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PREFACE

The National Academy of Public Administration's (NAPA) Panel on Deregulation of Government Management proposed, and GAO agreed, to participate in the Panel's exploration of alternative mechanisms and processes for sustaining Government-wide management improvement initiatives. This staff study provides a background and focus for discussing various alternatives and options for improvement.

We limited our study to developing brief descriptions of 12 major management improvement initiatives undertaken from OMB's inception in 1970 through 1980, so we could provide a timely response to the Panel. Other initiatives, and a more in-depth treatment of the chosen ones, were excluded because of our tight time frame. The Reagan Administration initiatives were excluded because of their recentness.

A draft of this study was presented at the April 14, 1983, NAPA Panel meeting to obtain its reactions and discuss options for change. The draft was then submitted for outside review by 13 senior past and present Government officials, all with significant experience in the Executive Office of the President. Their comments have been incorporated into the study.

We appreciate the time and efforts that these and many other people gave to developing this study and hope the results contribute to the current discussion on improving Government management.

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EXECUTIVE SUMMARY

GAO staff have reviewed 12 Government-wide management improvement initiatives undertaken from 1970, when the Office of Management and Budget (OMB) was formed in 1970 through 1980. These initiatives included OMB management circulars, major special projects and committees, and public laws mandating major management activities.

This paper summarizes these initiatives and presents observations which could be useful in considering how to better sustain major initiatives in the future. Some of our observations are that:

- Time is required to deal with the complexity of reform issues and to institute change in an entity as large as the Federal Government. Time is something most Presidential initiatives have not had, given the rapid turnover in Executive Branch leadership through the 1970s.
- No broad consensus exists about what constitutes good management in the Federal context, thus diminishing the legitimacy of OMB and other central agency criticism of, and advice to, agency managers.
- The record of ineffectiveness in linking management and budget issues calls into question the viability of the original OMB concept.
- All too often, initiatives are begun without careful and comprehensive implementation planning. The resulting record of implementation problems only contributes to a skepticism that any Government-wide improvement initiative can be successful, adding to the burden of building support for subsequent proposals.
- Continuity and dedicated resources appear to be important factors to consider in planning and implementing initiatives.
- A key to successful management reform may lie in demonstrating to the Executive agencies that OMB leadership, backed by the President, is truly behind the reforms.
- A base in statutory authorization appears to be helpful for management initiatives, even though OMB usually opposes this approach.

Although the record does not suggest a most appropriate structure or process for better sustaining management reforms, a review of the literature and discussions with practitioners developed several not mutually exclusive proposals. These include:

- Working within the current structure in the Executive Office of the President by lending support to specific initiatives already underway or planned.
- Fostering full implementation of the Federal Managers' Financial Integrity Act (P.L. 97-255).
- Supporting establishment of a commission for more effective Government.
- Advocating further strengthening of the OMB management function.
- Establishing a separate central organization to address management issues.
- Requiring by statute an annual President's management improvement agenda.
- Supporting the appointment of distinguished career personnel as under secretaries or assistant secretaries for management.

Following completion of our study, a task force of the President's Private Sector Survey on Cost Control issued a report calling for the establishment of a centralized Office of Federal Management (OFM) in the Executive Office of the President, adding expanded policy-making authority for financial management, personnel management, and management information systems to the budget, planning, and evaluation responsibilities that OMB now has. Key features of the proposal include contractual appointments of the OFM associate directors in charge of management improvement, budget and planning, financial management, administration, and human resources, with a direct reporting relationship of the General Services Administration and the Office of Personnel Management to the latter two associate directors.

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AFMD	Accounting and Financial Management Division	
ASMG	Assistant Secretaries for Management Group	
BOB	Bureau of the Budget	
COGP	Commission of Government Procurement	
CSC	Civil Service Commission	
CSRA	Civil Service Reform Act	
DOD	Department of Defense	

PRP	President's Reorganization Project
SES	Senior Executive Service
USG	Under Secretaries' Group
ZBB	Zero-Base Budgeting

FAR	Federal Assistance Review
FMFIA	Federal Managers' Financial Integrity Act
FPCD	Federal Personnel & Compensation Division
GAO	General Accounting Office
GGD	General Government Division
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IG	Inspector General
IRM	Information Resources Management
JFMIP	Joint Financial Management Improvement Program
MBO	Management By Objectives
MSPB	Merit Systems Protection Board
NAPA	National Academy of Public Administration
NASA	National Aeronautics & Space Administration
OFPP	Office of Federal Procurement Policy
OIRA	Office of Information and Regulatory Affairs
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PACMI	President's Advisory Committee on Management Improvement
PMI	Presidential Management Initiatives
PPSSCC	President's Private Sector Survey on Cost Control
PRA	Paperwork Reduction Act

CHAPTER 1

INTRODUCTION

By letter of January 25, 1983, the project director of the National Academy of Public Administration's (NAPA) Panel on Deregulation of Government Management invited GAO to join with the panel in an exploration of alternative mechanisms and processes for providing sustained leadership on management improvements in the Federal Government. Specifically, GAO was asked to consider two questions.

--What has been tried in the past, and why did these efforts seem to work or fail?

--What is currently the most appropriate mechanism and process to meet the public demands for improved federal government management on a sustainable basis?

The literature on Government management improvement is extensive, and countless proposals for structuring Government-wide management improvement efforts have been made by distinguished practitioners and academicians. Given the recent history of management improvement and the many proposals made, we agree with the conclusion of the President's Advisory Committee on Management in its December 1952 report that "...there is no single, sure-fire, and practicable panacea to guarantee the improvement of management in the Federal Government." ¹ This conclusion appears to be just as relevant in today's environment as it was 30 years ago. Nevertheless, we agreed to prepare this discussion paper to help focus the issues in contemporary terms.

OBJECTIVES, SCOPE, AND METHODOLOGY

Given the short time provided by the project's schedule, we concentrated our review on the period between the establishment of the Office of Management and Budget (OMB) on July 1, 1970,

¹Report to the President, President's Advisory Committee on Management, December 1952, p. 18.

and the end of the Carter Administration. However, to gain perspective on pre-1970 Government-wide management improvement efforts we also reviewed some studies of the earlier period.²

We selected a range of management improvement initiatives for analysis and discussion. These initiatives consist of OMB circulars and instructions designed to establish Government-wide frameworks for management improvement, major management improvement committees and projects, and public laws affecting one or more major management activities, e.g., personnel and internal audit.

The management improvement efforts we include in our study are:

OMB Circular A-44 (revision of 1972)--"Management Review and Improvement Program"
Management by Objectives
Under Secretaries' Group
Productivity Measurement and Improvement
Procurement Reform
President's Management Initiatives/OMB Circular A-113--
"Preparation and Submission of Management Plans"
President's Reorganization Project
OMB Circular A-117--"Management Improvement and the Use of Evaluation in the Executive Branch"
President's Management Improvement Council
Civil Service Reform Act
Inspectors General Legislation
Paperwork Reduction Act

²Larry Berman, The Office of Management and Budget and the Presidency, 1921-1979 (New Jersey: Princeton University Press, 1979).

Marver H. Bernstein, "The Presidency and Management Improvement," Law and Contemporary Problems, XXXV, 1970, pp. 505-518.

Ralph C. Bledsoe, "MBO and Federal Management: A Retrospective," The Bureaucrat, Vol.2, No.4, (Winter 1974), pp. 395-410.

Ronald C. Moe, "A New Hoover Commission: A Timely Idea or Misdirected Nostalgia?" Public Administration Review, May/June 1982, pp. 270-277.

Ronald C. Moe, "The Two Hoover Commissions in Retrospect," Congressional Research Service Report, No. 82-14 Gov, March 12, 1982.

While not a complete inventory of projects, these initiatives all fall within our working definition of management improvement:

Management improvement is any effort to change the organization structure, modify the management systems, or take specific actions which reduce cost or promote efficiency and/or effectiveness of operations.

Beyond our definition and our focus on the decade of the 1970s, we used two other basic criteria in selecting these initiatives. First, each initiative had to be Government-wide in scope, centrally led from the Executive Office of the President, or congressionally mandated. Second, each effort had to have been implemented rather than just proposed.

Although we believe that our selection of management improvement initiatives provides us with extensive coverage of recent major efforts and serves as a useful basis for analysis, we also recognize that the coverage could be broader. For instance, we do not include a discussion of the Congressional Budget and Impoundment Control Act of 1974 or Zero-Base Budgeting (ZBB). We excluded these initiatives because they primarily affected the budget process and did not directly involve OMB's management staff. The paper also discusses only centrally led Government-wide initiatives, thereby excluding a large number of individual initiatives undertaken within specific Government agencies.

After selecting the management improvement efforts for our study, we obtained information about the efforts in several ways. First, we reviewed previously published material on the initiatives, including Executive Branch commission/committee reports, congressional hearings and committee reports, GAO and Congressional Research Service reports, and academic studies. Where pertinent and available, we reviewed OMB file material. This paper was presented at the April 14, 1983, meeting of NAPA's Panel on Deregulation of Government Management. Subsequently, the paper was provided to 13 present and former Executive Branch officials for their review and comment. Their comments are reflected in the paper.

MANAGEMENT IMPROVEMENT INITIATIVES
PRIOR TO THE CREATION OF OMB

While the creation of OMB signified an explicit institutional commitment to a comprehensive and coordinated approach to Government management issues, a long history of improvement initiatives predates 1970. Vehicles for such initiatives have included Presidential and congressionally mandated commissions and committees, creation of new offices/agencies, reorganizations, executive orders, Bureau of the Budget (BOB) circulars, and legislation. Some started before the turn of the century, but the primary legislative mandate for management improvement was incorporated in the Budget and Accounting Act of 1921. It stated that the BOB, when directed by the President, should study departments and agencies to determine what changes should be made in their organization, activities, methods of business, appropriations, assignment of functions, and regrouping of services. The next major step came with the President's Committee on Administrative Management (Brownlow Committee) Report of 1937, which proposed to fix responsibility on the President to take the initiative in improving management in departments and agencies. The Executive Office of the President (EOP) was created in 1939, and the Congress granted the President reorganization authority. BOB moved from the Treasury Department to the new EOP.

Following World War II the First Hoover Commission (1947-1949) proposed to deal with management improvement mainly through the process of structural reorganization. One result from the Commission report was Executive Order 10072 issued by President Truman in 1949 which provided for "continuing action to improve the management of the Executive Branch of the Government." Congress provided legislative support to the Executive Order in the Classification Act of 1949 by directing each department to make a systematic review of its operations in accordance with the directions of BOB. BOB supported the Executive Order by issuing Circular A-8 on "Instructions for Agency Management Improvement Plans" in 1950.

The establishment of the General Services Administration (GSA), greater military unification, and the Reorganization Act of 1949 also resulted from the recommendations of the First Hoover Commission report.

The Budget and Accounting Procedures Act of 1950, the Second Hoover Commission (1953-1955), the Rockefeller Committee (1953-1959), BOB's Office of Management and Organization (1950s and 1960s), the Brooks Act (1965), and the President's Task Force on Government Reorganization (Heineman Task Force) (1966) are more examples of major management improvement initiatives.

Despite these significant efforts, public and congressional dissatisfaction with Government management was such that the Ash Council's recommendation for an Office of Management and Budget (OMB) was formally proposed by the President and received favorable consideration in the Congress in 1970.

