An Exploratory Study of The Transformation
Underway in Texas' Health and Human Services Delivery System

by

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Abstract

This study is a preliminary assessment of the consolidation practices employed by the Health and Human Services Commission (HHSC) in Texas. The purpose of the research study is threefold. The first purpose is to explain nine key practices[1] that were consistently found at the center of successful mergers by a cross section of experts from the public and private sectors. These nine practices comprise the "practical ideal type categories"[2] used as the conceptual framework for this study. The second purpose is to assess how closely the consolidation practices used by the HHSC come to these nine guiding practices. The third purpose of this report is to make recommendations (if appropriate) on how the consolidation process could be improved.

To satisfy the research purposes, data was collected via documentary analysis, focused interviews, and participant observation. Study results show that elements of the nine key practices identified by the GAO are sprinkled throughout HHSC's framework for consolidating the health and human service delivery system at the meta-level. Transformational tasks such as mission, goals, values, structure and communication appear to have been completed and the task of performance management would appear to have the most opportunity for improvement.

Recommendations on how the consolidation process could be improved include

(1)	Assigning the human resource departments of the health and human services enterprise a more active role in HHSC's consolidation,

(2)   Ensuring that cross-pollination occurs between HHSC's Transition Plan and HHSC's   Strategic Plan,

(3)   Continue to involve employees in the consolidation process, and

(4)   Evaluate whether the current communications from leadership in relation to the   consolidation is consistent with the communication objectives stated in the Transition Plan.

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Chapter I-Introduction

In January 2003, the Texas Comptroller of Public Accounts announced that there would be $7.4 billion less in General Revenue Funds for Texas' 2004-05 biennial budget than there was in its 2002-03 biennial budget. The $7.4 billion shortfall included a $1.8 billion shortfall in General Revenues for the second year of the 2002-03 biennium (Legislative Budget Board 2004, p.1). The cause of the revenue shortfall was reduced spending by consumers and businesses during the second half of the 2002-03 biennium, which in turn led to declines in sales tax revenue. All this was worsened by September 11, 2001 (p.1).

The 78th Texas Legislature responded by passing a series of measures designed to control expenditures and maximize the use of available funding. One measure, Article I of H.B. 2292[3] consolidated 12 Health and Human Services (HHSC) agencies into five agencies and "subsequently produced an estimated $1 billion in savings" for the 2004-05 biennial budget (p.1). The five agencies are:

1.   Texas Health and Human Services Commission,

2.   Texas Department of Assistive and Rehabilitative Services (new agency),

3.   Texas Department of State Health Services (new agency),

4.   Texas Department of Family and Protective Services (new agency), and

5.   Texas Department of Aging and Disability Services (new agency)

Article I also required the executive commissioner of the HHSC to develop and submit a "transition plan to accomplish transfer of powers, duties, functions, programs, and activities to the four new agencies and the commission" by December 1, 2003 (p.123).

Together the twelve legacy agencies have a budget of approximately $20 billion per year, administer over 200 programs, employ about 50,000 state workers, and operate from over 1,000 different locations across the state. Planning for and implementing the consolidation[4] innovation mandated by H.B. 2992[5] will be a massive undertaking and means major changes to the way the health and human services agencies in Texas conduct business.

In addition to operating in an environment that is rapidly changing, fraught with uncertainty and influenced by forces such as fiscal stress and politics, the new health and human services system faces internal challenges as well. One challenge is to create a single unified organizational culture from its 12 legacy agencies. Another challenge is to keep the legacy agencies focused on the consolidation without sacrificing services. A third challenge will be to accomplish these tasks in a political environment that rapidly changes.

What kind of strategies (e.g. principles, tools, and processes) will the Health and Human Services Enterprise[6] (HHSC) employ to mesh the organizational cultures of twelve legacy agencies into a single-entity focused on results? How will top level leadership create the environment needed for a coming together of the minds so that mutual interests can be identified, common goals established, and resources maximized? What is the new direction of HHSC and with what resources will the organization achieve it? What kind of tools will leadership use for guiding its decision-making when tough choices have to be made?

Purpose

The purpose of this applied research project is threefold. The first purpose is to explain nine key practices[7] that were consistently found at the center of successful mergers by a cross section of experts from the public and private sectors. These nine practices comprise the "practical ideal type categories"[8] used as the conceptual framework for this study. A list of the practices follows and a brief description of each practice is provided as Appendix C.

1. "Ensure top leadership drives the transformation."
2. "Establish a coherent mission and integrated strategic goals."
3. "Focus on a key set of principles and priorities."
4. "Set implementation goals and a timeline."
5. "Use implementation teams to manage the transformation."
6. "Use the performance management system to define responsibility and assure accountability for change."
7. "Establish a communication strategy to create shared expectations and report related progress."
8. "Involve employees to obtain their ideas and gain their ownership for the transformation."
9. "Build a world-class organization."

The second purpose is to assess how closely the consolidation processess used by the Health and Human Services Commission (HHSC) during its planning and integration phases of consolidation comes to these nine guiding practices. The third purpose of this report is to make recommendations (if appropriate) on how the consolidation process could be improved.

This study is important for three reasons. It is being carried out less than one year after the 78th Texas Legislature passed HHSC's enabling legislation (H.B. 2292) in May 2003. Thus, this research project provides an early opportunity to gauge the progress of the Health and Human Services Commission using the nine key practices recommended by the United States General Accounting Office (GAO) as the yardstick. Second, the information that this applied research project yields will add to the body of research in the public administration field on the use of

consolidations as a tool for improving organizational performance in the public sector.

Finally, additional questions, methods for research in the future, and recommendations for the Health and Human Services Commission to consider (if appropriate) as its goes through its transformation could result from this study.

The next five chapters that follow include:

· Discussion of the research setting, including a description of the unit of analysis (Health and Human Services Commission (HHSC)) and an explanation of forces impacting its environment with an emphasis on technology and fiscal stress as transcending forces influencing the operation of the HHSC.

· Review of the research literature pertaining to private and public sector's use of consolidations or mergers as a management tool for downsizing an organization. Nine consolidation practices will also be discussed as the conceptual framework for guiding this study.

· Discussion of the case study methodology that guided the data collection for this study.

· Analysis of the results obtained.

· Summary of the study and conclusion.

This research paper also contains appendices and tables.

The next chapter, the research setting, describes the setting in which this research project was conducted. A description of the unit of analysis (Health and Human Services Enterprise), and examination of two forces (e.g. fiscal stress and technology) influencing its environment are also provided.

Chapter II-Setting

The purpose of this chapter is threefold. The first purpose is to examine the impact of two forces, fiscal stress and technology, on the external and internal environment of the health and human services delivery system in Texas. Fiscal stress is examined as a catalyst for change in the way the health and human services conducts business. Technology is looked at as a tool used by the Health and Human Services (HHSC) to respond to the challenge mandated by H.B. 2292: reduce cost. Politics is another force that influences the environment of the health and human services delivery system, however, the scope of this research project is fiscal and technology only.

The second purpose of this chapter is to examine in detail the mandate of H.B. 2292 that HHSC consolidate. The third purpose of this chapter is to examine leadership's challenge of creating an environment that will lead to the creation of a single unified culture from the 12 legacy agencies making up the HHSC enterprise.

Fiscal Environment

Health and human services is the second-largest function of Texas state government with a 2002-2003 biennium budget of $35 billion. The health and human services system employs approximately 50,000 employees in 1,000 offices statewide (HHSC 2004, p.8)[9] and administers approximately 200 programs. Over the last three biennia[10] appropriations for health and human service functions in Texas have grown at a slower rate than the overall state budget and have decreased as a proportion of the state's total budget.

In the meantime the number of uninsured in Texas and the number of persons living in poverty continues to grow as evidenced by HHSC's projection that caseloads and funding needs will increase during its 2003-2008 planning cycle. Although the economic outlook for Texas is expected to be stable with moderate growth, government spending is not likely to keep pace with the increased demand for services. Thus the HHS enterprise will have to come up with innovative ways to improve stewardship of appropriated funds while planning for the services that Texas will need in the years to come.

