Motivating Staff for Higher Productivity and Increased Retention

Staff quality is a key determinant of success for all service organizations, but for think tanks it is fundamental. Senior researchers and policy analysts provide ideas about which problems facing their countries an institute can profitably address, direct the analysis on the problems, and proffer policy responses to meet them. They are also an institute’s representatives for convincing policy elites that the course of action the institute proposes will be effective and efficient. As in other service organizations, staff compensation accounts for two-thirds or more of think tanks’ costs.

It is not surprising, then, that “motivating staff” ranked first in an Urban Institute survey, conducted in 2001, of what think tanks in nine countries in Eastern Europe and the Commonwealth of Independent States most want addressed in a training session. This rating is consistent with comments from leaders of other think tanks in the region about management issues they would like to be able to confront with greater assurance. Obviously, staff motivation problems can adversely affect an organization’s operations, as they are associated with lower productivity and expensive high staff turnover.

In fact, the energy, zeal, and dedication that staff at think tanks bring to their work are the result of a series of personnel management policies and actions. Beyond the personal relations established between the head of the institute or other members of senior management and individual
staff members, other important factors include compensation, working conditions, nonmonetary rewards for good work, and the staff assessment system in place, with prominence going to the quality of feedback on performance. Strengths in one area can be offset by weaknesses elsewhere. In analyzing factors such as staff turnover, morale, and productivity, it is essential to go beyond the compensation or performance assessment system and look at the whole array of an organization's interactions with staff.

Despite the importance of staff motivation and satisfaction to the successful operation of think tanks in both industrialized nations and transitional economies, there is little available guidance on the topic. But think tanks and the donors who support them should have a keen interest in staff motivation, given the role that high-caliber, well-motivated staff play in ensuring strong institute performance. This chapter provides think tanks and their sponsors with a perspective on professional (research/policy) staff motivation. It begins by examining the practices generally recommended in human resources management literature, particularly the literature for private organizations (including NGOs). This examination is an essential road map for think tanks designing their own systems. It then contrasts these practices with those that six think tanks in the former Soviet bloc use to motivate their staffs.

The author finds that the sample think tanks have addressed the multiple issues of staff motivation with considerable imagination. There are numerous differences, however, from accepted “good practices” used in the West in this field. Indeed, only one of the think tanks reviewed has practices consistent with those generally accepted in “third-stage” organizations. To some extent the differences may result from what might be termed cultural differences (i.e., a somewhat different perspective among Eastern European organizations on how staff will respond to various measures and a preference for a comparatively informal management style). Probably more important, personnel practices have emerged more from think-tank managers' intuition than from exposure to accepted practices.

At the outset, it is worth noting one key difference between NGO staff, including think tanks, and staff in government agencies or for-profit firms which has a fundamental effect on how these different types of organizations may approach issues of motivation and productivity. The spirit of this difference is captured in the following expansive statement from Letts, Ryan, and Grossman (1999):
[Nonprofit-sector staff] are deeply committed to the social causes their organizations address and are inspired by the possibility of "making a difference." Thanks to this asset, the human resources challenge is different from that of most for-profits. Their biggest challenge is not to attract motivated people—they will seek out nonprofit opportunities—but to channel their energy so it advances the organization's mission and goals. (107–8)

GOOD PRACTICES

This section includes an outline of strong practices distilled from the literature on motivating staff. Some points have been interpreted to make them more applicable to think tanks, based on the author's experience in working closely with a dozen think tanks over the years.

Rewards

Theories on motivation can be divided into two groups: motivational structures that rely heavily on external rewards and reinforcements, and those that rely on factors internal to the position.3 While personnel programs founded on either type of theory can be applied to any job, the nature of policy research suggests that it is more appropriate for think tanks to emphasize factors intrinsic to the job. In general, under this approach staff are given more, rather than less, responsibility in the organization, and the job is made more intrinsically motivating.

A number of personnel specialists argue that motivational factors are intrinsic to the job.4 What kinds of stimulation are appropriate in think tanks? Note that successful policy analysts need to execute three tasks well: to be strong researchers; to be good managers of research, if they are to rise above the research assistant level; and to be good promoters of the policy recommendations, both in written presentations and, especially, in person. The following is a list of aspects of a policy analyst's job that could be considered sources of motivation.

1. Achievement. Analysts want to feel that they are producing high-quality policy research and that they are having a demonstrable impact on the policy process. The level of resources available (computer, Internet connection, research assistance, help from a public relations specialist, etc.) and working conditions at the institute are important for helping analysts pursue their goals.
2. Recognition of achievement. Recognition of analysts' efforts is greater if the institution permits analysts to put out papers and publications under their own names (rather than simply the name of the institution) and if the institutions provide more opportunities for analysts to participate in meetings and discussions with policymakers. Beyond this, organizations can recognize specific achievements through awards of various types. At think tanks this could include an allocation of work time (not to a billable project) to prepare a paper for publication in a journal or to complete a book; time and travel funds to attend a conference of particular interest; in-house ceremonies recognizing a specific achievement; or a bonus payment.