In his cogent analysis of the pre-1970 efforts at management improvement, Marver H. Bernstein concluded:

"The history of management improvement in the federal government is a story of inflated rhetoric, shifting emphasis from one fashionable managerial skill to another, and a relatively low level of professional achievement. In recent administrations, each President has proclaimed the importance of improving the management of federal programs administered by the executive branch, but at the same time he has been unable to give more than a low order of priority to government-wide programs of management improvement. No President has been able to identify any significant political capital that might be made out of efforts to improve management except for the conservative purpose of economizing or reducing costs. Even when Presidents have wanted to stress the improvement of management, they have been forced to concentrate on more important problems." ³

OMB CREATED TO PLACE GREATER EMPHASIS
ON MANAGEMENT IMPROVEMENT

The creation of the Office of Management and Budget marked what appeared to be the beginning of a renewed interest in management. BOB was redesignated as OMB as a result of Reorganization Plan No.2 of 1970. The principal purpose of the reorganization was to equip the Presidency with better instruments for improving the management of the Executive Branch. The actual reorganization plan provided few specifics about OMB's management responsibilities. However, President Nixon in his message to the Congress transmitting the Plan did commit the Office to establish, as major functions

--the improvement of Government organization, information and management systems;

--program performance evaluation;

³Marver H. Bernstein, "The Presidency and Management Improvement," Law and Contemporary Problems XXXV, (1970), pp. 515-516.

--new efforts to improve interagency cooperation in the field; and

--leadership in devising programs for the development of career executive talent through the Government, and advising the President on the development of new programs to recruit, train, motivate, deploy, and evaluate the men and women who make up the top ranks of the civil service.

In addition to the specification of OMB's management responsibilities, the President's message made clear that a major part of the grand design was to move the entire organization away from policy development (which was to become the province of the Domestic Council) and toward policy implementation. The key and frequently quoted assertion was that "The Domestic Council will be primarily concerned with what we do; the Office of Management and Budget will be primarily concerned with how we do it. . ."4 This concept implied major changes in the activities of the budget staff as well as the elevation and augmentation of the agency's management side.

The most immediate effect of the reorganization was a change in OMB's formal organization designed to draw management activities up to a co-equal (and therefore more separate) status compared with budget review activities. Thus OMB established an Associate Director for Management, coordinate with the Deputy Director for Budget.

While the creation of OMB was designed to renew Executive Office of the President attention to management, management activities existed in the Bureau of the Budget long before the 1970 reorganization plan. The Ash Council counted 71 professional personnel in "management" activities in the Bureau as of January 1970 (while recommending that the number be increased to 152). Among the activities ongoing at the time of OMB's formation was the Bureau-initiated and led effort that began in February, 1969 to "simplify grant processes and unclog Federal aid delivery channels." This far-reaching Federal Assistance Review, or FAR, lasted for 3 years as a management counterpart to the Administration's sustained policy thrust to move domestic decision-making out of Washington to the field and to State and local governments.

4President Nixon's Message to the Congress Transmitting Reorganization Plan No. 2 of 1970, March 12, 1970.

FAR achieved some success in addressing several administrative aspects of the domestic assistance programs and lasted longer than most subsequent management initiatives discussed in this paper. OMB's then Assistant Director for Management attributed FAR's longevity and success to several factors which were generally not present in the subsequent initiatives discussed in this paper. These included getting the President's attention before other issues became overwhelming, maintaining the aura of Presidential interest, providing a conceptual theme for the initiative, and staffing with experienced, career personnel.

Notwithstanding FAR's relative success, expectations of improved Governmental management through OMB's creation remained largely unfulfilled. An October 1971 conference of senior managers concerned with management improvement produced no consensus that OMB management functions represented any significant increase in attention to management issues compared with the conference attendees' experience with BOB. Conferees found that there had been no discernible impact on the budget examining process as a result of the new emphasis on management. They could not discern what OMB meant by "management" nor what its specific objectives might be, and they expressed concern about attempts to improve management systems though what they saw as "a series of fads."⁵

5Panel 3. "The Office of Management and Budget's New Role - An External View," Proceedings of the Federal Management Improvement Conference, October 18-19, 1971, pp. 71-74.

CHAPTER 2

SPECIFIC INITIATIVES UNDERTAKEN AND THEIR OUTCOMES

The history of Executive Branch management improvement efforts since the creation of OMB is characterized by episodic attempts at reform generally of short duration. The initiatives represent a range of efforts to achieve a workable balance between Presidential control and departmental autonomy. While the circumstances surrounding the initiatives vary, they generally share the characteristics of minimal direct interest by the President or OMB Director; limited attention to implementation strategies; and less than ideal working relationships with OMB's budget staff.

OMB's early years were marked by three separate efforts to develop comprehensive Government-wide management improvement initiatives. The three initiatives--the 1972 revision of OMB Circular A-44, management by objectives, and the Under Secretaries' Group--were characterized by different approaches but suffered the common fate of failing to meet the expectations of their OMB proponents.

OMB CIRCULAR A-44--OPPOSITION FROM THE BUDGET STAFF

Circular A-44, successor to Circular A-8, was first issued in June 1951. Through the years, the Circular had set forth BOB's basic management expectations of agencies. It was revised a number of times, changing reporting requirements and themes as priorities changed within successive Administrations. Over most of its history, Circular A-44 had been exhortative, embodying the Bureau's interest in assuring that budget execution (a secondary concern to budget formulation) received some qualitative attention in the agencies. Cost reduction was a recurrent theme.

In February 1970, a month before Reorganization Plan No. 2 creating OMB was submitted to the Congress, a new revision of A-44 was issued. The revision was part of a larger overall management improvement program designed to show Presidential commitment to efficient Government. The President's Advisory Council on Management Improvement (PACMI) was also established. PACMI was to bring the expertise of top private sector managers to the President and BOB, particularly in the areas of productivity and headquarters-field relationships. The A-44 revision and the PACMI represented additions to the OMB management agenda which already was occupied with the FAR, begun in February 1969.

The revised A-44 required Federal agencies to submit management improvement reports annually to OMB detailing their efforts to improve management effectiveness, cut costs, facilitate idea interchange, recognize exceptional improvement efforts, and participate in periodic studies of Government-wide operations. However, little resulted from the revision, which preceded by only 5 months the formation of OMB and the appointment of a new executive team. BOB (later OMB) budget staff placed a low priority on review of the reports and did not systematically use them in their analysis of agency budget submissions.

Recognizing the inadequacies of the 1970 version of A-44, OMB management staff convinced the new OMB director of the need for a more interventionist approach. The revision, issued in May 1972 and entitled "Management Review and Improvement Program," provided for the creation of joint OMB-agency survey teams which were to go into Federal agencies and review their management improvement efforts. Agencies were to continue to furnish annual reports as provided for in earlier versions of the Circular, but greater emphasis was placed on OMB review of agency attention to key management issues. The reports were to detail the agency's forthcoming management improvement projects, including selected priority projects receiving top management attention. All projects were to have quantifiable improvement objectives and performance indicators.

The 1972 revision, with its strong emphasis on central intervention, fared no better than the 1970 revision. The joint survey teams were not activated, according to the then Deputy Assistant Director for Management, because of opposition from the budget side. With the appointment of new OMB leadership following the 1972 elections, the agenda changed and A-44's reporting requirement was formally rescinded on July 17, 1973. OMB officially retained the policy aspects of A-44 until March 1979, when Circular A-117 was introduced.

The PACMI, created as part of President Nixon's 1970 management improvement initiative, also suffered from changes in BOB/OMB leadership and agendas. In its final report, it noted that the change from BOB to OMB and the appointment of a new OMB Director left it without a sponsor. During its 3-year existence, its members had virtually no contact with the President, his staff, or the Directors of OMB. In February 1973 the Director of OMB notified PACMI that its services were no longer required in light of OMB reorganization and management plans. The Council was officially terminated on March 30, 1973.

Like A-44 and the PACMI, the FAR project (mentioned on p. 7) also suffered from diminished OMB and White House support during 1973. Responsibility for the FAR was shifted to the General

Services Administration along with part of OMB's management staff to make room for management associates assigned to the budget staff. These associates were to help implement the next major initiative, management by objectives.

MANAGEMENT BY OBJECTIVES--
A VICTIM OF POLITICAL CRISIS

President Nixon launched his second term in 1973 with a new determination to take firm central control of the operations of the major departments and agencies. With the Congress still in opposition hands, he saw greater chances of achieving his policy goals through the use of administrative tools than through legislation. Announcing sweeping personnel changes at the Cabinet and sub-Cabinet level, he left no doubt that his second Administration was to be subject to stricter supervision and accountability to the White House than had been the first.⁶

The principal management initiative selected by the President to bring this about was called management by objectives (MBO), formally announced by the President on April 18, 1973. Under personal direction of the Director and Deputy Director of OMB, MBO was intended "to seek a sharper focus on the results" of the activities undertaken at the 21 largest Departments and agencies. It was modeled after a concept of decentralized management that had achieved substantial success in the private sector. It differed substantially in concept from the interventionist philosophy that lay behind the requirements of Circular A-44, which were about to be suspended.

Each agency head was required to develop an agenda of "Presidential" objectives to frame the agency's program priorities for fiscal year 1974. OMB was to work closely with agencies to help them define objectives and review agency products using criteria such as importance to the Administration's political program, feasibility, genuine challenge, and measurability in terms of results within defined time periods. Each agency was also expected to develop and track the achievement of objectives at the secretarial, bureau, and division levels, so that eventually MBO was to encompass most of the activities of the agency. By the fall of 1974, the selection of priority objectives was to be integrated into the budget schedule and process. The ultimate goal of the MBO initiative, according to

⁶Richard P. Nathan, The Plot That Failed: Nixon and the Administrative Presidency, (John Wiley and Sons, Inc., 1975) pp. 7-8.

the OMB Deputy Director, was to create "a better problem-solving management environment in the agencies," or simply "better management in the agencies." 7

Mindful of criticisms of past management and budget initiatives, OMB sought to minimize paperwork by focusing on face-to-face reviews between the President and his Cabinet members rather than on detailed written reports that would be relegated to staff for preparation. Some 30 new positions were added to OMB--the management associates mentioned above--to augment its management assistance capability and to work on implementation of the MBO initiative.

In practice, the MBO initiative experienced a number of difficulties in its first year, despite a very strong commitment to it at the top level of OMB. According to the former Deputy Director, the greatest problem was in eliciting truly meaningful and measurable objectives from the agencies. 8 So much effort was required to develop a relatively small number (8 to 12) of Presidential objectives for each agency that the broader design of extending the MBO approach throughout each agency's operations was relegated to secondary and low-key status. President Nixon gave early support to MBO despite his view that management reform efforts offer little political advantage, but increasing preoccupation with the Watergate scandal precluded his personal involvement in the process, thus reducing MBO impact and acceptance at the agency level. 9 Increasingly, MBO reviews were relegated to the staff level and became laden with paperwork. Within OMB itself, plans to integrate MBO planning with the budget process were pushed further and further into the future. Management associates gradually gravitated toward working on relatively short-term policy issues such as energy. By the end of 1973, OMB's Deputy Director summarized the situation by saying in a memorandum to the Director:

"MBO is not very fashionable right now - more points can be scored with OMB management by tackling close-in real world problems. To this

7Frederic Malek to Roy Ash, December 12, 1973, memorandum, "MBO Plans For The Next Six Months."

