

A Modernized Office of Executive Management: An Option for Making the M in OMB a Reality

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Political leaders have long realized the importance of a new president's being in a position to initiate new policies and programs very quickly after taking office, thereby increasing the likelihood of their adoption. What is less well recognized is the need for the new President having available to him/her the management capacity to quickly implement these early initiatives. Much has been said and written by those in the field of public administration about the perceived loss of much of this capacity. But this problem is rarely addressed by busy presidential transition teams as they struggle to transform themselves from campaigning to governing.

We have seen many statements about the need to strengthen the "M" in OMB as one way of helping a new president translate words into action. The paper by Academy Fellow Charles Bingman makes reference to three structural options that have been discussed within NAPA to assist any presidential administration interested in advancing more effective government. These are (a) taking strengthening measures, if any are needed, within the existing legal framework of OMB, (b) establishing an independent Office of Federal Management (OFM) separate from OMB, and (c) establishing a modernized version of the earlier Office of Executive Management (OEM) within OMB.¹ Academy Fellow

¹ The Bureau of the Budget (BOB) and Office of Management and Budget (OMB) management staff were located in an organization separate from the budget activities from 1939 until 1973 when most of the staff were dispersed among the budget focused activities or transferred to GSA. For a number of years the BOB management group was titled the Office of Management and Organization (OFM). Later, in response to a desire to strengthen management, especially in the areas of program management and intergovernmental management, it was replaced by the Office of Executive Management. For ease of reading, this paper will focus on the OEM rather than attempt to explain how the roles of these management organizations differed with the passage of time.

Ronald Moe has written an excellent paper in support of an OFM. This paper provides a brief description of the OEM option.

What is the OEM Option?

It is the view of the author that replacing the BOB with OMB has resulted in a stronger resource allocation organization, but has failed to meet the intended goal of strengthening management.² OMB continues to devote serious attention to several aspects of management, but the author agrees with those who believe there are critical management areas in which OMB no longer has any significant capacity; areas in which it and BOB helped earlier presidents achieve important goals.³ He also agrees that that the agency is dominated by its heavy budget demands, making it difficult for the OMB leaders and staff to devote the necessary effort to management issues not directly related to the budget process. OMB also finds it difficult to balance long range gains in program performance and life cycle costs with short term budget pressures, despite well-intentioned efforts to do so. Congressional efforts to strengthen the “M” have had few results. Some have been counter-productive.

The author has long supported the establishment of an OFM as a partial solution to the need for stronger management leadership, but he believes the chances of achieving this goal remain very slim. There are also some risk of an OFM losing the value of interaction of management and budget staff that has proven useful

² The author had responsibility for drafting the OMB presidential reorganization plan and selling it to Congress, and is painfully aware of the fact that the commitments he and others made to Congress regarding the value of inserting “Management” in the title of the former BOB have never materialized.

³ This view is shared by Murray Comarow, Executive Director of the Ash Council, the organization making the recommendation to President Nixon that an OMB should be established.

⁵ The author views management in terms of the “how” to get things done, not “what” is to be done. The OMB has maintained great skill in using resource allocation, the budget, to advance the president’s agenda as to “what” is to be done. The current effort to link the budget to program objectives is a positive example of this linkage. However, much of the earlier OEM skill regarding “how” to accomplish the “what” has been lost. This was a common complaint heard during the workshop NAPA held in May of 2002 for departments to discuss progress made in moving ahead with the Bush Management Agenda.

when not entangled in the budget process. Therefore, he believes it is worth considering a less drastic move to establish a modern version of an OEM within OMB that should accomplish much of what would occur under an OFM while encountering far less opposition.

It is important to note that although OMB has lost much of its earlier capacity to address management and organization challenges that are government-wide or intergovernmental, those OMB areas of expertise specifically protected by statute as an institution, such as the Office of Federal Procurement Policy, have survived.⁵ Therefore, the OEM proposal would involve only a relatively simple amendment that would extend the existing legislative base for several OMB management organizations to include management functions that are now assigned by law to the OMB Deputy Director for Management, but have no structural home and no staff.⁶ In the absence of a vigorous constituency, the chances of a function's surviving with only a reference in the title of agency leadership, as in the current OMB situation, is far less than when the legislation requires a specific institution to carry out the function.

