BN DE

BANCO NACIONAL DO DESENVOLVIMENTO ECONÔMICO

G T M

WORKING PAPER

**M.I.T.
SLOAN
SCHOOL**
OF MANAGEMENT

BNDE/MIT JOINT DEVELOPMENT BANK TRAINING

AND RESEARCH PROJECT

OBSERVING MANAGEMENT STRENGTH IN
DEVELOPMENT FINANCE INSTITUTIONS

by

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GRUPO DE TRABALHO MISTO

WORKING PAPER

BANCO NACIONAL DO DESENVOLVIMENTO ECONOMICO

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

The Grupo de Trabalho Misto is the working entity carrying on the goals of the BNDE/MIT Joint Development Bank Training and Research Project. The Project was created in 1967 with the support of a Ford Foundation grant. It is providing training, technical assistance, and action research designed to increase the capability of development finance institutions serving as BNDE financial agents in Brazil. The members of the Grupo de Trabalho Misto are:

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TABLE OF CONTENTS

Observing Management Strength in Development

Finance Institutions

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An important task of the teams when they visit agent banks is
to understand the management practices of the agent banks. The teams
will be under a time pressure to learn a great deal during a short
period, and they will want to use indirect as well as direct means
to gain information. This memorandum is designed to help teams in
the task of evaluating the management structure in the agent banks.

Ways to Obtain Information

Three kinds of data-gathering instruments can be useful in field-
visits to development finance institutions:

1. observations
2. interviews
3. questionnaires

Observations yield intuitive impressions and an overall understanding
of the banks. The BNDE team members already have made such obser-
vations of some banks. Sometimes observations may be made more sys-
tematically than at other times. An example of a systematic way to
evaluate an organization is attached to this memorandum in Appendix A.

Interviews are generally more systematic than observations. They,
too, can be relatively structured or unstructured, asking, for example,
"What do you like about your job?" or "How satisfied are you with you
pay?" In the interview, the information-collecting activity restricts
the freedom of the respondent more than in observations. This charac-
teristic has the disadvantage that information may be lost because the
right question is not asked, but it has the advantage that information

is obtained from everyone on questions which have been chosen as important to ask.

Written questionnaires are usually the most systematic and structured way of gathering information about characteristics of an ongoing social system. Typically, not only are specific questions asked, but also the kind of answer a person can give is also restricted. For example, a person asked, "How involved are you in your work?", is likely to average his feelings of involvement over a period of time and report them on a scale ranging from "not very involved" to "completely involved." He is not able to say that he feels very involved every day but Friday, when his anticipation of the weekend diminishes his involvement to nil. While questionnaires restrict the number of things you can ask about, they have the great advantage of providing quantitative information on factors deemed to be important. Such quantitative information is readily subjectible to statistical analyses in order to determine the range of answers, the relationships of answers to various questions (for example: salary and satisfaction), and the significance or importance of a particular factor.

Questionnaires can and should ask about factors which we expect to change during the course of the project. For example, we probably would predict improved communication between the member banks and BNDE, a greater acceptance of modified BNDE procedures, and a feeling of greater influence on BNDE by the members of the regional banks.

Suggested Procedure in Visits

1. Use the basic questionnaire. We urge that the basic pencil and paper questionnaire be applied wherever possible by the field teams when they visit banks. The basic questionnaire will provide more pre-

cise information on factors which are obtained than the less precise
manner in the observations and questioning. The factors include such
things as communication, motivation, influence patterns, control pro-
cedures, and ideas about the development banker. This more precise
information obtained from the basic questionnaire will allow compari-
sons to be made on identical questions between the various regional
banks which are visited. Comparisions can also be made with other
organizations within Brazil and outside the country, including organi-
ations in which the factors studied have been related to effective
operations. It is suggested that two questionnaires be administered
fairly late in the visit after trust has developed between members
of the regional banks and the visitors.

2. Complete the Profile of Organizational Characteristics. This
one-page profile provides a fast, convenient way to record observations
of management characteristics. See Appendix A.

3. Use the List of Questions as a guide. A number of specific
suggestions for points to observe or ask are listed in Appendix B. They
are useful in helping the observer learn about management characteris-
tics, and they provide examples of ways to learn about the areas on the
Profile in Appendix A.

