

Executive Registry  
77-3610/2

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : Use of the Management by Objectives Technique to Measure Accomplishments and Assess Agency Responsiveness to Its Responsibilities

REFERENCE : Memo from EA/DCI-Designate to ADCI, dtd 2 Mar 77

1. In paragraph 6 of Reference memorandum you asked: "How specifically has the DCI utilized the system of management by objective to measure accomplishments and assess responsiveness of the Agency to its responsibilities?"

2. There is a good deal of history surrounding the use of MBO in CIA. The Nixon Administration through then OMB Director Roy Ash pushed MBO hard. CIA responded to the DCI as did other parts of the Intelligence Community in developing objectives and instituting reporting on accomplishments. The DCI has generally employed the MBO technique, supported by the IC Staff, to set goals for the Community as a whole and monitor progress. CIA also developed its own objectives, established and monitored by the four line Deputy Directors. All Directorates have made considerable formal use of the technique and have found it useful. In general, the DCI has left the MBO process, where it applied exclusively to CIA, in the hands of the DDCI.

3. The DDCI has made extensive use of the MBO technique within CIA. Some time ago, Mr. Knoche sent to you the attached summary of the Executive Advisory Group's (EAG) work to date. This paper explains rather fully the objectives we have set for ourselves and the timetable laid out for accomplishment of most of the specific tasks which support those objectives. Thus, it is a useful overall summary of our use of the MBO technique within CIA. A point of clarification: The work of the EAG (and hence CIA's use of MBO) has been heavily focused to date on policy, managerial, and organizational issues relating to CIA, rather than on the substance of intelligence. There is one principal reason for this. Two years of investigation left us with a series of important issues of this type which required our immediate attention. As these questions are resolved and as others assume more importance, the issues on which the EAG is focused will inevitably evolve--probably becoming somewhat more substantive in character.

E. H. Knoche  
Deputy Director of Central Intelligence

Attachment:

As stated

Distribution:

Orig - Adse w/att 2 - DDCI w/o/att  
① - ER w/o/att 1 - A/DDCI, Mr. Lapham w/o/att

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COMPT 77-0355

Distributed 28 October 1976  
(With Revisions as of 20 February 1977)

MEMORANDUM FOR: Senior Agency Managers

SUBJECT : Recent and Potential Changes in CIA Management.

1. During the months that I have been DDCI, I have been devoting a great deal of my time and attention to the charge given to me under terms of the President's Executive Order 11905, to provide for the day-to-day operation of the Agency and, at the same time, meet Director Bush's charge that I concert the Agency as one institution. Accordingly, I have had discussions with the Deputy Directors, heads of offices, and many others in the Agency on a number of very large and troublesome issues. What are our most serious and pressing problems? How should we attack those problems and in what order? What sorts of solutions seem most promising? In short, we have been grappling with questions about the past, present, and future management of CIA.
2. At this juncture, we still have more questions than answers, but we have covered a fair amount of territory. Some ideas that were amorphous a few weeks ago are beginning to take on shape and substance. Some others have died a well-deserved death. I want to set forth here, in considerable detail, just what we have done, what is under active consideration, and what is not—in part for your information but more importantly to give you a source of readily available, authoritative answers to the many questions you are being asked by your co-workers and subordinates. Rumors are a natural and inescapable consequence of changed leadership and new perspectives, but we would like to feel that we have done everything we can to keep all our employees as well informed as possible on the facts, so that we can avoid the unnecessary personal uncertainty and institutional disruption that comes from ill-founded speculation.
3. Within days of being sworn in, I reviewed the proposed 1978 budget and—working with the Deputies and the Comptroller—made some difficult decisions about the distribution of people and funds. In that review, a number of fundamental problems became apparent, notably our need for an effective central planning and evaluation mechanism, our lack of precise knowledge about the functions and specialities of our people, the absence of any coherent policy that would ensure

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the maximum effective use of building space in the Washington area, the need for a clearer definition of our requirements for covert action capabilities in the future, and the need to better control ADP costs. Actions to remedy these deficiencies were put in train immediately after the Program Review, and those actions have subsequently been integrated into the management system we are evolving.

In the intervening months, a planning process for the 1979 program has been developed and resulting fiscal and substantive guidance has been issued to the Directorates, following EAG consideration of the issues involved; we have undertaken a major review of the allocation of personnel by function and specialities; we have established an internal task force on the physical (building) space question which will report to the EAG shortly; and we are about to consider a series of recommendations for changes in the management and oversight of our ADP (computer) resources.