8Frederic V. Malek, Washington's Hidden Tragedy, (New York: The Free Press, 1978), pp. 151-166.

9Ibid.

extent, the long term goal (better management in the agencies) is being sacrificed in favor of short-term payoffs."¹⁰

By the time President Nixon resigned in August 1974, MBO was effectively dead as a coordinated central management initiative, though it had taken relatively firm hold in two or three departments as an internal control device.

Because MBO had a short life as a central management initiative and never lived up to its professed expectations, many observers have concluded that it was a failure. Many reasons have been given to explain MBO in these terms. It is asserted that political incentives are lacking to sustain long-term management reforms, that objectives cannot be clarified or progress measured systematically, and that OMB as an institution habitually scuttles initiatives linking management reform to the budget process.¹¹ Certainly the unfortunate congruence of the Watergate crisis with MBO contributed to MBO's demise.

However, while there is no apparent interest now at OMB in encouraging the agencies and departments to use MBO, several departments, such as Health and Human Services and Interior, have retained MBO as a useful internal control process. Others, including the Commerce Department and Immigration and Naturalization Service, have resurrected old MBO systems after a long period of disuse. Thus an argument can be made that the MBO initiative has had some lasting effect on Government management practices.

THE UNDER SECRETARIES' GROUP--A
BROADENED MANDATE DOES NOT TAKE HOLD

In April 1973, at the same time the MBO program was initiated, the OMB Deputy Director also proposed to expand the role of the Under Secretaries' Group (USG) into a high level coordinating body for Government-wide management improvement. He envisioned that the USG ". . . should be a marketplace for management ideas, for discussing general management problems, and for generating new approaches to their solution."¹²

¹⁰Frederic Malek, December 12, 1973 memo.

¹¹For instance, the participants in the MBO Symposium of Public Administration Review, Vol. 36, No. 1 (January/February 1976); also Richard Rose, "Implementation and Evaporation: The Record of MBO," PAR, Vol 37, No. 1 (January/February 1977) p. 69.

¹²Frederic Malek to The Under Secretaries Group, April 6, 1973, memorandum.

Until that time, the USG had served only to provide central policy direction to the Federal Regional Councils. Officially established in February 1972 by Executive Order 11647, the USG was chaired by OMB and originally consisted of the under secretaries from seven agencies. 13

The USG's expanded role was to encompass such general management issues as ensuring achievement of Administration policy and management objectives, stimulating executive manpower development, and strengthening property and supply management.

Despite the Deputy Director's plans for expanding the USG's role, the broadened mandate never took hold. Although such topics as MBO and executive development were discussed at USG meetings, the primary focus of USG activities continued to be regional issues. By late 1973, the strains caused by Watergate were creating a climate not supportive of coordinated management improvement efforts. The succession of Gerald Ford to the Presidency in August 1974 brought changes in OMB leadership as well as emphasis. The Ford Administration placed little emphasis on the USG and in July 1975 the Group agreed to end regular meetings. By July 1979, when it was abolished by the Carter Administration, the USG was no longer a factor even in regional coordination issues.

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The early 1970s saw several successive attempts to extend and institutionalize OMB's broad general management improvement capability. By 1974-1975, such activity was negligible. In a 1976 report, a NAPA panel found that the management side of OMB lacked a charter, direction, confidence, leadership, and purpose. 14 Throughout this period, however, there were continuing and episodic attempts to undertake more specific and targeted management improvement initiatives. OMB issued and revised a series of circulars addressing specific management problems, such as advisory committee management and Federal reporting requirements. Other initiatives, with Government-wide

13The original seven were Departments of Labor; Health, Education and Welfare; Housing and Urban Development; Transportation; Office of Economic Opportunity; Environmental Protection Agency; and the Law Enforcement Assistance Administration. Membership was subsequently expanded to include the Departments of Interior and Agriculture as well as the Federal Energy Administration and the Department of Commerce.

14"The President and Executive Management - Summary of a Symposium", NAPA, October 1976, p. 19.

and potentially sweeping consequences, were originated outside OMB but came to absorb some of the resources OMB devoted to management topics. Two examples--productivity improvement and procurement reform--are worth examining both to flesh out the record for this period and to evaluate alternatives to conceptually more comprehensive efforts such as Circular A-44, MBO, and the Under Secretaries' Group.

LITTLE PROGRESS MADE ON PRODUCTIVITY MEASUREMENT AND IMPROVEMENT INITIATIVES

A September 1970 request from Senator William Proxmire, asking GAO to determine whether Federal productivity could be measured, led to a joint GAO, OMB, and Civil Service Commission (CSC) ¹⁵ project to address this question. The project finding that the productivity of large segments of the Federal Government could be measured led the project staff to recommend establishment of a permanent measurement system.

In June 1973, OMB authorized a permanent measurement program aimed at developing and expanding the use of productivity data in managing agency operations. OMB was to provide general policy guidance for the effort; other participants were the Bureau of Labor Statistics, the CSC, the General Services Administration (GSA), and the Joint Financial Management Improvement Program (JFMIP). This arrangement lasted 3 years, during which time the JFMIP worked with Federal agencies to perform demonstration analyses of productivity data for functional areas.

As a result of passage of the National Productivity and Quality of Working Life Act of 1975 (P.L. 94-136), responsibility for assisting Federal agency efforts to improve their productivity as well as carrying out the management responsibilities of the Federal Measurement Program was transferred to the National Center for Productivity and Quality of Working Life. However, Federal productivity issues received scant attention at the Center, which evolved from several earlier organizations that had focused solely on private sector productivity. Less than 5 percent of its expenditures were directed to productivity improvement efforts in the Federal Government. In a 1978 report, GAO found that the Center received little support from either OMB or the Congress. ¹⁶ It was viewed as ineffective in both its private and public productivity improvement efforts, and its authorization expired in 1978.

¹⁵Now the Office of Personnel Management. The Bureau of Labor Statistics (BLS) later joined the project.

¹⁶"The Federal Role in Improving Productivity--Is The National Center For Productivity And Quality Of Working Life The Proper Mechanism?" (FGMSD 78-26, May 23, 1978).

The Center was succeeded by the National Productivity Council, established by Executive Order 12089 on October 23, 1978, to lead Federal efforts to improve both public and private sector productivity. Chaired by OMB, the Council seldom met and never had an active role in Federal productivity improvement efforts. The Council was terminated in 1981.

Although the Council never was active, the Office of Personnel Management (OPM) did make an effort to provide central direction to Federal productivity improvement efforts. The implementing memorandum of Executive Order 12089 assigned OPM (in cooperation with OMB) responsibility for fostering Federal work force productivity, and the Civil Service Reform Act (P.L. 95-454) made productivity improvement a major Government objective. In response to these mandates, OPM developed a broad program for assisting Federal agency efforts to improve productivity. The program, operated by the Work Force Effectiveness and Development Group, received favorable reviews for its efforts during its short existence from a wide range of agency officials who worked with it. However, the Group's productivity program was eliminated early in FY 1982 because it did not fit the current OPM Director's views on the appropriate mission for the Office. Currently, there is no central leadership for Federal productivity improvement.

PROCUREMENT REFORM--HOPEFUL PROSPECTS AFTER NINE YEARS OF EFFORT

Responding to widespread and longstanding concerns about the size of expenditures, complexity, inefficiencies, and waste of the Federal procurement system, the Congress created the Commission on Government Procurement (COGP) in 1969. The Commission's work represented the most comprehensive examination of Executive Branch acquisition of products and services ever undertaken, and its December 1972, report contained 149 recommendations for reforming the Federal procurement system. The recommendations provided an agenda for system reform in numerous areas, including streamlining regulations, professionalizing the procurement work force, reforming major system acquisition, and establishing a modern integrated statutory base for all Federal procurement. Above all, the Commission recommended that a high level focal point be created to provide leadership in developing and coordinating Executive Branch procurement policy, as well as implementing the COGP's recommendations.

Faced with OMB and Department of Defense (DOD) opposition to its proposal to create a procurement policy office legislatively, the Congress provided OMB time to act on the recommendations administratively. However, OMB did not act on its proposal to create a procurement coordination office, and on August

30, 1974, the Congress enacted P.L. 93-400 creating the Office of Federal Procurement Policy (OFPP). The act placed OFPP within OMB and provided it with a separate appropriation to be used solely to meet the objectives of the act. The Administrator of OFPP was given directive authority over all procurement policy. He was subject to Senate confirmation, the only such OMB official other than the Director and the Deputy Director, and was to keep the Congress regularly informed of Office activities. The act also required OFPP reauthorization after 5 years.

During its first 5 years, OFPP either rejected or implemented about one-third of the Commission's recommendations, generally ones of a non-controversial nature. It did take some significant actions, including issuing OMB Circular A-109 on major system acquisition, revising Circular A-76 on contracting out to the private sector, enunciating a policy on commercial products procurement and creating the Federal Acquisition Institute. However, the 1979 reauthorization hearing recorded congressional dissatisfaction with OFPP's performance. The House Committee on Government Operations found that OFPP had ". . . assumed the role of central Government-wide manager of the existing procurement activities, at the expense of basic fundamental procurement reform. . ." ¹⁷ The Committee found that OFPP had become immersed in issues such as the President's Anti-Inflation Program and providing interpretations of the contract labor standards statutes, with the result that prospects for positive action on COGP recommendations were in doubt. In order to assure better progress toward procurement system reform, the Committee proposed, and the Congress accepted, the removal of OFPP's regulatory authority and the establishment of specific goals for OFPP to achieve within the 3-year reauthorization period. OFPP was to provide the Congress with: a proposal for a uniform procurement system, recommended changes in legislation relating to procurement by executive agencies, and a proposal for a management system to implement and enforce the uniform procurement system.

Since 1979, the interest of the Reagan Administration combined with the current OFPP leadership has created a situation labeled in a staff report of the NAPA Deregulation of Government Management Panel as representing the best chance for meaningful procurement system reform in history. ¹⁸ Responding to specific congressional direction, OFPP has reported its proposed procurement and management systems as well as the substance of

¹⁷House Report No. 96-178 accompanying H.R. 3763, p. 3.

¹⁸Federal Procurement Interim Report of the NAPA Deregulation of Government Management Panel, NAPA, March 1983.

changes in legislation to accomplish these reforms. The current Administration has made procurement reform part of its management improvement agenda, committing itself to pursuing procurement reforms administratively. In response to Executive Order 12352, agency heads in 45 agencies have designated "Procurement Executives" to oversee the development of procurement systems and to certify that these systems meet approved criteria. Five task forces, comprised of agency personnel under OFPP's general leadership, are working within specified time frames to address major procurement system issues. NAPA attributes the success achieved by OFPP thus far to OFPP's oversight and leadership role which allows the agencies full authority for, or participation in, setting the rules which they must follow.

In contrast to NAPA's basic optimism, GAO is more cautious in its assessment of prospects for procurement reform.¹⁹ While recognizing the uniqueness of direct Presidential support for reforms, embodied in the Executive Order, GAO questions the interest and support by the heads of agencies as well as their commitment to provide the newly appointed Procurement Executives with sufficient authority to implement the Executive Order in their agencies. Concerned by its finding of a widespread belief that agencies are free to reject the policy guidance of the Executive Order, GAO finds a real need to restore OFPP's regulatory authority and strengthen its leadership role to facilitate reform.

