THE WORLD BANK GROUP HISTORIAN'S OFFICE

ORAL HISTORY PROGRAM

Transcript of interview with

EDWARD V.K. JAYCOX

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Q: We want to pick up in the 1980s and we are going to focus on the reorganization of 1987, in which you played a central role.

What I'd like to know is, from your own experiences through the Eighties, did you have a sense that a reorganization was going to be needed? Had you seen things that you thought needed changing, structural or otherwise?

A: Oh, yeah. I think so. By the time we got to the Eighties, a reorganization was overdue and most people felt that was the case. We had in '72, already put the Bank in a more country-focused, customer-focused mode. But this emphasis was constantly compromised by the strength of the people who actually managed the projects, and as a result of managing the projects, managed the lending. This created tensions, and lending had become not very creative and very costly. Although there was a lot of process innovation that was attempted in the early Eighties, we found the cost of doing business going up very rapidly; the number of man-weeks per project was growing more, and the resolution of issues
between the projects people and the country, customer-focused people had to take place at a very high level.

Q: Could you give me an anecdote about that?

A: I'll try. I was working in East Asia-Pacific as a program director during the early Eighties and I had an opposite number, a projects director, a very good man. He was an excellent person, and we each had our structures and were dealing with some of the more successful customers. But there still were a lot of issues and points of confrontation that had to go all the way to the Vice President to be resolved. There were enough of those issues that, trying to avoid that or actually resolving just led to additional elapsed time and high costs.

I'm trying to think of examples. Of course, that's a long time--

Q: It's a long time ago, but I'm just trying to get a little flesh on that.

A: There were a lot of controversial projects in East Asia at the time. There was the continuation of the transmigration issues. There were environmental issues in
Kalimantan and in Lingayen. There were issues on the port of Sartahib, in Malaysia, on the eastern coast of Thailand, related to the petrochemicals development. There were also issues in Mindanao having to do with pollution resulting from the pelletization of iron ore. In other words, lots of environmental issues. There were issues of economic performance in the case of the Philippines. When we brought China into the Bank, there were all kinds of issues about how we would actually interact with the Chinese. And this was one of the more successful go-ahead parts of the world. This was not where the most problematic country situations were probably in Africa for example, required constant references to the Vice President. I remember Steve Denning who worked for me, we had already started on process innovation and streamlining the decision-making process. But it seemed to be to no avail. So, I think that when Conable came in, he got an earful, just like every new President does about what's wrong with the Bank.

Q: Did you get an opportunity to give him an earful?
A: No. I didn't give him an earful. But he did hire some consultants. I was trying to think of what their name was. Cresap, McCormick and Paget (CMP).

Q: I don't think I ever heard that before, but supposedly Rockefeller had recommended them.

A: Yes. It could be. I had nothing to do with that. I woke up one day and these guys were asking questions, and they came around and they interviewed a lot of people.

Q: But how far did Conable come into the Bank already with this sort of notion that something had to be changed? And how much, in your view, was that promoted by the U.S. Administration?

A: I really don't know. The U.S. Administration was, and I guess still is, concerned very much about the efficiency and the costs of running this Bank, and occasionally they see the opportunity, obviously, to intervene. I don't know what they are doing right at this juncture. But I'm sure, the U.S. is expressing its views because I've talked to Wolfensohn and he's telling me that he is just getting an earful about what's wrong with the Bank, and that he's decided to listen
but not to do anything about it for a while. I think that is probably the same experience that Conable had. Eventually I worried about Conable's take because it wasn't clear to me that he had any idea about what he wanted out of the reorganization. But there were some things that he had in mind. He was being told, and in no uncertain terms, that the Bank was basically cylindrical. I remember this as being one of his characterizations. Just like I described to you the fact that nothing could be resolved till you got to a Vice President, or to the President. Problems kept going up through these columns, through these cylinders, as he called them, without resolution and people's whole careers were inside these cylinders. It was like having a bunch of silos instead of one building.

Q: What you've described for me was that since '72, there has been a de facto centralization. Things were not decided at the lower level where you would like them to be resolved, but kept moving up. Had that changed at all when McNamara left? Or did it just continue to function in that same way?

A: I don't know.
Q: You don't think that there was any break in the early Eighties between the McNamara period and the post-McNamara period?
A: Well, I don't know. I realize when you ask these questions, how uncritical I was at the time. But, who was paying attention to things like that? I was hotly engaged in whatever the hell I was up to in those days.

Q: Now you've got a chance to reflect.
A: Well, I must say that the Clausen years were really quite foggy for me. I don't remember them very well. I changed jobs I guess twice during that period of time, and I don't think we were getting any leadership at all, not the kind we were used to.

Q: You were on autopilot.
A: But the Bank was still highly centralized. And Ernie was gaining strength as the only sane person, with the memory and the capacity to handle everything outside.

Q: Was it evident to you that he was, on a day-to-day basis, running the Bank?
A: Toward the end of the Clausen period, yes.
And this was what advice was, I think, to Conable: you know, you've got a guy in there who's going to run the Bank and you've got to do something about that, and you'll be sorry if you don't. I think Ernie was quite a good manager, but he was not a leader in the sense that he didn't inspire people to do extraordinary effort or things. He distrusted this vision thing.

Q: He wasn't a vision man.

A: He would never, you know, allow his emotions to become apparent about any passion with respect to outcomes or objectives.

Q: Some people had their feelings hurt by Ernie, too.

A: Well, yes. He was very cynical, aloof sometimes. But, there's no doubt about the fact that he was, from the staff's point of view, the only point of continuity. Indeed, he kept some of the very main strengths of the Bank alive, in the way that the monks kept the art of writing alive, by candlelight during the Dark Ages. That's the way he was viewed by many of us. But there was a downside to that, too, because he didn't provide what I call inspirational leadership of any
sort, and never got that clarity of vision. And there
certainly wasn't an emphasis on excellence.

Q: He is the classic operational officer. He is a classic
line man. And they don't think much very often.
A: Well, he was a thinker. I never felt that he wasn't
thinking, but it was always pitch it low and safe. Let's not
get in front of any curve, and let's not get out and try
anything.

Q: Line officers make things run.
A: Yeah, but mostly they work in combination with somebody
who provides that element of vision.

Q: Right.
A: Of course, it worked differently under McNamara. Gruie
blossomed post-McNamara in terms of that centralized
authority.

Q: Now I want to stop you for just a minute. When did you
slide into the front where you were guiding the
reorganization. I want to stop you there and ask you, when
did you find out you were going to get offered an opportunity
to run the reorganization? How did that happen? I am pushing
for detail here. What happened? You must have talked to somebody. Somebody must have talked to you.

A: Well, I met with these consultants when they were doing their interviews, I guess the way they recommended to Conable the broad outline of this reorganization. He would have to decide that based on two or three options which they provided. And they came up with those options after they'd talked to a lot of staff.

Q: Right.

A: And they did talk to a lot of staff. They were, though, very selective in who they talked to. I think that they pitched their discussion to a younger group. They sort of went at least one layer down. I know they talked to other Vice Presidents. I was already a Vice President at that point. But mostly at the Director level, even the Division Chief level, and staff level, they talked to bright young people. That was their objective. And they talked to these people for about 30 days, as I recall, something like October through before Christmas in 1986.

Q: That must have made everyone here very nervous.
A: They interviewed me more than once. They would come back and they just did a few things. Apparently they suggested that during this interview period they would select, or nominate a dozen or more staff members who they felt had the breadth and the vision and ideas which seemed to hang together and click with their ideas, and that these groups should form a task force. The task force would report to a steering committee made out of insiders and outsiders. But the actual design of the reorganization would be by the staff task force, working on the problems, pulling people into the process as necessary, and that should be done in three months.

