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THE A.I.D. INCENTIVES PROJECT

REPORT OF THE MANAGEMENT INCENTIVES TEAM

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Preface

This paper has three parts, each aimed at different audiences:

Part I is the Executive Summary for those who wish to quickly grasp the essence of our findings and recommendations.

Part II contains the specific policy statements or decisions we recommend to Agency leadership, and our team's rationale for each recommendation. This begins on page 5.

Part III contains detailed reference materials for those who will be charged with implementing the recommended decisions. These are based on papers prepared by individual team members or subteams. This begins on page 22.

We wish to acknowledge those who met with and advised us for their support and enthusiasm for the kinds of changes proposed here. We are grateful for the inspiration and support of Kenneth Sherper, Counselor and Chairman of the Incentives Steering Committee; other members of that committee; Anthony Cauterucci, Director of Human Resources Development and Management; and the unflinching backstopping of Michael Trott and Chris Edwards, HRDM Policy Office.

The team members are:

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All members of the team will welcome feedback -- both positive and corrective -- on this report.

REPORT OF THE MANAGEMENT INCENTIVES TEAM

Part I: Executive Summary

The Management Incentives Team was asked to identify obstacles to excellence in management, and to propose ways to enhance the changes in the Agency's organization and way of doing business by adopting modern management techniques that are appropriate to A.I.D.'s culture.

We have concluded that no single management technique is appropriate for all situations in the Agency. Rather, we must draw on several techniques, adapting the best practices and principles to provide the foundation for a new positive management climate in the Agency. This will effectively harness the strong internal motivation of A.I.D. staff to obtain development results for our host country clients and heighten our credibility with the American public. It will build on and tie together the many management improvement efforts being undertaken by A.I.D. employees. The principles and practices that we recommend to put this climate in place we call a quality management strategy.

After meeting with the Agency's top executives and senior secretaries, as well as soliciting advice widely from the field and from managers in training courses, we found that most A.I.D. employees are motivated by achievement of visible changes that improve the lives of people in the developing countries. They are frustrated by obstacles that get in the way of direct quality responses to development needs. These obstacles abound in A.I.D. in the form of layers of clearances, outmoded procedures and regulations, and adequate information systems.

A number of teams that derived from the reorganization are working to remove these obstacles. The Operations teams would eliminate blocks in program and contracting systems. The Incentives teams propose targeted recognition and rewards for A.I.D. employees who use their considerable skills to achieve the goals set by the Agency. For these changes to work, the Agency must have a management philosophy that is in harmony with the underlying motivations of the A.I.D. staff. The values and standards for managers which Agency leadership espouses and models must be consistent with our motivations. This will establish a climate which enables A.I.D.'s people to do what they already want to do -- obtain results efficiently and with quality. The Agency's credibility rests on their success.

Quality management techniques are now being applied within A.I.D. There are centers of excellence, small and large, in the field and in Washington where quality management is producing high performance -- visible results and customer satisfaction. Our training portfolio has introduced a set of common understandings among agency career managers about what constitutes good management. It gives us basic tools to produce results through staff participation in setting goals and improving systems. New training that builds on this foundation is being added.

These understandings need to be bolstered and sustained by Agency executives in a stated philosophy that ties them together. The philosophy in turn must be reinforced by an incentive system (including heightened investment) which supports, recognizes and rewards those who perform in a fashion consistent with what A.I.D. has already identified as "quality management". We are convinced that explicit adoption of a corporate management climate for A.I.D., accompanied by investment in learning how to apply it more broadly in the workforce, will engender strengthened commitment among all Agency staff to make quality management a reality.

Given the shared motivation and values of staff at all levels, we also find that non-traditional incentives -- especially the simple "thank you" for a task well done -- are often as powerful in gaining desired results and productivity as formal awards and cash. Equally important are clear goals, standards for assessing progress, and systems for assuring continuous review and improvement.

Recognition through formal and cash rewards is still needed, but these must be geared to the motivations of the employees, adjusted periodically to fit changing goals of the agency, more decentralized to be immediately dispensed by managers and they spot success. Awards are to be based to an increased extent on peer and subordinate input.

Our proposed theme for creating the desired management climate is that:

The agency adopt a comprehensive quality management climate and strategy to ensure desired development results, accountability and credibility.

The quality management strategy draws from the best thinking and experience of recent innovative approaches being used in the private and public sectors, both here and abroad. These have led to significant benefits in other agencies and companies. In A.I.D. the quality management strategy will blend the strengths of a wide range of management techniques

(most of them already introduced to A.I.D. and many being applied in the Agency) and adapt them for our needs and global structure.

Within this theme, the Management Incentives Team has five fundamental recommendations, supported by five related action steps.

1. Establish a program vision for the agency's future, and a management philosophy and values which place the responsibility for achieving that vision in the hands of employees;
2. Advance a more formal strategic management system to ensure that goals and objectives are set at all levels, that systems and procedures are improved and maintained, and that his change conforms to the vision and management philosophy;
3. Set a standard for A.I.D. managers, emphasizing ideals of high commitment to quality, competence and caring;
4. Organize a management reforms council with top-level leadership to support and monitor followup action on all Agency management and system reforms (including establishing a strategic management process) and
5. Commit to a major multi-year investment in organizational and individual learning (comparable to that being allocated for program evaluation) to provide training, consulting, and coaching to ensure that managers and their units acquire the skills necessary to realize this corporate management philosophy and strategy.

