



2004 USAID Summer Seminar Series

July 6: An Explanation of USAID's Business Model Review

Organizer: Dave Eckerson, M/HR

Materials: Presentation (appended)

Synopsis

On December 17, 2003, Administrator Natsios announced the key processes of the new USAID business model. It is part of the Administrator's efforts to reshape USAID in ways that will let us contribute more effectively to our country's foreign policy and development and humanitarian relief objectives. The business model is both the means and the organizational structure for how assistance programs are planned, implemented and monitored.

A Business Model Review Group was established, and it looked at six business areas that the Administrator had selected for Review. This presentation will cover the adventures of the Business Model Review Group in their quest to examine the major lines of business in the agency. Attention will be given to their valiant attempt to break rice bowls, call spades spades, and make the Agency work smarter. David Eckerson of M/HR will chair a panel of those who have been working on USAID's Business Model Review.

Notes

Dave Eckerson

Business Model Review (BMR) can be interpreted in many different ways, so when Administrator Natsios first suggested that a Business Model Review be created, there were many lofty, albeit differing, expectations within the Agency. One view was to completely revamp the Agency, and create a new business model so the most effective and efficient way of operating USAID would be achieved. Another view was that the Agency, on the whole, was running just fine. This view suggested that some refining of the current method, with emphasis on USAID in-country presence, would work to strengthen the Agency. The biggest challenge to the later view was how to achieve recognition for the work being done within the field, while also regaining some control back from the State Department. The result was that a BMR had to be created that would satisfy both views, and improve the way in which the Agency conducts business. It also had to be achieved in a timely fashion.

The first step in achieving a working BMR was to see what could and could not be accomplished. In order to do this, committees were set-up, the KfD Strategy CoP working groups' help was enlisted, strategy-specific open forums were held, and mass e-mails were sent to Agency employees who had taken part in senior leadership training courses. In addition, the Administrator set out to see what was working within the Agency. He concluded that the main concern was the proliferation of strategic objectives (SOs), and that common indicators needed to be limited. In an attempt to further see where the Agencies strengths lay, 10 regional hub countries' business models were looked at. The inevitable conclusion was that in the field, USAID was not standard across the board, but rather decentralized. One need only look to the LAC Bureau's business model (the first) for direction. When looking at all other hubs, it appears as though some areas are heavily vested with contractors for employees, while other hubs were overseeing many countries at once. The main conclusion is that USAID must institute standardization across the Agency. In doing so, there are three main areas that must be addressed: strategies and strategic management, the improvement of operational efficiencies, and field operations

One route used to approach the BMR was in terms of strategies and strategic management. From this sprang the idea that the use of Automated Directive Systems (ADS) would be a great way in which to streamline the way in which the Agency was run, by replacing the handbooks. However, as time progressed the ADS kept growing. Once again the Agency was split between those who thought ADS was good and efficient, and those who thought that change was necessary.

The BMR concluded that overall, the Agency spends too much time and money on creating strategies, which are inevitably futile. In addition, the BMR found that there is a need to standardize and in effect downsize the number of strategic objectives. The premise was that the same needs exist everywhere, with common work being done everywhere, and that having too many SOs makes it difficult to "tell our story."

The BMR also found that strategic management needed to be reassessed. There were an increasing number of coordinator positions sprouting up throughout the Agency, leading to further decentralization. USAID must find another way in which to do business, one in which standardization and efficiency exists across the board.

The outcome of the BMR was that a hard look was taken at the way in which strategies are developed. A move towards strategic management was reassessed, and the number of SOs was greatly reduced. In addition, a set of common indicators was created. While all this change was seen as necessary, the sentiments were not felt throughout the Agency, especially amongst the staunch ADS supporters.

The BMR also took a look at management. Using Latin America as a model, the BMR took into account all the staff in a mission. Then they compared this to missions worldwide. It was found that there was a great disparity among management units. It was decided that the Counselor, along with PPC are going to improve the way in which bureaus implement mission program management assessment. It is hoped that 15 to 20 mission program management assessments will take place a year. After the assessments conclude, their findings will be shared across the Agency. Hopefully the first of the assessments will occur before year's end.