4. As you know, the EAG was established on 22 June, replacing the former Management Committee. I serve as Chairman, the Comptroller as Vice Chairman. The four Deputy Directors and the General Counsel are full-time members, and in addition, the EAG is augmented by others on specific topics on an ad hoc basis. EAG usually meets twice weekly (Tuesdays and Thursdays) to consider major Agency-wide issues and to set the stage for policy and planning decisions. In making these decisions, I confer daily with the Director who, of course, remains the authoritative head of our Agency.

5. One overriding issue has been the thread connecting virtually every EAG session to date: What are the goals of CIA? We began with the conviction that we had to decide just what needed to be accomplished by CIA within the next year or so before we could reasonably expect to be able to achieve anything substantial. And, since almost every change made to date--whether organizational or in the nature of special assignments for a dozen or so individuals--has been in response to one or another facet of the goals question, we have structured the progress and prospect report that follows around the five goals upon which the EAG has agreed and the more numerous specific questions we have committed ourselves to address in the next several months.

Goal: We must sharpen our capability to give policy-makers what they really need.

6. Put so baldly, the single most urgent requirement facing the Agency sounds like nothing more than a truism. But the EAG is addressing

itself to a great many fundamental questions about our service to our customers that have not, to date, been satisfactorily answered. In the analytical field, we are concerned with improving our ability to interpret all consumer needs, determining how we can satisfy the growing substantive intelligence needs of Congress, determining how CIA elements can maintain and strengthen links to customers when customer relations responsibilities have been assigned in large part to the NIOs, ensuring that we maintain and strengthen both our basic research capabilities and our ability to respond rapidly to the immediate needs of policy-makers, and creating a mechanism that will ensure that the low-probability but high-impact analytical hypothesis is brought to the attention of policy-makers. We are looking for ways to improve performance of our crisis management and strategic warning responsibilities and to make our products more widely available.

7. Another set of questions deals with DDO functions. With Congress having challenged portions of our role in SIGINT, we are seeking to better define that role for ourselves, preparatory to responding to Congressional questions. We are, as I mentioned, working to develop more specific ideas of realistic future requirements in covert action. We are working also to formulate new ways to develop more secure cover arrangements, and we are looking for ways to sharpen our own counter-intelligence (CI) capabilities and to develop new and better CI arrangements with others.

8. Although we are still adding to the list of questions to be faced, we have begun to take specific steps aimed at obtaining some answers in fairly short order. The DDI, Dr. Sayre Stevens, has presented several alternative organizational and procedural proposals that would reshape the components that produce finished intelligence and enhance their ability to provide the new kinds of product being sought by customers. A related question is whether any reorganization should include integration of the two DDS&T production offices—the Office of Weapons Intelligence and the Office of Scientific Intelligence—with those now in the DDI. An outside consulting firm has been engaged to give us independent recommendations. We intend to reach some firm decisions on the organization and procedures of the production offices by the end of this year.

9. Once these fundamental questions about organization have been settled, Dr. Stevens will turn his attention to other, more specific, questions such as those about customer relations, Congressional needs, and wider dissemination of the product. We currently plan to address these matters in the EAG early in calendar 1977.

In November, after discussion of various alternatives, we agreed to a reorganization proposal developed by the DDI in conjunction

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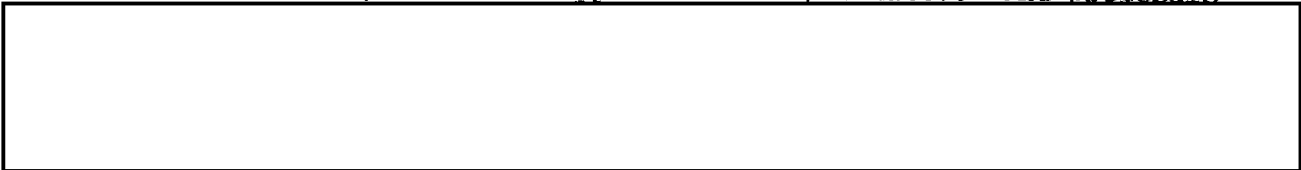
with consultants [redacted] which made important and far-reaching changes in the organization and management of our production apparatus. Highlights include the decision, since implemented, to transfer the two DDS&T production offices to DDI, a parallel decision to move the Foreign Broadcast Information Service overt collection activity to the Science and Technology Directorate, and a series of additional, more fundamental, changes in the resulting DDI production apparatus to enhance our ability to do interdisciplinary research and analysis and to improve our ability to meet the needs of policy-makers.