Under this framework, the team recommends five initial incentives to encourage management excellence (to be carried forward and supplemented by the Management Reforms Council). They are:

1. Give greater autonomy to managers over use of operating budgets, organizational structure/staffing patterns, alternative work arrangements, and non-traditional incentives.
2. Provide skills and tools to managers to they may conduct regular critical and comprehensive self-appraisals of office management, operations, procedures and systems to make continuous improvements.

3. Provide greater recognition to management "champions" at all levels through formal and cash awards and convene an annual management learning conference as part of this recognition.
4. Promote the use by managers of a broad menu of alternative workplace incentives to motivate staff to manage Agency programs in accordance with agency values manage Agency programs in accordance with agency values and requirements. These non-traditional awards are outside of the formal compensation and cash award systems and are defined broadly.
5. Establish incentives -- including skills training and rewards -- for effective teamwork in A.I.D.

The management incentives team relied for its findings, analysis and recommendations on (a) cabled input from the field, (b) interviews with nearly all top executives in A.I.D./W (c) a workshop with senior secretaries, (d) educational sessions with a range of management and incentives experts, and (e) the response of A.I.D. staff to the last seven years of management training and consulting on organizational effectiveness.

Part II: Rationale and Detailed Recommendations

Responding to Obstacles to Management Excellence in A.I.D.

When asked about the underlying obstacles to achieving management excellence in A.I.D., respondents at all levels express needs for (a) clarity of direction (a simply articulated picture of the Agency's future, and that of their unit); (b) a supportive atmosphere (including simple systems and better facilities as well as supervisory support) that encourages and allows them to do their best; and (c) a career path that includes opportunities and rewards that are transparent, predictable, and equitable. Attending to these obstacles will set the foundation for a new management climate.

There are several key elements involved in establishing this new climate. First, all management efforts must be aimed at producing results for our Clients, i.e. development impact and thus external credibility. There are three obvious sets of clients: the countries we work with; the Executive branch of which we are part, and the American people as represented in Congress. Second, agency Leaders must establish the vision, values and objectives which are understood by the agency's staff and its clients to move the organization as whole toward our statutory purpose. Third, the agency must install an Incentives system which rewards those values and related behaviors which produce quality management; Measurement and peer/subordinate input must be the basis for recognition. A.I.D.'s management system is based on internal and external partnerships. Our management climate must reward both individual action (Autonomy) and those who can work with others (Teamwork). Finally, we must more broadly Educate ourselves about quality management and how to do it.

Recommendations

The Management Incentives Team proposes an overall theme with five fundamental recommendations, supported by five related action steps. The theme is

The agency adopt a comprehensive quality management climate and strategy to ensure desired development results, accountability and credibility.

We believe that this quality management climate and strategy includes:

1. Establish a program vision for the agency's future, and a management philosophy and values which place the responsibility for achieving that vision in the hands of employees;
2. Advance a more formal strategic management system to ensure that goals and objectives are set at all levels, that systems and procedures are improved and maintained, and that this change conforms to the vision and management philosophy;
3. Set a standard for A.I.D. managers, emphasizing ideals of high commitment to quality, competence and caring;
4. Organize a management reforms council with top-level leadership to support and monitor follow-up action on all Agency management and system reforms (including establishing a strategic management process) and
5. Commit to a major multi-year investment in organizational and individual learning (comparable to that being allocated for program evaluation) to provide training, consulting, and coaching to ensure that managers and their units acquire the skills necessary to realize this corporate management philosophy and strategy.

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4. Promote the use by managers of a broad menu of alternative workplace incentives to motivate staff to manage Agency programs in accordance with agency values and requirements. These non-traditional awards are outside of the formal compensation and cash award systems and are defined broadly.
5. Establish incentives -- including skills training and rewards -- for effective teamwork in A.I.D.

Each of these is discussed in more detail below.

Recommendation Number 1

The agency adopt a comprehensive quality management strategy to ensure desired development results and accountability.

This recommendation has three facets:

- a program vision for the agency's future,
- a management philosophy; and
- values which place the responsibility for achieving that vision in the hands of employees.

A vision is more than a mission statement; it is a longer-term contract, a picture of where the Agency is heading. It is stated in language that is understandable and inspiring, both for those inside and others who have a stake in A.I.D.'s success. It must blend the aspirations of the leadership with those of the staff.

Our team proposes the following as an illustrative model of an Agency vision:

A.I.D.'s ultimate purpose is to help people make their own lives better. To achieve this, the Agency is committed to partnership with the people in the countries and with the American public to enhance personal, political and economic freedom. We encourage governments to direct their efforts toward opening opportunities for people to control their own lives. We support the role of the private sector in all its manifestations to be a vital, creative force for growth and prosperity. We help families to improve their quality of life by developing their skills and increasing their access to social services.

This draft vision statement -- or something similar -- needs to be fully discussed, modified and then willingly endorsed by the Agency's leadership team, so that it sets the program framework for strategic management.

Companions to the program vision are the agency's management philosophy and values.

To effectively execute the broad mandate of A.I.D.'s vision for its future, all employees must operate with the same management philosophy and shared core values. We found that A.I.D. employees already have a widely shared set of values, and a common understanding of many quality management techniques. The existing values and understanding of quality management are a solid foundation on which to establish a new management climate.

The following statement of the Agency's management philosophy is based on the subcommittee's findings that Agency employees are internally motivated to do quality work. This philosophy is also derived from what current management theory informs us about motivating behaviors that produce results the organization wants. With it, A.I.D. leadership has a key opportunity to facilitate good management within the Agency by strengthening the program, human resource, and supporting and reporting systems which the current staff already supports.

This shared belief results in a cohesive management philosophy which we have captured below, and which we recommend be explicitly adopted by A.I.D.

