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Are Large Public Organizations Manageable?

Donna E. Shalala, Secretary, U.S. Department of Health and Human Services

Americans like many big things: cars, open spaces, movies. But we don't like big bureaucracies. Americans think that large government organizations are too complex, too impersonal, too inefficient, and cost too much. They are partly right. But at the same time that Americans express a dislike of bureaucracy, they also treasure many of the programs that government runs. The paradox is illustrated by the comment of one individual: "Keep your bureaucratic hands off of my Medicare."

This paradox was very much on my mind in 1993 when the president asked me to become the chief executive officer (CEO) of one of the largest government organizations in the world. This was not my first encounter with the federal government; I had already served in the Carter administration and had close contact with government in my jobs as the president of two leading public universities. But I knew that taking over the leadership of the Department of Health and Human Services (HHS), a department whose budget, at that time, consumed 40 percent of federal spending—would be unlike anything I ever did before.¹

The Department of Health and Human Services (HHS) includes more than 300 programs, covering a wide spectrum 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 \$354 billion budget for Fiscal Year 1997 is implemented by 59,000 employees. The department is the largest grantmaking 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 ten regional offices. The department has a vast array of constituencies that reflect its multiple programs. It works closely with state and local governments since many of the services funded by the department are provided by state or county agencies or through private sector grantees.

Because of its size and complexity, HHS is one of the most difficult jobs in the world for a public official. It is also a department whose policies touch the lives of every American. While HHS has many unique attributes, it shares a number of elements with other federal departments. I found, for example, that the reflections of Carter Administration Treasury Secretary Michael Blumenthal (1979) on his experience were very useful as I began my tenure in HHS. As I reflect on my experience over the years, I must acknowledge that we have not accomplished everything we wanted to. All of us have taken some wrong turns and endured the hard lessons of that great teacher: experience.

Let me start by knocking down two myths. The first, described by Hargrove and Glidewill (1990), is that my job—and others like it—are simply impossible. Too many difficult clients. Too many internal conflicts. Too little public confidence. But I found that it is not true. Managing a large organization is the art of the possible, the art of finding the possible within what might be viewed as impossible pressures.

The second myth goes back to the theories of Frederick Taylor (1967). He viewed organizations as essentially machines. He did not focus on the human dimensions of management, the personal challenges that any manager faces. His approach would lead a manager to believe that if you pull the right levers in the right way, you'll get the right result. Were it only that easy!

In complex organizations there will be failures for any number of reasons: poor communication, impractical or unclear goals, lack of public or congressional support, lack of sufficient expertise or resources, too much—or too little—oversight, and too much work. Between these two extremes—that nothing works or that everything can be made to work—lies some basic truths about large modern organizations. I offer you *Donna Shalala's Top Ten Lessons for Managing a Large Complex Bureaucracy*.

Some of these lessons are well established norms for administering large public and political organizations. They are found in the literature and in practice. Others are borrowed from recent scholarship, such as Doig and Hargrove's analysis of what makes an innovative and successful leader in government (1990). And some of the lessons are from two decades of my experience as a sub-cabinet official in the Carter administration, as a student of government and politics, and as a leader of large public universities. Finally, some of these lessons are well known but others are less so. But I believe they are all applicable to large public organizations. I offer these lessons because I believe they might be useful to individuals in other top management roles in complex public organizations. My experience suggests that one does not have to revert to traditional hierarchies or employ command and control methods to manage an organization. Management doesn't mean micromanagement or tightly drawn control.

Lesson Number One: Know the Cultures of Your Organization

I emphasize *cultures*, not culture. Organizations are usually made up of many smaller units—each with its own history, needs, culture, and constituencies,—but working toward a larger objective. As James Q. Wilson noted, “many government agencies have multiple, competing cultures....A major responsibility of the execu-

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tive is not only...to infuse the organization with value, it is also to discover a way by which different values (and the different cultures that espouse those values) can productively coexist (1989, 105).

