

# Managing Decentralized Departments: The Case of the U.S. Department of Health and Human Services



Beryl A. Radin  
Professor of Public Administration and Policy  
Rockefeller College  
State University of New York at Albany

The PricewaterhouseCoopers Endowment for  
**The Business of Government**

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# Foreword

October 1999

On behalf of The PricewaterhouseCoopers Endowment for The Business of Government, we are pleased to present this report by Beryl Radin on “Managing Decentralized Departments: The Case of the U.S. Department of Health and Human Services.”

In this report, Professor Radin describes how Secretary Donna Shalala is now managing the Department of Health and Human Services. In the past, many commentators have labeled the Department of HHS “unmanageable.” During her tenure, Secretary Shalala has used an innovative management style. We commend her bold efforts to dramatically rethink the role of the Office of the Secretary in managing a highly decentralized department. Professor Radin is also to be commended for her excellent portrait of how one cabinet secretary is managing one of the largest federal departments.

This report comes at a very opportune time. In a little over a year, the nation will elect the 43rd President of the United States. A presidential transition will follow with the selection of cabinet secretaries and agency heads. We hope that Professor Radin’s report will be helpful to the next Secretary of Health and Human Services, as well as to other cabinet secretaries as they organize their departments. This report should be extremely useful to other highly decentralized cabinet departments as they search for effective models of management. We look forward to publishing additional grant reports over the next year which we believe will be helpful to both current and future government executives.

Paul Lawrence  
Partner, PricewaterhouseCoopers  
Co-Chair, Endowment Advisory Board  
paul.lawrence@us.pwcglobal.com

Ian Littman  
Partner, PricewaterhouseCoopers  
Co-Chair, Endowment Advisory Board  
ian.littman@us.pwcglobal.com

# Executive Summary

Since its creation in 1953 as an amalgam of several existing agencies, the U.S. Department of Health and Human Services (HHS) has struggled with the appropriate balance between centralized functions in the Office of the Secretary and autonomy to the various agencies and bureaus contained within its boundaries. Over the years, the pendulum has swung back and forth between emphasis on centralization and decentralization as either implicit or explicit management strategies.

The current secretary, Donna Shalala, has adopted a conscious management strategy that is very different from those attempted in the past. She has begun with the assumption that the Department contains many decentralized elements and that it is not possible to change them. She describes the Department as composed of units that have their own history, needs, cultures, and constituencies. She has used the professional credibility of the sub-units within the office (especially those dealing with the health world) as an important source of public and political support. She has downsized the Office of the Secretary and delegated many different functions to the operating components.

The research found that the approach used by Secretary Shalala involved four elements that are of interest to managers in a variety of settings, as well as future HHS leaders. The four elements involve the attributes found in the political appointees themselves, the organizational framework that currently defines the Department, the management

strategies and approaches that have been undertaken, and the Department's response to external pressures.

The Department that has operated during the Clinton administration has been led by a Secretary who is extremely comfortable serving as an advocate for the program units, supporting their agendas, and relying on personal relationships and policy discussions instead of formal bureaucratic processes to arrive at decisions. She has worked to establish an Office of the Secretary that does not second-guess or micro-manage the program components. She is at ease developing a general direction for the Department through a strategically defined set of policy initiatives.

The system that has been put in place is flexible enough to respond to demands for centralization as well as decentralization when issues emerge from public concerns or crises, articulated by the Congress, the White House, and the press. It is robust enough to respond to a variety of situations that may emerge when individual actors look at issues from a political rather than a programmatic lens.

The experience of managing HHS as a largely decentralized Department does attest to the possibility of adopting a management strategy that provides an alternative to a traditional, centralized command and control mode.



# Background

Few public agencies are as complex as the U.S. Department of Health and Human Services. The management challenges posed by this public organization have worried administrators and policymakers since the Department was officially created as the Department of Health, Education and Welfare in April 1953, converting the Federal Security Agency (an agency that contained a range of programs) to a cabinet-level department.

Today, HHS manages more than 300 programs, covering a vast array of activities in medical and social science research; food and drug safety; financial assistance and health care for low income, elderly, and disabled Americans; child support enforcement; maternal and infant health; substance abuse treatment and prevention; and services for older Americans. The range of these programs means that the activities found within the Department affect the health and welfare of nearly every American.

The \$350 billion budget for Fiscal Year 1999 is implemented by 59,000 employees. HHS is the largest grant-making agency in the federal government, providing some 60,000 grants per year. It is also the nation's largest health insurer, handling more than 800 million claims per year. The Department's programs are administered by 11 operating divisions in both headquarter locations as well as 10 regional offices.

The complexity of HHS has created a set of management challenges for the Department secretaries over the 46 years of the Department's life. One of

the challenges has been the definition of the role of the Office of the Secretary and its relationship to the operating components of the department. For at the same time that the Secretary is the official "head" of the department and held publicly accountable for the actions of the programs within it, the Congress and the public have frequently focused on the operating components when specific action is demanded. Thus the Department is expected to respond to two sets of expectations that call for inconsistent strategies: *centralization* in the Office of the Secretary and *decentralization* to the operating programs.