A.I.D. STATEMENT OF MANAGEMENT PHILOSOPHY

A.I.D. recognizes and acts on the belief that our employees have deeply held desires for making a difference and are self-motivated to perform in a quality way. The Agency's management systems are to be tailored to encourage everyone to take initiative, seek responsibility, and use creativity to achieve the development results wanted by the countries we help, the Congress and the Agency.

Managers at all levels in A.I.D. demonstrate a commitment to this philosophy by:

- Setting direction articulating and communicating goals and standards, and empowering employees to use their self-motivation.
 - Developing systems of action and accountability for resources and for development results that are simple, doable means of accomplishing Agency goals, and continually initiating improvements in those systems.
 - Acting at all times in ways consistent with this philosophy.
 - Rewarding those employees who do so.
-

All action is directed by human values. We make tradeoffs between individual and organization values and interests. For A.I.D. to excel in the 1990s, we need to identify, communicate and reward those values that are in the Agency's interest while simultaneously encouraging individual creativity, diversity and choices. The characteristics that are most highly prized by A.I.D. can be clustered into five major Agency values. They are:

- Commitment to the Agency's goals to teamwork, and to creativity
- Excellence in managing for high quality results in development;
- Integrity in all aspects of our behavior;
- Caring expressed through respect for diversity, recognition for contributions to results and concern for the disadvantaged; and
- Staff Development by providing learning, mentoring and growth for our most important resource -- our staff at all levels.

Factors that expand on and illustrate this statement of values are presented in Part III.

Recommendation Number 2

Advance a strategic management system to ensure that goals and objectives are set at all levels, that systems and procedures are improved and maintained, and that this change conforms to the vision and management philosophy.

This recommendation responds to the need for clear direction and for supportive systems so that our employees may give their best to meet Agency expectations. The best managers in A.I.D. are those who work with their staffs and their clients to establish a own unit. They then adjust their program, human resources, and supporting and reporting systems to achieve the purpose agreed upon.

Many are now doing this through strategic planning and management. However, this is not a generalized practice or expectation in all Bureaus, Offices or Missions. Nor is it clearly valued and done at the top level. Managers are limited in the degree to which they improve operations if Agency direction is lacking and our regulations and systems are outmoded, restrictive, and designed for circumstance s that no longer obtain.

Several approaches to strategic management are being tried in A.I.D. Most follow the same logic, and are related to the steps proposed to A.I.D. recently by the General Accounting office:

- A. Commit to strategic planning at all levels (presumably a flexible process that responds to changing conditions)
- B. Scan the environment (typically includes assessing external influences, competition, and internal strengths and weakness)
- C. Articulate the strategic vision or mission, based on the results of the data and feedback from the scan
- D. Develop strategies at different levels and for key functions
- E. Develop action plans (including systems and staff changes as needed) and link to budget
- F. Establish accountability for individuals to manage for results and for units to obtain them

- G. Monitor and evaluate implementation and results, providing continuous feedback that is both positive and corrective.

Our team does not advocate any specific system of strategic management, but simply urges that one be adopted for A.I.D., and that it be implemented within the spirit or climate of the management philosophy recommended here.

Recommendation Number 3

The agency develop a standard for A.I.D. managers, emphasizing commitment, competence and caring, with illustrative behaviors.

As the Agency's program vision becomes more focused, and a management philosophy is articulated, there must be guidance for identifying, developing and rewarding managers who consistently live that philosophy. Often we have heard employees say that the Agency give confusing signals about this. We took this as a call for a standard, a guidepost that translates the vision, philosophy and values into behavior. We propose the following profile of an ideal A.I.D. manager, with the understanding that no one manager will have all of the qualities and that there are many good management styles. Indicators for each of these qualities are provided in Part III.

Rather than a set of requirements, this standard sets a goal to strive for, and an agenda for learning.

THE IDEAL A.I.D. MANAGER IS:

-- **COMMITTED to:**

Results that support Agency goals and values
Integrity
Service to clients
Excellence and quality
Participation and effective teamwork
Efficiency and accountability
Creativity and innovation

-- **COMPETENT in:**

Program content
Adaptation to change
Management and improvement of internal systems and process
Inspiring and motivating others
Developing and sustaining commitment to strategic objectives
Exercising influence in the external environment

-- **CARING about:**

The human impact of programs
The organization's health and diversity
Individuals, their productivity and their growth

Recommendation Number 4

The agency organize a Management Reforms Council (possibly to evolve into a quality management council) with top-level leadership to support and monitor action on all management and system reforms (including a strategic management process).

A Management Council for a firm or agency sets the agenda and the standards for all management toward attainment of results. Results are defined in terms of services or goods that are valued by clients -- in A.I.D.'s case the people of the countries we help, the Executive Branch and the American public and its representatives. Stated in terms of A.I.D., a Management Reforms Council would set the direction, philosophy and values by which we apply the taxpayers' money to employ staff to obtain quality management.

Management reforms are occurring in many areas in A.I.D. These include the Incentives Project proposals; the Fry task forces' systems reforms for programming, projects, implementation/contracting and evaluation; and the work of the Management Controls Review Committee. Managers of major support units, such as CDIE, IRM, FM, HRDM and AS are leading changes in how they provide enabling services to the program operations of the agency. Newly formed or reestablished units such as the Policy Directorate and PRE Bureau are redefining their roles. The GAO Management Review and Presidential Management Commission are likely to mandate additional changes. At present there is no body or unit which sets the tone or standards -- or provides the organizational improvement services for these efforts -- so that they are implemented in a consistent manner or within a corporate philosophy of management. We also see a need for a focal point to identify those ideas and practices that are needed and those that are working -- and to recognize the managers that are associated with them.