THE PRESIDENTIAL MANAGEMENT INITIATIVES
AND OMB CIRCULAR A-113--SHORT-LIVED
ATTEMPT AT DIRECT INTERVENTION

OMB Director James T. Lynn proposed the Presidential Management Initiatives (PMI) in an April 21, 1976, memorandum to President Ford. Approved by the President in May, PMI was an ambitious major effort to reinvigorate OMB's management improvement role and provide for more effective, efficient, responsive, and accountable Government. PMI represented a highly interventionist approach as well as an intensive effort to integrate OMB's management and budget functions. Director Lynn gave his personal attention to PMI throughout, chairing the task force created to develop and implement the effort. President Ford emphasized his personal involvement, meeting with agency heads in July 1976 when PMI was formally presented to the agencies, and vowing to review agency progress personally.

The PMI agenda was composed of 24 management issues grouped under five topics: decisionmaking and departmental organization, evaluation of current programs, Federal reporting and

¹⁹"Progress of Federal Procurement Reform Under Executive Order 12352" (PLRD 83-88, June 17, 1983).

regulatory burden reduction, contracting out and holding down overhead costs, and personnel management. Under the PMI design, agencies were to develop action plans addressing the management issues. The plans were to be reviewed in OMB by both the management and budget staffs. The budget program associate directors were to be responsible for integrating the plans into their analyses of the agency budget submissions and working with the agencies to improve their plans. The management staff was to do cross-cutting analyses of the submissions, providing budget examiners with assessments of where individual agencies stood relative to the efforts of other agencies.

PMI encountered significant implementation problems. When it was announced on July 24, 1976, OMB required the agencies to submit their first reports by August 23, with monthly progress reports to follow. This reporting scheme created an inordinate paperwork burden, both in the agencies and OMB. The PMI responsibilities created additional work requirements for the budget staff during their busiest period, the analysis of agency budget requests. The fact that the additional work requirement was imposed from the Director's office, with no appreciable staff input, was another factor causing budget staff resentment.

The timing of PMI, combined with external pressures, obviated an adequate response in either the level of agency reporting or the quality of OMB analysis. There was great inconsistency in performance among both the agencies and the OMB. Agency and OMB staff also lacked incentive to improve because the promised top-level interest never materialized. The President and top department executives became preoccupied with the Presidential campaign and were unable to maintain personal involvement. The OMB Director and Deputy Director found that the budget process occupied an inordinate amount of their time. Without top-level involvement, particularly after the President's defeat in November, PMI was reduced to a paper exercise.

Despite the election defeat and the early implementation problems, Director Lynn sought to establish a formalized management improvement process drawing upon the PMI experience. He attempted to do this through Circular A-113, issued on November 17, 1976. However, A-113 did not last long after his departure. President Carter's management team at OMB, entering with their own management agenda, and faced with enormous opposition to A-113 from both agency and OMB budget personnel, rescinded the reporting requirements on March 3, 1977.

LIMITED CHANGE FROM THE REORGANIZATION ACT AND PRESIDENT CARTER'S REORGANIZATION PROJECT

A centerpiece of President Carter's campaign was his promise of a thoroughgoing and continuous reorganization of the Executive Branch to achieve greater accountability, efficiency,

coherence, and responsiveness. Citing his experience as Governor of Georgia, he called for a major reduction in the number of separate governmental units in the Executive Branch. As his plans developed once he was in office, it became apparent that he envisioned an institutionalized reform process that centered on development of proposals to change the structure of the Executive Branch. To give form to his reorganization initiative, Carter set up the President's Reorganization Project (PRP) within OMB early in 1977, greatly expanding OMB's existing Organization and Special Studies Division, which added numbers and prominence to the management side. In developing, explaining, and defending the PRP, Carter and his OMB appointees defined and enunciated a set of principles that deliberately eschewed the kind of comprehensive organizational model or theory that had guided previous organizational initiatives, such as the Hoover Commissions and the Ash Council. ²⁰ The PRP principles were expressed in terms of process. They included a "bottom-up" approach that concentrated on the definition and solution of particular management problems, dependence on the bureaucracy's own expertise and resources to develop proposals, and extensive open consultation with the public and the Congress as alternatives for reform were analyzed.

The principal vehicle chosen to achieve the PRP's goals was the Reorganization Act. This was a procedural mechanism that had been available intermittently and in varying forms to Presidents since 1949, authorizing them to submit structural reorganization plans to the Congress under special conditions that restricted amendments and opportunities for parliamentary delay. One of Carter's first legislative proposals to the Congress, on February 4, 1977, requested a renewal of this authority as the centerpiece of his reorganization initiative. In anticipation of the submission of a great many plans to the Congress, he requested elimination of the previous limit of only one plan every 30 days. The bill was signed on April 6, 1977.

²⁰The principles which were part of previously accepted Government organizational theory included: work assignments should be clearly specialized, related functions should be closely grouped, spans of control should be kept relatively narrow, and the neutral competence of career civil servants should be utilized wherever possible. Peter Szanton, OMB Associate Director in the Carter Administration with responsibility for reorganization studies, declares that these principles ". . . now lie in ruins".

Peter Szanton, Federal Reorganization: What Have We Learned? (Chatham House, 1981), pp 20-21.

Over the next 3 years, several hundred Federal employees, most of them agency detailees, worked on dozens of task forces to develop structural reorganization proposals. Ten of them resulted in reorganization plans submitted to the Congress, all of which were approved. However, these either were of minor importance or impact, resulted from congressional initiatives, or were a subsidiary link to policy change. ²¹ The largest projects--which developed proposals for the consolidation of natural resources, economic development, border management, legal representation, and administrative services--were never approved for formal proposal to the Congress, generally because advance consultations revealed that congressional approval would be unlikely.

Two new departments--Energy and Education--were established by statute and as a result of explicit campaign commitments. The much publicized effort to reduce units of Government resulted only in the demise of various advisory committees and a single bill eliminating five tiny and nearly defunct organizations. In contrast to initial expectations, there were more independent departments and agencies at the end of the Carter Administration than at the beginning. ²²

Although the President personally gave the reorganization initiative substantial attention, subsequent experience tended to confirm the doubts expressed by many of the President's advisors and congressional allies about the priority given to the effort. The "bottom-up" process used by the PRP identified numerous problems. Few of these problems, however, lent themselves to organizational solutions, and their diversity militated against development of an integrated public rationale for the overall reorganization initiative. ²³ An "open process" of

²¹The Federal Emergency Management Agency, International Development Cooperation Agency, and the Special Trade Representative resulted from congressional initiatives. Splitting the functions of the Civil Service Commission was part of the civil service reform initiative. Other reorganizations included creation of the Federal Inspector for the Alaska Natural Gas Pipeline, alteration of the internal structure of the Nuclear Regulatory Commission, streamlining the White House staff structure, and the administration of equal employment and pension protection responsibilities.

²²Ronald C. Moe, "The Carter Reorganization Effort: A Review and Assessment," Congressional Research Service, September 16, 1980, p. 69.

²³Moe, op. cit. p. 71.

broad consultation on options often resulted in open opposition to the President's clear desire for consolidation of functions.²⁴

Within OMB, the PRP did not develop a close relationship with the budget staff and the regular processes it controlled. Staffed largely by temporary appointees and detailees, and lacking a firm institutional footing, the reorganization initiative was never able to cope effectively with the knowledge or program expertise possessed by the budget staff. After a flurry of paperwork from agencies in response to PRP's request for information, it was quickly perceived that OMB as a whole was not digesting or acting on agency reports on organizational structure and regular agency contacts with the PRP dwindled substantially.

Finally, the PRP did not have sufficient authority to deal fully with the practical problems of implementing approved reorganization plans, although it did have the foresight to anticipate many of them. As GAO reported in 1981,²⁵ most of the new or restructured agencies experienced painful early management problems. Recognizing these problems, many observers question whether even "successful" reorganization initiatives were worth their costs.

By late 1979, White House interest in structured reorganization began to wane, and the PRP began to diminish in size and prominence. Sometime in 1980, without formal announcement, the PRP quietly expired. The Reorganization Act was renewed for 1 year in April 1980, but its authority was not used again. The Congress has not further extended the law.

OMB CIRCULAR A-117--A SHORT-LIVED
EFFORT TO RENEW THE MANAGEMENT
IMPROVEMENT MANDATE

When it was becoming apparent that the PRP was going to fall short of achieving its original goals for structural change, management officials in the Carter Administration's OMB secured some renewed attention to more conventional approaches to management improvement. Although Circulars A-44 and A-113 were still on the books, neither had any practical effect, and the management side of OMB was without an effective charter to

²⁴John R. Dempsey, "Carter Reorganization: A Midterm Appraisal" Public Administration Review, Jan/Feb 1979, p. 75.

²⁵"Implementation: The Missing Link in Planning Reorganizations" (GGD-81-57, March 20, 1981).

conduct management improvement activities among Federal agencies. A February 1978 internal OMB memorandum noted that OMB's guidance to the agencies on management improvement was "in limbo" and that OMB was failing to exercise leadership in setting a level of expectation for agency management. Therefore, the OMB management staff conceived a new broadscale initiative which would give to OMB the necessary charter and, by supporting the zero-base budget initiative, build constructive relationships with the budget side of the institution. It was also the staff's intent to make much better use than prior Administrations of what it regarded to be a large contingent of agency staff resources in management and program analysis, based on an inventory conducted in 1978.

On March 23, 1979, OMB issued Circular A-117 to fill this perceived gap. It stated Government-wide management improvement objectives in the broadest possible terms. Executive agencies were to:

". . . assess the effectiveness of their programs and the efficiency with which they are conducted and seek improvement on a continuing basis so that Federal management will reflect the most progressive practices of both public and business management and result in improved service to the public."

OMB responsibilities under the Circular included identifying and achieving Government-wide management improvements, assessing agency management activities, and conducting follow-up consultations on needed agency-specific improvements.

However, in examining OMB's actions under Circular A-117, GAO found that OMB had not fully planned the implementation of the Circular before it was disseminated to the agencies. Internal memorandums indicate that there was an extended period of uncertainty about how OMB should translate its responsibilities into action. Staff were still pondering basic means and techniques of implementation well into 1980, more than a year after the Circular had been sent to the agencies. Extensive on-site assessments of agency management were considered, but the Management Improvement and Evaluation Division had neither the resources nor the support from either the budget divisions or the agencies necessary to conduct such assessments.

In addition, the management staff did not devise an effective means of associating the management initiative with the budget process. The goal of linking evaluations with the budget process--one of the original broad objectives of the initiative--went unaddressed in the implementation of Circular A-117. As in earlier initiatives such as A-44 and the Under Secretaries' Group, the broad conceptual basis of the initiative was not translated by OMB into specific, workable activities.

Finally, while stating broad objectives for agency improvement efforts, A-117 did not translate these objectives into meaningful activities. In fact, the only specific activity required of agencies by Circular A-117 was that the agencies submit updated information annually on the staff resources they devoted to management improvement and evaluation activities and name the principal officials responsible for those activities. However, without effective follow-up, the reporting provisions of the Circular were soon labeled useless red tape by the agencies. With tacit agreement by OMB, more and more agencies ceased filing reports altogether. Eventually, a study of OMB Circulars by agency officials and OMB staff recommended in January 1983 that A-117 be rescinded on the grounds that it had no current value to OMB or the agencies.