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10. I have assigned Cord Meyer as my Special Assistant with the responsibility for recommending changes in our crisis management and strategic warning procedures in an effort to improve our performance in these neglected areas. The EAG expects to review the results of his study in March. In addition, because of the urgency and magnitude of the international terrorism problem, I appointed Cord as the centralized point of reference in the Agency with which the Department of State can deal on intelligence matters concerned with terrorism. He is in direct contact with Ambassador Douglas Heck, Coordinator of the President's Cabinet Committee to Combat Terrorism.

11. The DDO, Mr. William Wells, has proposed a number of DDO organizational changes to the EAG. These fall into two groups, those dealing with staffs and those dealing with new arrangements for establishing and maintaining better cover for clandestine operations. The proposed staff realignments, which will improve DDO management while saving some personnel slots, have been approved and implemented. The proposals

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and I have approved the basic proposal in principle and have further charged the DDO to undertake periodic reviews to ensure that all EAG concerns are properly focused. During the next year, Mr. Wells plans a comprehensive review of the personnel strength of the Directorate-- a review aimed at trimming the size of the support structure, particularly the clerical element.

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12. With regard to covert action capabilities, we have taken a new and more penetrating look at DDO proposals [redacted]

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[redacted] That review resulted in some modification of the original DDO plans. But more importantly, we have a better understanding of policy factors and planning assumptions for the use of this capability. We have defined and refined our concept of paramilitary operations and are prepared to put this before the Operations Advisory Group, to ensure that the policy-makers who make the decisions on whether and when to employ the Agency's expertise know precisely what this option can do.

This item has to some extent been modified by subsequent events. The OAG did review the paper on CIA's paramilitary capability. The NSC/SCC is now reviewing all covert action

[redacted]

13. The EAG has also discussed a report from the Chief of the Counterintelligence Staff on current activities and pressing problems-- particularly those rising out of E.O. 11905. As a result, just recently the DDS&T and the Chief of the CI Staff agreed to establish a more solid working relationship. DDS&T is planning to send two officers to the next running of the Counterintelligence Operations course. The CI Staff will be developing an abbreviated counterintelligence briefing program designed for DDS&T officers [redacted]

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In addition, on 22 October I approved a proposal for development of an expanded counterintelligence training program under Harry Fitzwater's direction in the Office of Training.

A further review of the Agency's CI program is currently scheduled for EAG consideration on 29 March.

14. One of the fundamental questions about the relationship between CIA programs and other Community programs involves Signals Intelligence-- SIGINT. The issue of the proper role for CIA in SIGINT activities has been raised repeatedly in the past; it has been resurrected most recently by the House Appropriations Committee. As a result, a special three-man task force was established in July. [redacted] serves as the Chairman and is assisted by [redacted] and Jim Hirsch from the Office of ELINT. The three-man team is examining all Agency COMINT and ELINT activities and will provide us with recommendations on which specific programs are essential to the missions of this Agency and which are principally contributors to national needs and could as well be managed by NSA. The task force is also looking at the internal organization of the SIGINT effort, which is now divided between two Directorates, the DDS&T and DDO; it will give us recommendations for

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reorganization of activities that should remain solely in the CIA program. And it is looking at ways that SIGINT from other Community elements could better serve the needs of CIA. The task force has met with the EAG five times so far; its final recommendations are due by the end of January 1977, and they will be the basis for a report to the DCI, the CFI, and the Congress on what changes, if any, we propose to make in time for implementation by 1 October 1978.

In early January, the CFI (now the PRC) approved a draft agreement negotiated between NSA and CIA recommending certain actions. In implementation of this agreement, the EAG met on 3 February and agreed to consolidate [redacted] of the DDO and the Office of ELINT in DDS&T into one new office--the Office of SIGINT Operations--within the Science and Technology Directorate. In

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15. An obvious question that arises after addressing these issues is the future size, shape and direction of the Directorate for Science and Technology. At its first meeting, the EAG considered a proposal for dispersing the functions of the Office of Research and Development to other components but decided against it, believing that the possible damage to basic research outweighed the personnel savings that would have resulted. We are not yet taking any other specific steps to consider the future of the Directorate; until we have decided what to do about OWI and OSI and what to do about that portion of the SIGINT effort now housed in DDS&T, any such action would be premature.

Several decisions already noted have significantly affected this question. The transfer of two production offices from the DDS&T to the DDI, the transfer of FBIS from the DDI to the DDS&T, and the decision to consolidate the conduct of all Agency SIGINT activities into one office in the DDS&T have significantly altered the character and mission of the DDS&T--largely eliminating its substantive production role but effectively consolidating all Agency technical collection and research and development activities within one organization.

16. Another aspect of the performance problem is physical space. Work areas should be an incentive; they should enhance our efforts, not hamper them. I am concerned about the apparent inequities in both the quantity

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and the location of space available to components. Mr. John Blake, the DDA, has given the EAG a factual presentation on the current situation, and he has been charged with developing an overall policy statement to guide future space decisions.