## The Historical Functions of the Office of the Secretary

When the federal government's involvement in social programs increased dramatically in the 1960s, new attention was focused on the operations of the Department of Health, Education and Welfare. To that point, the Department — like the Department of Defense — operated much like a collection of separate entities. Some described the Department as a feudal system where power and authority were found in separate components, with the head of the "kingdom" operating more like a titular leader rather than one with actual control.

By the mid-1960s, however, the Office of the Secretary had emerged as a force within the Department. The span of activity grew wider as the federal government became a more important force in the society. Building on two processes — controlling the budget process as well as the determi-

nation of departmental positions on legislation — the Office of the Secretary grew and played a centripetal role of molding together the separate forces within the program components and reaching for a common set of policy goals within the Department. For the most part, the assistant secretaries in the Department were used primarily as staff offices whose role was to help the Secretary knit together related functions in the operating agencies.

Management efforts within the Department reflected an approach that emphasized control, monitoring, consistency in operations and approaches, and clarity about lines of authority. From that time on, most secretaries of the Department have searched for management systems that provide policy leadership as well as offer a way for them to oversee departmental administrative matters and programs. In a few cases, efforts at management reform have accentuated attempts to identify interdependencies and shared issues across program elements. Most efforts, however, emphasized modes of control of the separate elements within the Department.

This past agenda drew on several strategies. In some cases, the attempt to control the program components was done through manipulation of the organization structure, moving program components into new configurations in which they were required to work with previously separate and autonomous elements. For example, most of the Department's health programs were moved into a newly configured Office of the Assistant Secretary for Health in 1968. More frequently, however, the control agenda was achieved through formalized processes of budget development, planning, policy analysis, personnel, procurement, legislative development, public affairs, and legal advice by the general counsel. Through the years, various management techniques (such as the Planning, Programming, and Budgeting System, known as PPBS) became the instrumentality for the processes. In some cases the control agenda was achieved by focusing on the substance of specific policy initiatives.

A report issued by the General Accounting Office in 1990 provides a depiction of the approach that was predominant until 1993. This report on management in HHS was one in the GAO series of management reviews of major departments and

agencies. The intent of the report was to assess the role and effectiveness of the Office of the Secretary in managing the Department and to identify ways in which departmental management processes and structures could be improved. GAO focused on the lack of what they called "an effective management system within the Office of the Secretary" (USGAO, p. 3). According to GAO, a management system should be able to identify issues, define goals and objectives, develop strategies, create monitoring systems, oversee operations, and receive feedback on performance. In its analysis, GAO wrote that the efforts within the Department did not go far enough and that HHS was not able to create a system that actually required the operating programs to respond to the will of the Secretary. GAO found that the lack of departmental strategic planning was a "key element missing" from the HHS system.

Although the GAO report did acknowledge some of the forces and constraints that made it difficult to encourage central management in HHS, it was clear that the GAO analysts sought ways to overcome these difficulties. GAO also argued that it was possible to differentiate between two types of planning — strategic and operational — and to cast the role of the Office of the Secretary in the strategic planning mode which would set the framework for the operational planning role performed by the program units.

The report pointed to some systems that had moved in the preferred direction but noted that "No secretarial management system has stayed intact long enough to provide stability to the Department's basic operations." (USGAO, p. 3)

At the time the report was written, a senior level advisory body called the Management Council was in place, providing a bi-weekly venue for the senior staff of the Department to meet with the Secretary. In the past, Department-wide planning processes such as PPBS and CAMS (the Cooperative Agency Management System) had attempted to provide a Department-wide perspective. Creation of the Executive Secretariat — an office that circulated policy proposals to appropriate parties within the Department — provided a mechanism for clearance of policy positions and documents (especially regulations).

# The Study: Approaches During the Clinton Administration

The current secretary, Donna Shalala, has adopted a conscious management strategy that is very different from those attempted in the past. She has begun with the assumption that the Department contains many decentralized elements and that it is not possible to change them. She describes the Department as composed of many units that have their own history, needs, cultures, and constituencies. She has used the professional credibility of the subunits within the office (especially those dealing with the health world) as an important source of public and political support. She has downsized the Office of the Secretary and delegated many different functions to the operating components (this general approach was clearly rationalized by the reform strategy of Vice President Gore's National Performance Review). At the same time, she has attempted to devise processes that emphasize coordination and identify areas in which crosscutting approaches are essential. Her efforts represent an attempt to change the ways in which the Department is managed and, as a result, to improve the internal and external effectiveness of its operations.

This research sought to explicate the dimensions of Shalala's strategy through interviews with agency heads as well as through analysis of written materials such as guidelines and instructions that detail the behavior that is expected. It examined the relationship between the Secretary and her agency heads, their perceptions of the process, and how they operated within this set of expectations. The analysis includes general patterns of behavior and the ways that traditional control processes (especially the budget process) play out in the decentralized environment.

The research sought to sort out the balance between responsibilities at the program unit level and the role of the units within the Office of the Secretary. It also focused on the institutional capacity within the Department to make the determination of the balance.

These subjects served as the basis for interviews with nearly 20 top officials in the Department in 1999.

