

*My Chrichman*  
*R*  
*#33*

EXECUTIVE OFFICE OF THE PRESIDENT  
PRESIDENT'S ADVISORY COUNCIL ON EXECUTIVE ORGANIZATION  
WASHINGTON, D. C. 20506

DRAFT  
October 10, 1969

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR

THE PRESIDENT

SUBJECT: Proposed Organization of the Executive Office of the President

This paper amplifies the proposals presented in the Council's meeting with you in San Clemente on August 20, 1969. The memorandum discussed in that meeting (see Appendix 1) recommends creation of an Office of Executive Management (OEM) and a Domestic Policy Council (DPC). Implementation plans for these proposals are presented in this report. A subsequent report will cover other activities within the Executive Office of the President (EOP) we are now studying, particularly the Office of Science and Technology and the Office of Emergency Preparedness.

Under the plan proposed by your Council, the OEM and the DPC will serve the President directly. They will increase his ability for effective decision making and program execution. When fully operative, they will permit the President to delegate authority with confidence, and strengthen the agencies<sup>1/</sup> ability to manage their programs. Figure A is a simplified diagram of the EOP as it is currently organized. Figure B sketches our proposed EOP organization.

<sup>1/</sup> As used in this memorandum, "agencies" includes the departments, agencies, and other units of the Executive Branch outside the Executive Office of the President.

Copy 2 of      Copies  
Series "A"

The OEM and the DPC, when considered with the National Security Council, are conceived of as the primary machinery through which the President will manage the Executive Branch. The success of OEM and DPC will depend upon close cooperation between them, and upon their ability to work with the agencies and with units of the President's office.

OEM and DPC will provide a more effective and coherent arrangement of many management activities which already exist in some form. They will provide you, and Presidents in the future, with instruments for managing, although you and they may use them differently. While the analog is imprecise, it is worth noting that in the field of foreign affairs, the National Security Council has for 22 years been available to serve each President in a manner consistent with his style.

① The OEM and the DPC will require, in our opinion, some 90 additional professionals, over and above those presently assigned to the White House, to serve their functions effectively. Our estimate of the additional cost is \$2.6 million annually. Staffing and budget estimates are presented in Appendix 2.

THE DOMESTIC POLICY COUNCIL (DPC)Mission and Role

There does not now exist, at any point in the structure of government, an organized and well staffed group of men charged with advising the President on total domestic policy. The DPC will fill that need. It will develop new initiatives, such as the recent welfare proposal; analyze agency initiatives, such as the recent tax reform package; and consider changes in existing programs, e.g., whether Social Security benefits should be tied to living costs.

In proposing alternative courses of action for the President, the DPC will undertake three activities. First, the DPC will develop forecasts and other data to help define national goals and objectives. Second, it will synthesize policy alternatives into consistent programs that will reflect the President's priorities and agency views. Third, it will consider the policy implications of ongoing programs and formulate or revise policy as needed. The policy underlying the Job Corps, for example, with its attendant program and organizational difficulties, would undoubtedly have been reviewed by the DPC.

We believe that the DPC will provide a mechanism for the Administration's top executives to focus collectively on domestic policies and on their own relationships in developing those policies. The DPC will be a vital link between the agencies and the President -- disseminating the President's philosophy to the agencies and communicating agency positions to the President.

Structure and Staffing

The President (and in his absence, the Vice President) will serve as Chairman of the DPC. There will be eleven Council members: the Vice President, the Secretaries of nine Cabinet departments (all but State, Defense, and Post Office), and the Director of OEO as long as he retains Cabinet rank. The Council's staff will be headed by an Executive Secretary.

The President will use Council meetings as he sees fit: sometimes as a forum for discussion, sometimes as a means of disseminating his decisions, sometimes to weave diverse views into a workable consensus.

He may convene meetings of the whole or any part of the Council. At such meetings, he may also decide to invite selected executives of the EOP, non-member agency heads, or others. In discussing a truth-in-lending issue, for example, the President might include, among others, Treasury, Commerce, HEW, CEA, and FTC.

The Executive Secretary of the DPC will be a Level II to be appointed without Senate approval. He will direct and organize a staff of some 50 professionals, who will do policy and program analysis and development.

Most of the staff will be assigned to analyze specific matters of current interest to the President. Sections of the staff could specialize in such areas as environmental quality, <sup>LAW</sup> crime, <sup>youth</sup> campus unrest, and <sup>?</sup> transportation.

A small segment of the staff -- about ten professionals -- will conduct research on economic and social trends to help clarify national goals and objectives. This staff element provides a research tool not currently available.