As noted above, the EAG will soon consider recommendations by a CIA Space Task Force on physical space needs and the allocation of Headquarters space between components.

Goal: We must establish an effective Agency management process that will enable us to coordinate and integrate the activities of all directorates and make effective plans for the future.

17. The specific questions being addressed in reaching for this goal involve mechanisms for near-term decisions and for better planning. In accordance with the DCI directive, we need to ensure that the Agency is one organization, not four. We must in the near term develop evaluation techniques that will assist us in resource allocation and assure ourselves that we can make trade-off decisions wisely. And we must prepare ourselves for making the "right" decisions about investments in future capabilities. To do this, we have to develop better, more specific, ways of projecting the intelligence requirements of the 1980s. We need to decide rather soon what satellite and telemetry monitoring systems will be needed, as well as what kinds of collaborative DDO/DDS&T operational efforts will be required and how such joint efforts can best be managed.

18. A number of changes, beginning with establishment of the EAG, have already been made in our efforts to improve Agency management and planning. The Comptroller's Meetings, through which month-to-month decisions on resource allocations are made throughout the year, have been folded into the regular EAG cycle. The former Collection Guidance and Assessments Staff has been moved from the DDI to the Office of the Comptroller, to ensure that there is a direct relationship between resource decisions on the one hand and intelligence judgments and requirements on the other. Renamed the Requirements and Evaluation Staff, this group will henceforth have greater access to internal evaluations of all Agency components and will have a ready channel for making a collective judgment to the EAG. The Office of the Comptroller has been further expanded by the addition of the former NIO for Special Activities--now the Special Assistant to the Comptroller for Strategic Intelligence (SA/SI). The particular responsibility of the SA/SI, [redacted] is to ensure that the Agency takes well-conceived and carefully directed cross-directorate approaches to difficult collection problems involving a combination of technical and clandestine techniques. [redacted] has met twice to date with the EAG, to report on projects currently underway and to discuss possible approaches to managing future projects. As a result, a new project management approach has been agreed to.

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19. One major management issue is personnel levels. We face many conflicting demands for personnel increases, and I want to be able to consider such demands in the light of the overall personnel balance. As a first step in that direction, the Comptroller and the DDA are developing guidelines for an inventory of our current uses of people, since we must know what the balance is before we can decide whether it is appropriate.

The inventory referred to has been completed; the results of this effort will have a significant effect upon planning underway now with respect to the 1979 program and on decisions later this year on the actual operating plan for 1978.

20. Concurrently, the DDS&T, Mr. Leslie Dirks, has been charged with proposing procedures for developing more concrete ideas of future intelligence challenges and the possible requirements for major new systems in the next decade. Both technology and the nature of the intelligence questions we face are changing very rapidly. Moreover, the restrictions placed on the clandestine collection activities of the Agency by E.O. 11905, make it apparent that we must turn increasingly to technical collection systems for fulfillment of our analytical requirements in certain areas.

Mr. Dirks' report is currently scheduled for EAG review in April.

21. We are trying to take the first step toward development of a better planning process in the next two months. One result of the new organization of the Intelligence Community structure is that we will henceforth receive guidance figures on our total permissible budget from the CFI before the budget is first compiled by the components. Using the preliminary figures for 1979 developed by the components as part of the 1978 Program Review, we plan to have one or two EAG meetings in December that will consider the major policy questions that will arise in connection with the 1979 program. The idea here is to guide the development of that budget in advance so we can be sure it will be a vehicle for achievement of specific, well defined objectives and not simply an extension of current trends. Given the fact that major changes are taking place that undermine the premises upon which preliminary 1979 plans were formulated, both the components and the EAG will have considerable difficulty in addressing an overall strategy. But by the combined efforts of the EAG members a workable program can be effected.

As noted, our planning for 1979 is well underway. The EAG will meet 22 February to agree on substantive and fiscal guidance for 1979.

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Goal: We must establish relations of mutual confidence with oversight organs and the public.

22. The period of intensive investigation and public attention to the Agency has ended, but we have a great deal of work to do to improve our Congressional and public relations. We need to strive for far more than simply reestablishing the level of communication and understanding that existed before 1975. We must adjust to a whole new way of life. We will be living with a far more intensive level of Congressional oversight than in the past, and we have recognized that there is a new legitimacy to reasonable degrees of public scrutiny of American intelligence. We are confident all of these adjustments can be made without disclosing sensitive intelligence sources and methods--disclosures which would inflict unacceptable damage on us. As a matter of fact, we will be pressing ahead with the new Congress to get stronger secrecy legislation to protect sources and methods.

