 1981's cash drought. It was not until the mid-1980s, however, that the Board of Directors de-

cided to begin providing annual cash bonuses to executives and senior staff. Mickelwait, who had been extremely cautious on this issue, came to agree with the Board that individual cash awards (nothing excessive—after all, the bonus pool was modest) were not likely to tip the scales and distract top performers from DAI's development mission. The possibility of earning an annual bonus, in a good year, complemented the expectation that the company's stock would appreciate over the long term, and provide a healthy capital gain to those who bought shares and had stock in their profit sharing accounts. With this range of incentives available, Barclay devoted considerable effort to creating an "ownership culture" that reflected a balance of doing good and doing well.

There were other ways to establish ownership in the company, of course. The staff newsletter, an ambitious if irregular undertaking since the early 1980s, transitioned at mid-decade from a report by "Don and Tony" to a professionally edited publication. Especially gratifying for DAI's development practitioners was the publication, starting in 1991, of the professional journal *Developing Alternatives* to showcase the work of DAI technical specialists, and make it available to a wide audience in the development community. Crucial to the success of these publications was the hiring of Linda Robinson in 1982. Robinson, an accomplished editor and manager, also succeeded in standardizing and professionalizing DAI's proposal production process. For more than 20 years she set the bar



Don Mickelwait was an early proponent of personal computers in the field. Only years later did DAI's finance team go digital.

high for DAI's proposal and report teams, and they responded.

DAI began its third decade with much to celebrate. The company achieved $20 million in revenues in its 20th year, and after a long search it also found new headquarters to replace the cramped 9th Street offices. On October 29, 1990, the company relocated to 7250 Woodmont Avenue in Bethesda, just outside Washington's city limits. Early the next year, when DAI held its annual winter staff conference, more than 100 people attended. The plateau years seemed very far away.



In 1991, DAI began formally showcasing its work in its professional journal.

## Dodging a Bullet

In 1987 Don Mickelwait took a call from the Asian Development Bank, a donor agency he had cultivated and very much wanted to please. A polite voice on the other end of the line

asked, "Would you please come out to Manila so that we can cancel your contract?" Plagued by mishaps and bad management, the Barani regional planning project in Pakistan—one of DAI's largest—had fallen apart, and Mickelwait was obliged to get on a plane personally to save it. He flew to Pakistan, set the team to work, and began producing a master plan for rainfed agriculture in Punjab province at a breakneck pace. Although the project budget had been exceeded when the work was complete, the client was satisfied, and DAI could take pride in

the work it had done. "That was not a difficult choice for me to make," Mickelwait recalled.

This would seem an unusual sojourn for the president of a sizable company, but it is telling. Despite his business school enthusiasms, Mickelwait had always been more comfortable in the field than the office. And when the firm's reputation was at stake, he was tireless in his determination to solve whatever problems had arisen, and led well by example. Although he had been the leading advocate for growth, once

DAI began to grow again, he grew restless, seemingly uninterested in steering the company on the path he had charted. Constant reshuffling of the operating divisions and their leadership in the late 1980s reflected this restlessness: as a founder, Mickelwait approached DAI as a coach might deal with a basketball team that wins some games but loses some close ones, always willing to move players on and off the court until he found a combination that worked. But as of 1991, he hadn't found it.

There were also some external frustrations. A late 1980s push to gain new work from the Japanese development sector had fizzled, and new USAID conflict-of-interest rules stipulated that project designers could not do implementation—a restriction that broke the seamless link between DAI's "planning" and "executing" capacities. The company also remained snared in the conundrum of having so many of its senior staff occupied with short-term contract assignments that it couldn't always invest enough time and attention in critical long-term proposals.

At heart, though, the problem was simple. Mickelwait was uneasy about the consequences of growth. "I wasn't very happy with the direction, I wasn't very happy with the vice presidents, I wasn't very happy with anything," he recalled. "It felt to me as though the place had gotten out of control and I couldn't figure out how to get it back in control." It was in this state of mind that Mickelwait began thinking about selling the company.

ICF Kaiser was a $625 million environmental engineering firm that made its name by doing high-quality consulting work for the Environmental Protection Agency and Department of Energy, and had grown rapidly in the late 1980s by acquisition. ICF Kaiser had started getting into the development consulting market and was keenly interested in expanding overseas. Both Mickelwait and Barclay had met executives from ICF over the year, and, given its appetite for growth, they were not surprised when informal overtures started coming in 1989 and 1990. By the end of 1990, just as DAI was settling into its new Bethesda office with a 10-year lease, as Barclay recalled, "honorable, but vague" discussions about an acquisition were under way. ICF was barely doing any development work, and despite its "international" name, it was mainly operating in the United States. On the surface, following more than 15 other acquisitions, DAI looked to them like a nice fit.

That fall, Mickelwait formally turned over day-to-day management of the company to Barclay. The Board named Barclay President and Chief Operating Officer and Mickelwait became Chairman and CEO. For Mickelwait, joining ICF's management team (a condition of the proposed acquisition) looked like an opportunity to play on a much bigger field. Soon, much of Mickelwait's time was going into the talks with ICF, which were by then growing more focused. It was assumed that the acquisition would be by stock swap; most of the talks revolved around how much autonomy DAI would have. On that

DAI's leadership team in the fall of 1990: (from left) Elliott Morss, Don Mickelwait, Tony Barclay, Ben Stauss, and Max Goldensohn.

front, it seemed likely that ICF would maintain the hands-off approach that it had used with its other new subsidiaries.

That turned out to be a problem. In buying the remnants of Kaiser Engineers, ICF bit off more than it could swallow, and invisible to ICF management, some of the other subsidiaries were hemorrhaging cash. In June 1991, the deal with DAI was weeks away and ICF was about to issue $4 million in new shares to cover the acquisition, when the losses incurred by those subsidiaries came home to roost, with a vengeance. The value of ICF's publicly traded stock (the currency for the planned purchase of DAI) plunged, and the deal was called off. When ICF collapsed, a number of the recently acquired subsidiaries were dismantled in the effort to salvage the company—a fate that DAI had narrowly escaped.

Things looked very different to DAI management after the narrow escape from ICF. Mickelwait had gained some of his optimism back. "We were able to move again in what I thought were some sensible directions," he said. He had finally learned what Betsy Marcotte, watching intently from the ICF side of the table, had quickly grasped—that DAI was a company with a great deal of promise. "It was a younger, more entrepreneurial firm, really able to go after things more quickly than we were," she said. Marcotte was deeply disappointed—she had looked forward to working with DAI. But both she and the company were still young, and her chance would come.

Chapter Three

# The Fresh Faces of Development, 1992–1999

## It seemed like a classic 1980s

success story. A young banker in one of the nation's top financial institutions had just helped engineer a large leveraged buyout. It was the fall of 1986, and the young banker in question was Jean Gilson. After the celebrations were over, Gilson returned to her hotel room and switched on the television to learn that the transaction would put hundreds, perhaps thousands, of people out of work. She knew she had to make a change in her life. "Exciting as that time was, I really felt like I wanted to make a difference," she later recalled. Gilson entered graduate school in international relations at Tufts University's Fletcher School and was soon at DAI, where she was one of the fresh faces who helped the company break new ground in the 1990s.

**A smiling Jean Gilson (center) at a DAI company picnic.**



DAI's core competencies—dating from the *Strategies* study—were grounded in rural development and smallholder agriculture. Although its technical scope had broadened considerably in its second decade, the company had remained focused on its traditional client, USAID, and the geographic regions its leaders knew best and cared most about: Asia in Mickelwait's case and Africa in Barclay's. But as the new decade began, the development landscape was changed dramatically by the end of the Cold War and the collapse of communist political and economic systems across Central Europe and Eurasia. These changes and mounting political challenges to its mission in the United States substantially affected USAID itself and began to reshape the market in which DAI operated. No one had foreseen the full extent of these transitions, but DAI proved nimble, eager to learn, and willing to adapt. That made all the difference.

## Small, Medium-Sized, and Micro Enterprise Development

Like Gilson, Jim Boomgard brought experience to DAI that positioned the firm to adapt successfully to new demands for new kinds of technical expertise. Fresh from writing up the lessons learned during his tenure as Chief of Party in Central Java, Boomgard began to immerse himself in "microenterprise," a relatively new term that would eventually become a

household word. USAID had commissioned DAI and another firm to do a "stocktaking" of the many and various efforts to assist people owning and running very small businesses. Such businesses usually had only one or two employees and participated in the informal economy—that is, not licensed, not keeping books, and not paying taxes.

For more than four months, Boomgard co-managed the microenterprise stocktaking with a brilliant economist from the other firm, but the study fell seriously behind schedule, and the USAID officers supervising the work became seriously worried. Barclay asked them to give Boomgard sole authority to complete the study, promising them that DAI would absorb any additional costs if it ran over budget, and assuring them that they would be fully satisfied with the final product. Boomgard delivered, and the guarantee was fulfilled. In the process, he became convinced that when the next multiyear microenterprise research and development opportunity came around, DAI could win the contract.

One day late in 1988, Boomgard invited Mickelwait and Barclay to lunch and laid out his idea. It would require his full-time attention over several months and a significant proposal investment, and it was something of a gamble, since the economist's firm had managed the predecessor contract. Nevertheless, he said, "I would like to have your blessing to establish DAI as a leading player in this field." Mickelwait and



Barclay did not have to consider long. "Go for it," they replied.

The stocktaking report, which had been widely read, was certain to influence USAID's RFP, because it highlighted areas where further "action research" should be undertaken. To prepare for it, Boomgard assembled a team in DAI and worked closely with experts from such institutions as ACCION International, which had been involved in Latin American microlending since the 1970s, and Michigan State University, where much of the leading academic work on small and micro enterprises was being done. The RFP for Growth and Equity through Microenterprise Investments and Institutions (GEMINI) looked much as Boomgard had expected. After

**Jim Boomgard (center) led DAI's successful efforts in the field of microenterprise development. Here he is shown with Maria Otero, then of ACCION International, and Doug Salloum of the Calmeadow Foundation.**

*Photo by Jorge Vinueza*

**DAI's first, large foray into microenterprise paid off with the GEMINI project.**
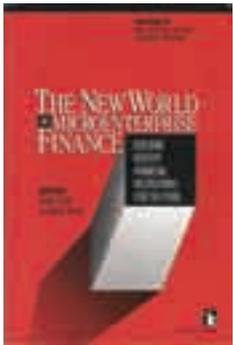


**Through its many publications, GEMINI energized the intellectual debate over microenterprise development.**

a grueling proposal process and stiff competition, DAI was awarded the GEMINI contract in the final days of September 1989, the end of the U.S. government's fiscal year. It was an auspicious victory. The contract was administered in Washington but allowed USAID missions across the globe to "buy in," adding country program funds to access the expertise of DAI and its subcontractors. The face value of the five-year core contract was $5.7 million; however, the cumulative buy-in activities over that period amounted to much more. As the implementer of GEMINI, DAI was—in Boomgard's words—"the center of the universe," and top microenterprise talent worldwide was soon knocking at DAI's door.

By the end of 1989, with strong support and guidance from Elisabeth Rhyne, who directed GEMINI for USAID, Boomgard had an out-

standing core team in place: Maria Otero from ACCION, Nan Borton from DAI, and, later, Matt Gamser, who joined from ITDG in the United Kingdom. Some of GEMINI's earliest endeavors were applied research studies exploring the links between microenterprise and gender, poverty lending, and the growth and dynamics of intermediary institutions. The GEMINI team was soon producing high-quality technical reports at a steady clip. By 1991, field activities were under way in half a dozen countries. The work was varied, but it usually involved appraising local industries, identifying obstacles to and opportunities for growth, and providing technical assistance to government agencies and local institutions that supported microenterprise development. GEMINI drove the message, which became gospel, that microfinance was banking and that, to succeed, microfinance institutions needed to behave like banks.

The launch of GEMINI field activities coincided with the appearance of new development opportunities unprecedented in DAI's history— rapid changes were sweeping through Central Europe, and the Soviet Union had begun falling apart. In 1990, USAID decided to place a long-term policy advisor in Poland, where the Solidarity movement had paved the way for a democratic transition and the new government was starting to put open-market policies in place. In 1992 came a call for small business advisory services in Mongolia and a handful of tasks involving field assessments in Kazakhstan, Ukraine, and Uzbekistan, all former Soviet

republics. For the work in Poland, DAI veteran John Magill went in first to set up the project, followed by George Metcalfe (the same hard-driving individual who had tried to diversify DAI into enterprise development 10 years earlier) as the long-term advisor in Poland's Ministry of Industry. It all happened very fast, Magill recalled, because "USAID was looking for opportunities to invest quickly." DAI soon found itself in unfamiliar company. Flying above Uzbekistan in a light plane one day, Magill and young economist Jim Packard Winkler discovered that their companions on the plane were executives from McDonald's, a company equally determined to hit the ground running in the former Soviet Union.

Many such stories later, the GEMINI project wrapped up in 1995 and was followed by the $8.7 million, five-year Microenterprise Best Practices contract. During the 1990s, DAI's enterprise development activities expanded well beyond GEMINI. Some built on experience that DAI had gained during the 1980s establishing savings and credit programs in rural Haiti and later in Indonesia. By 1996, DAI teams were managing enterprise development projects in Latin America, Eastern Europe, the Middle East, Africa, and Southeast Asia. By this time, fully one-quarter of the company's revenue was derived from enterprise development—already a larger share than from agriculture and agribusiness.



Jim Boomgard had built a strong franchise, but in 1993 he decided to return to Indonesia to lead an agribusiness development project. The fact that good internal successors emerged—first Matthew Gamser and then Tim Smith—and that the enterprise development practice continued to prosper without him was a healthy sign. This was not the first time a good idea, enthusiastic leadership, staff autonomy, and support from senior management created a durable, winning combination for DAI.

**Jim Boomgard (second from left) returned to Indonesia to work on agribusiness, but DAI's microenterprise work was carried on by others. Don Mickelwait (fourth from right) sports a DAI cap.**

**Within a year of Jean Gilson's arrival in Eastern Europe, DAI had staff in numerous Eastern bloc countries, including Estonia, shown here.**

## Banking and the Eastern Bloc

After arriving at DAI, Jean Gilson put her banking experience to work on several small finance-related projects in Latin America. By the fall of 1990, the onset of the buy-in to GEMINI in Poland had convinced her that DAI needed not only to further develop its expertise in banking, but should also focus more closely on Eastern Europe, especially on privatization. As Boomgard had done with microenterprise two years earlier, she took her case to senior management, where she found approval and encouragement. It was, she said later, "an incredibly

heady time in terms of the company's willingness to be entrepreneurial and nimble."