The Council must concern itself with all dimensions of the enterprise--internal and external--and since quality management requires a long-term commitment, such a Council should not be dominated by one interest or function, nor should it be dominated by a short-term, bottom-line cost-saving perspective.

The Council's principal tasks are to:

1. Guide and follow up the package of centrally administered management reforms and systems improvement programs, including related training, consulting, and evaluation of results;

2. Identify, support, and recognize/publicize pools of quality management and innovative proposals and pilots in A.I.D., as models for replication;
3. Advise on the allocation of management improvement investments to be decentralized to unit managers (see below); and
4. Reach out for information, knowledge, and feedback from sources of expertise and perspectives on the Agency's performance and potential for continuous improvement.

The Council must have top-level leadership (the Deputy Administrator or the Counselor). It will also need staff support to provide information about and analysis of management reforms and improvement within the Agency, and about developments, resources, and feedback from outside. Its first task will be to establish a combined plan and timeframe for implementing the many system and process changes now under way or proposed.

A management council for A.I.D. should include senior and mid-level people as well as senior support staff. Individuals should be assigned halftime or full-time to this work, and should be selected on the basis of their commitment to the basis of their commitment to the quality management philosophy and their links to internal (and external) constituencies much as for their rank. Their power will come from being The Management Reforms Council with top support (expressed, vocal repeated in several forums), and being respected colleagues and trusted as dedicated and knowledgeable (they will be trained to carry out their role).

It must be clear that they are in fact listened to by decision-makers -- able to recommend things that happen, and to command resources that support the quality management agenda -- training, workshops, pilot activities, innovative experiments, backing for proposals to save money or improve working conditions for productivity.

Recommendation No. 5

Quality management will require a major multi-year investment in organizational and individual learning (comparable to that being allocated for program evaluation) to provide training, consulting, and coaching. This is needed to ensure that managers and their units acquire the skills necessary to realize this corporate management philosophy and strategy and Agency reforms (including new approaches to career enhancement and program operations).

To be credible, the Management Reforms Council must have resources to support its mission. These resources must be available for a variety of purposes. During 1990, a review of the Agency's management training program found that classroom training, while necessary, is not sufficient to tangibly alter management performance. A combination of learning opportunities in the workplace as well as the classroom are needed in order to secure the commitment of all employees to a corporate or Agency management climate and strategy, and to provide them with the skills and practice to ensure implementation of reforms within that framework. There are two key elements here:

1. All employees must be given a clear understanding of the quality management strategy, its purposes, benefits and philosophy, and their roles and responsibilities in its implementation.
2. All Agency managers must be trained in the skills to develop strategic management plans for all units, program and administrative, that support Agency program and management goals. Training in other agency reforms and system changes will be required.

In order for this to work, some old assumptions need to be altered.

- o Training (learning) must be seen as a strategic investment. It is essential achieving to the Agency's vision, mission and goals. It is directly linked to desired changes, standards, results, measures and continuous improvement. In the present context of A.I.D., it may be essential to our survival as an organization.
- o The Agency needs more actively to support -- from the top -- the major changes that are already under way in its approach to training. This means that executives must recognize that learning is an on-going process, not something we did in school, or revisit infrequently in training classrooms. Many organizations undergoing significant change require as much as 100 hours of training per year per employee -- much of it in the workplace.
- o Training must be linked to career enhancement and development, but most directly to productivity. It must be more predictable and sequenced.

There are practical consequences when we change these assumptions. Training in classrooms will be complemented increasingly by training or action (problem-solving) learning in the workplace. Training resources for overseas staff must be decoupled from travel for home leave and R&R, and instead be tied to management reforms and program goals at various levels, and to career enhancement. Identified learning investment funds must be protected or earmarked so that they are not vulnerable to diversion to operating expenses. A portion of these funds would be centrally administered to support agency objectives and requirements, while another portion would be decentralized for control by unit heads to make their own improvements in skills and performance.

In a time when the Agency is straight-lining or cutting training funding (as it is in direct competition with other scarce operating funds) we are calling for a conceptual paradigm shift, and perhaps a special appeal to OMB and Congress for an Investment Fund for management reforms

The theme and recommendations offered so far are the foundation. Our team also listened to the voices of our top executives and staff, as well as recommendations from friendly observers of A.I.D. to flesh out the rest of the structure of incentives for quality management.

1. Give greater autonomy to managers over use of operating budgets, organizational structure/staffing patterns, alternative work arrangements, and non-traditional incentives.

The management philosophy proposed here is founded on trust. One of the best incentives for good management that A.I.D. can give its managers is the responsibility and authority that demonstrates that trust. We find that if A.I.D. managers are given the skills and knowledge to make the best use of resources, they will do so. Over recent years each manager has been asked to manage more systems and more funds with fewer staff in new program arenas.

To remain competent and assure accountability they must become more skilled in diagnosing systems and continually improving them. They must become more adept at supervising staff so that they function as high performing teams. They must learn to use automation for better information, control and tracking.

A.I.D. is introducing a Systems Analysis and Improvement Action Learning Program (SAIL) that will provide courses and on-site application of systems analysis, risk management, and process improvement. This will supplement and complement what

our managers have been learning about leadership, communications, and teamwork. Armed with these additional skills, A.I.D.'s highly qualified and motivated managers will be more accountable for efficiency and results, working within the Agency's policy and regulations.

Integrity is a prerequisite for all managers. Yet A.I.D. managers' integrity is implicitly questioned, with the result that too much time is now spent in justifying the use of resources, getting multiple clearances, and ensuring that each action concurs with a myriad of A.I.D. regulations. This in fact impedes accountability, since it is time-consuming and diverts energy from achieving program purposes.