23. The investigations and reviews have made American intelligence--what it is and what it is not--a fit subject for public consideration. Right now, the public mood appears supportive of intelligence activities but the public wants them to be well advised and controlled. The Director and I, recognizing the need for public understanding of our mission and roles, believe it is advisable and necessary to continue to speak openly and candidly about the CIA and the Intelligence Community, once again without violating secrecy and the need to protect intelligence sources and methods. To assist in this important task, [redacted] 25X1 [redacted] has joined us as Assistant to the DCI and is taking a fresh look at how best to address this question.

24. As to media relations, [redacted] 25X1 has been named chairman of a new Publications Review Board which will look at unclassified articles proposed for publication in open literature by CIA personnel. The Board will review articles not only for security implications but also for an assessment of potential public impact. The general charge is to ensure that we are at one and the same time more forthcoming with information and more alert to the potential consequences of what we provide. We intend to review existing policies on both public and press relationships in the EAG in early 1977.

25. Good working relations have been established with the new Senate Select Committee on Intelligence. Experiences with the Committee members have been uniformly encouraging, particularly with regard to the Committee's understanding of the need for secrecy and security, and personnel throughout the Agency report favorably on their initial contacts with the Committee and its staffers. The Senate Appropriations Committee has recently appointed a full-time staffer, Mr. James Fellenbaum, to handle intelligence--a development that provides us with the opportunity for developing a strong relationship with the second of the two key committees in the appropriations process.

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The Legislative Counsel, Mr. George Cary, has had two discussions with the EAG on recent developments in the Congressional relations area, and he has prepared a draft notice on procedures for coordination of Congressional relations that will be reviewed by the EAG.

Since the section above was written, the EAG has met and agreed to proposals for establishment of a staff within the Office of Legislative Counsel designed to ensure coordinated review of all information flowing to Congress. The revelations of last week have however raised once again serious questions as to the adequacy of our overall control over the flow of information from CIA to the rest of the Executive Branch and the Congress. We are currently considering how to undertake a comprehensive look, probably under the aegis of the Inspector General, at our total information flow problem, leading to recommendations for action inside CIA and elsewhere as to how we can get better control of this problem area. In addition, the EAG will meet again in April to consider ideas as to further steps we can take to improve Congressional support for us and our programs.

Goal: We must strengthen our command and control arrangements to ensure that we are protected from improprieties.

26. Underlying this simple-sounding goal are a number of very thorny questions. Intelligence is a business in which originality, imagination, and risk-taking are essential ingredients of success. But we are--and want to be--part of a uniquely American system which depends for its strength on the rule of law. How can the inherent creativity of our people be enhanced while all of us are assured of the legality and propriety of our actions? What can we do to reconcile operational demands with legal restrictions? Internally, what combination of regulations, guidance, inspection, review and reporting will protect our integrity without degrading our effectiveness?

27. As one early step toward answering some of these questions, the Inspector General, Mr. John Waller, has formulated and the EAG has approved an initial short-term IG inspection plan that will cover all components and identify potential problem areas for more careful study. These initial inspections will be completed by the end of this year. In addition, the General Counsel, Mr. Anthony Lapham, will discuss with the EAG his proposals for improving guidance on legal restrictions--proposals based primarily on the concept that we should develop specific, detailed guidance for each category of Agency employees facing a particular set of problems, rather

25X1 than attempt to develop general guidance for all employees on all possible problems. In a third phase of this effort, Mr. Waller and Mr. Lapham have jointly alerted the EAG to the set of potential problems growing out of real or apparent conflicts between operational requirements (e.g., cover considerations) and local—as opposed to Federal—laws and regulations. The EAG has set up a task force (led by Mr. Lapham and consisting also of the four Associate Deputy Directors, the Assistant Comptroller for Resources, [redacted] of my office, and Mr. Waller) to provide an interim report by 4 November on the following matters:

- how we should impart keener awareness of Headquarters regulations to all employees in order to ensure that we remain within our established operating framework;
- how we can ensure that each group of employees gets all the guidance it needs and a minimum of guidance that is irrelevant to its needs;
- what further steps we can take to guarantee individual employees ample opportunity to surface problems that trouble them;
- how we can improve the communication of additional guidance as appropriate from top management to individual employees; and
- what steps we should take to deal with the problem of possible conflict between operational needs and established laws.

The EAG met on 3 January to review results of the IG's Phase I program outlined above. In general, the IG has concluded that we are in compliance with the provisions of E.O. 11905 and that employees are adequately sensitized to the new guidelines to which we must adhere. The additional steps to consider better ways to control the flow of information from CIA to others briefly noted above are an important part of our ongoing consideration of the command and control issue.