3. Interesting work content. The more interesting the topic to the analysts, defined in part by the subject's policy relevance in the country at the time, the greater the analysts' motivation.

4. Opportunity for growth or advancement. In many think tanks, career ladders are short, often with only three levels of analyst positions defined. Indeed, in many smaller think tanks there is no explicit hierarchy, and promotion is at best ambiguous (the annex to this chapter includes position descriptions for a five-level research ladder from a "third-stage" think tank). Where a career ladder is defined, promotions can be a powerful stimulus. Where one is absent, management must clearly define increases in responsibility and level of work without necessarily changing the job title—for example, by naming an analyst as the principal investigator on a project, providing a research assistant for lower-level tasks, or permitting the analyst more freedom in meeting with clients and policymakers.

   Staff can also be kept challenged by giving them high-priority/high-visibility assignments from time to time and by shifting the focus of their work occasionally. Other ideas include adding a senior analyst to the institute's board of directors (management team) or permitting a senior analyst to attend the board of trustees' meetings and mix with the trustees. Also critical is providing research staff with training opportunities—both those for specific skill enhancement (e.g., an econometrics workshop) and those for deepening knowledge on a policy topic (e.g., an international conference on alternative pension-program structures).

5. Competitive salary. Without question, salary is a key consideration for all staff, as the level of payment substantially determines analysts' quality of life away from work and represents the value of their work to the organization. Compensation is usually defined as base pay plus
rewards, particularly bonuses, which can be either paid annually or episodically to mark special achievements during the course of the year. Organizations operating under tight budgets often turn to bonuses as part of annual compensation to avoid building the higher payment into the base salary.

Of the factors just listed, the first four are primarily intrinsic to job satisfaction; the fifth (salary) is extrinsic. Clearly, think tanks must employ both kinds of stimulation. A structure for compensation and nonmonetary rewards must be crafted carefully within the organization to maintain equity and to remain within the available budget.

Experts in human resource management of both for-profit and non-profit organizations generally feel that adequate base pay is essential to retaining staff and for basic motivation. But other kinds of rewards, such as those indicated above, are more important in motivating staff to higher levels of achievement. For example, Letts et al. (1999) state that good pay “is more a protection against dissatisfaction than a source of motivation for the long term. Pay cannot substitute for the satisfaction of producing results” (123).6

Similarly, explicit pay-for-performance schemes do not get good marks generally in government organizations and have seldom been adopted in nonprofits (Liner et al. 2001, 15–16). A severe limitation is the difficulty in defining goals and achievements with precision.7 For example, if a senior policy analyst’s recommendations for a new program are not accepted by the parliament, how does the evaluator sort out the roles of the myriad actors involved? Researchers working under an incentive system to maximize their income will be motivated to produce work of just-acceptable quality to the client. On occasion the work can be expected to be below the standard of acceptability. Over time, such loose standards could impair the think tank’s reputation and cause it to lose clients. Other often-noted problems have been that employees perceive a weak link between performance and pay increments, a lack of integrity in the ratings, and inequities in the resulting pay patterns. In short, these systems seem to have frequently sent more negative than positive signals to staff (Perry 1991). Nevertheless, many companies have improved staff performance by implementing such systems (McAdams and Hawk 1994).

There are numerous types of rewards that think tanks can provide to staff—cash bonuses, time to write articles for professional journals, recognition events, participation in key meetings with policy clients, promotions in the research or administrative hierarchy, training opportunities,
and others. For rewards of this type to have their intended effect, they must be

- Awarded consistently to staff with the same achievements,
- Easily identified by the staff as related to specific achievements (which requires a short time between the event and the award), and
- Large enough to be meaningful.\(^8\)

**Performance Evaluation**

Staff assessment is a subject of some controversy among personnel specialists. A strong appraisal system is one that is used primarily as the basis for discussion between the supervisor and the employee on the employee’s record of achievement, the suitability of the employee’s goals for the future, and a plan for how the supervisor and organization can help the employee achieve the new goals. As Glen (1990) says,

> It is hoped that data are gathered by systematic observations, not only to accurately measure current performance, but also to reinforce strengths, identify deficiencies, and feed back necessary information of changes in future performance. The purpose is to measure progress, differentiate between levels of performance, pinpoint training needs, validate rewards, and identify promotable employees. (2)

Better systems get substantial employee input on setting goals and description of accomplishments (Lee 1996; Wilson 1994). These assessments are used to inform the salary review process but do not drive it. Stated differently, salary adjustments and other rewards should not be in conflict with assessments, but rewards should not be based exclusively on assessments.\(^9\) Mechanistic “score sheets” that are used to determine salaries are generally viewed as causing more staff problems than they address.\(^10\)

A comparatively new wrinkle in assessments is the rating of the performance of teams rather than individuals.\(^11\) (The annex to this chapter describes the excellent staff assessment system used by a third-stage think tank.) For think tanks with teams executing large projects, such team ratings may be somewhat useful. Individual assessments, however, will clearly remain the rule.