4. Study the stated and real decision-making procedures in a par-
ticular case. In addition to the use of these techniques, a fairly in-
tensive study of a particular case should be conducted and followed by
flow-charting of the case and questions about the actual encounters
among the various decision-makers involved. From a relatively full
understanding of a particular case, a better understanding of the organi-
zation's decision-making processes, goal setting, communications, in-

fluence patterns, motivation, and leadership processes can be obtained.

It is suggested that the person visiting the organization read the Profile (Appendix A) and the questions (Appendix B) before the visit to familiarize himself with the important areas in which to seek information and possible ways of obtaining this information. He should talk to people about the bank, study a case, and administer the basic questionnaire. At the close of the visit, he should complete the Organizational Profile with his best estimate of the answers to each of the questions and record any observations he feels are of particular importance.

Appendix A

PROFILE OF ORGANIZATIONAL CHARACTERISTICS

	Organizational variables	SYSTEM 1	SYSTEM 2	SYSTEM 3	SYSTEM 4	Item no.
LEADERSHIP	How much confidence is shown in subordinates?	None	Condescending	Substantial	Complete	1
	How free do they feel to talk to superiors about job?	Not at all	Not very	Rather free	Fully free	2
	Are subordinates' ideas sought and used, if worthy?	Seldom	Sometimes	Usually	Always	3
MOTIVATION	Is predominant use made of 1 fear, 2 threats, 3 punishment, 4 rewards, 5 involvement?	1, 2, 3, occasionally 4	4, some 3	4, some 3 and 5	5, 4, based on group	4
	Where is responsibility felt for achieving organization's goals?	Mostly at top	Top and middle	Fairly general	At all levels	5
	How much cooperative teamwork exists?	None	Little	Some	Great deal	6
COMMUNICATION	What is the direction of information flow?	Downward	Mostly downward	Down and up	Down, up, and sideways	7
	How is downward communication accepted?	With suspicion	Possibly with suspicion	With caution	With a receptive mind	8
	How accurate is upward communication?	Often wrong	Censored for the boss	Limited accuracy	Accurate	9
	How well do superiors know problems faced by subordinates?	Know little	Some knowledge	Quite well	Very well	10
DECISIONS	At what level are decisions made?	Mostly at top	Policy at top, some delegation	Broad policy at top, more delegation	Throughout but well integrated	11
	Are subordinates involved in decisions related to their work?	Not at all	Occasionally consulted	Generally consulted	Fully involved	12
	What does decision-making process contribute to motivation?	Nothing, often weakens it	Relatively little	Some contribution	Substantial contribution	13
GOALS	How are organizational goals established?	Orders issued	Orders, some comments invited	After discussion, by orders	By group action (except in crisis)	14
	How much covert resistance to goals is present?	Strong resistance	Moderate resistance	Some resistance at times	Little or none	15
CONTROL	How concentrated are review and control functions?	Highly at top	Relatively highly at top	Moderate delegation to lower levels	Quite widely shared	16
	Is there an informal organization resisting the formal one?	Yes	Usually	Sometimes	No----same goals as formal	17
	What are cost, productivity, and other control data used for?	Policing, punishment	Reward and punishment	Reward, some self-guidance	Self-guidance, problem-solving	18
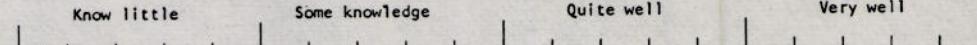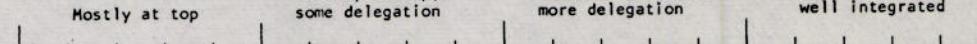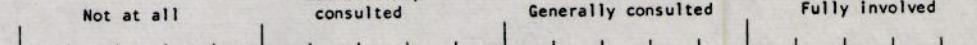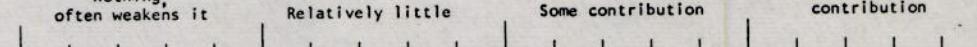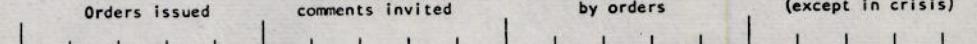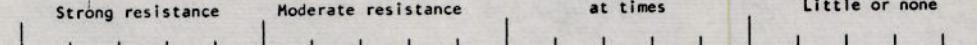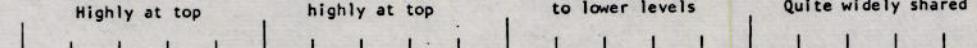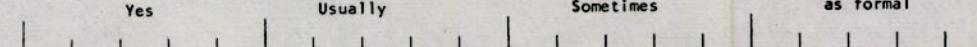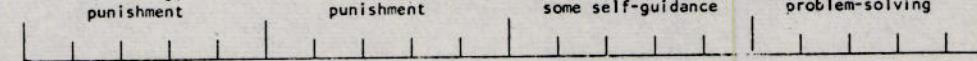
Appendix B

