

**January 1997**

# **Principles of Federal Organization**

By the Standing Panel on  
Executive Organization Management

This paper represent the views of the authors and not  
necessarily the Academy as an institution

## PREFACE

Fellows of the National Academy, energized by recent debates on how to structure and manage federal agencies, organized an effort to distill their views, and embodied them in this paper on “principles.” The Fellows involved are members of the Academy’s Standing Panel on Executive Organization and Management, which provided a forum to discuss these ideas and served as a reviewing body for the paper on behalf of the Academy. The Fellows directly involved in drafting the paper combine experience in a majority of the cabinet departments, several independent agencies, and the Office of Management and Budget. Their service extends from the administration of Franklin D. Roosevelt to the present day. The principles distilled from their experience and that of other panel members provide useful guides for all concerned with the shape and structure of our national government.<sup>1</sup>

---

<sup>1</sup> See Appendix for list of members of the Standing Panel and the Working Group on Principles.

## INTRODUCTION

### **A. Principles of Organization and the Need to Improve Government Performance**

Many of the departments, agencies and programs of the Federal government are in disarray or are facing unprecedented challenges. Disinvestment and downsizing, and pressures for a balanced budget, accompanied by a general reluctance to terminate government programs outright, have placed most government agencies and managers under severe stress.

The context that surrounds and shapes governmental activity continues to change at a rapid pace. Developments in resources available, technologies, markets and public opinion have resulted in new public demands and the obsolescence of some previously acceptable ways of delivering public services. Rigid patterns of government organization often cannot cope with such pressures. Organizational strength and flexibility have become essential as never before if executive departments and agencies are to discharge successfully the programs for which they have a continuing responsibility.

Much of the private sector has dramatically downsized its institutions. Now the public is demanding that the government, too, deliver more with less resources.

If government is to respond effectively to such public demands, the President and the Congress must create the organizational and managerial preconditions that are essential for enhanced governmental performance. The Standing Panel on Executive Organization and Management has given considerable thought to the nature of those preconditions.

The Panel has become increasingly concerned that many recent efforts to reform or “reinvent” agencies of the Executive Branch have been approached without the benefit of sufficient doctrine or conceptualization to bring about significant and enduring improvements in the Federal government’s organization and management. We believe that there are principles of organization that can help policymakers in the effort to restructure agencies and to enhance governmental performance. This paper presents ten principles, along with corollaries to the principles, and a discussion of each.

In developing these principles and corollaries, the Panel has given careful attention to prior efforts to articulate propositions to guide those who would undertake to modify the structure or management practices of the Federal government. We are also aware of attempts to dismiss the very idea that there can be principles or propositions of general applicability. Nonetheless, the panel is convinced that there are, in fact, valid indicators and guides, which we here term principles, which have sufficient validity and scope of applicability to warrant serious consideration in any effort to reform the structure and functioning of the Executive Branch. While recognizing the diversity among government agencies and programs, we believe that persons concerned with Executive Branch organization should depart from these principles only to the extent that the imperatives of the specific situation require that this be done.

The panel recognizes that such factors as technological change, increased reliance upon third parties to execute programs, and altered conceptions of the Federal government's role in meeting the needs of the country can significantly affect the way that the government is organized and managed; but we believe that the principles which we have set forth in Part B of this paper will be useful guides to constructive reform as the Congress and Executive Branch seek to improve the government's ability to carry out its constitutional responsibilities to the American people. Part C below contains a more detailed discussion of these principles and corollaries.

## **B. Principles of Organization and Their Corollaries**

1. **Principle:** The primary objective of all government organizations and systems of management should be the faithful, effective and equitable carrying out of the provisions and intent of the Constitution and laws of the United States.

**Corollary:** The quality of administration and the effectiveness of agencies can be significantly affected by the quality of the laws that the Congress enacts.

2. **Principle:** The Constitution vests the executive power in the President; and as Chief Executive the President must have the institutional capacity and support to exercise those executive powers effectively.

**Corollary:** The President can successfully carry out the responsibility for assuring a high quality of Executive Branch management and the integrity of administrative processes only if he is supported in the Executive Office by competent, institutionalized sources of advice about issues relating to executive branch organization and management.

**Corollary:** How the Executive Office of the President is structured and staffed can pervasively influence the effectiveness of the entire Executive Branch.

3. **Principle:** The departments and agencies of the Executive Branch should be organized as nearly as possible to reflect the major purposes which the Government is seeking to pursue.