# The HHS Reality

Despite efforts that spanned several decades, the strategies that had been employed by past secretaries over the years were not able to deal with the predictable realities of the Department's external environment or with predictable internal dynamics. These are forces that any Secretary must confront. The external environment challenges management in many different ways: the diversity and size of operating programs; the reality of vague and difficult goals; fragmented accountability structures and program authority; different program responsibilities; controversial issues; and diverse constituencies. The forces that emerge from internal dynamics include multiple policy perspectives, conflicting policy approaches, staff-line competition, and "gaming" filtering units. This study suggests that the flexible strategy that was employed by Secretary Shalala was more effective in dealing with these forces than efforts that had been tried in the past.

## External forces

- **Diversity and Size of Operating Programs.** The large number of programs contained within the HHS umbrella represent a very diverse array of objectives, cultures, and approaches. Each of the components within the Department has its own history, needs, and approaches. Attempting to homogenize them within a centralized unit — even for planning purposes — dilutes their strengths and their unique values.

- **Vague, Difficult Goals.** The Department's program embody goals that are often contradictory, vague, not unified, and difficult to measure. Efforts to find goals and objectives that link separate programs too often result in situations in which controversies embodied in the programs are ignored or posed in highly abstract forms.
- **Fragmented Accountability Structures.** The accountability structures that frame the programs within the Department mirror the fragmented nature of the American policymaking system. Units within the Department are responsible to a number of separate budget, oversight and authorizing congressional committees which represent different perspectives on programs. Some of these committees and subcommittees have established very detailed expectations for the implementation of programs under their control. They are also subject to the expectations that are defined by the Executive Office of the President, particularly the Office of Management and Budget and the domestic policy staff, which often differ from congressional expectations.
- **Fragmented Program Authority.** Some of the programs within the Department have more in common with programs found in other departments or agencies than they do with other HHS programs. The congressional predilection to fragment program authority has created a crazy quilt array of program responsibilities across the federal government.

- **Different Program Responsibilities.** HHS has responsibility for programs that contain a wide range of administrative and policy mechanisms. Some of the programs that are implemented by HHS actually require Department staff to perform the work or deliver the services. Others involve providing funds (either as block grants, discretionary grants, or other forms) to others, particularly states and communities, who would deliver the services.
- **Controversial Issues.** Many of the policy issues that are contained within the HHS portfolio represent some of the most controversial domestic policy issues in the society. Issues such as government expenditures for abortion, welfare reform, and financing of health services evoke a variety of views and reflect very different perspectives on politics and policies. While the Department may seek to take a clear position on such issues, the external forces work in different directions. In addition, the Department's role involving these issues may be as a funder of programs that are delivered by other levels of governments, not as the actual deliverer itself.
- **Diverse Constituencies.** The diversity of programs within the Department is paralleled by an even more diverse set of constituencies that follow the details of decisions involving their concerns. Constituency or interest groups focused on a specific set of programs often represent very different approaches to those programs. The Department acts as a juggler, attempting to deal with multiple perspectives on a program area. In such a situation, ambiguity rather than clarity often serves the Department well.
- **Conflicting Policy Approaches.** At times the diverse program components within the Department represent different approaches to the same policy problem. When there is not agreement on the most effective way to address policy issues, various program elements may be charged with quite different (indeed, sometimes conflicting) approaches. For example, health research agencies may develop effective treatment forms that are not reimbursed by the agencies charged with financing services. This evokes conflict among the units for the preeminent role on the issue.
- **Staff-Line Competition.** The growth of an active and large Office of the Secretary staff, with its various components, led to competition between the program units and the Office of the Secretary for influence and the Secretary's ear. Program units sometimes perceived that the role of the Office of the Secretary was to second-guess the decisions of the operating components and to overturn their recommendations. As the Office of the Secretary grew larger in size, the various staff units had increased ability to monitor the program unit decisions more closely and to substitute their own technical judgment for that of the operating unit staff. This led to practices in which program units sought ways to avoid interacting with the staff components and, instead, learned how to minimize their impact on the program.
- **Gaming Filtering Units.** The creation of filtering units (that is, units that are established to filter information and package decision memos before they reach the Secretary) did not guarantee that decisions would be more effective or provide a way to represent varying perspectives within the Department. At times the program units found ways to bypass these efforts or bring them into the process very late in the game.

## Internal forces

- **Multiple Policy Perspectives.** The controversies found within the society sometimes have been reflected within the Department itself. In the past, individuals appointed to top political roles represented diverse policy and political agendas. It was not uncommon to have a Secretary committed to one perspective on an issue and a Deputy Secretary or Assistant Secretary to a very different approach. When this occurred, it was difficult to reach agreement on policy directions, and loyalty to a single agenda defined by the Secretary was difficult to achieve.

## About Donna Shalala



Donna Shalala is the longest serving Secretary of Health and Human Services in U.S. history. She joined the Clinton administration in January 1993 and since then has led the administration's efforts to reform the nation's welfare system and improve health care while containing health costs.

In her time as Secretary, the Department has guided the approval of the Children's Health Insurance Plan, raised child immunization rates to the highest levels in history, led the fight against youths' use of tobacco, and crusaded for streamlined processes for approving new drugs to treat AIDS and other diseases. A recent column about her in *Government Executive* magazine touted Dr. Shalala because "she cares about management. She has built a strong team at the top of the Department, and has taken care to replenish the ranks below as well. ... She has a finely honed sense of the desirable and the practical in large institutions."