An array of rating systems and procedures is available to think tanks, but describing them is beyond the scope of this chapter.\(^12\) The essential
point is that the assessment is critical for generating information on which to base rewards and for developing a program to assist staff with professional development. Increased professional development in turn raises achievement and job satisfaction—and motivation.

Training

Staff training consists of both formal training events and on-the-job training (OJT). The importance of OJT is hard to overestimate, although at most firms and think tanks it is organized haphazardly and therefore fails to realize its potential (Bowsher 1998; Rothwell and Kazanas 1994). The focus here is on formal training because this type of training is more closely related to staff rewards.

Broadly, management can use staff training in two ways. In principle, training needs are identified through analysis of organizational needs and personal assessments. In the first, staff skills are improved so that employees are better able to do the particular jobs assigned to them, closing a “performance gap.” This kind of training can also prepare staff for higher-level assignments in the future or help them take on a different assignment at a similar level of responsibility. This training is usually driven by the organization’s future business strategy (explicit or implicit) and the corresponding staff requirements (Bowsher 1998; Ban, Faerman, and Riccucci 1992). In personal assessment–based training, the training is geared more to increasing the human capital of the staff member; the training increases the employee’s skills but the new skills may be only generally applicable to current or future assignments at the think tank. For example, at a think tank that does modest work on banking policy, an employee might take a course on sophisticated bank-risk management. This would be helpful as broad background for the current and expected assignments, but might be more prized by the employee as deepening his human capital. Most third-stage think tanks (and other organizations) understandably emphasize the first type of training. The second type is more often used as a reward for particularly valued employees.

To create and maintain a training program, the organization must make adequate provision for the expense of training in its annual budget and develop a training plan. For think tanks, the presence of an annual training budget will usually signal that there is explicit provision for training as an overhead expense item. Development of the training program can be relatively formal or informal, but the literature indicates
that one should definitely be present (e.g., Rothwell and Kazanas 1994). For training to contribute materially to the success of the institution, it should also be directly related to the think tank’s implicit or explicit business strategy—including using training to reward some staff for both motivational and staff-retention purposes. The Institute for Urban Economics (Moscow) invested heavily in training in financial analysis for its staff because it understood that it could have a comparative advantage in several topical areas if staff had these skills. At the same time, the core competence in financial analysis gave management more flexibility in assigning staff to an array of projects.

A challenge to think tanks in most transition and developing economies is integrating training opportunities offered by donors, often held at international venues, into the think tanks’ training programs. This can be difficult, because the opportunities are offered on short notice and are sometimes not on the highest-priority topics. But their low cost and coverage of topics not addressed by local education programs makes them attractive nonetheless.

PRACTICES AT SECOND-STAGE THINK TANKS

This section covers the same three interlocking topics as the previous section—compensation and rewards, staff assessment, and training—for six think tanks in the former Soviet bloc. It begins by outlining how these think tanks were selected and then describes how they handle these key aspects of the staff function.

The general criteria for inclusion of a think tank were that it have a minimum of 10 full-time researchers and that it had been operating at about this level for the past five years (i.e., sufficient time to address personnel questions of an organization of this size). The six think tanks included in the sample come from two groups. Three are those with which the author has had long-standing working relations; they were selected because each had interesting elements in its personnel system. The other three are institutes that were among those that an Urban Institute team interviewed in 1997 for a prior study of think tanks in the region. Based on information obtained then and recommendations from the first three think tanks, they were invited to participate.

The institutes and the number of full-time researchers in 2000 are shown in table 2-1. (Note the abbreviations for each, as they are used below.) Three Russian think tanks are included, in part because a greater
share of Russian organizations have comparatively large full-time research staff (Struyk 1999). Of course, in no way can the think tanks discussed here be considered to be a representative sample. Half-day interviews were conducted with principals and/or staff directors at each of the sample institutes in March and April 2001.