In addition, it was found that no alignment, or synergy, exists between the bilateral, regional, and pillar bureau programs. The first portfolio review found that there was a shift where regional programs, concentrated on technology, were being moved to pillar bureaus, and many regional programs were moved out to the field. The second portfolio review looked to see how the bureaus did once there was a shift, and their regional programs were taken away. It looked to see whether or not they began crafting new programs. The third portfolio review said that there should be a focus on the pillar bureaus and their functions. The pillar bureaus should primarily be doing field support, exerting technical leadership for the Agency, and also doing research and development. It was concluded that the pillar bureaus require greater understanding throughout the Agency.

BMR also discovered that as a body, USAID have lost the ability to design its own programs. Control over program design has been contracted out. Emphasis on training is necessary to rebuild the program design concept. The BMR also concluded that development criteria must be initiated for placement of contract officers. What is most necessary is training on a standardized communications program.

Joseph Lombardo

The Business model review is another stage in the evolution of the Agency. There has been a sense that there has been a proliferation of projects, with no overarching bridge to unite. The view was that the Agency was burdensome, time consuming and costly. This was the view held in the mid 90s. Today it is quite different. The question is how do we create a system that provides broad strategic objectives. The challenge is to design and streamline programs to suit the individual country. We are looking to the future with working groups that are creating interim guidance for laying out a broad framework of how we are to proceed in the coming years. This guidance will utilize existing supplementary guidance, such as the White paper. Within the framework created, the strategic vision will be broad and outlined. Under the strategic vision, the missions will be putting together the operational plan, which will be a work in progress, updating as needs change.

Question and Answer Session

Too much focus is being placed on the reduction, and standardization of indicators. What needs to be reached is an understanding of the indicators already in use.

Development is not a scientific pursuit. It's both science and politics. When it comes to politics the indicators must exist. If the indicators must exist due to politics, then they better mean something.

I am struck by the way in which the Agency has finally decided to standardize. Why haven't they been standardizing all along? Now they must come up with doctrine, and standards, and a way in which to make the Agency more efficient.

We must be careful, because the current Administrator comes from a military background as well. He is well aware of the need for standardization, and its importance. There is a dichotomy within the Agency on how to accomplish and approach the Business Review Model, since there are those who seek a uniform approach, while there are others who are still more relaxed about the way in which things are done.

Did the group conducting the Business Model review, delve into previous reasons why efforts to standardize didn't work? If so, then did they formulate a BMR that would rectify past mistakes?

We did not look to past efforts to standardize. We did, however, look at 25 different studies done within the Agency on realignment and business practices. Every one of the studies was never implemented. Back then we did not have a centralized form of management. When a lot of stuff is coming from the center, what do you do? We hold the people in the field, along with their knowledge, as our highest asset. So we look to those in the field for guidance, because we still have no centralized management system. Now we are so earmarked that we are moving into the new world with the White Paper, the fragile states strategy, and MCA. There are many changes occurring, producing challenges, and fears as well. Fear that the Agency will become a finishing school for MCA countries.

I am concerned that the Agency has become broken, with all the problems that decentralization has caused. Were there any redeeming aspects of USAID that emerged from the study, which can be trumpeted, and built upon? I am concerned

that the Agency is so vulnerable that the movement to break it and start over again is strengthened.

We went to 10 countries. Stones can be cast at the Agency. You can go to any country in which we have a presence and see the work that we have done. We are at the forefront of the development world. The battle is in the perception of USAID. There is one side in which there is the movement to standardize. On the other side is side in which we need to train our leaders to maximize our efficiency in the field.

Is the Business Model Review available to view? Who else has seen it?

The Hill. The Administrator. The problem is really easy to fix. It is not a one size fits all type of solution. We just have to do get it done by taking all the little systems we have and making them cohesive. The Business Model review is posted to the web site.

Can you explain the “well-trained cadre” of FSNs to be used in other countries to provide us with our search capacity? There is a lot of turnover in the missions, because they feel that life on a contract basis is not appealing in terms on longevity? Is this to be due to the fact that no incentive is given to make them stay with USAID? Can you explain this?

Point well taken. There is no OE money to provide incentives. When the FSNs were initially hired it was through the use of OE money. Now the funding has been moved to program side. Most of the technical people were moved to the program side. The plus is that much of the money was used for training. In the inevitably we ended up becoming a development finishing school. The problem is that we can't provide the training consistently, leaving us with an inability to retain our best and brightest. The notion of our recommendation is that we mobilize our best and retain them on a consistent basis. How are we going to do it? We need a FS coordinator, however no one wants to do the job. Regardless everyone in the agency believes in FSNs. In the meantime, the FSNs are mobilizing themselves, for instance the FSN chief accounts in Egypt have created a worldwide network.