Secretary Shalala has also redefined the role of HHS Secretary, partnering with businesses and other private sector organizations to extend the Department's public health and education mission. She appeared in a "Milk Mustache" advertisement to help promote osteoporosis prevention, threw the season-opening pitch for the Baltimore Orioles as part of a campaign to delink baseball and smokeless tobacco, and appeared in an online chat on the WNBA's website to discuss breast cancer prevention. An avid athlete and sports fan, Dr. Shalala was the first season ticket holder for the league's Washington Mystics.

While serving as Chancellor of the University of Wisconsin, Dr. Shalala administered the nation's largest public research university and spearheaded the \$225 million program to renovate and add to the university's research complex. In 1992, *Business Week* named her one of the top five managers in higher education.

Prior to the University of Wisconsin, Secretary Shalala served as president of Hunter College for eight years, and as an Assistant Secretary at the Department of Housing and Urban Development during the Carter Administration. From 1975-1977, she served as Treasurer of New York City's Municipal Assistance Corporation, the organization that helped rescue the city from the brink of bankruptcy.

An acknowledged scholar of state and local government and finance, Secretary Shalala earned her Ph.D. from the Maxwell School of Citizenship and Public Affairs at Syracuse University in 1970. She has also served as a Peace Corps volunteer in Iran.

Secretary Shalala has more than two dozen honorary degrees and a host of other honors, including the 1992 National Public Service Award and the *Glamour Magazine* Woman of the Year Award in 1994. She has been elected to the National Academy of Education, the National Academy of Public Administration, and the American Academy of Arts and Sciences.

# Study Findings

In some ways it is difficult to generalize from the HHS experience because the management of the Department reflects many unique personal attributes of the current Secretary and relationships within the administration. Secretary Shalala's tenure in the Department is very unusual. At this writing, Secretary Shalala is approaching her seventh year in office, far beyond the experience of any other Secretary. Continuity and great depth of understanding of policy, political, and management issues have been possible as a result of longevity in office.

In addition, the Secretary's past experience has played an extremely important role in the process of defining management strategies. This included both previous federal experience in the Department of Housing and Urban Development as well as her years as the president of two universities. While quite different from HHS, these experiences gave her at least two sets of skills: first, familiarity with the operations of federal cabinet agencies, and second, comfort and ease in thinking about management in an organization with very diverse and autonomous units. It is also important to acknowledge that she had a personal and professional relationship with both the President and the First Lady that extended over some years.

But despite these unique elements, there are a number of findings that are of interest beyond this situation and provide a case for an alternative approach to the strategy that had been often tried.

They include attributes found in the political appointees themselves, the organizational framework that currently defines the Department, the management strategies and approaches that have been undertaken, and the response to external pressures.

## The HHS Political Appointees

The team that was assembled in HHS at the beginning of the Clinton administration was composed of individuals who were experts in their fields, loyal to the Secretary, and able to operate in a highly collegial fashion. Although some of those individuals did not stay in their positions throughout the two terms of the administration, persons who had similar characteristics succeeded them.

**Knowledgeable individuals.** The top appointees in the Department are — with few exceptions — individuals who are viewed as experts in their area of responsibility. Staff brought administrative, research, and programmatic knowledge of the program areas with which they were charged. As such, most of them are able to command respect from the constituency groups with whom they deal as well as from the career staff in the agency. This familiarity with the issues also supported a longer-term commitment to an action agenda that led to terms of service that extended beyond the typical 18-month tenure for political appointees.

**Loyalty to the Secretary.** While appointees of the President, all of the top staff in the Department

were selected by the Secretary with the approval of the White House. There do not appear to be any instances of divided loyalty or situations in which political appointees were responsive to a different agenda than that generally defined by the Secretary (although there were disagreements between some individuals and the White House that resulted in resignations). This created a situation in which there was a personal commitment to achieve a common agenda.

**Collegiality and Openness.** The personal relationships that have developed between top staff in the Department appear to be important to the strategy that has been undertaken. This has been reinforced by social events and opportunities to discuss issues of the day. While not all of the senior staff are close friends, they have developed a sense of being part of a team effort. New members of the staff have been welcomed into the group, and there is little indication of a newcomer vs. old timer dichotomy.

The Secretary has cultivated a sense of openness within the Department and made herself accessible to staff. This has become a model for other senior staff, who are expected to function in the same way within their own units.

## The Organizational Framework

All leaders approach their organizations with assumptions about the agency for which they are responsible. Secretary Shalala's approach to HHS as an organization contains several elements:

- an emphasis on the program units as the heart of the Department;
- an assumption that staff units are not there to control or second-guess the program units;
- an organizational structure that seeks to minimize hierarchy and reduce layers of accountability.

**Program Units as the Centerpiece.** While some Secretaries of HHS have sought ways to build a perception of the Department as a single entity, this Secretary has not moved in that direction. Rather, there is a clear sense that the program units — usually called the Operating Divisions or OpDivs — are the heart of the Department. They are units that perform the work of the Department and are responsible to their own constituencies as well as

congressional committees and subcommittees. Specific responsibilities that had traditionally been located in the Office of the Secretary (such as personnel and procurement) were delegated to the OpDivs.