The author relied on a review of the relevant personnel management literature and the practices of several U.S. think tanks to identify those practices viewed as having a positive impact on staff motivation and productivity, and used these materials in developing the interview guide. The guide covered staff compensation systems (both base pay and monetary rewards), staff reward systems, staff structure and criteria for promotion, and the use of training programs.17

**Environment**

Four factors, shown in the first rows of table 2-2, provide a sense of the work environment. Broadly, the included think tanks are quite similar in this area: They rate their office environment and computer support as being at least competitive with similar organizations; authors of reports are listed on title pages; and staff are encouraged to publish. These are all positive factors. On the other hand, only three organizations have formal
Table 2-2 Personnel Environment at Sample Think Tanks

<table>
<thead>
<tr>
<th>Factor</th>
<th>MRI</th>
<th>TARKI</th>
<th>CSD</th>
<th>IUE</th>
<th>IET</th>
<th>Expert</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating of research facilitiesa:</td>
<td>Superior</td>
<td>Superior</td>
<td>Superior</td>
<td>Competitive</td>
<td>Superior</td>
<td>Average</td>
</tr>
<tr>
<td>Office quality and space per person</td>
<td>Comparable</td>
<td>Comparable</td>
<td>Superior</td>
<td>Competitive</td>
<td>Comparable</td>
<td>Somewhat higher</td>
</tr>
<tr>
<td>Computer and internet support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorship policy:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Names of authors shown on title page of publications?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Nob</td>
</tr>
<tr>
<td>Formal classification system for research positions (e.g., junior, mid-level, senior, or project leader)?</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yesc</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Number of levels</td>
<td>NA</td>
<td>3</td>
<td>NA</td>
<td>5</td>
<td>4</td>
<td>NA</td>
</tr>
<tr>
<td>Staff encouraged to publish?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Extent of staff turnover in 2000d:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior researchers and team leaders</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Mid-level and junior researchers</td>
<td>30%</td>
<td>0%</td>
<td>10 to 15%</td>
<td>20%</td>
<td>25%e</td>
<td>NA</td>
</tr>
<tr>
<td>Management’s view of staff productivity</td>
<td>Good; could improve</td>
<td>Good; could improve</td>
<td>Good</td>
<td>Generally good; could improve</td>
<td>Good; could improve</td>
<td>Good</td>
</tr>
</tbody>
</table>

NA = not applicable

a. Compared to similar organizations.
b. Unless the opinions expressed in the publication are those of the author(s) and not those of the Institute.
c. The ranks from lowest to highest are expert, leading expert, project leader, leader of team, and director of department. The last two are primarily management designations.
d. Turnover is defined as a job being vacated and filled. Expansion or contraction is not included.
e. Mid-level: 5 to 10 percent; junior level: 50 percent.
classification systems for researchers, meaning that positions are not explicitly defined at the other three think tanks. Since promotions can be used to reward staff, the lack of career ladders denies management one reward option.

Staff turnover is often used as an indicator of staff satisfaction with working conditions, including salary, but the figures on turnover need to be interpreted with caution since many factors may be at work. The general picture among the six groups studied here is that staff turnover is very low for senior researchers; indeed, there was no turnover among senior analysts at any of the six think tanks. But turnover is more variable at the junior level, with the percentage of middle and junior staff leaving and being replaced ranging from 0 to 25 percent. Respondents attributed the higher turnover rates among junior staff to a combination of young people returning to universities for further education and/or leaving to change the type of work they are doing. A modest share of total turnover at this level was associated with poor performance.

Respondents were asked for their views about the general productivity of the staff—an indicator of management’s satisfaction with the researchers. It also provides an indication of the overall environment in the organization: The more frustrated management is with productivity, presumably the greater the pressure on the staff for improvement. While the responses were broadly positive in all cases, room for improvement was noted by five of the six respondents. Principal complaints had to do with analysts “overresearching” issues; the inability of staff to meet deadlines—critical when the work is for “real-time” policy development; and analysts’ lack of creativity in approaching their work. “Lack of creativity” means that staff were good at providing technical assistance to clients on familiar topics or using familiar methods but that staff were reluctant to address new topics or pioneer new methods. All these productivity problems concern personal predilections and habits of staff members and may prove resistant to change. The solution likely rests in steady control of researchers’ work and in mentoring by think tank leaders.

Staff Assessments

Despite the centrality of formal assessments in providing staff with feedback on their performance and offering a forum in which to discuss employees’ future development, only three of the six institutes have any sort of formal assessment (table 2-3). Respondents at institutes without
Table 2-3 Performance Assessment Practices of Sample Think Tanks

<table>
<thead>
<tr>
<th>Practice</th>
<th>MRI</th>
<th>TARKI</th>
<th>CSD</th>
<th>IUE</th>
<th>IET</th>
<th>Expert</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there an annual staff assessment process?</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Does it include a self-assessment by the staff member?</td>
<td>No</td>
<td>No</td>
<td>NA</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Does the supervisor complete a form or prepare a written statement?</td>
<td>No</td>
<td>No</td>
<td>NA</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Are the results of the assessment discussed with the staff member?</td>
<td>Yes</td>
<td>Yes</td>
<td>NA</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>How closely are salary decisions tied to the assessment results?</td>
<td>Generally related</td>
<td>Related</td>
<td>NA</td>
<td>Related</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>How tightly are various rewards tied to the assessment results?</td>
<td>Very little</td>
<td>Substantially&lt;sup&gt;a&lt;/sup&gt;</td>
<td>NA</td>
<td>Substantially&lt;sup&gt;a&lt;/sup&gt;</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

NA = not applicable

<sup>a</sup> The year-end assessment is geared primarily to compensation. There are other, less formal assessments during the year that are more directed at performance.
a formal assessment process—CSD, Experts, and IET—stated that their organizations are small and that feedback to staff is more or less continuous, making a formal process unnecessary. These positions were maintained even when questions were asked about possible problems with supervisors who wanted to avoid the potential conflict involved in giving negative reviews. Two of the organizations making this statement each have over 20 researchers.