In 1991, Gilson set up the company's first geographical management unit for Central and Eastern Europe, and brought Chase Manhattan Bank veteran Daniel Hogan into a newly formed banking sector unit. The effort paid off when DAI landed a spot on an IQC team led by Deloitte and Touche for Regional Restructuring and Privatization in Eastern Europe. In late 1991, Gilson was the first USAID consultant to work in Albania, Hogan was in Romania, and other staffers were undertaking assignments in Bulgaria, Czechoslovakia, Estonia, Hungary, and Slovakia.

Even though business from Central and Eastern Europe accounted for just 1 percent of DAI's revenues in 1991, management had committed to expanding there and diversifying beyond banking. Three years later, DAI won its first prime contract in the former Soviet Union, to develop support networks and assist small businesses in Belarus, Moldova, and Ukraine, and began a large democratic governance project in Poland that would continue for four years.

Despite these early initiatives, free enterprise came slowly to the region, and policy makers decided they had to do more to foster the integration of East and West. In 1994, USAID put out a solicitation for an umbrella IQC covering a broad range of economic growth priorities, encompassing everything from enterprise development to banking sector reform and privatiza-

tion. Calculating the growing importance of IQCs, Gilson and her team bid on and won a place on the IQC: this effort paid off in 1996 when DAI won a task order under that contract to deliver fast-track emergency bank lending services in Bosnia and Herzegovina. Six months after the December 1995 Dayton Accords ended three years of war in this former Yugoslav republic, Gilson was on a military C-130 on her way to launch the Bosnia Reconstruction Finance Facility. This two-year contract was big in every way—DAI's largest project up to that time in terms of revenue. In June 1996, eight bankers working for DAI arrived in Sarajevo with more than $300 million worth of credit at their disposal. Their objective was to instill a "credit culture" in a society that had no history of commercial bank lending and, above all, to create jobs and, thereby, foster stability. It was up to DAI's bankers to decide which banks should extend how much of the money, based on the creditworthiness of the projects.

As often happens when market forces collide with the imperatives of development and a donor agency's agenda, this assignment was tougher than expected. The original winning DAI team was wholly composed of "pin-striped, gray-haired veteran bankers," with a Chief of Party in that mold—just what USAID had asked for. None of them had any experience working with a donor agency, however, and the Chief of Party soon lost his bearings. While Barclay was visiting Sarajevo several months into the project, the Chief of Party got up from the breakfast table one morning and announced that he was quitting immediately. DAI

subsequently tapped Bruce Spake—whose experience managing DAI projects in Zaire/Congo and Sri Lanka was complemented by an unflappable demeanor—to settle the team and smooth out relationships with the USAID mission and Bosnian counterparts. Above all, he had to help the bankers, unaccustomed to working in unstable environments, adjust to working in war-torn Bosnia. It was difficult, for example, to get them to understand USAID's mandate to infuse capital; seeing instability all around, the bankers' first response was that Bosnia's financial institutions should curtail lending. Although he had no background in commercial banking, Spake proved adept at bridging the worlds of development and finance, and the project steadily gained traction.

**DAI had conducted rural finance projects, such as here in Haiti, before embarking on banking in the Eastern bloc.**

**The Khan Bank**

One of the highest-profile achievements of DAI's bank-ing sector work took place in Mongolia. In 1991, after the Democratic Revolution set socialist Mongolia on the road to reform, the government turned a former state monopoly institution into the Agricultural Bank of Mongolia. The ex-periment failed fast, losing millions in just a few years and leading the World Bank to call the institution "irreparably damaged." In 1999, with some 40,000 depositors depending on the bank, DAI agreed to help, bringing in a team headed up by Peter Morrow, the former CEO of the Bank of Phoenix.

The problem at the bank was a familiar one in transitioning countries—business was done on a personal level, and the bank customarily made corrupt "loans" that the well-con-nected recipients never expected to pay off. DAI's manage-ment introduced badly needed financial discipline, halted the privileged "loans," and soon had the bank's default rate below 1 percent. New depositors flocked to the renamed "Khan Bank," which had 500,000 customers by late 2003. It was purchased by a Japanese firm the same year. "The American management team has done a brilliant job," said the new president. Putting his money where his mouth was, he retained DAI's management.

# Transforming the Organization

Even as fresh faces were helping to move DAI along new market paths in the 1990s, Mickelwait continued his long-standing practice of sending up "solar flares" to press the case for faster, more aggressive growth. "He always liked to shake things up and turn things upside down from con-ventional ways of thinking and doing things," Jim Packard Winkler recalled. The first shake-up came after the aborted ICF merger in 1991: that fall, management directives pushed authority and responsibility farther down into the company's ranks and gave line managers much more autonomy. A year later, Mickelwait reported to the Board of Directors that "decentralization had inspired an entrepreneurial spirit" that explained DAI's success in entering the Central and Eastern Europe market. He had solid evidence to support this claim.

But there were trouble signs. For one thing, USAID was in a weakened condition and had begun to lose many of its senior technical personnel to retirement, without funds to hire replacements. Its operating expense budget was aggressively questioned and cut in successive congressional appropria-tions cycles. Under the "Bush 41" and Clinton administra-tions, Congress created and implemented separate funding accounts for Central Europe and the former Soviet Union, in each case giving the State Department control over how the money would be programmed and spent. The implication was that in these key transition economies, USAID was perhaps no longer the premier development agency, and this dam-aged internal morale. In the field and in Washington, DAI staff learned to roll with the punches, empathizing with their clients and demonstrating that the firm was a reliable partner to the agency in its difficult times.

The start of the Clinton administration in 1993 brought dif-ferent priorities, some expectations of increased attention

to development policy, but no change in the funding situation. The new USAID Administrator, Brian Atwood, soon found himself mired in a prolonged battle to salvage the agency when adversaries on Capitol Hill, notably Senator Jesse Helms, were emboldened by the Republican victories in the 1994 elections. Calling foreign assistance "money going down a rathole," they tried to fold USAID into the State Department. The budget crunch got so severe that Atwood's management team had to implement several "reductions in force" that further eroded USAID's in-house technical capacity. With its main client struggling against the tide, DAI's management took a cautious view of the market. Its 1994 strategic plan predicted that the company would soon have to make do within "a context of stable or even declining revenues," a discouraging message after revenues had more than doubled (from $20 million to $45 million) in the first four years of the decade.

In-depth evaluation of projects in the field had long been one of DAI's strengths, but now, as the company examined its own systems and culture, the results were unsettling. In the past, management had been able to keep morale high, weather minor variations in the business cycle, and adapt the company's structure to fit the personal idiosyncrasies of staff. But these informal processes no longer sufficed in a time of heightened uncertainty, for a much larger enterprise. After a subpar financial year in 1994, DAI entered 1995 with a fairly austere budget. Mickelwait, Barclay, and the Board were all concerned about the imbalance between bill-



Photo by Joanne Kent, DAI

**Longtime DAIer Bruce Spake headed up the Bosnia Reconstruction Finance Facility, which was profiled for readers of DAI's newsletter *Developments* in 1996.**

In the early 1990s, DAI had staff working in Poland as USAID advisors and on banking projects. That presence grew as the 1990s progressed.

able hours (direct labor) and overhead costs. The picture did not get any brighter in the first few months of 1995. In April, management decided it would have to bite the bullet, and for the first time in the company's history carried out a layoff, affecting 17 individuals, or 14 percent of the home office staff. Several were DAI veterans who seemed to have lost their passion, or whose skills were no longer in demand. This was a painful process, and Mickelwait in particular took it as "something of a personal failure." But his candor and directness persuaded the remaining staff that it was a necessary decision, and that DAI would quickly recover. He was right.

Rather than assuming a defensive posture, Mickelwait took some bold steps to move DAI away from its historical dependence on USAID and gain new business from other clients, including foreign governments and multilateral development banks, such as the Asian Development ment Bank (ADB) and the European Bank for Reconstruction and Development (EBRD). Regional DAI offices had not been necessary when USAID was the sole customer, and although the Jakarta office experiment of 1980–1982 had failed, there was reason to think that a country presence was critical in gaining access to foreign government clients and projects funded by multilateral development banks. Establishing such local footprints, therefore, became key

to realizing Mickelwait's vision of DAI's future. The first step in this direction was taken in 1992 when DAI opened an office in Manila just a block from the ADB. By 1997, DAI's international marketing network included regional offices in Bangkok, Beijing, Jakarta, Manila, Tokyo, and Tashkent. Jean Gilson took up residence in Hanoi in 1998 with supervision responsibility for this network.

DAI investments in two subsidiary companies complemented the network of offices in Asia. The first was in London. In 1995, Graham Bannock—a well-known economist who owned a small research and consulting firm—paid a visit to Tony Barclay on the recommendation of mutual friends. He told Barclay that he intended to sell his firm, which then had revenues of $1 million per year, and gradually exit the business, but that he had found most potential suitors "very boring." He also said that he had been turning away development work from the U.K. government and the EBRD due to a lack of internal capacity.

Barclay assured him that DAI was anything but boring, and that it would fill the gap when clients called about new work. He and Mickelwait quickly agreed that taking a stake in Bannock's firm would provide DAI with a much-needed "foothold in Europe." DAI initially bought 40 percent of Graham Bannock & Partners Ltd., increasing it to 51 percent in 1997. Matthew Gamser moved to London to join the management team, several other senior hires were brought in, and by 2000, rebranded as Bannock Consult-



ing, the company had $7 million in revenue and a strong bottom line. But its relationship with its "parent across the pond" remained tenuous, especially after Bannock retired, and DAI was unable to establish the desired close strategic fit with its investment in the United Kingdom.

A second subsidiary in South Africa had a slower but more promising journey through the late 1990s. DAI established Ebony Development Alternatives in 1994 as a joint venture with Ebony Financial Services, the first black accounting firm in South Africa. The initiative got little support from its South African partners, however, and by mid-1997 Barclay decided to buy them out and install Adam Saffer as

**DAI has had mixed results with its subsidiaries through the years. Ebony Consulting International (now ECI*Africa*), shown here in 2002, is one of the success stories.**

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## Women in Development

In 1996, USAID announced its "Gender Plan of Action," the central component in the Women in Development Technical Assistance (WIDTECH) Project. Over the next four years, DAI handled many task orders under the WIDTECH umbrella. The GenderReach project, for example, supported communications and workshops to provide development assistance to women.

Under an initiative called GenderCounts, DAI provided gender and human capacity advisors to strengthen efforts at USAID missions. At the same time, the Strategies for Advancing Girls' Education task order financed workshops aimed at promoting girls' education in Asia and the Near East. The project was capped by the unveiling of a website that provided detailed information and support for women in developing countries.



Photo by Bernard Pierre Wolff/UNDP

**Weeding and preparing a cornfield in Ecuador.**

managing director. Saffer, who had run the successor project to GEMINI's Poland buy-in, brought a strong entrepreneurial drive and immediately saw growth possibilities. First renamed Ebony Consulting International and subsequently ECI*Africa*, the firm turned the corner by winning a key implementing role in USAID's South Africa International Business Linkages (SAIBL) Project. DAI seconded Bill Grant, a 10-year veteran of the firm with agribusiness and microenterprise expertise, to join Saffer in 1999, and he remained at ECI*Africa* for more than six years. Aside from SAIBL, most of ECI*Africa*'s business came from projects beyond DAI's typical client base, and it enjoyed considerable autonomy for as long as it remained profitable. As in London, however, the downside of autonomy was a failure to leverage DAI's assets or achieve a good strategic fit with the parent company.

## A New Look on Old Tasks

As DAI pushed out in different directions, it also put a new look on more established lines of business. Mickelwait believed that commercial agriculture would be a critical component of DAI's future growth. In 1991, he negotiated the purchase of assets from Experience Inc., a small specialist firm, including four USAID contracts in export agriculture and a roster of agribusiness consultants. This step gave DAI critical mass for a new practice in agribusiness and export development, and he hired economist Martha Blaxall to oversee it. Her team won several major contracts between 1992 and 1994, including the one that placed Boomgard back in Indonesia, and a multicountry agribusiness marketing program for USAID's Asia Bureau.

In 1992, DAI landed its showpiece agribusiness project of the decade, the $13.4 million Moroccan Agribusiness Promotion Project (MAPP). Veteran agriculturalist Don Humpal was

in the forefront, serving an unprecedented six years as Chief of Party and gaining praise from all quarters for the project's excellent results. He managed a diverse team, incorporating subsector analysis methods that had been refined by Bill Grant and Boomgard's other GEMINI colleagues, and tapping industry experts from the United States and partners from the Moroccan private sector. Together, they coaxed efficiencies out of every step of the production chain. Reflecting the shift in emphasis from agriculture for subsistence to production for export, the MAPP team worked hard to get Moroccan products into foreign markets. At the June 1998 seminar that wrapped up the project, one USAID official noted that "MAPP has shown how public and private cooperation in agribusiness can succeed."

Technical assistance was something DAI knew a great deal about. In 1989, distinguished development economist Elliot Berg had signed on as DAI's Vice President for Policy and Research. In 1993, assisted by Craig Olson, Berg authored an influential book for the United Nations Development Programme (UNDP) called *Rethinking Technical Cooperation*. The book documented the uneven track record of donor-financed technical assistance projects in Africa. It sparked some controversy with its findings, which showed that much technical assistance was being supplied by donors without evidence of real demand from African governments. The clients at UNDP got cold feet after the book's provocative findings gained critical notice. Mickelwait, who had been instrumental in attracting Berg to

join DAI, quipped to his colleague: "Elliot, your book could put us out of business … but if it's only in Africa, I can live with that." (Mickelwait's enthusiasm for Southeast Asia and lack of interest in Africa, Barclay's "turf," was a standing joke in the firm.) But he was proud of the solid analysis that forced DAI's clients and a wider readership to reconsider conventional wisdom and traditional development approaches, and DAI suffered no adverse consequences from the study.