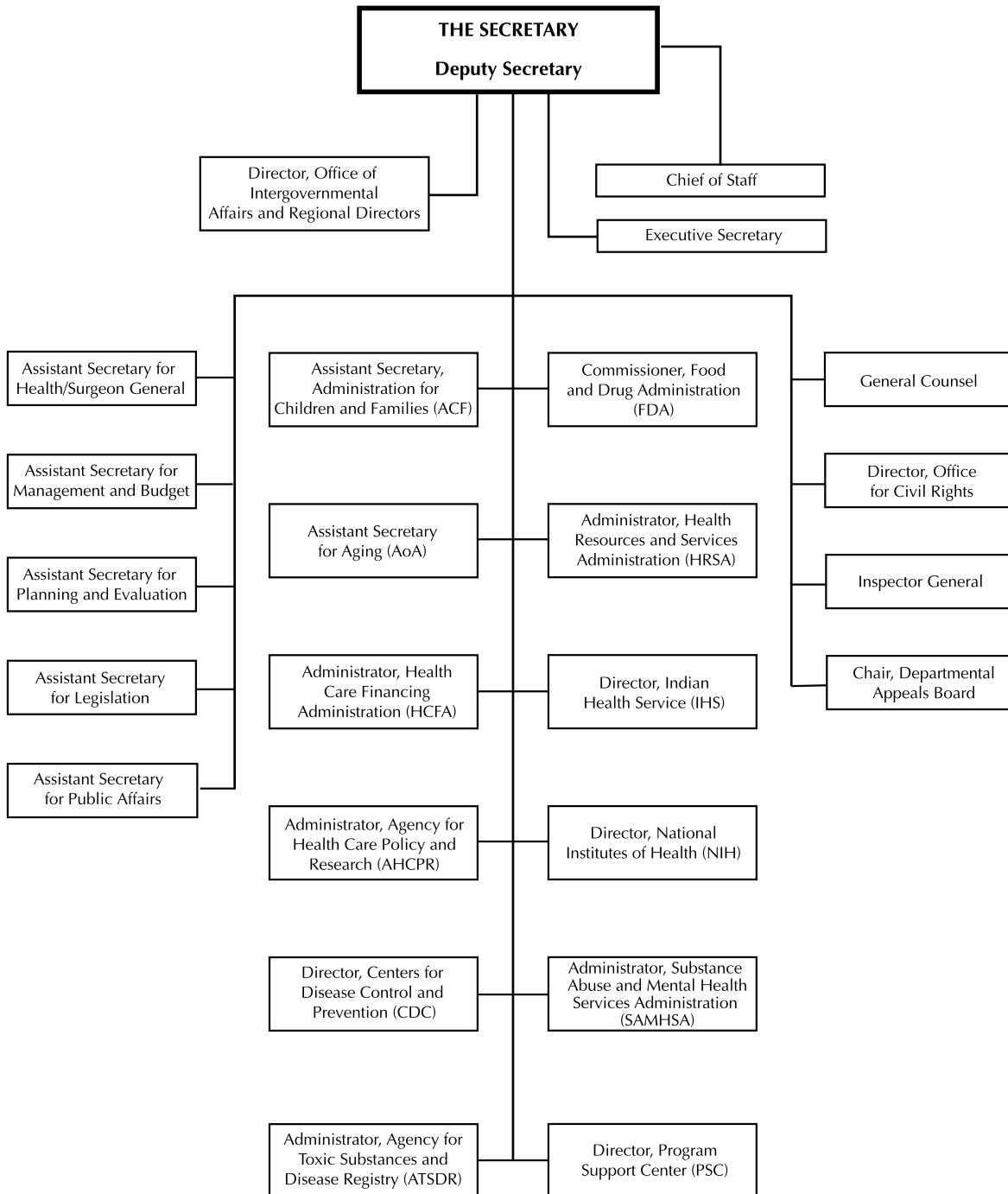
**Staff Units as Value Added.** Although strong individuals have been appointed to head up the staff units — usually called the Staff Divisions or StaffDivs — their role is sometimes defined as running operations that are value added to the Department. Their value is of two types: first, advising the Secretary on those issues which are on (or should be on) her decision plate, and second, serving as a resource for the OpDivs when the program units choose to call on them. Although there continues to be instances in which some tension arises between the program units and the Staff Divs, this tension is relatively rare and significantly less than was experienced in the past. The reduction in conflict has followed decreases in the size of the units within the Office of the Secretary during the Clinton administration, and there has been a concerted attempt to pull out some operating responsibilities that had been lodged within some staff units.

**Flat Organizational Structure.** During the first term, a new organizational structure was put into place that embodied the preeminence of the operating units. Until 1995, the program units found within the Public Health Service reported to an Assistant Secretary for Health (called OASH — the Office of the Assistant Secretary for Health). Although some of the units traditionally bypassed this intervening level and in practice dealt directly with the Secretary, the OASH played a formal decision role within the Department, particularly as it involved the budget development process. The change in the structure removed this level and defined the role of the Office of the Assistant Secretary for Health as a staff unit.

The flattened organizational structure more clearly represented the Secretary's management view. This set of decisions was rationalized by the organizational advice that emanated from the Vice President's National Performance Review, which advocated flat organizations built around efforts to empower line officials.