That is certainly the case at major research universities. The goal is the same: well educated students and quality research. But different colleges, schools, and departments often take very different roads to reach that goal. Levin and Sanger (1994) are right when they emphasize the importance of understanding these cultures and constituencies. The National Institutes of Health (NIH) is a good example of this situation. Have you ever tried to apply standard personnel rules to hiring scientists? I can tell you right now: They don't work. Scientists have their own language and traditions. And their own measures for assessing merit.

When I became Secretary of HHS, personnel managers in the Office of the Secretary had overall responsibility for hiring scientists for NIH. These personnel officers were highly skilled, but they weren't used to hiring first-rank scientists in a competitive market place. I thought the scientists at the NIH were best able to judge scientific competency and credentials. It is a good example of a larger problem: how to mesh uniform governmental rules with varying organizational cultures.

There are also times when it's actually helpful for an organization to have more than one identity. When NIH, the Centers for Disease Control (CDC), the Food and Drug Administration (FDA), and the Public Health Service all line up in favor of a particular policy, say, banning the marketing of tobacco to children, that policy will more likely be accepted by Congress, the public—and, we hope—the courts.

Unique cultures within a department can also increase credibility. That's why a cabinet secretary is not always the best salesperson for a departmental policy. In criminal investigations, the Federal Bureau of Investigation (FBI) is usually called on to speak on behalf of the Justice Department. If there's a major fire, the local fire commissioner may have more credibility than the mayor. At HHS, I like to let the experts—especially physicians and scientists—speak directly to the public, because the great scientific agencies—CDC, the FDA, NIH, the National Cancer Institute (NCI), and the Public Health Service—are institutions trusted by the American people. The physician-scientists who head them, while appointed by the president, have enormous credibility. They must be the reassuring voice—and face—explaining the Hanta virus outbreak, food borne illnesses, AIDS transmission, and the age at which women should start having annual mammograms. When they appear before the public in white lab coats, the scientists in HHS present a very convincing argument.

Finally, the press provides its own cultures and traditions. That's why there is no substitute for a public affairs staff with Washington experience. And I've had the best. I've tried to include the public affairs staff in policy discussions; their presence in the deliberations often sharpens the policy discussion.

Lesson Number Two: Find Ways to Assure that Appropriate Coordination Takes Place

There's a scene in the movie *Ben Hur*, where Ben Hur is trying, without success, to get his four new chariot horses to run. The Bedouin who owns the horses tells him that each horse has its own personality, and they must be harnessed together in a way that allows them to run as a team. The same holds true for any large organization. The sum has to be greater than the parts.

The different agendas of smaller units have to be melded or modified—and a belief in the larger team built. When I first became Secretary of HHS, I encouraged my top appointees to distinguish the department's forest from their particular tree by asking each of them to participate in each other's budget hearings—and to prepare a budget for the entire department. In other words, to look at the department from my perspective. When they took a look at the big picture, some senior administrators recommended cuts in their own budget requests. We are still using that process.

There are, of course, other ways to share information, build cooperation, and keep an organization the size of HHS speaking with one voice. One, described by Roger Porter (1982) as "centralized planning," has been rejected by most leaders, even very forceful ones like Richard Darman.² A second, which Porter calls "multiple advocacy," lies between centralized planning and ad hoc decision-making, and generally uses existing systems, some of which, in the case of HHS, I've been fine tuning.

For almost any public organization, the primary system for melding a team and an agenda is the budget process—a process which is increasingly important when money is tight and budgets have to be balanced. In this new era, however, the budget process has the potential of being divisive and competitive—instead of a road to team building and unity.