PRESIDENT'S MANAGEMENT IMPROVEMENT
COUNCIL--UNFULFILLED MANDATE

Even as Circular A-117 was being launched in early 1979, discussions held between the White House, OMB, and OPM staffs led to a proposal to the President to create a council on management improvements to complement the reorganization project and the Administration's efforts on fraud and waste. In what represented a belated recognition that a more conventional and tested management improvement mechanism than sweeping reorganization also deserved attention, a draft "fact sheet" circulated in late April stated that the campaign for management improvement has two aspects: efforts at restructuring Government and a

. . . "complementary effort to work toward the solution of specific management problems in a systematic way, using the help, advice, and expertise that the private sector can bring to bear on these problems, as well as the talent within Federal agencies."²⁶

As OMB/OPM planning continued, the idea for the council which evolved was similar in approach to the President's Advisory Council on Management Improvements in the Nixon

²⁶Draft fact sheet on the President's Management Improvement Council with a cover routing slip from Blair Erving to Seymour Greenstone, dated 4/30/79.

Administration. The new council was co-chaired by the Directors of OMB and OPM, but membership included leaders from business, labor, universities and foundations, State and local governments, and Federal agencies. These individuals were to bring private sector expertise to bear on critical Federal management problems and issues in two ways. First, they were to undertake specific management improvement projects involving one or more Federal agencies. Second, and of broader importance, they were to identify critical management problems and constraints on management effectiveness, advise the President on these issues, and propose solutions.

The record of the four meetings which were held show that the Council's involvement in individual projects consumed both its attention and its limited resources. It never did fulfill the mandate to advise the President. The first meeting, in September 1979, was spent hearing presentations on possible projects. At the second meeting, 3 months later, the council director concluded that defining projects, obtaining agreement, and identifying staff talent had proven more difficult than expected. Although advice to the President on management improvement was recognized as the Council's first responsibility, the Council was not prepared to address that task. Prior to the third meeting, in March 1980, the Executive Director became resigned to deferring the Council's Presidential advisory role in favor of completing the projects it had underway or was negotiating to implement. At this time, some Council members were still not involved in projects and were being urged by the Executive Director to do so.

Projects undertaken by the Council included efforts aimed at improving management of travel by Federal employees and increasing the efficiency of the Government's debt collection efforts (These continue today, transcending the change of Administration). The six other projects dealt with such subjects as medicare contracting, Indian tribal management capability, human resources management in the General Services Administration, and general management improvement in the Immigration and Naturalization Service. These projects involved more Council resources than anticipated at the start of the initiative, and the Council had problems in defining specific, workable activities for some projects. While the projects generally could be considered worthwhile, the contribution of a Presidential Council mechanism to supporting such projects could be debated. The Council's Executive Director acknowledges that many projects could have been conducted by OMB or OPM, but feels the Council supplemented the central management agency resources.

A number of factors resulted in the Council never meeting its mandate of providing broad management advice to the President. The Administration's initial decision to focus the Council's

attention on specific improvement projects directed at problems within one or more agencies presented a significant obstacle to advising the President on broad management issues. In the view of the Council's Executive Director, the information and suggestions developed, while of interest to agency executives, were not matters of sufficient breadth to warrant Presidential attention. While some Council members were interested in fulfilling the broader mandate, they were hampered by various factors arising from inadequate implementation planning. Council members were chosen to represent various segments of the American society, and a number of the members had no Government background and did not contribute to establishing the Council agenda. The timing of the initiative, coming late in the Presidential term, as well as the quarterly meeting schedule, did not help maintain the initiative's momentum. The June and September 1980 meetings were not held; the first because supportive council members had other commitments, and the second because the election campaign overshadowed the Council's activities. The Council concluded its work in December 1980 with its final report, a compendium of the eight individual projects. ²⁷

²⁷The President's Management Improvement Council, A Practical Approach to Problem-Solving. Final report on the Council's projects and accomplishments, December 1980.

CHAPTER 3

THREE NEW LAWS AFFECTING MANAGEMENT

The Carter years also saw legislation in three management areas with Government-wide implications. The first, civil service reform, represented the most significant management achievement of the Carter Administration. The other two, institutionalization of the Inspector General functions and information resources management, were primarily congressional initiatives. The relative newness of these initiatives allows no more than tentative assessments of their progress. In terms of lasting effect, however, these three new laws will have greater consequences than the Carter Administration's structural reorganizations.

THE CIVILIAN PERSONNEL SYSTEM GETS A MAJOR OVERHAUL

Civil Service reform became a high priority early in the Carter Administration, growing out of promises to improve Government management through reorganization. In April 1977, President Carter set forth his objectives for bureaucratic and civil service reform, which included

- ensuring maximum efficiency and economy in Government operations,
- making Government more responsive to citizens' needs,
- demanding higher levels of performance from Government officers by developing incentives for increased productivity, and
- giving managers the authority to do the job and holding them accountable.

In May 1977 the President established the Federal personnel management project, aligned with the President's Reorganization Project, to study civil service system problems and recommend solutions. The project report issued in December 1977 concluded that repair of the civil service system required fundamental changes, including a reordering of the civil service organizational structure. The project's findings were similar to many of those that GAO had identified during the previous 4 years, including the need to

- resolve the conflicting roles of the Civil Service Commission (CSC) in policymaking, administration, prosecution, arbitration, and employee rights protection;
- simplify the appeals system; and
- improve performance appraisals and ratings.

The project's findings were also supported in a February 1978 report by the Committee for Economic Development which urged reform and recommended restoring managerial authority and responsibility for personnel, creating a Federal career executive service, reorganizing civil service administration, and emphasizing merit as the basis for advancement in the career public service.

The principal results of all these efforts were an executive order transferring most of OMB's responsibility for personnel matters to CSC, a reorganization plan establishing a new administrative structure, and the Civil Service Reform Act (CSRA, P.L. 95-454). Reorganization Plan No. 2, which became effective January 1979, was designed to achieve the President's objective of removing CSC's conflicting roles and simplifying the appeals system. It abolished CSC and established in its place the Office of Personnel Management (OPM), the Merit Systems Protection Board (MSPB), and its Special Counsel. Under the plan, OPM became responsible for managing the Federal work force and was to be more responsive to the Administration's program. The Merit Systems Protection Board was established as an independent watchdog agency responsible for investigating and hearing adverse action appeals. The plan also established the Federal Labor Relations Authority and abolished the previous Federal Labor Relations Council. CSRA, effective January 11, 1979, embodied the policy changes implicit in the organizational division of responsibilities and received much more attention from the Congress than did the Reorganization Plan.

CSRA made sweeping changes in Federal personnel management and civil service laws with respect to employee incentives and rewards, performance appraisal, mobility, hiring, the roles of career and political executives, as well as other personnel administration issues. The act established the Senior Executive Service (SES), provided for establishing a system of merit pay for supervisors and managers in grades GS-13 through GS-15, established a basis for changing performance appraisal systems to link performance of employees to all types of personnel actions, and contained other provisions designed to improve Federal personnel management.

Managerial flexibility through the systematic application of incentives to achieve desired results was the key component of civil service reform. CSRA affirmed that managers (1) have the basic responsibility for directing the efforts of the people who work with them in accomplishing program goals, and (2) are accountable as the prime motivational force for getting work accomplished through organizing, staffing, directing, and evaluating the performance of personnel.

To make sure civil service reforms were implemented as intended, CSRA established layers of oversight which included GAO, OPM, the Merit Systems Protection Board, and the Congress. GAO has explicit reporting responsibilities under the act, including an annual evaluation and report to the President and the Congress, and selective reporting responsibilities on major elements of the legislation. CSRA requires OPM to establish standards and regulations and review and monitor selected aspects of the act. MSPB is required to review and report annually to the Congress and the President on the significant actions of OPM. The Congress must reauthorize SES in 1984, 5 years after the act was passed.

No comprehensive assessment of the CSRA has yet been completed. Numerous articles have been published by individuals both inside and outside the Government and these generally have been critical of either provisions of the legislation or of OPM's administration of the act. GAO has issued two annual reports on OPM and MSPB activities, citing implementation problems while also finding that OPM is making progress in administering the act.²⁸ Problems with SES performance awards, merit pay, performance appraisal, and budget cuts allegedly hampering OPM operations have all received critical attention. However, a credible assessment of the impact of this complex reform effort on Government management awaits further experience and evaluation.

**FEDERAL OFFICES OF THE INSPECTOR
GENERAL STRENGTHEN THE INTERNAL
AUDIT AND INVESTIGATION FUNCTIONS**

In recent years the role of Federal internal auditing has been the subject of widespread congressional concern, culminating in the passage of legislation establishing offices of

²⁸"Civil Service Reform--Where It Stands Today" (FPCD 80-38, May 13, 1980).

"Civil Service Reform After Two Years: Some Initial Problems Resolved But Serious Concerns Remain" (FPCD 82-1, November 10, 1981).

inspector general (IG) in 17 major departments and agencies during the period from 1976 through 1982.²⁹ Concern was generated by the public's demand for better Government and for curtailing waste in Federal programs. In congressional hearings, one example after another was presented showing significant losses due to fraud, making it clear that fraud, abuse, and waste in federally funded programs posed a serious problem. The hearings noted specific deficiencies. Auditor and investigator effectiveness were limited by the lack of independence, limited access to agency executives, scarce resources which prevented adequate audit coverage, and the absence of an affirmative program to look for possible fraud or abuse beyond reliance upon complaints.

While the Congress was devoting its attention to establishing offices of inspectors general, the management side of OMB was also looking at the Government's auditing functions. Their attention had been drawn to this issue by the developing scandals at GSA. According to the then Associate Director of OMB for Reorganization and Management, the management side of OMB proposed supporting the 1978 IG legislation when it went to the Senate while the budget side of OMB was opposed to it. In his view, the budget side felt the new IGs would be out of the chain of command, violating the basic central control principle traditionally espoused by OMB.

The IG legislation enacted by the Congress was intended to correct the deficiencies noted in the hearings by creating an independent official and a single office in each agency to conduct and supervise audits and investigations of agency programs and operations in compliance with the Comptroller General's audit standards. The IG was also to provide leadership and coordination and recommend policies to promote economy and efficiency and prevent and detect fraud and abuse in agency programs and operations. Accountability was provided through regular reporting of activities to both the agency head and the Congress.

After passage of the 1978 legislation creating IGs in 12 departments and agencies, the management side of OMB assisted in implementing the act by screening people for the IG positions and ensuring that they received the resources to do the job by exercising review authority over IG budgets.

In addition to congressional support for the IG concept, the Executive Branch has established coordinating bodies for the inspectors general. In May 1979, President Carter created the Executive Group to Combat Fraud and Waste in Government. The

²⁹The 17 major Inspector General Offices are the result of 7 different pieces of legislation.

Group was established under the leadership of the Deputy Attorney General and OMB's Deputy Director to ensure effective implementation of the 1978 legislation. Through the remainder of the Carter Administration, the Executive Group provided a communication network for the inspectors general to share ideas and problems. In the Reagan Administration, the Group has been succeeded by the President's Council on Integrity and Efficiency (PCIE), established by Executive Order 12301 in March 1981. The IGs agree that the PCIE has been a strong unifying force which has made the IGs important instruments in this Administration's management plans.