# HHS Organization Chart



At approximately the same time, the Social Security Administration was separated from the Department, minimizing the number (and size) of the program units responsible to the Secretary. The departure of the Social Security Administration cut both the Department's budget and its staff in half.

## Management Strategies and Approaches

The management strategies that have been employed within HHS signal a clear move away from traditional command and control approaches. The focus within the Department is on substantive policy issues rather than on formal management processes. While the budget process continues to be relatively formal, it does not communicate a central control agenda; indeed, the process is highly collaborative and transparent. The decision-making modes that have been employed invest in high levels of interaction and a consensus model. Information exchanges rather than control is emphasized within the Department.

**A focus on substantive issues, not on management processes.** With very few exceptions, the Office of the Secretary's strategy for interaction with the pro-

gram units highlights specific policy initiatives or policy concerns. Each year the Secretary has established a small number of initiatives or themes that represent either Departmental or administration priorities. In many instances these initiatives call for collaborative efforts across separate program components, reflecting the reality that a number of important issues actually cross bureaucratic lines. In both FY 1998 and 1999, teams were created around each of the initiatives that had been proposed the year before, with specific agencies charged with chairing or co-chairing the effort. Each team was asked to define the goals of the initiative, the interagency cooperation required, and to signal the issues that required the attention of the Secretary, the Deputy Secretary or the Chief of Staff.

**The budget process as a collaborative and transparent enterprise.** Perhaps the most highly institutionalized decision process within the Department centers on the budget. Even in this instance, there have been few situations in which the budget office in the Office of the Assistant Secretary for Management and Budget has attempted to second-guess the budget requests developed by the operat-

### Traditional Roles of the Office of the Secretary

- Direct Services to the Secretary
- External Affairs
- Policy Direction
- Advising the Secretary
- Program and Policy Coordination
- Services to the Department

ing program components. Instead, the budget office has provided strategic advice on the construction of OpDiv budgets. The budget is developed by the program components on the basis of themes or specific initiatives to be highlighted by the Secretary.

Opportunities for dialogue between the operating divisions and the Office of the Secretary about the budget take place at several points. Each OpDiv presents its request and summarizes its management and program focus in a venue called the Budget Review Board. It is chaired by the Assistant Secretary for Management and Budget with participation by the Assistant Secretary for Planning and Evaluation, the Assistant Secretary for Health, and the Assistant Secretary for Legislation. The Board helps define the issues in the budget and through discussion assists the OpDivs in determining what aspects of the request should be emphasized as the budget is presented to the Secretary. The heads of the operating programs are queried about their requests and asked to indicate how those requests mesh with the Secretary's initiatives.

Approximately a month later, the budgets are presented to the Secretary and the Deputy Secretary in a setting that includes all of the senior staff within the Department. All of the agencies have an opportunity to review each other's budgets and comment on areas that are of shared interest. When these presentations are concluded, all of these individuals are asked to prepare a budget for the entire Department by voting on allocations — an exercise that emphasizes the importance of looking at the submission from the perspective of the Secretary. The Secretary imposes the constraint of an overall budget amount, and senior staff make their recommendations within this constraint.

While changes have sometimes been made in the original OpDiv submissions, for the most part the budget that is sent to the Office of Management and Budget (OMB) represents the requests proposed by the program units. This approach minimizes the conflict among programs for resources when they operate with limited resources. While OMB frequently recommends cuts, in a number of instances the Secretary has been successful in appealing them to the OMB Director or to the President. As such, budget conflict rarely occurs

within the Department and a unified position is submitted to OMB. The transparency of the process minimizes the practice of OpDivs end-running to OMB. Instead of battling inside the Department, the battle is moved to the Executive Office of the President.

**Modes of decision making.** Collaboration and collegial values underlie the decision-making process within the Department. Decisions are frequently made as a result of interaction between relevant players and a consensus approach is utilized. The exchanges are personal and the interactions require a significant time investment. Transparency and openness characterize the decision-making process. Meetings are held only on an as-needed basis, avoiding a perception that such sessions are required for their own sake. There is little evidence that the senior staff in the Department operate collectively as the Secretary's cabinet although individuals are constantly engaged in exchange with the Secretary and Deputy Secretary about policy issues.

To some extent, the collegiality that is present is supported by what has been described as a lack of bureaucracy within the Department. Compared to the past, there is minimal exchange of paper, and OpDivs search for ways to solve their own problems.

**The “no surprises” ground rule.** The most important ground rule that is well entrenched in the Department is the “no surprises” rule. The autonomy that has been provided to the OpDivs carries with it an expectation that the program heads will let the Secretary, the Deputy Secretary, and the Staff Divs know when important issues are coming to the surface. This expectation has been characterized as one of reciprocity: except in rare instances, the Office of the Secretary will not second-guess the OpDiv if it is aware of the emerging issues.

The major formal mechanism for assuring this is found in the operations of the Executive Secretariat. This office acts as gatekeeper for the Office of the Secretary and seeks to facilitate ways for information to flow to the Secretary. The Executive Secretariat decides who gets involved in issue discussions either in person or through memoranda.