25X1 28. Another question facing the EAG is the appropriate role of CIA in [redacted]

[redacted] To date, each such case has been handled as it arose, without specific guidelines. This is one of many areas in which I would like to see some broad policies and regularized review processes develop, so we do not find ourselves with commitments and involvements that subsequently prove detrimental to CIA. The EAG has asked the DDA to draft a proposed statement of policy, including explicit criteria for our involvement, and accompanying proposals for a review process; we expect to review his proposals in the EAG in December.

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Following a 15 December meeting of the EAG to discuss this question, we tasked the Office of the Comptroller with developing the requested criteria and proposed review process for further EAG consideration and decision.

Goal: We must improve our personnel policies for the benefit of the Agency, its employees, and its applicants for employment.

29. This last goal is in fact one essential for development of all the others. Our basic resource and key to success is people—and that means individuals, not some abstract—like positions, or some aggregate—like intelligence officers or secretaries. We must, of course, continue to hire the best possible people in the first place. But we want to ensure that we do everything possible to capitalize on the strengths of each individual. The EAG will be taking a very hard look at all the personnel policies and practices that have developed over time. We want to promote career development opportunities and effective early-career training and assignment practices. We want to relate the intelligence needs of the 1980s to the hiring decisions of the present. We will look at the existing career service structure, to determine if it truly serves our needs; in a related area, we will continue to take advantage of opportunities for cross-directorate experience. We want to develop means for giving greater recognition to superior individual performance and clearly establish means for early recognition of less than adequate performance.

30. We will continue to give very special attention to our EEO program. The record of the last several years has been poor, but we are determined to improve in this area. The Office of Personnel has been directed to take concrete steps in the EEO area. The most important single decision that shapes our EEO progress is the decision on who is hired and who is not; for minority applicants, that decision will now be made by the Deputy Directors, and they will be directly accountable to me for their decisions. In addition, I have instituted a new system under which the Deputies report directly to me, in detail and on a quarterly basis, on EEO progress.

31. As a first step toward tackling the general personnel issues, which are important to every Agency employee, the DDA provided the EAG with initial recommendations on 20 October. In that meeting, the EAG approved a proposal for EAG review of nominations to key operating positions, and the Office of Personnel and the Comptroller have been charged with developing a system to accomplish this. In addition, EAG asked Personnel to formulate detailed proposals on uniform promotion and separation policies and on the supervisor's role in training and developing newly hired employees. We will also be looking more closely at rotation policy and our personnel mix. We expect to make changes in these areas, but not precipitate ones. We have evolved our existing

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practices over many years, and we are not interested in change for its own sake. We want to be sure that the new approaches we take to these old problems are significant improvements.

Although the EAG has met three times to address personnel management issues and we have taken some useful steps in this area, I am unsatisfied with our progress to date. Although there is some dissatisfaction and concern among employees and at management levels about our present personnel management practices, we have had a very difficult time identifying exactly the issues involved and the possible remedies.

On the plus side, we have taken positive steps to make uniform the criteria to be employed by the various individual CIA career services with respect to the promotion and separation of employees, and we have under development a process which will soon allow top management for the first time an opportunity to review nominations from all Directorates to some 50 key management positions.

On the negative side, we have so far been unable to come to grips with some of the more basic questions about the degree of central management responsibility over many other important aspects of the personnel management process. It is my current belief that we will need the services of an outside contractor to cut through all the mythology surrounding this most basic issue and provide us with objective insight into the overall quality of our personnel management processes.

32. In a slightly longer time frame, the EAG also wants to look at all current Agency training programs, to make sure that they are relevant to the needs of our employees. And we want to look at an area of particular interest to me--the question of whether there is a real or perceived difference in status accorded those in our service elements and those in our more widely known collection and production elements and, if so, what can be done to end that difference. We currently plan to address these issues in the EAG in early 1977.

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What has really changed?

33. With all the references above to studies, proposals, pressing questions and as yet unresolved problems, it is easy for those without direct access to the proceedings of the EAG and the daily decisions of the management of the Agency to conclude that little fundamental difference has been made since July. I, for one, believe that things have changed already and that further substantial change will occur in the next several months.

