

**MAKING AGENCY DECENTRALIZATION WORK:  
BEST PRACTICES**  
by Dwight Ink

## **CHALLENGE**

Current leaders are challenged by how to decentralize operational decision making to the field, and maintain or improving quality, equity, and accountability.

Many efforts have been made to decentralize governmental activities from Washington to field offices closer to the people. Sometimes the results have been impressive in reduced costs and improved operational performance. Freed of routine operations, headquarters also have been able to concentrate more on their policy formulation and oversight roles. Too often, however, decentralization has failed to achieve hoped for objectives, at times resulting in administrative confusion and vulnerability to waste, abuse, and inequities in delivery of services.

## **SUMMARY**

Despite some past failures, decentralization continues to provide an opportunity to improve the efficiency and effectiveness of many agency operations. Realizing the potential benefits requires an understanding of the reasons for past failures and those steps which most often help lead to successful decentralization.

Experience has revealed a number of pitfalls which have often jeopardized success and which must be guarded against throughout the process. To begin with, too little attention has been paid in the past to the first step of thinking through what should be centralized and what should not. Are field units equipped to handle their new responsibilities? Do they fully understand the policies they are to implement and the rationale that lies behind those policies? Are the field personnel trained in their new responsibilities? Do they have the right mix of skills and qualified leadership? Headquarters needs to ensure that the proposed delegations are clear and provide accountability. It needs to assess its own capacity to monitor the delegated activities and to take rapid corrective action when needed.

After initial implementation, decentralization often has not been sustained because of lack of oversight, the de-emphasis of prevention measures, and a failure to take quick corrective action against problems. This fact underscores the importance of proper follow-through including preventative features in the design at the outset, as well as the necessity for selecting competent managers with the experience and skills required to maintain a decentralized organization effectively.

Above all, it is essential to proceed in ways that maximize the benefits that restructuring brings to the people and the institutions served by the agency. A positive program delivery result from the standpoint of impact on the agency clients should take priority over the administrative

convenience of the bureaus in Washington.

Decentralization is a more complex process than is generally realized. It demands a more sophisticated brand of management than do centralized systems and therefore, to be successful, must be carefully planned and managed by experienced professional managers.

## **DISCUSSION**

### **Background**

The bulk of the federal government workforce is found in hundreds of field offices located throughout the nation, and most of the contacts between the government and the families and communities throughout the nation take place there. Therefore, it is not surprising that decentralization has been a favorite theme of reformers. Countless agency restructuring efforts have been devoted to such projects. What is surprising, however, is how little careful thought is typically given to overcoming problems which are most often encountered in these efforts.

Decentralization in this paper is defined as the transferring of certain operating responsibilities from headquarters to field offices. In other countries, this is often referred to as deconcentration.

This discussion does not include the use of third parties, such as grantees or contractors, to carry out government programs.<sup>1</sup>

Advocates stress the potential for saving time and money, as well as the cultural advantages of bringing government decision-making closer to the communities and citizens the government serves. Some projects have succeeded with impressive results, others have failed. At times, decentralization has had very promising beginnings, only to erode with time, as illustrated by the decline of the Department of Housing and Development during much of the 1970s and 1980s. In still other cases, flawed analyses failed to sort out which activities warranted decentralization and which did not. Poor design, often compounded by inept implementation has, on too many occasions, added costly red tape and layering, rather than accomplishing the intended streamlining and better service.

**Based on experience in the United States and elsewhere, this paper addresses a number of the more frequently encountered pitfalls that need to be overcome to make agency decentralization work effectively.**

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<sup>1</sup> An excellent hearing on field organization was conducted September 6, 1995 by Stephen Horn, chairman of the House Subcommittee on Government Management, Information and Technology. Testimony from two Academy Fellows is available from the National Academy Public Administration.