Those functions that especially need to be given organizational coverage by law would include such vital areas as organization and program management that are discussed below.⁷ Since OMB already has this legal authority lodged in the Deputy Director for Management, the proposed OEM within OMB should avoid any concerns about increased OMB power. It should involve only a discussion of what management functions will be better protected institutionally by law within the same agency. The current arrangement makes no sense in which some functions such as contract management are covered structurally by law and others,

⁶ For example, the OMB Deputy Director "shall perform" management studies as provided by Sec/ 503, (b) of the 1990 CFO Act, but there is no OMB institutional expertise to carry out this role.

such as government organization and management systems, are authorized for the deputy director but have no structural home specified in statute and, as a consequence, have had no staff assigned to them for a number of years.⁸

To be specific, it is suggested that the OMB Deputy Director for Management wear a second hat as Director of the new OEM (by whatever new organization title). Although a political appointee, there should be a requirement in the law that the Deputy Director have significant prior federal operating experience at a senior level.⁹ The new organization would encompass all the OMB management components such as the OFPP that are now protected by special laws.

Other than the Director, all the permanent OEM staff should be drawn from the career service, though these would probably need to be supplemented by non-career individuals for specialized temporary assignments.

From Roosevelt through Nixon's first term, a 34 year period when so many management and organization gains were made, the BOB and early OMB staff were all career men and women.¹⁰ Among other things, this reliance on career staff enabled new administrations to begin initiatives quickly upon coming into power, rather than the recent pattern of spending the first year or two planning what to do and organizing to do it, with meaningful action largely deferred until the third year or later.

⁸ An important exception is that of financial systems management that is developed in some depth by the CFO Act.

⁹ This arrangement is virtually the same as the successful OEM structure in which the OEM Director wore a second hat as Assistant Director of BOB, except that this proposal raises the level of OEM Director. The earlier OEM Director was a career Level V individual.

¹⁰ After the management staff had begun its decline, President Carter nevertheless staffed his nine task forces, totaling 120 members, with current or former career individuals with only one exception. These career people developed the features of the CSRA, by far the most comprehensive group of changes in the history of the federal civil service system. The dramatic management strategies developed for the aforementioned Alaskan earthquake recovery were all developed by career men and women.

It should be emphasized, however, that during this earlier period, the BOB management expertise was largely utilized in leadership and coordinating roles, not as the doers. The OEM staff needed a high level of expertise to earn the respect of the executive agencies and Congress, but not to manage agency personnel which is the responsibility of departmental leadership. The OEM role was to assist agencies in developing their own management capacity and to coordinate the growing cases of presidential and Congressional initiatives that cross agency lines and require interagency and intergovernmental action. In doing so, the management staff drew upon individuals from agencies and from outside government, to participate in planning presidential initiatives and to coordinate agency execution. These ranged from small, hard-hitting task forces composed of a few individuals to large government-wide initiatives that involved hundreds of thousands of people in and out of the federal government. Task forces were often chaired by agency personnel with OMB support.

Lost Management Capacity

Looking at examples of earlier management capacities that we no longer have can help us in thinking about the opportunities we might realize in the future through broadening the current OMB vision of management. In doing so, however, it is essential to remind ourselves that in urging a broadening of capacity to meet new challenges, some of these challenges will be entirely different from those encountered by OEM and its predecessor, the Office of Management and Organization. Therefore, although the author argues that the basic OEM concepts have enduring value, the details of its structure and operation would have to be continuously adapted to meet the ever changing characteristics of this country and the world. Therefore, the following examples of earlier capacities we lack today are not intended as a blueprint for the future, but to illustrate the scope and depth of potential

contributions from such a stronger management capacity available to the president and the departments.