**Corollary:** An executive department should be charged with a major public purpose which serves all the people of the nation and should not be created to represent, or serve as an advocate for, a special group of Americans.

**Corollary:** Organization by major purpose is preferable to organization according to clientele or process.

4. **Principle:** Executive departments and agencies should be organized in such a way as to enable the agency head effectively to establish basic policies with

respect to mission, program goals, performance measures, resource allocation, legislation and external relationships.

**Corollary:** Departments and agencies should be so organized 'as to assure that agency heads are supported by staff competent to advise them on cross-cutting issues.

5. **Principle:** The head of each department and independent agency should be held accountable for the quality of its management and be assisted by a senior official with the responsibility for providing advice on all aspects of internal management.

**Corollary:** The current fragmentation of internal management functions in most departments, and the virtual disappearance of the post of career assistant secretary for administration, urgently demands the recreation of an administrative management focal point, probably at the under secretary level in the executive departments.

6. **Principle:** Organizational design should be tailored to reflect the distinct requirements of different types of government programs so as to facilitate effective performance and maintain accountability.

**Corollary:** One size does not fit all types of governmental programs. Agencies engaged in such diverse activities as selling goods and services to the public, conducting research, issuing regulations, and making grants, have different requirements. The distinction between agencies responsible for formulating basic policies and those responsible for operations is especially important.

7. **Principle:** The quality of program administration in every executive agency depends heavily upon the management skills of the line administrators and other principal officials.

**Corollary:** Today's government environment requires that line managers possess skill in directing a public service workforce and also in executing functions that an agency may carry out through contracts, grants, state and local governments and partnership arrangements.

8. **Principle:** Legislation establishing executive departments or agencies or addressing aspects of general management should to the maximum feasible extent avoid the prescription of statutory detail and should empower the agency head to make the internal arrangements best suited to the effective execution of the laws.

**Corollary:** Legislation that lodges functions in officers other than the agency head or restricts his or her authority to make adjustments to improve the management of programs will eventually increase costs, impair the achievement

of the real purposes of the legislation, and make it more difficult to hold the agency head accountable.

**Corollary:** The President as Chief Executive and the Congress in its oversight role need to provide and maintain a capacity to keep informed independently of the manner in which the agency head exercises authority over internal organization and management.

9. **Principle:** The effective administration of programs is dependent on competent, motivated public service employees who are responsive to the policy direction of the political leadership but are selected, retained and advanced on the basis of merit.

**Corollary:** Although sweeping reductions in regulations governing the public service can open the way to important improvement in management, they also increase vulnerability to political pressures that can lead to favoritism, inequities in serving the public, and corruption. Therefore, movement toward greater operational flexibility and fewer regulations increases the need for steps to preserve a merit based public service that is highly trained and that guards against improper political intervention.

**Corollary:** Effective administration can be compromised by placing political appointees in managerial positions for which they lack qualifications; moreover, such political appointments preclude the appointment or promotion of civil servants on the basis of merit to such positions and, thus, make the career service less attractive and make retention of the best performers more difficult.

**Corollary:** The more that government staff levels are reduced, and the more that roles and duties of government employees are changed, the greater the priority that should be placed on retaining and developing highly qualified men and women whose performance is judged by their achievements.

10. **Principle:** Employment of third parties (including state and local governments and for-profit and nonprofit contractors) to manage and operate government facilities and deliver public services does not eliminate the need for public management, it merely changes its character.

**Corollary:** So long as public funds or authority are involved, government managers must remain responsible and accountable for assuring effective performance and adherence to public purposes.

## C. Discussion of the Principles and Their Corollaries

1. **Principle:** The primary objective of all government organizations and systems of management should be the faithful, effective and equitable carrying out of the provisions and intent of the Constitution and laws of the United States.

**Corollary:** The quality of administration and the effectiveness of agencies can be significantly affected by the quality of the laws that the Congress enacts.

**Discussion:** Organizational design and systems of management have one overriding purpose, that of assuring the execution of the laws enacted by the Congress in a timely, effective, and equitable manner. This purpose takes precedence over all other considerations, even when significant numbers of citizens do not agree with a law or are made unhappy by its faithful administration.

The corollary is that for the laws to be faithfully executed they should be enacted in a form which facilitates, or at least does not unduly impede, administration. It is, therefore, vital that serious attention be given to administerability during the consideration of new legislation or the amendment of existing laws. This requires the active and informed participation of the Congress, its committees, the President and the affected executive agencies.