Much of the Council's work will be accomplished by program committees to be established by the President through the Executive Secretary. We use "program committees" as a generic term for a variety of working groups. In practice, these committees can be task forces, planning groups, program offices, advisory councils, or commissions. They can be established with varying degrees of formality, and can deal with broad program areas like urban affairs and environmental quality or with narrower ones like drug abuse or prison reform. The committees will be supported by DPC staffers, supplemented when needed by agency experts.

who?  
leads?

The membership of these committees can include representation from within the Federal government, from outside it, or both. Their staffs, coordinated and monitored by the DPC's Executive Secretary, can call upon experts within and outside the Executive Branch. The committee device, with adequate staffing and coordination, will provide the generative mechanism for readying policy proposals for Presidential review. As needs change, committees will be formed, modified, and terminated.

For a further description of the DPC, see Appendix 3.

#### Important Changes

While building on relationships that exist informally between the White House Staff, agency officials, and outside groups, the DPC embodies three innovations:

1. It asserts executive leadership over program development and instills a shared sense of overall goals.
2. It institutionalizes an adequate Presidential-level staff to research program proposals and do long-range planning.
3. It brings the President's top officials into flexible, working bodies to focus on broad domestic issues.

These innovations will enable the President to make better program decisions in the light of resource constraints and will remove the confusion of purpose which arises from ambiguity in assigning responsibility for policy development.

THE OFFICE OF EXECUTIVE MANAGEMENT (OEM)

Mission and Role

OEM will be an essential management arm of the President. It will provide enhanced institutional capability in critical areas:

- . budget and program evaluation,
- . program coordination, and
- . legislative clearance.

It will provide a far stronger organizational base for programs involving:

- . executive personnel,
- . organizational matters, and
- . information systems.

It will be OEM's job to carry out all these functions so they relate to one another. Coherent executive management of the Executive Branch cannot otherwise be attained. As part of its mission, OEM will attend to the continuing improvement of management and decision making processes throughout the Executive Branch, helping the agencies when requested, and serving as an important link between them and the President. Appendix 4 provides a more detailed description of OEM's general duties.

#### Structure and Staffing

The Executive Director of the OEM will be a Level I or Level II appointee and his Deputy a Level III.

*why Δ?  
DPC  
Exec?  
Sec?*

We favor Level I status for the Executive Director, but prefer that Senate confirmation not be required. If the choice should be between Level I with Senate confirmation and Level II without Senate confirmation, we would favor the latter. To perform the functions listed above, the Executive Director and his Deputy will be responsible for five Divisions:

1. Division of Budget and Evaluation (See Appendix 5)

This Division will assemble and review the annual budget and will assist in developing budget and fiscal policy. With the help of other parts of the EOP, it will develop the assumptions, constraints, and guidelines for the agencies' program budget submissions. \*

*ReTro*

A great weakness in Federal government is its lack of ability to evaluate program results. This Division will also be charged with that responsibility. It will assess program achievements in terms of performance objectives and cost, and will pinpoint critical problem areas for executive attention. Further research into evaluative techniques, and training EOP and agency executives in their use, will take time and effort, but it must be done.

The Level III Director will have two Level IV Deputy Directors, one for evaluation and one for fiscal affairs, as well as a Level V Assistant Director for budget preparation and review. Together they will direct a staff of about 225 professionals.

Fifty of these will establish budget guidelines and prepare the budget, and 25 will develop and apply evaluation techniques. The others will be divided into six examining groups, corresponding to BoB's present program divisions, augmented to strengthen the evaluative function and headed by Presidential appointees. Four of the examining groups will be headed by Level V's, while the remaining two examining groups, those concerned with National Security Programs and Human Resources Programs, will each be headed by a Level IV.



2. Division of Program Coordination (See Appendix 6)

\* This Division will improve the performance of domestic programs by helping agencies work out their interagency operating problems. Its staff, which will be based in Washington, will perform an expediting role and serve as a catalyst to bring about cooperation between related agencies in the field and in Washington.

On occasion, the Division will also coordinate specific activities requested by the President, particularly in cases of local emergencies.

It is important to describe the coordinator's role with unusual care. He will cultivate a relationship of trust and understanding with agency officials. Although each coordinator will inevitably carry a grain of Presidential authority, he will rely primarily on his broader perspective and persuasive talents to bring agencies together. He may ask Washington agencies to consider positions which will permit greater flexibility in the field and greater reliance on state and local governments. A coordinator who too often crosses the narrow line from assistance to pre-emption will fail.

The difficulties experienced by state and local governments in respect to interagency Federal programs are well known.

*Office of  
Intergov  
Relations?*

This Division can be called upon by those governments to resolve problems arising from interagency programs. It will work closely with the Vice President and the Office of Intergovernmental Relations.

The Level III Director of this Division will have two Level IV Deputies and a staff of some 30 professionals. !