Technology

The convergence of technology continues to be a mixed blessing for the public and private sector. This section begins with a discussion on the benefits of technology and ends with a discussion on the problems with technology.

Technology has made it possible to collect, analyze, store, retrieve, and transmit data anywhere in the state or world within minutes. As a result, technology and the Internet have made it possible for public employees in Texas to have rapid access to accurate and reliable information in a timely fashion at any time day or night. By allowing state agencies to conduct electronic transactions, technology has provided the state opportunities to improve its business processes. New opportunities for the state of Texas to integrate technology into its strategy for streamlining its administrative functions continue to emerge.

For example, as part of its cutback strategies, the 78th Texas Legislature, through H.B. 2292 directed HHSC to evaluate whether call centers would be a cost effective way of streamlining administrative services to save taxpayer dollars and improve customer access to services. Texas currently spends $700 million a year to fund eligibility determination services for Medicaid, food stamps, cash assistance and other programs that require in person applications [11]. According to HHSC, this is more than twice the amount actually paid out in cash assistance. HHSC anticipates saving $389 million over the next five years by converging computers, internet, computer software, and telecommunications to streamline and improve the eligibility determination process.

Technology can also be used for performance development. Medical and adaptive technologies such as telemedicine have made it possible for healthcare providers in rural communities along the Texas-Mexico Border to have access to training opportunities (HHSC).

Problems with Technology

On the other hand, technology can also have unintended consequences. For example, an already wide digital divide between people who have access and ability to use technology and those who do not can be further widened if Texas is not careful. Technology has also given rise to concerns about privacy, confidentiality, and security.

H.B.2292

Article I of H.B. 2292 consolidated 12 Health and Human Services (HHSC) agencies into five agencies and required the executive commissioner of the HHSC to develop and submit a "transition plan to accomplish transfer of powers, duties, functions, programs, and activities to the four new agencies and the commission" by December 1, 2003 (LBB, 2004, p.123). Here is a summary of how the legacy agencies were to be consolidated.

1. Texas Health and Human Services Commission
2. Texas Department of Assistive and Rehabilitative Services (March 1, 2004) formerly
   a. Texas Interagency Council on Early Childhood Intervention
   b. Texas Commission for the Deaf and Hard of Hearing
   c. Texas Commission for the Blind
   d. Texas Rehabilitation Commission
3. Texas Department of State Health Services (September 1, 2004)
   a. Texas Department of Health

    b. Texas Department of Mental Health and Mental Retardation
(mental health services)

    c. Texas Commission on Alcohol and Drug Abuse

    d. Texas Health Care Information Council

4. Texas Department of Family and Protective Services

5. Texas Department of Aging and Disability Services (September 1, 2004)

    a. Texas Department of Mental Health and Mental Retardation
(mental retardation services)

    b.b. Texas Department on Aging

    c.c. Texas Department of Human Services

Table 2.0 on next page provides a brief description of what the health and human service delivery system looked like before and after H.B.2292.

Table 2.0

HHS System Prior to H.B. 2292	New HHS System
	"HB 2292 realigned similar functions of the existing 12 health and human services agencies into the following 5 agencies:
Governor-appointed boards of 11 state agencies make policy and oversee operations.	• Health and Human Services Commission (HHSC) • Department of State Health Services (DSHS) • Department of Aging and Disability Services (DADS) • Department of Assistive and Rehabilitative Services (DARS) • Department of Family and Protective Services (DFPS)
Governor appoints HHSC Commissioner who is also confirmed by the Senate.	Every HHS agency will have a nine-member, governor-appointed council that will make recommendations regarding the agency's rules and policies. The HHSC Executive Commissioner will be hired by the Governor and must be confirmed by the Senate. The HHSC Executive Commissioner will appoint, with the Governor's consent, the commissioners of the other HHS agencies.
"HHSC Commissioner employs the executive director of each agency, with the concurrence of the agency's board and the Governor.	The HHS Transition Legislative Oversight Committee is a special 8-member committee made up of state legislators and representatives of the general public. The committee will help guide the HHS merger and the development of the Transition Plan. (downloaded on March 1, 2004, from http://www.hhsc.state.tx.us)
In the past, the HHS agencies generally operated their own administrative support services, such as personnel services."	

The Health and Human Services conducted a functional review of each of the legacy agencies as part of the planning process for developing its Transition Plan. Generally the review found that across the enterprise different business models were used by the legacy agencies and each legacy agency had a different organizational structure[12]. For example, some legacy agencies organized "around traditional programs, others around constituent groups, and others around service delivery models (HHSC Transition Plan).

The functional review also found that some of the legacy agencies centralized their administrative support while others decentralized and smaller agencies usually outsourced their administrative functions while the larger agencies had their own administrative support units (HHSC

H.B.2292 Transition Plan).

Last, the functional review also found that some legacy agencies had "the majority of staff located in regional offices" while others were centralized and legacy agencies had different funding streams and different reporting requirements. Some had both federal and state reporting requirements.

Organizational Culture

Transforming the health and human services delivery system from 12 legacy agencies into a single organization focused on results could take between five to seven years to achieve (West, Berman & Milakovich 1993, p.178). Leadership within the health and human services system will first have to create the environment that will lead to the mindset for accepting the consolidation. Towards this end, leadership should implement change incrementally and create pockets of acceptance and commitment to the change. Once the pockets are established, leadership can begin institutionalizing the change by employing "reward structures" for driving employee behavior (Klein & Sorra 1996, p.1996 & West, Berman & Milakovich 1993, p.178).

During this critical period the behavior of individuals within the health and human services organization may range from "avoidance of the innovation"[13] "to meager and unenthusiastic use"[14] "to skilled, enthusiastic, and consistent use"[15] (p.1058). The length of the transition period will vary with the situation and is dependent upon how well the employees of the legacy agencies receive or resist the innovation.

Simon defines organizational culture as a set of premises that resides in the minds of the decision makers[16] in the organizations. The set of premises is invoked when a decision-making situation is encountered (Simon 1993, p.141). According to Simon, employees accept the organizational structure they work in because they identify with the organization. This is important because if leadership does not recognize the psychological tendency of humans to want to belong to an idea or be a part of a group it will loose out on an important motivator or reward. By involving its employees in the transformation process an organization can demonstrate it values the employees' contribution and will increase employee ownership for the change.

Summary

H.B.2292 ushered in a new era for the health and human service delivery system in Texas. Against a backdrop of economic downturn, less consumer and business spending, and shrinking revenues the Texas legislature passed measures aimed at cutting cost. One of the measures was consolidating 12 legacy agencies which together make up the second biggest budget in the state.

The next section reviews the body of research literature available on downsizing, and consolidations as a tool for managing cost.

Chapter III-Literature Review

The purpose of this chapter is to review the body of literature concerning mergers or consolidations in the private or corporate sector and the public sector in the United States. The literature review provides a background discussion of (1) trends and forces at the national level that necessitate the implementation of a merger or consolidation; (2) defines a merger and examines the experiences both the public and private sector have had with mergers; and (3) develops the conceptual framework that guides data collection for the analysis of the Health and Human Services Commission consolidation. Nine key practices are used as the assessment criteria[17]. An in-depth analysis of what each of these criteria mean and how they contribute to a successful merger is provided.

Trends

Public sector organizations often have multiple and conflicting constituencies that call attention to an emerging trend or a special need by making a claim (Nutt 1998, p. 195 & Stone & Brush 1996, p.634). In turn, the organization examines the claim, weighs the pros and cons of taking action on the claim, and implements change if it is warranted (Nutt 1998, p.195). Other forces such as globalization, politics, and the conversion of

technology can also cause an organization to change.