Agriculture also led DAI onto the front lines of the international drug war, as it took on projects aimed at promoting "alternative livelihoods" for peasant farmers producing coca or opium poppy. The firm gained some experience from early experiments in Pakistan's Northwest Frontier Province in the 1980s, followed by a Pakistan-based project to manage cross-border activities in Afghanistan after Soviet troops



**Don Humpal, now a 30-year DAI veteran, led the flagship Moroccan Agribusiness Promotion Project.**

With its long history of farming projects, it made sense for DAI to get into agribusiness work. Shown here is a vegetable production operation in the Philippines.

Photo by John Bowman, DAI

evacuated that country in 1989. The latter effort faltered in 1991 when Afghan militants took project vehicles and equipment "hostage," and DAI had no recourse because it could operate only across the border.

Far more successful was the Cochabamba Regional Development Project in Bolivia (1992–1999), known as CORDEP, and its successor, CONCADE (1999–2005). Over this extended period, a DAI team, largely staffed by Bolivian professionals, worked with producer associations, exporters, and wholesale distributors to help farmers switch from growing coca to producing bananas, pineapples, and passion fruit for export. DAI learned from these experiences that development could only work in a secure environment. Since the growers themselves did not share in the profits of the drug trade, said Max Goldensohn, "we were able to



The CONCADE project was a successful example of "alternative development." Here, workers prepare bananas for export from the Chapare region of Bolivia.

Photo by Steve Huffstutler, DAI

find alternatives as long as the Government of Bolivia had the will to protect the people from intimidation." CONCADE surpassed nearly all its targets, reaching more than 28,000 farm families and enabling those families to earn an average income of $2,275 per year, significant in that it exceeded the income earned from coca. Land devoted to licit crops increased to more than 135,000 hectares, and the project directly created 23,000 new on-farm and 58,000 off-farm jobs.

DAI's water-related projects also became more complex and nuanced during the 1990s. The pioneering work in the field began, as it did in microenterprise, with a comprehensive desk study. Nearing the conclusion of a major USAID irrigation support project, the agency asked DAI's Peter Reiss to produce a paper on collaborative planning and conflict resolution in water projects. Reiss sought the contributions of a professional mediator and a well-known academic, and produced a study that laid the basis for USAID's Fostering Resolution of Water Resources Disputes Project (FORWARD) in the Middle East. Beginning in 1996, the DAI team helped resolve water disputes in Egypt, Jordan, and Lebanon, and even consulted in the Middle East peace process. Pleased with FORWARD's collaborative approach to problem-solving on notoriously contentious issues affecting water rights and uses, USAID eventually renewed the five-year contract for another five years.

## Public Opportunities, Commercial Setbacks

Development professionals had long understood that public sector performance—the effectiveness of the civil service and government institutions—could greatly help or hinder the development process. But not until the 1990s did DAI actively enter the domain of governance and public sector management. This was an area to which the Clinton administration and USAID's leadership were devoting lots of attention, and political changes in Central Europe and Eurasia had boosted demand for qualified technical assistance in the field of governance. DAI established a foothold by winning an IQC for USAID's Public Administration Assistance Program in Eastern Europe, and the award of the large local government contract in Poland further raised its profile.

Leading this new push was Michael Morfit, who had helped move USAID into the democracy arena before joining DAI in 1996 to lead a new practice devoted to public sector management. His team helped strengthen local governments in Poland to rationalize fiscal transfers, promote cost-effective policies, and support infrastructure development. In Albania, Estonia, and Macedonia, DAI worked with citizen groups to strengthen public budgeting, improve public sector management, and stimulate economic development. These new projects engaged DAI, working with subcontractors including the

Research Triangle Institute and university-based teams, to provide organizational expertise, revitalize civil service infrastructure, and teach financial management and budgeting.

Like microenterprise and banking, public sector management emerged as a market opportunity within DAI's reach. In contrast, the company's commercial sector initiatives of the 1990s were less spontaneous and far less successful. The asset purchase from Experience Inc. (EI) proved useful in building credentials for USAID proposals in the agribusiness arena, but EI's commercial sector consulting practice was in decline, and DAI discontinued it soon after the transaction, closing EI's Minneapolis office and reassigning its remaining employees to DAI's mainstream project portfolio.

Mickelwait then launched another initiative, DAI Commercial Services Inc. (CSI). Intended to be an investment and trading arm for the company, CSI embarked on several agriculture-related investments, taking minority stakes in a Thai fish farm and an organic herb production company in Florida that had been started by two former DAI employees. Its biggest commitment was a joint venture with Potex, a U.K.-based genetic engineering start-up that had identified a means of speeding up the germination of seed potatoes. The DAI Board readily approved the $75,000 investment, but as a business partner,

Potex proved to be short on cash and difficult to work with, and large amounts of staff time, including Mickelwait's, were consumed in unsuccessful efforts to make the joint venture work. CSI went through two different executives in less than two years, neither of whom could solve the operational problems in its investment portfolio. At the end of 1998, with commercial ventures accounting for only 1.6 percent of revenues, and none showing a profit, DAI mothballed the venture and eventually closed it down altogether.



ANNUAL REVENUE
$ MILLION
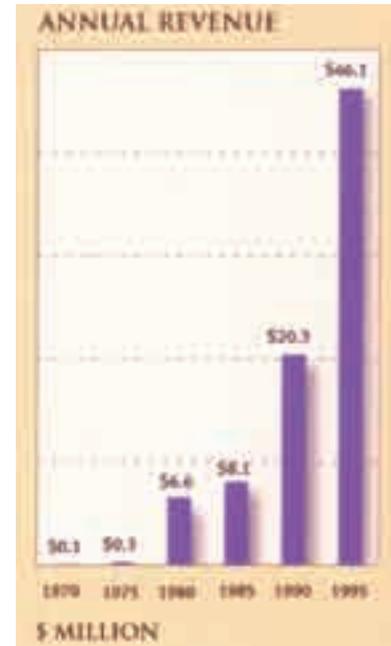
## Transition

These successes and failures were important because they highlighted a big and still unanswered question: what was the future of DAI's own leadership? Through the whole decade, it was clear that there would be a transition—the question was when.

Despite some reservations, Mickelwait got the process under way by beginning to divest his ownership stake in DAI. By 1995, the employee profit sharing plan (which had first received shares in the 1981 cash crisis) and Mickelwait each owned approximately 37 percent of the shares, and other employees owned the balance, Barclay's being the largest individual holding (9 percent). After securing Board approval, DAI hired an attorney to transform the profit sharing plan into an Employee Stock Ownership Plan (ESOP), which then offered DAI a tax-advantaged way to buy back shares from the founder. Mickelwait agreed to sell his shares over a 12-year period, either to the ESOP or to other employees who might want to buy them.

The first sale to the ESOP was executed in 1995. Although the Board hoped other employees would step up and buy some of Mickelwait's shares, the steady rise in the stock price—coupled with some uncertainty about the company's succession plan—limited demand, and the ESOP gradually accumulated a larger and larger share of DAI's ownership as Mickelwait's declined.
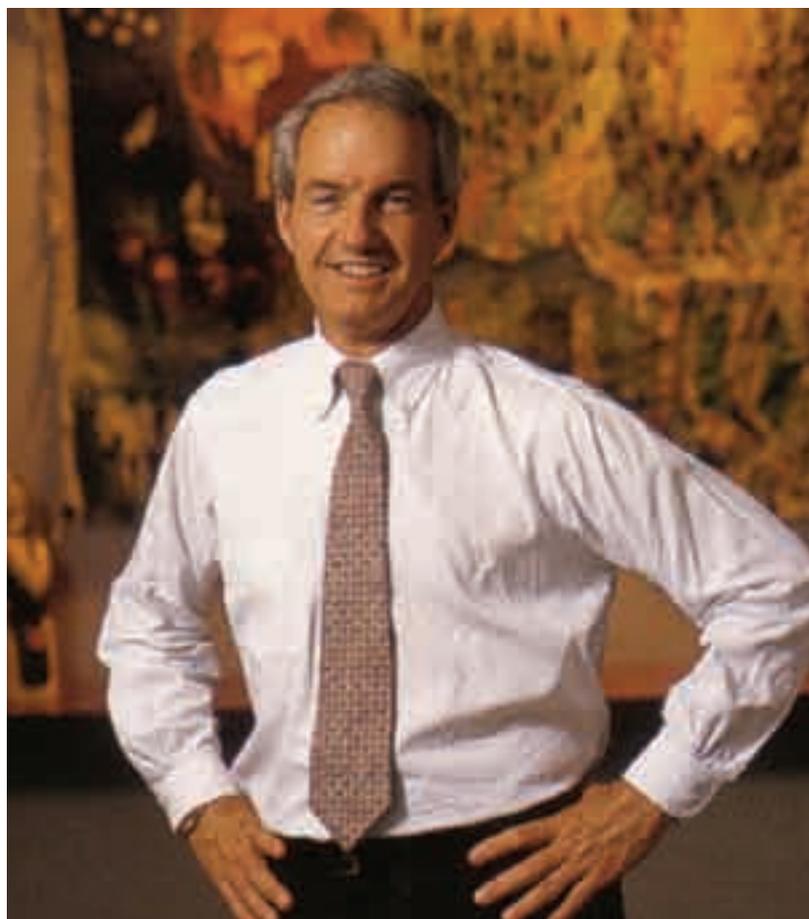
DAI's corporate governance was also undergoing a sea change. For years, the Board had been mostly amenable to the wishes of the CEO and largest shareholder. There had always been a few "outside" directors, but up to that time, most had been elected from the ranks of management and senior staff on a rotating basis. By 1997, however, the DAI Board had some strong and thoughtful independent directors. David Gunning had been there since the beginning.

**After overseeing nearly a decade of tremendous company growth as President, Tony Barclay became DAI's CEO on April 9, 1999.**

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**On April 9, 1999, DAI hosted the "Built to Last Blast." Charlie Sweet (top, left) is shown in typically animated discussion. Zan Northrip (bottom, center) now manages DAI's Economic Growth sector.**

After serving in the government in the 1970s, he had moved up to lead the corporate practice at the law firm of Jones, Day, before leaving to become CEO of a Cleveland insurance company. Stark Biddle, who had joined the Board a decade earlier, was an M.B.A. with many years of USAID and development consulting experience, and Frank Vest, an experienced investor with a keen eye for financial metrics, added business sophistication to the Board's deliberations. The newest outside director (as of 1993) was Marcia Sharp, CEO of a communications strategy firm, who had, like Biddle and Vest, been introduced to DAI by Barclay.

In September 1997, the Board elected Gunning as its Chairman. This change marked a separation of authority between the roles of Chairman and CEO, one that DAI has observed ever since. Days later, the directors announced to all employees that they would henceforth "play a significantly stronger role in governance and oversight of DAI." Jean Gilson, an internal director at the time, speaking on behalf of the Board at an all-staff meeting, announced an 18-month transition period, which would conclude with the appointment of a new CEO to succeed Mickelwait. Barclay, who had served as President and Chief Operating Officer since 1990, was the probable successor, and the Board insisted that he and Mickelwait commit themselves to make the process as smooth as possible. Acknowledging that a prolonged transition could have some divisive effects, the Board vowed "to ensure one, cohesive DAI."

Mickelwait knew that Barclay had introduced much-needed business discipline to DAI, but he could not help worrying, as Max Goldensohn put it, that Barclay's overall direction was toward "more business and less development." This concern was not really warranted, but Barclay understood it. "It was almost like a father feeling that he'd been raising his kids to play a good role in society and he doesn't want them going to work on Wall Street," he acknowledged later.

The directors faced a classic dilemma: how to guide a transition of leadership from a charismatic founder of a successful business to a younger, more buttoned-down successor who would be able to provide capabilities and strategy more attuned to the company's future needs. Barclay developed the 1999 strategic plan, which envisioned acquiring IQC "franchises" to protect DAI's market share and revenue level with USAID (then $60 million). Aiming for $100 million in revenue by 2003, he assumed that 40 percent would come from nontraditional sources, including Bannock (European revenue), ECI*Africa* (revenue from southern Africa), and other new initiatives. Barclay believed in making a commitment to specific targets, including stock appreciation. Mickelwait had always been more open-ended in his thinking and less focused on financial targets.

On March 6, 1999, the directors approved the new strategic plan and brought the succession process to a conclusion. On April 9, the last day of DAI's 1999 staff conference, Barclay became CEO. John Buck, Charlie Sweet, and Don Mickelwait all attended a "Built to Last Blast" held that evening. Mickelwait ended the day as DAI's official "Founder and Director." There had been some talk of providing him with a founder's corner office upstairs from Barclay's. But Mickelwait cared too much about the future of the company to hover over his successor once the process was complete. He moved to Bangkok and began spending lots of time in China, which was, as he later put it, "as far away as I could get."