While GAO has strongly supported the inspector general concept, as well as the attendant emphasis on detecting fraud, waste, and abuse, it has also emphasized the need for better preventive measures through improved internal controls. GAO supported new legislation that would institutionalize vulnerability assessments and annual reporting by department heads as useful internal control review mechanisms. A 1981 GAO report showed that agencies' vulnerability assessment efforts needed improvement.³⁰ Subsequently, both OMB and the Congress have emphasized the importance of internal controls, OMB by means of Circular A-123 on Internal Control Systems and the Congress through enactment of the Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255).

The IGs' efforts have shifted from a law enforcement/detection emphasis toward prevention since the 1978 Act. This change in emphasis seems to be symbolized by the change in chairmanship from President Carter's Executive Group to President Reagan's PCIE. The former was chaired by the Justice Department with its emphasis on fraud and detection, while the latter is chaired by OMB where the emphasis has shifted more to prevention and management improvement. This shift offers promise for additional improvement in the management of the Federal Government. However, the greater emphasis on prevention could also pose problems for the IGs because demonstrating the results from improved management is more complex than counting indictments and convictions.

30"Examination of The Effectiveness of Statutory Offices of Inspector General" (AFMD-81-94, Aug. 21, 1981).

GAO and other observers ³¹ have found some problems with inspector general operations, including concerns over possible politicization, resource shortages, deficient reporting to the Congress, and coordination with non-inspectors general audit and investigative organizations.

Establishing an effective IG office in a department or agency requires time and is subject to a variety of challenges. Current and former IGs have noted that organizational matters have absorbed them more than they wanted. For instance, some organizational changes including the consolidation of investigative resources in the IG's office at HHS were on the drawing board for 4 years before implementation began. IGs appointed from outside the ranks of Federal managers require time to gain the necessary familiarity with Government systems. IGs must also work on reducing the natural antipathy between auditors and investigators to achieve a cohesive work force. ³² Despite these problems, progress toward the objectives of the inspector general legislation is encouraged by continued Administration and congressional support.

PAPERWORK REDUCTION ACT USHERS
IN A NEW CONCEPT OF INFORMATION
RESOURCES MANAGEMENT

Throughout the 1970s, increasing public and congressional attention was given to the paperwork burden imposed on the public by Government regulations and reporting requirements. In an effort to better understand and address the full dimension of the problem, the Congress established the Commission on Federal Paperwork in 1974. By the time the Commission completed its work in October 1977, it had developed more than 600 recommendations for reducing the paperwork burden.

Following issuance of the Commission's report, the Congress assigned OMB responsibility for implementing some of the Commission's recommendations, overseeing agency actions on others, and reporting Executive Branch progress. However, a GAO report

31 "Examination of the Effectiveness of Statutory Offices of Inspector General" (AFMD 81-94, August 21, 1981).

Margaret J. Gates and Mark H. Moore, eds. "Research Seminar on Inspectors General," Harvard University, January 21, 1983.

Frederick Kaiser, "Issues Affecting Inspectors General," Congressional Research Service, Government Division, March 10, 1981.

32 Margaret J. Gates and Mark H. Moore, eds. "Research Seminar on Inspectors-General," Harvard University, January 21, 1983.

criticizing the diligence and effectiveness of OMB's efforts increased congressional concern over OMB's commitment to paperwork reduction.³³ Despite (1) efforts by successive Administrations to reduce Federal paperwork burdens and (2) reports by GAO, the Paperwork Commission, and others on deficiencies in agency information practices and procedures, important segments of the Congress came to believe that further improvements in paperwork control activities were needed.

As the Congress began serious consideration of legislation to strengthen the Federal paperwork management effort, recognition grew that related information management areas, such as automated data processing, telecommunications, statistical policy, records management, and individual privacy rights had been treated separately, inattentively, and ineffectively. Accordingly, in December 1980 the Congress enacted the Paperwork Reduction Act (PRA, P.L. 96-511) which recognized the evolving concept of information resource management (IRM). This concept rests on the notion that information, in all its forms, is a resource which must be purposefully managed for agencies to operate efficiently and effectively.

The act provided both a structure and a process to deal with information problems. The act also provided for the establishment of an office in OMB to assist the Director in meeting his responsibilities to provide direction for the development and implementation of Government-wide information resource management policies. For the first time, Government-wide policymaking and coordination for information collection (paperwork), statistics, records management, privacy rights, automated data processing, and telecommunications were to be centralized in one office. The act reasserted existing GSA operational management responsibilities for automated data processing and records management within OMB's guidelines and mandates and added responsibility for assisting OMB in reviewing agency information resource management activities and developing a 5-year automated data processing and telecommunications plan.³⁴ Finally, the act provided for the designation of a senior official in each agency, reporting to the agency head, to ensure that the agency effectively carries out its information management responsibilities.

33"Program To Followup Federal Paperwork Commission Recommendations Is In Trouble" (GGD 80-36, March 14, 1980).

34The act also reasserted the National Bureau of Standards responsibilities for developing and recommending uniform Federal ADP standards.

Responding in part to the problems identified by President Carter's Federal Data Processing Reorganization Project and GAO, the Paperwork Act set forth numerous tasks (GAO counts 39 key tasks) and deadlines which the Congress was to use to assess Executive Branch performance relative to the act.

When we performed our study, not enough time had elapsed since the Paperwork Act was passed to permit a full assessment of its implementation or impact. However, some benefits are discernible:

- Most Federal information collection activities are subject to review under the provision of the act, a vast improvement over the situation before December 1980 when 50 percent of Federal information collections were exempt from the review provision of the Federal Reports Act of 1942.³⁵
- The concept of information resource management has evolved and become more widely known.
- A structure for addressing information resources management issues is in place, and provision has been made for congressional evaluation of Executive Branch performance against set standards.

Despite these benefits, one senior GAO official has expressed concern that information resource management issues could receive the same neglect as before the PRA and that the act could fail to achieve significant progress in the way the Government attacks these issues.³⁶ Further, OMB's Office of Information and Regulatory Affairs (OIRA) activities under the act have been limited by the Administration's decision to focus that office's limited resources on the paperwork burden aspects of the act and its regulatory relief effort under Executive Order 12291. GAO has concluded that the latter responsibility is beyond the intent of the PRA.

While the Administration's emphasis has produced paperwork burden reductions, it has so absorbed OIRA's resources that records management and statistical policy are suffering from the same lack of attention which they received prior to the PRA.

35The Federal Reports Act of 1942 was rescinded and its provisions strengthened and incorporated into the PRA.

36Arnold P. Jones, Senior Associate Director for Information Resources Management Activities, General Government Division, Address to the National Capitol Chapter, Association of Records Managers and Administrators, Washington, D.C., February 17, 1983.

OIRA has also chosen to review agency information collections on a case-by-case basis, which makes OMB subject to the pre-PRA criticism that it is not providing necessary Government-wide policies and oversight of agency activities.

GAO has recommended that the Director of OMB identify specifically in OMB's budget the resources needed for timely and effective implementation of the act and assess the feasibility of applying a greater portion of its available resources to implement the act. ³⁷ In addition, a bill (H.R. 2718) that would amend the Paperwork Act has been introduced in the Congress to provide a separate line item account for OIRA in OMB's budget to cover the functions contained in the Paperwork Reduction Act of 1980.

³⁷"Implementing The Paperwork Reduction Act: Some Progress But Many Problems Remain" (GGD-83-35, April 20, 1983).

CHAPTER 4

REAGAN ADMINISTRATION MANAGEMENT INITIATIVES

Although this study addresses management improvement efforts through 1980, a brief discussion of developments under the Reagan Administration is warranted because of their relevance to evaluating options for the future. The following account is descriptive rather than evaluative, since none of the initiatives launched in the first half of President Reagan's term are complete.

OMB MANAGEMENT SIDE REORGANIZATION

From the outset, the Reagan Administration has shied away from centralizing management improvement responsibility in a strengthened management side of OMB as the Carter Administration had done. The post of Executive Associate Director for Management was dropped, although its budget side counterpart was retained. Remaining elements of the Carter reorganization project were dropped from the organization chart altogether in July 1982, and responsibility for dismantling the Departments of Energy and Education was delegated to the departments involved with minimal OMB oversight. The management staff has been steadily reduced and has gone through two major reorganizations.

The downgrading of OMB's central management capability, however, did not signal a lack of management activity, particularly after the first year of the Administration when budget battles had dominated the agenda. Decentralization of management activity has been the dominant theme so far, with OMB playing the role of a convener and coordinator rather than an active intervenor in agency affairs.

ASSISTANT SECRETARIES FOR MANAGEMENT GROUP (ASMG)

Improving the management and operation of the Executive Branch was the principal purpose of the resurrection, in April 1981, of the Assistant Secretaries for Management Group (ASMG) composed of the top administrative officials in the departments and several major agencies. The ASMG has met often, providing a forum for discussion of common administrative problems, such as cutback management, contracting for ADP, and other topics with a cost-saving flavor. More recently, sub-groups of the ASMG have undertaken specific projects, such as the review of all OMB Circulars, with a view toward recommending the elimination or consolidation of circulars no longer needed.

PRESIDENT'S COUNCIL ON
INTEGRITY AND EFFICIENCY

The President's Council on Integrity and Efficiency was established in March 1981 to provide leadership for Government-wide activities to reduce fraud, waste, and abuse in Government programs and operations. Chaired by OMB's Deputy Director, the Council is composed of the inspectors general or other representatives from all departments and large agencies. This group has issued reports summarizing inspector general activities, undertaken some joint projects, and provided a forum for exchanging information on common approaches to reducing fraud, waste, and abuse, a Reagan Administration priority.

PRESIDENT'S PRIVATE SECTOR
SURVEY ON COST CONTROL

In February 1982 the President announced the formation of the President's Private Sector Survey on Cost Control (PPSSCC). Composed almost exclusively of high-level individuals from the business and professional communities, the PPSSCC has kept its distance from OMB. Thirty-five task forces were formed to investigate and recommend potential savings and management improvements, both Government-wide and within specific departments. The survey has released some of its task force reports, including one on Federal management systems. That task force's most significant recommendation calls for the establishment of a centralized Office of Federal Management (OFM) in the Executive Office of the President, adding expanded policy-making authority for financial management, personnel management, and management information systems to the budget, planning, and evaluation responsibilities that OMB now has. Key features of the proposal include contractual appointments of the OFM associate directors in charge of management improvement, budget and planning, financial management, administration, and human resources, with a direct reporting relationship of GSA and OPM to the latter two associate directors, respectively. Numerous procedural recommendations supplement this structural centerpiece.

CABINET COUNCIL ON
MANAGEMENT AND ADMINISTRATION

In September 1982 the President announced creation of a Cabinet Council on Management and Administration, with a charter to develop broad management and administrative policy for the Administration. The Council will also be responsible for monitoring progress of Reform '88, personnel management reforms, a review of Federal field structure issues and review and implementation of PPSSCC recommendations.