## Potential Pitfalls

- Lack of Authority - Most agency heads have statutory authority to delegate responsibilities within the agency, but not always. Some agencies face statutory limitations on delegations to the field, and others have been confronted with warnings from congressional committees or powerful members to not do so. In 1973 and 1974, for example, the Department of Health, Education and Welfare was partially blocked by legislative prohibitions in its energetic efforts to give more operating discretion to field officials. At times, the leaders of special interest groups located in Washington put great pressure on congressional committees and agencies to block decentralization, a move they often feel reduces their ability to influence both policies and operations. At other times, interest groups fear that decentralization will create inequities in program administration.
- What to Decentralize - Despite its popularity, decentralization is not a wise decision in every circumstance. Experience suggests that guidelines to be considered before deciding whether to decentralize include:
  - Policy - Departmental policy decision-making should not be delegated to field units; only the implementing operating decisions and the minor policies required to manage implementation. Nevertheless, field managers should be consulted in formulating policy and later evaluations of those policies.
  - Magnitude - A decision has to be made as to what dollar magnitude, or degree of complexity, involved in operating decisions should be delegated, and what should be retained in headquarters. Understandably, there may be reluctance to delegate a new program. The risks can be greatly reduced, however, if the circumstances permit the delegation to take place only after one or more successful field pilot operations. Some agencies also have found it useful to delegate in stages, but this approach runs several risks, not the least of which is that the end result may be a hybrid arrangement that provides neither accountability nor effectiveness.
  - Political Impact - Decisions involving major political controversy should not be made in the field, although professional field advice is important.
  - Technology - Activities which are susceptible to high mechanization, and involve little or no discretion, such as the processing of social security checks, can usually gain by consolidating the activity in one location.
  - Discretionary Actions - For most of the wide array of departmental operations which do not involve the above field office limitations, decentralization should be given serious consideration. Generally, the greater the discretion in decision making contemplated by programs servicing families and communities, the more desirable it is to delegate operational authority to the field where the individual

problems are better understood. The resulting reduction in costs, the streamlining of processes, the decrease in time required to respond to problems, and freeing of headquarters from routine operations, are often impressive. Equally important are gains in accountability, greater understanding of the problems to be addressed, the ability to tailor government response to a particular problem, and the greater access of citizens and communities to their national government.

- Clarity of Delegations - Ambiguities and legalisms in the wording of delegation documents cause confusion, delays, and undermine accountability. They should be simple and direct. Guidelines are needed to explain the policies of the political leadership and the outcomes these policies are intended to achieve, while permitting the field to exercise judgment and flexibility in how to meet those outcomes. Delegations, guidelines, and objectives should be discussed with field managers before they are final to insure that they are realistic and a common understanding exists.
- Capacity of Recipient - Before delegating significant authorities, it is critical to assess the capability of the field offices to exercise those new authorities. Part of the long decline of HUD's early effectiveness began in the early 1970s when several new housing assistance programs were delegated to field offices without advance preparation, leaving the department vulnerable to the resulting well publicized scandals. Experience indicates that effective preparations typically include:
  - Staff Level Assessment - It is tempting, especially during periods of downsizing, to delegate significant activities to the field with no adjustment in staff ceilings. In fact, transfers of staff may occasionally require staff increases necessary, particularly if the transfers are a part of actions to implement new or expanded programs. By including systems redesign along with structural changes, however, well designed decentralization more often enables an agency to reduce total departmental staffing levels.
  - Ensuring Qualified Personnel - The most important ingredient for success is ensuring that the new structure is staffed with highly competent men and women. When the delegated operations involve new goals, different operational approaches and technical criteria, or other major changes, training is imperative. If the decentralization is major, some of the higher level career positions should be redesigned and transferred to the field, as was done in several domestic agencies that decentralized large programs in the 1960s and early 1970s, but rarely done in recent years.

In 1961, the Federal Aviation Administration shifted a number of its headquarters GS-18 slots (the highest level in pre-SES days) to regional leadership positions. Field offices of the Atomic Energy Commission were always headed by experienced personnel occupying positions at the top of the career grades. HUD

did likewise when it was established, and this concept then became one of the objectives of President Nixon's "New Federalism" decentralization.

On a related subject, the 1977 Civil Service Reform Task Forces strongly recommended that all field offices be headed by highly qualified career managers to (a) ensure that grants and contracts were not awarded on a partisan political basis, (b) provide continuity in programs and linkage with state and local governments, and (c) give reasonable assurance of professional competence, especially through SES appointments in the larger offices.

Others have favored placing political appointees in these positions in the belief that they tend to be more responsive to political leadership and have a better understanding of new and changing policies. The experience with political field appointees, however, has been plagued by individuals who lack program knowledge and are not familiar with government standards of ethics and accountability. Further, they often leave before having a full grasp of their responsibilities. In part, this is because the increased number of appointees, combined with more complex requirements for screening key political appointees, has overwhelmed White House personnel offices to the extent that little attention is given to the quality of lesser appointees in the field.

- Process Redesign - Decentralization provides the perfect opportunity to cut red tape. Both the Johnson and Nixon administrations found, for example, that through delegating processing of local assistance programs to the field, drastic reductions in processing steps were often possible and the time required to approve or reject a proposal generally could be cut from 50 to 90 percent. However, simply throwing out the existing headquarters-oriented procedures, without first designing simplified replacement systems that retain the most critical controls and ensure accountability, can cause serious problems and potential scandals.