The real impetus for organizational change however is the general economic conditions of the nation and the fluctuating resource levels that result[18]. This is especially true for organizations operating in the public sector. Public sector organizations manage their fluctuating revenue levels by developing strategies for reducing cost or retrenching resources[19]. Erdreich & Amador (1995) argue organizations develop strategies based on its perception of what its environment looks like. The organization's perception of its environment is based on "a composite of organization functions, the medium or domain within which the organization operates and the organization's clientele" (p.150). An organization's perception is also based on the assumption that the roles and relationships between the public and private sectors will not change.

Reform movements, however, are changing the landscape in which government entities are operating. As a result, the roles of public and private sectors are increasingly blending (p.150). The "entrepreneurial spirit" touted by Osborne and Gaebler in their book *Reinventing Government*[20], is embedded with principles practiced primarily in the private sector and predicated on the assumption that they apply in the public sector. The crux of these principles is that competition in government would improve services by forcing public entities to listen to their customers and reward innovation (pp.80-84).

At the federal level, agencies are delegating responsibility for policy development, program design and performance measurement to the states. Events like September 11 are also creating new concerns such as threats of terrorism on U.S. soil. Meanwhile taxpayer demand for responsible stewardship of public funds remains high and leadership in the public sector is pressed to do more with less. As a result, the public sector is looking more and more to private sector models for innovations that will result in quality services at cost effective prices.

Forces

Environmental

Organizations in the public and private sectors share a common desire to succeed in an environment that is constantly changing and filled with uncertainty (Simon, 1993, p.137). Simon argues that in order for organizations to succeed in their environment, they must be skilled at anticipating change and problem solving. Equally important, organizations must also be skilled at implementing their solutions quickly and efficiently (p.131). Finally, organizations must guard against becoming rigid once they implement their innovation and strive to remain a learning organization (Behn 1980, p.613 & Simon 1993, p.134).

Fiscal Stress

"Expenditures in cash is up to at least 40 millions, the (financiers) are abandoning us, and
the masses will not pay either the new or the old taxes. We are now at the bottom of the pot"

(as cited in McFarland 1994 p. 9)

This statement was written in the 17th Century by a government financial official to describe the fiscal situation faced at that time[21]. The point to including this statement is governments change because their environments change, but the fundamental financial issues they face: controlling expenditures and generating revenue, do not change.

Governments continue to rely primarily on taxing mechanisms[22] for generating the revenues needed to fund public programs and services (Shields 1988, p.60). In turn, revenues depend on the amount of taxes collected which is influenced by the economy and the mindset of the taxpayer. Government's decisions about which programs or services to fund and by how much are also influenced by politics. At the same time, government and their network of providers face fiscal challenges such as "uncontrollable expenditures; low credit ratings affecting ability to borrow; failing revenues; resistance to increased taxation; and inability to meet immediate commitments" (McFarland 1994, p.9 & Caiden 1980, p.143).

When expenditures exceed tax revenues, one of several budgetary conditions can result (McFarland 1994, p.12). Schick calls these conditions "scarcity" which he defines along a continuum ranging from "relaxed scarcity" to "total

scarcity"[23]. Schick's continuum follows. During conditions of[24]…

> "relaxed scarcity, there are enough revenues to increase the size of existing programs and fund new programs. When chronic scarcity prevails, growth is possible but new programs are difficult to fund. Acute scarcity occurs when resources are not available to pay for increases in program costs. Total scarcity occurs when available revenue is insufficient to meet minimum program needs."

Organizations are expected to contract and expand as their environment changes from "rich to lean" or vice versa (Levine, Rubin, & Wolohojian 1982, p.101) and organizations tend to combine services and resources during times of fiscal stress (Frumkin 2003, p.6). Total scarcity appears to be the condition governments and their network of providers are facing today and the events of September 11, 2001 have aggravated the condition even more. However the method of redress is still the same as before: "reduction of cost, programs and employees" (McFarland 1994, p.4). Clifford Harrison calls this method "retrenchment," which he defines as "any reduction in human resource cost including staff reduction, salary freezes or reductions, reduced training expenses, early retirement programs, reduced workweek or similar actions to reduce employee expenses" (Harrison 1986, p.180 & McFarland 1994, p.4).

Mergers and retrenchment

Black's law dictionary defines a merger as "the fusion or absorption of one thing or right into another" (1998, p.988). Generally speaking, mergers are complex, time and resource consuming, and usually involve downsizing an organization. Mergers also tend to conjure up images of one party being more important than the other and the end of independent existence for the less important party (p.988). As a result, mergers have the potential to be turbulent especially in the public sector where the transformation process can be more politicized and more uncertain[25].

Mergers are often times used as a management tool for reducing cost and improving organizational performance. Historical evidence demonstrates that merger activity tracks with shifts in economic forces (Weston & Jawien 1999)[26]. For example, the completion of the transcontinental railroad system at the turn of the century and the invention of the automobile and radio during the 1920s helped transform regional corporations into national markets.

Beginning in the 1970s, change forces such as new technologies and its convergence with the Internet and computers drove down transportation and communications costs and created international markets in many business sectors. As a result, businesses had to adjust their strategies to lower their cost structures, improve their products, and broaden their managerial capacities to stay competitive (Weston & Jawien 1999).

Research literature on mergers in the corporate sector is readily available compared to research literature on mergers in the public sector which Frumkin characterizes as "scattered and fragmented" and until recently practically nonexistent (2003, p.7). The current literature reveals that the corporate sector has been using mergers to reduce cost and improve performance since the 1960s (Andrade & Stafford 1999 in Frumkin 2003, p.7). The literature also revealed that the popularity of mergers as a management tool in the corporate sector has had its ups and downs.

Corporations in the private sector tended to merge to correct a "failure of the internal governance mechanisms of corporations" (Jensen 1986 in Frumkin 2003, p.7) or to achieve "greater levels of shareholder value" (Holmstrom & Kaplan 2001, Frumkin 2003 p.7).

Mergers in the public sector, however, have been carried out without a framework to systematically implement the reorganization and were usually implemented to improve the management and quality of services (Stanton 2003 p.8 & Frumkin 2003, p.6). The convening of a forum by the General Accounting Office on September 24, 2002, to identify useful practices for guiding the Department of Homeland Security (DHS) through its transformation could be viewed as supporting Stanton and Frumkin's assertion. Especially since forum participants included a cross section of leaders from both the public and private sectors who were either experienced at managing large-scale organizational mergers or had studied them.

Organizations in the corporate sector want to ensure that income exceeds expenditures whereas organizations in the public sector want to ensure that income and expenditures are equal (Simon 1993, p.131). On the other hand, a successful merger, acquisition, and transformation process can take years and the pace cannot be forced. The private sector is typically thought to be able to implement change more quickly because there are fewer issues with public policy implications that arise during the merger, acquisition, or transformation; fewer legal and political

constraints to be addressed; and less mandated transparency to outside parties (GAO 2003, p.4).

Measuring success

Mergers in the private sector do not always achieve their intended purpose. According to Andrade & Stafford (1999) most mergers in the private sector fail to increase shareholder value and most were unsuccessful (in Frumkin 2003, p.7). Porter (1987) showed that less than half of the acquisitions benefited shareholders and the acquiring company over the long haul and a more recent study conducted by KPMG in 1999 concluded that 83% of mergers do not produce a benefit in terms of increasing shareholder value (Frumkin 2003, p.7). Additionally, results of an online survey conducted in 2002 by M&A consultants showed that only 25% of acquisitions in the corporate sector are successful and shareholder value is "destroyed in 50% of the acquisitions" (Chanen 2003, p.1).

Research analysis of mergers in the public sectors is lacking. Frumkin (2003) poses that a merger in the public sector could be considered successful if value was added to the clients and citizens that the agencies serve. He adds that "improved services through coordination, increased efficiency, lower costs to the taxpayer, and increased accountability to the public" are measures of increased value (Frumkin 2003 p.9).