Q: That's tight.

A: And afterwards it should be implemented by that same group, that they should be forming a committee which would implement the reorganization. Of course, nobody liked this idea, I can assure you, particularly the people that were running the Bank.

So they came up with these three options. Oh, well, how did I get involved? Also out of the blue, I think just
before Christmas 1986, Conable called me up and said, "Come
on over, I want to talk to you." I went over there and he
had all these consultants in the room when I got there. He
said, "We want you to do this." And I said, "All right. I
will. I'll try."

Q: Right on the spot?
A: Right on the spot. I didn't think that I had any
choice. It didn't occur to me to say no. I had only one
problem with that. I was taking my whole family to East
Africa, a vacation that we had decided on, a couple of years
in advance, and I was not going to give that up. So I made
that clear, and that was okay. So actually the thing didn't
get underway until the end of January and we had until the
end of March. So before I left on this leave, around
Christmastime, this task force was formed, the other members
were put in place. The consultants had some very specific
ideas about that. I didn't choose the members of the task
force.

Q: They were also selected by the consultants?
A: They were nominated by the consultants and selected in effect by Conable. I know he consulted this group because there was a tremendous negative reaction to my doing this by some people, I'm told. They never told me, and I never confirmed it, but Ernie was negative on it, and Shahid Husain was negative on it. These guys are very senior types and they didn't like it at all. They were of course considered by Conable and by the consultants as possibly part of the problem within the organization. This became very explicit, but there was a lot of talk I was not privy to.

Q: When the consultants briefed you, did they give you a sense of what they saw as the underlying problems that had to be dealt with? Sociologists would distinguish between latent and manifest problems. Did they give you a view of what the specific manifest problems were that had to be dealt with?

A: Well, I think they referred to this cylindrical business and the fact that there was no team work at the top. They put up three options. One was the President with a Chief Operating Officer that looked like the Ernie model to me.

And then there was the President with a President's
Council which was not a decision-making body, but only the President made decisions. A discussion group. And below that they had the senior vice presidents and three or four columns. This looked very much like what we had. It didn't look that different from what we had, except to change the way the top was supposed to interact, and it created a new complex. I mean, before we had Finance and Operations and now we were going to have Finance, Operations, and PPR, and there was a possibility of another one having to do with external affairs and administration. I think there was a third option, which was sort of still-born and probably a straw man to begin with. Conable chose the second one, the one with him on top, and without the chief operating officer.

That was a clear signal to me that he wanted to be in charge. In fact, I was told that the objective here was to put the President in charge and give him this leadership position. But I saw absolutely no evidence that Conable was willing to play that role. He had already been there six months. And during this period and when I was going in and out of his office occasionally, from the end of January to
the end of February, I saw no evidence of him willing to take
charge of anything. I remember I had a terrible feeling that
we were working on the wrong option. I remember I flew down,
my father-in-law had been President of Goodyear Tire and
Rubber, and he was retired and living in Palm Beach. I wanted
to talk to him. So, Friday night I flew down to Palm Beach
and came back Sunday night, and I laid out the problem to my
father-in-law, and he finally said, "Look, the only way you
can find out if this guy wants to run the Bank is to go and
ask him." So Monday morning I went in there and I asked
Conable if he really wanted to run the Bank and he said in no
uncertain terms that he was going to run the Bank, don't be
in any uncertainty about that. So I became a little more
relaxed, but I still had a nagging feeling here that whatever
we were doing here was not necessarily going to work out.

Q: To what extent was downsizing or reducing the size of
the bureaucracy in the Bank talked about or seen as a major
objective of the reorganization?

A: Well, there was no numerical objective, but there was
the idea that we were going to clear out a lot of people in
the process. We were going to cut a lot of costs of doing business and costs equal people.

Q: Right.

A: So we would get rid of all these people doing things which no longer needed to be done. We were going to outsource a lot of the services, everything from language services to the drivers. If they no longer had the fringe benefits that the permanent staff had, we could be a lot more flexible, and if we didn't like the service we could just suspend it or not renew the contracts and move on to another competitive solution out there in the marketplace. It sounded great.

Q: There's a lot of that happening in America right now.

A: Sure. And there was a whole new category of new service industries coming up outside the rolls of the corporations. So there was no lack of services out there on the street. We had organized ourselves as a task force into groups. One looking at the intellectual leadership objective, one looking at the operational streamlining and efficiency, one looking at the administration and personnel issues. I think those were the three main groups. And the three main people
involved were Caio Koch-Weser, Russ Cheetham on the intellectual side, and Bill Cosgrove. He was Director of Personnel at the time. And he headed up that group. I didn't have any specific assignments. I was the chairman of this task force and I was also chairman of the Steering Committee. The Steering Committee consisted of insiders and outsiders. McNamara was on it and Kashiwagi, from the Bank of Tokyo, and somebody from Germany, I can't remember who it was. It's a matter of membership records. And internally we had Shihata and Thahane on the group.

Q: How did you use the Steering Committee?

A: Well, we only met about five times or something like that in these three months. I guess some meetings were more important than others. I remember we met at the very beginning just to get to know each other, then we met sort of mid-term to go over the preliminary recommendations of each of these subgroups and the task group as a whole, when the work was beginning to gel after about six weeks, end of February, beginning of March. But we only had 30 more days to grow. And then we met again on the 27th of March, I think
it was, where we talked about the final product plus a first discussion on how to implement. Then I think after we delivered the report we had another meeting of the steering committee to talk about implementation and implementation arrangements.

Q: But neither the Steering Committee, nor you were ever involved in the basic decisions. In other words, Conable from the outset said, "This is the kind of model that I want.

A: Right. If, theoretically if we had found some horrible flaw, Conable's decision could be reconsidered. The only reason why I felt it necessary to even think about an alternative was some basic flaw. And the only flaw I could think of and I found enough evidence of it personally, was that the President didn't want to really play the role designed for him, for God's sakes. Then this thing was not going to work. But, he was real positive about that. I had my doubts even after that, but nevertheless there was no issue anymore as far as that was concerned. And when I asked him this question of course, I didn't just ask him that question. I said, "Now, this implies that you are going to be
doing this. This is the way your day of the week is going to look. This is what you are going to be doing. This is how you are going to interact with the staff. And it's a huge job." And, he said not to worry.

Q: The Steering Committee, the McNamaras and Kashiwagis, who I presume had strong views about how things had to be organized in order to work, they never questioned this? They accepted this as an appropriate premise?

A: Yes. That's the way I remember it. There may have been some discussion about that, but the options were basically laid by the consultants who were also on the Steering Committee, or around it as resource people. And, if you are talking about Kashiwagi and McNamara as the two powerful personalities on this thing, they saw the problem from their own perspective. This was the way they would have run it.

Q: Right.

A: They would have been on top, and they would have insisted on everything coming to them, and they'd sort it out and they'd give the directions. So the choice of the Steering
Committee, either luckily or unluckily, reinforced this model, or didn't question this model very seriously.

Q: Who on the Steering Committee did their homework and became the intellectual leader of that little group?

A: Oh, McNamara. He was the one asking the questions, and he was of course around town, so between meetings, he was sticking his nose into issues. Not deeply but you knew he was there, and he was available, and I had many lunches with him over there at the Metropolitan Club when we were doing some thorny things. Incidentally, it rarely dealt with personalities. I mean, we did not discuss Ernie or Moeen or Willi.

Q: Paijmans?.

