

4. Incentives, Leadership, and Culture

Highlights

- ❖ There is a consistently positive generalized perception by staff of the Bank's commitment to learning and knowledge sharing.
- ❖ The Bank has made a sustained investment in training and learning events, and this is aligned to the staff's perceived needs.
- ❖ Despite these positive general trends, aspects of the system and the culture specific to learning in lending may discourage the innovation and adaptiveness called for by effective lending.
- ❖ Quality assurance procedures have made an uneven contribution to learning.
- ❖ Annual assessments of individual staff performance do not appear to reward learning and knowledge sharing.
- ❖ Although restructuring of projects is generally perceived to be less problematic than it was, the staff report that they are not always encouraged to acknowledge problems with projects; some attempt has been made to address this by organizing learning-from-failure events.
- ❖ Some recently introduced "smart learning tools" hold promise and are valued by staff, but it is too early to say if they will be sustained; by themselves, they will not be sufficient to consolidate a culture of learning in lending.
- ❖ Customized learning instruments – the Learning and Innovation Loan and the Intensive Learning Implementation Completion and Results report – have not led to more learning.
- ❖ The commitment to align leadership, culture, and values is explicit in recent corporate presentations, and Knowledge, Learning, and Innovation is singled out as a pillar of the new architecture; evidence from the literature on organizational change suggests that this initiative will only work if the Bank's top leadership takes the lead by committing to, signaling, and modeling the culture and values appropriate to learning in lending.

What the Literature Says

With respect to incentives, studies of government agencies in the United States and Australia have shown that people who self-select to work in the public sector have a commitment to the values of public service, which appear to motivate them beyond pay (Milne 2007; Senge et al. 2007). Other surveys of knowledge workers in both the private and public sectors indicate that pay is not the primary factor when it comes to employee retention; more important are opportunities to learn new skills and

positive feedback from managers and peers, as reflected in the Hay survey of more than 300 companies, cited by Davenport (2009). In public sector organizations, incentives are typically geared to status differentiation. Bank staff grading is an example of this because it is difficult to quantify the difference any individual makes. It is unclear what results should be measured (effort, outputs, project outcomes, or progress made against initial benchmarks); how results should be measured; and how to separate team and individual performance, which is difficult when most people work in teams. Inappropriately designed performance evaluations may discourage staff from devoting time to learning (Kerr 1995; Milne 2007). Clarifying what types of knowledge sharing and learning are actually being rewarded is the first step to strengthening organizational learning.

The behavior of managers breathes life into the culture and the incentives of the organization, helping to define the scope and the outcome of any reforms, including the attempt to nurture a learning culture. Influencing the culture is seen as one of the critical jobs of leaders in any organization. Experience both with successful and failed efforts at culture change underscore that leading by example is the only way by which leaders can effect culture change. They must articulate and model the behaviors and values that define the evolving culture of the organization, and then spread them constantly through personal contact and communication. "Leaders are considered the primary influencers to transmit, embed, and reinforce organizational culture through what they pay attention to, measure, and control; how they react and manage crisis; who they hire, promote, push aside, exit; how they allocate resources; and how they role model, teach, and coach" (Schein 1997, 15). It may be inferred that in an organization like the Bank learning in lending will not prosper unless managers send the right signals.

In recent years, the management literature has made a case for aligning the goals, values, and activities of organizations, using a Balanced Scorecard that enables leaders to keep their eye on the big picture and to monitor progress from the top to the bottom of the organization. This involves a downward cascade with the work contracts of people at the top of the organization aligned with those lower down. According to Kaplan and Norton (2006), the Balanced Scorecard articulates the corporate vision and strategy by bringing together four perspectives: efficiency, client orientation, internal processes, and learning and growth. The Bank introduced this principle in 2011 with its Corporate Scorecard, the latest draft of which was reviewed by the Board in April 2014. Learning and the flow of knowledge have their rightful place in the Scorecard.

The Scorecard can be a useful management tool, but it will not lead to better learning and knowledge sharing if it is simply grafted onto an organization that

lacks the attributes conducive to learning or the incentives that stimulate it. Based on two decades of research, Garvin et al. (2008) concluded that the following cultural attributes are essential for learning: (i) psychological safety, meaning that people are comfortable expressing their views and do not fear disagreement with peers or authority figures or making mistakes; (ii) appreciation of differences, meaning that employees are aware of the value of opposing ideas; (iii) openness to innovation, meaning a willingness to craft new approaches and to take risks; and (iv) time for reflection, meaning that the necessary focus on meeting immediate targets does not undercut what should be a long-term commitment to patient analysis and creative thinking. Ayas and Zeniuk (2001) argued that a sense of psychological safety was critical for sustaining an open learning culture, a culture without the fear of failure that produces defensive behavior.

Data from more than 500 organizations across the world and interviews with thousands of managers show that 70 percent of organizational change efforts fail, and the main factors contributing to failure include employee resistance to change and management behavior that does not support the professed change (Keller and Price 2011). Employees resist change when the signals they receive from their managers are unclear (for example, when everything is labeled a priority) and when bosses' behavior fails to model the reforms that they are trying to promote.

What the Bank's Evidence Shows

This section begins by showing how, according to both World Bank employee surveys and the survey of Bank staff by the Independent Evaluation Group (IEG), the Bank is perceived to support learning and knowledge sharing. However, there are significant differences of view between task team leaders (TTLs) in country offices and those at headquarters, a divergence of opinion that warrants investigation. Second, spending on training and learning events appears to bear out the Bank's commitment to building a learning culture. This affirmative evidence is then counterpoised against some important caveats, which suggest that the Bank's top leaders and managers can do more to promote the culture and incentives needed to sustain learning. Quality assurance of lending does not strongly reinforce learning. The system for assessing staff performance – the annual Overall Performance Evaluation – assigns a low weight to learning and knowledge sharing in the overall calculus. Despite the Bank's avowed commitment to promoting adaptiveness in lending (the science of delivery) and employees' willingness to adapt, the IEG survey and interviews found that staff experience pressures to avoid risks and admissions of failure, and that in the view of many, there is limited learning from mistakes – factors that would tend to limit adaptiveness. While IEG is

mandated by the Board to perform an accountability function, the staff interviewed by IEG reports that the accountability focus has discouraged the development of an open and nondefensive dialogue between evaluators and operational staff about what works and doesn't work in lending. Finally, although it is a critical aspect of monitoring the alignment of the Bank's stated mission with the actual work that is done, the Corporate Scorecard remains a work in progress with respect to tracking improvements in learning and knowledge sharing.

BANK IS PERCEIVED TO BE COMMITTED TO LEARNING AND KNOWLEDGE SHARING

The 2013 Employee Engagement Survey found that for the World Bank, 50 percent of respondents replied favorably to a question about opportunities to learn new skills and develop talents; 60 percent said that the Bank performed well on learning opportunities relative to other organizations. Yet with respect to TTLs – the most relevant group for assessing learning in lending – there were significant differences between those located at headquarters and those based in country offices (Figure 4.1). On these, and several other measures, TTLs in country offices were more upbeat than their counterparts in Washington, DC. Why this should be so is unclear. IEG will probe the reasons for these differences in the next evaluation.

