Toward Strategic Management

December 1990

One of a series of initiatives of
the U.S. Agency for International Development:

The Democracy Initiative

The Partnership for Business and Development

Family and Development

plus

Toward Strategic Management

Setting a New Course: Toward Strategic Management in A.I.D.

Executive Summary

A.I.D.'s environment is changing. Accordingly, the organization must change. This calls for strategic management that affects all facets, from the Agency's mission to its policies, procedures, work force, structure and information systems. A.I.D. is intensely re-examining its organizational direction, operations and structure. We are proud of the Agency's accomplishments during the last 30 years and of the staff who have made them happen. We also acknowledge that there are operational problems to be corrected. Any strategic scenario will show that A.I.D. in five years will be a different organization than it is now. Our approach to management requires immediate steps to put our house in order and a broader agenda that begins with adjustment of A.I.D.'s purpose and strategy so that our goals are clear to all who have a stake in our success.

Clarity of purpose is the first requirement for effective management, and A.I.D. has issued an updated mission statement.

Within that mission, our program strategy will emphasize three major initiatives: (1) Democracy; (2) Partnership for Business and Development; and (3) Family and Development. These initiatives are discussed in more detail elsewhere. They respect continuity in areas of success and call for innovation.

To meet this program agenda, ***our strategic management goal as an organization is to do fewer things, and do them very well.*** We will concentrate our energies in order to assure quality — of programs, of services and of operations.

As A.I.D. moves to achieve this goal, we will ensure high-quality program results and a commitment to excellence in stewardship of resources.

This management initiative focuses on near-term and long-term changes. Immediate management targets are to evaluate the program, tighten controls on funds and develop and reward the work force. We will also work toward streamlining the portfolio and structure of the Agency and obtaining and using the best information technology.

Over the longer term, we will further focus the program strategy, establish values and rewards as driving forces for the staff and install a corporate management system that emphasizes quality programs and services. In each of these areas, we will draw from the best management concepts and practices in contemporary government and business.

A.I.D.'s Changing Environment

The environment of the 1990s promises to be a complex and changing one for A.I.D. The winds of change are blowing around the world, and nations are experiencing dramatic transformations that have both economic and political dimensions. Economic and political freedoms are on the rise — yet the specters of poverty, instability, authoritarianism and environmental degradation still cast long shadows. The 1990s will be a time of great challenges for our organization.

In the United States the overall economic climate, budget deficit and scarcity of funds will influence A.I.D.'s operations in the 1990s. A.I.D. will pursue close collaboration and cooperation among the Administration, Congress, the American people and other donors to chart a course to meet the needs of a rapidly changing world and the strategic role that U.S. foreign assistance will play.

A.I.D.'s world is now filled with additional opportunities and responsibilities in Eastern Europe, the Middle East, Asia, Africa and Latin America. Millions of men, women and children depend on A.I.D.'s programs for their very existence. Economic relations among nations are going through deep changes. A.I.D. managers appreciate these realities. We acknowledge that, now more than ever, strong leadership and effective management are necessary prerequisites for maximizing the total impact of U.S. foreign assistance.

We take pride in what we have done. The Agency for International Development, as an instrument of U.S. foreign policy, has had worldwide success over the last 30 years. Copied and applauded, A.I.D. has made notable contributions to primary education; health and child survival; administering Food for Peace programs; promoting food self-reliance; providing civilians with relief and stability during natural disasters, wars and civil strife; creating economic infrastructure; and building democratic institutions, among many other achievements. We know that these accomplishments are due to the skill and dedication of a talented, caring and conscientious work force.

Assessing and Defining A.I.D.'s Role for the Future

Against this backdrop, the Agency for International Development has been undergoing intense, critical self-assessment of its role, operations and management processes. Initially, the assessment addressed the operational issues. With the arrival of new leadership, and to meet our need to chart a direct course, management has also been approached in broader terms. The overall purpose and direction of the Agency are under review. A.I.D.'s existing policies, structure and practices are being revisited. This effort looks at A.I.D. as an organizational whole, to comprehend better the interactions among the strategic (policy formulation and priorities), tactical (implementation) and support (operational) environments. The Administrator and the entire senior management team have been active in this assessment.

Basic factors stand out. First, the much-amended Foreign Assistance Act (FAA) of 1961, with its 30-plus objectives for U.S. assistance, should be recast. It is simply too diverse in its directions to provide a manageable framework for assistance in the current and future environment. Second, in recent years, Congress and others have been concerned about the effectiveness of the Agency. These concerns arise in several Inspector General and General Accounting Office (GAO) reports. Recurring operational problems with contracting methods, financial management and aspects of project implementation have fueled the perception of A.I.D.'s inability to execute effectively and efficiently the delivery of U.S. economic assistance.