34. In this regard, it is important to look at specifics. The long-standing desire for more unification and less parochialism in the Agency's four parts has been translated into a number of new appointments to senior posts--appointments of individuals from different parts of the Agency and of individuals from outside. These initial top level appointments are leading to an increase in cross-directorate assignments at lower levels; we are determined to encourage this trend. The individuals on the SIGINT Task Force have been detached from their components and are reporting directly to me; they are developing an Agency position on SIGINT, rather than two Directorate positions that would have to be reconciled. The first semi-annual report to the National Security Council on sensitive activities was reviewed by the EAG and revised in accordance with its instructions; this is precisely the sort of document that would have been handled bilaterally between the DCI and one Deputy in the past. Similarly, the EAG dealt collectively with the specific issues arising out of Congressional action on our 1977 budget. Also in the resource area, we are developing a prioritized list of those planned 1977 projects and expenditures of least value to the Agency as a whole, so that any funding adjustments we have to make during the year will reflect conscious choices about what to do and what to forego.

35. In summary, I believe we are making progress in meeting the terms of E.O. 11905; we have started in the new directions called for by the Director who seeks a "one-Agency" solution to past problems; we enjoy new and strong support within the Executive, in the Senate, and among the public at large; and we have the satisfaction of knowing that our daily, bread-and-butter work in support of the Government has not been disrupted; that work continues and can be improved: working together, improvement is assured.

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E. H. Knoche  
Deputy Director of Central Intelligence

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INTELLIGENCE COMMUNITY STAFF

7 MAR 1977

Executive Registry
77-3610/1

ADMIRAL TURNER:

DCI

Attached are responses to several questions you raised concerning Intelligence Community Staff activities.



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(TAB # 2)

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INFORMATION

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Question: Who develops the key intelligence questions? How many are there? What sort of a document is it?

a. The Key Intelligence Questions are developed by the National Intelligence Officers under the auspices of the Director, Office of Policy and Planning, Intelligence Community Staff. In the late spring, OPP requests that the NIO's begin formulating KIQ's to be effective at the beginning of the upcoming fiscal year. Upon receipt of draft KIQ's, OPP reviews them for currency, accuracy, and completeness and provides them to the remaining components of the IC Staff for review and comment. This process is also designed to assure that the KIQ's meet their intended purpose: To provide a highly selective list of questions of interest to national consumers and to stimulate improved performance in collection and production areas where such improvement is needed and is feasible. Once IC Staff comments are received, draft KIQ's are provided to the members of the National Foreign Intelligence Board for Community review and comment. NFIB comments are reconciled by OPP and a final draft of KIQ's is devised and provided through the D/DCI/IC for DCI approval and promulgation.

b. There are currently 16 KIQ's.\*

c. The Key Intelligence Questions are produced annually and form part of a family of DCI guidance documents. They are given wide distribution throughout the Intelligence Community and represent the DCI's guidance to collection and production managers on subjects selected for special operational attention.

25X1



Question: How are the DCI's goals and objectives for the current fiscal year developed?  
(Copy of current fiscal year document is attached as requested)

The DCI's Goals and Objectives are developed by the Office of Policy and Planning, Intelligence Community Staff, and submitted for review by the National Foreign Intelligence Board. They are then reviewed by the D/DCI/IC and approved by the DCI.

This document, part of the short-range element of the National Foreign Intelligence Community Planning System, was initiated in 1973 in response to institution of the Government-wide "Management by Objectives" program. In response to Executive and OMB direction at that time, the DCI was to develop goals and objectives which were of clear Presidential significance and had Community-wide applicability. With the promulgation of Executive Order 11905 in February 1976, major additional responsibilities were assigned to the DCI. The sum of the DCI's responsibilities form the basis of the Goals and Objectives document, from which long-term and enduring Community goals were developed, together with shorter term objectives in support of each goal.

The DCI's Goals and Objectives represent the DCI's guidance to Community program and senior managers concerning management emphasis for the coming fiscal year.

TAB 3

Question: Who writes the DCI's prospectus for intelligence?

The DCI's Perspectives for Planning and Programming currently consists of three parts: The Changing World Environment, the Role of Intelligence, and the Implications for Intelligence Planning and Resource Management. The first two parts present a synopsis of world events and the changes which may take place in the program period. These two sections are drafted by the National Intelligence Officers under the auspices of the Director, Office of Policy and Planning, Intelligence Community Staff. OPP reviews this draft for currency and accuracy and provides it to the IC Staff for review and comment. OPP also drafts Part III, which describes how the Intelligence Community should respond to the changing environment, then provides a coordinated draft of the complete document to NFIB members for review and comment, reconciles any required changes, and provides a finished version to the D/DCI/IC for review and DCI approval and publication.

TAB-4

Question: Who writes the priority supplement? (DCID 1/2 Attachment, "Current U.S. Foreign Intelligence Requirements Categories and Priorities)

25X1 The supplement is produced by a Community group known as the DCID 1/2 Ad Hoc Group. This group is chaired by the Deputy Director of the Office of Policy and Plans, IC Staff [redacted] with members from all of the NFIB agencies except for FBI.