A large number of constructive reinvention efforts have been directed toward needed simplification of individual processes, but a renewed integrated interagency effort that looks at related processes among different agencies is also needed.

- Employee Mobility - Lack of headquarters-field teamwork is especially damaging for decentralized agencies. To help counter this problem, it is useful to transfer significant numbers of headquarters personnel to attractive field positions for short or long term assignments and for field employees to serve tours in headquarters for similar periods. This brings to the field a better understanding of the problems faced by those in Washington and brings to headquarters a sense of realism and better understanding of how departmental activities are impacting

their clients outside Washington.

- Consolidation - Most observers believe we no longer need many of the field offices which now exist, especially in view of our advances in communication and transportation. Declining budgets add to the pressure to reduce offices. To the extent that departments consolidate and eliminate field offices, the importance of properly equipping those which remain increases.
- Regional Offices - Offices are quite useful at times, provided the agency programs require a relatively large number of smaller area offices throughout the country. They may provide the capacity for delegating more significant decision making than the much smaller area or local offices, thereby freeing headquarters to concentrate more heavily on policy, working with Congress, and monitoring operations. It is possible to staff five to ten regional offices with specialized expertise that cannot be provided to larger numbers of area offices, again reducing the level of headquarters involvement in operations. HUD had another reason for their establishment. Secretary Weaver believed that well-equipped regional offices, led by high level career administrators, could provide a better counterweight than area offices to undue pressure from those mayors and governors who rely more on political influence than merit. Finally, from the perspective of state and local officials, operational problems which would otherwise have to be resolved in Washington can be solved in the regions, saving them time and money.<sup>2</sup>

The FAA decentralization mentioned above illustrates how the establishment of strong regional offices can often make possible a substantial reduction in total staff levels for the agency, as well as more effective operations.

A word of caution: When regional offices become primarily just another layer in the hierarchy, duplicating the work of headquarters bureaus or area offices, they add to cost and delays, rather than expediting performance. When, for example, most of a region's decisions have to be reviewed in Washington, the region cannot perform effectively. These situations have to be either corrected, or the regional offices abolished. Regional secretarial representatives are not effective.

- Intergovernmental Dimension - A vital component of decentralization is that of planning the interrelationship between the federal field offices and those with whom they need to work in state and local governments, and with community leaderships. State and local leaders need to be given a clear understanding of what the field offices are authorized to do, and what they are not. Coordination among federal agencies responsible for closely related or overlapping programs is often lacking, thereby creating much confusion and

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<sup>2</sup> For a discussion of the recent problems that developed with respect to HUD field offices, see the Academy 1995 report entitled, "Renewing HUD: A Long-Term Agenda for Effective Performance."

delays in the federal government responses, as well as great frustration among the government's clients. If decisions in these related programs among different agencies have to be coordinated in Washington, state and local leaders will look to Washington for operating decisions, and decentralization will not work. Local leaders cannot be expected to coordinate the federal government.

- Program Consistency - Continuous attention must be directed toward the difficult task of determining the degree of consistency that is required among the various field offices in administering agency programs. On the one hand, one of the major advantages of decentralization is the flexibility with which an agency can tailor its operating activities to meet the diverse conditions that exist in various parts of the country and within states and cities. On the other hand, tailoring which causes inequities in how similar situations in different locations are treated can be a very serious problem. Few aspects require as much care in monitoring the field as this.

Those who monitor field operations have to be able to distinguish between that which results in inequities and that which is defensible but is wrongly perceived as causing inequities. Are the questions of fairness the fault of the field office, or do they grow in large part from headquarters or congressional actions and requirements? If standards of service have been established, and outcomes agreed upon, experience has shown that in the best run agencies the solution lies much less in added procedures than in management techniques such as better training and information sharing. In these agencies, there usually has been much greater focus on the achievement of goals than prescribing the procedures to be used by the field offices in reaching those goals, a characteristic in keeping with much of the current approach to performance-based organizations.

- Oversight - No matter how well thought through the decentralization design, or how much care has gone into the implementation, no organization continues over time without encountering operational difficulties, of which the equity issue mentioned above is only one. If problems are not caught at an early stage, they fester and grow into public issues that damage the department, if not the president. With a good departmental oversight system, the departmental leadership usually learns of emerging problems well before outsiders do. Under even the most highly decentralized operations, headquarters leadership remains accountable for agency performance. Constant vigilance in assessing field performance is required.