USAID's Office of Transition Initiatives supports peacebuilding
activities and funds reconstruction in crisis zones and war-torn
areas such as the Democratic Republic of the Congo.
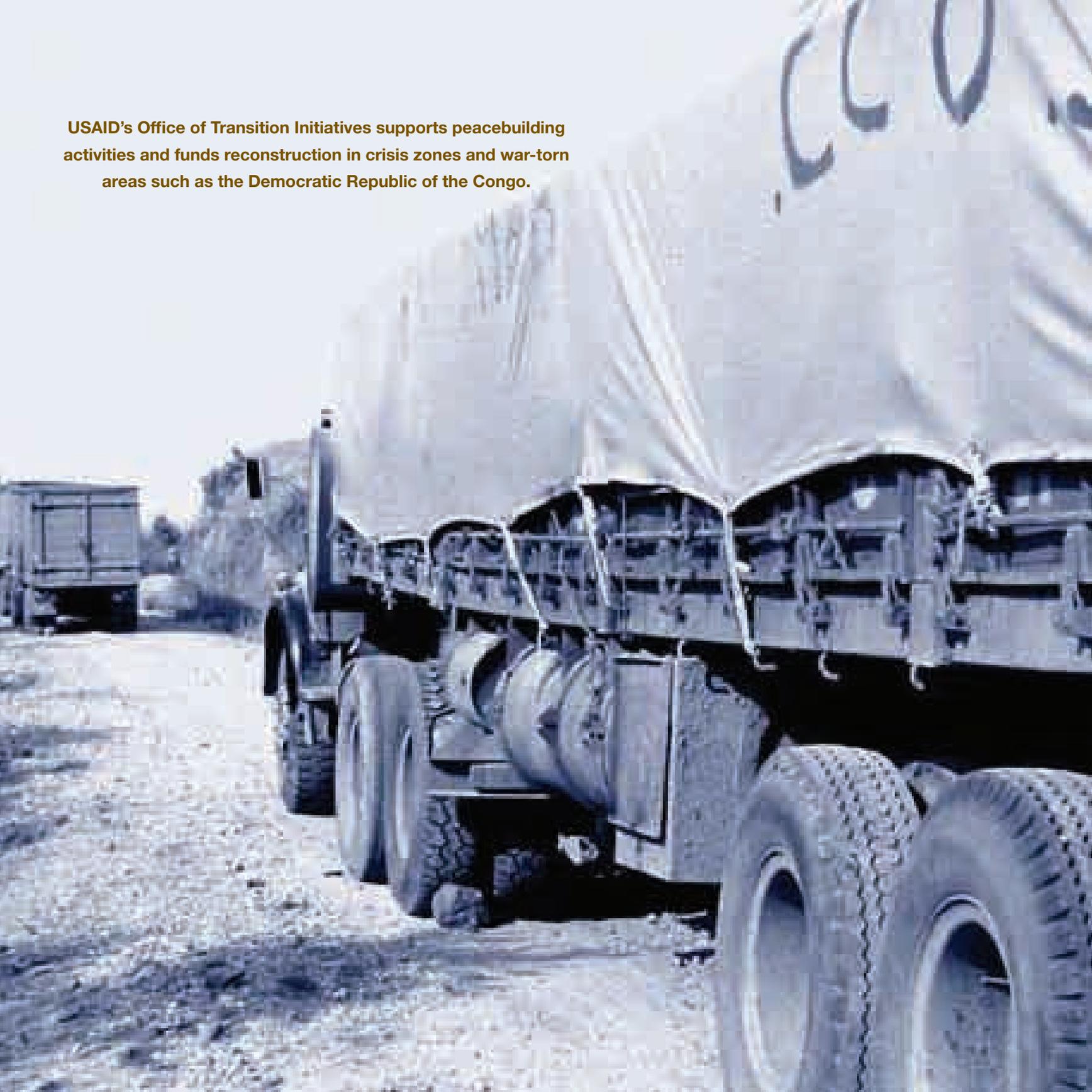
Chapter Four

# Farther and Faster, 2000–2004

In early 1997, rebel troops were marching toward Kinshasa, the capital of Zaire, a country that would soon regain its historical name, Congo, or, more formally, the Democratic Republic of the Congo (DRC). The 30-year dictatorship of Mobutu Sésé Seko, whose corrupt practices and organized thievery gave birth to the term "kleptocracy," was rapidly coming undone. Although Mobutu had been a staunch ally of the United States during the Cold War, American policy makers were shedding few tears at his demise, and many were cautiously optimistic that rebel forces led by Laurent Kabila might usher in a period of stability and economic recovery. Congo's massive endowment of mineral wealth and its strategic location in the heart of the continent guaranteed it would get close attention. No one, however, could have imagined how much conflict and pain lay ahead for its people.

Soon after Mobutu fled to exile, Tony Barclay placed a call to a friend at USAID, asking if there was a way that DAI might assist the transition and reconstruction process. Rick Barton, whom he had known for more than a decade, ran a new, entrepreneurial arm of USAID called the Office of Transition Initiatives (OTI), which had been created to deal with fluid situations like the one unfolding in Congo. Barton invited Barclay to bring in a team to meet with his staff in an informal session, and explained that he was doing the same with several other prospective partners.

There were many unknowns. DAI had cut its teeth in Congo, learning by doing in the implementation of the North Shaba Rural Development Project (1977–1986). But the company had not worked there since. How bad were conditions across the country, and how would the Congolese react after their paternalistic leader disappeared? Were there viable local organizations to work with? What were OTI's expectations of an implementing partner in an environment like this one? Could DAI mobilize the right people and develop an operating model suited to this challenge?



Photo by Max Goldensohn, DAI

Barclay could not have known then that within just a few years, DAI would more than triple in size, much of its growth fueled by its strong performance in post-conflict environments. With that rapid growth came the opportunity to build the firm's reputation as a go-to service provider for USAID in the most difficult settings, and enhance its leadership role in the development community.

## Working in the Wake of Conflict

OTI had been formed with a mandate for flexible programming because USAID recognized there was a gap in its toolkit—the gap between disaster relief delivered on a short-term basis and longer-term social and economic development programs. Like other donor agencies, its business model was not equipped to help countries through the complex transition period after conflict ceased, when political, social, and economic structures were shaky and early gains could soon be lost. These situations required immediate funding—much faster than the traditional project planning cycle—and increased flexibility, as it would be impossible to know in advance exactly where to allocate funds and which local organizations merited support. OTI's Barton compared his new approach to venture capital investing, because it put a premium on creativity and prudent risk-taking by OTI's team and its implementing partners. DAI quickly embraced the concept.



Photo by Orin Hassan, DAI

DAI's informal presentation in Barton's office went well, probably because there were experienced Congo hands on both sides of the table. Although DAI had proposed to run just one of the four or five regional offices in the new Congo program, OTI told Barclay, "Yours was the only group that demonstrated both knowledge and a genuine affection for the country, so we're asking you to manage the whole program." Just two weeks after the contract was signed, the first members of DAI's project team (including several who had done Peace Corps service in Congo) arrived in country, fanned out to open four regional offices, and began engaging local organizations to develop ready-made projects for OTI grant funding. Soon funds were being disbursed and grants implemented at a pace and scale that dwarfed previous OTI efforts in other countries.

**SWIFT projects could involve a wide variety of work—the key was to cooperate with local citizens and act quickly.**

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## SWIFT Work in Timor-Leste

**Timor-Leste had long lived in disappointment. In 1974, Portugal gave it its independence, but within a short time Indonesia took it over. In the fall of 1999, through a UN-sponsored referendum, the people of Timor-Leste again voted for independence. Indonesian-backed militia responded by looting the cities and burning the countryside. Just a month after the violence ended, a SWIFT team moved in, making 30 grants in 40 days. The money helped purchase tools, pay villagers to clean up the countryside, and rebuild marketplaces and other basic infrastructure.**

**For a year, the SWIFT team paid wages in Timor-Leste to build up a thriving cash economy. By mid-2002, DAI had administered some 500 grants worth $15 million. By then, the transition initiatives had grown beyond the basic to encompass supporting local media, bolstering civil society, furthering the rule of law, and fostering local economic development. All along the way, it was the people of Timor-Leste, working through DAI-run projects, who built their own nation back to stability.**



Photo by Expedito Belo, DAI

Success in the Congo persuaded OTI to create a stronger contracting platform in the shape of an IQC called "Support Which Implements Fast Transitions," or SWIFT. When the RFP for this new vehicle emerged in the summer of 1998, it included an "illustrative" task order calling for a technical approach, staffing plan, and budget for an urgent new activity in Indonesia. Once again, an uncertain political transition was occurring, in this case after the collapse of the Suharto regime, which had been far more competent than Mobutu's but almost as corrupt. Appropriately enough, awards under SWIFT were made to the winning firms in record time, and the first task order was issued to DAI, which put its start-up team on a plane to Jakarta less than 72 hours later.

Bruce Spake had returned from his tenure as a Chief of Party with the banking team in Bosnia to lead the SWIFT effort. Indonesia proved to be an ideal proving ground for OTI's flexible approach, and USAID mission director Terry Myers (as it happened, another old friend of Barclay's, and Boomgard's client in Central Java 10 years earlier) decided to mainstream the contract, declaring it "the type of instrument every mission should have." Having emerged from 30 years of one-party rule and rigged elections, Indonesia was heading into a wide open, hotly contested presidential election. The stakes were high, as was the risk of communal violence that could undermine the new democracy. One of the biggest challenges was convincing Indonesians that they could actually participate in the process, and that their votes would be counted. Between October 1998 and June 1999, DAI made 116 grants worth $3.7 million in support of voter education, including televised public service announcements and funding of Indonesia's first televised political debates. The peaceful outcome of the election and the stability that followed proved the wisdom of this investment.

Tactical deployment of grants was the most essential ingredient in the SWIFT model, because when money is targeted wisely and spent locally, it can build confidence that conditions will improve, even in the aftermath of violence. But in Indonesia at the time, as in other unstable environments, corruption was endemic. DAI and OTI took pains, therefore, to administer "in-kind" grants—working with local organizations to determine needs and then paying for actual supplies and services to see that the money actually went where it should. If SWIFT placed a premium on DAI's ability to move quickly, it also drew heavily on DAI's considerable administrative skills.

SWIFT was by far DAI's biggest "frontier initiative" of the late 1990s and early 2000s. From Peru to Liberia, and Timor-Leste to Iraq, the firm learned how to delve deeper into the problems of transitional societies and respond more effectively to crises and opportunities. There was no formula or standard bag of tricks for achieving stabilization in troubled environments: appropriate responses might involve opening a clinic, rebuilding a town hall, or just cleaning up garbage. But the approach, as Spake put it, was consistent: work collaboratively with the citizenry; give credit to local governments; rather than taking "no" for an answer, find out where "yes" is; and understand USAID well enough to navigate through red tape while remaining accountable for the money under management.



Photo by Mike Godfrey, DAI

## Growing Pains Resurface

As task orders under SWIFT got under way and other new work came on line, DAI struggled with a new set of internal challenges. Barclay's first year as CEO got bumpier as the months passed. Up until now, an improvisational approach to management structure and systems had sufficed, and most DAI staff either attributed the company's growth to Mickelwait's appetite for continuous experimentation or believed that DAI had prospered despite it. Although a divisional structure was first introduced in the mid-1980s, the more informal label "group" soon took hold, and the group names, sectoral distinctions, and leadership changed often—especially when group leaders took up Chief

**In Liberia, DAI projects put ex-combatants and war-affected people to work building community infrastructure.**

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of Party jobs overseas. As long as this was the case, real authority remained concentrated at the top of the firm.

By the time of the CEO transition in 1999, however, more authority had been devolved to the operating groups, and their leaders all had the title of Vice President. These were timely changes, reflecting the lateral diversification of DAI's practice areas through the addition of small and microenterprise, banking, public sector management, and post-conflict stabilization to its traditional portfolio of agriculture-related services. Barclay gave his full support to the increasingly powerful group leaders, including Jim Boomgard in finance and enterprise development, Michael Morfit in governance, Ed Stains in environment and water, and Max Goldensohn in agriculture. "We had the flexibility and independence and trust of Tony to get on with it," said Boomgard. "He didn't try to run the groups himself."

In the previous year, DAI revenues had reached $69 million, and they rose by another $8 million in 1999. But not for the first time, rapid growth proved to be just as perilous as a slowdown. For one thing, DAI's coherence as one company seemed to slip as the groups gained traction and revenues continued to climb. Some old-line employees grew discontented, convinced that the larger company left little room for creativity in their work. But these problems were more nuanced, and less threatening, than the prospect of a financial meltdown.

In hindsight, the problem seems very clear: not only were the old habits of a smaller, more informal company hard to break, but DAI's financial controls and accounting system seriously lagged the growth in revenue. A cascading series of staff departures in the finance office compounded that problem in 1999, resulting in a 100 percent turnover rate in this, then, underappreciated yet critical part of the company. The Congo project and SWIFT task orders included large amounts of grant funds that generated no profit for DAI, but in any given month put heavy demands on available cash. Much of DAI's institutional memory vanished with those staff, and before long expenses weren't being tracked, bank accounts weren't being reconciled, invoices were going in late, and DAI faced long delays in getting paid. By January 2000, the resulting cash drain had put DAI out of compliance with the covenants on its credit agreement. SunTrust Bank proved patient and confident that management would right the ship, but the first half of the new year was full of tension and worry.

DAI hired a new Chief Financial Officer, Pamela Little, a veteran of several turnarounds, to stop the bleeding. Little had Barclay's backing, and the Board's, to do whatever that took, and she applied an authoritarian "I make the rules" style while putting in countless long hours with her newly hired staff to fix the problems. Audited statements for 1999 did not appear until October 2000, and it was only in November that current-year results were available, showing

DAI on track to cross the $100 million revenue threshold, three years ahead of the strategic plan target. By the spring of 2001, Little had rebuilt the back office and the company's financial health was restored. But many senior staff were skeptical of her efforts. When one Vice President complained that DAI had become a financially oriented company, Little laughed and replied, "Clearly you have never worked in one." In 2003, she opted to move on and was succeeded by Dennis Fransen, another seasoned CFO who had a background in defense and technology companies.

The root of these problems lay in the fact that the mind-set of a $20 million company—informal, familiar, and highly personal—didn't match the demands of a much bigger balance sheet, projects that could burn through $2 million in a single month, and a larger, more diverse workforce. DAI had always prided itself on ad hoc problem-solving, workarounds (for example, Mickelwait's decision to let field teams generate their own invoices and mail copies back to headquarters), and empowering managers to use their judgment, even if their homegrown systems were impossible to replicate. This was a source of friction between those striving to make the business perform better and those who felt it was more important to serve beneficiaries and keep clients happy.

The Board was alarmed that DAI could have slipped so quickly into financial distress. Barclay was too, and he believed that the Board could help introduce more financial discipline. For many years, DAI's employee shareholders had elected a majority of the directors, and most were drawn from the senior management ranks. Their role had been mainly advisory so long as the company's founder served as both CEO and Chairman. As stewards of the informal culture that had molded DAI, they tended to be conservative in their outlook when it came to making new rules and enforcing standardized procedures.

The Board itself was changing, however—evidenced by its role in steering the succession process—and its fiduciary responsibility to ensure the firm's financial health was now paramount. With Barclay's encouragement, and leadership from Dave Gunning and Marcia Sharp, the Board's governance committee began to realign its membership so that most directors were independent. A new policy took effect requiring that all employee directors except the CEO should come from the ranks below the executive team level. This produced clearer differentiation between the Board and management, and showed that DAI was coming to grips with the requirements of a larger company with obligations to external stakeholders (bankers and clients) as well as internal ones (employee shareholders).