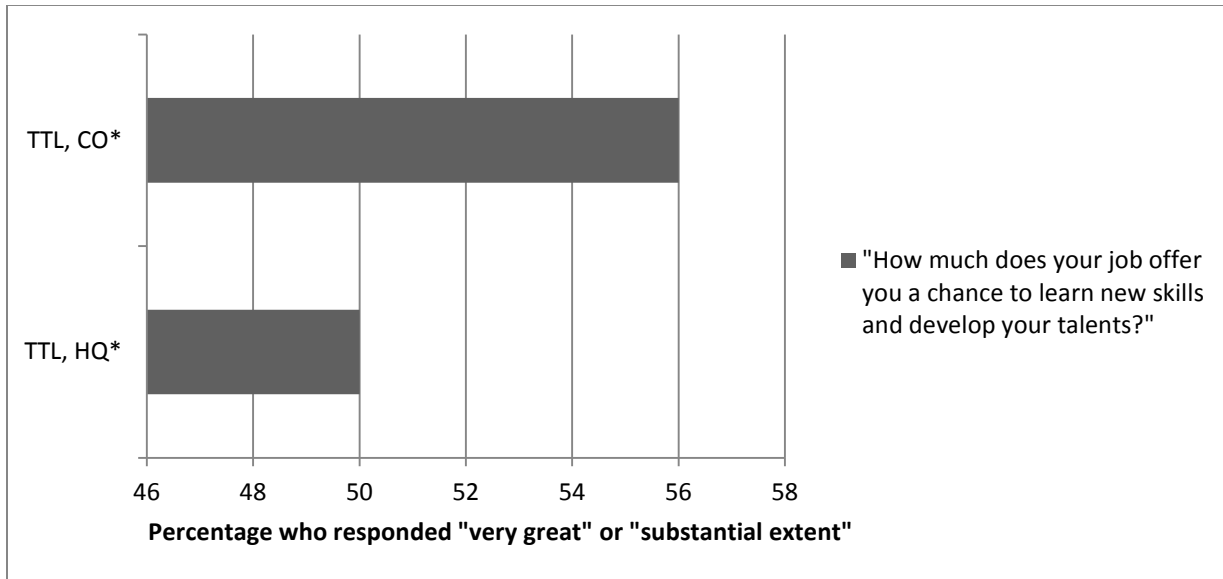
There is an important caveat to this optimistic reading of where the Bank stands on learning and knowledge. The Bank staff surveys did not refer specifically to learning and knowledge sharing as applied to lending. When questions are asked about learning in lending the picture that emerges is less rosy. IEG suggests that the framing of questions about knowledge sharing and learning is critical. Given its status as the leading repository of knowledge about development and the undeniable pride that staff manifest about working for the institution – another consistent theme from corporate surveys – general questions about knowledge and learning probably reflect the halo effect of the Bank's reputation, which is possibly accentuated by a certain fuzziness about what learning actually entails for the Bank.

Despite this caveat, responses to IEG's survey – which, unlike the Bank surveys, was geared to learning in lending – were distributed similarly to those in the 2013 Employee Engagement Survey (even though the IEG survey had a lower response rate). Fifty-nine percent of all respondents strongly agree or agreed with the statement that the Bank is committed to promoting learning and knowledge sharing in its lending operations. More than 70 percent of respondents strongly agreed or agreed with the statement that the employees in their unit "constantly consider better ways of doing things." Sixty-seven percent reported that the staff in their units was eager to share information about what works and what does not, and 64 percent reported that colleagues in their units engaged in productive debates and discussions. Sixty-five percent of respondents disagreed with the notion "unless an

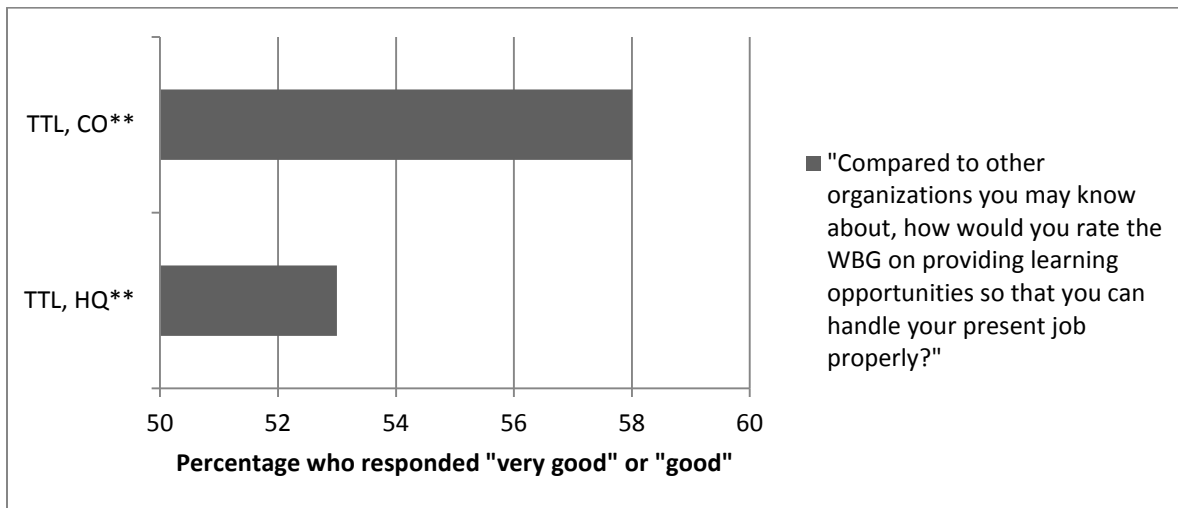
idea has been around for a long time, no one in my unit wants to hear it,” and 53 percent strongly agreed or agreed that institutional incentives support openness to new ideas at the Bank.

Figure 4.1. Task Team Leaders in Country Offices Perceive More Opportunities for Learning than Those at Headquarters

a. Perceived opportunities



b. Perceived opportunities relative to other organizations



Source: Employee Engagement Survey 2013; data only from the International Bank for Reconstruction and Development.

Note: CO = country office; HQ = headquarters; TTL = task team leader.

*p = 0.02.

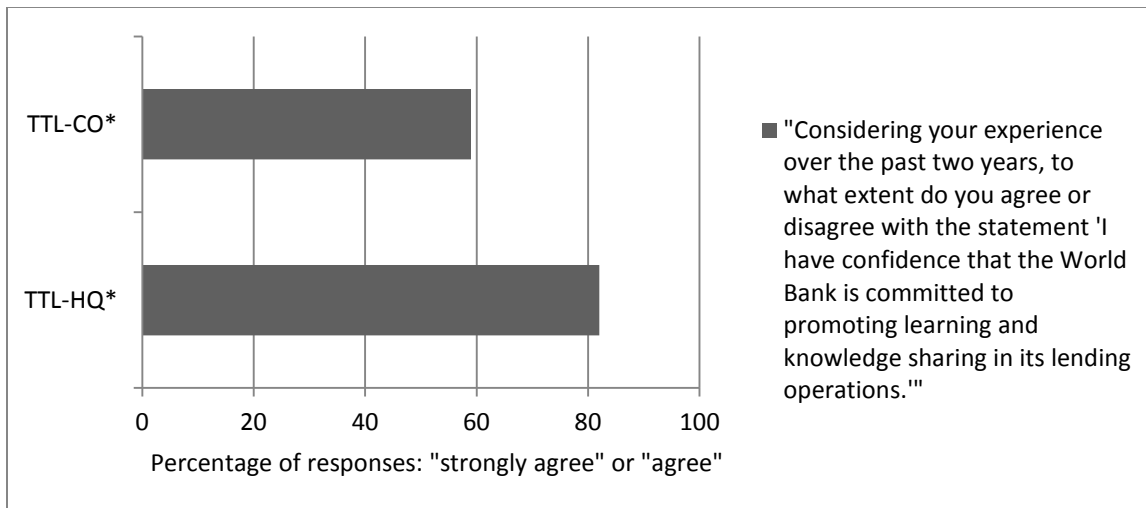
**p = 0.05.