- Organization. In the paper written jointly by Academy Fellow Herb Jasper and the author, a case is made for reinstituting a capacity for addressing organization issues. The paper reminds us of the importance of this presidential assistance from the days of helping President Roosevelt organize the agencies crucial to winning World War II down through the years, including the creation of DOT, OMB and EPA. This earlier expertise went well beyond the role of helping the president organize departments and agencies. It provided cabinet members with specialized technical assistance for internal management issues for which individual departments do not have the need to maintain permanent staff. For years it helped combat the forces propelling so many agencies toward government centralization that breeds red tape and slows decision-making in delivering programs. It worked to reduce the gradual replacement of highly-trained career men and women with political appointees in operational positions. Although OEM's management projects were not always successful, its staff constituted a useful force in assisting agencies and the former Civil Service Commission advance the development of competent operational personnel.¹¹ The author offers an example that contrasts the earlier capacity of the BOB organization staff with recent Katrina problems caused in part by its current absence in OMB:

Hurricane Katrina. We have read countless articles about the Katrina debacle in which the federal government, as well as the state and local governments, failed so badly. Much of this criticism has focused on how the creation of DHS, with FEMA

¹¹ There are some operations, especially in the application of information technology that have benefited from recent centralization steps. But activities involving discretionary agency roles generally benefit significantly from decentralization.

buried in it, weakened the Federal capacity to respond to Katrina. But this is only one of the disappointments Katrina revealed during both the chaotic response and the tortuous recovery phases. A significant part of the failure can be traced directly to the absence of an OMB organization capacity to guide the organization of DHS, contributing heavily to operational shortcomings such as lack of attention to the critical areas of interagency and intergovernmental coordination and the absence of knowledge of how the Undersecretary for Management should be designed and staffed.

Alaskan Earthquake. By contrast, the earlier OMO management staff in BOB produced for President Johnson virtually overnight an organization plan to address the Alaskan earthquake disaster in 1964. This was the most urgent disaster recovery ever faced in this country and the most complex between the 1906 San Francisco earthquake and Katrina. No engineers in Alaska believed the design and construction of critical public facilities such as water and sewer systems and small boat fishing harbors could be completed in time to avert having a substantial portion of the population abandon the state as the fall freezes ended the short construction season. The short-term future of the state hung in the balance.

Johnson immediately adopted the OMO plan that provided for a cabinet-level commission and an executive director from the career service who reported both to the President and the commission chair.¹² Johnson added his own feature by appointing an experienced senator as commission chair. Unprecedented in our history, the result of this unique

¹² The executive director reported to the president as well as the chair because, as a senator, the chair could not direct agencies. Therefore, the executive director reported to the chair on policy and the president on execution. This arrangement worked well because both political and career leaders in the recovery were very experienced and knew how to function as a closely-knit team during the six months' existence of the Commission. This structure may not fit other circumstances, but it illustrates the value of maintaining a management capacity to quickly assist a president in meeting the special needs of a particular crisis.

organization and the innovative management strategies developed by the career staff was very different from Katrina. Only four months after the earthquake, the Anchorage Daily News characterized the federal recovery actions as *Government at Its Best*,¹³ and one year later concluded that the “*comeback from disaster was so dramatic there hardly seemed to be a gap between destruction and reconstruction. The recovery period was almost as dramatic and breathtaking as the earthquake.*”¹⁴

The BOB management staff did more than recommend a recovery structure, it helped the Commission locate exceptionally capable career individuals for leadership roles, and it helped agencies understand the unorthodox organizational arrangements and unprecedented management strategies that were being used, and how they could best contribute to a rapid recovery. Without this critical BOB management support, the Alaskan Commission would have failed, and the recovery would have been a smaller Katrina-type debacle.

Program Management

The OEM broadened the BOB management vision to include program management in addition to administrative management, and devoted considerable effort to integrating the two in closer support of project and program goals. This brought the management into a much closer relationship with agency and departmental leadership, enhancing their roles and making management a more attractive field for capable men and women. More important, it enabled government to serve the public more effectively.

An example of this new emphasis on program management was the broad attack on the delivery systems for assistance to state and

¹³ Anchorage Daily News, August 10, 1964.