3. Division of Legislative Clearance (See Appendix 7)

This Division will draw together agency reactions on all legislation -- some 17,000 pieces annually -- and prepare recommendations to the President. *or to the DPC?*

*Program  
Devel* \* It will also participate in developing the President's legislative program and assist in the drafting of new bills.

A Level III Director will direct a staff of about 20 professionals. This Division will draw upon the assistance of the Division of Budget and Evaluation, the NSC, the DPC, and other staffs.

4. Division of Executive Personnel (See Appendix 8).

Executive manpower planning in the Federal Government is in a primitive state. We have essentially no means of forecasting our needs for executive talent -- either in terms of quantity or skills. There is no reliable way to appraise executive leadership potential and little research is being done to fill the need. In short, we know little about our executives or the jobs they do.

The Division of Executive Personnel<sup>2/</sup> will take the lead in developing and evaluating programs to recruit, train, motivate, deploy, and evaluate top executives. These programs will aim to develop new perspectives and skills among Federal executives, and will assure that talented executives are identified, utilized to their fullest capabilities, and exposed to opportunities across the Executive Branch.

The Division will rely primarily upon the Civil Service Commission and the agencies to <sup>?</sup> executive programs and will encourage the agencies to develop their own. It will not actually recruit or identify potential executives in the career service. These activities should be carried out by the agencies and the Civil Service Commission.

<sup>2/</sup> As used in this memorandum, "executive personnel" means Executive Level IV through GS-16 or equivalent, although this Division may wish to further select within these boundaries.

Your Council believes that the recruitment function in OEM would divert attention from the development of executive programs.

The President will, of course, make whatever arrangements he wishes in recruiting for political positions. We suggest, however, that this function not be placed within the ambit of the Division of Executive Personnel. The agencies, with the help of the Civil Service Commission, will recruit for career jobs.

The Division's Level III Director will have a Level IV Deputy to assist him. The staff will number about 20 professionals.

5. Division of Organization and Management Systems (See Appendix 9)

This Division will consider the organizational implications of new proposals, as well as continually review the organizational structure of the Executive Branch. It will also improve management processes and develop information systems to provide performance data and other meaningful information for the President and the agencies.

Its staff, under a Level III Director, will be divided into two sections to perform these functions. The first part of the staff, some 40 professionals, will work on organization

and management processes -- the kinds of tasks assigned to your Council, and to similar groups in the past. Evolving Federal programs need continuing attention to organization and systems if the Executive Branch is not to get locked into unworkable structures.

The second staff component, under a Level V Assistant Director, will develop information systems necessary to manage the executive programs and to meet the President's unique needs. While no one is ever totally satisfied with the information he gets, piecemeal information drawn together at time of crises is less reliable than information collected systematically by a determined and trained information systems executive.

About 40 professionals will design and build an effective Executive Information System and will improve the consistency and quality of agency reporting. The Assistant Director for Information Systems should be chosen primarily for sensitivity to the needs of the President and the agencies, as well as for a broad conceptual grasp of information systems design. As systems are developed, his staff can be substantially reduced.

Important Changes

Many of the functions we have assigned to the OEM are presently performed to some degree within the EOP, but not at the level demanded by current requirements. OEM will induce the following important changes:

- . Presidential appointees will run those institutional staffs of the EOP which assist the President in his management functions.  
  
This should lead to greater understanding of the President's values and priorities and more accurate and aggressive translation of this understanding into action.
- . OEM will concentrate greater attention on crucial managerial functions: program coordination, organizational and management processes, information systems, and executive personnel.
- . It will give the President's office, through increased institutional staff, greater capacity to handle complex managerial problems.
- . By conscious stress on "management" rather than "budget," it will create a climate more conducive to managerial effectiveness. The new name -- Office of Executive Management -- is, we believe, of symbolic importance in contributing to that end.
- . It will signal increased Presidential attention to executive personnel programs.

ADMINISTRATIVELY CONFIDENTIAL

PLANS FOR IMPLEMENTATIONThe Timetable

Our timetable for setting up the OEM and DPC is built around two key dates: the mid-October presentation of this memorandum to you and the desirability of including the reorganization proposals for the Executive Office in the President's budget message to Congress on January 15. In the intervening period, transition plans and legislative proposals will take their final form; the advice and support of key people within the Government will be solicited; the groundwork for wide acceptance will be laid; and a program for formal dissemination will be executed. Appendix 10 lists the major activities involved and explains each event.

DPC and OEM should be presented simultaneously, as complementary significant actions. Both contain elements that have received bipartisan support in the past. Both are in tune with the most advanced practices of management and policy development. They are designed to work together closely and will reinforce each other by being presented together.

