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Proposed Reorganization Study

1. BACKGROUND

Although there is today no single specific crisis requiring immediate large-scale reorganization, the present organization - the basis of which was designed in 1952 - is no longer well suited to the Bank Group's needs.

Since 1952, the Bank has changed greatly, as have its structural requirements. In the past three years alone,

- the number of departments has increased by 13,
- eight new overseas offices have been created with differing complements of staff and varying degrees of authority,
- lending operations have more than doubled,
- staff has nearly doubled,
- emphasis has been placed on concerted country and sector programming, and
- the Bank has taken on a more active role in the coordination of international economic assistance through the formation of AID Consortia and Consultative Groups,
- economic work - particularly research - has vastly expanded and so has the sector scope of Bank Group lending as also the complexity of our relationships with other parts of the U.N. system.

The Bank Group has reached a size and level of complexity at which it can no longer rely on the network of personal relationships among senior staff that enabled coordination to be achieved in the past.

Communication within the Bank Group has become increasingly difficult. There is inadequate assurance that all problems reach the desired decision level. Work is sometimes performed by one part of the organization without knowledge that another part is doing the same or similar work. Operational staff often feel isolated from management, uninformed about the reasoning behind many management decisions.

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Senior managers - if they are to dominate their jobs rather than the converse - should operate on an exception basis and through delegations subject to clearly enunciated policies and procedures rather than through day-to-day involvement in the details of decision-making.

Although everyone is rushed, the decision-making process is slow. On average, about nine months elapse between the departure of an appraisal mission and Board presentation of a loan or credit. About four months of this time passes after the approval of the Projects Department concerned. *W. H. H. H.*

But most important, the Bank must continue to grow if it is to play the vital role in economic development that you have laid down in your December 15 paper, The Scale of IBRD Financial Operations, FY 74-78. The Bank is expected to enter new lending commitments of \$3500 million in 1978. For the 5-year period FY 74-78 the average annual commitment is expected to be 60% greater than during the FY 69-73 period and more than triple the rate of FY 64-68. (This will be compounded by increased workload on account of IDA operations).

Such an increased level of activity will have operational, organizational, procedural and staffing implications in addition to broad policy implications. The Bank's staff must grow to accommodate these increases. Major procedural as well as structural changes will be required to ensure the rapid, efficient conduct of Bank Group business.

## 2. PROPOSED STUDY

You have proposed and the President's Council agrees that a broad in-depth study of the Bank Group's organization and procedures should be undertaken. The objective of such a study would be to provide a thorough analysis of the present organizational structure and major operating procedures and then arrive at well-supported recommendations for the best structure and procedures. Such a study would also include examination of operational and staffing implications and broader policy issues such as those listed below.

## 3. MAJOR ISSUES

The following major issues, inter alia, need examination:

- (i) Is the present separation of the Area and Projects Departments efficient or should some other organizational solution be devised?
- (ii) What kind of support should be provided to the operating departments and where should it be organizationally located?
- (iii) How can coordination of sectoral activities best be achieved?
- (iv) Should outside panels be organized to advise on sectoral programs and other activities of the Group.
- (v) What should be the role of IFC within the Bank Group? And how should the work of the Bank Group in the industrial sector

- (vi) What is the appropriate organizational structure for advisory services in the development field?
- (vii) Should a unit be created to coordinate broad policy formulation?
- (viii) How can the Bank improve its decision-making procedures?
- (ix) What committees should be established and what should be their functions?
- (x) Should more authority be delegated to overseas missions? In what countries, to what degree, and when?
- (xi) Above all, what kind of management structure should be set up to handle these problems?

#### 4. THE STUDY

##### (a) Scope

The study report would recommend such changes in the present organization and procedures of the Bank Group as are necessary to enable the Group to cope with the increased volume of activities programmed for the next decade. Specifically, it would:

- (i) Identify important shortcomings in Bank Group operations and procedures.
- (ii) Examine alternative solutions to the problems identified.
- (iii) Recommend the most suitable organization.
- (iv) Describe the revised organization in terms of broad functional objectives and recommended staffing levels.
- (v) Identify the major weaknesses in key procedures and recommend changes.

##### (b) Methodology

The study would involve:

- (i) Examining the present decision-making processes and organizational structure, including a review of the structure of any similar organizations.

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- (ii) Assessing strengths and weaknesses in the present structure through:
  - a. Interviews with a cross section of the staff. *Govt/investors*
  - b. Fact and data gathering on present Bank methods.
  - c. Independent judgment.
- (iii) Extrapolating the organizational and structural consequences of the new Five Year Plan.
- (iv) Devising alternative structural remedies - recommending one.
- (v) Preparing a study report including a detailed implementation plan for the proposed structure.
- c) Personnel

The study will be done by a combination of in-house staff and outside consultants.

The firm of McKinsey & Company could bring the widest range of management experience and complete objectivity, some knowledge of the Bank, substantial knowledge of the organization of government and international institutions and is proposed to be used.

The association of an individual consultant like Dave Sommers could bring in knowledge of Bank and corporate operations.

You have asked me to direct the study and I shall be happy to do so.

5. PROCEDURE

Subject to your approval, I suggest the following steps:

- (i) Issue an Administrative Circular announcing the study to the staff. (This will be drafted after conferring with McKinsey & Company.)
- (ii) Select the senior men to advise me as the study progresses.
- (iii) Activate the "reorganization staff" and divide the work between the in-house staff and outside consultants.

I expect the study may require the better part of a year and would result in a thorough report with a detailed implementation plan. I would, of course, be in close touch with you throughout the study.

cc. Members of President's Council