At two of the three institutes with formal assessments—MRI and TARKI—the assessment consists of a discussion between one or two members of senior management and the researcher. There is no formal staff input into the discussion (e.g., a written statement of accomplishments during the year), nor does the supervisor prepare a written statement.

Only the Institute for Urban Economics (IUE) has a full staff assessment system in place. The process is initiated by the staff member, who completes a written statement about an employee’s accomplishments during the year, changes in responsibilities and capabilities, goals for the coming year, and suggestions for how the researcher’s supervisor could help the employee achieve them. The evaluator—the department leader—completes a complementary assessment form. The two documents form the basis for the discussion with the employee. The interview covers, among other things, the supervisor’s views about what training the analyst needs in order to be more productive or to advance in the organization. After all interviews are completed, a special assessment committee reviews the assessments and the related recommendations for salary increases. Department leaders are invited when their staff is discussed. Institute management gives high marks to the assessment process as a tool for communicating with staff on performance and future development. IUE’s process parallels those of third-stage think tanks.

All three of the institutions employing assessment systems use the assessments to inform decisions about payment increases during the annual consideration of staff compensation. On the other hand, only IUE uses the results of the assessments as a primary input for determining who should receive noncash rewards, such as support to attend international conferences (see below).

**Compensation and Rewards**

A consistent theme across responses was the importance of compensation for staff retention and motivation. Most of the institutes studied
see the business community as their primary competitor for staff. While they cannot compete directly on compensation, they try to construct a package of compensation, rewards, interesting work, and quality of environment that can meet this challenge.

**Compensation**

Three of the institutes—TARKI, Expert, and IET—have compensation programs that provide strong possibilities for very good pay (table 2-4). The main device is for project managers in effect to negotiate fixed-priced contracts with other staff for tasks on a project-by-project basis. Analysts can then increase their earnings by working beyond the normal standards. IET occasionally adds project-specific bonuses. On the other hand, TARKI has a particularly attractive incentive scheme for its team leaders: Net profits on projects are divided according to a formula between the team leader and the organization. Similarly, team leaders at the Expert Institute can design project execution to their financial advantage, as they control decisions on staffing and negotiate contracts with the consultants who work on the project.

The Metropolitan Research Institute (MRI) recently implemented a compensation scheme involving a strong incentive for staff to generate sufficient work to make at least 75 percent of their time billable to projects (rather than overhead functions) over each six-month period. But MRI still retains a traditional annual process for determining full-time equivalent salaries. The new system can add or subtract funds from this amount, depending on performance.

CSD has a remarkably flexible system for determining salaries. In effect, management can increase an analyst's compensation at any time, depending on various factors. But bonuses and incentive payments are rare. On the other hand, IUE has the most traditional salary determination system among the included institutes. It follows an annual review process, under which an individual’s salary is determined primarily by a combination of market conditions, changes in the cost of living, increases in the staff member’s productivity (broadly defined), and success in marketing. As noted, a committee reviews recommended increases across departments in order to ensure consistency and equity.

In short, the six think tanks demonstrate significant diversity in their compensation strategies. Most embody some sort of incentive payment, consistent with the view of the salary's key role in staff retention and
Table 2-4  Compensation System for Researchers at Sample Think Tanks

<table>
<thead>
<tr>
<th>Institution</th>
<th>System</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRI</td>
<td><em>All staff.</em> Beginning in 2001, employees receive 75 percent of base pay on a monthly basis. Twice yearly, management assesses the share of time charged to billable projects. If the share is greater than 75 percent over the whole period, then the person receives the other 25 percent of base pay. Staff can bill any number of hours (beyond 40) and receive extra pay for the additional hours worked. But at least 75 percent of time charged must be billable. Researchers are divided into two project teams, each directed by a managing director. Individual compensation depends significantly on the performance of the whole team.</td>
</tr>
</tbody>
</table>
| TARKI       | *Project directors or team leaders.* Total compensation consists of base salary and bonuses. The bonuses can be substantial—as large or even larger than the base salary. The bonus is determined by the net profit on projects carried out by the project director. Project directors generally negotiate contracts and are responsible for fulfillment. The net profit is split between the organization and the project director based on a formula known to all parties.  
*Senior and junior researchers.* These employees also have the opportunity for payment beyond the base salary. Project directors negotiate with junior staff for blocks of time within which specified tasks are to be done (e.g., two months to conduct a particular analysis). In effect, staff members are given fixed-price contracts. Staff members are able to take commitments for more-than-nominal full-time work and thereby raise their total compensation. |
| CSD         | *All staff.* Monthy base salary plus the 13th month’s payment. Payment rates are changed during the year as needed, in light of both inflation and the need for merit increases (i.e., there is a constant salary review process). |
| IUE         | *All staff.* Salaries are set through an annual salary-setting process associated with a comprehensive staff assessment process. |
| IET         | *All staff.* Compensation is based on three components: a small base salary; principal income, from participation in specific projects, is determined as a fixed-price contract between the project leader and the employee; and bonuses on contracts where funds are available at the end of the contract and the quality of work warrants, as determined by the project leader. |