With respect to perceptions of the Bank’s commitment to learning in lending, the pattern of differentiation by TTL location that emerges from the IEG survey echoes what was found in the Employee Engagement survey (Figure 4.2a). Also, taking

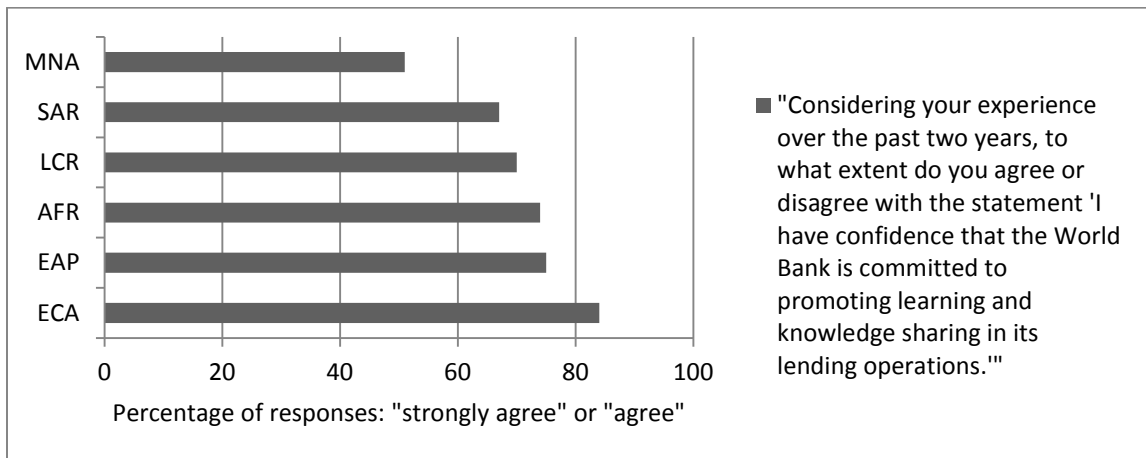
TTLs and non-TTLs together, there were significant differences between regions, with the East Asia and Pacific Region and the Europe and Central Asia Region expressing the highest level of confidence in the Bank’s commitment to learning in lending (Figure 4.2b).

Figure 4.2. Confidence in the Bank’s Commitment to Learning in Lending

a. By staff location



b. By Region



Source: IEG survey of Bank staff conducted for this evaluation.

Note: AFR = Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; LCR = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia. The difference between the matched groups was statistically highly significant; $p = 0.01$ for regions; and $p = 0.00$ by staff location.

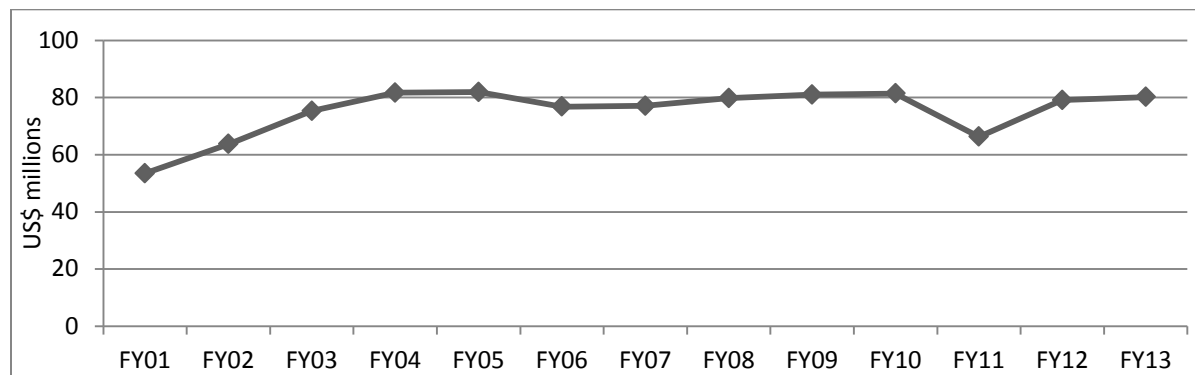
LEARNING IS STEADILY FUNDED AND ALIGNED WITH PERCEIVED NEEDS

Except for a blip in 2011, Bank spending has remained steady since 2004 (Figure 4.3). In 2013, South Asia and East Europe and Central Asia were the Regions that spent most on training as a proportion of the payroll (around 7 percent), with Africa and East Asia and Pacific at the other extreme (about 4 percent). The Learning Board is

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charged with oversight responsibility for implementation of the Staff Learning Strategy, which has four pillars: (i) Corporate Core Curriculum; (ii) Professional and Technical Learning; (iii) Unit and Individual Learning; and (iv) On-the-Job Learning (such as mentoring and coaching). According to the Bank's FY13 Staff Learning Annual Report, there is a demonstrated connection between robust on-the-job learning and the delivery of strong business results; an on-the-job learning assignment is now part of the Corporate Core Curriculum (World Bank 2013).

Figure 4.3. Total Spending on Staff Learning, FY01–13

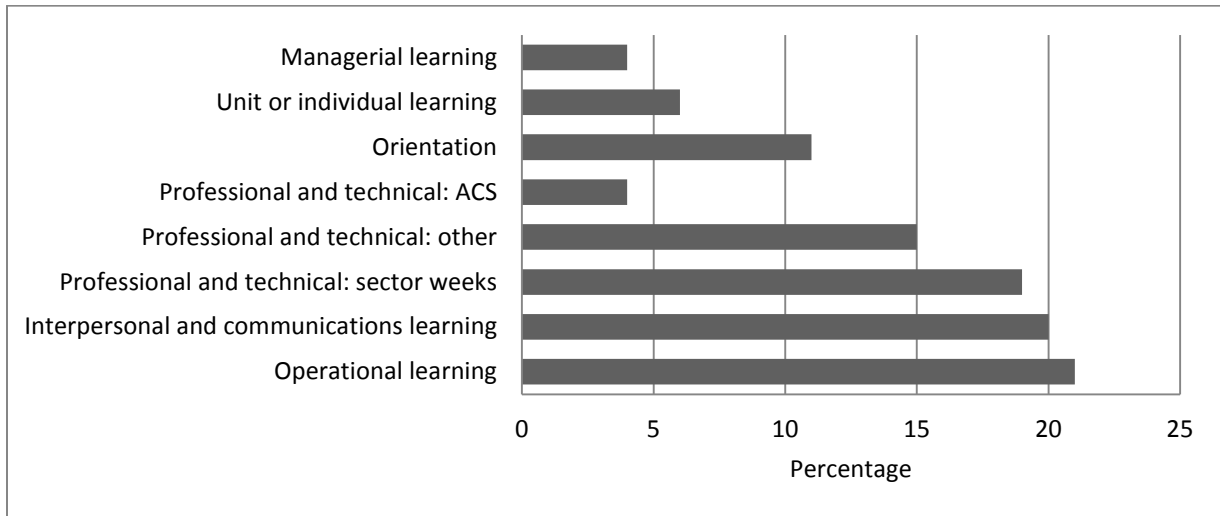


Source: Staff Learning Annual Reports for FY09, FY12, and FY13.

Note: Includes all direct costs for learning delivered (design and delivery of staff learning) and learning received (participant staff time, related travel, and external fees).

The learning that is delivered appears to be aligned with the skills that staff perceive to be most important for their work. Operational learning was the largest category by days delivered (Figure 4.4). This reflects the premium that staff place on this type of hands-on, project-related training, which includes the Operational Core Curriculum. The 2009 staff survey included a question (not repeated in the 2013 survey) on the skills that would most enhance job performance: 44 percent of respondents replied that operational skills bearing on Bank instruments and processes were the most important; 30 percent rated project management skills as the top priority (the response categories were not mutually exclusive).