But at HHS, and other public agencies, there are other ways to build a team. At HHS, the Executive-Secretariat controls the enormous paper flow. This office has been described in many ways—for example, as a traffic cop or a paper tracker. But more importantly, the Executive-Secretariat is the honest broker. It ensures that ideas are considered throughout the department—and that everyone is brought to the table. It also provides an opportunity for multiple sources of information and ideas to be raised. In this way, I get the benefit of every viewpoint. Moreover, when a decision is made, every participant has the opportunity to comment on it and, as a result, each participant owns it.

The assistant secretary for policy and evaluation runs the numbers, evaluates the likely consequences of a proposed policy, and makes recommendations to the secretary (Radin, 1992). This office also has the ability to look at possible linkages between various parts of the department's activities as we consider policies that cross bureaucratic lines.

Some units within the Office of the Secretary, likewise, are designed to coordinate what the entire department does, especially in an emergency. When the Mad Cow Disease was discovered in England, we wanted to avoid panic by getting out accurate information about the steps that had been taken to protect American beef—years before. The assistant secretary for health did that. He

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was able to oversee the work and the public statements of the FDA, the NIH, CDC, and the Public Health Service, and to coordinate with the Department of Agriculture.

Lesson Number Three: Don't Overlook the Needs and Abilities of the Career Public Service

My first day of work started with many top jobs in HHS unfilled. And it stayed that way for some time. So what did we do? We ran the department with the top civil servants—the people who are responsible for most of our day-to-day leadership. It was fun.

In his 1977 book, *A Government of Strangers*, Hugh Heclo wrote: "If democratic government did not require bureaucrats and political leaders to need each other, it might not matter so much when in practice they discover they do not." I don't agree. The two sides do need each other. I also don't share Heclo's belief that career civil servants resist the leadership and policy turns of political leaders.

I think the relationship is reciprocal. Both institutional and political guidance are needed. Trust can be built by using the experience and institutional memories of career civil servants. When I became secretary, I wanted to send a very strong message to the civil service that they were important, and that we were going to be a team. So my first appointment was from the Senior Executive Service, a career person of great competence and experience. We need to make sure we respect the integrity of the civil service in words and action. In fact, relying on career professionals is especially important in the age of downsizing.

Today, political staffs are doing more work, with less help and in less time.³ This is an open invitation for policy mistakes and failure. Many of these potential mistakes and failures can however be avoided by using the career civil service to identify hidden minefields from the past and to help plan, not just implement, policies for the future.

Lesson Number Four: Choose the Best and Let Them Do Their Jobs

The days of political appointments as a spoils system are over. A large organization is complex, its programs are difficult to manage, and its purpose is almost always vital to the well being of the American people. That's why political appointees must be experts in their fields and skillful leaders and managers. The individuals who became a part of the team of HHS are specialists who have the ability to become generalist managers. They must be adept at

both policy and politics. Otherwise they will not get the respect and cooperation they need from career staff. So, while we've worked to create a team, I believe that the most important thing any public administrator can do is choose the right top management.

At HHS, the president nominated many leading experts in their field. They were Democrats and our party was ten deep in talent for each position. Some even compared our team to the incomparable 1927 Yankees. During the second term, the team is just as distinguished and a bit more operational with deeper state and local experience. This is because we are involved in full-scale implementation of major presidential policies (e.g., welfare reform, children's health, health reforms).

Each of these leaders had years of academic and/or professional experience in their areas of expertise, not to mention a deep sense of mission. But we are also worried about the next generation. I always try to remember that we will be replaced by those we recruit. I am very proud of our record of bringing presidential management interns into HHS; in fact, the department has hired the largest number of these interns within the federal government.

Lesson Number Five: Stitch Together a Loyal Team

I've always thought that you need to instill loyalty in both professional and personal ways. We worked hard to make everyone feel that they are a part of a team and that they are listened to. I've tried to make sure that we have developed a corporate identity in the face of our very diverse responsibilities.

I talked about how proud I am of our appointments and their diversity of skills and experience. But that core team showed up with different agendas, different approaches to achieving their agendas, and often without knowing much about their new colleagues.

