OMB's Reform Plan and the Tradeoffs of Government Reorganization

Following in the footsteps of past administrations, the White House's Office of Management and Budget (OMB) released its government reform plan on June 21, 2018. The report, *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations*, aims to revamp the organizational structure of the federal government to make it more efficient and responsive to the needs of its citizens in the 21st century.[1]

Certainly, rearranging federal operations can have meaningful effects and produce real benefits.[2] Yet reorganization efforts often pose new, unexpected challenges for agency operations and performance. When implementing a plan, reformers should be cognizant of potential unintended consequences that are inherent in almost any reorganization. Carefully considering how the new organizational arrangement might impact the affected agencies beyond simply the immediate and obvious benefits offered does not necessarily prevent the potential problems from occurring. Nevertheless, a little planning informed by careful consideration can prepare policymakers to better manage these issues if they do surface.

Moreover, redesigning with a more complete understanding of the reform's ramifications can allay the potential that the issues that emerge end up being important enough to warrant returning the organization to its previous structure. In so doing, reformers can stem the familiar cycle in the U.S. regulatory context whereby operations of distinct government units are merged, only to be separated again when the problems inherent in their new structure come into full view. Given that reorganizations require significant investments of time and financial resources and can impose severe disruptions on employees, entering into any reorganization effort with "eyes wide open" is critical to realizing its objectives and promoting its durability.

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[1] *See*, Office of Management and Budget, "Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations," June 2018, https://www.whitehouse.gov/wp-content/uploads/2018/06/Government-Reform-and-Reorg-Plan.pdf.

[2] *See*, Harold Seidman, *Politics, Position, and Power: The Dynamics of Federal Organization*, 5th ed. (New York: Oxford University Press, 1998).

Report Background and Contents

Drafted in response to [Executive Order 13781](#)—signed on March 13, 2017 with the goal to "improve the efficiency, effectiveness, and accountability of the executive branch"—the 132-page OMB report outlines the reform mandate, principles, and priorities in addition to presenting a detailed government-wide reorganization plan. The report's recommendations are split into organizational alignment priorities and agency-specific measures. The 32 organizational alignment priorities seek to reorient executive branch functions and services through government-wide reorganization proposals.[3] These proposals consist of merging departments or agencies, moving programs or functions from one agency to another, consolidating services among agencies, and expanding or establishing multi-agency capabilities. As government-wide initiatives, the organizational alignment priorities cut across agencies and are often more extensive than the agency-specific measures.

In contrast, the appendix focuses on 50 agency-specific reform proposals, which "represent 'business-as-usual' process improvement opportunities" intended for what the administration considers "organizations in alignment."[4] The agency-specific proposals include optimization, consolidation, and modernization initiatives. Plans range from streamlining administrative functions and agency headquarters operations to combining subunits to modernizing information technology systems, human resources functions, and mechanisms for storing data and maintaining electronic records.

Organizational Reform Efforts of Past Administrations

Government-wide efforts to revamp how federal agencies in the U.S. are structured and aligned [have a long history](#) dating back at least to the early 1900s. Although past attempts have taken different forms, including pursuing targeted changes and broad, sweeping reforms, reorganizing as a reform strategy has been pursued extensively by both political parties. In fact, when in office, Republican and Democratic administrations routinely announce proposals that attempt to revise the government infrastructure.

Most recently, the Obama administration unveiled a broad government reorganization [initiative](#) in 2012 which sought to—using language very similar to the 2018 OMB plan—increase the [efficiency](#) of the federal government to better address the needs of citizens "living in a 21st century economy with a 20th century bureaucracy." As just one example, the plan included a specific proposal to consolidate "six agencies into one more efficient department to promote competitiveness, exports and American business."[5] In the same spirit, despite not releasing a

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[3] OMB, "Delivering Government Solutions," pp. 14-18, 22-120.

[4] *Id.*, pp. 12, 122-127.

[5] White House Office of the Press Secretary, "President Obama Announces proposal to reform, reorganize and consolidate Government," January 13, 2012, https://obamawhitehouse.archives.gov/the-press-office/2012/01/13/president-obama-announces-proposal-reform-reorganize-and-consolidate-gov; *Also see*,

specific reorganization plan for the executive branch, President George W. Bush also placed an emphasis on promoting efficiency in government and, by creating the Department of Homeland Security, oversaw sweeping structural changes in the security and intelligence sectors prompted by the 9/11 terrorist attacks.