A: We didn't discuss Paijmans, no, but Paijmans became a problem. Paijmans in the process stepped out of line as far as Conable was concerned. He questioned the premises of the reorganization, of a downsizing.

A: He said that he wouldn't cooperate with it, and eventually he was asked to leave, and he left.
Q: The downsizing is probably one of those areas where Conable had an imperative from the U.S. Government, don't you think?

A: That could be. But it didn't seem to have any number to it.

Q: Right. It didn't have to have a number, but it was going to happen.

A: Oh, that was clear from the beginning. And then, it was not as something that I felt was imposed because, we were talking about eliminating a lot of work. We were getting rid of process, of whole loops in the process; the critical path was going to be shortened and therefore there were not going to be so many people involved. And these people would be redundant, because they were not the fungible types. We are talking about people who were in the process, the budget process and paper shuffling, all of that stuff that bureaucracies generate.

So there were definitely redundancies. But from the word "go" it was not a primary objective. I had to go out to the public and say that we were not downsizing, that was not the
main reason. The downsizing would be a byproduct of what we do if we do it right. And at this point we did not know how many people might be involved. But that the number could be rather substantial if we could in effect reduce the cost of operating this institution and that every attempt would be made to reassign people. Those people who had to leave would be given a package which was being designed to facilitate their transition into other jobs.

Q: Now, you said that this was not directed at people. But one of the alternatives had a role that Ernie Stern played, had been very important in playing. And now you've got McNamara approving a plan that bypasses an Ernie Stern, an operating officer of that type. Did that not create any tension? McNamara had used a chief operating officer and had been comfortable with that, but now you were going to design a system that was not going to use a chief operating officer.

A: Well, we never really had a chief operating officer, and I think that Ernie never really had the job of chief operating officer. He was a Senior Vice President for Operations. And there was Finance with another Senior Vice
Presidency. So this new arrangement wasn't going to be all that different. It was just going to create two more Senior Vice Presidencies.

Q: Well, Operations was going to be changed significantly, though.

A: Well, down lower it got changed quite significantly because that's where the cockpit is, that's where the real costs are incurred, that's where everything happens.

Q: A couple of other things that I'd like to know if they are part of the background for what's happening now. One was that the environmental movement was getting stronger and putting more pressure. Was that a consideration at all in the process of reorganization?

A: I can't recall. I think in the detail of the PPR that was seen as an area that needed to be strengthened. There was a box created, you can see inside there, for environment. But now we are getting down to another level where the pain aspects of this reorganization did not apply. I mean the creation of these new areas. I don't think anybody on the task force did anything but bring the Bank up to date. They
didn't anticipate the future. And the idea was that if we were able to regain intellectual leadership we would in fact carry the institution forward. We didn't have to do the planning for the future. But if we created the space and the function of strategic planning, that would carry us into the future. So we didn't have people thinking about what needed to be added. But you are right. Environment was on the map.

I think we talked about creating capacity in that area but I can't remember the details of our thinking.

Q: Yeah. There was a department that was created as part of that central column there.

A: Right. The PPR, is what they call it today.

Q: The other thing that was in the air, in the United States, Great Britain, other countries, was the shift away from the public sector toward market-oriented solutions. Was that part of the background at all? Or was that thought about as part of this reorganization? It could be seen as part of downsizing. Although I doubt that it was. But certainly in the United States, in the Eighties, there was a
very conservative political environment and a lot of hostility toward public solutions to problems.

A: I think we had already learned that lesson the hard way. Inside the Bank we were already moving in that direction. By 1986 we had launched on programs of structural adjustment in Africa, for example, which involved privatization. We were, in fact, shifting the focus of the state from all kinds of things to those things that governments have a comparative advantage in education, health, infrastructure maintenance and development, that kind of thing. Our stockholders always have a big influence on the Bank's policies, but I think we had already made that shift before. I don't think that played a role in the reorganization. We were not allowed to touch the issue of IFC, for example. IFC was off limits. This was unfortunate because I really felt that we had to bring IFC into this, for God's sakes, because the future was very much going to be a private sector driven thing. But IFC was remaining outside. In fact, some of us wanted to integrate IFC with the Bank, since we all wear three hats instead of two. Yes, it has its separate balance
sheet. It has its own finance, its own investment committee.

We would have to submit the proposals to them, and we would have to worry about their balance sheet, or they would worry and make sure we worried about the balance sheet, but the staff would be coming into one big corporate unit. That was one of many options that we wanted to explore, but that was ruled out.

Q: By?

A: By Conable. Well, I am sure that the IFC had a lot to say about that, they influenced him in that direction. And still this is unresolved. There was later a Knapp Commission which never made much difference one way or the other.

Q: One of the things that's in the report about the reorganization, is a gap in knowledge that had developed in the development process. When you talked about your own experiences in the Eighties and what led up to your own ideas about the reorganization, you didn't really talk about a gap in knowledge yourself. Was that part of what was going on in that reorganization?

A: Oh, yeah.
Q: Where did it come from?
A: I'm not sure. I felt it emerged out of Sub-Saharan Africa because in Africa we didn't know much at all.
Q: Right.
A: But, and we also weren't learning very much because experiences were not shared across the continent. And our policies did not reflect any of the particular specifics on Africa. We didn't come to grips with the African issues because those issues were either more aggravated, were specific to Africa, and a worldwide view wouldn't necessarily pick that up unless it was focused on Africa much more than we had been able to do. I was worried about that. I don't think the other regions felt as strongly about that, though, as we did here in Africa.
Q: I was asking this question because with McNamara in the '72 reorganization there was a very specific attempt to raise the level of analysis in the Bank.
A: Well, yeah. People felt that whereas in the late seventies, McNamara was able to speak from a very secure position of authority on development issues because we'd done
the work. Subsequently nobody chose to speak on these issues. The leadership of the Bank vis-a-vis these issues for a while just went down during the Clausen period, because he really did not pay much attention to these issues and I think we starved that particular part of our operations. There were a lot of people on that side, on the intellectual side, let's say, who felt that they had been downgraded during the Clausen period. Maybe the reorganization was just an expression of regaining the ground that they'd lost in that respect. So I guess that was it. But I don't think that it was so much the lack of knowledge but the lack of leadership, the lack of projection of this knowledge. Maybe that's the way that people perceived the problem.

Q: Is that something that Conable himself perceived as a problem?

A: No. That strictly grew out of the work of the task force, I think.

Conable didn't know the Bank, these consultants didn't know the Bank, and we were supposed to provide the analysis. We were supposed to say, "Okay, this is what we need." All
this was discussed. We had these regular meetings to confirm and validate the information. It's not that Conable was masterminding this process in any sense. That was not the case. And that's what was worrying me.

Q: He'd given you parameters that you were following.
A: Yeah. But then he says he's going to run the Bank and then he is not giving any content to what we are doing, basically.

Q: He didn't have any real input into the decisions.
A: No. He didn't say "Oh, no, " you know, "to hell with that, let's go this way."

Q: On IFC he did.
A: On IFC he did, yeah. But my take on that was that IFC just refused. Just said, "Hell, no. You've got an island to calm over here. Just leave us alone. We are doing fine. Thank you very much." And he buckled. In fact, he probably didn't care very much. The problem was here in the Bank. And the problem may have been Ernie.

Q: Let me ask you. I think a lot of people thought that afterwards and there was a lot of talk about whether the
reorganization was actually turned on Ernie. Was there anything to this?

A: I know. I think he felt that way.

Q: When you thought about IFC, you thought about IFC changing the Bank rather than the Bank changing IFC?