**DAI subsidiary ECI*Africa* grew quickly and was earning significant revenues by 2004.**

## Building a Global Network

DAI's Board had accepted the logic of market diversification in the 1999 strategic plan and kept management's feet to the fire on this issue even as traditional business growth was dramatically exceeding plan targets. Global expansion through local companies organized in a network configuration intrigued Barclay and became his top priority. He saw great potential for decentralized local business units to win and execute business with clients beyond the reach of the Bethesda-based team, if those units could draw on DAI's worldwide experience while tapping their firsthand knowledge of their clients' needs. Assembling the right pieces in this global/local puzzle proved quite difficult, for a number of reasons.

By 2000, the company had a presence in several countries, ranging from the Bannock (Europe) and ECI*Africa* (southern Africa) subsidiaries to remnants of the Asia marketing network created in the 1990s. Improving and expanding the subsidiary companies was the preferred alternative. Barclay believed that by sourcing local consulting talent, and fielding managers on the ground to develop close relationships with new clients, the subsidiaries could offer more cost-effective, more competitive services than those DAI typically included in its proposals to USAID. He put this commitment to globalization front and center in management discussions and, in the fall of 2002, laid out DAI's "2010 Global Leadership Vision" in a presentation to the Board.

The executive team, and some Board members, were unsure if the network model could really work. The record of DAI's subsidiaries was mixed. MAS, a bank training subsidiary attached to DAI headquarters, had been shut down in 1999 due to a lack of business, and serious accounting problems in MAS would come back to haunt DAI several years later. Progress in London was disappointing, because Bannock Consulting had never aligned itself with the DAI corporate strategy and failed to capitalize on the parent company's experience and assets. Heavy turnover in Bannock's management ranks began to cripple the company in 2003. ECI*Africa* provided a better example in certain respects, although its success would not be sustained after DAI's seconded management team rotated back to Bethesda. The team of Adam Saffer and Bill Grant had positioned

ECI*Africa* as a reliable service provider with USAID, the U.K. Department for International Development, and other clients. Ben Feit, based there from 2005 to 2008, led a successful effort to develop business with South Africa's Department of Treasury and provincial governments. Saffer came back to DAI headquarters in 2003, Grant in 2006, and Feit in 2008. After growing very quickly to be a $10 million company, certainly one of the largest Africa-based development firms, ECI*Africa* hit a rough patch as its new and inexperienced South African executive team lost the confidence of the marketplace and of their own staff. For many of those monitoring DAI's globalization efforts, the ratio between the costs and benefits of managing subsidiaries seemed to be trending in the wrong direction.

Saffer's new brief as DAI's VP for Strategy and Diversification included expansion to Brazil, a country where DAI's first foothold was a small advisory contract financed by the InterAmerican Development Bank. Lara Goldmark, DAI's resident advisor, found that her project with the National Development Bank of Brazil was moving at a slow pace, but as she became known and trusted, she began fielding ad hoc requests for analytical studies from various organizations in Brazil, and referred them to DAI to undertake the work. Operating with a tiny business development budget (only $5,000 in the first year), she generated more than $200,000 in contracts under the informal umbrella of DAI Brasil, a company that did not yet exist. Being genuinely local was an imperative if this initiative were to be continued, so the virtual company

became officially registered in 2003. Goldmark was returning to the United States, so Saffer appointed a Brazilian managing director and assigned Nate Bourns, a young professional from DAI's home office, to the new office in Rio de Janeiro.

DAI Brasil tried to carve out a niche on terms that the parent company could support: hiring several full-time staff, paying them normal benefits, and adhering to consistent ethical business standards. All of these practices ran counter to the "consultancy culture" in the country, which thrived on informal arrangements, minimization of tax obligations, and lots of winking and nodding to secure business with Brazilian government clients. When Luiz Inácio Lula da Silva was elected President, many observers expected to see a big increase in development and poverty alleviation programs. Lula surprised everyone by taking a fiscally conservative

**Stymied by shifting political winds, DAI faced difficult challenges in Brazil—perhaps even more challenging than those in Africa.**

**Above: Amazonian deforestation.**

approach, however, and the boom in domestically financed development initiatives did not materialize. After two years, the management team departed, and DAI exited this investment, transferring the small contracts in the portfolio to the remaining Brazilian staff.

Brazil had been an experiment, and both entry and exit had been handled with more discipline than some previous diversification efforts. It was the wrong market environment for a company with DAI's value system and business model. But the Latin American door was not permanently closed, and several years later, in Mexico, DAI developed a localization formula that had better prospects and was better aligned with the company's strategic vision.

In the Middle East, where political turmoil was endemic, DAI moved boldly and unexpectedly to establish a permanent presence. The firm had begun working in the West Bank and Gaza in 1994 on small business development, moving later into trade expansion and market access programs for local businesses. Its staff developed a unique knowledge of the Palestinian private sector. The expats, including Tim Smith, Jim Packard Winkler, Gary Kilmer, and Denis Gallagher, put a premium on developing local staff consulting skills, and DAI's face to the market was increasingly Palestinian with each year that passed.

Despite what Jim Packard Winkler called "the roller coaster of the peace process," the series of projects that DAI undertook for USAID was

highly successful. Said Abu Hijleh, who had been mentored by Winkler and the others, took over Chief of Party responsibility in 2001, and proved adept both at client relationships and as a mentor himself to the young, energetic Palestinian staff. Continuity, commitment, and superior performance were the hallmarks of DAI's presence in Palestine, so the formal registration of a company in Ramallah—where no other U.S. companies had set up shop—was an organic result of 10 years of experience. When Winkler, Abu Hijleh, and Barclay formally opened the office in May 2004, they announced that this was "intended to signal DAI's commitment to the market."

As the decade went on, Barclay saw that this global push would involve more than establishing offices and subsidiaries, and investing corporate funds to grow the business. He knew

it was equally important to widen the company's Washington-centric perspective and make it more attuned to changes on the development landscape worldwide. This reorientation was the guiding principle behind DAI's first regional staff conference, held in Belgrade, Serbia, in May 2003. Attended by 135 staff members, more than half of them based in Europe and Asia, the conference began without a traditional agenda formulated in the home office. Instead, in an "open space" forum, participants volunteered to lead sessions. Eventually, 54 discussion groups convened to talk over issues defined in the field rather than by the home office—a big step, Barclay ventured, in his efforts to "shift the center of gravity away from Bethesda." A similar conference in Johannesburg later that year applied the same process and brought staff together from across Africa as well as from the home office.



In an effort to "shift the center of gravity away from Bethesda," Tony Barclay convened DAI's first regional conference, in Belgrade, Serbia, in May 2003.

## A Voice for the Industry

For its first 20 years, DAI had always coped, more or less on its own, with the ups and downs of American foreign aid funding and policy shifts as administrations came and went. It did not see itself as part of the political process, and thus it invested mainly in relationships with the technical staff in USAID who were its clients, and managers in overseas missions. Other contractors took the same approach. By contrast, the nongovernmental organizations (NGOs) had established their own umbrella group, InterAction, which was very active on Capitol Hill, lobbying for NGO interests and influencing decisions about where foreign aid funds were appropriated.

In the political context of the 1990s, with USAID subjected to growing criticism and large funding cuts in the offing, it became apparent that remaining a spectator was no longer a viable option. The absence of any organizational base among development firms was a serious disadvantage, because it was difficult for a single company to make its voice heard or reach decision makers on Capitol Hill or in the executive branch. Barclay decided that this constraint had to be removed.

Initially, leaders of half a dozen contracting firms gathered for lunch at the Bombay Club, a restaurant near the White House, to compare notes and explore ways to collaborate on issues of common concern. Informal meetings continued after that, participation increased, and while the location of meetings shifted, the restaurant's name stuck as a label for the group. One member argued that it was time to create a specialized trade association dedicated solely to representing development firms. Barclay worried that this approach could prove costly and time-consuming for DAI and its competitors and might never achieve critical mass.

He had an alternative in mind. Among the associations already on the Washington scene was the Professional Services Council (PSC), whose 100 members were mostly Northern Virginia-based technology and defense contractors. Across all government agencies, service contracting was a growth industry, and although the largest firms in the PSC were not active in the development sector, they had consider-

able expertise in federal procurement policy and practices. He convinced about a dozen development firms to join the association and became co-chair of PSC's newly created International Development Task Force. After Barclay testified on Capitol Hill on behalf of the group in 1994, USAID began to recognize the PSC as the voice of the development contracting community. But while the task force tried to engage USAID procurement officials in an effort to streamline procedures and save costs, progress in resolving these issues was frustratingly slow.

Running parallel to the PSC industry initiative was a much broader new coalition that took shape in 1995 after conservative Republicans took control of Congress and declared their intent to slash international affairs spending. "We must all hang together, or most assuredly we shall all hang separately" was the rationale behind the U.S. Global Leadership Campaign, which united NGOs, contractors, businesses, and faith-based organizations to defend the international affairs budget. While playing defense, the Campaign emphasized that this component of the budget represented "just 1 percent" of total federal spending. Later it was able to play offense, vigorously supporting the increases in foreign affairs spending that occurred after the September 11 attacks. Barclay was among the Campaign's founding board members and later became president of its nonprofit educational arm. Here, as in the PSC, it was as much DAI's standing in the community as his personal efforts that propelled the firm into a leadership role.



DAI's AGILE work in the Philippines involved breaking down trade barriers and improving economic competitiveness.

## Higher Visibility and Risk

DAI was proficient at managing complex projects aimed at effecting policy change and strengthening public sector institutions. In one case, however, success had unintended and uncomfortable consequences. When DAI won USAID's Accelerating Growth, Investment and Liberalization with Equity (AGILE) contract in the Philippines in 1998, its main emphasis was on breaking down barriers to investment, competition, and trade, and bringing new vigor to the Philippine economy. It soon became clear that a broad range of policy and regulatory weaknesses, including compromised regulatory institutions and systematic corruption in the government procurement process, was one of the biggest barriers to growth. In 2001, the election of a new President, Gloria Macapagal-Arroyo, brought a pledge to improve governance, and her team turned to USAID for help in delivering on its promises. At first, this seemed

**David Tardif-Douglin found himself in hot water in the Philippines. He went on to serve on DAI's Board.**
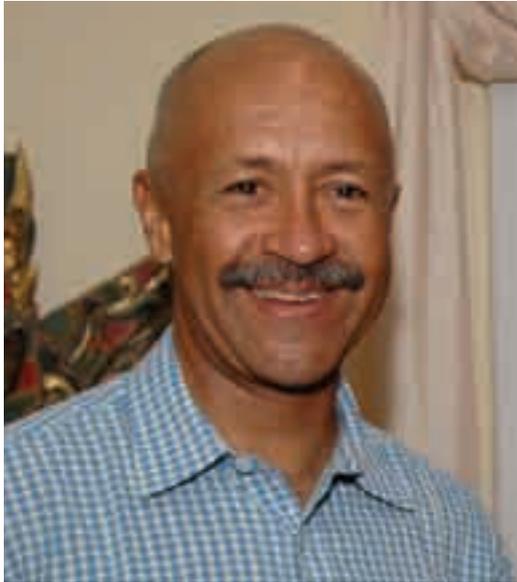
to be an administration willing "to break some rice bowls" in the name of reform. Under AGILE, DAI's mainly Filipino team conducted a comprehensive diagnostic study of government procurement of goods, services, and civil works. It then helped draft procurement reform legislation and supported groups advocating for its passage.

DAI was proud of this work on behalf of the Philippine government, and featured results from AGILE on the company website. But in early 2003, in the middle of a heated debate on legislation to combat money laundering, a member of the Philippine legislature stumbled upon this profile and began to call into question DAI's role in framing Philippine economic policy and influencing the legislative process. Soon, Manila newspapers were spinning hyperbolic

tales about DAI and calling AGILE a "well-entrenched, USAID-funded American lobby group" and even a "shadow government." That the AGILE team had accomplished a great deal was hard to dispute, and some in the Arroyo government stood up for DAI during the ensuing controversy. But Chief of Party Ramon Clarete and his deputy, David Tardif-Douglin, had to endure harsh, theatrical questioning in hearings before the Philippine Senate while USAID and the U.S. Embassy winced and waited for the storm to blow over. Not long afterward, AGILE was branded with a new acronym, and the team was instructed to lower its profile and stick to less controversial topics. While praised for the impact of its technical work, DAI found itself without a chance to compete for the follow-on contract, which was placed under an IQC in which DAI had no role.

AGILE was something of a wake-up call, teaching DAI that simply doing good technical work was no guarantee of peace and quiet. After September 11, 2001, "keeping a low profile" became not merely a figure of speech but also a matter of physical security, indeed life and death. It was in 2001 that Tony Barclay first appreciated how much security now mattered. When visiting a microfinance project in Haiti, he encountered men in camouflage with machine guns patrolling DAI's project office. "Do these guys work for us?" he asked Chief of Party Robert Dressen with a gulp. They did. It was the first time the company's CEO had seen armed guards protecting a project office during daylight hours; it would hardly be the last.

When new projects first appeared in Afghanistan, early in 2002, DAI fielded a team to restore irrigation systems in Helmand Province, another to establish a central microfinance facility that would support local lenders, and a third to work with the rural development ministry to implement the countrywide National Solidarity Program (NSP). Jointly implemented by Germany's GTZ International and DAI, the NSP was widely recognized as an effective model for matching donor resources (in this case, a World Bank loan) with community priorities. The first three years of work in Afghanistan were productive and almost entirely free of security incidents. By 2005, however, the revival of the Taliban insurgency and the weakness of the Afghan government darkened the picture, forcing DAI, like other project implementers, to take many more precautions to protect offices, residences, and staff travel within the country.

The onset of the war in Iraq posed interesting choices for the firm. In the run-up to the March 2003 invasion, DAI found itself one of three firms prequalified to bid on a contract to deploy several hundred expatriate local government experts, which would bring in new revenue of $300 million, and possibly much more. After extensive internal discussion—which occurred in an open-book atmosphere so that DAI employees could appreciate the pros and cons of the decision—Michael Morfit's governance team concluded that the downside risks (doubts about the scope of work, especially the huge emphasis on high-cost expats, and serious concerns about security in the midst and aftermath



of war) outweighed any benefits to DAI. Barclay and the other members of the executive team concurred with the no-bid decision. "Even at our size, that contract was big enough to turn the company upside down if things didn't go according to plan," Barclay recalled, "and we didn't much like the plan."