Administerability involves many factors which need to be addressed in the legislative process, including the choice of agency, the provisions relating to staff, the reasonableness of deadlines, the extent of prescriptive administrative detail and the authorization of sufficient funding.

If the laws prescribing an agency's programs become too numerous and complex, they can overwhelm the agency's administrative capacity. An Academy panel in 1994 found that the Department of Housing and Urban Development was responsible for between 150 and 200 programs, which it was expected to manage with reduced staffing and curtailed funding. The panel concluded that "no amount of tinkering with management will cure what ails this organization. The panel proposed that the Department have a far smaller number of statutory programs to administer, perhaps as few as ten.

2. **Principle:** The Constitution vests the executive power in the President; and as Chief Executive the President must have the institutional capacity and support to exercise these executive powers effectively.

**Corollary:** The President can successfully carry out the responsibility for assuring a high quality of Executive Branch management and the integrity of administrative process only if he is supported in the Executive Office by competent, institutionalized sources of advice about issues relating to executive branch organization and management.

**Corollary:** How the Executive Office of the President is structured and staffed can pervasively influence the effectiveness of the entire Executive Branch.

**Discussion:** The Constitution unambiguously states that “The Executive Power shall be vested in a President of the United States of America.” The President is also specifically directed to “take care that the laws be faithfully executed.” Until the 1930s, Presidents lacked the staff resources to manage the Executive Branch, as did the heads of most executive departments. Specialized committees of Congress tended to oversee and, in varying degrees, manage various bureaus and other departmental components.

In 1939 the Congress formally established the Executive Office of the President and moved the Bureau of the Budget (BOB) from the Treasury Department to the Executive Office. The small Budget Bureau soon evolved into a complex management arm of the President. These resources and institutional arrangements made it possible for the President to become a chief executive in more than name.

The BOB firmly established itself as the President’s principal institutionalized resource in matters relating to government organization and management during World War II. Vital to its expanded role was the emergence of the Division of Administrative Management as an entity on the same level as the budget-oriented Estimates Division. A new Legislative Reference Division was also of material aid in assuring that the organizational and managerial aspects of proposed legislation were addressed by the Bureau’s experts.

With some variations in effectiveness, BOB and the successor Office of Management and Budget (OMB), from about 1939 through the first term of President Nixon, provided presidents with consistent and informed advice on a broad range of organizational issues. It played a crucial role in helping the first Hoover Commission in formulating its recommendations and in preparing the implementing legislation and reorganization plans. It took the lead in such significant measures as managing statehood implementation for Alaska and Hawaii, governance of territories and possessions, administering the Government Corporation Control Act, fostering intergovernmental cooperation, reorganizing National Capital Area planning functions, reviewing federal pay policies and systems, organizing an authority to manage the Washington area subway and mass transit system, and creating important new agencies such as the Department of Transportation, the National Aeronautics and Space Administration and the Environmental Protection Agency.

The Executive Office of the President today is no longer equipped to provide such institutional support for the President’s role as Chief Executive. Recent years have seen numerous initiatives by both the White House and Congress to reform the structure of the Executive Branch and how it operates. Many of these initiatives have lacked the quality of analysis needed to assure successful outcomes. For example, while downsizing has become a major component of these efforts, little thought has been given to the relationship of prescribed staffing levels to roles, functions, or processes.

Since 1972, governmental “reinvention” efforts have moved in many different directions with little or no cohesiveness or assessment of the ultimate impact on the capacity of departments and agencies to perform whatever functions they retain. The institutional capacity required to design and sustain major reform no longer exists. Leadership in matters of government organization and management currently is divided between the Office of the Vice President, which has spearheaded the National Performance Review, and the Office of Management and Budget.

In 1993 virtually all of OMB’s general management staff was dispersed among the budget units of the agency. Moreover, the Office of Personnel Management (OPM) has virtually abandoned the role envisaged for it by the Civil Service Reform Act of 1978 in advancing quality and merit in the Federal public service. These trends undercut the President’s capacity to manage the Executive Branch by denying the presidency an institutionalized and capable source of information about executive organization and management that is distinct from the part of government that administers the Federal budget.

3. **Principle:** The departments and agencies of the Executive Branch should be organized as nearly as possible to reflect the major purposes which the government is seeking to pursue.