A: Both. I thought that the big change would be that IFC would infect us with all of this expertise and talent related to the private sector. But the problem with them was that they didn't have any country allegiance, country focus, country objectives. They were just looking at their balance sheet and racing up and down the developing world and when they found something they liked they snapped it up. But they were not developing the private sector any place. They were not saying, "Okay, this is Kenya, it's got some potential, it's got some entrepreneurs, it's got some problems. Let's solve the problems. Let's make this private sector work."

Now, we were not stimulated to do that work strongly enough because we were not going to be able to lend to the private sector. So nobody was doing the kind of work which should have been done, to diagnose what's going to make this
place hum? Certainly not IFC. They didn't have the capacity. If it wasn't right they moved on. They may have said, "Oh, it's not right, and the reason it's not right is one, two, three. Bye-bye." But they didn't stick around to try and fix it. They didn't have the capacity to spend money on those things because that would all come out of their bottom line.

So I thought by putting the Bank and IFC together we would be able to continue with our massive subsidy in terms of analytic work infected by them, and they would be able to go and make their transactions in a much better environment.

In other words, we'd make the grass grow and the grazing would be better all around, and we could work together.

Now, this has never happened. We just discussed this in a retreat last week, and we are still fumbling with the same damn issue. Wolfensohn was there and he got an earful on this, so we'll see. I don't think we are going to merge IFC and the World Bank. Nobody has got the guts for that. But something has to be done to make for closer coordination, probably at a relatively high cost at first.
Q: Now, there were very strong elements of decentralization in the plan that was worked out. The whole Bank was going to be decentralized in a new way.


Q: Yes. Well, personnel functions but others too. Wasn't the plan to decentralize as much as you could to the lowest level?

A: Well, there was a lot of pursuit of delegation, that's right. Decentralization was a main theme. Less checking, less layering, more trust, more exposure, and of course, accountability for results. The personnel aspect was that the incentive system was supposed to match that in a way that people were rewarded and punished, if you will, depending on how they handled their responsibilities. These were the tricky parts of the reorganization. In the end, we did change the structure of the Bank.

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The resulting processes were probably not as lean as everybody really wanted them to be, and, by the way, parenthetically, they quickly changed and accumulated all
kinds of new modifications. The system became complex again very quickly. We gravitated back to the layering and the second-guessing and the second checking and the centralization very rapidly. That's another story.

Q: How long did it take for that to happen?
A: Not very long. A couple of years.

Q: And that's because the people were still in place?
A: Yeah. And the culture was still in place. The culture was the hardest part. The idea that you can change the structure and processes to a certain degree by just a stroke of the pen is nice. But the idea that that is going to change the culture, it turns out that's very weak. In fact it doesn't work unless there's a direct assault on the culture, which there never was. And that we can get into if you like.

Q: Let's talk about that a little bit. There was a study done in the Bank of the Bank's culture at the time of the reorganization.
A: Yeah. Well, I don't regard that as a serious thing. The theory that the culture was in need of change only a few of us really believed that.
Q: You believed it?
A: I believed it, yes. But most people had a great faith in rejuggling the boxes, and also in changing the process by eliminating layers. We tried to establish that I decide here and it's only by exception that, I've got to be relied upon to bring these exceptions to you, my superior, but otherwise we decide here. But that didn't last long at all. First of all, people were not used to it, and people didn't like the idea that the buck stopped with them. They always wanted to keep pushing decisions up. The people upstairs were very happy to oblige. Homage, it's what it amounts to, and they were just giving their blessing and then everybody was happy.

But of course nothing happened when that blessing was given to change anything in terms of the product, or certainly not the results on the ground out there in Africa. We had this attitude back in place, within a couple of years. That's the way I recall it.

Q: When you were starting in this reorganization process, you were doing the planning, but what happened about the leadership issue?
A: The culture could have been changed with strong leadership. I don't think that our culture is so strong. Because I saw McNamara change the culture of this Bank and I saw Clausen change the culture of this Bank in some sense. You know, parts of the culture never did change, but certainly a lot of it could be changed by good leadership. Or bad.

Q: How would you characterize Clausen's changes?

A: I just mean by letting it lapse.

Q: Letting it lapse?.

A: Just not providing the leadership. Although Ernie kept us on course.

Q: And with McNamara, of course, the characteristic was to exercise absolute control.

A: Absolute control. Right.

Q: Now, I suppose the culture has a lot to do with the relationship between the President and the Board. To the extent that you have the Board asking a lot of questions, and in the Conable period, there was a lot of pressure on environmental issues that fed through the Board into the
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Bank. That then of course makes people at the top very worried. They want to be sure that the staff are not unleashing all kinds of uncontrollable issues. So people like Qureshi became very concerned that they would be absolutely certain of what went up and how it went up and that it went up in a form that they approved of and could handle. Was this not a factor that defeated the spirit of the reorganization?

A: Yeah. I think this is true. That's why I think all this accretion of process sets in and in effect strengthened the layering. We find the front offices of the complexes burgeoning with staff. We find the role of the PPR being shifted from intellectual leadership to second-guessing the product. We find, to a much greater extent than it was supposed to, the role of the loan committee becoming an adversarial arena instead of a coordinating mechanism. Rather than supporting the staff and motivating them, we used to find these battles taking place in the late Eighties, and that was because nobody really worked on the cultural angle.

I mean the idea of a decentralized Bank with empowerment down the line where the decisions are taken by the people who
know the facts as opposed to people who know the policy. We had a Bank, and we still now do again where ultimately the tough decisions are taken by the people most remote from reality. People who have never been in the country, who are only listening to what other people are saying, and react not according to the reality but the strength of the personality and the passion and logic of those they are listening to and who are saying what they want to be heard. I'm not saying decisions necessarily have to be bad, but that this is not a healthy way of organizing your business. That was not the way that we felt in '87 that the Bank should be run. We tried to move the decisions down and decentralize, de-layer with a heavy emphasis on accountability. But our products are very hard to hold people accountable for, because results take so long to realize and in the meantime you have to give everybody the benefit of the doubt.

If you try to get the focus off the product as a report or as a document and on to what's happening in Africa, you have one hell of a time because, even now we promote the people on the strength of how they can present matters.
That's why we are having trouble holding or rewarding the people with technical expertise, because they are not necessarily the people who can best present the package. The package is more important than what's in it, which is what is supposed to go on the ground out there in Africa. Yet, it better work because there's so much invested in it.

All those ideas were involved in 1987, and they are still major issues around here. But I have come to believe that the organization is the least of our problems. It does have an impact on the cost of doing business, but the organization should not and doesn't really have a lot to do with what is the business. But you can have it two different ways. You have to make your choices about what you give up as well as what you want when you come up with any organization. By the time we finished this report we were already in trouble even though the report I think made a lot of sense. It got a lot of immediate allegiance from the staff. The staff wanted this. I'm talking about the report of the Steering Committee. They liked it. They thought, "Oh, now, finally." But, of course, the details were going to be
very difficult and people immediately focused on "what's going to happen to me?" And that was a big problem. The first thing was that Conable under pressure told everybody from the Steering Committee to go away. We were not allowed to stick around and actually advise on the implementation.

Q: Why did he do that?
A: Well, because I think that once he had his line officers in place, he was out of it. By the end of May, the decisions had been taken on the Vice Presidents and the Senior Vice Presidents and already they were, choosing their next in line from whatever was made available to them. The process was ongoing, and he didn't want to intervene. All the members of the task force had gotten new jobs or had their old jobs reconfirmed, and we had line jobs, so we had to go back to those jobs, and had our hands full with trying to implement our part.