Figure 4.4. Learning Days Delivered by Type, FY13

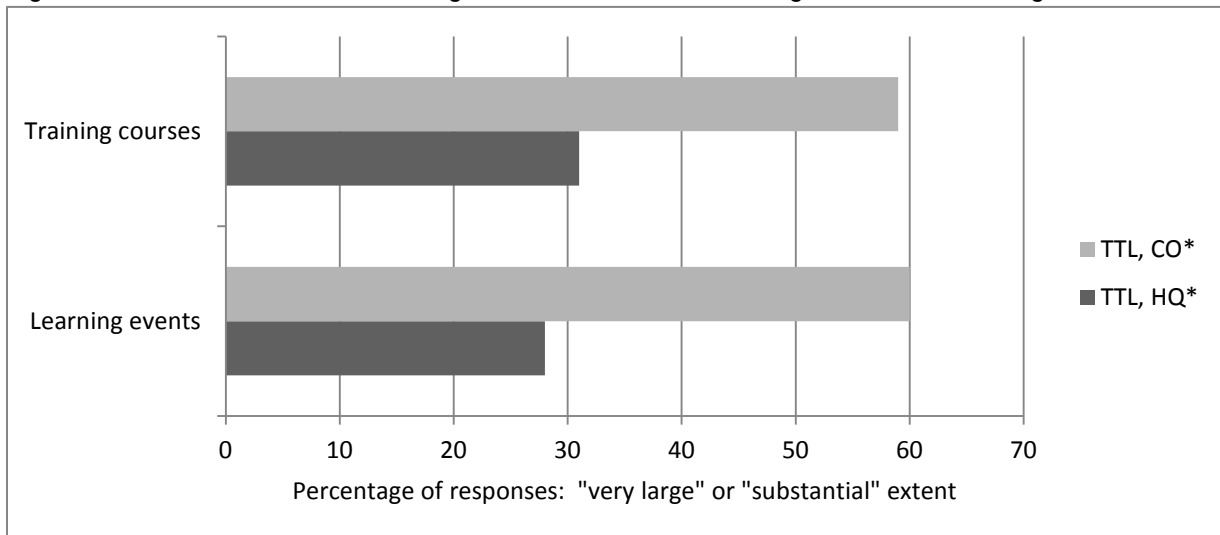


Source: World Bank (2012).

Note: ACS = administrative and client support. See endnote for definitions of the different types of learning.¹

Averaging across all responses to the IEG’s survey of Bank staff, 45 percent of respondents replied that learning occurred to a very large or substantial extent through training courses, including the Operational Core Curriculum,). With respect to learning events, including Sector Weeks, the corresponding percentage was 43 percent. Once again, location counts. The results for TTLs show that, compared to their counterparts at headquarters, a higher proportion of those based in country offices report that learning occurred through training courses and learning events (Figure 4.5).

Figure 4.5. To What Extent Did Learning Occur as a Result of Training Courses or Learning Events?



Source: IEG survey of Bank staff conducted for this evaluation.

*p = 0.00.

Participants in IEG focus groups and interviews said that there is now less opportunity than before to learn through Sector Weeks. This is partly because, as the span of the Networks enlarged, Sector Weeks became more diffuse. For example, the Water Sector previously had had its own week, which led to a lot of idea sharing between TTLs. But once it was absorbed by the Sustainable Development Network, the pressure to “force cross-sectoral exchange” reduced the space for Water Sector TTLs to interact and learn from each other. Also, budget cuts have reduced the opportunity for staff from country offices to attend Sector Weeks and similar learning events. This trend may be exacerbated by the actions taken following the FY14 Expenditure Review, which aims to save \$400 million. The measures that took effect on February 1, 2014 included a 15 percent reduction in the volume of travel to Washington, DC.²

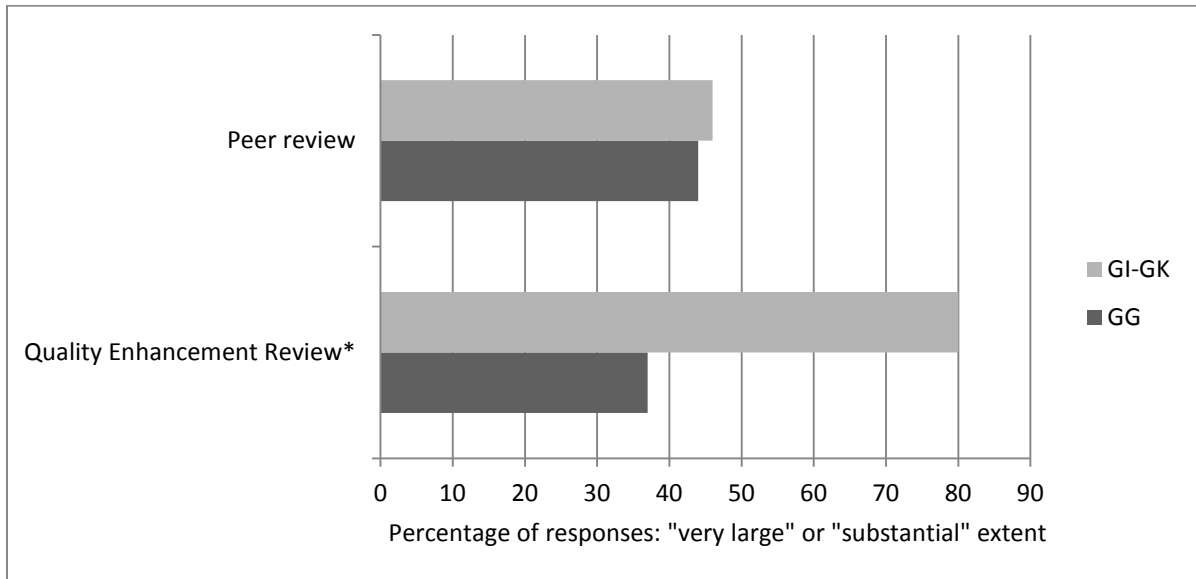
QUALITY ASSURANCE PROCEDURES FOR LENDING DO NOT ALWAYS FACILITATE LEARNING

This section and those that follow consider instances of apparent misalignment – cases where Bank processes appear not to be fully aligned with the change agenda’s avowed commitment to installing knowledge, learning, and innovation as a discrete objective, embodied in the new Corporate Scorecard. In each of these cases, better alignment will not be realized unless the Bank’s top leaders – IEG included – take the first step, setting an example for staff to follow. What is needed is a change in the culture of the Bank and the set of incentives that it offers its employees.

To start with, there is scope for making quality assurance of lending services more learning oriented. It is perhaps to be expected that the custodians of the quality assurance process (high-level staff) will rate the contribution that it makes to learning more highly than those whose work is subject to this control. The IEG survey found that, to a statistically significant extent, a higher proportion of staff in grades GI through GK reported that the Quality Enhancement Review (QER) was an important source of learning (Figure 4.6). Eighty percent of GI through GK staff said that to a very large or substantial extent, learning occurred through the QER; 37 percent of GG staff (and 36 percent of TTLs) responded this way.

On the other hand, in the case of peer review – another quality assurance mechanism – there was no significant difference between the two groups. It could be that factors other than learning colored the perceptions of the quality enhancement review. Maybe the more positive response from managers and directors was a reflection of the high value they placed on these mechanisms as a way to contain risks (peer reviews are less risk centered). Staff members at lower grades were perhaps more inclined to view the quality enhancement review as a hurdle to overcome; this negative perception may have edged out any consideration of the learning that resulted.

Figure 4.6. To What Extent Did Learning Occur through Quality Assurance Procedures?



Source: IEG survey of Bank staff conducted for this evaluation.
*p = 0.00.

In the IEG interviews and focus groups, the choice of peer reviewers was regarded as significant but many interviewees said that the process is not rigorous and quality has declined over time. This is partly because peer review is not adequately funded. Sometimes managers send the wrong signals – they express a preference for hiring “soft” reviewers who won’t hold up project preparation. It is the TTL who usually proposes the peer reviewer to the manager and there is a tendency for TTLs to “go to the person you know” rather than to the person with the best skills.