To be successful in the fast paced 1990s, managers must be able quickly and simply to adjust their operations to changing conditions. This means flexibility in using operating and program funds, in adjusting staffing patterns, streamlining processes (especially where risk is low), and rewarding superior achievement in a variety of ways as soon as it occurs. Only with such autonomy can A.I.D. managers be truly responsive to the changing requirements of our development environment. Part III contains additional ideas on this topic.

2. Provide skills and tools to managers so they may conduct regular critical and comprehensive self-appraisals of office management, operations, procedures and systems to make continuous improvements.

Managers with autonomy must also dedicate themselves to continuous improvement of their operations and systems. They will be encouraged, trained, and rewarded for maintaining processes of self-appraisal of office management, operations, procedures and systems to ascertain operational effectiveness and to take an objective look at strengths and weaknesses that need reinforcement or improvement. The Agency cannot hire enough evaluators, auditors, investigators or other watchers to keep track of operations in over 70 locations. Self-improvement is the realistic solution. SAIL is the beginning of this change, but it must be bolstered by recognition, rewards, and ongoing learning from experience.

3. Provide greater recognition to management "champions" at all levels through formal and cash awards and convene an annual management learning conference as part of this recognition.

A strong motivator for most managers is recognition for their work by their peers, supervisors, and possible future supervisors. Being associated with a significant management or program accomplishment obviously has its own inherent

satisfaction; however, having others know about this is a means for enhancing one's reputation in the Agency. There are too few opportunities within A.I.D. to publicly acknowledge and disseminate information about the accomplishments of our managers at all levels. Calling greater attention to these accomplishments through internal publications, awards or other devices would be both a strong motivator and a way of communicating and reinforcing the kinds of management improvements that are valued by Agency leadership.

As part of this, the Agency would conduct an annual event which brings together the "management champions" as a form of recognition and as a forum for tapping into their ideas about what can be done to continuously improve the quality of management in A.I.D. This would combine additional management learning, working on Agency problems with top executives, and sharing experiences with each other and with the rest of A.I.D. and its stakeholders in a post-conference report.

4. Promote the use by managers of a broad menu of alternative workplace incentives to motivate staff to manage Agency programs in accordance with agency values and requirements. These non-traditional awards are outside of the formal compensation and cash award systems and are defined broadly.

The most effective rewards are received immediately after the deserving action occurs. The best rewards are tailored to the individual or group who receives them. Public and private sector leaders agree that there are limits to the usefulness of formal awards, cash and promotions. In A.I.D. the formal awards are often so far removed from the act that the recipient and his or her colleagues sometimes don't know what is being rewarded. Given this, the person or group is not motivated to repeat the behavior desired by the organization. Indeed our cables and interviews reported that very few managers regard formal awards as motivators.

As an Agency we need to make supervisors aware of the importance of non-traditional awards and supply them with encouragement to match these to our diverse employees and contractors. There are clearly a variety of forms of recognition that are not fully used and that are appropriate for different situations and groups. They range from administrative leave, to a TDY overseas to plaques, T-shirts, and other symbols of recognition or gratitude. A potent incentive is to give employees a chance to participate in major decision or events. Some employees would be boosted by compressed work time, compensatory time, and others by better office environment, support for their special project, or funding for professional conferences or memberships. Cultural

factors must be considered in choosing among non-traditional awards or incentives. Some of these will require changes in regulations, while others need only be suggested and supported for action by managers. Part III contains additional details.

Among those contacted at all levels, the single motivator cited most frequently was a "thank you". When this is coupled with a specific reason for the praise, the results are powerful. This simple incentive costs nothing, is effortless to give, can be given instantly, and motivates repeat action. In sum, the greatest reward for A.I.D. employees is the simple knowledge that they did an excellent job on something that the Agency values. A.I.D. is very fortunate to have self-motivated employees and should do its best to continually appreciate their successes openly. If it does, the loyalty and commitment of A.I.D. staff will grow.

5. Establish incentives -- including skills and rewards -- for effective teamwork in A.I.D.

While more and more of A.I.D.'s work is being carried out by teams which cut across organization boundaries, the quality of work produced by ad-hoc unit teams in A.I.D. is often unsatisfactory and solid efforts are not recognized. The experience is often stressful and inefficient for the team members. This is due in part to the absence of meaningful incentives for and learning about effectively working effectively on teams. Modern management theory encourages use of teams to generate creativity, to expand participation and build consensus. Greater reliance on teams is also being forced on us by the growing complexity of the issues we must address.

The most recent, and visible, example of how cross-unit teams have been used in A.I.D.'s work is the planning and implementation of the A.I.D./W reorganization and work on streamlining reforms. Yet for several years, it has been common to assign ad-hoc task forces and working groups to formulate Agency strategies and analyze cross-cutting operations systems or problems. The new A.I.D./W organizational structure will require that many day-to-day management decisions (e.g., in the budget and strategy arenas) are made by teams involving representatives from two or three of the new Directorates.

However, the performance of such teams in A.I.D. has often been unsatisfactory: teams are paralyzed by conflict and division over purposes and methods; participation is uneven; follow-through is lacking; the product is not always of the highest quality.

To improve this situation, supervisors' own teamwork skills need strengthening, and they must act to increase those of their staffs. Team-building and training services need to be more widely available. Team service should be encouraged by providing backup or release from members' regular duties. Team performance has to be recognized in performance rating, promotions, assignments and awards. See Part III for implementation steps.