Consolidation Assessment Practices

Even though the nine key practices that follow were developed for the Department of Homeland Security (DHS) to consider as it planned and implemented its merger of 20 federal agencies (GAO 2002, p.3) they are applicable to Texas and its consolidation of the twelve health and human services agencies. The nine key practices are mutually interdependent and must be developed simultaneously. Thus they will be discussed within the context of strategic planning.

Strategic Planning

Strategic planning is vital to an organization's ability to succeed in its environment (Covey 1989, pp.70-71 & Simon 1993, p.132) and the first step towards developing a strategic plan is developing the arguments for what the direction of the organization will be. Strategic planning gives organizations the power to make decisions based on organizational values rather than feelings and because of conditions in the environment (Covey 1989, pp.70-71 & Simon 1993, p.132).

According to Simon, decision-making is made up of two parts: (1) "problem identification" and "alternative generation," and (2) evaluating alternatives and making a choice between them (1993, p.141). "Problem identification" and "alternative generation" are the most critical parts of decision making because it allows organizations to focus its time and resources on "things that matter" (Simon 1993, p.132). As a result, organizations can ensure a steady stream of new ideas and "action strategies" for improving products and services or taking care of issues before they become a problem (Simon 1993, p.132). The final stage of decision-making: evaluating the alternatives generated during the initial stage and choosing between them, is less critical (p.141).

Strategic planning can be a valuable tool for managing the Health and Human Service consolidation of the twelve health and human service agencies. A key role of top leadership is to define and articulate an organization's mission statement[27]. Leadership can then use the mission as their vehicle for telling stakeholders what the new organization is all about and how the outputs of the new organization will contribute to the larger public policy domain[28] (Weiss & Piderit 1999, p.196). The values that an organization will embrace will enter into the discussion and subsequent development of the mission statement, which in turn will influence the development of principles, goals and objectives[29]. A performance management system will help a transforming organization achieve its goals and objectives by holding employees accountable for the job-specific element of work they are responsible for[30]. Effective communication and stakeholder involvement is important in each of these phases if the transformation is to succeed[31] and it is also important to evaluate progress towards achievement of goals and objectives[32] so that mid course changes can be made if needed. All these practices are deployed within the context of strategic planning and are not limited to just the meta level of an organization.

Each of these nine practices form the conceptual framework (practical ideal type) that satisfies the research purpose of this study. According to Shields (1998, p. 206), a conceptual framework provides the structure within which a researcher views, collects, and analyzes data. Thus, it focuses a researcher's efforts to fulfill the research purposes. The remainder of this section provides a narrative of the conceptual framework table that will guide this study. Table 3.0-Conceptual Framework Table, links the results of the literature review with the consolidation practices identified by participants at the 2002 forum hosted by the U.S. General Accounting Office. The nine consolidation practices are also linked to criterion that will be used to assess how close HHSC's consolidation practices come to the nine consolidation practices. Table 3.0 can be found at the end of this Chapter.

A list of the practices follows and a brief description of each practice is provided as Appendix C.

1. **"**Ensure top leadership drives the transformation."
2. "Establish a coherent mission and integrated strategic goals."
3. "Focus on a key set of principles and priorities."
4. "Set implementation goals and a timeline."
5. "Use implementation teams to manage the transformation."
6. "Use the performance management system to define responsibility and assure accountability for change."
7. "Establish a communication strategy to create shared expectations and report related progress."
8. "Involve employees to obtain their ideas and gain their ownership for the transformation."
9. "Build a world-class organization."

Guiding Practice One

"Ensure top leadership drives the transformation." The successful transformation of 12 legacy agencies under the authority of the HHSC[33] involves substantial leadership commitment to overcoming the many challenges that consolidation brings. The scope of change is tremendous and tough decisions will have to be made in a political environment filled with uncertainty and rapidly changing. The outcomes of those decisions will not be positive for everyone but everyone will have a stake in each alternative (Behn 1980, p.618).

West, Berman & Milakovich (1993) examined leadership through the lenses of Total Quality Management (TQM). They view leadership as a set of TQM strategies that can be used to implement change and they organized the strategies into a spectrum of leadership tasks: transformation, transaction and representative[34] (p.177).

Transformational tasks are concerned with developing and communicating the new strategic direction of the organization. West, Berman & Milakovich characterize transformational leadership tasks as involving goals, values, structures, communication, information systems, and rewards and expectations[35] (p.177).

Transactional leadership tasks are concerned with ensuring the job gets done. West, Berman & Milakovich characterize transactional leadership tasks as being focused on ensuring that TQM methods, principles and strategies are adopted by the organizations (p.177).

Representational leadership focuses on gaining external stakeholders' acceptance of the organization's change management strategies (p.178). Towards this end, some organizations have put together councils composed of local government officials, business leaders, etc. to help gain acceptance for their change management strategies (p.178).

Transforming an organization's culture under any circumstances is difficult, time consuming and resource consuming[36] even if leadership possesses the leadership skills described above. Active leadership is critical to setting the pace of the consolidation and developing and communicating the strategic vision for guiding HHSC through its transformation. Top leadership must also be able to effectively articulate its vision to stakeholders so that they can better understand why the merger is necessary, what the benefits are, and what is in it for them (Senge 1990;

Behn 1980, p.613; GAO 2003, p.9).

Strong and *involved* leadership from the top is needed to provide the strategic direction for the transformation and to set its pace and tone. Additionally, continuity in top management is needed to support consistency in the planning and implementation of the strategy over the long haul so that backtracking or confusion is reduced (GAO 2003, p.9 & Levine 1982, p. 103). High turnover in leadership at the top increases the chances that the implementation of the innovation will be delayed and begets change of direction and uncertainty in middle and upper middle management who will implement the innovation (Levine 1982, p. 103).

By quickly developing a strategy that is clear and easy to understand and effectively articulating that strategy to the organization's employees, leadership may be able to minimize the effects of lowered production and effectiveness that usually occurs in an organization during the period immediately following its merger (Behn 1980, p.614 & GAO p.10). The strategy would also serve as the first step towards creating the environment necessary for uniting the organizational cultures of the legacy agencies around a central idea or mission[37].

To ensure the lines of authority are clear and to ensure accountability for the transformation, the role and *responsibilities* of leadership *must be elevated and institutionalized*. The appointment of "chief operating officers" is one way of doing this (GAO 2003, p.9).

Cadre of Champions. By having a *cadre of champions* comprised of senior or executive level staff from each of the legacy organizations, leadership can ensure innovations related to the transformation will be implemented and sustained over time. For example, a *cadre of champions* could help leadership craft the new organization's mission or leadership's strategy for managing the transformation. Then the *cadre of champions* could help communicate the mission or strategy to staff of the legacy agencies while at the same time ensuring the organization remains functional, effective, and focused on the continued delivery of services throughout the transformation (Behn 1980, p.614 & GAO 2003, pp.4-10).

Decision-making

Behn argues the "real managerial challenge" of top leadership during a merger is to ensure the agency remains functional, effective, and focused on the continued delivery of services throughout the transformation while at the same time engaging in the activities of the merger especially if the organizational cuts back on its structure (Behn 1980, p.614 & GAO p.10). Production tends to be lower and ineffectiveness tends to be higher during the period immediately following a merger (Behn 1980, p.614 & GAO p.10). Two reasons for the lowered production and effectiveness are: poor morale and lack of a framework for guiding decision-making. Poor morale is discussed later in this section.

Competing and conflicting priorities often occur in an organization undergoing a transformation. Leadership should set the tone, pace and direction of the transformation, but managers often must walk the tight rope between ensuring that attention and energy remains focused on the transformation efforts on one side and ensuring that the organization continues to fulfill its mission and obligation to consumers on the other side.