Approach to Reorganization

The new organizations and new positions can be set up by various combinations of executive orders, reorganization plan, general reorganization authority, and specific statute (see Appendix 11). We believe that the

President should establish the OEM and DPC through Executive Orders and Reorganization Plan. These devices promise more rapid action than a request for general authority and avoid the inflexibility of a statutory organization. A combination of Executive Orders and a Reorganization Plan would be the preferred route even if it means abandoning or deferring certain aspects of the proposals, such as the preference for a Level I Director of OEM or freedom from Senate confirmation.

Having established the OEM and DPC, the President should seek general reorganization authority for his office, but at a later date.

The reorganization plan should be submitted shortly after the budget message in January, anticipating establishment of the new EOP organization by April 1970. The budget for FY 1971 should include requests for appropriations for the EOP covering the new organizations.

#### Tactics of Presentation

The OEM-DPC plan is a modern response to the growing complexity of government tasks. It does not derive from failure or inadequacy on the part of government people in general, or BoB or Civil Service Commission staff in particular. The new organizations will increase effectiveness and program performance. Both will strengthen many decision making processes which exist informally. Both will give the President the tools to delegate duties to the agencies and to rely increasingly on decentralized operation and on state and local government. Both promise to improve the delivery of Federal services to the public.



These are the points to be stressed, not just marginal economies or rearrangement of existing functions in the Executive Branch. Also to be avoided is any implication that this plan merely superimposes "big business techniques" on governmental functions. Your Council has listened carefully to some of the best organizational thinkers in the country from the universities, government, business, and foundations.

The policy development and program coordination aspects of the OEM and DPC deserve special attention. Congress, the public, and the agencies are keenly aware of the need for coordination mechanisms -- both in program development and in day to day operations. At least since the late 1940's the need for better coordination has been stressed in a variety of bipartisan recommendations, including, most recently, the Heineman and Lindsay Reports. President Eisenhower's January 1961 budget message said:

"My experience leads me to suggest the establishment of an Office of Executive Management in the Executive Office of the President in which would be grouped the staff functions necessary to assist the President in the discharge of his managerial responsibilities. In an enterprise as large and diversified as the executive branch of the Government, there is an imperative need for effective and imaginative central management to strengthen program planning and evaluation, promote efficiency, identify and eliminate waste and duplication, and coordinate numerous interagency operations within approved policy and statutory objectives. The establishment of an Office of Executive Management is highly desirable to help the President achieve the high standards of effective management that the Congress and the people rightfully expect."

Both the DPC and OEM can, we believe, be defended to the most sophisticated audience in terms of the best managerial practice and in terms of the theory of the Presidency as an institution. Not that the DPC-OEM plan will provide easy answers for the intractable problems of our day. Rather, what will be created is an informed environment within which better work can be done.

Two important aspects of the DPC should be emphasized. First, it has been designed to be adaptable to changing needs. Second, the deliberate interaction between its members, its committees, and its staff will bring about a better intellectual product and heightened program performance.

The OEM, for its part, can be viewed as a strengthening of the present BoB, renamed to reflect its amplified role. It can be described as a structure which modestly improves upon established functions and adds several new ones. It will revive the interest of top people in serving in the Executive Office and it will insure that the training and experience of federal executives assigned to the EOP will remain, as it has in the past, relevant to the needs of the executive branch.

Yet, in another sense, OEM is a fundamental departure and innovation. It will be result oriented: it will embody a concept of management that goes well beyond the present emphasis on budget. In sum and in time, a substantially different orientation to the President's managerial job will emerge.

Transition Considerations

We think it important that the OEM and DPC be approved and established in April 1970. This will permit the new organizations to participate from the beginning in budget and program development activity for FY 1972.

If you approve your Council's views, we are prepared to play any further role which you may wish us to undertake. The next moves, regardless of who makes them, certainly include:

- . Construction of a detailed implementation plan;
- . Writing a report for public release; and
- . Preparing a defense book which anticipates and answers questions and criticisms.

Respectfully submitted:

\_\_\_\_\_  
Roy L. Ash, Chairman

\_\_\_\_\_  
Frederick R. Kappel

\_\_\_\_\_  
George P. Baker

\_\_\_\_\_  
Richard M. Paget

\_\_\_\_\_  
John B. Connally

\_\_\_\_\_  
Walter N. Thayer

Attachments

<u>Appendix</u>	<u>Subject</u>
1.	Memo/President, August 20, 1969
2.	Estimated Personnel and Salary Costs
3.	Domestic Policy Council (DPC)
4.	Office of Executive Management (OEM)
5.	Division of Budget and Evaluation
6.	Division of Program Coordination
7.	Division of Legislative Clearance
8.	Division of Executive Personnel
9.	Division of Organization and Management Systems
10.	Explanation of Schedule of Activities
11.	Approach to Reorganization

Date: October 10, 1969