INTERNAL CONTROL SYSTEMS

A notable new management initiative requires departments and agencies to evaluate and improve their internal control systems. In October 1981, OMB issued Circular A-123, prescribing policies and standards to be followed by agencies in establishing and maintaining efficient and effective systems of internal control over their program and administrative activities. This was followed by enactment of the Federal Managers' Financial Integrity Act (FMFIA) in September 1982. OMB initially opposed FMFIA, arguing that its objectives and processes were already sufficiently grounded in A-123.

The guiding concept behind the internal control initiatives is that fraud, waste, and mismanagement can be better attacked through prevention than after-the-fact detection. By establishing an annual review process and requiring reports by department and agency heads on the adequacy of their internal controls, the act is compelling the attention of officials throughout the Executive Branch, even though it is just getting under way.

GAO is responsible for issuing internal control standards and OMB is responsible for the implementing guidelines. The two agencies have both been working to ensure effective implementation.

REFORM '88

In the fall of 1982, OMB made a move toward broader involvement in Government management by launching an initiative that has become known as Reform '88. As it has evolved, Reform '88 seems to be concentrating on consolidating diverse and separated management and financial control systems across agency lines. Reform '88 was originally set up as a special task force staffed entirely by temporary detailees from the agencies and reporting through channels separate from OMB's regular management staff. Recently it has been integrated back into regular management channels as part of OMB's latest management reorganization. The effort remains decentralized, however, as various projects are designed to be carried out under the direction of "primary agencies" which include several of the line departments. Most projects focus on improving some aspect of the Government's financial management system. Attention is also being given to improving the information available for decisionmaking in the White House itself.

CHAPTER 5

INSTITUTIONAL SUPPORT FOR SUSTAINING MANAGEMENT REFORMS WAS OFTEN NOT ACHIEVED DURING THE 1970s

The twelve initiatives that GAO reviewed represent a range of approaches to Government-wide management improvement: OMB circulars, Presidential commissions, organizational restructuring, and management tools and systems. The Executive Branch-led efforts have alternated between direct intervention into agency management and official but largely ineffectual exhortation of agency leadership to examine operations more critically. The direct intervention efforts have all been of short duration, therefore none provided a real test of how such systems would work once the inevitable early problems were resolved. At the same time legitimate questions can be raised about whether, even with more time, OMB as an institution consistently dominated by the budget process would have given any of the various initiatives the necessary attention, priority, and resources to assure a more successful result. Hugh Heclo's 1975 assessment that "the management side of OMB has been in disarray through most of the organization's short life" rings true for the entire decade.³⁸ The overall record of this period is sufficiently discouraging to lead various NAPA panels, including the current Panel on Deregulation of Government Management, and the PPSSCC Task Force on Federal Management Systems, to suggest that the problem of sustaining broad management improvement needs urgent attention.

What observations can be drawn from the analysis of 12 initiatives in considering how to approach management improvement in the future? We offer several observations here, recognizing the wisdom of President Truman's Advisory Committee on Management, cited earlier, that there is ". . .no single, sure-fire, and practicable panacea to guarantee the improvement of management in the Federal Government."³⁹

First, initiatives must be sustained to have any chance of success. Time is required to deal with the complexity of the management reform issues and to institute change in an entity as large and diverse as the Federal Government. Time is something most Presidential initiatives have not had, given the rapid

³⁸Hugh M. Heclo, "OMB and the Presidency--The Problem of Neutral Competence," Public Interest 38 (Winter 1975), p.80.

³⁹Report to the President, President's Advisory Committee, December 1952, p.18.

turnover in Executive Branch leadership through the 1970s. While specific management reforms generate little public interest on a national scale once they are instituted, it is also paradoxically true that the broad state of Government management has become a perennial campaign issue. Each new set of leaders seems compelled to bring a new management agenda into office, implicitly rejecting approaches and initiatives already in place.

Second, after more than a decade of experience, Federal management specialists have not developed a coherent or generally accepted doctrine of what constitutes good management in the Federal context. Lacking such a standard or model, officials in OMB and other central management agencies have difficulty establishing the legitimacy of either criticism of, or advice to agencies on their management, except as part of a contemporary (and therefore temporary) political agenda. This also accounts, at least in part, for the difficulty OMB has had in acting on agency reports of their management plans (as in Circular A-44 and A-113). The natural tendency of agencies to resist central control is exacerbated by the widespread conviction that the agencies are as knowledgeable about management as the central agency staffs.

Although the rhetoric associated with management initiatives often focuses on cost reduction, the initiatives taken during the 1970s largely did not achieve effective linkages with the budget process, the one tool which necessarily forces the agencies to pay attention to OMB. The absence of this link in A-44, productivity, MBO, PMI, and A-117 led both agency and OMB personnel to view the information-gathering and reporting processes required by the management initiatives as burdensome because they have been in practice irrelevant to real decisionmaking. Even the direct assignment of management analysis responsibilities to OMB's budget divisions--as in MBO and PMI--was ineffective in linking management and budget considerations as originally intended when OMB was established in 1970. Perhaps what Alan Schick has called "the negative, critical style" associated with budget analysis is incompatible with the more positive and creative demands of management analysis and improvement.⁴⁰ The 1981 NAPA panel report on strengthening OMB's management role said that "the cleavage between the budget and management sides of OMB has become so great that they seem to be two different worlds." This history calls into question the very viability of the original OMB concept.

⁴⁰Thomas R. Mullaney "OMB Pushes Plans to Improve Federal Management; Still No Miracles" National Journal, December 4, 1971, p. 2379.

Third, continuity and dedicated resources appear to be important factors to consider in planning and implementing initiatives. The procurement, travel management, and debt collection projects benefited from sustained, career-level staff support, both in OMB and in key agencies. In contrast, productivity and the OMB circulars lacked necessary dedicated staff resources. Concerns about the sufficiency of resources are current issues in implementing the paperwork and civil service reform laws. Limits on the size of the Executive Office of the President and dominance of the budget process may be two reasons why more resources were not available for management improvement efforts.

A key to successful management reform may lie in demonstrating to the agencies that OMB leadership, backed by the President, is truly interested in management reform. OMB leadership has not always demonstrated much interest, and some observers believe that preoccupation with budget issues will diminish future attention. Presidential involvement also offers no assurance of success. MBO and PMI demonstrate that Presidential involvement may not be delivered even when promised. When it was delivered, it still may be no guarantee of success, as with the President's Reorganization Project.

The record since 1970 reflects repeatedly an unwillingness or inability to devote sufficient attention to implementation. The problems discussed above are by and large manifestations of difficulties in implementing initiatives. All too often, initiatives such as PMI, the Carter Reorganization Project, and Circular A-117 were initiated without careful and comprehensive implementation planning. This record of implementation problems only contributes to a skepticism that any Government-wide management improvement initiative can be successful, adding to the burden of building support for subsequent proposals.

Finally, a base in statutory authorization appears to be helpful for management initiatives, even though OMB usually opposes this approach unless it is unavoidable. Although not a guarantee of success, the legislative process ensures there will be considerable debate and compromise over any reform effort. That debate extends the base of interest and commitment to reform measures and may lead to a general consensus among affected parties about what needs to be done. Certainly the Congress provided the key impetus to sustained reform in procurement, paperwork reduction, and the inspectors general legislation.

OMB traditionally argues against legislating management reforms and particularly against any legislation affecting OMB's, structure on the grounds that such laws would reduce the flexibility of future Presidents and OMB directors to allocate scarce resources where they see fit and according to circumstances and priorities that are bound to change. Notwithstanding these arguments, the President's commitment to reform

may vary over time, and as we have seen, new Administrations feel a certain compulsion to reject initiatives of the old. Congressional oversight of legislated initiatives can be helpful in providing much needed continuity in order to sustain progress. Legislation provides an ongoing requirement for action and, as in the case of OFPP and OIRA, an institutional focal point accountable for progress. Perhaps the most significant finding of all from this examination of the past decade is that the only broad initiatives that are still on the management agenda are those to which the Congress has committed itself through legislation.

CHAPTER 6

OPTIONS FOR PROMOTING MANAGEMENT IMPROVEMENT

Given the record of Government-wide management improvement initiatives, it is logical to search for alternatives. This record does not suggest any specific structure or process that would be most appropriate for better sustaining future management reforms. The Cabinet Council on Management and Administration (CCMA) and the other mechanisms now in place may well provide an effective framework, assuming that leadership is sustained, adequate resources are provided, and good cooperation is obtained from the Congress and affected departments and agencies. However, several proposals have been made over the years to strengthen the framework for management improvement. Drawing on the suggestions made by others and discussions with knowledgeable observers, GAO has prepared a list of options available to policymakers considering implementation of the NAPA panel's recommendations and those of other study groups concerned with Government management.

Our list does not encompass every proposal which has been made.⁴¹ Furthermore, the proposals are not mutually exclusive. Various combinations could be adopted as part of an effort to strengthen the framework for improving Government management.

GAO is not now endorsing any of these options. More evaluation would be required before a definitive position could be taken.

OPTIONS

1. Accept the current structure in the EOP and support and encourage the activities undertaken by CCMA, Reform 88, the Assistant Secretaries for Management Group, and the President's Council on Integrity and Efficiency. Recommendations by the President's Private Sector Survey on Cost Control could have a significant impact on these activities. Working with other interested parties, such as congressional committees, organizations such as NAPA could attempt to influence

⁴¹As noted on p. 36, the PPSSCC's Task Force on Federal Management Systems has recommended changes in the structure of the Executive Office of the President bearing directly on the question of how to better sustain Government-wide management reform.

initiatives addressing the most pressing management problems. Constructive advice could be provided on the staffing and implementation of specific initiatives to help assure success.

2. Foster full implementation of the Federal Managers' Financial Integrity Act (P.L. 97-255). GAO internal control standards and OMB guidelines apply to a broad range of administrative as well as financial activities in all Federal agencies. The initial vulnerability assessments are now underway, and agency heads will be making their first reports by year's end.
3. Support legislation (H.R. 42 and S.35) which would establish a commission on more effective Government to (1) examine our administrative system as a whole, placing the more incremental reforms in a coherent perspective, (2) provide a forum for addressing future needs for improved efficiency and effectiveness in Governmental administration, (3) assess the administrative roles and relationships among the three branches of Government in the execution of national policy, and (4) examine Federal responsibilities and relationships to State and local governments. Such a commission would help to educate the public and focus attention on alternative steps that should be taken.
4. Advocate further strengthening of the OMB management function. Possible approaches to reasserting this function are:
 - Establish a separate Deputy Director for Management, subject to Senate confirmation, who would be responsible for OFPP, OIRA, and other management activities.
 - Provide more staff for the OMB management function.
 - Formally split OMB into two offices, separating the budget and program review functions from the management, information, regulatory reform, and procurement functions.
 - Establish a formal charter for OMB management activities by Executive Order, possibly including the establishment of management assessment teams to work with agency executives in improving agency management systems.
5. Establish a separate central organization to address management issues. Various proposals include:

- A separate Office of Management in the EOP, combining OFPP, OIRA, and other OMB management activities, plus OPM's personnel management policy functions and possibly some policy functions from GSA. In order to establish a linkage with the budget process--a major management system--the new office could be made responsible for improving that process, leaving the policy and funding decisions to OMB and the White House.
 - A Department of Management and/or Administration combining the current management functions of OMB, OPM, and GSA.
 - A Federal Management Institute, possibly as an extension or enlargement of the Federal Executive Institute, to provide leadership and assistance for management research, experimentation, and selected management improvement projects.
6. Require by statute an annual President's management improvement agenda, submitted concurrently with the Budget, reporting progress on achieving last year's agenda. Departmental management improvement plans could also be required as components of the President's agenda.
 7. Recognize the importance of experience and continuity for effective agency management and support the appointment of distinguished career personnel as under secretaries and/or assistant secretaries for management in the departments and major independent agencies.