Overall, the staff interviewed by IEG reported that the quality assurance process is patchy, with differences across lending instruments. Some observed that the quality assurance of development policy operations seems to be more standardized across the Bank – more systematic than investment lending. The QER is not mandatory, and wide variations exist between Regions in the incidence and the timing of these reviews. For both peer review and QER, decisions reached are not uniformly recorded, and there is no sure way to quickly locate the minutes in the Bank’s electronic filing system. Some interviewees said that QERs are used mainly to expedite loan processing rather than to invite the discussion of opposing views about how to design the project; matters of technical substance get short shrift. It all depends on the manager. One director said that the aim was to demonstrate how the lessons from the Bank’s worldwide experience had been adapted to local conditions. But he also stressed that this questioning should be a continuous process, extending well beyond the QER. Other TTLs said that, from a learning perspective, more could

be obtained from informal clinics where TTLs could “safely” expose their project plans to critique.

If the quality assurance process imparts lessons from operational experience, it should serve to prevent unworkable projects from being approved. However, IEG’s interviewees said that this was not always the case. Overly complex projects (“Christmas trees”) were often still approved even though experience demonstrates, in the words of one, “complexity is the enemy of success.” Projects that are too complex are more likely to lead to delays, cancellations, and restructuring. Opinions were divided about the origins of the problem. Some interviewees maintained that “the pressure to over complicate” comes mainly from within the Bank. But others said that the client was primarily responsible for the push to include more and more components in projects, making them difficult to manage.

The intensity of quality assurance varies by lending phase. According to the IEG survey of Bank staff, 41 percent of respondents said that learning occurred to a very large or substantial extent during project preparation review meetings; for project supervision, the corresponding percentage was 32 percent. Participants in IEG interviews and focus groups said that managers tend to be less involved in the quality assurance of implementation and completion than they are in preparation. According to interviewees, there is limited managerial oversight of implementation status and completion reports. But a distinction clearly has to be drawn between what is written up and what remains an oral comment. During implementation, informal feedback from managers is often more important than what is written up every six months or so. Nevertheless, IEG’s review of more than 100 recently evaluated projects found that the majority of implementation status reports do contain comments from sector managers, country directors, or both – although these tend to focus on implementation progress rather than discussing matters with a bearing on development outcomes.

Several TTLs noted that decision meetings have been taken over by the Operational Risk Assessment Framework (ORAF). “The ORAF is a nightmare and does not provide much practical value.” Respondents felt that people spend decision meetings obsessing over every potential scenario that could go wrong at the expense of attention to other more substantive issues. They also noted that the Bank has moved toward compliance by checklists and box ticking, which they felt was not conducive to learning and knowledge sharing. Some highlighted a culture of complying with the status quo and moving things along. “No one wants to slow things down, so it is frowned upon to ask critical questions in decision meetings.”

IEG's evaluation of the Bank's matrix organization bears out these observations. It found that the selection of peer reviewers was not well managed, with deadline pressures reducing the time available for TTLs to respond substantively to peer review comments. The evaluation found that QERs were a better way to boost lending quality, but they were optional and often not timely. Also, it revealed that the Bank's quality control systems focused more on fiduciary and safeguard risks than on other aspects of quality (IEG 2013, 84).

INCENTIVES COULD BE BETTER ALIGNED TO PROMOTE LEARNING

In corporate reports and messages to staff, the Bank has acknowledged the lack of alignment in incentives for learning and knowledge sharing. "Most staff feel, despite the growing importance of knowledge work, that the Bank's main internal incentives are still related to lending" (World Bank 2011). Some staff have argued that additional financing also masks the Bank's push to lend. This continuing push to lend increases the opportunity cost of dedicating time and effort to learning and knowledge sharing, and distorts the metrics of performance in favor of inputs and short-term outputs rather than on results and development solutions. A recent statement from the top of the Bank confirms the incentive problem. "On any given day, the World Bank Group is engaged in thousands of operational interactions in well over 100 countries. But sharing this operational knowledge is hampered by weak incentives" (Pradhan 2013).

The Bank has often given conflicting signals to staff on the importance of learning and knowledge sharing. A 2007 Issues Note observed: "While the Bank's declared values espouse such a culture [of learning and knowledge sharing], the incentive systems (operational processes, budget, Human Resources, Information Technology, etc.) often promote the opposite" (World Bank 2007). Strategic alignment can help ensure consistency in signals across the organization, but the Bank has failed in the past on strategic alignment:

- First, most efforts at alignment have been isolated, partially implemented or not sustained over time.
- Second, knowledge sharing and learning have not been incorporated into how managers do their jobs.
- Finally, knowledge sharing and learning remain outside staff jobs and the project cycle. They are a separate thing to do, "nice to have, but not necessary," and assigned to "the K and L people" (World Bank 2007).

It is one thing if the Bank provides insufficient incentives to staff for learning and knowledge sharing. It is quite another if it provides perverse incentives or disincentives. TTL focus groups conducted for this evaluation seem to point to the

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existence of perverse incentives and disincentives for staff. There is a disincentive to share information with other Bank teams who compete for funds, specifically in the context of work program agreements. There is an incentive to hoard knowledge. The immediate measures for cost savings announced on January 23, 2014, included some which may adversely affect knowledge sharing and learning, such as the reduction of training and operational mission for GA-GD staff and the reduction of volume of travel to Washington D.C. by country office staff. While other measures may yet be put in place to compensate for these decreased learning opportunities, the signals sent should not be underestimated.

More than one-third of respondents indicated the need for greater attention and signals by senior management on the priority of learning and knowledge sharing. In addition, many open-ended suggestions focused on management's engagement and support to learning. Staff asked for stronger senior management leadership and support to knowledge and learning demonstrated through actions not just words, including leading by example and dedicating their own time to such activities. They said, "Senior management should influence the culture to move us away from a culture of information hoarding to information sharing." IEG interviewees indicated that senior management should give knowledge the same status as lending in management attention, monitoring, and promotion.

While 18 percent of respondents to IEG's survey identified the lack of sufficient focus on results and outcomes by Bank management as one of the three biggest obstacles to learning and knowledge sharing, only 3 percent identified the Bank's Board of Executive Directors as such. This could be either because the Board does not figure in the minds of Bank staff or because they feel it does indeed focus on results and outcomes. In any case, the bottom line is that for 97 percent of Bank staff, the Board is not among the three biggest problems for learning and knowledge sharing.

Staff perceives the lack of institutional incentives as one of the biggest obstacles to learning and knowledge sharing. In the IEG survey of Bank staff, more than any other factor, the lack of institutional incentives was most frequently singled out as one of the three biggest obstacles to learning and knowledge sharing: 52 percent of respondents named incentives as an obstacle. Participants in IEG interviews and focus groups strongly reinforced this message (Box 4.1).

Box 4.1. Task Team Leaders Speak Out about the Lack of Institutional Incentives

- “There is no incentive to go the extra mile during design. It is possible to prepare a project with less effort. It is up to me as a TTL whether I want to bring in best practices to the design or just deliver another project to the Board. I won’t get a better SRI or OPE for going the extra mile to make sure I have a project that is well designed and implementable. My reward is the personal satisfaction of designing a good project.”
- “If you want to do something new, you have the freedom to do things, but you won’t get rewarded or go to the top because of it. I can design what I want. My boss trusts me, but you are not rewarded for ‘innovation.’”
- “Too many people bring bad projects to the board and are promoted. It’s not about whether the project can be implemented and gets results.”
- “No one is looking at how many problems you solved or how many problem projects you rescued.”
- “The reward system should not be based on how many projects you bring to the board without looking at if things can be implemented. Rewards should be given elsewhere. They should consider things like whether you moved the dialogue forward. Reward knowledge.”
- “There are disincentives to go the extra mile in design and implementation because of the slippery Human Resource framework. No one gives a hoot about implementation. You don’t get promoted based on performance.”