(continued)
motivation. Some of the incentive payment plans are designed in part to promote marketing and work acquisition. But these plans also may also create some negative incentives. Staffers at IET and TARKI working on fixed-price contracts have a strong incentive to do the minimum required to fulfill the implicit contract. Team leaders at TARKI and Expert have clear incentives to press clients for a maximum price and to minimize the effort in producing the product contracted for—all to maximize profits and their net pay. Obviously, there is a challenge to senior management to limit such behavior, because clients might not be interested in future contracts if they face a high price for a modest product.

Similarly, the team incentive at MRI to generate enough work for all team members to bill at least 75 percent of their time to contracts could potentially penalize those team members who are not engaged in marketing, if the manager and senior staffers who have the marketing responsibility perform poorly. Failure to reach the goal, and the resulting income reduction, would probably erode the morale of staff who see marketing function as outside their control.

The extremely flexible system used by CSD has some clear advantages but also some significant potential limitations. The lack of a regular across-the-board review of payments opens the door to wider-than-desirable variation in payment for staff with similar assignments and skills. Staff may see evidence of favoritism or arbitrariness. To prevent this, each pay adjustment would need to entail a thoughtful review—a seemingly burdensome task for any organization.

### Table 2-4 Compensation System for Researchers at Sample Think Tanks (Continued)

<table>
<thead>
<tr>
<th>Institution</th>
<th>System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expert</td>
<td>Team leaders. Payment has two parts: a small monthly salary and payment for directing projects. The team leaders control staffing and execution of the project, including determining the pay for all staff. Team leaders' compensation for a project is agreed upon with the executive director.</td>
</tr>
</tbody>
</table>

a. Excludes the board of directors—president, executive director, and director of research—and the staff in the survey research unit. The latter can receive bonuses largely based on the volume of overtime committed to projects.

b. Excludes senior management.
Rewards

Perhaps because of compensation’s central role in the personnel strategies of most of the six institutions, nonmonetary rewards do not play a very large role. All of the think tanks do, at some level, help staff prepare publications, attend conferences, and participate in training. But with a few exceptions these activities are not viewed explicitly as rewards; rather, allocation tends to go to the most suitable person. Sometimes, for example, support for writing a paper is given to someone without project coverage for the moment. Some examples of the use of rewards follow.

TARKI awards an annual in-house research fellowship, which provides support for several months of work, on a competitive basis. The fellowship is viewed by both senior management and researchers as an extremely valuable award. An important factor in management’s selection of the winning project is the work’s likely utility to the overall development of the organization. Past performance is a secondary consideration.

IUE, Expert, and IET use international conferences and training events to reward productive staff, although the set of staff who can participate is limited to those with strong English skills. They also make promotions up the research ladder a reward for past work and improved capabilities. IUE goes further, occasionally rewarding its most productive team leaders by adding them to the IUE council that decides on the future direction of the institute’s work and use of discretionary resources. It also rewards certain staff by permitting them to participate in the annual meeting of its board of trustees; a few are asked to make presentations to the board.

All of the think tanks reviewed recognize staff achievements in some way. Most often they do so through an announcement at an institute seminar, working session, or party for a new publication, successful conference, winning of a big contract, or successful policy outcome. IET makes some of these announcements in the bulletin it publishes. At IUE, management and department directors annually select the best analyst in each group (e.g., expert, senior expert) and announce the award at an end-of-year staff gathering.

Retreats

Most of the think tanks studied also have staff retreats designed to build team spirit; sometimes the events have an explicit work element, but sometimes they are purely social. For example, the whole MRI staff and
their families go to a recreational area for a weekend in the summer. Similarly, interested IUE staff and their families visit a suburban Moscow rest house for a weekend a couple of times a year during the winter; most staff participate. The Expert Institute reports similar events. These events are primarily recreational for all three organizations. On the other hand, at CSD members of a department go on a Friday-Saturday retreat together once or twice a year to relax and take stock of their work and future directions. IUE has an annual retreat for its “council” (i.e., a special management body to review the work program and to plan for the future). All of these events are subsidized by the think tanks to varying degrees. All the think tanks reporting such events see them as important for building morale.