¹⁴ Ibid, March 27, 1965.

local governments, most of which had become overly centralized and burdened with slow-moving excessive procedures and lack of accountability. This interagency program led by OEM gained considerable bipartisan support in Congress, and generated public support for an administration whose leader, Nixon, was not popular.

This program included organization design, such as the regional-headquarters cities and councils, and widespread decentralization of program delivery systems. This involved many innovations such as single agency audits of grants, streamlining of federal grant approval processes, simplification of federal planning requirements, and block grants. The radical reengineering that took place among the agencies was done as much as possible from the perspective of the recipients for whom the grants were intended to help, rather than the traditional perspective of agency headquarters that had failed to recognize the fact that each community is different. Several studies were made of the cumulative burden of all federally related process requirements on individuals, families, and local governments, again looking at agency performance from the vantage point of the public rather than central procedures adapted to the Washington environment.

Policy Execution

Washington is consumed with competing policy proposals and the competition for resources associated with those policies. That is a positive aspect of our system of government in contrast to less open societies in which government policies are established by edict. Unfortunately, this situation reduces attention to effective management of policy execution, to the point of its existing more in rhetoric than in fact. However, the author suggests that the earlier OEM experience demonstrates that organization and management can often gain much more attention, and play a more significant role, when linked more directly with successful

execution of presidential and Congressional initiatives than pursued on a separate track. Several OEM examples:

- Rapid Action. President Nixon expressed concern about how it typically took considerable effort to get his policy and program initiatives into action, and how long that took. He did not intend to exemplify the joke about presidents pushing the button only to have nothing happen. As a first step, he directed his staff to test the system by finding out what period was elapsing between his signing an executive order implementing the most important presidential and legislative initiatives and the point at which they were implemented in the field. The assignment was given to OEM, and the results bore out Nixon's concern. Eighteen months typically elapsed between the signing of an executive order and the point at which the person in the field with the operational responsibility for action received clear instructions.¹⁵ Field personnel frequently moved ahead without waiting for the formal directives, but ran a very real risk of failing to fully understand the presidential or Congressional intent, thereby resulting in poor implementation and unfair criticism of the career personnel. As the result of this review, OEM continued to monitor the implementation of key presidential initiatives and priority legislation, again providing it with a new degree of linkage with the government's leaders.
- Program Delivery. The streamlining of federal assistance mentioned above had public visibility and directly benefited advocates of whatever programs had been legislated, making both Congressional sponsors and the president look good. It generated unanimous support from the Big Seven state and local, public interest groups. Unlike most administrative improvements that seldom attract public notice, press accounts from around the country were largely very favorable, and they

¹⁵ The largest department, DOD, had the best record. The OEM staff person handling the DOD review was a promising White House Fellow, Major Colin Powell.

caught the interest of White House staff and top department political appointees.¹⁶

- White House Team. The OEM Director participated in the daily 7:30 a.m. meetings of the top White House staff and OMB leaders in the Roosevelt Room of the West Wing. This gave considerable stature to OEM and provided a management voice at the highest level of government activity. It provided an opportunity to include the management perspective at the early stages of policy formulation.¹⁷ OEM religiously avoided involvement in political activities, taking care that its management work was policy-neutral. The staff put forth great effort to execute existing policy effectively, but avoided advocating one policy over another.¹⁸
- Congressional Relations. The earlier OMO and the OEM earned some of their influence because of their effective working relationships with Congress. Once a presidential objective was clearly established, the management staffs worked closely with Congress on a bipartisan basis to develop legislation or reorganization plans that would carry out the presidential objectives. This gave Congress a sense of ownership in the legislation and an incentive to see it succeed. At times it proved impossible to persuade Congress to support a presidential initiative, but the effort to cooperate always narrowed the area of disagreement and eliminated distracting allegations of secrecy, bad faith, etc.¹⁹

¹⁶ During this period, there were the usual OMB controversies with respect to what type of grants were to be approved and the amount of funds involved, but the OEM work on streamlining the delivery system was not entangled in the budget process and avoided these battles.