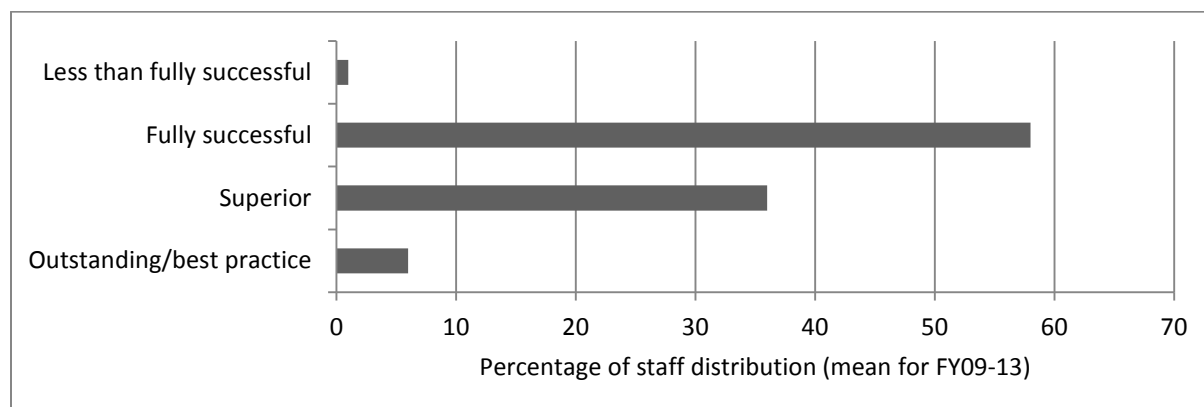
Note: OPE = Overall Performance Evaluation; SRI = salary review increase; TTL = task team leader.

The annual staff Overall Performance Evaluation (OPE) does not reinforce learning. Only about 7 percent of respondents to IEG’s survey of Bank staff said that the OPE rating on learning and knowledge sharing influences the overall performance evaluation to a very large or substantial extent. Over half the respondents said it influences it slightly or not at all. When asked to recommend one thing that Bank could do to further promote learning in lending, 14 percent of respondents to IEG’s survey advocated changing OPEs and results agreements to place more weight on learning and knowledge sharing. In IEG’s interviews, a recurring theme was the divergence between the OPE’s formal learning and knowledge sharing rating, which is typically “fully satisfactory” or better, and the low weight this rating receives in the overall assessment of performance. In focus groups also, participants observed that the rating carries little weight in the OPE.

No units in the Bank stand out, either for exemplary or weak performance on the OPE assessment of learning. IEG analyzed aggregate data on the learning and knowledge sharing OPE rating for all World Bank staff with a grade of GF or higher, over a five-year period (FY09–13). Averaging over this period, most staff were rated fully successful (Figure 4.7). There was little variation in the distribution of ratings from one year to next. Also, for any given year, there was no significant difference between Regions or sector boards. On two dimensions, however, the variation

between groups was statistically significant. A man was 20 percent more likely than a woman to get an “outstanding rating.” Totaling the ratings of females over five years, 5 percent achieved an outstanding rating, compared to 7 percent for males. There were also significant differences between staff grades. Six percent of the staff of GG grade earned an outstanding rating, compared to 11 percent of those at GH grade and 22 percent at GI grade.

Figure 4.7. Staff Overall Performance Evaluation Ratings for Learning and Knowledge Sharing



Source: World Bank Human Resource Analytics.

CONTINUING OBSTACLES TO ADAPTIVENESS IN LENDING

Hirschman (1967) and Rondinelli (1993) made the case early on for operations that are small-scale, exploratory, and risky – operations that do not always provide immediate economic returns or yield quick results. More recent studies have strongly argued for an adaptive approach to lending, emphasizing the importance of learning from failure (Andrews et al. 2012).

Adaptiveness is at the heart of what the Bank Group’s president has championed as the science of delivery.³ It has been presented as an art as well as a science. The art lies in the innovation and adaptability of the actors and different delivery models. Its key aspect is the “continuous interplay of designing interventions using evidence; implementing them in an iterative way; and, learning deliberately throughout the process,” and the science of delivery lies in “replicating and scaling those models” (Pradhan 2013).

Adaptiveness presupposes a culture where employees learn from mistakes, are able to admit to failure without fear of reprisal, feel encouraged to take informed risks, and are able to innovate. This is a lot to ask of any organization. There are mixed messages about the extent to which this culture already exists in the Bank. In 2012, a learning-from-failure event sponsored as part of President Kim’s change agenda produced a rich trove of reflections on the challenges of adaptiveness (Box 4.2).

Box 4.2. Learning from Failure: Panama Land Administration Project

Adapted from a presentation by Jorge A. Muñoz, task team leader, at the 2012 learning-from-failure event:

I would say there were two critical, defining moments during project implementation: restructuring and review by the Inspection Panel (IP). By mid-2005, the project was essentially stuck. Disbursements were not flowing, and institutions were fighting over turf. As a result, project staff were not going to the field, conflicts were not being solved, and public frustration was building. The obvious solution was to restructure the project, but this proved to be very time-consuming and more bureaucratic than I imagined. Actually, what this project faced was not that unusual for complex policy reforms. Unfortunately, the Bank is not flexible enough to adapt to change. We spend too many resources designing airtight rigid projects and too little supervising them and adapting to inevitable changes. Restructuring should be the norm, not the exception.

Addressing IP cases, Indigenous Peoples in Panama have some long-standing historical land claims that periodically result in violent events (unrelated to the project). The two IP cases resulted from poor consultation and the inability of the project to title some Indigenous Peoples lands. Although the component related to Indigenous Peoples lands represented only 5 to 10 percent of project resources, addressing these issues occupied 80 percent of my time and my team's time in the last year and a half of the project. This issue also created considerable friction in relation to government which had different policy priorities. My team's ability to address these issues was made possible by full support from all levels of Bank management. It required very intensive supervision and spending considerable amount of time in the field in direct contact with key stakeholders.

Most Important Lessons

- The Bank needs to be more flexible in adapting to change and managing risks.
- At present, projects are designed according to rules and procedures suitable for discrete infrastructure type projects, not for complex policy reform programs.
- We spend too much time designing Plan A, as if it will never change, but we do not plan for a Plan B when things change.
- We react to risks; we do not manage risks effectively.
- Flexibility is the key because complexity is the rule.

What Would I Do Differently

- Design a simpler project, not because the issues are simpler but rather to allow the Bank to have meaningful operational engagement, launch activities in the field, and expand operations as opportunities open up and circumstances change.
- The solutions governments seek are often operational in nature – the how-to-do reforms.
- This is learned largely by implementing projects, learning by doing, and supporting governments throughout the process.
- Spend time in the field, spend time in the field, and spend time in the field.
- Do not rely solely on project reports prepared by government agencies and discussed in the country's capital.

The results of the 2013 Employee Engagement Survey are cause for reflection about whether the Bank's culture embodies the trust needed for adaptiveness to flourish. One-third of all respondents strongly agreed or agreed that senior management creates a culture of openness and trust; for TTLs, the corresponding proportion was 23 percent. There is a much more favorable perception about incentives to innovate and to take risk. For all respondents, as well as for TTLs in particular, roughly two-thirds report feeling encouraged to find new and better ways of doing things (about 5 percent less than 2009). With respect to freedom to take informed risks, 57 percent of all IBRD employees and 55 percent of TTLs responded favorably (compared to 63 percent and 67 percent, respectively, in 2009). On both innovation and risk, there was no significant difference between TTLs at headquarters and those based in country offices.

These results are paradoxical: if a culture of openness and trust is widely perceived to be lacking, why do the majority of employees report that they feel free to innovate and take risks? Senior management presumably sign off on projects that are risk taking and innovative. Yet they appear not to have created the culture of openness and trust that would be likely to encourage experimentation with new, possibly risky approaches.