**Corollary:** An executive department should be charged with a major public purpose which serves all the people of the nation and should not be created to represent, or serve as an advocate for, a special group of Americans.

**Corollary:** Organization by major purpose is preferable to organization according to clientele or process.

**Discussion:** The initial three executive departments established in 1789 were clearly based on what were seen as the principal purposes to be served by the new Federal government; namely, the conduct of foreign affairs, the provision of national defense, and the collection, custody, and disbursement of revenues. A reluctance to establish new departments (except for Navy in 1798) soon obscured this clarity of missions. Functions such as issuing patents, taking the census, the conduct of Indian affairs, public lands management, public health and marine safety were placed in the Treasury or State Departments. This situation was slightly improved by the establishment of the Department of the Interior in 1849. This event permitted the transfer from the older departments of a number of functions unrelated to their central purposes, but Interior itself lacked a clear focus and became responsible for disparate programs ranging from the issuance of patents to the management of Indian reservations.

By the time of the first Hoover Commission (1947-1949) there were nine executive departments (including the new Department of Defense) with no central principle having governed their establishment. Some, such as the Department of Labor and the Department of Agriculture, were created in whole or part to represent the interests of specific segments of the society.

The Hoover Commission recommended in 1949 that agencies and functions of the executive branch should be grouped to the extent possible into departments in accordance with major purposes. This view was accepted by the Congress in the -Reorganization Act of 1949, today codified at 5 U.S.C. Chapter 9, which declared it to be the “policy of the United States . . .” to organize executive agencies under single heads “as nearly as may be in accordance with major purposes. ”

By the time that President Nixon took office three more executive departments had been established: Health, Education, and Welfare; Housing and Urban Development, and Transportation. All were created to pursue major government purposes and reflected the growing role of the Federal government in meeting national needs.

Recent years have witnessed further departures from the principle of organization according to major purpose. For example, 1988 saw the creation of a clientele department charged solely with veterans affairs.

Executive Branch and congressional efforts to improve government organization and management have become progressively more *ad hoc* and have shown less regard for the unintended consequences that can result from violating the principle of organization based on major purpose. Thus, recent congressional proposals to abolish the Department of Commerce did not define the objectives of the reorganization, other than getting rid of a department, and reflected little prior consideration of the consequences for its component programs. In fact, the pending legislation, if enacted, would proliferate the number of independent agencies and increase the costs of administration rather than lower them. Equally defective was the current Administration’s initial, but subsequently abandoned, proposal to split the FAA in a manner in which responsibility for air safety would have been divided between regulation and operations, with the air traffic control functions placed under an ungainly board of directors.

4. **Principle:** Executive departments and agencies should be organized in such a way as to enable the agency head effectively to establish basic policies with respect to cross-cutting issues of program goals, resource allocation, legislation and external relationships.

**Corollary:** Departments and agencies should be so organized as to assure that agency heads are supported by staff competent to advise them on crosscutting issues.

**Discussion:** Vesting line responsibilities in assistant secretaries and under secretaries in some departments tends to make them special pleaders for the programs they administer rather than objective advisers to the agency head. By contrast, the structure of the Department of Transportation (DOT) provides for effective departmental management through assistant secretaries who are responsible for cross-cutting staff functions such as policy, budgeting, administration, public relations, and international transportation affairs, and line administrators with specific program responsibilities. This structure has proved to be durable and effective in

permitting the Secretary to address significant policy and administrative issues without becoming enmeshed in the details of day-to-day management of the Department's programs. President Nixon's 1971 departmental reorganization proposals adopted the DOT approach to the organization of staff and line functions in the design of each of the four recommended major-purpose departments.

5. **Principle:** The head of each department and independent agency should be held accountable for the quality of its management and be assisted by a senior official responsible for providing advice and assistance on all aspects of internal management.

**Corollary:** The current fragmentation of internal management functions in most departments and the virtual disappearance of the post of career assistant secretary for administration, urgently demands the recreation of an administrative-management focal point, probably at the under secretary level in the executive departments.

**Discussion:** If the President is to discharge successfully his constitutional role as the Chief Executive, he must hold agency heads accountable for the effective and prudent administration of their programs. This requires not only that he have the mechanisms in place to keep himself informed as to how well his principal officials are doing, but that he be prepared to remove or reassign any who prove to be inept managers. The long retention in the 1980s of a departmental secretary who could not, or would not, manage did much to undermine confidence in that department and tarnish the record of the Reagan Administration.