Q: The consultants had dropped away at this point?
A: No. They were still around. But they were less frequently involved. They were visiting once a week, I suppose, but they were not resident here anymore, as I
recall. The Senior Vice Presidents wanted to take control of the implementation and they didn't want this committee around. Most of them hated us anyway by then, because we had mucked up everything, and so we were just sort of told to forget it and there was no control on the implementation.

Immediately PPR doubled in size, just like that. Bang! David Hopper just said, "The hell with this plan. I'm going to do my own thing. I need people here, I need this big front office, I need this." And he just went in to Conable and got it. In fact, he didn't even do that. Ernie said he wasn't going to do this, he wasn't going to do that, and the hell with that, and he was going to have more people and he got more people, and he didn't implement what he was supposed to do on paper. He didn't agree with it, anyway.

Willi Wapenhans insisted that anybody who did not find a place at his level would lose his grade. The job rating was the most important thing that ever happened, and therefore anybody had to fit into the system. We'd eliminated a whole level of management here, the 27 Level, assistant director level. But there were not going to be any more deputies or
anything like that, so all these people, some of the best people in the Bank on the way up, all of a sudden there weren't enough jobs for them at the level above where they were going. So they were asked to take jobs at the level where they'd just come from. And when they refused that they became eligible for the package because Willi wouldn't let them keep their grade. As a result, a lot of the best people in the Bank got paid to leave. I mean, for God’s sakes, enough people fell into that category to in effect destroy the credibility of the whole process in my view.

Q: And this hadn't been anticipated as a problem?

A: Sure, it was anticipated. In the report it says there was going to be job elimination here. In order to retain the experience quotient of this Bank as a whole, let's make sure that these jobs are now graded, flexibly, at 25 to 27, slant, slant, no stigma. People should be allowed to keep their grades. They were already seen to be going up, they were already contributing more. But the job grading as opposed to the ad hominem grading, that was something that was too important to give up. We paid millions of dollars for this.
When you have to pay good people to leave that is sort of a nightmare. The President should never have allowed that to happen because it destroyed the credibility of the personnel policy.

Q: So the slip is between the final plan and the implementation?

A: Well, that's my view. I mean, there's a lot of flaws in the plan, too. I'm not saying there weren't. But, by God, that implementation was horrendous.

Q: Why?

A: Because nobody led it, you see. The President was neither here nor there, kind of vague. I don't know if he'd read the report. I'm serious, you know, because it was a big document. There is a summary in it which he read, and everybody was giving him oral accounts and everything. He was satisfied, and saw no reason for him to plow through the document or its annexes. But, boy, immediately, he got these people in the leadership positions and then didn't take any further part in the process. We didn't even have a retreat to go through this thing to explain how it was meant to work. He
would not take the lead. He would leave it to me, relatively junior, to go up against these Senior Vice Presidents and tell them how they ought to run their places. I mean, dear me! This was not a feasible event. Incidentally, I think we did have a retreat, but it was a disaster.

Q: Where did you go?
A: I think the Blue Boar's Head Inn down in Charlottesville.

[IN CHARLOTTESVILLE, IT'S THE BOAR'S HEAD INN]

Q: One thing that has always puzzled me is that you produced this report or this task force produced this report and then the report was kind of adopted unfinished. I mean, there was not any period to consider this thing, to discuss it, there was no real debate. The Bank at large was not really brought into the process. Was that Conable's idea?
A: That was basically Conable's idea. That was also something that I think the consultants just weren't interested in. There was time pressure, for some reason I can't recall. It had something to do with the budget year and all that. We were not going to go into a new budget year
with this thing undecided. You are right. I think the implementation was quite faulty. But even if it was a dictatorial, top-down decision, I think that there was a tremendous amount of input from the staff. This complaint that nobody had a say is ridiculous. I don't know how many millions of pieces of paper were actually produced by people who were not on the task force, all over the Bank. There were anonymous letters and everything else, they all were considered, they were all taken into account. And in fact a lot of that stuff that emerged from that process is reflected in the report. It was not an ivory tower sort of thing, despite the time pressure. But the formal consideration was not trusted because at the top of the leadership there were too many changes. If you think back about it, the individuals, I mean, Ernie was out of joint. David Hopper had his own agenda, and that was clear. David Knox was forced out in the process. Paijmans had left in a huff, under duress. A lot of bad blood. And so people felt it was just not going to be feasible to have a considered bottom-up kind of deliberation.
Q: Even before you got into the personnel issues, it would have been kind of interesting to see what people had to say about the organizational structure.

A: There were an awful lot of consultation. I met with all the Vice Presidents four or five times, and they got into all the documents. They read it all, and I knew what their attitudes were, and some of them were very positive and some of them were very negative. There was a lot of worry about what this would mean. For instance, when we reduced the number of regions, which was one of the big events of this reorganization, this caused havoc. The minute that that became known, there was very little to discuss. The Vice Presidents were against it. And it was only a question of which one of them was going to be left to take another type of job or leave the Bank, and this was very painful. So it was not something that could be constructively discussed. I can't remember but I assume that Conable would have judged it. We would have commented or advised on the pros and cons. But, he'd already decided the main structure. The sequence became adopt this report and then start, get your managers in
place to implement it. Then put the committee in place to look at the proposals for changes as proposed by the now senior managers to make sure that whatever is proposed hung together inside the basic framework and did not compromise the objectives, and was affordable. But that latter part was dropped. By the middle of June we were told we were not going to have that Committee's involvement. Mr. Cosgrove would handle the Personnel issues as he's the guy in charge. Ernie would handle Finance, Hopper would handle PPR, etc.

Q: I've been told by people who've gone through reorganizations in businesses that the management, and particularly middle management, when you get down closer to operations, that at that level of management it's absolutely crucial, if you don't have them on board, then you are not going to succeed, that it is a prescription for disaster. It sounds like those parts of the organization were not brought on board securely. So they didn't speak, they were not representing any kind of new culture in the sense that you needed one. They were not on board with the plan.
A: Right. At the time this was very clear to me. I said we were already in trouble, and I certainly knew it. I don't think the Steering Committee appreciated it. They had done what they thought they'd been asked to do. Most of the members of the task force were anxious to get to the new jobs that were waiting for them. They were big jobs, with a lot of problems to resolve. So in effect the kind of work that's necessary for success just didn't get formed, it never got to the leadership either. Conable just ran for cover. He didn't exactly try to absolve himself. I know that he called it "Jaycox's reorganization" from time to time in public, and he also said "these young guys, gave us this plan. We are going to try to implement it." But he would never get out in front and say, "Look, this is the way I want it and this is the way I want it to operate." It was just not in his character to do it. And my little flight to Palm Beach I just think about it quite often, because I really had that one pitched right. That's exactly what the problem was, and that's exactly what, in the end, turned this whole thing into a failure. I don't think it was entirely negative in the
sense that some of it has been preserved and worked. But, by God, the cost to the institution, to the morale of the staff was very high. Very high. And unnecessarily so. That's the horrible part of it. There's nothing that I can see that should necessarily have been that high.

Q: Now, where did this design come from of clearing out the Bank and then bringing everybody back in again? As compared to saying, okay, let's see where the new structure, more or less overlaps with the old and just review how the people fit into it. Ninety percent of the people would probably remain and then there are a few people that you need to get rid of, and you could deal with those problems in the traditional way?

A: Well, the issue basically was how to identify the people who ought to leave. This got terribly confused right away when we didn't actively try to keep the people on board that should have stayed. But to answer your question, this was debated in the Steering Committee, it was a proposal by the consultants that was made through Cosgrove. Cosgrove made it to the Steering Committee. The Steering Committee debated it
at length and then decided that this was the only way to go because otherwise we could not get the demand-driven affirmation of the jobs and the people.