¹⁷ As Nixon's second term quickly sank into secrecy and intrigue, this OEM level of influence also sharply declined

¹⁸ OEM did, however, comment on management implications of proposed policies and suggested ways in which proposed policies could be modified to cut costs and be more effective in achieving their objectives.

¹⁹ The House Government Operations Committee led the opposition to the proposed OMB and Domestic Council. Despite being defeated, early the morning after the vote, Chairman Holifield summoned the OEM Director to his office, greeted him with a hug, congratulated him on helping the president win, and

This cooperative approach also strengthened the hand of the management staff in protecting the constitutional role of the president. The openness of the relationship reduced the level of suspicion about the White House and, in the field of management, reduced the Congressional calls for documents that the president regarded as subject to executive privilege.²⁰ Key to the success of OEM was the strong support it received from the White House Congressional Relations office headed by Bill Timmons that realized the extent to which the OEM congressional skills helped the president.²¹

The restoration of a broad-based management organization within OMB should provide the potential for more effective relations with Congress, though this outcome would admittedly depend on the policy of the White House and OMB leadership. The ability of OEM to represent the president on a wide range of subjects, especially cross-cutting issues, was viewed as a positive development by busy Congressional Committee chairs and their key staff.

Potential OEM Drawbacks

Attracting Leadership. One disadvantage of the OEM option often cited is that it would not be able to attract the high profile leadership of an OFM. This may be true in some cases. On the other hand, it would probably be more likely to enjoy leadership with extensive public management experience than an OFM that would be vulnerable to being headed by a political appointee with some business background but with little understanding of public

proceeded to discuss how the Committee and the White House might work together on another reorganization plan.

²⁰ OEM had a more limited view of executive privilege than the President's counsel, John Dean, leading to strained relations between the two.

²¹ During the second Nixon term, the White House reversed course and moved away from this close Congressional relationship, with unfortunate results.

management and how it differs from the private sector. It should be easier for OEM to incorporate significant prior senior government operating experience in the selection of the director. The author suspects that undue emphasis on private enterprise background would more likely be the focus of selecting an OFM Director, thereby concentrating on efficiency more than effectiveness and undervaluing such basic government concepts as public accountability, transparency, and equity in government operations. Adding prior operating experience in a large private enterprise would be quite useful to an OFM or OEM director, but not if it were a substitute for significant government background.

Access to the President. The question of access to the President is not easy to predict. In theory, and at times in practice, the head of an independent agency will have some degree of access to the President, a factor that favors an OFM. But generally, there is little access unless the agency is responsible for activities that have considerable current visibility and/or political controversy. An OFM will seldom have either.

At the same time, in the experience of the author through a series of administrations, it is surprising how little need there is for direct access to the President regarding management issues, other than a presidential kick-off for presidential initiatives.

Although not a substitute for presidential access, it is very useful, and usually not too difficult to arrange, to engage the interest of one of the presidential top aides with an interest in successful execution of administration programs. This presidential assistant can keep the president informed and at least maintain the illusion of some level of continued presidential support, including public statements and memos recognizing accomplishments.

Budget Domination. Another possible drawback to an OEM could be the danger of its still being dominated by the budget process by

remaining in the same organization. However, since the earlier OEM was not at all dominated by the budget, it would seem that a new OEM, with the advantage of a legislative charter, should have little difficulty sustaining its role. It would certainly be less vulnerable to budget domination than the current arrangement. Further, the OEM option minimizes the OFM danger of the management and budget staff losing the value of consultation provided by co-location in OMB. The earlier OEM benefited greatly by its association with the budget examiners, even though it religiously avoided getting entangled in the budget process except in rare occasions when management did have a legitimate link to the budget.

Lack of Budget Leverage. Skeptics without experience in the earlier BOB/OMB management experience often doubt that a management staff would have sufficient strength to be effective in the absence of the budget as a leveraging tool. The author believes the earlier experience shows this concern to be unfounded.

First, there were several processes that ensured OEM a seat at the table in most situations, several of which have been mentioned. OEM handling of clearance of many presidential executive orders brought it into significant interaction with the White House staff and agency leaders. OEM also gained stature by handling most of the non-budget BOB circulars, a number of which involved work with state and local governments and the private sector.