Training

The importance assigned to training varies widely among the six institutes. CSD, Expert, and TARKI management teams do not assign training a high priority, and a correspondingly small share of staff participate in training outside of the organization in a given year. But Expert and TARKI have substantial in-house training programs (see below). Training expenses are estimated as being under 1 percent of total institute costs. These institutions rely on hiring well-trained staff who have the requisite skills. Senior researchers at TARKI and CSD teach at some of each country’s most prestigious universities, so there is a general feeling that they are keeping abreast of developments in their disciplines.

The other three institutes assign greater importance to staff training, and about half of the research staff participate in conferences or formal training events during a year. IUE, for example, spends the equivalent of 3 to 4 percent of its turnover on training, including external and internal funding. Nevertheless, divergence in practices among these three organizations is still evident. IUE and IET come the closest to having a fully defined training plan. In IUE’s case, a comprehensive picture of training needs is a product of the staff assessment process and forms the basis for training activities, although a formal plan is not prepared. International opportunities sometimes meet these needs and sometimes supplement the other training; as noted, international travel is often allocated as a reward for staff who will use the training in their work.

Abundant international training activities are available to IET, and a plan for the utilization of these resources is prepared about twice a year.
<table>
<thead>
<tr>
<th>Training Issue</th>
<th>MRI</th>
<th>TARKI</th>
<th>CSD</th>
<th>IUE</th>
<th>IET</th>
<th>Expert</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importance generally assigned by management to additional training for research staff</td>
<td>High</td>
<td>Low</td>
<td>Marginal</td>
<td>High</td>
<td>High</td>
<td>Marginal</td>
</tr>
<tr>
<td>Is there a specific line for staff training explicitly included in overhead charges?</td>
<td>Yes, but not a separate item</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No(^a)</td>
</tr>
<tr>
<td>Is an annual training plan developed?</td>
<td>No</td>
<td>Yes, focused on in-house events</td>
<td>No</td>
<td>No, but needed training is defined(^b)</td>
<td>Yes, every six months, for allocation of international opportunities</td>
<td>No</td>
</tr>
<tr>
<td>Who participates?</td>
<td>NA</td>
<td>Senior management and team leaders</td>
<td>NA</td>
<td>NA</td>
<td>Senior management</td>
<td>NA</td>
</tr>
<tr>
<td>Is the plan developed at the beginning of the fiscal year?</td>
<td>NA</td>
<td>Yes</td>
<td>NA</td>
<td>NA</td>
<td>No</td>
<td>NA</td>
</tr>
</tbody>
</table>

\(^a\) No: not applicable; \(^b\) Defined by the organization.
<table>
<thead>
<tr>
<th>Training Issue</th>
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<th>IUE</th>
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<th>Expert</th>
</tr>
</thead>
<tbody>
<tr>
<td>How is the decision on allocation of resources made?</td>
<td>In response to donor offers and staff requests</td>
<td>Little activity; in response to staff requests</td>
<td>In response to staff requests</td>
<td>Needs are defined as part of staff assessment process</td>
<td>In response to opportunities from donors</td>
<td>In response to donor offers</td>
</tr>
<tr>
<td>How important are training events sponsored by other organizations?</td>
<td>Very important</td>
<td>Marginal</td>
<td>Marginal</td>
<td>Very important</td>
<td>Very important</td>
<td>Very important</td>
</tr>
<tr>
<td>Percent of research staff attending at least one training event or course per year</td>
<td>~50%</td>
<td>5 to 10%</td>
<td>5 to 10%</td>
<td>~50%</td>
<td>~50%</td>
<td>10 to 15%</td>
</tr>
<tr>
<td>Are there formal in-house training events?</td>
<td>No, but there are monthly staff seminars on ongoing projects</td>
<td>Yes; internal seminars on methodological topics</td>
<td>Few</td>
<td>Yes; in-house seminars on substantive topics and methods</td>
<td>Yes; internal seminars on substantive topics and methods</td>
<td>Yes; internal project review seminars and brainstorming sessions on methods</td>
</tr>
</tbody>
</table>

a. But there is a line for staff travel; travel typically constitutes most of the cost of attending training events and conferences.
b. The definition occurs as part of the staff assessment process.
c. The department head makes decisions about attendance at domestic conferences and seminars with training content.
d. Includes events sponsored by various donors and foundations.
At both IUE and IET, much of the structured training is accomplished through staff participation in international conferences or explicit training activities. These are funded either as an element in contracts or grants awarded to the organizations or by discrete offers from international sponsors for particular events. IUE also sends staff to local (Russian) training events, and has on occasion contracted with an expert organization for specific training when an existing course could not be identified (e.g., training in the financial aspects of project analysis).

