

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

July 7, 1970

Personal--

Administratively Confidential

MEMORANDUM FOR HONORABLE GEORGE P. SHULTZ  
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

SUBJECT: Comments on OMB Organization

Attached are my views on the organization of OMB as they have developed from the discussions on the Office of Management and Budget and the Domestic Council held by the Ash Council through October 1969. In many cases these comments are in much greater detail than it was appropriate for the Council to review. These remarks are divided along the lines suggested by your request for some of our thinking.

- Section I is on the formal organization.
- Section II is on grade structure (to which we have added some thoughts on manning levels).
- Section III briefly deals with policy formulation and evaluation which we view as the critical interface between the OMB and the Domestic Council.
- Section IV is on the informal organization, the atmosphere, and working relationships, which we believe should be encouraged. In this section we have suggested some tactics for achieving these informal relationships -- none of which, I might add, are notably original.

In each case, I have geared these comments to the short term -- let's say, two years. Where we had longer range views, I have indicated the direction specific activities might take beyond that point. While each comment reflects a point of view, I believe the real benefit of these notes will be to signal some issues and problems for your consideration. For whatever purpose, I hope these comments prove useful to you and your team.

*Andrew M. Rouse*  
Andrew M. Rouse  
Acting Executive Director

Attachments

Copy to: Mr. Weinberger  
Mr. Weber

#### SECTION IV -- INFORMAL ORGANIZATION

In the interests of getting this material to you quickly, I am sending it forward without the section on Informal Organization. I am still working on this section, and I will have it to you as soon as I can.

No one is under any illusions that the Formal Organization discussed in Section I or the manning levels discussed in Section II can be achieved quickly. Movement towards the structure suggested (or any other you may decide on) will probably require successive internal reorganizations, which balance:

- (1) the interests of individuals currently on-board;
- (2) the changing mix of functions to be performed;
- (3) the time it takes to get new activities meaningfully under way; and
- (4) the gestation period which any new team seems to require before they are convinced that any direction for internal organization makes sense.

As a quite personal preference, I would suggest that over the next six months, the OMB remain much as it is with the new top men concentrating not only on the Bureau's work on the 1972 budget cycle, but also on:

- (1) developing a modus operandi with the Domestic Council;
- (2) planning the next steps of reorganization (which I hope would include additions of the sort described in Section II);
- (3) searching for the additional key men who will head up new activities; and
- (4) reshaping the program evaluation activity along the lines described in Section I.