Q: You wanted a decisive break.

A: Yeah. I guess. So I remember in some categories that it was different. At the general staff level, however, in the merged Africa region. We were constrained to choose from amongst those who came from the constituent parts. We were not allowed to go roaming the corridors of the Bank for the best possible staff in the whole World Bank. No. We had to look within the confines of the people who were already assigned to one or the other Africa regions, now merged. We had to get rid of 51 souls, and of course nobody knew all the people in the Africa region, so it had to be done from the bottom up. So the father took a wife, the wife took a child, the child took... and that's the way it went. In the end, we identified the 51 people.

Q: Right.

A: At the division chief level, same thing. At the division chief level, once the directors were in place, or
had been nominated, they looked at the great field of
division chiefs and, to create the new organization they had
more division chiefs than before. So the first thing they
would do is identify the ones that we wanted to keep and the
ones that should be asked to leave or take a downgrading, and
that was done. In my region, the division chiefs were chosen
from amongst the ones available in the Africa region, and
then we had vacancies and we could go out afterwards on
promotions. The directors were different. Qureshi called
his Vice Presidents together and said, Okay, now we've got 23
director positions, and we've got, I can't remember how many
directors, but I think there were slightly less directors
under the new organization than before. One or two only, I
think, maybe five less. But there was a question about, who
is going to stick around and what we had. We had four Vice
Presidents and everybody was supposed to make a list from
those eligible, which they would accept as directors. So
everybody nominated. In my case, I had seven directors, and
I listed the seven people I would accept. And everybody did
this. I'm sorry. That's not the way it happened. The four
Vice Presidents were asked to list 23 people who were directors that they would accept, so that all four Vice Presidents would accept any of the 23 that were on the list. And, of course, we had all the existing directors and there were others who were about to be directors and assistant directors on the list. So laboriously, all over a period of about four days everybody individually looked at this list of 23 and did a lot of talking around and everything to get through this list. This list was voted on and those people that got four votes were automatically going to be a director. Then those people that got three votes. I think we never made it to 23 with the people that got three votes. Four votes were, as I recall, about 10. And then we had about six that had three. And everybody else had two or one or none. In the end, we got to something like 16 out of 23 that got three votes or more. Then the issue was, what about this rather longer list of people who had two, and that was sort of sorted out at a meeting that we had, and a line was drawn somewhere. Then we had to go back and choose, or try to compete for the people who were above the line. And, in the
end we got what we got. That's how it worked. And it was a rather brutal way to go. A lot of good people were below the line. As a matter of fact, many people were totally unknown to some of the Vice Presidents and didn't have a chance of getting a third vote.

Q: Right. That's what I was going to say.
A: But it was a kind of a weird way to go about the business. I didn't recommend that. This was the way Qureshi decided to go.

Q: It puts a significant amount of pressure on people. You can't eliminate personal considerations, but it seems to me that it allowed the intrusion of a fair number of qualifiable criteria.
A: Well, I should say, before this list was finalized, people looked at it from the point of view of nationality and a couple of checks like that. But there weren't any big changes because it was quite diverse. So, anyway, that was another painful event. To say the least.

Q: I have the four objectives of the reorganization, the formal objectives. You've dealt very well with one of them.
And that is the first. The role of the President. I read to you, "The role of the President and senior management in providing overall strategic and policy guidance to the Bank and in integrating the major institutional functions will be clarified and strengthened." I think you've dealt quite well with whether that actually happened. And that didn't happen, that didn't happen even in the last stages of the reorganization process, the implementation process.

A: Well, that's where it revealed itself, as far as I'm concerned. I don't know if this was obvious to everybody in the Bank. The people who were working on this reorganization expected, once the decision was taken and once this thing was owned, that it wasn't for us to talk everybody into this.

The President had to get out in front and say, "This is the way I want it, and by God, this is the way it's going to be."

But he never did that. From that day on, as far as I was concerned, it was practically every unit for itself.

Q: Right. So in effect that loosened the hold or allowed certain normal bureaucratic competition to take over?
A: Yeah. An abnormally high level of bureaucratic competition, and a lot of personal feeling of passion.

Q: The second objective was, "The functions of research, policy formulation, strategic planning, and institutional budgeting will be grouped together under a Senior Vice President for Policy Planning and Research (PPR)." Maybe you've already indicated that there was an immediate shift in PPR away from what the plan objective. Is that true?

A: Yes. An immediate inflation of numbers, and some people would say a choice of managers which had nothing to do with the objectives.

Q: I guess we didn't exactly have an intellectual giant who was put in charge of this whole operation.

A: Yeah. You see, when the time came to fill these very top jobs there was a tremendous shuffling exercise. Conable didn't really know these guys, so there was a lot of consultation. Now, what are we going to do with Mr. Stern, you know? Can he be the Vice President for Operations? That was not on. Well, how about putting him in charge of PPR? No, he would not fit at all. Well, how about putting him in
Finance? Finance, that's a good idea, that will keep him out of trouble. And now we've got Qureshi in charge of Operations. He used to be Finance. We could just trade those two. Okay. That's better. Then I can run the Bank. And then, well, what can we do with this guy? Well, how many regional vice presidents have we got? Well, we've got four.

That means we've got two too many. That means, well, who's going to go? What do we do with Knox or Hopper, Shahid Husain, Jaycox and Karaosmanoglu? If Karaosmanoglu and Thalwitz still are the ones that you want around these regions, then what do we do with Knox and Hopper? Well, Hopper can run PPR. David Knox has become very cynical and sour and negative about everything. Let's ask him to step aside. So, this is the kind of discussion that took place, and I was there for that. I thought, God Almighty! But anyway, the order of this exercise was that we had to make these decisions right away because we had to go public with the names and get this whole show on the road.

Q: Right.
A: We couldn't go anywhere unless we had the Vice Presidents in place. So, that's the way it went, and it was not a highly sophisticated consideration of alternatives. It was all, how do we sort it out amongst the existing players? Rather than do we really have the right people to run these things?

Q: PPR, in this reorganization, would have had a very important role. But it was lacking intellectual leadership.
A: Well, nobody really galvanized that role. What they did is they wanted to slide back towards something they were more comfortable with, that they'd known, like the COD type of thing, that Shahid had been running before.

Q: Okay. Then there was the operations complex. That's the third.
A: Country focus.

Q: Okay. The country departments and the regional technical departments. Would you like to comment on that? That was the third major objective of the reorganization.
A: Sven Sandstrom was in charge of designing that and that went pretty fast. Except there were some on the technical
side who felt that this was splitting up the technical departments so that they were not going to have critical mass. Of course that was one of the reasons why we reduced the number of regions in this design in order to bulk up the technical staffs in the four regions rather than split over six. We have six regions now and we are complaining about critical mass again. We were complaining about critical mass just before we split them up, so we just aggravated that problem enormously in terms of the proliferation of SODs. Maybe we don't have more SODs than we did before, I'm not sure, but we certainly have a more competitive overhead-driven organization again, as opposed to where it was in '87 and '88.

Q: Is that because there is this imperative that those functions can't really be performed at lower levels effectively?

A: Oh, you mean the T.D.?

Q: Yeah.

A: Well, the T.D., that's again a management issue, a great part of it. The T.D. in the Africa region is very
performant. So that actually is working exactly as proposed.

Now with these CBVUs which have been created I am not sure whether it makes our T.D. look redundant, but it's not. It's the most performant, in this area, in my opinion. But it would not have been designed if we'd had the centers, CBVUs, the way we have them today. We wouldn't have had the T.D. design, at least the seven. But the PPR was supposed to be very small and on the vanguard, and was not supposed to be reviewing things and operationally involved. It was not supposed to do research. PPR was supposed to do strategic planning and some economic analysis.