Part III: Reference Materials for Implementation

- A. Values - Detailed Factors
- B. Ideal Manager - Behavioral Indicators
- C. Action Recommendations - detailed proposals for followup
 - Autonomy for Managers
 - Self-appraisals
 - Management "Champions"
 - Alternative Workplace Incentives
 - Supporting Teamwork
 - Investment in Quality Management Learning

A. VALUES - Detailed Factors

-- **Excellence**

in leadership
in management
in performance
in quality of products and results
in efficiency of work
in professional knowledge and skills

-- **Commitment**

to Agency vision, goals and strategic objectives
to development and progress
to service
to making a difference
to improving people's lives
to community, partnership, participation and
teamwork
to creativity, innovation and risk taking
to beneficiaries, clients and customers
to staff and colleagues
to equal opportunity

-- **Integrity as demonstrated by:**

ethical behavior
accountability
trust
honesty
responsibility
reliability

-- **Caring**

by showing respect for colleagues
by using good interpersonal skills
by providing positive motivation and
reinforcement
by providing constructive feedback
by providing recognition
by recognizing dignity of the individual and
diversity in the community
by being open in communication
by maintaining a collegial work environment
by providing special attention and support
for disadvantaged groups

Staff Development by providing opportunities for:

career development and advancement
professional development
skill development
teamwork and team building
women and minorities
support staff
managers to serve as trainers, mentors
and facilitators

B. Indicators for the IDEAL A.I.D. MANAGER

-- COMMITTED to:

Results that support Agency goals and values as indicated by:

- o Establishes results tracking systems and use of such systems to make management decisions
- o makes special efforts in pursuit of Agency goals and values
- o Achieves significant results with respect to Agency, Mission or Office strategic objectives and management priorities

Integrity as indicated by:

- o Avoids real or apparent abuses of power or office
- o Establishes internal controls and risk management systems
- o Acts in accordance with stated beliefs: Practices what he/she preaches
- o Consistently displays high character or honesty

Service to clients as indicated by:

- o demonstrated ability to identify and pursue strong working relationships with key clients

Excellence and quality as indicated by:

- o Establishes a structured system for creating organization-wide participation in planning implementing a continuous improvement process to meet client or stakeholder expectations
- o Reviews performance against prescribed standards by peers, subordinates and superiors

- o Exceptional accomplishments that reflect positively on his or her organization unit's commitment to standards of excellence beyond those normally expected of competent professionals
- o External assessments (where appropriate) of products and processes

Participation and effective teamwork as indicated by:

- o Evidences maintenance and/or improvement of teamwork within and between work units
- o Evidences establishment, maintenance and/or improvement of collaborative relationships with host country officials, other donor officials, other USG agencies, and other offices and bureaus within A.I.D. (i.e., with internal and external "clients")

Efficiency and accountability as indicated by:

- o Establishes new systems to improve efficiency or accountability
- o Returns savings to the government as a result of increased efficiency and/or accountability
- o Able and willing to report on convincingly on resources expended and results achieved

Creativity and innovation as indicated by:

- o Develops innovative programs or procedures to enhance organization efficiency, effectiveness, and/or morale
- o Actively supports staff's creativity and innovation with resources, rewards, publicity

-- **COMPETENT** in:

Program content as indicated by:

- o Acknowledged and demonstrated expertise and/or leadership in one's technical or disciplinary field (where appropriate)
- o Demonstrated conceptual grasp of cross-program linkages and strategies

- o Contribution to achievement of Agency program initiatives and priorities

Adaptation to change as indicated by:

- o Shows a positive "we can make it better" approach to change that energizes colleagues and stakeholders
- o Ability to modify structures and processes to meet new external challenges, circumstances or Agency needs; and
- o Skill in attending to the impact of change on staff and understanding of human consequences and cycles of change.

Management and improvement of internal systems and processes as indicated by:

- o Maintains current self-assessments of the unit as a total system and identifies key indicators of unit effectiveness in major internal systems
- o Regularly assesses satisfaction with unit's performance among clients/collaborators (A.I.D./W offices, Embassy, host country, grantees/contractors)
- o Exercises leadership or control over the Program System (strategy, plans, budgets, portfolio, project implementation, monitoring, evaluation, accountability)
- o Exercises leadership or control over the Human Resource System (staffing plans, utilizing staff skills/talents, developing and training, mentoring staff, rewards and discipline)
- o Exercises leadership or control over the Supporting/Reporting Systems (procurement, financial management, automation, administrative services)

Inspiring and motivating others as indicated by:

- o Staff is clear about and can articulate direction, standards, expectations
- o Demonstrates ability to motivate and energize others to overcome major economic, bureaucratic, and political obstacles

- o Staff exhibits levels of energy, intensity and determination that are well above normal
- o Quantity and quality of quality of output of the unit is consistently higher than expectations

Developing and sustaining commitment to strategic objectives as indicated by:

- o Existence of a limited number of strategic objectives for the relevant unit
- o Ability of others in the unit and in related units to articulate accurately the unit's strategic objectives
- o Alignment with strategic objectives of activities, reporting procedures internal organization, and employee incentives.