It is clear that A.I.D. can strengthen its management in order to fulfill our mandate as the principal instrument of U.S. foreign assistance implementation. The Administrator and the Agency's executive team are fully committed to management excellence, both short- and long-term. The A.I.D. mission statement, which communicates a clear vision of the Agency's long-term goals and direction, is central to this mandate. This transcending vision is the basis for all A.I.D. programs and is the overall framework within which the Agency will conduct its business.

Mission Statement

The mission of the Agency for International Development is to administer economic assistance programs that combine an American tradition of international concern and generosity with the active promotion of America's national interests. A.I.D. assists developing countries to realize their full national potential through the development of open and democratic societies and the dynamism of free markets and individual initiative. A.I.D. assists nations throughout the world to improve the quality of human life and to expand the range of individual opportunities by reducing poverty, ignorance and malnutrition.

A.I.D. meets these objectives through a worldwide network of country missions which develop and implement programs guided by six principles:

- **support for free markets and broad-based economic growth;**
- **concern for individuals and the development of their economic and social well-being;**
- **support for democracy;**
- **responsible environmental policies and prudent management of natural resources;**
- **support for lasting solutions to transnational problems; and,**
- **humanitarian assistance to those who suffer from natural or man-made disasters.**

A.I.D.'s mission as a foreign affairs agency of the U.S. government is to translate into action the conviction of our nation that continued American economic and moral leadership is vital to a peaceful and prosperous world.

The mission statement encompasses the full range of A.I.D.'s present involvement in international development. Within this framework the Agency is launching the three program initiatives: (1) Democracy, with emphasis on strengthening democratic institutions to build equitable societies; (2) Partnership for Business and Development, intended to engage private sector participation in sustaining free-market principles and broad-based economic growth in developing countries; and (3) Family and Development, which focuses on the family as a fundamental element in social and economic development.

The rest of the strategic management initiative is companion to and supportive of the program initiatives but also cuts across all of the Agency's programs.

Management Improvement Near- and Long-Term

A.I.D. is working on its ship of state in two ways: one will repair and remove the barnacles from the hull and tighten the rigging, revitalize the crew and polish the brass, while the other will adjust the navigational instruments and set the course for the right place on the horizon. Given the pace of change, we are doing both things at once. This agenda will be a starting point for our partnership with the recently enacted President's Commission on Foreign Assistance Management, the GAO's General Management Review and our ongoing work with the Inspector General.

Scenario of Change

By the year 1996, the Agency for International Development will show better program impact, stewardship of resources and operational efficiency. Some planning assumptions being explored are that A.I.D. will be a smaller bureaucracy, with most of its staff overseas, running the same-sized or larger program in dollar terms. A.I.D. may move toward "wholesaling" a set of tested development approaches in certain areas, through private, non-profit or university organizations. We must still retain the capacity to innovate and respond to new needs. A.I.D.'s staff will be more diverse culturally and in gender. There may be two main groups: highly skilled managers with a clear career path and technical specialists employed as their skills are required. Larger blocks of work may be run under contracts and grants. There will be greater autonomy for field operations within a system of evaluation and operational/financial auditing to assure accountability. Promotion, incentives and awards will flow to those individuals and teams who can show program impact, account for resources and find a productive balance between innovation and prudence.

The central goal of the management initiative is to do fewer things — and do them very well. We believe that only by clearing the deck of some of the clutter can we also achieve two operational objectives that guide our daily work: (1) showing high-quality program results and (2) demonstrating excellence in stewardship of resources.

Getting Shipshape: Near-Term Management Improvements

Within the framework we have set, the immediate management targets are to evaluate the program, tighten controls on funds and develop and reward the work force. We will also work toward streamlining the portfolio and structure of the Agency and obtaining and using the best information technology to improve productivity. The Administrator has charged the executive team to take action on each of these under his direct supervision. While of immediate concern, some of them will require sustained efforts before they show results. A brief picture of each of these follows.

A strengthened evaluation function in the Bureau for Program and Policy Coordination and in our overseas missions will assure that A.I.D.'s story gets told fully and honestly, and that we more purposefully learn from and apply our experience as new programs are funded and designed. By better measuring and reporting on our program, we expect to gain both internal and external benefits. With a clearer purpose and strategy for evaluation that is tied to our mission statement, A.I.D. managers will be able to channel funds and staff to key areas where analysis and reporting are most crucial. With more and better evaluation information, the same managers can then more readily replicate success. With more frequent and reliable reporting on program outcomes, we can work collaboratively with the Congress and with cooperating countries to assure that A.I.D. builds on its strengths and adapts its programs to changing needs overseas.