Simultaneously, however, DAI produced a concept paper, and later a full proposal, to manage an OTI grants program modeled on SWIFT that would rely much more on Iraqi personnel and local organizations, and use in-kind grants to ensure that the resources produced tangible results. The choice of Getu Reta to lead this team gave everyone confidence: he had worked with Kurdish groups in northern Iraq after the first Gulf War and had done an excellent job as Chief of Party on DAI's Timor-Leste program with OTI. Among the team's first initiatives was to set up a communications center in Umm Qasr,

**DAI was in Baghdad soon after U.S. troops captured the city in 2003. The need for fast implementation made DAI one of USAID's principal implementing partners.**

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**People with guns, in canoes or otherwise, were somewhat common in DAI work areas, but by 2001, armed soldiers were protecting some of DAI's own offices.**

just across the border from Kuwait, and find a meeting place for the city's town council. Bigger tasks soon followed in dealing with the looting that followed the fall of Baghdad. To help get the national ministries back on their feet, DAI implemented a $4.1 million "ministry-in-a-box" program that provided standard office equipment to every agency of the Iraqi government. OTI's effectiveness in those early weeks was noticed by the Coalition Provisional Authority, and soon the CPA and USAID quadrupled the budget. By its close in mid-2006, the Iraq Transition Initiative had disbursed some 5,000 grants valued at more than $350 million across every province in the country. In contrast to the vast amounts wasted or stolen from many big-ticket reconstruction contracts, ITI was efficient, lean, and gave value for money.

From the beginning, security was a serious concern in Iraq. DAI's ITI team was first stationed in Baghdad's Green Zone, in one of Saddam

Hussein's palaces, communicating by satellite phone and using sleeping cots as desks. But staying in the safety of the Green Zone would compromise the team's efficiency and ability to work with Iraqis. Within two weeks, employing the networks of an Iraqi firm DAI had been using in the northern, Kurdish city of Erbil, the DAI team moved into a safe area in the Mansoor District and began hiring Iraqi staff. Working through Iraqi firms based in Erbil but with nationwide and interethnic networks, ITI hired Iraqi guards, most of whom were peshmerga fighters from the north, to provide low-profile but robust security. The presence of live-in Kurdish security caused neighbors to assume ITI was a Kurdish construction firm with expatriate engineers, an accidental cover that suited the team well.

By late 2004, Baghdad had become too dangerous for such low-profile measures to protect DAI's expatriates. But raising that profile, by bringing in expatriate security providers and putting in blast structures, would make offices targets and endanger Iraqi staff moving in and out of the compound every day. Instead, DAI opted to manage Iraqi staff in Baghdad and other high-risk areas remotely, from the relative safety of Erbil, with expatriates visiting Baghdad only when required and using communications technologies to stay in close touch with local teams. This arrangement permitted DAI to tap local knowledge and maintain capacity in Baghdad and elsewhere without jeopardizing Iraqi and expatriate staff. Figuring out how to operate in high-risk environments was becoming a core competency of the firm.

## Transformation and Transition

The early 2000s had been a time of breathtaking growth for DAI. While $100 million by 2003 seemed like a stretch goal when Barclay became CEO, that milestone was passed quickly, and revenues were approaching $300 million by 2004. The rapid scaling up of contracts in Iraq and Afghanistan played the largest part in fueling this growth, but the maturation of relatively autonomous operating groups had also helped the company to stretch far beyond its former contours and win new work in other regions. DAI's portfolio now spanned more than 50 countries and staff were thinking more expansively than ever before.

But Barclay wasn't fully satisfied, and neither was the Board. For one thing, DAI's finance office had still not mastered timely reporting, efficient cash management, and other functions that would earn the confidence of the executives who led the operating groups. For another, in the new structure, information had become harder to share than ever. "If only DAI knew what DAI knows," went a familiar refrain of this period. Finally, although they facilitated expansion, the operating groups were in some respects pulling the company apart. Was this the unavoidable price of growth? The CEO refused to believe that.

Reflecting on this period, he said "The lesson it took me longest to absorb was that our values and culture don't automatically rub off on any-



Photo by Orin Hassan, DAI

**Post-war reconstruction is not only about rebuilding cities. DAI also worked with local citizens to restore Iraq's marshlands and to revive Afghanistan's irrigated agriculture. Above: Peter Reiss (right) in Iraq to lead the marshlands program. Below: workers clear ditches in Afghanistan.**

## Restoring the Iraqi Marshlands

For centuries, Iraq's Tigris and Euphrates delta had been covered with 8,000 square miles of marshes, home to the Ma'dan, or "Marsh Arabs," and their rich and distinctive culture. During the first Gulf War, however, rebels took sanctuary in this inaccessible region, and Saddam Hussein took revenge by draining what had once been the second-largest wetland in the world. The result: an environmental and cultural catastrophe.

Almost as soon as Baghdad had fallen, Iraqi and American authorities began to wonder if the marshes could be restored. In May 2003, USAID called up DAI's longtime expert on water issues, Peter Reiss, and asked him to develop a proposal. USAID wanted it in a weekend; Reiss held out for a week. A month later, DAI signed a $4 million contract for the Iraq Marshlands Restoration Program (IMRP), funded through USAID's FORWARD project, and Reiss led a team that included Iraqis from the University of Basra and elsewhere into the Mesopotamian marshes for the first time in 20 years.

By 2005, DAI staffer Ali Farhan could claim with justification that "the marshes are getting back, they are recovering." In 2007, the American Anthropological Association recognized Reiss's work on IMRP with its prestigious Lourdes Arizpe Award, a biennial honor that recognizes outstanding achievement in the application of anthropology to environmental issues.



one who walks in the door. When we urgently needed better systems, I looked for skill sets and experience that we didn't have. But several times I brought in people who thought that their job was to 'fix us,' and therefore never identified with our mission. And, of course, they didn't last."

At the time of succession, Mickelwait and Barclay agreed that an alter ego for the CEO would be a good idea, something like the Don/Tony model that had been in place before. A search process led to the hiring of former ICF executive Ken Schweers, whose specialty was energy policy and financing, as Chief Operating Officer (COO), to manage the groups while the CEO focused on strategy. Schweers proved, said David Gunning, "that we could in fact manage contracts more profitably than we'd ever been able to do in the past," and his calm temperament was a stabilizing influence during the period of financial turmoil. But he never developed a strong passion for development work, and he left the firm in 2002. The executive team structure remained loose, rather than cohesive, for the next year, with each operating group tending to its own business and, in some cases, setting priorities without reference to the others.

By mid-2003, the costs of fragmentation were starting to mount, especially on the new business front. The winter and spring had seen DAI submit a string of losing proposals, several of which failed even to make the "competitive range" of finalists. Large investments (each big proposal consumed at least $50,000, sometimes much more) were being made in a losing cause, and proposal quality was very uneven. No one was accountable for new business performance, yet this was the firm's lifeblood. Convinced that DAI had lost its sharp focus on USAID clients, Barclay decided to centralize leadership of business development and appointed Jim Boomgard as Senior VP to lead a new unit whose staff would do nothing but write, critique, and refine proposals. DAI's win rate began

to improve as soon as this change occurred, but Boomgard's authority over the operating groups, when it came to choosing winnable RFPs and assigning the right people to proposal teams, remained ambiguous.

In the spring of 2004, further steps were taken after an executive team retreat that analyzed gaps in the management structure and proposed solutions. By now, DAI was ready for a strong COO, and this authority did not have to be imposed on the operating group VPs—indeed, they asked for it. Jim Boomgard was the consensus choice. His colleagues had seen him grow personally and professionally over the previous several years, and they had faith in his intellect, judgment, and character.

This was a big decision, and Barclay thought it made good sense because it would rebalance the executive team. Although he hadn't previously focused on the next succession process, he knew that issue would soon be before him and the Board. By promoting Boomgard, one of the younger members of the executive team, he was sending an important signal about future leadership of the firm.



Photo by Joanne Kent, DAI

During the late 1990s and early 2000s, DAI had indeed gone much farther and faster than anyone could have imagined, packing an unprecedented amount of growth and learning into just a few years. A much larger company, financially healthier, and with a much deeper set of skills, DAI was once again heading toward transition.

**In February 2005, Jim Boomgard became DAI's Chief Operating Officer.**

Chapter Five

# Pulling Together, 2005–2010

## When she became Vice President

of DAI's Agriculture and Natural Resources Group in 2005, Betsy Marcotte was an experienced professional. She had been working at ICF during that firm's aborted 1991 merger discussions with DAI and managed water and environmental projects for another USAID contractor. Marcotte had long been impressed with DAI, which she saw as more "mission-driven" than its competitors. But once on board, she realized that with little cross-fertilization occurring between its four practice areas, staff in her group viewed the overall company mission from widely different perspectives. A few weeks into her tenure, she scheduled a retreat to bring the group's 50-some staff together. Certain that she would be considered an "outsider," she approached the event with some trepidation. She soon found, however, that personal relationships among the staff were not as strong as she'd expected. As a result of growth and turnover, she recalled, "all of us were outsiders to some degree."

By many measures, DAI was then at the top of its game. Having won $410 million in new contract awards in the preceding year, it was on the road to becoming one of USAID's largest implementing partners. But some important internal questions were looming: the company's long-term ownership structure and its future leadership had not been settled. And despite measures to lower them, internal walls between business units and support offices were only getting higher. For DAI, staying on top would require tying up these threads of uncertainty and pulling employees together at every level. Fortunately, Betsy Marcotte was just one among many leaders committed to making this happen.

**Betsy Marcotte came to DAI with an inherent ability to shake things up, if necessary.**



Photo by Joanne Kent, DAI

## Ownership Dynamics and Culture

From its inception, DAI's bylaws expressed the founders' conviction that the company should remain independent and that shareholding should be limited to current employees. By 2005, the ownership circle had grown to the point that there were 70 individual shareholders, holding 33 percent of the equity, while the ESOP (the successor to the old profit sharing plan) held the remaining two-thirds. The advantage of the ESOP was that it gave all U.S. employees a chance to participate in ownership. Shares

in the ESOP were distributed through annual contributions by the company. They could not be bought and sold, except when an employee left the company, at which time the individual would be paid out in full, over a few years, for the value of his or her shares. ESOP participation had spread to approximately 350 people by 2005.

There were questions, however, about the future of the stock that was individually held. Between them, Mickelwait and Barclay owned 20 percent of the 33 percent, while the remaining 13 percent was spread in much smaller amounts among 68 other individuals. The shares were valued each year, and the trend line was very positive, with an increase from $23/share in 1995 to more than $200/share in 2004. Counterbalancing this good news was the fact that both of the two big shareholders planned to sell their shares over the next several years. The company would have to find the money to buy them out.

Historically, this is the point at which many private firms disappear. Founders typically take their equity out by selling to a larger entity, or the company goes public with outside investors replacing employee owners. In DAI's case, neither path held much appeal because the priorities set by outside owners might clash with the mission, culture, and values developed over the preceding 35 years. Dennis Fransen, the CFO, believed that an internal solution to the problem could come from the ESOP, which he described as an underutilized asset. Barclay and Fransen





**DAI's workforce has changed dramatically over the years in terms of experience and ethnicity. Above, team members of the trade acceleration and reform program in Vietnam. Below, the Palestine Facility for New Market Development team.**

# ≡ DAI

In 2005, DAI began working to create a more cohesive brand identity. The new brand, unveiled at the May 2006 staff conference, was striking in its simplicity and its departure from convention. At its heart was a new logo, soon dubbed the "DAI Flag," which consisted of three bars of color, with the brown representing strong foundations, the green signifying results, and the blue evoking aspirations—both those of the company and those "that our clients and beneficiaries hold for their own future." The award-winning new scheme was immediately successful, as employees quickly embraced the step toward forging a one-company mentality.



One of the things DAI celebrates most visibly is employee tenure, with public acknowledgment for all employees passing key milestones. Pictured from left to right are Carol Kulski, Tami Fries, and Tony Johnson, who have celebrated their 25-, 20-, and 25-year anniversaries with the company, respectively.

commissioned Houlihan Lokey, an investment banking firm with a strong ESOP practice, to evaluate the options for ownership and compare the ESOP to other investment vehicles.

Over the course of several meetings in 2005, the Board debated the Houlihan Lokey report, which recommended a recapitalization of DAI based on the use of new bank debt to buy back all shares owned by individuals. This would leave the ESOP as DAI's sole owner, after which DAI would convert to a Subchapter S corporation. Going forward would require taking on significant long-term debt ($15 million to be repaid over five years) as well as the willingness of all 70 individuals to sell their shares. The Board took pains to ensure that DAI was prepared on both counts. Although at least one external director expressed concern that management seemed to be putting employee ownership ahead of other strategic considerations, Jim Boomgard insisted that "independence is a critical part of our DNA," and the transaction was approved. It closed in December, and to the surprise of the attorney who handled the paperwork, all 70 individual shareholders willingly tendered their stock, receiving an excellent return on the funds they had invested in prior years.

To access the necessary funds, DAI negotiated a new credit agreement, this time with a syndicate of five banks, combining the $15 million term loan with a $60 million revolving credit line that could be used to finance accounts receivable as the company continued to grow. The result was a much closer alignment between its capital structure and its employees' interest in enhancing their own financial well-being through steady, long-term appreciation in the value of the firm. As Boomgard put it, "We make a lot of decisions over the course of any year that wouldn't satisfy an outside financial investor, or a public company focused on meeting its quarterly earnings forecasts, but are the right things to do for our employee owners."

Ownership, however, could be figurative as well as financial. As Marcotte had learned, continued growth made the tough job of integrating employees from many sectors, cultures, and geographic locations that much tougher, but the company invested in that, as well. The workforce had changed greatly in recent years. By the 2000s, almost every DAI project team included more foreign nationals than U.S. citizens. The intake of new, younger employees was also changing. Once, DAI employees had started out in the Peace Corps or in NGO work and completed a graduate degree before seeking career employment. Increasingly, however, some of DAI's best talent was joining soon after college, starting virtually from the ground up and pressing for opportunities to get out to the field where the "real work" was being done. These younger employees tended to cycle out of the company after a few years, often seeking more education, but DAI tried to lure the best of them back. "We have to put DAI deep enough into their aspirations," explained Bruce Spake.