**Reliance on information exchange.** Because the Secretary has chosen to avoid regularly scheduled meetings that might serve as a formal management council, several other mechanisms have been developed within the Office of the Secretary to facilitate exchange of information. The Deputy Secretary holds quarterly management meetings with each of the OpDivs, providing a venue to review a range of administrative and policy questions relevant to the program unit. Representatives of each of the Staff Divs sit in on these meetings and, periodically, other OpDivs are invited to participate by the OpDiv under review. The Deputy Secretary has used these meetings as a way to hold the OpDiv heads accountable for program performance. The meetings also serve to build (indeed, to institutionalize) a set of expectations about specific program or policy goals.

Several of the Staff Divs also hold regular meetings with their counterparts in the operating agencies. For example, public affairs and legislative staff from each of the OpDivs participate in exchanges (e.g. conference calls and meetings) that are organized by the Office of the Assistant Secretary for Public Affairs and the Office of the Assistant Secretary for Legislation. Other Staff Divs (such as the General Counsel and the Office of the Assistant Secretary for Management and Budget) also have formalized or less formal relationships with their counterparts in the program units.

While some of these exchanges take place face-to-face, technology has made it much easier to keep in contact with individuals who may be located outside of Department headquarters. (For example, the Centers for Disease Control is located in

### **Integrative Mechanisms Which Link the Office of the Secretary and the Operating Divisions**

#### **Formal Processes**

- Executive Secretariat
- The Budget Process

#### **Issue Focus**

- Secretarial Initiatives
- Tobacco Work Group
- Food Safety Council
- AIDS Steering Committee
- Minority Initiatives Steering Group

#### **Regular Feedback Mechanisms**

- Deputy Secretary Quarterly Management Meetings
- ASMB Management Lunches
- ASPA Weekly Conference Calls

#### **Response to White House Requirements**

- Y2K Work Group
- The National Performance Review

Atlanta and the Health Care Financing Agency is in Baltimore). The ease of devising list-serves for e-mail communication has made it very simple to facilitate the exchange of information across a very large organization.

Secretary (as well as the Department as a whole) from negative press or political reactions.

## **Responding to the External Environment**

Although it is clear that the Secretary has established management dimensions and processes for the Department that emphasize decentralization and autonomy for the program units, external pressures have also had an impact on the balance between centralization and decentralization in HHS. There are a number of instances in which the Secretary, Deputy Secretary, or other parts of the Office of the Secretary play a pivotal role, moving toward some level of centralization. Chief among them have been directives that have come to the Department from the White House. These include the National Performance Review, Y2K planning, and the Minority Initiatives effort. Administration initiatives — particularly those related to management questions — tend to push toward centralization (or at least direct activity organized by the Office of the Secretary). In each of these cases, however, there has been an attempt to respect the expertise and autonomy of the operating units and to differentiate between operating responsibilities and a more general guidance or facilitating role that is assumed by the Office of the Secretary.

In some cases the Congress has also looked to the Secretary to respond to specific issues. Members of Congress search for whoever they believe can assist them and usually write to the Secretary when they have concerns about specific programs or individual policy decisions. At the same time, in its appropriating, authorizing, and oversight roles, the Congress tends to deal directly with program units.

Attention from the White House and the Congress has often led OpDivs to go to the Department for assistance in strategizing an effective response to queries or criticisms. Two of the Staff Divisions — the Office of the Assistant Secretary for Public Affairs and the Office of the Assistant Secretary for Legislation — are especially sensitive to the pressures from external sources and seek to protect the

# Conclusions and Recommendations

The management approach that has been put into place in the Department of Health and Human Services is, without doubt, only one of a variety of administrative strategies that can be employed in public agencies. The choice of a strategy depends on a number of variables — the personality, skills, and experience of the leader, the tasks that are to be performed, and the expectations of the players in the external environment. While the HHS approach may not be the only way to manage a large and diverse organization, it does provide an alternative example to the traditional command and control strategy often suggested for such agencies.

The Department that is operating during the Clinton administration is led by a Secretary who is extremely comfortable serving as an advocate for the program units, a supporter of their agendas, and relying on personal relationships and policy discussions instead of formal bureaucratic processes to arrive at decisions. She has not been interested in establishing an Office of the Secretary that sees its role as second-guessing or micro-managing the program components. She is at ease developing a general direction for the Department through a strategically defined set of policy initiatives. She relies on staff whom she trusts and respects.

In addition to the programmatic diversity contained within the Department, it is also important to acknowledge that many of the programs for which HHS is responsible depend on others for implementation. HHS staff actually delivers some of the

services that are contained in the Department's portfolio. But state, local and other organizations have significant levels of discretion over the implementation of other programs. In that sense, attempts to establish an expectation that any federal agency — and particularly the Office of the Secretary — can control the details of program operations can only be viewed as unrealistic.

The HHS approach, however, does have some shortcomings. The autonomy that has been provided to the Operating Divisions means that program units may not always be able to take maximum advantage of learning from one another. The bottom-up approach is dependent on recognition of interdependencies between programs. Most of the crosscutting efforts within the Department are of relatively short duration. While there is a recognition that some of these efforts should move into more institutionalized and permanent status, given the informal nature of relationships in the Department it is not easy to move in that direction.