So I encouraged a healthy debate in private, but made it clear that I didn't want arguments in public. I can't say we were always successful, but for the most part we put together a loyal and cooperative team of very nice people who liked each other. And I encouraged that sense of togetherness by creating events for my top staff where they could get to know each other better.

Lesson Number Six: Stand up and Fight for the People Who Work for You

People behave in large organizations pretty much the way they behave outside of work. They are motivated by friendship, support, and loyalty. That's why showing the people who work for you that you really care about them pays dividends.

I had a unique opportunity to do that during the government shutdown. The shutdown actually strengthened HHS because it gave people a renewed sense of loyalty to each other and the department. I sent everyone a letter saying: We're fighting for you. Furthermore, to show my support, I was very visible—making the case in the media about the devastating impact of the shutdown.

The *days of political appointments*

as a spoils system are over.

Then we did something that almost no other agency thought of. During the shutdown, pay checks were supposed to be half the normal amount. We found a legal way not to cut pay so drastically. We put off taking out deductions in our employees' checks until after Christmas. So the checks were made whole—and the employees appreciated our caring.

We also managed our budget with considerable skill to avoid Reductions in Force (RIFs)—the entire department held vacancies and helped to absorb cutbacks.

Lesson Number Seven: Set Firm Goals and Priorities and Stick With Them

The old saying is still true: To govern is to choose. But in a large organization, with a limitless number of decisions to make—and a very limited time with which to make them—how do you choose? Larry Lynn was correct when he wrote, "public executives need a frame of reference to aid them in skillfully allocating their time, attention, and political influence." But they also need a reality check. Managing is not the same as coming up with a wish list. If you try to do everything, you'll accomplish nothing. You need to set priorities.

I have six secretarial initiatives. Devised in consultation with officials throughout the department (in both headquarters and the regions), they include proposals for children's health, reducing tobacco use among teens and preteens, youth substance abuse prevention, health care quality improvement, efforts to reduce fraud and abuse in Medicare and Medicaid, and increased support for single parents moving from welfare to work.

I have asked all the agencies within HHS not only to focus on those initiatives, but also to do cross-cuts, to share information, and to pool money and other resources. Each of these initiatives is the responsibility of an inter-agency team and we have attempted to make sure that we don't duplicate efforts within the department.

Setting priorities doesn't mean choosing only what's easily achievable. When the president first came to office, we set a goal of increasing child immunizations. We established targets, and as the president recently announced, we met them. Our work with the inspector general on health care fraud is recognized as a model for other agencies. But at least some of my six initiatives will be more difficult, such as reducing teen drug use.

The roots and solutions of social problems are often beyond any government's control. As a result, whether you work for a mayor, a governor, or a president, you need to set ambitious yet realistic goals, figure out your role in meeting them, and then team up with partners outside of government to accomplish them.

The reverse side of goal setting is delegating responsibility and demanding accountability—from both political appointees and career staff. You have to show confidence in the people who work

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for you—and at the same time have a system for obtaining timely information and measuring results.

Though I believe that I must delegate responsibility and trust my staff, it is important to acknowledge that the secretary must be able to set directions at the top. Delegation is not the same as abdication. When I became secretary, there was a move to delegate all departmental regulations to the individual agencies. There were literally hundreds of these regulations every year. I didn't want to go that far. So I set up four criteria. If a regulation met any one of them—for example, if its impact on the economy was 100 million dollars or more—that regulation would have to be approved by the secretary.

I think about management and leadership as linked processes. Managing in the public sector is quite different from that in the private sector. It is not really possible to think about control in an organization that has very few well-defined goals and technology and has substantial participant involvement in the affairs of the organization.

Lesson Number Eight: Don't Forget that Politics is Always Part of Policymaking

There is no way to succeed in the world of government without paying attention to that other world: politics. For HHS, politics means primarily the White House and Congress.