Among the Hoover Commission's most widely accepted recommendations relating to departmental management was one calling for the appointment of an administrative assistant secretary in each executive department. These officials were to be appointed from the career service and were to perform duties of a housekeeping and management nature. The desirability of providing continuity in top management was cited as a factor favoring career status.

The recommendation was so non-controversial that career assistant secretaries for administration were quickly created in each department. When the bills to establish HUD and DOT were drafted in 1965 and 1966, it was accepted as a standard fixture of a department to have such a career assistant secretary. Some of these assistant secretaries had direct responsibility for all functions now entrusted to inspectors general, chief financial officers and various other internal management officials.

These positions were the focal points for management leadership matters in most departments, and the incumbents were seen to be key members of the secretaries' top teams. This ready access to the secretaries assured that management factors would be taken into account in all aspects of departmental operations and legislative proposals.

The majority of today's assistant secretaries for management or administration are short-term, non-career appointees who are simply not qualified to assist effectively an incoming secretary, especially during presidential transitions. Moreover, they rarely have the status or the scope of responsibility needed to be an effective force in improving the internal management of the department.

It now appears that only through the establishment of a new post such as that of an under secretary for management in each department, will it be possible for a secretary again to have a single official with comprehensive responsibility for leadership in matters of internal administration. The legislation creating these positions should include stringent qualification requirements, including substantial experience in the management of public agencies.

The desirability of installing under secretaries for management was advanced as early as 1971, when the position was provided for in each of the four departments recommended by President Nixon. No opposition to such a post emerged during extensive hearings on the departmental reorganization concepts.

In 1994 a panel of the National Academy of Public Administration in its report "Renewing HUD," also recommended the creation of an under secretary for management for that department.

6. **Principle:** Organizational design should be tailored to reflect the distinct requirements of different types of government programs so as to facilitate effective performance and maintain accountability.

**Corollary:** One size does not fit all types of governmental programs. Agencies engaged in such diverse activities as enforcing regulations, selling goods and services to the public, conducting research, and making grants have different requirements. The distinction between agencies responsible formulating basic policies and those responsible for operations is especially important.

**Discussion:** The architectural principle that form follows function also applies to the design of government. However, adjustment of requirements does not mean an ad hoc application of structural features merely to provide an expedient benefit. Crosscutting issues of governmental concern such as accountability and a culture of excellence in public service continue to apply to all government organizations.

A positive example comes from the legal framework that applies to government enterprises. When the Congress enacted the Government Corporation Control Act of 1945, it recognized that revenue-producing and potentially self-sustaining enterprises subject to market discipline could not function effectively if they were subject to many of the laws and regulations applicable to traditional tax-financed government programs. The Congress in favorably reporting the government corporation control legislation expressly stated, "The corporate form loses much

of its peculiar value without reasonable autonomy and flexibility in carrying out authorized programs. ”

Departures from the principles of sound design have led to significant institutional mistakes. One major pitfall is created by efforts to apply private sector flexibility without proper regard for the quite different context of a governmental institution. The creation of quasi-governmental institutions such as the Synthetic Fuels Corporation or the Federal Asset Disposition Association and the mislabeling of other governmental institutions as “private” in an effort to overcome statutory restrictions raise serious constitutional questions. These institutions use government powers and funds without being fully accountable either to the President or to the Congress.

7. **Principle:** The quality of program administration in every executive agency depends heavily upon the management skills of the administrators and other principal line officials.

**Corollary:** Today’s government environment requires that line managers possess skill in directing a civil service workforce and also in executing functions that an agency may carry out through contracts, grants, state and local governments, and partnership arrangements.

**Discussion:** Unskilled, inept or unethical program managers can, and probably will, impair the effective execution of even the soundest statutes and best conceived policies. It is, therefore, essential to assure through care in selection and training that the directors of line programs have the requisite management skills to be effective in a complex and often changing government environment.

Another problem relates to the steady proliferation of special assistants, deputy under and assistant secretaries, chiefs of staff and similar positions, most of which are filled on a non-career basis. Many political employees lack needed experience, or do not stay long enough to carry through their initiatives. Some have a primary loyalty to their sponsors rather than to their agency or the President. The Volcker Commission on the public service recommended that the number of political appointees be reduced substantially and many Academy studies (e.g., of the Environmental Protection Agency and the Federal Emergency Management Agency) have reached the same conclusion.