Exercising influence in the external environment as indicated by:

- o Evidence of political support, bureaucratic recognition and/or resource allocation for the relevant programs, functions or organization units by key "clients" or external audiences
- o (Where appropriate) co-financing levels
- o (Where appropriate) evidence of influence on the policy and operational agendas of host country, other donor, and/or other USG agencies

-- **CARING** about:

The human impact of programs as indicated by:

- o Responsibility for having identified objectives, activities and indicators linking A.I.D.'s efforts directly to impact on the lives of people
- o Personal responsibility for emergency relief or ongoing development efforts with particular impact on the lives of people in need
- o Development of outreach materials making available to non-A.I.D. audiences information on the human impact of A.I.D. programs

The organization's health and diversity as indicated by:

- o Self-initiated efforts to diagnose and address organizational problems
- o Specific efforts to improve Agency or unit morale
- o Specific actions to promote or enhance ethnic or gender diversity in ways that enhance organizational or unit productivity

Individuals, their productivity and their growth as indicated by:

- o Particular attention to the career development and personal needs of colleagues and subordinates

C. PROPOSALS FOR FOLLOWUP

Autonomy for Managers

Objective and Rationale - (1) provides increased management autonomy over utilization of resources; (2) allows for immediate provision of incentives to recognize/reward staff contributions; (3) provides for greater flexibility and autonomy in operations management.

Action steps to implement the Recommendation

1. Allocate broad operating expense budget categories (travel, miscellaneous services) to organization units for total self-management. Oversight responsibility would be maintained by Controller or EMS office for accounting purposes.
2. HRDM to explore potential alternative work arrangements which can be implemented in federal sector and develop appropriate policy. Policy guidance should provide explicit authority for approving use of these alternative work arrangements at the Mission or Office level.
3. Allocate performance bonus pool funds to office level for total self-management. Oversight responsibility would be maintained by the Organization Pool Manager (or EMS office), only from the standpoint of ensuring that offices stay within broad established regulatory parameters.
4. Agency (HRDM) to establish a cadre or menu of non-traditional incentives. Policy guidance addressing use of these incentives should contain authority for approving issuance/use of incentives at the individual manager level.
5. Expand HRDM vision of Agency operational requirements so they are more flexible in interpretation of guidelines and criteria to broaden managerial flexibility to recruit personnel or establish desired organization structures.

Self-Appraisals

Objectives and Rationale - (1) identifies operations, procedural and systematic weaknesses and vulnerabilities; (2) satisfies mandatory performance appraisal element; (3) provides for critique of attainment of objectives, functions, and employee responsibilities.

Action steps to implement Recommendation

1. Conduct round-table or retreat to establish annual (or semiannual) office program and management objectives and review operational systems and procedures;
2. Articulate objectives to senior staff and operating officers and obtain their input/ratification;
3. Integrate objectives and management efficiency requirements into managerial evaluation work requirements (now a mandatory performance element);
4. Establish or modify office procedures and systems to achieve identified objectives.
5. Install systems improvement processes as standard business in the organization by providing quality management training, including customer surveys, process measurement, and immediate recognition for success.

Management "Champions"

Objective and Rationale - A strong motivator for most managers is recognition for their work by their peers and supervisors (as well as showing one's potential to future supervisors). Being associated with a significant management or program accomplishment obviously has its own inherent satisfaction; however, having others know about this is a means for enhancing opportunities within A.I.D. to publicly acknowledge and disseminate information about the accomplishments of our managers at all levels. Calling greater attention to these accomplishments through internal publications, awards or other devices would be both a strong motivator and a way of communicating and reinforcing the kinds of management improvements that are valued by Agency leadership.

Units or teams that produce significant results should receive similar recognition -- their reward may be to attract good managers looking to lead high-performing and self-improving teams.

Action steps to implement Recommendation

The Management Reforms Council and its staff would be charged with identifying management champions at all levels of the organization, overseas and in Washington.

1. Publicize examples of good management using the Front Lines, other Agency publications, the Managers' Network, or ad-hoc cables and notices.
2. Highlight specific management accomplishments and practices used by the awardees, rather than just announce awards. Publicly disseminate justification for awards (both programmatic and administrative achievements); use their achievements as case studies in training courses and management newsletters.
3. Encourage participation of those identified with management excellence on Agency task forces/working groups that are dealing with management issues. Recruit individually, and assign them full-time to these groups for the duration, and label the working groups' results with their names; and
4. Create an annual event which brings together the Agency's "management champions" as a form of recognition and as a forum for tapping into their ideas about what can be done to continuously improve the quality of management in A.I.D. This would combine specialized or advanced management training (shaped by the participants), a change to work with top executives on Agency issues, and an opportunity to share their experiences and practices that made them "champions".

Alternative or Non-Traditional Workplace Incentives:

1. Encourage a more flexible balance for employees between their work and personal commitments. This would include:
 - instituting a formal compressed work-time plan;
 - ensuring pay for unused annual leave or carrying it forward;
 - authorize compensatory time for supervisors and managers, and encouraging them to take the time off.
2. Travel authorized for A.I.D./W staff to get exposure to field programs

3. Administrator's Roundtable: forum for outstanding staff from all levels to have periodic discussions with the Administrator

4. Encourage greater rotation of personnel into positions or to serve on task forces outside their traditional work experience.

5. Respond to A.I.D./W's strong desire for improved physical working conditions:

-- move all A.I.D./W staff into a single building;
and

-- provide a better office environment, with attractive furniture, painted walls, adequate size and support equipment (office equipment and telecommunications).

6. Create a number of "A.I.D. Awards" for outside organizations from the A.I.D. Administrator;

7. Pay for memberships in professional associations, and finance travel to association meetings;

8. Pay for memberships for health clubs or provide more physical fitness facilities at work.

Incentive menu for Managers and Staff

1. Authorize time for managers to work on projects of individual interest and of benefit to A.I.D.;

2. Establish local "employee-of-the-Month" programs;

3. Utilize the new administrative time-off authority to recognize exceptional performance;

4. Authorize travel for exposure to field programs; and

5. Provide more opportunities for details, stretch assignments, particularly to other Agencies, including the State Department.