Responses to the IEG survey convey a powerful impression of the culture in which lending unfolds – and the scope for an adaptive approach to preparation and implementation. Only 5 percent of respondents felt to a very large or substantial extent that the Bank has encouraged informed risk taking in its lending operations. Seventeen percent of respondents replied that the Bank's staff was able to learn from its mistakes to a very large or substantial extent. Managers were much more sanguine than staff at lower grades, with the difference between the groups being statistically highly significant: 41 percent of staff at grade GI and above replied that mistakes were learned from compared to 17 percent of GG staff. It could be that managers were promoted precisely because they had successfully learned from their mistakes, and because, unlike staff at a lower grade, they were more confident about their own ability to learn from mistakes, a conviction that was reinforced by their very promotion.

Managers have a key role to play in creating a safe space for staff to candidly discuss operational problems and how to address them. Therefore, it is a matter of concern that only one-third of respondents to the IEG questionnaire survey opted for the response very large or substantial extent when asked if they felt able to discuss with their management what is not working in a lending operation. There was a statistically significant difference between Regions in the response to this question, ranging from Middle East and North Africa (where 69 percent replied very large or

substantial extent) to East Asia and Pacific (43 percent). There were no significant differences when respondents were compared by location or sector board mapping.

The scope for adaptiveness is probably influenced by the ease with which projects may be restructured during implementation. According to the IEG survey of Bank staff, 51 percent of respondents agree or strongly agree that current Bank procedures for project restructuring have supported course corrections. In this respect, there was no significant difference between managers and staff or between TTLs and non-TTLs.

On restructuring, the IEG focus groups and interviews found that managers and quality assurance advisers tended to be more bullish, emphasizing that in recent years Operations Policy and Country Services (OPCS) has facilitated restructuring. TTLs were less convinced but, in general, they said that there is greater willingness to make changes that did not require Board approval (typically involving the reallocation of loan proceeds between components) than there is to countenance a Board-endorsed revision of the project development objective. Various people said that such Level 1 restructuring is “stigmatized,” partly because there is a fear that it reflects badly on the competence of the TTL.

But there are signs of adaptiveness in relation to lessons learned. Respondents to the IEG survey of Bank staff were asked, in an open-ended question, to give one example of how they changed the design or implementation of their lending operation in response to learning. The examples were so diverse that they proved hard to code into response categories. The category with the largest share of responses (10 percent of the 356 respondents to this question) was coded as “change occurred in the light of lessons learned from previous operations.” The next evaluation in the IEG program will probe this further, trying to identify the learning chains and social networks involved in the transmission of lessons across time and space.

SMART LEARNING TOOLS MAKE SENSE BUT ARE NOT ENOUGH TO TRANSFORM THE CULTURE

A variety of new tools for facilitating learning has been showcased at the Bank in recent years. The 2013 workshop on TTL handover was examined above. The organizer of that workshop has also championed the use of after-action reviews, which have yielded good results for the U.S. Army. These reviews are resolutely low-tech, using field notebooks rather than formal briefs or databases (Box 4.3). What counts is the liveliness of the discussion about what happened, not the quality of the write-up.

Box 4.3. Can the World Bank Learn from the U.S. Army?

The U.S. Army's Opposing Force (OPFOR) is considered to be consistently successful, and its success is attributed to the way it uses after action reviews (AARs), a method for extracting lessons from one event or project and applying them to others (Darling et al. 2005). Most corporate AARs end up being faint echoes of OPFOR's AARs. Whereas OPFOR converts its postmortems of past failure into aids for future success, most corporate AARs stop at being just postmortems.

Backward and Forward Accountability

Corporate AARs are often convened around failed projects (Darling et al. 2005). The patient is dead, and everyone weighs in on the mistakes that contributed to his demise. The word "accountability" comes up a lot; generally, it means "blame" which participants expend considerable energy trying to avoid. There is a sense of finality to these sessions. The team is putting a bad experience behind it. "Accountability" comes up a lot during OPFOR's AARs as well, but in that context it is forward looking rather than backward looking. Units are accountable for learning their own lessons. And OPFOR's leaders are accountable for taking lessons from one situation and applying them to others—for forging explicit links between past experiences and future performance. At the end of an AAR meeting, the senior commander stands and offers his own assessment of the day's major lessons and how they relate to what was learned and validated during earlier actions. He also identifies the two or three lessons he expects will prove most relevant to the next battle or rotation.

After Action Review and Before Action Review

The AAR can be customized for corporate environments. To an AAR would be added a before action review (BAR). It requires teams to answer four questions before embarking on an important action:

- What are our intended results and measures?
- What challenges can we anticipate?
- What have we or others learned from similar situations?
- What will make us successful?

The responses to those questions align the team's objectives and set the stage for an effective AAR meeting following the action. In addition, breaking projects into smaller chunks, bookended by short BAR and AAR meetings conducted in task-focused groups, establishes feedback loops that can help a project team maximize performance and develop a learning culture over time.

Four Fundamentals

- Lessons must first and foremost benefit the team that extracts them.
- The AAR process must start at the beginning of the activity (i.e., the BAR).
- Lessons must link explicitly to future actions.
- And leaders must hold everyone, especially themselves, accountable for learning.

Another option is the checklist—a concise inventory of the essential steps in designing and implementing projects, requiring TTLs to systematically "tick each of the boxes." The exponent of this approach, which he adapted for use by surgical

teams operating under pressure, argues that the volume and complexity of knowledge has now exceeded any single individual's ability to manage it consistently without error despite advances in technology, advanced training, and specialized functions and responsibilities (Gawande 2009). Gawande stresses the need to allow for the fallibility of human memory when it comes to mundane, routine matters that are easily overlooked under the strain of pressing events.

In its survey of staff, IEG asked respondents to assess the usefulness of checklists and other smart tools. Three-quarters separately rated checklists, how-to guidance, one-stop shops, and just-in-time help desks as useful to a very large or substantial extent. When asked to what extent these aids already existed, 54 percent said that checklists were now being used; 48 percent said the same for how-to guidance. But only 20 percent reported that one-stop shops and just-in-time help desks were now in operation.

The Bank is an organization where financial incentives are not the primary motivator—only one-quarter of respondents to the IEG survey included higher pay among the three actions most likely to encourage learning and knowledge sharing. Interviewees told IEG that recognition by peers and managers is the most important incentive. Recent events showcasing and rewarding innovation and learning from failure show promise. An example of this is the Bank's Innovation Marketplace where solicits nominations for new ideas and approaches and awards significant prizes to the winners.

When it comes to the use of awards for learning, the International Finance Corporation (IFC) appears to have promising practices. Smart Lessons, a voluntary program started in 2005, offers guidance for writing narratives to post online and editorial services to ensure that the articles and multimedia presentations posted on the SmartLessons site really work as stories (Morris and Oldroyd 2009). Since 2011, performance evaluations have considered SmartLessons, and this evidence helps inform decisions about promotions. The total award budget is \$50,000 to \$65,000 per year. However, there are mixed reports about the initiative's impact. Although the program had 500 to 1,000 web hits per month, an internal IFC survey found that about 47 percent of Advisory Services staff and 60 percent of Advisory Services results measurement officers said they "never used them." On the other hand, according to a *Harvard Business Review* article on Smart Lessons, survey results showed that more than 80 percent of IFC employees who read Smart Lessons found them relevant (Morris and Oldroyd 2009). One user reported, "Smart Lessons are an integral part of how I think through project design," and a contributor said, "I have felt empowered to write a no-holds barred account of lessons I learned."

The Knowbel award is a more recent IFC initiative, introduced in 2011 by the Global Knowledge Office. This program is administered by operations staff, and is designed to recognize those who promote knowledge sharing and learning. For example, the Facility for Investment Climate Advisory Services was awarded a prize for Excellence in Knowledge Sharing for work on peer-to-peer learning leading to new bilateral technical assistance. This involved over 36 events, including seminars and workshops, attracting more than 1,500 staff and external participants.