One way top leadership can support its managers with their decision-making is by providing a framework for guiding their decision-making. Poor morale is another contributor to decline in production and effectiveness. Low organizational morale results when a threat of impending organizational decline is perceived. Behn argues people in an organization that is downsizing will loose their sense of personal control over their future and their faith in their own personal self-worth. Also, people often loose confidence in the value of their contributions to the organization (Behn 1980, p.617). Harry Levinson wrote

> "The loss of the capacity to affect oneself or one's world is probably the single most threatening experience of the contemporary industrial world, the experience of loss drains the energies of people as they fight depression and causes them to lose their positive motivation."
>
> Harry Levinson as cited in Robert D. Behn 1980 p. 617

Guiding Practice Two

"Establish a coherent mission and integrated strategic goals." Mission statements are a centerpiece of corporate strategies and are increasingly found in the public sector even though there is little empirical research examining the "case for or against its use" (Weiss & Piderit 1999, p.193). *Mission statements* were consistently found in organizations that had successfully emerged from its transformation.

Proponents of the use of **mission statements** argue **mission statements** help keep an organization focused, driven, and efficient[38] by providing the vision for product and service development and guiding the development of goals, objectives, policies, and plans for making it happen (Simon 1993, p.141 & Behn 1980, p.613). Also, according to proponents, an additional value of **mission statements** is it helps define an organization's culture and can serve as a cornerstone for uniting and rallying employees (GAO 2003, p.11).

Mission clarity is an important characteristic of an effective **mission statement**. A **mission statement** that makes sense and is easy to understand will make it easier for stakeholders to grasp the idea for the direction the new organization is taking and the values the organization will embrace (GAO 2003, p.11). For example, if an organization decided it valued community involvement in its policy making processes, it could include community involvement as an organizational value it embraced in its **mission statement** and demonstrate its commitment to involving the community in its policy making processes by appointed members of the community to its advisory groups.

Guiding Practice Three

"Focus on a key set of principles and priorities at the outset of the transformation."

Principles and priorities provide the framework for guiding the organization's decision-making and driving employee behavior. Ideally the values embraced by the organization are reflected in the principles and priorities so that the new organization can create the environment conducive to the development of a single unified culture (GAO 2003, p.13).

The classical school of organization theory believes an organization can control "the irrationality of humans" (Patton, Witt, Lovrich, & Fredericksen 2002, p.176). The "science of administration" approach, which is concerned with the structure of an organization, proposes the use of authority structures to improve the collective efforts of humans in the organization (p.176). In comparison, the "scientific management" approach, which is concerned with the position within an organization, proposes that given the right incentive, people can be motivated to perform at optimal levels.

A hybrid model that is two pronged and strives for a maximum of modifying the collective efforts of humans in an organization as well as the individual holding a position would create the environment necessary for molding the various cultures of its legacy agencies into a single unified culture focused on the transformation and committed to its success (Patton, Witt, Lovrich, & Fredericksen 2002, p.176).

By providing a key set of **principles and priorities** early in the transformation to serve as the framework for creating a new culture and changing employee behavior, leadership can help ensure the organization remains anchored while its organization, personnel, and programs change. This is important because the new health and human service delivery system will be faced with meshing the leadership styles, management styles, communication styles, and business practices of twelve legacy agencies. Having a mission for employees to unite around and **principles and priorities** to serve as the framework for creating a new culture and driving employee behavior will help ensure the organization emerges from its transformation successfully.

Participants at the GAO forum recommended that newly merging organizations embed the organization's **core values** in the **principles and priorities**. Values that promote cohesion would help create an environment conducive to the meshing of the cultures. Teamwork, affiliation, commitment, and leadership are examples of cohesion values that can create an environment in which organizational solidarity and cohesion results[39].

Guiding Practice Four

"Set implementation goals and a timeline to build momentum and show progress from day one." Mergers may take 5-7 years to complete. An effective implementation plan will keep the focus of an organization on its mission, goals and objectives, clarify them, and keep them in view throughout the transformation process (Dyson & Foster 1982, p.79). Research studies conducted by Bushe (1988); Hackman & Wageman (1995); Klein & Ralls (1995), & Reger, Gustafson, DeMarie, & Mullane (1994) suggests mergers fail because the organization's implementation of the merger was ineffective (in Klein & Sorra 1996, p. 1055).

Cohen and Cyert propose ineffective implementations result when an organization fails to break the big picture plan down into a "time-phased sequence of specific action programs" (p.366) and the organization also fails to analyze the potential changes in the organizational structure to increase the likelihood of achieving the plan" (Cohen & Cyert 1973 p.366).

Goal formulation is the process of determining the arguments for what the direction of an organization will be and usually originates from a "coalition"[40] of individuals responsible for the top level management of an organization; for example an *implementation team* or a *cadre of champions*. The final set of arguments for a strategy must be accepted by individuals who are responsible for implementing the innovation (p.351). Thus, Cohen & Cyert stress that organizations take into account the personal goals of its employees, the *goals* of subunits within the organization, and the extent to which social goals will be reflected in the organization's goals (p.352) as it develops its strategic plan. Clearly defined *goals and objectives* are key to optimizing the *implementation team's* performance and to holding staff accountable for demonstrating the desired results.

In many respects the merger of the health and human services organizations is an innovation because the activities associated with the merger will be new to the legacy agencies and their employees. Thus a merger (at least as it applies to the human service delivery system in Texas) fits Klein & Sorra's definition of an innovation: "technology or a practice being used for the first time by members of an organization" (1987, p.6 & Klein & Sorra 1996, p.1996).

Klein and Sorra also define the implementation of the innovation as the "critical gateway between the decision to adopt the innovation and the routine use of the innovation within an organization" (1996, p.1057). During this critical period the behavior of individuals within an organization will range from "avoidance of the innovation"[41] "to meager and unenthusiastic use"[42] "to skilled, enthusiastic, and consistent use[43] (p.1058). The length of the transition period will vary with the situation and is dependent upon how well the employees of the legacy agencies receive or resist the innovation.

"Innovation implementation presupposes innovation adoption," (p.1058) which means the implementation of a merger assumes that the leadership (at least top level) of the organizations involved with the merger are in agreement that the merger will benefit all parties to some degree and leadership agrees at least in principle that the innovation (in this case merger) should take place. Even then the leadership faces an uphill battle in terms of creating a mindset for modifying and driving the behavior that will be necessary for carrying the organization through a successful transformation.

Leadership of organizations in the public sector leadership do not necessarily control what an organization does or does not do. If not all the leadership is convinced that the merger would be beneficial, the transition period will likely be longer and more turbulent[44]. GAO participants observed that it may take 5-7 years for an organization to successfully complete its transformation (2003, p.9).

Therefore, it is important to have long-term *implementation goals* and a *timeline* with milestone dates to track progress and to help focus attention and energy on "critical phases and essential activities" the organization must complete by a given date. *Implementation goals* and *timelines* provide a mechanism for an organization to manage the transformation and monitor for performance shortfalls so that solutions for improving the transformation effort can be developed. Quick victories will demonstrate progress to the public, which in turn will provide traction for rolling out the rest of the transformation plan, and at the same time provide the motion for getting the momentum rolling to sustain the transformation over the long haul.

The final phase in a planning process is monitoring the implementation of the plan.

Guiding Practice Five

"Dedicate an implementation team to manage the transformation process." Strong and active implementation teams are critical to ensuring that an organization's attention remains focused on its transformation plan, which includes the organization's mission, goals and objectives for the

transformation. Another advantage of an implementation team is its members can assess and clarify the goals of objectives on an ongoing basis and help keep them in view throughout the transformation process (Simon 1993, p.138).

The success of an organization's implementation of a transformation plan is dependent on the extent the mindset (for or against the transformation) permeates the organization. Simon argues embedding the central idea behind an innovation or merger in the minds of everyone in the organization is more critical to a successful implementation than written guidelines concerning what is supposed to happen (p.138).

Implementation teams such as the *cadre of champions* that are on board with the transformation plan and understand it can implant the seeds of the transformation at the next level within the organization and oversee their germination. Other vertical and horizontal workgroups within the organization that are created to support the *cadre of champions* and are charged with carrying out the transformation at each of their respective levels of the organization might benefit from a template with key elements for the workgroups to keep in mind as they meet to begin the planning and implementation process of the transformation at their levels. For example, elements such as defining what the mission and scope of the workgroup is in relation to the overall organization plan, establishing goals and objectives with timeframes for the workgroup to achieve.