The system that has been put in place is flexible enough to build in the ability to respond to demands for centralization as well as decentralization when issues emerge from public concerns or crises, articulated by the Congress, the White House, and the press. It also seems robust enough to respond to the different perspectives that emerge when individual actors look at issues from a political rather than a programmatic lens. Indeed, the conflicts that have surfaced are rarely a clash

between career and political staff perspectives. Rather, they represent conflicts between one set of political actors whose responsibilities focus attention outside the Department and another set of political actors who emphasize the details of the programs for which they are responsible.

Despite the success of the Shalala strategy, an underlying uncertainty about the identity of the Department does remain. It is not clear what makes HHS a Department or what elements are viewed as essential to the identity of the Department as a single entity. One could imagine a situation where additional program elements in the Department would be spun off, following the model set by the creation of a separate Department of Education and a separate Social Security Administration. The arguments that would be used to oppose such a move are not always convincing, particularly in the face of a strong constituency that wants a separate identity for their programs.

The Shalala administration does indicate that shared values, personal relationships, and professional respect do provide the basis for a corporate identity. But it is not at all certain that these will continue when a different set of individuals assumes office. Yet the experience of flexibly managing HHS as a largely decentralized department does attest to the possibility of adopting a management strategy that is an alternative to the traditional centralized mode.

## Implications for the Future

The HHS experience under the leadership of Donna Shalala provides a number of lessons for future leaders of HHS as well as others who are faced with the management of decentralized departments.

**Management style should be tailored to the individual strengths and predilections of the leader.** As such, it is not possible to establish a single measure of management effectiveness. Rather, the particular approach that is used will be idiosyncratic to the individual involved. These individual preferences will also have a direct effect on the role of the top officials in the organization. For example, the role of the Deputy Secretary and the Chief of Staff within the organization will be defined by the personalities, background, and interests of the Secretary and second-tier officials.

**The appointment of top officials in the organization is crucial.** When the leader of the organization has the ability to select his or her own team, those individuals are likely to be most effective in operating as a unified group. Loyalty to the top official in the organization does not preclude loyalty to the President (or other top political actors). In addition, selection of top officials with expertise and knowledge of the field for which they have responsibility provides the base for management approaches that emphasize discretion and delegate to specialized units.

**Units with responsibility for implementing programs are the core of the organization.** Staff units (such as those in the Office of the Secretary) should be relatively small in size and always aware that they are present to support the “work” of the organization. Efforts to constrain the ability of the program units to carry out their responsibilities should not be devised simply as a way to control their action.

**A focus on substantive policy outcomes should be predominant; institutionalized management processes should be viewed as a means to policy ends, not as ends in themselves.** The creation of teams of staff around specific policy issues provides a focus that highlights policy goals. In addition, the team approach allows for flexibility and response to emerging issues.

**The internal budget process can be used as a method of highlighting shared goals and values.** While operating within an environment of limited resources, the budget process can be used to facilitate information exchange and to identify cross cutting programs and approaches. This approach provides a solid basis for a unified departmental budget request.

**Internal management strategies cannot be insulated from external policy, management, or political pressures.** No matter what management approach is used by an agency leader, he or she must always assume that external forces are likely to create demands that modify those plans. As such, it is not surprising that most organizations have a mixed portfolio, combining both centralized and decentralized management efforts.

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# About the Author



Beryl A. Radin is Professor of Public Administration and Policy at Rockefeller College at the State University of New York at Albany. She served as a Special Advisor to the Assistant Secretary for Management and Budget, U.S. Department of Health and Human Services, for the academic years 1996-98. Before joining the Albany faculty in 1994, she was Professor of Public Administration at the Washington Public Affairs Center of the University of Southern California's School of Public Administration from 1978 to 1994.

Her publications have focused on management and policy issues within the U.S. federal government. Her books include *New Governance for Rural America: Creating Intergovernmental Partnerships*, with Robert Agranoff, Ann Bowman, C. Gregory Buntz, Steven Ott, Barbara Romzek and Robert Wilson, University Press of Kansas, 1996; *The Politics of Federal Reorganization: Creating the U.S. Department Of Education* with Willis D. Hawley, Pergamon Press, 1988; and *Implementation, Change and the Federal Bureaucracy: School Desegregation Policy In HEW (1964-68)*, Teachers College Press, Columbia University, New York, 1977. Her new book, *Beyond Machiavelli: Policy Analysis Comes of Age*, will be published by Georgetown University Press in 2000.

Dr. Radin was the President of the Association for Public Policy Analysis and Management, the national public policy organization. Her professional activities also involve the American Political Science Association, the National Association of Schools of Public Affairs and Administration, and the American Society of Public Administration.

Dr. Radin received her Ph.D. in Social Policies Planning from the Department of City and Regional Planning at the University of California at Berkeley.

# Key Contact Information

## To contact the author:

### **Professor Beryl A. Radin**

Professor of Public Administration and Policy  
Rockefeller College  
State University of New York at Albany  
Milne Hall  
135 Western Avenue  
Albany, NY 12222  
(518) 442-5266

e-mail: [brad@cnsvox.albany.edu](mailto:brad@cnsvox.albany.edu)

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## For additional information, contact:

**Mark A. Abramson**

Executive Director

The PricewaterhouseCoopers Endowment for  
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1616 North Fort Myer Drive  
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(703) 741-1077

fax: (703) 741-1076

e-mail: [endowment@us.pwcglobal.com](mailto:endowment@us.pwcglobal.com)

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