Did you look at all of the practice of management for results? Specifically, I have found that the missions manufacture results that do not really have country ownership.

It depends on the mission. Some missions place many issues under one blanket SO. To answer your question, yes, missions often manufacture results.

Will country ownership become a bigger issue as the Agency moves to standardization of Sops, resulting in less country ownership?

The standard SO does not mean there won't be country ownership.

What happens to new strategies?

We put out the word that until we get some interim guidance, all strategies should be put on hold. If there are strategies that are complete, then they should proceed with review. The bureaus will create abbreviated reviews. We are also looking to develop a crosswalk for the objectives, in order to capture the essence of what people are trying to do. We are developing a series of joint strategic objectives, in addition to program objectives. In the end we are trying to maintain as much freedom as possible for the missions to tailor the programs to the needs of the mission, while still showing Congress that we have some cohesion in how we develop Agency goals.

So are we actually renaming the SOPs in order to facilitate standardization, or are we actually reducing the existing Sops?

The SOPs will be substituted by the program objectives.

Welcome to Session 2



An Explanation of USAID's Business Model Review

Presented by: **David Eckerson**, Management Bureau

Joseph Lombardo, Policy & Program Coordination Bureau

Tom Rishoi, Foreign Service Officer (retired)



USAID's Business Model Review

- Agenda:
 - **David Eckerson**, Management Bureau
 - **Joseph Lombardo**, Policy & Program Coordination Bureau
 - **Tom Rishoi**, Foreign Service Officer (retired)
 - Discussion and Questions
 - Closing
 - Fill out your evaluations!!!

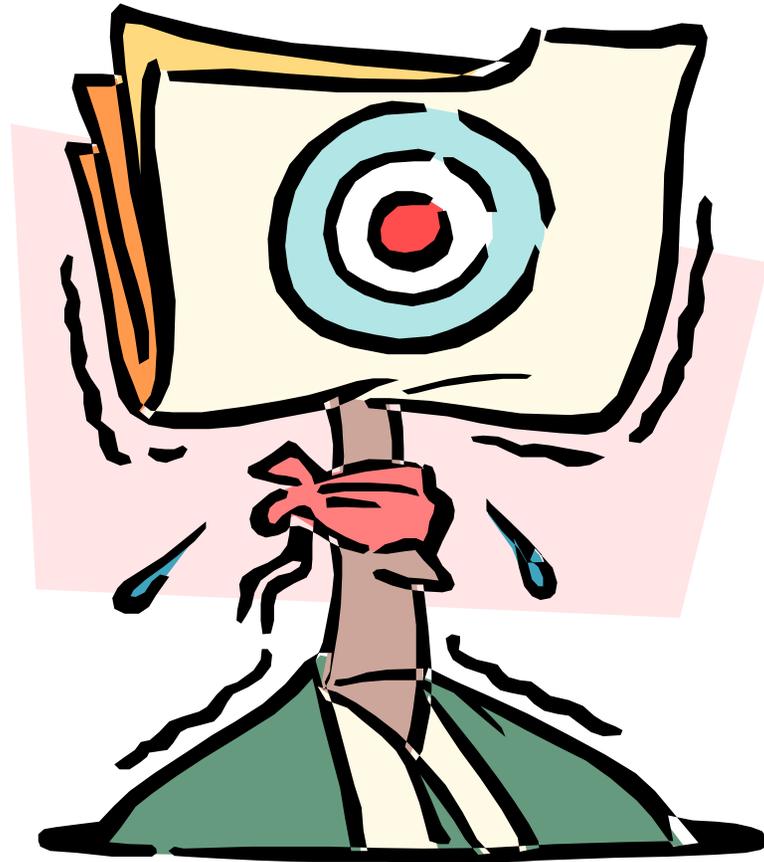




The Headache : The Cholic
By George Cruikshan



Why Business Review is Needed



- Anxiety
- Target
- bullseye



Danger

- Sinking ship



Goal



- Harmony
- Working together
- happy



Working together



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- <http://forums.info.usaid.gov/~USAIDSummerSeminarS>



Be here next week for **Session 3!**



The Global Development Alliance: Technology Created through or Used by Public-Private Alliances

Dan Runde, A/GDA; **Holly Wise**, A/GDA

Speakers: **Cindi Mitchell** FINCA Intl, Inc.; **David Weidner**, AED; **Robert Ainslie**, JHU Ctr for Comm Progs

Tuesday, July 13, 2004