Q: So it was doing some research.

A: Yeah. But we have the four Vice Presidencies over there in the center, and then OPS. The Chief Economist is really supposed to be standing alone with the capacity to bring together ad hoc the light brigades of really good top-notch people and combine them with people from outside to get some things done.

Q: What I went to get at here just a little bit is whether in the technical functions there is that tendency toward
centralization. So that if it can't be centralized, it drifts back to a centralized form. Is that a function of the power of the central organization, that it just wants to accumulate that? Or is there some kind of technical reason that these functions shift like this? Do you see what I mean?

A: Yeah, but it seems to me that it's going in the other direction. We decentralized the technical people to the country departments to a very large extent. But we kept a technical department which had that kind of expertise that you couldn't divide among country departments within regions, or among regions Bankwide.

Q: And this worked well in Africa, you said, even though it had to spread itself thinly?

A: Well, we were the biggest region. We had six departments, six country departments. We had more need of some central force. We had very volatile lending programs in each of these departments so that we needed this capacity that was quickly deployable to all six. We couldn't have it bottled up by one manager, hoping that they would be employed tomorrow. We had to have a way of moving these people around
fast. So we have a T.D. and it worked very well. It also works as the intellectual engine for the region. It's the only department that has an overview of the whole continent.

It makes a point of having that overview all the time, up to date. It works on Africa. It Africanizes all the policies that the Bank generates. It modifies them for African conditions. It ______ specifies them, gives this to the working staff. My view is that it may have some inefficiencies, no doubt, but as far as I'm concerned the thing is more than paying for itself. Now, the other regions do not have a regional program in that sense. I mean, in the East Asia or Latin America Regions, it's not so important to have a regional overview. The countries are big enough, important enough on their own. Having a view of Brazil has its own validity and it's not really affected very much by a view of the whole continent of South America, as much as it is in Africa. There are differences here that have shown up and led to the shrinking of the T.D. in LAC and the maintenance of the T.D. in Africa. When they split the
two other regions, they left the T.D.s intact serving two masters and of course that's not working very well.

Q: Right. Double assignments never work.

A: You are right. So those guys are sort of without masters and they don't have work programs and when it comes to budgets they don't get favored in any way. So I think they are on their way out. But at the time it seemed to make a lot of sense. The question was how do you balance this country focus with this need for flexibility. We've got a lot of expertise that if you put it in our region or in one country department, that's the last you will have seen of the expertise. You'll probably end up generalizing the guy, making a generalist out of him and losing his speciality in the process because he wouldn't be fully employed in his specialty there and he'd have to do other things to earn his keep. These were the dangers that were foreseen and that was why the T.D. was put that way. But what we were after was a kind of having the cake and eating it too. We were willing to give up the solidarity of professional groups, let's say in transport or railways or agriculture in order to have this
country focus. That's my point about the organization too.
You really have to choose which is more important, and
emphasize what you really want. We wanted the country focus.
That was what the Bank had been going after 1972 and we were
finding it higher and higher cost to produce that product
because of the layering and the pushing the buck up, and then
waiting for the decisions to come back down. All of that we
tried to organize our way out of. And that's what that's all
about. A country focus, but with some recognition that there
was a responsibility for these technical groups too.

In our region we have what we call "group teams." I
don't know how they ever got that name, but they are really
"sector" teams. So the division chiefs on agriculture, spread
over the six country departments, meet once a month at least
and they sort out all the personnel problems, all the
promotion recommendations, all of the technical best
practice, all of that, they discuss. So we have a kind of
another cross-cutting organization.

Q: It sounds like the old Loan Committees of the early
Bank.
A: The Working Parties. Well, this is sector specific. It has a big impact on the decisions.

Q: But that's not true across the Bank?

A: Well, I don't know. We have also country teams here which are not on the organization chart. But that was an early idea that in fact pre-dated the reorganization.

Q: A friend of mine said that the old Bell System worked so well because guys knew each other. And they'd all come from Indiana. He said, "We reorganized the thing, but as people were moved around the thing broke down, because they didn't know each other. So there is a personal aspect to effective organization.

A: Yeah.

Q: Now, the fourth objective was, "To the extent possible, the support functions will be decentralized to user departments and subjected to market tests of efficiency and effectiveness." The support functions were decentralized?

A: Yeah.

Q: Now that included?
A: Personnel, Accounting, Disbursements. Certainly the procurement functions. What else would there be? Not Legal, that was ruled out by Mr. Shihata.

Q: Okay. So when it says "to the extent possible," Legal was not possible.

A: Yeah. Legal was not part of it. And I guess some of the functions on the financial controls side.

Q: Right.

A: Some of that was devolved, but I don't know where it stands today, frankly.

Q: Did it drift back?

A: Yes. It drifted back. And at least for the most part, the controller function still operates in a centralized fashion.

[END OF TAPE 1, SIDE 2]

Q: Performance control would actually move down in the organization and not be centralized in the old style?

A: Not standards. And not accountability. That would remain at a Bank-wide manageable level.

Q: One rule for everybody like that?
A: Yeah. The rules would be the same. But the actual conduct of the business would be decentralized. Say Personnel. The idea was that we didn't get a different personnel officer every time we got on the phone. We had our personnel officer. They were physically located apart but they were included in all of our management meetings and everything. And the idea at the reorganization was that we just move them into the regional team, and they have a dotted line relationship to the center. There was central control. It's like having the engineer, the provincial engineer. He reports to some engineer at headquarters for certain purposes and certain reasons, but day-to-day he operates under the governor of the province. That's the way we looked at it.

And this is not an unusual organizational feature.

Q: It's unusual when it works really well. I have a prejudice against dotted lines.

A: Yes. So do I, actually. But this worked, in my opinion. Now, it was not seen to work. There are a lot of views on this. The Board of Directors didn't like it I'll just be very candid here: the only guy I ever heard really
complain about it, basically was complaining because he could no longer have a one-stop point of influence on the personnel policy, or the personnel decisions of the World Bank. In other words, he couldn't go to the center and complain about the nationality of his staff not being represented more fully, this individual needs to be promoted da da da da da. He found it much tougher to deal with the line managers on that. So he didn't like it. But I felt those were the wrong reasons to re-centralize, because we have been doing everything we can to keep these influences to a minimum.

But there was also a feeling that the Bank was too compartmentalized, that the information was not shared widely, and now it's been re-centralized. But already you can see the complaints. If you are not a friend of Shahid Husain, your chances of getting promoted are zilch. Everybody is reading the tea leaves, constantly about who is getting promoted and who isn't, and it all comes back to the fact that there were too many crony systems going. Now we've got one crony system going and at least we know whose cronies are promoted. You know, all this is baloney. I don't believe
these things are happening. I can understand why they are talked about so much because the whole area has come to a grinding halt, in terms of gridlock and competition and everything. But to re-reorganize the personnel system around those kind of reasons I thought was very immature. For us it doesn't make a lot of difference, frankly, because personnel officers assigned to us now by the center are very responsive to management's requirements, more than they were pre-1987, I might add, which means that something has happened by this decentralization. At least it's a residual that's carried forward, I think, positively. Besides the regions have different personnel problems. The Africa region is the lungs of the Bank. We do all the recruiting. We are the only ones that have vacancies. People don't want to come to work in Africa or are not the right people anyway, and we need to go outside all the time. So we bring them in and if they succeed widely here they are picked up by other regions very quickly. And we have vacancies again, so we go back to the market. So this is the place where the recruiting took place, until ECA came in with a big gulp of the outside. We were the ones
that hired, 50 to 60 percent of all the new hires of the Bank. So our needs on the recruitment side are really way above and beyond what everybody else has.