The growth in the number of non-career staff below an agency’s principal officials has fostered uneconomic layering and second guessing of line managers. It also makes it difficult for able career civil servants to advance to positions in which they can make optimum contributions to the efficient functioning of the government. Yet, in spite of the efforts now under way to curtail Federal employment and reduce layering, these often superfluous and counterproductive non-career positions have undergone little or no reduction.

8. **Principle:** Legislation establishing executive departments or agencies or addressing aspects of general management should to the maximum feasible extent avoid the prescription of statutory detail and should empower the agency head to make the internal arrangements best suited to the effective execution of the laws.

**Corollary:** Legislation that lodges functions in officers other than the 'agency head or restricts his or her authority to make adjustments to improve the management of programs will eventually increase costs, impair the achievement of the real purposes of the legislation, and make it more difficult to -hold the agency head accountable.

**Corollary:** The President as Chief Executive and the Congress in its oversight role need to provide and maintain a capacity to keep informed independently of the manner in which the agency head exercises authority over internal organization and management.

**Discussion:** The Hoover Commission urged that "Under the President, the heads of departments and agencies must have full responsibility for the conduct of their departments." It further asserted that "Each department head should receive from the Congress administrative authority to organize his department and to place him in control of its administration." This principle guided the development of such important organizational statutes as those creating the Federal Aviation Agency (1958), the National Aeronautics and Space Administration (1958), HUD (1965) and DOT (1966). In every case, all powers were lodged in the administrator or secretary, subject to delegation, and the internal structure was left to the agency head or was (as in the case of DOT) confined to the establishment of a small number of program administrations.

Congressional discontent with various aspects of departmental management has in recent years resulted in legislation to create additional statutory posts and prescribe their duties. In several instances this has been done on an across-the-board basis with little regard to the size, management effectiveness, or prior accomplishments of widely differing departments.

There is an urgent need for an objective evaluation of the effectiveness of these statutes and of their impact on how departments are managed. For example, laws such as the Inspectors General Act of 1978 and the Chief Financial Officers Act of 1990 have helped to encourage a migration of personnel, often with scarce financial skills, into watchdog positions. The result can be fragmentation of responsibility for program management and even a loss of capacity if an agency is unable to add to its program offices new people with those skills.

9. **Principle:** The effective administration of programs is dependent on competent, motivated public service employees who are responsive to the policy direction of the political leadership but are selected, retained and advanced on the basis of merit.

**Corollary:** Although sweeping reductions in regulations governing the public service can open the way to important improvements in management, they also increase vulnerability to political pressures that can lead to favoritism, inequities in serving the public, and corruption. Therefore, the movement toward greater operational flexibility and fewer regulations increases the need for steps to preserve a merit based public service that is highly trained and is guarded against improper political intervention.

**Corollary:** Effective administration can be compromised by placing political appointees in managerial positions for which they lack qualifications; moreover, such political appointments preclude the appointment or promotion of civil servants on the basis of merit to such positions and, thus, make the career service less attractive and make retention of the best performers more difficult.

**Corollary:** The more that government staff levels are reduced, and the more that roles and duties of government employees are changed, the greater the priority that should be placed on retaining and developing highly qualified career men and women whose performance is judged by their achievements.

**Discussion:** The National Performance Review (NPR) has sought to bring about a new culture among government employees. On the theory that government is “broken”, massive changes in approaches to government management are being undertaken. As a part of the downsizing of the Federal Executive Branch, members of Congress have proposed radical restructuring of Federal departments, and both branches are pressing for increased contracting, privatization, and greater use of performance-based organizations, including government corporations.

There is also a tendency to establish reduced employment targets based upon generalizations or unproved assumptions, such as an expected reduction of layering or increases in managers’ span of control. This approach often ignores the wide variety of situations under which Federal civil servants work, and it can result in a lack of staff, which may lead to uneconomic contracting or losses in program funds through inadequate oversight of their use. Staffing should follow determinations of what an agency is expected to do and the levels of funding available for approved programs. This was recognized in the initial NPR report, which recommended against the use of personnel (FTE) ceilings as a management control.

The current reinvention effort has included a substantial change in the way in which the Office of Personnel Management is discharging its functions under the civil service laws. There is much to be said for increased empowerment of the agencies in human resources management, but OPM and the Merit Systems Protection Board must vigilantly perform their statutory roles as guardians of the merit system. Abuses of the flexibility being conferred on agencies must be avoided or, should they occur, be swiftly identified and corrected by such oversight entities.