Monitoring must address the behavior of headquarters as well as the field. Formal delegations are often undermined by informal under-the-table arrangements whereby field officials are instructed to check with Washington before making final decisions. This precaution occasionally makes sense, especially if precedents are being established or if a prospective action is highly controversial. As a standard operating procedure, however, it totally negates the advantages of decentralization.

Fundamental to the more successful agency oversight programs is prevention. After the IRS scandals of the late 1940s, sophisticated preventive arrangements kept the agency scandal free for decades. The positive reputation of HUD in its early years also was due in part to a sophisticated system whereby vulnerabilities to most problems were detected very early by inhouse management monitoring before they became known outside the agency.

Quick two or three day audits of new recipients of HUD funds were limited to the adequacy of the proposed systems for control of funds. They were conducted just prior to release of funds. Within two weeks after the flow of funds, similar limited audits were conducted to ascertain whether the systems were working, and if not, funds were immediately suspended. Further, within three to four months into a new program, joint program-audit teams made field reviews of initial performance, leading to program and administrative corrective steps before problems damaged the projects. Other management and program reviews of field operations were required, often conducted by career deputy assistant secretaries. And when problems did occasionally emerge despite these types of precautions, they were dealt with immediately, often within hours of their detection.

When these HUD preventive systems were largely dismantled in the early 1970s and replaced with heavier reliance on after-the-fact audits and investigations, more deficiencies developed which often attracted sharp public criticism. When the HUD secretary first heard of allegations of abuse in new housing assistance programs from outside critics, he initially dismissed them as politically inspired, thereby permitting the issues to escalate. To make matters worse, in later years, the HUD political leaders became more defensive and nonresponsive to the IG investigations and warnings which flagged problem after problem. The result was a department that sank into disrepute. Some Academy standing panel discussions have reflected deep concern that in recent years the need for strengthening agency investigative capabilities has too often replaced, rather than supplemented and reinforced, management's capacity to prevent waste and abuse.

Agencies must also guard against responding to criticisms by simply placing new limitations on field actions. During the Great Society days of the 1960s, well intentioned efforts to respond to external criticisms led to centralizing decision making in Washington and giving birth to volumes of regulations and cumbersome coordinating mechanisms. These programs became increasingly hamstrung by this growth of "corrective" red tape that denied disadvantaged intercity families the timely assistance they desperately needed. For a time, the New Federalism reforms of the early 1970s reversed this trend. Later, the trend was resumed and continued until the NPR report which correctly identified the need to again reverse it. When criticisms of field actions are found to be valid, in most cases the field should be strengthened through improved management, rather than stifled through limiting their authority and flexibility. If the allegations are not valid, then department management must stand behind its field leaders and reject the easy way out of



simply issuing a new restrictive order or requiring more clearances from Washington before acting.

- Quick Response - Clearly, awareness of deficiencies is not enough. There must also be the capability of a quick response before they grow in magnitude and before they become public issues which damage the department and its political leadership, if not the President himself. Timing is critical because events tend to move very rapidly. There is rarely much time to assemble teams to investigate the circumstances and wait for the results before the public criticism escalates and the critics move in. And once behind the curve because of slow remedial action, department leadership can almost never recover the initiative or fully repair the political damage.

This quick response capability cannot rely very heavily on procedure manuals to specify corrective actions. Success requires experienced, qualified people who can move in as individuals, or as teams, to take quick action, often within a few days or even hours. It often requires courageous political and career leadership.

- Customers - An over-arching philosophy that should permeate our thinking is how decentralization can be designed and administered in ways that will best benefit the people and the institutions served by the agency. To many people, this sounds obvious if not trite. Yet, this philosophy is not often given more than lip service, thereby failing to accomplish anything the government's clients can see in the way of practical results. Design of the initial HUD structure, as well as the restructuring of a number of the agency field office reform efforts in the early 1970s began with looking in considerable depth at just how the agencies interacted with their customers around the country, utilizing flow charts to determine the impact of the flow of information and decision making on families and communities. This was in contrast to the more traditional approach to agency organization which is designed much more from the perspective of the Washington bureau chiefs. Unfortunately, much of the more recent HUD restructuring has been influenced more by the perspective of assistant secretaries in Washington than that of the department's clients throughout the nation.

It may not make much difference to the mayor of Cedar Rapids, Iowa, how HUD or HHS are organized in Washington, but it makes a great deal of difference whether he or she can get quick information and decisions from one field office or whether the city has to go to Washington or perhaps to three or four different field offices in different cities for a response to an urgent city problem that is eligible for funds under several related federal programs.