And then we have the problem of retention and we have the problem of getting the managers over here. Most of our managers come here on promotion, not on reassignment, that's another indication of a very peculiar personnel angle. We get the best and the brightest of the youngest crop so we have in my view, a more energetic, innovative, but inexperienced set of managers by and large. And so this is another reason why we are now getting individual attention whereas before we were not. Pre-1987 I don't think we had any special attention on these matters.

Q: Since we've talked about the reorganization maybe we should look a little bit at the changes that Preston introduced. He reacted to some results of this reorganization, in the first instance by doing away with the Senior Vice Presidents and secondly, by putting in the central vice presidencies to focus on specific areas and, thirdly, by re-centralizing certain of the functions in the Bank. Do you
see that as a good complementation of the original design? Or is this more a reverting back to the old structure of the Bank?

A: Well, I think that decapitating these columns, means basically that Preston has chosen another option than the one Conable chose. I think he's chosen an option that probably is not going to survive many more vice presidents. Because how the system works depends on how much energy is at the top. My sense is Wolfensohn won't really need three Managing Directors there.

Q: He will need some Senior Vice Presidents there, over columns?

A: He may. You see, it would be a different deal for somebody that's going to work seven hours a day, seven days a week, the way he says he will. We shall see of course.

Q: He'll run up the stairs.

A: Yeah, run up the stairs in the morning. I don't know much about him, but I think that every President has got his own way of looking at how he wants to organize it. You know this is his way, and I don't think it's an issue. Certainly
it shouldn't be an issue down the line. And it doesn't have a big effect on what happens down below, in a sense. I mean, the autonomy of the regions is not jeopardized or in any way compromised by those changes. During Preston's time, with the Managing Directors, I felt we just had a more responsive President's office, because there was always somebody there. But I did not feel there was a layer put in there. I never had any issue of going to Attila and finding that I had to go again to the President; he was the President as far as I was concerned. And he was just as remote as the President is in any organization. It was not a day-to-day, and certainly not a line intervention. I was in charge and I was going to be held accountable. I don't think this kind of stuff really makes a hell of a lot of difference except to the President and how he wants to operate. Given Preston's level of energy, which was low, the Managing Directors may have made a good contribution, even though it may not last as an organizational device.

So I felt that the cutting off of the columns was fine. It means that you have to have a bigger front office in
order to handle all the direct reports now. You've got a lot more direct reports. So all that seemed to make sense to me. It was not a difference of philosophy involved there at all. I don't see the country focus being compromised at all. If anything it's been in effect intensified.

The central vice presidencies have been created. I'm very supportive of that. I think that the focus on these areas, through thematic Vice Presidents, was long overdue. I think they have an external affairs contribution to make, and of course there is going to be tension, mostly over budget but not over decisions. I don't see them intervening in the decision-making process, except in the most sensitive cases relating to environmental problems or when there are flawed programs. Then they have an obligation to intervene. I see this as complementary.

The re-centralization of the Personnel I think was just unnecessary response to rather misguided criticism, but it doesn't make really much difference so far. The part that needed to be reasserted centrally, and I think we all agree, was never designed to lapse. This was the control over
standards, and the insistence that certain procedures should be honored, I mean, in terms of, and Bank-wide objectives on gender and nationality, for instance, and these things. And nobody ever quarreled that those aspects should be the object of the decentralization. It was to escape those things, anyway. So it was always expected that the center would be there to protect the staff against abuse and against maverick behavior and anti-institutional results.

Q: Now, the '87 reorganization of course was motivated partially by the outside perception that the Bank was bloated and too large and too bureaucratic. And here, today, we are back again in a situation where the Bank is perceived to be bloated, too large and too bureaucratic. How do you see this? First of all, do you agree with this perception? And, secondly, how do you think this ought to be dealt with? Is it time to have another reorganization or can we deal with it just by cutting the budget the way we are proceeding right now?

A: Well, I think the Bank is bloated. We've regained all the weight we lost and then some. The volume of business has
not changed dramatically, that dramatically. The complexity of our operations has increased somewhat because of the new demands and dimensions that have been added to as areas of mandated inquiry. So, costs have gone up a bit, but they shouldn't be going up as steeply as they have been. I see the re-layering and the second-guessing and the timidity developing again about who's in charge, and where does the buck stop? I see all this confusion reinserting itself. And so I think that shaking the place up is a good idea, we have definitely embarked on that. We are shedding some people, refining the business process, bringing innovation, I've got to give you guys the latest guidelines. I feel like Newt Gingrich when I do this--

Q: The new commandments?

A: Yeah. There are 12 actually. This is the change agenda of the Africa region. Everybody is working night and day on this agenda. But I'm a firm supporter of trying to do what we need to do without messing around with the organization. Nevertheless, in my opinion, we've got three too many vice presidents in the Bank, right now. It happens to coincide
with the number of Managing Directors, but I see those guys as vital, younger people, and they should be having vice presidential level operations. Maybe we ought to reduce the number of regions. I do not think that six regions is a good idea. I think we've just proliferated our overhead unnecessarily. We don't need that much leadership at that level. In my opinion, we need to consolidate these functions as much as possible, these overhead functions.

I think those are minor things. I don't think that we need to fool around with this bit between technical and country departments or between sector and country, I don't think we want to move on that. I think that's moving in the right direction, and we ought to keep it moving that way, but protect it.

Q: If I can characterize your position, it seems to me that you believe that structural change without visionary and engaged leadership is a failure.

A: If they don't know what they want, let's just not start stirring the pot, for God's sakes. Now, I think that we are going to see soon a man who knows what he wants. So we shall
see what he decides to attack. I think he should attack the
culture more directly, and this seems to be what he's up to
because every time I've talked to him or heard him talk, he
seems to be emphasizing what I would call "behavioral"
things. He asks questions like: Why do we criticize this
institution outside these walls? Is there something wrong
inside that we can't resolve our differences? and so forth.
These are the kind of things that he's emphasizing. I think
he's on the right track and I will support that.

I think we've got a lot to do on making the processes
more lean. Why is it that we still identify the product as
the report we prepare instead of what's happening in Africa?

Why is it we still reward, glib presenters and packagers and
generalists when we say we want technical excellence? Last
year, Preston forced us to hire 120 people that fit certain
job categories which were technical. You would have thought
it was like pulling teeth. These were supposed to be the
people we lacked, but nobody wanted them because everybody
knows which side their bread is buttered on, and that is a
successful Board presentation. Something which is smooth as
silk. Well, there's nothing smooth as silk out there in Africa. All of this is hogwash. The smoother it is in the Board, the more unreal it is. And we are just covering up that, the reality of hard, tough decisions. Nutty trade-offs, real bad ones. That's the kind of discussion I would like to have in the Board. Anyway, that probably takes good presenting too. But it's really tough.

Q: Good. We would like to come back and talk about Africa.

A: Fine. That's my favorite subject. You know, I was thinking, why is it my memory about this reorganization is so vague?

Q: It was very painful.

A: Yeah. It's not the kind of thing I remember with clarity, frankly. I guess I didn't like that involvement in the reorganization.

Q: What you like is very clear when you talk. You like to talk about Africa, you like to talk about engagement with those questions.
A: Yeah. That's right. I mean, the inward-looking aspects of defining a new organizational structure were foreign to my nature. Let me put it that way.

[END OF RECORDING, TAPE 2, SIDE 1]