10. **Principle:** Employment of third parties (including state and local governments and profit and nonprofit contractors) to manage and operate government facilities and deliver public services does not eliminate the need for public management, it merely changes its character.

**Corollary:** So long as public funds or authority are involved, government managers must remain responsible and accountable for assuring effective performance and adherence to public purposes.

**Discussion:** The General Accounting Office has estimated that the Federal government grants over \$180 billion to third parties and contracts for another \$190 billion in goods and services. There is an important distinction between purchasing goods and services in a competitive market and contracting for management and delivery of public services. Entirely different issues arise when the government delegates to contractors the exercise of discretion over the use of public authority or spending public funds. Management of such contractors is not and should not be regarded as mainly a procurement problem with the government's role limited to that of auditor and paymaster.

The task of managing third parties is significantly different from that for which training and experience equips most public managers. New approaches are required. A 1989 Academy panel report, "Privatization: The Challenge to Public Management," observes that privatization often involves "an intricate chain of indirect relationships with organizations that have their own incentives and authority structures." Rather than command and control, public managers who rely upon third parties for program execution are constrained by contract terms and must often rely upon negotiation and persuasion.

#### **D. Concluding Observations**

The preceding ten principles, their corollaries and the attendant discussion are not intended to cover every proposition which may have some validity when applied to Federal executive agencies. There were several serious contenders for inclusion in the list which were eventually omitted because some experienced Fellows believed them not to qualify as principles, or had misgivings as to their validity.

What survived are the ten principles which were generally thought by persons with extensive backgrounds in Federal executive branch organization and management to be useful guides to anyone undertaking a reorganization, seeking to establish a Federal executive department or agency, or engaged in planning the administration of a program. The standing panel on Executive Organization and Management, therefore, hopes that this paper may contribute positively to the quality of future efforts at "reinventing" or restructuring the executive branch of the Government of the United States.

**Standing Panel on Executive Organization and Management  
Membership List**

Mark Abramson	William T. Golden	Robert Murray
Gregory J. Ahart*	Daniel Guttman*	Max D. Paglin
Anita F. Alpern	Thomas L. Hadd*	Bradley H. Patterson
Jack Basso*	Sandra J. Hale	Sallyanne Payton*
Charles F. Bingman	Bertrand M. Harding	James Pffiffer
Ralph C. Bledsoe	Matthew Holden	Roger B. Porter
James L. Blum	Stephen Horn	Edward Preston**
Ronald Boster	Constance J. Horner	J. Michael Quinlan
Jonathan Breul	Mary Evelyn Huey	Frank Reeder*
June Gibbs Brown	Bradford R. Huther	Gerald R. Riso
Eleanor Chelimsky	Patricia W. Ingraham	Richard L. Seggel
David S.C. Chu ( <b>Chair</b> )	Dwight A. Ink**	Harold Seidman**
Frank Cipolla*	Susan Irving	Michael
Timothy Clark*	Herbert N. Jasper**	Jon Seymour*
John M. Clarke	Donald F. Kettl	Roger Sperry*
James E. Colvard	Cornelius Kerwin	Tom Stack*
Murray Comarow**	C. Morgan Kinghorn	Thomas Stanton**
David O. (Doc) Cooke	Al Kliman*	Charles B. Stauffacher
Phillip Cooper*	Klaus Konig*	John G. Stewart
Dick Daniels*	Martin Landau	Robert L. Trachtenberg
Alan L. Dean**	Thomas D. Larson	Arlene Triplett*
<b>(Working Group Chair)</b>	Kathie Libby*	Earl Walter*
Charles L. Dempsey	Kristine Marcy	Barbara Wamsley
Jennifer Dorn	John Marshall*	Charles W. Washington
Mortimer Downey	Bernard Martin	Leonard Weiss*
Robert L. Fairman	David G. Mathiasen	Franklin E. White
Harold B. Finger	Victoria McDowell*	Joseph Wholey
Louis Fisher	Thomas S. McFee	Victor Zafra*
Andrew B. Fogarty	L. Ralph Mecham	Alfred M. Zuck
Richard L. Fogel	Astrid E. Merget	Eugene Zuckert
Robert Gilmour*	Howard M. Messner	
Bernard L. Gladieux	Ronald C. Moe**	

\* Denotes Associate Member

\*\* Denotes Principles Working Group Member