Leadership should elevate the role of the implementation team, institutionalize the responsibilities of the team, and ensure team members have *access to leadership*. By ensuring the team has *access to leadership,* leadership ensures a quicker turnaround on questions the team may have. As a result, the transformation has a better chance of proceeding on schedule in the manner intended (Patton, Witt, Lovrich, & Fredericksen p.298, GAO 2003, p.18).

One possible role the *implementation team* could have is responding to stakeholder questions about the transformation process. GAO participants also recommend another role of the *implementation team* be to oversee the implementation of the transformation activities by ensuring that the various change initiatives of the transformation are prioritized, organized, and implemented in a logical and integrated manner and remain so throughout the transformation (GAO 2003, p.11).

A second key ingredient to optimizing *implementation team* performance is establishing a network of cross-functional teams to support the *implementation team.* The cross-functional teams act much like the implementation team but focus on different layers of the organizational structures. A responsibility of the cross-functional team might be to support the *implementation team* by planning, coordinating and implementing the transformation plan at each of their respective levels within the organizational structures of their legacy agencies (GAO 2003, p.19).

A third ingredient critical to the *implementation team* is having the managerial authority to implement change such as adjusting budgets, trimming down or eliminating departments, and changing employee relationships within the organization as well as the organization's relationship with its external stakeholders. Without the authority to retrench resources and set priorities, the implementation team will not be able to make timely decisions nor will the team be able to implement decisions from the top in a timely manner [45].

Membership

Members of the *implementation team* should be selected based on their ability to achieve results and a *team leader position* should be dedicated full-time to the team for the duration of the transformation process. GAO participants recommend team membership be *scaled* to the size of the merger and *representative* of the legacy agencies to demonstrate that the merger will be a "merger of equals" and one legacy organization will not have an advantage over the other (GAO 2003, p.20).

A lesson learned from mergers in the private and public sectors was the importance of leadership being sensitive to concerns employees may have regarding whether the new organization would be a "merger of equals" or a merger in which one of the legacy organizations would be dominant over the others (GAO 2003, p.20). A message from leadership that the merger was a merger of equals would help put employees at ease because they are being represented at the table and their views will be considered in the decision-making process. Whereas a message that one of the legacy organizations would be dominant over the others would fan the flames of tension and resentment, which in turn will lower morale and reduce the production and effectiveness of the organization. Thus, if leadership can recognize that employees will have concerns about the

transformation, it can seize an early opportunity to demonstrate to its employees that they will be represented and their views will be considered by ensuring that the **implementation teams** are **scaled** to the size of the merger and **representative** of the legacy agencies. Leadership can also demonstrate that leadership values team building as an approach for carrying out the transformation process and to conducting future business (GAO 2003, p.19).

Guiding Practice Six

"Use a Performance Management System." A *performance management* system can improve an organization's performance by linking "human resource management practices to specific strategies and management policies that the organization adopts" (Patton, Witt, Lovrich, & Fredericksen 2002, p.176). Integrated *performance management* systems also "align human resources with the structure and culture of the organization" (Patton, Witt, Lovrich, & Fredericksen 2002, p.176).

However, for the maximum potential of *performance management* systems to be tapped, organizations may have to switch from a view of seeing traditional personnel culture as "personnel oriented" or "systems police" to a view that the human resource culture is a strategic partner that can help improve an organization's performance (Patton, Witt, Lovrich, & Fredericksen 2002, p.176).

As a strategic partner with an interest in seeing the transformation succeed, human resource management would ideally be at the table and involved with the discussion and decision making when leadership meets to decide the strategies and policies of the new organization. Leadership should decide the reason performance is being assessed, what performance is as it relates to the strategies and policies of the new organization, how performance will be assessed and who will appraise whom (Patton, Witt, Lovrich, & Fredericksen 2002, p.176) as part of its discussion on strategies and policies the organization will adopt.

By doing so leadership will have taken measures to ensure that the performance measurement system is aligned with the overall mission of the organization and with "the job-specific element of work for which the employee or group of employees are held responsible" (p.310).

Performance measurement

Performance measurement is one aspect of *performance management*. According to Berman, West and Wang, performance measurement is the measurement of levels of achievement using a range of indicators that measure performance at individual, group and organizational levels (1999, p.5 in Patton, Witt, Lovrich, & Fredericksen p.298). Outputs, outcomes, and efficiency are examples of measures often used to measure organizational performance. Berman, West and Wang define outputs as the immediate result of the activities, outcomes as the extent to which the activity has achieved its goal or objective and efficiency as a measure of the cost per outcome or output (1999, p.5 in Patton, Witt, Lovrich, & Fredericksen p.298).

Individual performance is concerned with the "the job-specific element of work for which the employee is responsible" (p.311) whereas group performance is concerned with the individual contributions of each team member towards the achievement of team objectives. Group performance is also concerned with whether the team contributed to the overall performance of the organization. Either way, each level of performance (e.g. individual, group, organizational) should be aligned with the next level to improve efficiency and accountability.

Performance measurement systems are predicated on the assumption that positions have been carefully identified and each individual employee has a particular set of responsibilities that are aligned with the overall mission of the organization and its strategic goals. Performance measurement systems also assume each employee understands what his responsibilities are (p.310).

Knowledge, Skills and Abilities

Ideally an organization undergoing a transformation such as a merger will want to recruit the most qualified individuals for positions in its organizations. Additionally, an evolving organization will want to retain its best personnel. For example, an organization undergoing a transformation will want its top leaders to be strong and involved to set the pace and visionary to provide the direction. In addition, an organization would want its leadership to possess competencies such as "***change management, cultural sensitivity, teamwork and collaboration, and information sharing***" (GAO 2003, p.20). Other positions with duties and responsibilities specific to the position and requiring specific knowledge,

skills and abilities will also have to be filled as the organization evolves and the organization will want to recruit the most qualified individual to fill these positions.

Human resource management can help recruit, select, retain, and train the best individual for the job in a competitive market by conducting a thorough job analysis of each position beginning with the leadership positions and ending with the front line positions to identify the tasks necessary to perform certain activities, and the knowledge, skills and abilities (KSAs) critical to the performance of the job.

Compensation policies and practices are critical to an organization's ability to recruit and retain the best employees for the job and it has an important impact on employee morale and workforce productivity (Patton, Witt, Lovrich, & Fredericksen 2002, p.243). Thus, ideally, the compensation policies and practices are linked to the larger human resource efforts of the organization to help the organization achieve its mission, goals and objectives of its strategic plan.

Guiding Practice Seven

"Establish a communication strategy to create shared expectations and report related progress." Communication transcends organizational boundaries through four main communication subsystems: regulative, innovative, integrative, and informative instructive and can either impair or improve performance (Penley & Hawkins 1985, p.312 & Greenbaum 1974, p.742).

An organization can integrate each of these communication systems into a single communication plan for communicating the strategic direction the new organization will take,   gathering staff input on matters dealing with strategic planning or policies of the organization, responding to the information needs of stakeholders, and clarifying goals and objectives of the transformation. Thus it can help create the environment for synergy to occur between the various organizational cultures of the legacy agencies or it can add fuel to the fires of conflict and confusion that a merger can bring (Behn 1980, p. 616).

Organizational communication within the four communication subsystems occurs verbally and nonverbally. Verbal communication occurs at two levels: content and relational[46]. Communication at the content level focuses on "what is being said" and communication at the relational level focuses on "how it is said" (Penley & Hawkins 1985, p.312). Non-verbal communication is equally important and can either reinforce a verbal message or contradict it. Both verbal and non-verbal communication can modify employee behavior (Greenbaum 1974, p.742 & GAO 2003, p.26).