A.I.D.'s ability to control adequately the use of its funds in the developing country context has improved steadily over the years, but vulnerabilities remain. The Administrator is determined that continuing top-level attention will be given to this matter, both in terms of prevention and in taking action on problems that may arise or persist. He has charged the Deputy Administrator with chairing a senior team on a continuous basis to oversee audit results, make needed changes in systems and policies (for contracting, audit programs and follow-up, and other actions as needed) and to report frequently to him and through him to the President, the Department of State, the Office of Management and Budget and the Congress. In a related area, the Agency's primary accounting system is being replaced. Increased efficiency, security and reliability are expected. Billings, payments and reports needed by executives and external cooperating entities will be improved. The plan includes related staff training and better management and regular assessment of controllers' offices.

The men and women who work for A.I.D. are its primary resource for achieving the Agency's mission to meet the goal of excellent performance. The Administrator recognizes and reinforces the widely held values of dedication to service, to quality and to integrity that exist among our skilled personnel. In addition, he supports the career staff's growing commitment to open communications, two-way feedback, anticipating and managing change and productivity improvement. He has charged his executives with articulating and behaving according to these values. The personnel office is charged with better planning of the deployment and professional growth of the staff and with adjusting the rewards and incentives to strengthen accountability and to recognize program and management accomplishments of successful teams. Recruitment will be more focused on both present and anticipated needs and will seek to tap the rich diversity of the American work force of the 1990s. Human resource management will be more integrated and directly linked to achieving the Agency's strategic goals.

Another product of senior staff working groups is to be a streamlined A.I.D. This is expected to affect a number of dimensions: a leaner structure; simplified procedures and paperwork; clearer roles and functions for Washington support offices; more focused programs at the country or regional level; and better use of information technology.

The information system of the Agency is being upgraded to meet program and efficiency objectives, as well as to reduce vulnerability to misuse. The information resource strategy encompasses new hardware, software, user skills and user-friendliness. In these ways, and through standardization of data management, all personnel will have accurate and reliable information. These actions are essential to meet other management objectives such as program tracking, accountability and productivity at all levels.

With this agenda, the A.I.D. Administrator and his executive team intend to demonstrate that we have the capacity to fix what needs fixing, to strengthen our administrative credibility and, over the longer term, to become one of the best-managed international agencies in the federal government.

Longer-Term Transformation: Navigating the Next Decade

The actions described above are occurring or planned largely within past and current policy and statutory contexts. They will result in concrete improvements and build a new environment of trust for the Agency.

But we must go beyond that. We must set bolder targets for transforming A.I.D. during this decade. If A.I.D. is to be truly relevant, to take a clear leadership role that builds on the Agency's successes and to become purposeful, flexible and innovative — more powerful actions may have to be taken. In 1996 we will be a different Agency — more focused, leaner, more effective, with better development results.

The Agency's program strategy will be more sharply focused in concert with Congress. Our mission and our intention to do fewer things and do them better will be understood by all staff, and by all of our cooperating countries and entities. The organizational values are to be translated into higher productivity and quality programs and backed up by appropriate financial and other rewards for units and individuals whose performance warrants them. We will work toward a unifying management system that gets the program results, the stewardship and the flexible responses we seek — setting a new standard that makes the people of the United States proud supporters of this institution.

Redirecting the organizational culture or climate through attention to values is essential, but not sufficient. A.I.D. will reach out to the best management concepts and practices of contemporary business and government to apply those that are most suited. As an example, the work of the Federal Quality Institute, now being employed in several agencies, has potential merit for A.I.D. Known as Total Quality Management (TQM) or under other labels, it incorporates top management support, broad employee involvement, effective communications and measurement, continuous learning, and rewards and recognition.

Whatever management system A.I.D. adopts, it will be "corporate," encouraging A.I.D. staff to see themselves as part of the whole Agency, not as merely part of some organization within A.I.D.

Conclusion

The seas that the Agency must navigate during the 1990s are likely to be stormy. The leadership is committed to overhauling our ship of state to meet this challenge. With a well-charted course, a skilled and productive crew and a sleeker profile, we are confident that we can arrive at the right ports with programs and services that meet the needs of cooperating countries and our supporters in the United States.