DCID 1/2 has recently been revised (17 February 1977) so that the Priorities will reflect current operational needs. As a result the production of the supplement is currently under way. Four DCI Committees (Economic Intelligence Committee, Scientific and Technical Intelligence Committee, Joint Atomic Energy Intelligence Committee, and Weapon and Space Systems Intelligence Committee), two Ad Hoc Group sub-groups (one dealing with political and the other with military priorities), and all of the regional National Intelligence Officers are currently reviewing the priorities in their respective areas of concern. These groups will forward their recommendations to the Chairman of the Ad Hoc Group by 21 March 1977; the Group will begin meetings on the recommendations and interrelationship between priorities shortly thereafter. The final product of the group will be a complete new priorities supplement for NFIB review and DCI approval. Drafting of the final report, analysis of the data, and machine support is provided by the IC Staff (Policy and Plans Division, OPP and Data Support Group, OPBD).

TAB-5

Question: What is the posture statement? What does it contain? What is the objective of the posture statement?

The "posture statement," or DCI Report on the Intelligence Community, was published by the Intelligence Community Staff in its current form for the first time in January 1977 to provide an overview of the context, significant trends and major challenges confronting the United States national foreign intelligence effort as seen from the DCI's perspective on the Intelligence Community as a whole. Its intended audience included the President and others at the policy making level in the Executive Branch, elements of the Congress having responsibility for oversight of intelligence operations, and the various elements of the Intelligence Community itself. In addition to the original report, published at the Top Secret codeword level, a Secret-level version has been prepared and will soon be distributed to provide access to the report to a wider audience.

The report dealt with the contemporary perspective as it impacts on intelligence performance, management of the Intelligence Community and recent accomplishments, the problems and prospects of the current fiscal year and beyond, and the FY 1978 NFIP budget. A separate more highly classified budget annex provided additional information to those with a need to know.

The purpose of the report was to contribute constructively to the dialogue on the purposes and performance of United States intelligence, to demonstrate the Community's responsiveness to the need for greater efficiency, effectiveness and propriety in the conduct of intelligence operations, and to provide greater insight and understanding concerning the nature of the intelligence task and the determinants of success in performing it. President Carter received a copy of the report, and commented very favorably on it in a memorandum to the Acting DCI.

Executive Security  
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DD/ST# 18 18-77

2 March 1977

MEMORANDUM FOR: Acting Director of Central Intelligence

FROM: Executive Assistant to DCI-Designate

Admiral Turner would like to know:

1. Who develops the key intelligence questions? How many are there? What sort of a document is it?
2. He would like to see a copy of the DCI's goals and objectives for the current fiscal year. How are they developed?
3. Who writes the DCI's prospectus for intelligence?
4. Who writes the priority supplement?
5. What is the posture statement? What does it contain? What is the objective of the posture statement?
6. How specifically has the DCI utilized the system of management by objective to measure accomplishments and assess responsiveness of the Agency to its responsibilities?



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DCI

rec'd 3/16/77

Question: How specifically has the DCI utilized the system of management by objective to measure accomplishments and assess responsiveness of the Agency to its responsibilities?

There is a good deal of history surrounding the use of MBO in CIA. The Nixon Administration through then OMB Director Roy Ash pushed MBO hard. CIA responded to the DCI as did other parts of the Intelligence Community in developing objectives and instituting reporting on accomplishments. The DCI has generally employed the MBO technique, supported by the IC Staff, to set goals for the Community as a whole and monitor progress. CIA also developed its own objectives, established and monitored by the four line Deputy Directors. All Directorates have made considerable formal use of the technique and have found it useful. In general, the DCI has left the MBO process, where it applied exclusively to CIA, in the hands of the DDCI.

The DDCI has made extensive use of the MBO technique within CIA. Some time ago, Mr. Knoche sent to you the attached summary of the Executive Advisory Group's (EAG) work to date. This paper explains rather fully the objectives we have set for ourselves and the timetable laid out for accomplishment of most of the specific tasks which support those objectives. Thus, it is a useful overall summary of our use of the MBO technique within CIA. A point of clarification: The work of the EAG (and hence CIA's use of MBO) has been heavily focused to date on policy, managerial, and organizational issues relating to CIA, rather than on the substance of intelligence. There is one principal reason for this. Two years of investigation left us with a series of important issues of this type which required our immediate attention. As these questions are resolved and as others assume more importance, the issues on which the EAG is focused will inevitably evolve--probably becoming somewhat more substantive in character.

Attachment:  
As stated

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