To reinforce its sense of community, DAI adopted a new visual identity in the middle of the decade. Management also took steps to bring people back together—literally—when it invested in a handsome new office in Bethesda. DAI had long since outgrown the two-story building on Woodmont Avenue and had been forced to disperse staff among several locations, including two satellite offices downtown. In the spring of 2006, DAI leased five floors at 7600 Wisconsin Avenue, half a mile away. The interior featured natural materials such as bamboo and cork, and color schemes on each floor reflected the shades of the new DAI flag. The new quarters featured a "finger painting room" and a profusion of meeting spaces to foster informal creativity and brainstorming, which proved to be an instant hit for proposal teams and task forces working on complex topics. By October, all 300 home office staff were comfortably settled in their new home.

To accommodate its continued growth, DAI moved to a larger office at 7600 Wisconsin Avenue in Bethesda—just a few blocks away from its old headquarters.

# A Changing Landscape

For the first half of DAI's history, the landscape of U.S. foreign aid remained a familiar one. USAID had its changing priorities, but almost alone it had been the chief provider of U.S. foreign assistance. That changed in the latter part of DAI's history, as the military, the State Department, and newly created agencies took more prominent roles in overseas development. One of these new agencies was the Millennium Challenge Corporation, established by Congress in 2004 to disburse funds to countries that seemed to have high potential for successful economic development. Another was the President's Emergency Plan for Aids Relief (PEPFAR), intended to combat HIV/AIDS, primarily in Africa.

**In 2006, DAI hosted a party for the Global Development Alliance (GDA). DAI Senior Vice President for Project Management Rob Dressen stands at left. Among many other things, GDA worked with DAI and others on HIV/AIDS issues.**



USAID was itself changing dramatically. At the outset of the Bush administration, the agency formulated its own response to growing calls to bring free-market forces into play in the realm of foreign aid. One result was the Global Development Alliance (GDA), created in 2001 to facilitate public-private cooperative efforts. Such efforts started by identifying development opportunities and assigning seed money. GDA then enlisted corporate and other private sector partners to pursue collaborative solutions. In 2006, DAI won an IQC to provide a broad range of implementation services for GDA. Led by Kristi Ragan, the GDA team established a presence at both GDA's offices in Washington and DAI's headquarters in Bethesda. Among the team's tasks were to involve the Mars Corporation in Haitian hillside farming, help Unocal and ConocoPhillips fund tsunami relief in Indonesia, and coordinate efforts by the Government of Lesotho and major U.S. clothing retailers to fight HIV/AIDS in that country's garment industry. By mid-2009, DAI had leveraged $3 million in program funds into $17 million in public-private partnerships.

This shifting landscape of development meant tougher going for contractors. As the cost of competing for and administering contracts steadily increased, start-ups faced ever higher barriers to entry, and even many older, more established firms were regularly relegated to subcontractor status. Just a few big contractors, DAI among them, tended to take the lead in prime contracting. With industry leadership, however, came new hazards, including the chance that in the absence of a compelling DAI

When the Board of Directors met in 2006, it elected Jim Boomgard DAI's new President. David Gunning, DAI's longest-serving Board member, stands at the far right.

advantage, USAID would favor a competitor to ensure a "level playing field." This meant that DAI would have to keep its innovative edge and emphasis on quality, and that set a high standard for DAI's own leadership.

In the spring of 2006, Tony Barclay and Jim Boomgard undertook a comprehensive strategic planning process, its principal objective to chart the path from being one of USAID's largest contractors to becoming "the global leader in development." Discussions and consultations were wide ranging and penetrating, and did

much to convince both men that they were moving in the same direction. "We probably realized that we had very much the same view, and that any differences we had were really pretty minor," recalled Boomgard. It was Joan Parker, a respected player on the executive team, who urged Barclay to give Boomgard the chance to prove himself as President. With agreement from the Board, and an understanding among all parties that CEO succession was two or three years away, Barclay took that step at the end of the summer.

# Defense and Democracy

The changing landscape of U.S. development policy amounted to something of a seismic shift. It shattered a unitary government interface into one with many facets and saw USAID move from more conventional economic development to approaches that more forthrightly supported free markets and political democracy. After a crisis, USAID was more than ever before committed to rebuilding on the basis of liberal institutions, sometimes even more than the host country.

It was a real seismic shift that provided the best example of this. The huge earthquake hit early on the morning of December 26, 2004. A few minutes later a towering tsunami hit the city of Banda Aceh on the northern tip of Sumatra, killing some 130,000 people and devastating the province. In the aftermath, the U.S. Government, its reputation in Asia clouded by the Iraq war, was eager to lead relief and reconstruction efforts and bring democracy to the region. This was difficult, because the area had been the epicenter of political separatism and a brutal government response, and long off-limits to tourists and foreign governments.

But DAI was there. Its SWIFT team had been implementing USAID's Support for Peaceful Democratization program since the end of Indonesian authoritarian rule in 1998. Although the Banda Aceh project office was swept away by the tsunami, DAI staff were soon coordinating with U.S. and international relief agencies. Within days, the DAI team was identifying areas of need and providing grants to reconstruct and rehabilitate not only the Sumatran physical infrastructure but its social and economic infrastructure, as well. In two months, DAI channeled $3.8 million into the local economy, more than half of it going to Aceh-based nongovernmental agencies.

Whether the company was mediating between pro- and anti-government forces in Indonesia or working within a combat zone in Iraq, security concerns came ever more squarely into the DAI spotlight. While the safety of its staff remained its paramount concern, walking away from such hotspots was not an option: the development needs were too great, and DAI's contribution was too valuable. Its Iraqi stabilization work in Sadr City, Talafar, and Fallujah, for example, was considered so good that it was cited in the U.S. military's *Counterinsurgency Field Manual* as a model for the "clear, hold, and build" strategy.

**DAI's project office in Banda Aceh, Indonesia, was swept away in the tsunami of 2004, but DAI's SWIFT team helped to coordinate the relief effort within days.**

DAI learned to keep a low profile and to manage its risk when working in war and crisis zones. By 2005, DAI had its own Director of Global Security.

Photo by Heather Robertson, DAI

As Jim Boomgard noted, "Development work cannot be partitioned off from crisis or conflict."

As the decade went on, therefore, DAI put increasing emphasis on risk management. In the fall of 2005, the company hired John Reid to be its first Director of Global Security. Over the next few years, Reid, whose experience included military, government, and private sector security, took a hard look at DAI's far-flung operations, developed guidelines and procedures, and instituted new ways to quantify and minimize risk. At its most fundamental, however, employee security hinged, as it always had, on constant awareness of surroundings and on following a "low-profile approach." The old days of "road warriors" negotiating the hazards of unstable environments alone were long gone. Nowhere was that truer than in Afghanistan, a focus of DAI's development work from 2002 onward.

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**DAI worked with Afghan farmers to replace poppies with other crops. Here, a farmer fills out USAID vouchers for seeds and fertilizer.**

projects, including a local government and community development program and an enterprise development initiative. The latter featured some notably innovative ideas. The Afghanistan Small and Medium Enterprise Development activity (ASMED) awarded grants to Afghan business development firms, conducted training and consulting activities, and implemented internships and mentoring programs. One ASMED activity funded a reality television show. Its format resembling that of "American Idol," the Afghan program featured entrepreneurs rather than entertainers, pitching business ideas to win the competition. By 2010, DAI was implementing half a dozen significant USAID contracts in Afghanistan and was a principal partner for the U.S. Government in one of the most challenging development efforts in history.

DAI's presence in Iraq also continued to expand, extending beyond the boundaries of OTI into the largest project ever undertaken by DAI. In the fall of 2003, USAID awarded DAI the Agricultural Reconstruction and Development Program for Iraq (ARDI), a contract that was nothing if not ambitious. By the time the project ended in late 2006, DAI had carried out some 367 activities nationwide intended to bring the rural poor of Iraq into a market-based economy. The most basic initiatives included creating employment and income for rural Iraqis, improving agricultural resources and methods, and making better use of water. A second-tier priority, consonant with the overall thrust of aid in the 2000s, was encouraging new practices and nurturing institutions that would enable Iraqi

This was a place that DAI knew well. Its first contract in Afghanistan began in 1977. In the late 1980s and early 1990s, from across the border in Pakistan, DAI managed an agricultural sector support project in the midst of civil war. Less than a decade later, DAI was one of the first firms in Afghanistan after the fall of the Taliban, undertaking an irrigated agriculture project in 2002. In 2004 came the Afghan Immediate Needs Program, which helped transition farmers in the country's eastern region from poppy production to other crops. By 2006, DAI had undertaken two sizable new

governments on all levels to better transition to a democratic polity and a free-market economy.

DAI brought its best talent to bear on ARDI. The day-to-day operations in Iraq, despite their scope and complexity, were very well run by a veteran team, and ARDI drove DAI revenues to new levels in these years. But in the end, ARDI ended up pointing out an old problem. With a few exceptions, DAI teams usually excelled in development. When problems arose, they tended to involve financial administration and usually emerged from the gray area between the field and the home office. Somewhere along the way, the ARDI team had gotten ahead of its funding, and by late 2006, when the problem was discovered, it had overrun the budget by some $5 million—money DAI would have to find out of its own pocket.

It was Betsy Marcotte's job to break the news to Barclay. Had DAI been a corporation in which numbers spoke louder than words, Marcotte's brief tenure might soon have been over. "We'll get through this," Barclay reassured her. "We're strong enough; we'll get through this." By the fall of 2006, DAI was winding down ARDI with an influential report titled *A Transition Plan for the Agriculture Sector in Iraq*. But that report contained only some of the lessons DAI learned from the ARDI experience. The insights it afforded DAI management were already informing policy decisions closer to home.

## Breaking Down Silos

For a company whose leaders still thought of themselves as "development professionals" rather than business executives, DAI had become a complex enterprise, with more than 100 projects under way in scores of countries at any one time, and several hundred bank accounts with funds to support field operations. Yet as ARDI showed, its financial management system and internal controls still lagged its revenue growth. Separate, parallel information systems, many of them homegrown, made routine processes inefficient and undermined trust between internal departments. After investigating new systems that could meet DAI's needs, CFO Fransen recommended the purchase of an enterprise resource planning system from Oracle. It seemed to offer an integrated solution that would take DAI to a new level of efficiency. After extensive training and preparation, DAI "went live" with Oracle on January 1, 2006, but it took many months before the company began to master the new system. In the meantime, Fransen left the company, and DAI spent the first half of the year recruiting his successor while negotiating with its bankers to ensure adequate cash flow when invoicing and collection of receivables fell behind.

For a while, it seemed that management might have bitten off more than it could chew. In a single year, DAI had made a $4 million capital investment in Oracle, restructured its ownership by taking on an even bigger chunk of long-term debt, and signed a lease for 90,000 square feet

of new office space. Individually, each decision made sense and could not have been deferred much longer, but the combination put the business under pressure. Then came the ARDI overrun, reducing earnings by $5 million just when the Board and employees were expecting the company to show returns on these big investments.

Jim Boomgard, with two years as COO under his belt, stepped onto this moving escalator as DAI's new President in September 2006. ARDI had come to a screeching halt, and the OTI project in Iraq had wound down at the end of June. Replacing the revenue from those two signature contracts was obviously critical, and 2007 looked like a "rebuilding year," in the vernacular of a sports franchise. Winning new business was the top priority for several Board members, but Boomgard believed he should give equal attention to the internal workings of the company. The Oracle system was starting to rationalize the flow of information between different departments and improve financial management. But these steps alone wouldn't bring about the cohesion and teamwork necessary to sustain DAI's core values and get the firm back onto a growth path.

In the past, the company's groups and even project teams had been given lots of latitude. "Each of the projects was a world of its own," explained Spake. As "development guys," field employees were usually uninterested in tracking costs and reconciling bank accounts yet always ready to improvise when faced with a new development problem. A tendency to reinvent the wheel had ensured that hard-learned lessons in any one project did little to benefit the company as a whole. When it came to taking the time to share information companywide, Spake noted, "individual project demands frequently won the day." Boomgard realized that DAI would always make mistakes, but he was determined that it must not make the same ones twice. Thus the company had to improve its business processes, encouraging centralization, standardization, and corporate discipline to an extent never before entertained.

In one respect, this was an opportune time for such an effort. Several key executive positions were unfilled, but by late summer a new and carefully chosen team was in place that included Kevin Haggerty as CFO and Cindy Limoges as VP for Human Resources. Haggerty instinctively saw the mission behind the numbers and set about rebuilding the finance office team with people who shared his enthusiasm for what DAI could do. Over the next year, management initiated some of the business process improvements, beginning with budgeting, needed to take advantage of the Oracle infrastructure. By early 2008, Boomgard believed that—financially at least—DAI was back on track. Indeed, the company was again surpassing all of its revenue targets. But he was still convinced that there remained "many internal disconnects" in the organization, and he thought he knew where they were.

In his role as COO, empowered by Barclay to "herd cats" and pull the operating groups together, Boomgard realized that centrifugal forces remained strong. The geographical spread of projects, each one dealing with different clients and local stakeholders, fostered a sense that "our business is different, so we do things our way." Boomgard, adopting common parlance, referred to these airtight group structures as "silos," and he was committed to breaking them down. The group VPs, Betsy Marcotte included, were skeptical, unconvinced that standardized rules and processes would add any value to their projects. But at some point in her discussions with Boomgard, Marcotte either offered or was "voluntold" to come up with an alternative. "I was responsible for figuring out the solution to the problem that I really didn't want to acknowledge we had," she recalled.

By this time, Barclay, confident that the succession plan would come to fruition in 2008, had begun thinking about what he could do to improve the practice of development in the field as a whole. He began planning an initiative called the Development Practitioners Forum to speed up the circulation of knowledge and information for development professionals worldwide, determined that they—no more than DAI—should not have to reinvent the wheel. At its September 2008 meeting, the Board appointed Boomgard as DAI's new CEO, effective January 1, 2009. Gunning announced this to the company's staff a few days later. The handoff was smooth and uneventful, as Barclay moved over to launch the Forum and Boomgard took on a job for



**On January 1, 2009, Jim Boomgard became CEO.**

which he was very well prepared. "Thanks to Tony Barclay's stewardship," Boomgard said, "DAI enters this transition at the very top of its game." Determined to take the company to a new level, however, he had already begun to implement Marcotte's reorganization plan.