Similarly, the legislative clearance responsibility delegated to OEM by BOB for proposals relating to management gave it strength. So did the related action of the President's Congressional Relations Office in delegating responsibility to OEM for handling Congressional matters relating to management in its broadest sense. As a result, OEM was constantly involved in negotiating with various Committees and testifying at hearings, further increasing the visibility and influence of OEM. It was also

strengthened by its participation in the daily 7:30 meetings of the top White House staff mentioned above.²²

The OEM responsibility for tracking the implementation of key presidential and legislative initiatives further helped ensure OEM interaction with White House staff, departmental officials, and Congressional leaders. For a new type of OEM to be effective, it should fulfill these types of roles that its predecessors had.²³

Second, those concerned with a lack of budget leverage fail to recognize the fact that the OEM approach to agencies was free of the negative connotations that accompany much of the budget process, thereby reducing the need for budget leverage. From the perspective of an agency, the budget process carries an element of coercion that is unavoidable. OMB budget processes require the thankless task of reducing agency hopes to more realistic levels that fit the presidential guidelines. On the other hand, the bulk of the OEM work focused on the more friendly task of helping agencies accomplish more with whatever resources they had. OEM was also perceived by most as helping departmental leadership avoid embarrassing allegations of mismanagement.

The above examples illustrate ways in which the earlier OEM maintained a place at the table without relying on the leverage of the budget process. A new OEM would likely adapt some of these approaches as well as develop new ones.

Internal OMB Concern. Opposition to a modernized OEM might come from the supporters of the existing statutory management offices in OMB. However, there has been substantial concern that this well-intentioned effort of Congress to preserve these

²² One cannot be sure that future OEM directors would enjoy this level of White House participation, but the restoration of a role in program execution should result in a significant amount of involvement in White House deliberations concerning the operability of proposed policies and programs.

²³ The proposed OEM amendment will not guarantee that the organization will be given these roles, but it will greatly increase the likelihood of this happening.

management functions separately with a legislated structure has had the unintended effect of fragmenting management within the executive branch. Either an OFM or an OEM should help overcome this problem, especially by providing more opportunities and incentives to participate in cross-cutting efforts that are of increasing importance.²⁴ Further, the author believes that either option could strengthen these functions. The OFPP, for example, has had very limited success in stemming the Clinton-Bush movement toward contracting out activities without adequate agency capacity to manage this surge in contracting. OFPP seems to have had great difficulty in moving A-76 away from a budget-dominated approach that has been preoccupied with comparative costs even though the accounting systems to measure these costs have been of limited reliability. Inclusion of program effectiveness as a significant factor in competitive sourcing decisions should have been a no-brainer, but has been absent through most of its history. The same lack of progress has been evident in failing to require assessment of the effectiveness of an activity after the contracting decision has been implemented. OFPP has focused more on detailed contract regulations than contract management.

Conclusion

Changing the OMB structure will not, in itself, revive the management capacity that is now missing. But it should significantly improve the likelihood that a broader management agenda can survive times of lagging administration interest. It would certainly provide a greatly increased capacity to respond quickly to new leadership that does recognize the value of a

²⁴ In addition to cross-cutting opportunities for the specialized management functions, most of the agency transformations the author has observed have involved a holistic approach to better management that integrate a number of different management initiatives into a critical mass of change. Jim Webb's impact on NASA is one example, as were early AEC management initiatives. The unusual combination of management initiatives, including contract management and information systems, in the Alaskan recovery case mentioned earlier is another.

management and organization capacity to help advance the agenda of an incoming president.

Some version of a modernized OEM might not accomplish as much as a professionally-led OFM, but in the judgment of the author, it should provide OMB and the president with most of the management and organization capacities needed to help meet important government challenges of the future, and it would be far more likely than an OFM to secure the executive and Congressional support needed for its adoption.

We have urged the adoption of an OFM for decades without results, and support appears to be on the decline. Perhaps it is time to set our sights on a good option that should be within reach.