Attempts to improve the performance of federal regulatory agencies have often used government accountability reforms as their vehicle. At least eight major federal government-wide initiatives from seven different administrations have been "recognized as serious and sustained attempts to broadly improve the accountability of government agencies."[6] For instance, the Clinton administration's National Performance Review was a multi-phase initiative that included recommendations for increasing efficiency and focusing agencies on outcomes, including measures for restructuring, consolidating, and eliminating numerous agencies.

The mere fact that previous administrations have undertaken related proposals does not diminish the importance of the Trump administration's proposal or any perceived need for reform, but it does suggest that reorganization proposals should not be viewed as a panacea for longstanding problems. Significant reform requires political support that is challenging to muster. Moreover, difficulties resulting from inadequate leadership can be exacerbated by the sheer scope of the proposed reforms. Particularly when they are wide-ranging, reform plans can also fail because government employees perceive such efforts to be ancillary to their core roles. As a result, while more limited in what they can achieve, incremental reforms may be more durable and amenable to sustained support.

Achieving Efficiency Entails Tradeoffs

A key objective motivating OMB's 2018 plan is to increase government efficiency. While the report does not focus on a single definition of efficiency, the term is generally used to convey a need to reduce the duplication of services and activities. For instance, the first organizational alignment priority would merge the Departments of Education and Labor into a single Department of Education and the Workforce. By consolidating federal workforce development programs, this reform would seek to eliminate inefficiency from "duplication, fragmentation, and overlap."[7]

Finding ways government can improve efficiency is not a new exercise. The U.S. Government Accountability Office (GAO) releases an "annual report on opportunities to reduce

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Government Reorganization Fact Sheet, https://obamawhitehouse.archives.gov/the-press-office/2012/01/13/government-reorganization-fact-sheet.

[6] Marcus Peacock, "Improving the Accountability of Federal Regulatory Agencies, Part I: A Review of Government-Wide Efforts," June 22, 2016, p. 4, https://regulatorystudies.columbian.gwu.edu/improving-accountability-federal-regulatory-agencies-part-i-review-government-wide-efforts.

[7] OMB, "Delivering Government Solutions," p. 24.

fragmentation, overlap, and duplication in federal programs."[8] Still, enhancing efficiency by consolidating agencies and missions is not a straightforward task, which is underscored by the reform plan's admission that "nearly every new administration has sought to enhance and streamline" the federal government.[9]

Beyond simply consolidating departments and programs, organizational design matters for the behavior and performance of agencies—especially regulatory agencies. While different agencies may share related or similar functions, the associated programs may have competing, divergent, or even conflicting goals. In such cases, separating activities among agencies can mitigate the problems created by "priority goal ambiguity" or the "interpretive leeway [agencies have] in deciding on priorities among multiple goals."[10] Where priority goal ambiguity is present, agency performance can suffer as managers struggle to decide on and communicate agency priorities, resulting in the diminished focus, motivation, and effort of public sector employees.[11]

As one of us (Carrigan) recently wrote in the book, *Structured to Fail? Regulatory Performance under Competing Mandates*, a design tradeoff exists between mitigating goal ambiguity and encouraging task coordination. Splitting responsibilities among agencies or utilizing formal and informal internal design features to separate activities within an agency, including dividing conflicted groups geographically or decoupling processes and information technology systems, "may simultaneously make it more difficult for personnel to harmonize their work on the underlying tasks."[12] Stated differently, increasing clarity by separating missions can simultaneously introduce coordination problems. Applied to OMB's reform plan, while consolidating agencies and reducing duplication may offer benefits such as improving task coordination, they may do so by simultaneously introducing unwanted side effects as missions and goals become intertwined and muddied.