CHAPTER 7

COMMENTS FROM SELECTED PAST AND PRESENT GOVERNMENT EXECUTIVES

Having presented a draft of this study at the April 14, 1983 session of NAPA's Panel on Deregulation of Government Management, we sought to expand the discussion of options for sustaining management improvement initiatives by soliciting the comments of distinguished present or past Government executives. These individuals (see app. II) all served with the Executive Office of the President, or in some other way participated in the initiatives we addressed.

The executives generally agreed with our account of the history of the 12 initiatives and mostly confined their comments to a discussion of our observations and the listed options. As might be expected, the options engendered considerable debate. No consensus emerged on what should be done, possibly for the reason, as expressed by one respondent, that

"There is not a clear notion of how executive agencies should be managed, in which an appropriate amount of central Presidential control is balanced by enough Congressional oversight to satisfy political needs and enough agency autonomy to avoid micro-management and over-regulation. This is a classic question which has never been adequately addressed or resolved."

The sharpest divergence of views occurred over the issue of whether the OMB management function should be separated from the budget function. Two executives urged that an Office of Management be established in the Executive Office of the President, combining the Government organization and management functions of OMB, GSA, and OPM. Under their proposal, the Director and Deputy Director of the Office of Management would be appointed by the President and the Deputy would be required to have 5 or more years service in an Executive Branch agency. A key requirement would be adequate staff to carry out the mission. They characterized the OMB history as one of (1) relative inattention by OMB leadership to management issues compared with most earlier BOB directors; (2) preoccupation with budget and economic issues with little or no attention given to the complex problems of Government management; (3) progressive fragmentation of responsibility for management improvement; and (4) a decline in OMB management staff quality and continuity.

In contrast, several executives offered suggestions for improving the relationships between the OMB management and budget functions. These respondents specifically objected to establishing a separate agency for management. One respondent

argued that such action ". . . would send a clear signal that someone else is handling management and therefore it does not have to be undertaken by the line officials in the various agencies." A second expressed the view that continued effort should be given to linking management and budget because budget examiners need the management context to address budget issues. And a third argued that such a separate office ". . . would often be weak and ineffective because it would be more removed from budget sanctions."

This view of the importance of linking management and budget organizationally was not shared by one respondent. He feels that the experience of OPM and GSA supports the feasibility of linking a viable management improvement program to the budget, without organizationally being in OMB. However, he disagrees with, ". . . the widespread belief that management improvement ventures must be enforced thru (sic) the budget" finding it "managerially unsound."

Three respondents commented on the option of a presidential management agenda, all in support of the idea. One respondent said such a congressional requirement would lead to earlier Administration attention to management issues than has been the case so far. His view is that management issues only get attention 2 or 3 years into an Administration because other issues take priority. He also thought that the Congress, in legislating the requirement for an annual management improvement agenda, should provide for Presidential flexibility to set direction and priorities.

In lieu of commenting on any of the specific options we listed, one reviewer commented that for OMB's management staff to be effective, it needs very good people secure in their status and controlling recognized processes, similar to the budget processes. In his opinion, when the management side has the lead on management reform efforts with budget implications, it should oversee resource allocation decisions as in the creation of the IGs during the Carter Administration. Paperwork reduction and regulatory reviews are other areas where OMB's management side has established a recognized review process.

This last respondent was not the only one to comment on the need for talented staff to insure the success of management reform initiatives. The two reviewers recommending the creation of an office of management based their recommendation in part on what they see to be a decline in OMB management staff quality and continuity.

In discussing staffing issues, two executives specifically commented on the option in our paper that career personnel be tapped to serve in under secretary and/or assistant secretary

for management positions. In agreeing with the concept, one respondent felt that providing more expertise and continuity in top positions would be essential for better management of government. The other one offered the opposing view that career personnel are not a panacea and that they can be impediments to Administration initiatives.

The issue of staffing of agency senior level management positions figured prominently in the April 14th NAPA panel sessions. Ideas presented at that meeting included

- creating three career positions in each organization: a chief financial officer, an inspector general, and an under secretary for management to increase stability and sustain management during political change;
- raising the assistant secretary for management above his/her peers to improve his/her capability to manage and ensure responsiveness from others; and
- reducing the 10 percent limit on noncareer SES employees to 3 to 4 percent.

The last option addressed by the executives was the idea of a commission on more effective government. Two respondents supported the establishment of such a commission to rally public and Congressional support behind an agenda of important reforms.

Finally, while the paper generally received favorable comments, some executives also expressed concerns. Their concerns were as varied as the views on the options. Three respondents took issue with our observation on the lack of a generally accepted doctrine of what constitutes good management. One argued that public administration theory does not provide a set of management principles which are broadly applicable across Government, and he viewed our paper as accepting uncritically the contrary Hoover Commission and Ash Council view. He saw no consensus supporting this view today. We do not necessarily advocate the adoption of broadly accepted management principles, but simply recognize that the absence of such a consensus increases the difficulty of undertaking any Government-wide management reform.

Two respondents expressed concern over our references to budget staff resistance to management improvement efforts. One stated "...management improvement has always been a major concern of the budget staff in OMB." He said there were many instances in which the budget staff sought better management, often in collaboration with their management colleagues.

Two respondents suggested that a broader focus on the full range of management efforts pursued during any given Administration might present a more positive image of the management record. They suggested there were a number of accomplishments separate and apart from the specific initiatives we reviewed. Both respondents commented that in some instances the OMB management staff was successful, against all odds, in achieving an Administration policy objective which was debatable on its merits.

Other respondents offered suggestions for additional areas of research. These included the numerous reorganization actions since OMB's creation, the perceived need for long-range planning, as well as expanded executive development opportunities.

CHRONOLOGY OF EVENTS

Executive Office of the President					Congress	
	Director	OMB Deputy	Circulars	Changes in organization and administration	Special projects, committees & councils	Legislation
1970	George P. Schultz 7-1-70	Caspar W. Weinberger 7-1-70		Office of Management and Budget(OMB) established 7-1-70 Domestic Council established 7-1-70	Reorganization Plan No. 2 of 1970 submitted to Congress 3-12-70	
1971						
1972	6-1-72 Caspar W. Weinberger 6-12-72	6-12-72 Frank Carlucci 7-10-72	A-44 revised 5-24-72	President Nixon re-elected 11-72	Undersecretaries Group began through E.O. 11647 2-11-72	
1973	2-1-73 Roy Ash 2-2-73	2-2-73 Fred Malek 2-2-73	A-44 re- porting re- quirements rescinded 7-17-73		Management-By-Objectives established early 1973 Productivity Measurement Program 6-73	
1974		9-13-74 Paul H. O'Neil 12-9-74		Office of Federal Procurement Policy established 8-30-74 President Nixon resigned. President Ford sworn in 8-74		P.L. 93-400 8-30-74 Office of Federal Procurement Policy Act
1975	2-3-75 James T. Lynn 2-6-75					
1976	1-20-77	1-20-77	A-113 issued 11-17-76	President Carter elected 11-76	President's (Ford) Management Initiatives announced to the agencies 7-24-76 evolved into Circular A-113	

CHRONOLOGY OF EVENTS

Executive Office of the President					Congress
	OMB		Changes in organization and administration	Special projects, committees & councils	Legislation
	Director	Deputy			
1977	Thomas B. Lance 1-21-77 9-24-77	James T. McIntyre 3-10-77		Domestic Council abolished President's Reorganization Project Early 1977 Reorganization Plan No. 1 submitted to Congress 7-15-77	P.L. 95-17 4-6-77 Reorganization Act of 1977
1978	James T. McIntyre 3-22-78	3-22-78 John P. White 11-1-78			P.L. 95-452 10-12-78 Inspector General Act of 1978 P.L. 95-454 10-13-78 Civil Service Reform Act of 1978
1979			A-117 issued 3-23-79 A-44 and A-113 rescinded 3-23-79	Executive Group to Combat Fraud and Waste in Government established 5-3-79 Undersecretaries' Group abolished E.O. 12149 7-20-79 President's Management Improvement Council E.O. 12157 9-14-79 through 12-31-80	
1980				President Reagan elected 11-80	P.L. 96-511 12-11-80 Paperwork Reduction Act of 1980
1981	1-20-81 David A. Stockman 1-28-81	1-20-81 Edwin Harper 3-5-81		Office of Information and Regulatory Affairs statutorily created 4-81	Assistant Secretaries Group 4-81 President's Council on Integrity and Efficiency established E.O. 12301 3-26-81
1982		3-1-82 Joseph P. Wright 4-21-82			President's Private Sector Survey on Cost Control 2-18-82 Federal Procurement System Proposal 2-82 NAPA Panel on "Deregulation of Government Management" 8-82 Cabinet Council on Management and Administration and Reform '88 9-22-82
1983					

LIST OF OUTSIDE REVIEWERS WHO PROVIDED COMMENTS

Charles Bingman is the Principal Editor for the National Academy of Public Administration's Deregulation of Government Management Project. He was Executive Director of Reform '88. He has held top positions in the Department of Transportation, OMB, and NASA.

Ralph Bledsoe is a Special Assistant to the President and the Executive Secretary of the Cabinet Council on Management and Administration. He has also served as Director, Emergency Management Institute, Emmitsburg, Md., and as a senior faculty member at the Federal Executive Institute, Charlottesville, Va.

Alan L. Dean is the immediate past Chairman of the Board of Trustees of the National Academy of Public Administration. He was vice president of the U.S. Railway Association, Deputy Assistant Director of OMB, Assistant Secretary of Transportation, and Associate Administrator of the Federal Aviation Administration.

Dwight Ink is vice president for Administration, U.S. Synthetic Fuels Corporation. He has held top management positions with the Atomic Energy Commission, GSA, OMB, Department of Housing and Urban Development (HUD), National Consumer Cooperative Bank, Community Services Administration, and the Civil Service Commission.

James Lynn is a partner in the law firm of Jones, Day, Reavis and Pogue. He served as the Secretary of the Department of Housing and Urban Development and the Director of OMB.

Frederic Malek is Executive Vice-President for the Marriott Corporation, and formerly was Deputy Director of OMB.

Dale McOmber served as the Assistant Director of the Office of the Management and Budget for Budget Review.

Thomas D. Morris most recently served as Special Assistant to the Comptroller General of the U.S. He previous served as: Commissioner, Federal Supply Service, GSA; Inspector General, HEW; Assistant Comptroller General of the U.S.; Assistant Secretary, Defense; and, Assistant Director for Management and Organization, Bureau of the Budget.

Elmer Staats is President of the Harry S. Truman Scholarship Foundation. He was the Comptroller General of the United States, and the Deputy Director of the Bureau of the Budget.

Harold Steinberg is the Associate Director for Management at the Office of Management and Budget. He was a managing partner at Peat, Marwick, Mitchell and Co.

Harrison Wellford is a partner in the law firm of Wellford, Wegman, Hoff, Krulwich and Gold. He served as the Executive Associate Director for Reorganization and Management in the Office of Management and Budget.