Greenbaum found that organizations do not achieve optimal performance because they communicate ineffectively (1974, p.739). He also found that organizations seldom took seriously the effect poor communication can have on an organization's efficiency (p.739). Additionally, the results of Greenbaum's study confirms Tompkin's 1969 study which showed that organizations had ineffective systems for communicating ***upward and downward*** through the organizational hierarchy and were especially weak in effectively communicating ***laterally*** across the organization (Tompkins in Greenbaum 1974, p.739). According to Greenbaum and GAO participants, organizations communicate through four main communication subsystems which are listed below.

- Regulative communication networks are related to the organizational goal of securing conformity to plans to assure productivity. Thus this subsystem focuses on controls and other forms of direction and feedback between subordinates and superiors in task related activities. Examples include policy statements, procedures and rules (p.742).
- Innovative communication networks are related to the organizational goal of ensuring the adaptability of the organization to various internal and external influences and are concerned with problem solving, change management, and implementation of new idea processing. Examples are: suggestions systems and participative problem solving meetings (p.742).
- Integrative (maintenance) communication networks are related to the organizational goal of employee morale and involves acceptance of the organization by nonmembers such as community and governmental units. For example the "grapevine" (p.742).
- "Informative-instructive communication networks" helps organizations to achieve conformity, adaptiveness, improved morale and

institutionalization. Thus this subsystem is concerned with receiving information from and sending information to other communication networks. For example, bulletin board notices, company publications, and training (p.742).

Greenbaum and GAO participants (2003, p.26) agree that these communication subsystems also use other *communication mechanisms* such as satellite broadcasts, Internet sites, and newsletters sent out via E-mail, and nonverbal communication (Greenbaum 1974, p.742 & GAO 2003, p.26). Suggested topics for communicating with employees are what the new organization's strategic goals are, customer service, and employee concerns (GAO 2003, p.26).

Guiding Practice 8

Involve employees. Ongoing negotiation and communication between leadership and employees is critical to an organization's effectively managing change. Actively **involving** employees with the problem solving about solutions on how to best manage change opens the door for "the give and take" that is essential to acceptance of an innovation to occur. It also begins the process of "obtaining commitment from organizations and individuals for new programs and policies" (West, Berman & Milakovich 1993, p.177). The "pockets of commitment in the organization" that result from the "give and take" transaction can be built upon and expanded outward throughout the organization in incremental stages until wide acceptance of the innovation is gained. Then leadership can begin institutionalizing the change through "reward structures" (West, Berman & Milakovich 1993, p.177 & Cohen & Cyert 1973, p.363).

Negotiation and communication are also essential to employees understanding why the change is necessary and what the benefits of the change are. By *participating*, employees see what's in it for them. As a result, some employees may see this as an opportunity to maximize their full potential in the new organization and begin working to acquire the competencies that will be needed to improve employee and agency performance. Others may see the change as a signal that it is time to leave. Still others will be resistant to the change regardless of the efforts management may make to demonstrate a compelling case for change (GAO 2003).

Leadership can also demonstrate that it values employee contributions by *involving* employees in the transformation, which in turn will help build trust and commitment, which in turn will get employees to accept responsibility for the transformation (Behn 1980, p.618).

For example, the adoption of a mission or deciding whether to implement an innovation is usually a decision reserved for top leadership in an organization and top leadership usually makes their decision without the participation of staff (Guth & MacMillan, 1986 & Klein 1984). By involving employees in the discussion, on what the content of the organization's mission should be or what values the organization should embrace, leadership can demonstrate that it values employee input. However all this would be for nothing and could exacerbate an already turbulent situation if staff came away with the perception that soliciting their input was nothing more than window dressing.

There are additional benefits to *involving* employees in the transformation such as leadership gaining a frontline perspective on the development of organizational policies and procedures and leadership also gains insight into what employees of its legacy agencies considers important.

Finally, leadership must walk a fine line between *involving* employees in the transformation on one side and ensuring that the organization continues to meet the needs of its constituents. GAO participants caution organizations to guard against involving their employees so much in the transformation process that the organization ceases to operate effectively.

Guiding Practice Nine

"Build a world-class organization." "Through learning we recreate ourselves…become able to do something we were never able to do before,… reperceive the word and our relationship to it…and expand our capacity to create, to be part of the generative process of life" (Senge 1990, p.14).

Individuals who have mastered this type of "generative learning" are known as "paradigm pioneers"[47] because they are not content with just learning to survive (adaptive learning). "Paradigm pioneers" are driven by a desire to achieve a new level of excellence and once they achieve that level of excellence are driven to an even higher level of excellence over and over again. Thus "paradigm pioneers" continually "expand their

capacity to create their future" (p.14) and they break old habits or create new maps through which to view the universe in the process.

Organizations that have successfully integrated its desire to survive (adaptive learning) with its desire to create (generative learning) are also driven to new levels of excellence. GAO participants encourage organizations undergoing a consolidation to achieve the balance necessary for creating a learning organization that maximizes the collective learning of its employees. For this to happen, leadership commitment to stay the course over the long haul must exist and organizations must commit a substantial investment of time, energy, and resources to the effort.

A second GAO recommendation is organizations adopt best practices wherever possible especially in matters involving personnel, systems and processes to reap the benefits of its investments (GAO 2003, p.30). An organization that adopts the practice of hiring key personnel based on their competencies rather than an understanding that each originating component will get a turn at selecting leadership has a better chance of changing its culture and ensuring a successful transformation than an organization that chooses the later approach (p.30).

Third, GAO participants stress using existing authorities such as legislative and executive branches of government to leverage change. Legislative and executive branches of government can change established rules, formal laws, informal norms, practices, and organizational structures to recreate and shape the actions of civil servants and citizens through its oversight, authorizing, and appropriation roles.

Finally, the problem with strategies lies with its implementation. For organizations to successfully emerge from its consolidation, it should keep in mind these principles: continually adapt, get it done, and stay flexible (Thomas & Waterman 1982, p.5). Equally important, continually address the "people element" (GAO 2003, p.1).

Summary

Tables 3.0 and 3.1 on pages 47 and 48 summarize the nine key consolidation practices identified by participants at the 2003 GAO forum. The practices are not a "silver bullet" nor are they intended as a "one size fits all" approach for implementing a consolidation. Rather the practices are guidelines for organizations to keep in mind as it undergoes its metamorphosis from an organization of various legacy cultures to a single organization united behind a common vision and focused on results. Regular attention to these practices will help an organization sustain its consolidation efforts over the long-haul and continually improve its efficiency, effectiveness, and accountability to taxpayers and customers.

The purpose of this chapter was to review the body of literature concerning mergers or consolidations in the private or corporate sector and the public sector in the United States. The next chapter discusses the data collection techniques.

TABLE 3.0-CONCEPTUAL FRAMEWORK TABLE

CONCEPTUAL FRAMEWORK	SOURCE
Practice 1 Top leadership drives the transformation.	Behn 1980, Cohen & Cyert 1973, Frumkin 2003, GAO 2003, Levine 1982, Senge 1990, and Simon 1993
1a. Top leadership's responsibilities are *elevated* and *institutionalized*.	
1b. Leadership *involved* with the process.	
1c. Leadership appointed *cadre of champions*.	
Practice 2 Mission and integrated strategic goals.	Ansoff 1965, Behn 1980, Cohen & Cyert 1973, GAO 2003, Simon 1993, and Weiss & Piderit 1999
2a. HHSC Enterprise and its departments have *mission statements* for guiding the transformation.	
2b. *Mission statements* are *aligned* with goals for achieving transformation.	
Practice 3 Key set of principles and priorities.	GAO 2003, Kabanoff; Waldersee; & Cohen 1995, Patton; Witt; Lovrich; & Fredericksen 2002,
3a. *Key set of principles and priorities* guide decision making.	
3b. *Values are embedded* in principles and priorities.	