None of us, whether we're a political or career public servant, can operate in a vacuum. A variety of external pressures—from the economy to the press, from the governor's office to regulators in Washington—affect government decisions and raise questions for which there are no simple answers.

I have two rules of thumb in politics. One, be fiercely loyal to the president on policy and appointments. Two, be skillfully bipartisan in the administration of the department. When I go up to Capitol Hill to testify before Congress, I present the Administration's case as vigorously as I can. When I return to the department, it doesn't matter to me if a Medicaid waiver request, or any other request, comes from a Republican or Democratic governor. During the Clinton administration, 80 waivers involving the welfare program were granted by the Department; of those, 49 came from states with Republican governors.⁴ Democrats and Republicans get the same professional consideration. When there is a threat to the public health in a particular state, the politics of that state never makes a difference in how HHS responds.

Lesson Number Nine: Look for Allies Where You Don't Expect to Find Them.

To manage a large organization in this age of instantaneous communication, it always helps to look beyond the usual borders and to reach out to non-traditional allies. That's why I believe in being nice to Republicans and spending time speaking to newspapers like *The Washington Times* and *The Wall Street Journal*. Those two papers are not known for supporting Democratic causes.

We work hard to make friends out of adversaries, to cooperate with the leadership of both parties, to disagree without rancor, and to build on areas of agreement. If it helps me communicate better, I will enlist help from people who don't expect me to come knocking on their door.

Lesson Number Ten: Be Flexible, Be Realistic, and Don't Expect to Win Every Time

Perhaps the biggest mistake that the manager of a large organization can make is to stand in one place for too long. Change comes. And as NASA's Jim Webb once noted, these changes come from both inside and outside the organization (Wilson, 1989, 203). That doesn't mean that there shouldn't be a strategic plan and systems in place for carrying out the operations of a large organization. But it does mean that governing is as much art as it is science.

We must expect the unexpected. We must be nimble enough to change course—even in mid-sentence—if that's what it takes. In other words, we must keep moving and keep listening to the comments from citizens around the country.

In 1994, we lost on universal health care in part because the other side organized quickly and framed the debate. By 1996 we were flexible enough to find a slower, more incremental, and more successful approach. Last year we passed Kassebaum-Kennedy. This year we passed a budget that will provide up to 5 million uninsured children with coverage. Kassebaum-Kennedy was a great victory. Similarly, the FDA reform was the result of a unique government-industry effort.

The unexpected can also mean having something removed from your plate. In 1993, the Social Security Administration was part of HHS. It no longer is. Downsizing in the federal government— unheard of in 1993—became the norm in 1994 and 1995.

The unexpected can mean a changing economy. Low unemployment is helping to lower the welfare rolls. Listening to people in the country express their concern about waste, fraud, and abuse in Medicare and Medicaid allowed us to focus our activities.

But with unexpected change comes the unexpected opportunity to be creative, to find more efficient and less costly ways to deliver services, to find new partners and break new ground, and to be—in the words of Mark Moore (1995)—an “explorer commissioned by society to search for public value.”

I've certainly felt like an explorer since becoming a member of a remarkable president's cabinet. This trip of discovery—although risky, difficult, and once in a while disappointing—has been the

trip of a lifetime. I also believe that the disciplines of political science and public administration will be enriched as more students of government have a chance to be practitioners.

Acknowledgement

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Notes

1. The Department was even larger when I arrived in 1993 since it also included the Social Security Administration.
2. Richard Darman reflected on his experience and advised future managers to reject highly centralized systems that depend on large, central staffs. See Roger Porter (1982).
3. My experience in the Department of Health and Human Services is quite different from that described by Paul C. Light (1995). Light argues that more senior helpers "clutter" the message. I found that these staff have been invaluable to me in running the Department and devising policies and programs.
4. In addition, 20 waivers involving the Medicaid program were approved; ten of those waivers were granted to Republican governors. Similarly, ten waivers were approved for child welfare demonstrations; half of those came from Republican governors.

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