The idea was simple: break down the strong groups into a much smaller set of practice areas that were, of necessity, dependent upon common project management, business development, and financial expertise provided by the company. At the operational heart of the new structure were about a dozen "managing directors" representing the practice areas and the international offices. Routinely interfacing with their teams were staff under the direction of Robert Dressen, Zan Northrip, Kevin Haggerty,

### Award Winners

**In 2006, DAI was named Greater Washington Government Contractor of the Year (large contractor category) in the annual GovCon awards. The awards, affectionately known as the "Oscars" of government contracting, are presented annually by the Northern Virginia Government Contractors Council, the Professional Services Council, and *Washington Technology* magazine. Two years later, Tony Barclay was individually honored by the same group as Executive of the Year. Typically, Barclay shared the honor with his colleagues, insisting that "this award really belongs to my fellow employee owners at DAI."**

Cindy Limoges, and Jean Gilson, who handled project management, new business acquisition, finance, human resources, and strategy and marketing, respectively. The reorganization helped remedy the disconnect between the home office and the field as well. For every project team, the Bethesda home office set up its own task force dedicated to achieving a seamless interface between the field and the back office. To oversee all of this, Boomgard appointed Betsy Marcotte as Senior VP for Operations.

## Many Faces, One Company

Even as DAI pulled itself together into a more coherent business, the dynamics of the development arena gave rise to additional practice areas and new global offices—new faces and new interfaces in an increasingly complex development world. One practice area grew from two initiatives spanning a 10-year period. By the late 1990s, DAI teams had witnessed the social and economic cost of HIV/AIDS for years. Specialists still considered it a public health problem, something for doctors rather than development professionals. But a few professionals at DAI were convinced that it was something more. In 2001, Joan Parker and a few colleagues created an HIV/AIDS Response Team, dubbed H/ART, to provide targeted economic assistance to families and communities seeking to build back lives battered by the disease. While the H/ART team was able to integrate into broader development efforts in such threatened areas as Africa and Haiti, direct support from donor agencies was hard to obtain. "We were early movers when there was no market," recalled Barclay.

That began to change in 2003 with the creation of PEPFAR, and although the emphasis remained on doctors and drugs, more attention was gradually paid to the social context of AIDS. PEPFAR cracked a door that DAI pushed open. During

the mid- and late 2000s, the company under-
took some promising initiatives with PEPFAR
funding. In Zambia, the Market Access Trade
and Enabling Policies Project provided HIV/
AIDS training for businesspeople; in Lesotho,
ECI*Africa* organized a powerful grassroots
group, the Lesotho Apparel Alliance, to fight
HIV/AIDS in the clothing industry; and in Ethio-
pia, DAI administered a novel "urban agricul-
ture" program that gave women affected by
HIV/AIDS the tools they needed to raise their
standards of living and nutrition.

As these initiatives unfolded, DAI was learning
to respond to yet another international health
threat. H5N1, the highly pathogenic avian
influenza virus, seemed to emerge suddenly. In
the mid-2000s, a series of outbreaks hit Asia,
especially China, Indonesia, and Turkey. In
2005, USAID transformed a long-term project
in Armenia—adjacent to Turkey, one of the
outbreak countries—into an avian influenza
initiative, and suddenly DAI personnel had an
unexpected challenge on their hands. In a clas-
sic case of give and take between donor and
implementer, DAI urged USAID to focus less on
veterinary issues and more on cultural prob-
lems. "We're not going to change the behavior
of chickens," insisted Gary Kilmer, Chief of Party
at the time, "we're going to change the behavior
of people."

That fall, DAI converted a livestock health
program into one of USAID's largest avian
influenza response programs, mapping poultry
sectors, designing compensation schemes for





**DAI's work to combat HIV/AIDS went beyond medical concerns to address economic and legal issues, as well. Above: A march organized by a DAI project in Zimbabwe publicizes a program to provide legal services to HIV/AIDS-affected people. Below: Orphans in DAI's urban agriculture program show off the food they have grown using an innovative growbag system.**

**DAI built on its experience in agriculture, animal and plant health, community engagement, and emergency response to launch a successful practice in avian influenza control. It has expanded to cover a wide range of emerging infectious diseases.**

producers who lost their birds, and coordinating basic assistance. DAI also established the Bethesda-based Sanitary and Phytosanitary Standards (SPS) project team to work in tandem with a USAID global task force helping farmers, processors, and marketers to develop and follow basic sanitary and hygiene practices. When USAID announced a three-year contract to build up international capacity for avian and pandemic influenza response, DAI had the experience and capability to win. Work began on the $35 million Stamping Out Pandemic and Avian Influenza (STOP AI) Project in 2007, with DAI providing the interface between federal agencies and international entities.

As often happens, one DAI professional emerged as a leader as the practice developed. In this case it was Jerry Martin who, during the 2000s, parlayed 25 years of development experience into a specialty in disease-related work. With the full support of top management, Martin established DAI's newest practice area by consolidating DAI's avian influenza and HIV/AIDS expertise into a single health sector in the spring of 2009. With that step, Martin noted, "DAI is taking a leadership role at the crucial intersection where human health, animal health, and economic development come together."

Intersections of another kind—crossroads where development opportunities and development professionals could come together—had long been of interest to DAI. Don Mickelwait had long ago decided that a presence abroad might generate new contacts and new contracts. By

the mid-1990s, DAI had begun to extend its profile worldwide with subsidiaries like ECI*Africa* and Bannock, as well as regional offices intended to pursue opportunities beyond USAID. Some of those initiatives, part of DAI's international marketing network, faced steep challenges and ultimately proved evanescent. The efforts begun as part of Barclay's 2002 "Global Vision" were more lasting, but even then the going was rough. DAI Brasil, for example, was ultimately converted into a DAI project office.

For DAI Palestine, however, persistence paid off. The Palestinian-registered and -run office paid careful attention to its regional roots and became an attractive vehicle for initiatives outside the USAID channel, not only from international donors such as the U.K. Department for International Development but also from the Palestinian National Authority itself. The next global office was built on the foundation of a familiar firm. Bannock, despite more than a decade's worth of patience, had never succeeded in integrating itself into the DAI structure, nor had it succeeded financially on its own. So in 2006, as part of the overall rebranding initiative, Bannock was renamed DAI Europe. Over the next two years, the firm was fully integrated into DAI. By 2008, DAI Europe was ahead of budget and plugged into the European aid market.

After that, under Doug McLean's leadership, new openings came in quick succession as DAI erected new platforms for marketing and contract execution closer to some of its clients. In February 2009, the company established



**Collecting money to support World AIDS Day at DAI headquarters.**

DAI Jordan, building on a 20-year record in the Kingdom. DAI built on an even deeper foundation when it opened its office in Islamabad. With a history in Pakistan extending back to 1982 and capitalizing on the momentum provided by a project to strengthen local government in the tribal areas, the company opened DAI Pakistan in July 2009. In May 2010, ECI*Africa* celebrated the infusion of new management talent when South African consulting firm Sangena Investments joined the team. The most recent, but hardly the last, piece of the puzzle went in with the incorporation of DAI Mexico to build on a landmark microfinance project in the Chiapas Region.

As DAI passes the 40-year mark, it faces some steep challenges: navigating a changing policy environment for foreign assistance, extending its reach into locally driven markets,

DAI projects in 2010

DAI projects since 1970

DAI corporate offices

**By 2010, DAI had corporate offices in the United States, Mexico, the United Kingdom, Palestine, Jordan, Pakistan, and South Africa.**

and winning over new, unfamiliar clients. Most pressing, perhaps, is the daunting task of working in Afghanistan. By mid-2010, DAI was operating in all 34 Afghan provinces, maintaining 40 principal offices, and employing some 2,000 people on the ground (90 percent of them local nationals). An additional 1,000 security staff were subcontracted through a firm named Edinburgh International. Given this kind of presence in an active conflict zone, it was inevitable that DAI would face security threats, and in December 2009 those threats came to fruition with

the bombing of a DAI facility in Gardez that left five security guards dead. Five months later, a young DAI staffer named Hosiy Sahibzada was assassinated in Kandahar. Then, in July 2010, a DAI office in Kunduz was struck by suicide bombers; five security staff died and four more Edinburgh International and two DAI personnel were seriously injured.

DAI's leaders face a dilemma. On the one hand, employee safety is imperative. On the other hand, development needs in Afghanistan are

immense—and DAI's projects are making a tangible difference in meeting them. In the east of the country, for example, the Alternative Development Program (ADP), led by Jonathan Greenham, improved the lives of literally millions of people between 2005 and 2009. It reached 2,600 communities, bringing 24,000 hectares of land into licit agricultural production; generating 17,000 full-time jobs; training 118,000 farmers, government officials, and small business owners; and providing more than a quarter of a million subsistence farmers with inputs and technical assistance that raised their incomes anywhere from 60 to 125 percent. ADP's cash-for-work programs alone generated 6 million person-days of local employment, breathing life into local economies and leaving behind more than 200 infrastructure improvements. ADP's successor, IDEA-NEW, also led by Greenham, is now extending ADP's approach into northern and western Afghanistan. A *Philadelphia Inquirer* journalist who traveled to Afghanistan to visit the program called IDEA-NEW a "model of success."

The challenge is to continue this kind of satisfying work, to continue the DAI tradition of working at the leading edge of development practice, while managing risk. At the time of this writing, it appears that such risk can be managed, and DAI's employee owners are fully committed to sustaining their efforts in Afghanistan. But the calculation of risk is a constant and conscientious one. In making its decisions, Boomgard said, the company will be guided by its touchstones: the core mission to make a



**The Alternative Development Program/Eastern Region is one of USAID's great success stories in Afghanistan.**

difference in the world, and the core values he reiterated when he took over in 2009—people, accountability, quality, integrity, profitability, and independence.

In many ways the decision will revisit one of the abiding tensions in the DAI story: whether and how much to pursue growth. Historically, the company has always opted to grow rather than stand pat, to move from project design to project implementation, for instance, or to launch new practice areas and new offices, or to take on ever larger and more complex initiatives for its clients. And the rationale has been constant: more projects and more diverse technical disciplines mean more opportunities for adding to DAI's store of knowledge; and more revenues mean more resources to invest in the firm, which means a greater capacity to deliver development results. Such growth never

**Sharing Knowledge**

In 2010, DAI launched the Center for Development Excellence (CDE), a new venture dedicated to building the capacity of local development practitioners and organizations. Building local capacity has always been central to DAI's vision of sustainable development and is integral to all of its projects. The CDE upholds that commitment in a business model independent of any particular project, and puts it on a commercial, self-sustaining footing. Above: Instructor John McElwaine (top) shares a light moment with course participants at the CDE's inaugural seminar in Islamabad, Pakistan.

comes without consequences, whether they be the effects on travel schedules or the kinds of people who are attracted to the firm. The trick is finding a balance in line with the values and aspirations of the enterprise. In the case of growth in Afghanistan, the undoubted boost to the company's technical and financial backlog must be balanced against the unprecedented threat to its people.

However this dilemma is resolved, it is on those people that DAI's future ultimately depends. And the firm appears to be in good hands. Operations and technical functions alike have been reinvigorated by the energy and dedication of a cadre of young professionals, many of them cutting their teeth in the most demanding field conditions imaginable. Where it had once been home to a small group steeped in the crucible of Peace Corps work, today DAI itself is a training ground for young people emerging from the academy and more experienced practitioners looking for a sharper edge. Veterans take the responsibility to pass on knowledge seriously but apply it lightly. "Mentorship at DAI," remarked one recent recruit, "is not necessarily much hand-holding, but rather challenging you to see what you can come up with." DAI has taken on a markedly youthful face in recent years and also a much more international one. Today, team leaders themselves are highly likely to be citizens of the host country. This is possible, as Boomgard puts it, because "there's more talent globally distributed to do this work than there was 20 years ago." But it is desirable because DAI has learned that a diverse staff is more likely to succeed.

Perhaps the surest sign that DAI is on the right track is that some of the old arguments are at last over. Old debates about the virtues and vices of operating as a business have been subsumed in a widespread embrace of DAI's mission as a social enterprise. "It is decidedly a business that is in the business of doing development work," says Jim Pack-

ard Winkler. Few will dispute that the "every project for itself" mentality had to give way to standardization, for only through the discipline of consistently applied best practices will the company remain strong enough to provide the resources project teams need to exercise creativity in the field. Only as "one company" will DAI be able to continue to make a difference in the world.

In DAI's early days, economic development meant mostly agriculture and rural development. The idea that DAI might one day be helping Vietnam build the legal infrastructure to join the World Trade Organization, or fighting corruption in Bangladesh, or preserving Orangutan habitat and mitigating global warming in Indonesia's rainforests, or winning prizes for managing water demand in Jordan … these were all notions beyond the foresight of DAI's founders. But while DAI could not predict that future, it was prepared to meet it, thanks to its ingrained insistence on learning.

That commitment has only grown over time. As Boomgard said in 2009, "DAI, put simply, has an insatiable appetite to stretch." In 40 years, "the stretch" has taken DAI from studying small farmers in what was then called the "third world" to massive global health programs that span the globe. Once, a small cadre of development professionals—men mostly, with much in common—had aired their differences and planned their strategies across a single lunchroom table. Four decades later, world-class connections en-



able a workforce spread across the planet to talk, if less intimately, then far more effectively. And there is much to talk about, for that diverse workforce provides skills, insights, and cultural understandings that the founding generation could only have imagined. Along the way, the world has been transformed. Cold War certainties have given way to a more democratic, yet perhaps more uncertain, world. And a rather monolithic development landscape is giving way to a crowded and shifting terrain.

Looking forward, DAI is inclined to see this shifting terrain as fertile ground. Anchored by the firm's mission to work for more prosperity and more stability, more freedom and more fairness in developing nations, DAI's employee owners are coalescing around a clear vision of where they want to go. As you would expect from a

**DAI's status as a training ground for young development professionals has helped it keep a markedly youthful face.**

company that made its name by embracing the process approach, this vision looks less like a prescriptive blueprint than an open mandate for adaptation and innovation. For four decades, those creative attributes have been the firm's watchwords. Indeed, they are invoked in the firm's very name: Development Alternatives. The question, now, is what kind of alternative future can DAI create for itself? The answer, of course, is unclear. But if history is any guide, it is sure to be a bold experiment.

**DAI** Advancing Human Prosperity