While it makes sense to promote “smart” interventions like these, research evidence shows that these expedients are not sufficient in themselves to transform the culture of the organization. There is a “tendency to use formal project learning tools in a tokenistic way or to ignore them altogether” (Swan et al. 2010, 334). Smart tools will not flourish unless senior managers take them seriously enough to apportion sufficient budget, and unless the various awards offered are taken into account in staff performance assessments and promotion decisions.

CUSTOMIZED LEARNING INSTRUMENTS NEED TO HAVE THE RIGHT INCENTIVES

Like smart tools, learning instruments intended to privilege new approaches and experimentation will only work if they are embraced by senior managers (and clients), and if the incentives employees receive to use them are sufficient and in line with the organization’s overall commitment to learning. They won’t work as instrumental fixes for an organizational culture that does not reward learning.

IEG assessed experience with two instruments specifically designed to promote learning: the Learning and Innovation Loan (LIL) and the Intensive Learning Implementation Completion and Results (ILI) report. The assessment was based on a comparison with, respectively, investment projects in general and standard or core Implementation Completion and Results (ICRs) reports. Both instruments have languished, for reasons that hold lessons for future directions.

The LIL has been phased out, but the experience with this instrument is worth reflecting on in order that the Bank does not repeat similar mistakes in the future. IEG reviewed the 10 LILs most recently evaluated by IEG. The project documents for LILs were not notably different from those for Specific Investment Loans (SILs). They tended to give a thin description of the knowledge and learning on which these operations built. Reference to the analytical work that underpins project design was often sketchy. References to previous projects in Project Appraisal Documents (PADs) and ICRs often consisted of unsubstantiated assertions that the project built on Bank experience in the project country or other countries. Sometimes PADs identify generic operational lessons that inform design only for the subsequent ICRs to observe that these lessons were not acted on. But, in a minority

of cases, IEG found cases where the PAD gives a detailed account of the evidence base for the project, showing how the design takes account of what was previously learned.

Five of the 10 LILs that were reviewed helped set up Development Learning Centers (DLCs) as part of the Global Development Learning Network. DLCs were intended to transfer knowledge among countries participating in the global network and to host training courses as an alternative to sending government officials abroad on costly study tours or importing expensive foreign consultants. The rationale for using this particular instrument is not always obvious. Indeed, the Midterm Review Aide Memoire from the Kenya DLC (P078209) asks why it was financed as a LIL, and if there was still a need for this sort of instrument. In addition, there is a conspicuous lack of detail about the actual learning mechanisms used by these projects. Also, there is little cross-referencing between the DLC projects. However, some cross-fertilization between these projects is evident. The ICR for the Côte d'Ivoire DLC (P066353) reports that DLC projects in Mali and Nigeria drew on the experiences of the Côte d'Ivoire project and provides some specific examples in the Lessons Learned section. The ICR also makes a specific operational comparison between this project and the one in Burkina Faso regarding the use of the project preparation fund.

Moreover, although LILs were intended to pay particular attention to monitoring and evaluation (M&E) in order to facilitate learning, on average IEG ratings of M&E for LILs were not higher than ratings for other lending instruments. Three of the 10 lessons learned in the ICR for the Legal Reform Project in Mongolia (P074001) dealt with ways in which project M&E could have been improved. In that project, the indicators were little more than a checklist of project outputs, compiled with no apparent attention to what was to be learned or how that learning would be used.

LILs often did not serve their avowed learning purpose. The ICR for the Cultural Heritage Project in Ethiopia (P057770) concluded: "The Bank mistakenly handled this LIL as a small investment project although the intent of a LIL is different due to its learning emphasis." This problem also affected the Community School Support Project in Nepal (P082646) where the PAD promised an impact evaluation and yet relied largely on a count of schools that had been transferred to the community as its outcome indicator. The ICR Review and the Project Performance Assessment Report argued that the goal of the LIL was to create a knowledge base about community management and not to catalyze school transfer in advance of the development of such a knowledge base. In other words, the criticism is that the project was run like a SIL and not like a LIL.

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Participants in IEG interviews and focus groups said that LILs failed to thrive because, although they were supposed to be cheaper to prepare and quicker to implement than SILs, they ended up costing just as much to administer, require the same approval-processes in client-countries, and fell out of favor because they were too small to have an impact, the ceiling being \$5 million. Also, clients were not supportive of this instrument because the efforts to get them approved by government were no less onerous than for large projects. Most participants in IEG focus groups and interviews indicated that learning occurred irrespective of the choice of lending instrument. One interviewee responsible for quality assurance said, "We don't need 'learning-centered' instruments; we should reduce the number of lending instruments while ensuring that all instruments accommodate learning."

One way to examine the value that ICRs add from a learning perspective is to compare the small subset of ICRs that are explicitly learning oriented with the standard (core) ICR. ILIs were introduced by OPCS to allow for a deeper analysis of the outcomes and lessons of given projects, based on stakeholder workshops and a beneficiary surveys for which additional funding was available. Only 35 ILIs were produced between FY05 and FY13. Have they been a richer source of learning than core ICRs?

In the cohort examined by IEG, there was no obvious difference between the two groups in how the reports were prepared or in their quality or outcomes. Most of the ILIs included the mandatory stakeholder workshop (6 of 10) and beneficiary survey (7 of 10), but the findings from these events were orphaned in separate appendices and were not well integrated with the body of the report. Only two ILIs refer to the outcome of the stakeholder workshop or the beneficiary survey in the main text. The quality of the ICRs varied between the samples, and ILIs were not conspicuously superior to core ICRs.

There was little difference between the two samples in the type and depth of lessons learned. ILIs and core ICRs both gave most space to generic operational matters, calling for more capacity building, increased institutional engagement, stronger partner relations and better technical inputs. The more useful lessons were those that explored in depth a particular feature unique to the project and then discussed its broader relevance. None of the ILIs in the sample based their lessons explicitly on the stakeholder workshops or beneficiary surveys for which they had received additional funds, and it is not clear what value this funding added to the learning that could be gleaned from the ICR.

Looking Ahead

The literature points out that enabling environment factors – notably, time and budget – when combined with appropriate staff performance evaluation and promotion criteria; senior management signaling, leadership, and role modeling; corporate monitoring indicators; and salary increase criteria can create the necessary incentives for learning and knowledge sharing. Addressing these factors will inevitably involve trade-offs, which the Bank will need to make carefully.

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¹ The following are definitions, drawn from Learning Secretariat (2013), for the different types of learning:

Orientation activities are designed to induct staff into the Bank and impart the mission, values, strategy, and culture of the institution. The activities lay foundations for basic organizational and operational knowledge and allow staff to reach full productivity more quickly.

Operational learning activities are designed to build basic project processing skills to enable staff to adequately manage Bank operations and projects. This includes the Operational Core Curriculum.

Managerial learning activities are designed to update and strengthen the basic managerial skills of current managers and high potential staff. They include the corporate managerial programs organized by HRS as well as managerial training activities organized by VPU/Departments/Units for their staff.

Professional and technical learning activities are designed to enhance core sectoral capacity and develop and maintain cutting-edge technical skills related to a specific profession. This includes Sector Weeks.

Interpersonal learning activities are designed to develop interpersonal (e.g., working in teams, managing relationships, etc.) and communications (e.g., language training, speaking, presentation, writing, etc.) skills in individuals.

Unit and individual learning activities are those designed to develop general skills in staff that are fungible across professions and/or targeted toward specific learning needs in the unit. These include computer skills (e.g., Microsoft Office, Lotus Notes).

² “Expenditure Review – Immediate Measures,” an intranet communication from Bertrand Badre, managing director, January 23, 2014.

³ The term was coined by Michael Barber who was hired by Tony Blair to set up his Delivery Unit. In his words, the science of delivery is “a systematic process for driving progress and delivering results in government and the public sector” (Barber et al. 2011).