With respect to in-house training events, four institutes—TARKI, IUE, Expert, and IET—conduct a program of seminars on substantive and methodological topics. In all four cases, staff, especially junior and mid-level staff, are strongly encouraged to attend. MRI has monthly staff seminars at which results of ongoing projects are reviewed; these seminars also convey information on technical topics and inform the staff about the range of work going on at the institute.

**SUMMARY**

How do the personnel practices of these six second-stage think tanks compare with practices generally accepted among third-stage organizations? The record is patchy overall. The following items summarize the situation.

- Staff assessments are a weak point. Only three of the six organizations have an annual review process in place. In only one of these is there written input by both the staff member and the evaluator; importantly, the results of this process feed into training and salary adjustment decisions.
- Compensation structure is diverse, with a surprisingly high number of incentive schemes. Three of the schemes are directed at increasing potential staff payments, while one focuses on generating projects to pay for staff time. One think tank has an extremely flexible approach to salary administration. The incentive plans are little used in the West, and the degree of flexibility in the fifth scheme would draw criticism for possible inequities and abuses. Only one compensation scheme is consistent with normal Western practice.
- Rewards are underutilized compared to what could be done and what the personnel management literature recommends. Five of
the six think tanks studied make explicit use of rewards. While international travel is the most frequent form of reward, other forms are also employed.

- Training is viewed as an integral element in staff development in third-stage think tanks, so the low priority assigned to training by three of the think tanks studied here is unexpected. Two of the other think tanks have substantial training programs, but the allocation of resources appears rather ad hoc. Only one think tank integrates discussion of its training needs into the staff assessment process.

Does the fact that the staff practices of the six think tanks differ in many respects from those generally accepted in third-stage organizations mean that these organizations should revise their personnel management? The leaders of these think tanks generally believe that most of their practices are well suited to their specific organization—its structure, size, and particular operating style. A premium is placed on informality and an atmosphere of democratic collegiality. This attitude, the perceived unequal competition with businesses for their better staff, and the generally low priority assigned to addressing administrative issues may be the principal factors producing the personnel practices observed. Moreover, the think tanks studied are producing high-quality work and succeeding in having it used in the policy process (Struyk 1999).

Nevertheless, the success of the less-developed personnel systems at five of these organizations appears heavily dependent on the particular personalities and styles of key managers. Most think tanks, especially young ones, are very much creatures of their founders. There is a real possibility of a turbulent transition when new leadership eventually comes to these think tanks if staff motivation continues to be so dependent on this type of personalized operating style. These think tanks could adopt the practices common to third-stage organizations without disturbing their essential operating styles.

In short, adoption of more structured personnel practices is likely to yield both short-run and longer-term gains. The short-term benefits are in the perceived equity in treatment among researchers below the team-leader level, and this can certainly influence productivity and retention. The longer-term gain is in a smoother transition when there is a change in top leadership.
NOTES
(Complete references can be found in the Reference Section at the end of this book.)

1. The think tanks, one in each of nine countries in the region, are members of the Transition Policy Network (TPN), as is the Urban Institute. For more on TPN, see http://www.urban.org/tpn. There are no known systematic surveys of think tanks that identify areas of administration and financial management that respondents believe need to be strengthened.

2. Exceptions are some of the essays in Struyk, Ueno, and Suzuki (1993).

3. For an overview of these theories, see Rabin et al. (1985, 154–56).


6. See also Herzberg (1987); Heskett (1987); and Wilson (1994, 83). Heskett's support on this point is especially interesting because he is writing about personnel motivation for for-profit firms in the service industry.

7. See McAdams and Hawk (1994, 33) and Stone, Bigelow, and Crittenden (1999, 382).


9. This is the system used by several Western think tanks known to the author. In addition, a number of well-managed corporations use the same procedure, including the General Electric Corporation (Glen 1990, 3). Lee (1996) and Ledford (1995), among others, also strongly support separating assessments from the formal salary adjustment process.

10. Fox (1991), Rabin et al. (1985, 183–84), and Wilson (1994, ch. 9) also list problems with the assessment process. Lee (1996) reports that 60 percent of 218 corporations surveyed reported using a narrative evaluation with an overall numeric score; the second most frequently used system was numeric scoring.


12. Alternatives are discussed in Rabin et al. (1985, 184–94) and in chapter 7 of Heneman (2001).

13. In the corporate world, the rule of thumb is for training expenditures to equal about 5 percent of payroll (Bowsher 1998, 76).

14. Chapter 5 contains an extended discussion on overhead rates.

15. See Ban et al. (1992, 410 ff.) and Bowsher (1998, ch. 2).

16. Interviews on personnel practices were conducted with two smaller think tanks in the region, and the results confirmed that these practices are very unstructured.

17. Comprehensive treatments of these topics include Bowsher (1998), Dibble (1999), Heneman (2001), Letts et al. (1999), and Rabin et al. (1985).

18. CSD uses its department-level staff retreats at a rest house for this purpose, as described below.