Moreover, while achieving "zero redundancy" can sometimes appear to be an optimal state, in some contexts, duplication may be a feature rather than a bug insofar as it makes public institutions more resilient and service delivery more reliable.[13] Research has highlighted the practical benefits of redundancy, such as aiding with error absorption and enhancing the

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[8] *See*, GAO's 2018 report: GAO, "2018 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits," GAO-18-371SP, April 26, 2018, https://www.gao.gov/products/GAO-18-371SP.

[9] OMB, "Delivering Government Solutions," p. 5.

[10] Young Han Chun and Hal G. Rainey, "Goal Ambiguity and Organizational Performance in U.S. Federal Agencies," *Journal of Public Administration Research and Theory: J-PART* 15, no. 4 (October 2005), p. 535, https://www.jstor.org/stable/3525680.

[11] Christopher Carrigan and Lindsey Poole, "Structuring Regulators: The Effects of Organizational Design on Regulatory Behavior and Performance," Research Paper Prepared for the Penn Program on Regulation's Best-in-Class Regulator Initiative, June 2015, p. 14, https://www.law.upenn.edu/live/files/4707-carriganpoole-ppr-researchpaper062015.pdf.

[12] Christopher Carrigan, *Structured to Fail? Regulatory Performance under Competing Mandates* (New York: Cambridge University Press, 2017), p. 230.

[13] *See*, Martin Landau, "Redundancy, Rationality, and the Problem of Duplication and Overlap," *Public Administration Review* 29, no. 4 (July–August 1969), https://www.jstor.org/stable/973247.

reliability of a system even when its individual components remain prone to failure.[14] The point is that redundancy entails costs and benefits, and how those interact with the search for robust institutions and government efficiency depends on context.

Cycles of Reorganization

A closely related point revealed in *Structured to Fail?* is that the complicated nature of organizational design means that the effects of reorganizations can be difficult to predict. A long history of reforms gone awry suggests that reorganizations sometimes do not actually resolve the issues they seek to fix, all while introducing new, previously unforeseen problems. Many of OMB's proposals for consolidation and program relocation fall under the "mission alignment imperatives" category, which focuses on reforms where "outdated or misaligned organizational constructs hinder the ability to achieve mission objectives and effectively serve citizens."[15] But without a view of the past, a contemporary restructuring could end up repeating prior errors.

For example, with the onset of the 2010 Gulf of Mexico oil spill following the Deepwater Horizon oil rig explosion, the Minerals Management Service (MMS) was broken up in order to separate its offshore drilling oversight, tax collection, and oil and gas development missions. At the time, many commentators argued that the associated failure of MMS to adequately oversee oil and gas drilling was provoked by its conflicting missions, causing the agency to subvert its safety and oversight responsibilities for energy development and tax collection. However, a closer look reveals that it was rather MMS's "inability to synchronize implementation of the tasks associated with the competing goals" that caused the bulk of its difficulties. Notably, MMS was formed in 1982 and purposely designed to house multiple missions in order "to overcome previous failures in [the Department of the] Interior's oil and gas tax collection and offshore energy development efforts" when these same missions were separately managed.[16]

This example illustrates an important point: reorganizations have a way of coming back around. Restructuring agencies or refocusing goals can introduce new concerns that were not salient at the time the reform was initiated. Thus, although reorganization can be beneficial, it should be undertaken in the context of careful evaluation of the potential problems with the new design. Otherwise, even with good intentions, reformers can perpetuate a non-virtuous cycle in which agencies with multiple missions are founded "to improve coordination, broken up to avoid goal subversion, and possibly created again at some point in the future when synchronization problems again bubble up to the surface."

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[14] *See*, Jonathan Bendor, *Parallel Systems: Redundancy in Government* (University of California Press, 1985).

[15] OMB, "Delivering Government Solutions," p. 12.

[16] Carrigan, *Structured to Fail?*, p. 21.

Conclusion

The Trump administration's reform plan is ambitious, far-reaching, and focused on improving the efficiency of government. Still, despite its value, experience with past reorganizations has shown that modifying agency structure can often affect performance in unanticipated ways—as the creation and subsequent dismantling of MMS suggests. Given that organizational design matters a great deal for agency functioning and performance, reformers are wise to consider not just how the redesign will solve the particular problems that the current structure imposes, but also what less tangible—and no less important—issues are likely to emerge once the revamped structure is in place.