Suggested Questions and Observations

LEADERSHIP

1. How much of the time is management actually at the bank?
    -- Full? Half?
    -- How many other activities are they engaged in?

2. Do managers demonstrate personal knowledge of the technicos'
    names, backgrounds, family situation, etc.?

3. Are successors being trained or readied for each top management
    post?

4. Does top management recognize its problems? Do they articulate
    them to you?

5. Do people underneath speak well of their bosses?

6. What do outsiders think of the management?

7. Does management appear to anticipate problems, as opposed to re-
    act to crises?

8. How long has management been there, how long are they going to be
    there?

9. Does top management understand where and who its potential en-
    trepreneur-borrowers are? Is it making plans to reach these en-
    trepreneurs? Can they produce hard data, e.g., surveys, etc.,
    as to their market?

10. Does the team get a feeling that top management has an awareness
    of the real forces at work in the organization?

MOTIVATION

1. Ask interviewees to relate especially satisfying and dissatisfying
    experiences they have had in the bank.

2. Ask people if they think they are contributing as much as they
    could be contributing to the overall work of the bank.

3. Check on the turnover rate. Has anybody been fired in the last
    year?
        One reason for asking this question is that turnover up to
        a certain point indicates both that the management is con-
        stantly trying to upgrade the personnel and that it also is
        in a position to clear out deadwood. This practice in turn
        frequently increases the motivation and the esprit of the
        workers, who do stay as part of the continuing organization.
        Other possible reasons for turnover are dissatisfaction with
        bad management and better opportunities in other institutions.
        The team will need to distinguish among forces.

COMMUNICATIONS

1. Nature and frequency of meetings between management and technical levels.
   a. For what kinds of purposes are meetings called?
      For example, to exchange information, to make decision, to announce decisions, to solve problems.
      (Team ought to try to answer these questions by either following the course of a project through its file or by asking direct questions of the people they are interviewing.)
   b. Is there a high degree of informal communication, facilitated by such things as technicos working together in the same room, apparent easy access of subordinates to superiors' offices, social contacts outside working hours?
   c. Who is involved in the meetings?
   d. How much preparation is there for the different meetings?

2. Communciations among peers and between subordinates and superiors. (The following questions should be asked regarding both the communications between subordinates and superiors, and among people at the same level.)

   a. Frequency?
   b. Who initiates?
   c. How hard are the people to see?
   d. What is the degree of openness and trust in these communications?

   Things to look for:
      Team can ask different people the same question in order to check accuracy of communications.

      Where are the meetings held? Where do people talk?

      Do parties put on a coat or otherwise change demeanor when dealing with a superior as opposed to dealing with a peer?

      Do parties go through secretaries when dealing with each other and with superiors?

      How much is the telephone used for communications?

      What are the different forms of written communication?

      How much is face-to-face communication used as opposed to written or telephone communication?

3. In general, compare the communication styles between peers and between different levels.

4. Are corrective processes established and used, bringing actual progress in line with what id desired?

5. Are the best people in the best jobs? It is frequently a sign of bad management if good people are in bad jobs.

INFLUENCE

The project team should try to find out who really has influence and power within the institution. What is the relative influence or power of the technical level, the department heads, the directors, the president? The following suggestions provide some ideas for getting at this.

1. Who talks to whom, how often? Do a sociometric diagram. That is a diagram showing the frequency with which different people talk to each other.

2. How do procedures for project evaluation get changed? In other words, what is the process by which existing procedures are changed? Do the technical level have any say in effecting changes within the bank?

3. Where and when does the bank really decide on a project? Before the appraisal is even started? Before it is completed? At the technical level? At the department head level? Etc.

4. Who signs the processes at the different levels and how much work does he do in the process of signing?
   How often does he: a. Check with the man below?
                       b. Disagree or reject the decision of the man below?
   How much time does the process stay at each level?