Support for teamwork

More and more of A.I.D.'s work is being carried out by teams which cut across organization boundaries, yet the quality of work products produced by ad-hoc unit teams in A.I.D. is often unsatisfactory and solid work is not recognized. This is due in part to the absence of meaningful incentives for effectively working on team projects.

Objective and Rationale - Modern management theory encourages use of teams to generate creativity, to expand participation and build consensus. Greater reliance on teams is also being forced on us by the growing complexity of the issues we must address.

The most recent and visible example of this is the planning and implementation of the A.I.D./W reorganization and associated efforts to streamlining our systems. But for several years, it has been common to assign ad-hoc task forces and working groups to formulate Agency strategies and analyze cross-cutting problems or issues. The new A.I.D./W organizational structure will require that many day-to-day management decisions (e.g., in the budget and strategy arenas) are made by teams involving representatives from two or three of the new Directorates.

However, the performance of such teams in A.I.D. has often been unsatisfactory: teams are paralyzed by conflict and division; participation is uneven; follow-through is lacking; the product is not always of the highest quality.

Action steps to implement the Recommendation

There are two powerful disincentives operating in A.I.D. which discourage effective participation on team projects. One is a generalized lack of skills among many A.I.D. staff in effective teamwork. Another is the lack of support and/or recognition by supervisors for work on such cross-unit teams. Officers assigned to cross-unit teams are typically expected to perform the full range of his/her other duties, which compromises his/her ability to contribute meaningfully to a team effort; and such work is rarely recognized or rewarded.

A number of actions are needed to correct this situation.

1. Supervisors should be encouraged to develop and promote teamwork skills among their employees, especially in those units which routinely involve collaboration with other organization units.

2. Supervisors should "model" effective team work themselves, by agreeing to serve on teams and being seen as effective contributors to team efforts, including those within the unit. This expectation should be included in the promotion precepts at the managerial level.
3. Resources for training in teamwork skills should be substantially increased and widely advertised throughout the Agency.
4. The Training Division should be equipped to provide facilitation services to any requesting A.I.D./W unit to assist in planning and conducting team-planning meetings when new team-based tasks are being launched.
5. Leaders of major team efforts involving officers from other organization units should be expected to write a memorandum of performance to the officers' immediate supervisors, with a copy to the personnel file, to ensure that their performance and contributions are documented for the formal record.
6. When officers are requested to contribute a substantial amount of time in a team effort beyond the boundaries of their immediate job responsibilities, those individuals and/or the requesting office should advise their supervisors of the approximate time commitment expected. If the supervisor agrees to the request, then he/she should negotiate an appropriate devolution of that individual's responsibilities to others for that period.
7. Recognition of the work ad-hoc teams should be enhanced through the use, when appropriate, of Agency awards.

Major Strategic Investment in Quality Management Learning

Objective and Rationale - The Agency must invest time and funds in order to secure the commitment of all Agency employees to carry out the Quality Management strategy and to provide them with the skills to ensure its implementation. The Management Incentives Team suggests that the Training Division (FA/HRDM/TSD), in cooperation with the Staffing and Career Development Division (FA/HRDM/SCD), CDIE and the MCRC, create and implement a comprehensive Agency-wide program to give all employees the understanding and skills to the implement the Quality Management Strategy.

The plan for this might include:

Near-term (first two months)

1. Administrator's Forum - The Administrator announces the Quality Management Strategy and expresses his strong commitment and support of it as a major vehicle for achieving development results and accountability.
2. Senior Executive Staff Seminar - Administrator leads his senior executive staff in a three-day retreat to acquaint them more fully with the Quality Management Strategy and to develop a strategic plan for achieving it in the Agency.

Medium-term (next six months)

1. The Training Division designs a comprehensive plan to train all Agency staff on their role in implementing the Quality Management strategy. Decisions would be made as to what levels to phase in first, whether to train units rather than individuals, etc. The contents of the training would be decided by the Training Advisory Council along with the new Management Reforms Council.
2. The Training Division reviews all its training programs in the context of Quality Management. This will include:
 - designing an introductory module for its management training programs in Quality Management;
 - developing skills modules for Supervisory Skills, Supervisor's Role in Personnel Management, Management Skills, and Senior Management Course on strategic planning;
 - examining the SAIL (Systems Analysis and Improvement) program to balance those systems improvement skills with strategic planning skills; and
 - designing modules for the New Entry and Secretarial Orientation on the Quality Management Strategy.
 - Setting up quick-access mechanisms for central and unit funding for team building, organizational assessments, scans for strategic planning, and other relevant services

3. The Training Division revises its Project Design, Project Implementation and contracting courses to incorporate the recommendations of the Program Management Task Forces.
4. The Training Division with CDIE, develops a long-term plan to work with all Agency units (program and administrative) to give their managers the skills and assist them with the creation of strategic management plans, with clear goals and objectives.
5. The Training Division, with the Staffing and Career Development Division, designs a training program which will (a) teach supervisors the coaching skills and use of Agency professional growth tools and processes and (b) employees on how to work with their supervisors to design their individual professional growth strategies. This training will be done through a combination of training courses and group work in offices and missions. Additionally, the Training Division and SCD will conduct train-the-trainer courses for mission representatives.
6. Performance indicators and measures (both qualitative and quantitative) are established for the learning programs in order to assess the effectiveness of the investment.
7. Resource estimates for the needed programs are developed by HRDM along with the Management Reforms Council and other key units (POL, OPs, FA/Budget) for submission to the A/AID, OMB and Congress as a new investment fund for quality management apart from and not competing with other OE needs.

Long-term (next five to seven years)

Full implementation of the above with ongoing monitoring and evaluation to ensure results.