CONCEPTUAL FRAMEWORK	SOURCE
Practice 4 Implementation goals and a timeline.	Rokeach 1979, and Schwartz 1992
4a. HHSC has *implementation plan*.	Bushe 1988, Cameron; Kim; & Whetten 1987, Cohen & Cyert 1973, Dyson & Foster 1982, GAO 2003, Gustafson; DeMarie; & Mullane 1994, Hackman & Wageman 1995, Klein & Ralls 1995, Klein & Sorra 1996, Levine; Rubin; & Wolohojian 1982, McFarland 1984, Reger; Gustafson; DeMarie; & Mullane 1994, and Klein & Sorra 1996
4b. Plan has *goals* and *timeline* for achieving goals.	
4c. Plan is *iterative* and has process for *evaluating* progress.	

TABLE 3.0-CONCEPTUAL FRAMEWORK TABLE

CONCEPTUAL FRAMEWORK	SOURCE
Practice 5 Dedicate an implementation team.	Cohen & Cyert 1973, GAO 2003, Levine; Rubin; & Wolohojian 1982, Patton; Witt; Lovrich; & Fredericksen, and Simon 1993
5a. *Implementation team* dedicated to manage the transformation.	
5b. *Responsibilities* of implementation team are delineated.	
5c. *Full time team leader position* designated throughout transformation process.	
5d. Team vested with the *necessary authority and resources* to set priorities etc.	
Practice 6 Use a performance management system.	Berman; West;and Wang 1999, GAO 2003, and Patton; Witt; Lovrich; & Fredericksen 2002
6a. Performance measurement system used to manage transformation and ensure accountability.	
6b. Individual competencies required of leaders reflective of organizational values.	
6c. *Performance measurement* of leadership includes *competencies* that reflect mission *values*.	
Practice 7 Establish a communication strategy.	Behn 1980, GAO 2003, Greenbaum 1974, Penley & Hawkins 1985 Rubenstein 1953, Thompkins 1967, and Watzlawick; Beavin; & Jackson 1985
7a. HHSC has a *communication plan*.	
7b. Plan addresses both *internal* and *external* customers.	
7c. Strategy includes *topics*: strategic goals, customer service, and employee concerns.	
7d. **Communication mechanisms** such as satellite broadcasts are used.	
Practice 8 Involve employees.	Behn 1980, Cohen & Cyert 1973, Guth & MacMillan 1986, Klein 1984, and West, Berman & Milakovich 1993
8a. Employees are involved in the transformation process.	
Practice 9 Build a world-class organization.	Ashworth 2004, GAO 2003, Senge 1990, and Thomas & Waterman 1982
9a. Best practices are implemented.	
9b. Efforts to learn from best practices and efforts to create a learning organization environment.	

Chapter IV-Methodology

The purpose of this chapter is to describe the methodology for collecting data for this study. Three data collection techniques were used: documentary, focused interviews and participant observations.

This applied research study uses a single case study research design to assess the consolidation processes of the HHSC using the nine guiding practices identified by the General Accounting Office (GAO) in their July 2, 2003 report, as the yardstick. This research design was chosen as the method of empirical inquiry because it offers the advantage of employing multiple research methods to investigate the HHSC consolidation within its real life context (Yin 2003, p.13). As a result, evidence can be gathered from multiple sources using a converging line of inquiry or triangulation approach (Yin 2003, p. 98); thus adding value to the findings of this study.

Another reason for using a single case study design was based on Yin's argument that single case study designs are appropriate for studying extreme or unique cases (Yin 2003, p.40). The consolidation of twelve legacy agencies under the authority of the HHSC is a unique case of state government consolidating to improve services and manage costs.

Threats to Validity

The holistic single case study design has vulnerabilities that could impact the validity of the findings the design may yield. For example, the seven threats to the quality of any research design, such as threats to internal and external validity, reliability, and construct validity, (Yin 2003, p.34) are applicable with the single case study design. Yin cautions that single case study designs could also end up measuring something different than was initially intended by the researcher (2003, p.42) and recommends investigating the area to be studied to "minimize the chances of misrepresentation and to maximize the access needed to collect the case study evidence" (2003, p.42).

A strength of the single case study design is that it allows the researcher the flexibility to shift the scope of a study midstream. This is also a potential vulnerability because the scope of the design could shift without the knowledge or awareness of the researcher (2003, p.45). Last, the global approach of a case study design could prevent the examination of specific phenomenon in detail (Yin 2003, p.45). As a result, the focus of the study may be at the abstract level rather than the operational level and lack clear measures and data (Yin 1994, p.45).

Yin recommends using a case study protocol that employs multiple strategies for collecting data, establishing a chain of evidence; then triangulating the evidence gathered (Yin, 2003, p.13) to address potential threats to the quality of a research design and the validity of the information it yields (Yin, 2003, p.34). The case study protocol is described below.

Research Technique and Methodology

In this study the unit of analysis is the Health and Human Services enterprise and the data collection methods are document analysis, focused interviews, and participant observation. Table 4.0-Operationalization of the Conceptual Framework, describes the operationalization of the conceptual framework. Table 4.0 can be found at the end of this chapter. Statistics are not used in this design.

(1) Document Analysis was chosen as a data collection method because it is unobtrusive and will not affect organization behavior (Babbie 2001, p.328). Additional advantages are that: documents are exact, can be reviewed repeatedly, and cover many events (Yin, 2003, p.86). Document analysis will also help address weaknesses commonly associated with interviews as a source of evidence such as "problems of bias, poor recall and poor or inaccurate articulation" (Yin, p. 92).

Weaknesses commonly associated with document analysis are retrievability, biased selectivity, reporting bias, and access (Yin, 2003, p.86). Retrievability and access issues are addressed in this study through participant observation. Biases related to selectivity and reporting are acknowledged and will be closely monitored through the case study protocols. The following will be reviewed as part of the document analysis:

·Unknown·   H.B. 2292,

·Unknown·   HB2292 Transition Plan,

·   HHSC Strategic Plan,

- ·Unknown·   Handouts at Public Forums and Legislative Transition Oversight Committee meetings,
- ·   Position Descriptions,
- ·   HHSC Requests for Proposals, and
- ·Unknown·   HHSC website   .

Data Collection Template

A data collection template is used as part of the case study protocols. An example of the template used for this study is provided on the page 54. Here are the key points of Table 4.1-Data Collection Template.

- ·   Column one pertains to each of the nine guiding principles,
- ·   Column two pertains to implementation steps identified by GAO[48] forum participants,
- ·   Column three through five pertains to the data collection methods, and
- ·   Column six identifies the document reviewed.

TABLE 4.1-DATA COLLECTION TEMPLATE

GUIDING PRINCIPLE	CRITERIA	RESEARCH TECHNIQUE			
		INTERVIEW	PARTICIPANT OBSERVATION	DOCUMENT ANALYSIS	NAME OF DOCUMENT
1. "Ensure top leadership drives the transformation."	1a.				
	1b.				
2. "Establish a coherent mission and integrated strategic goals to guide the transformation."	2a.				

(2) Focused Interviews are used to corroborate document analysis findings and participant observation. Document analysis and participant observation account for some of the weaknesses of interviews, such as inaccuracy due to the length of time that passes between the interview and the events being studied to provide greater credibility to the findings of the study (Yin, 1994, p. 80).

Interview questions are based on the nine guiding practices to avoid poorly constructed questions that create response bias or reflexivity (Yin, 1994, p. 80). Two members of HHSC's Transformation Program Management Office were interviewed**.**

Protocols

The first step was to schedule interviews. Then a list of interview questions was e-mailed to each individual being interviewed. Interview questions are provided in Table 4.0 at the end of this chapter. The third step was to conduct the interview.

(3) Participant Observation is a valuable case study technique when the researcher assumes a variety of roles in the case study and participates in the events (Yin 1994, p. 87). Insights and observations of this researcher are documented as part of this study. A weakness of participant observation is the potential bias to manipulate events (Yin, 1994, p.80). Bias is addressed through a strict adherence to the ideal type framework as the basis of observations.

I attended one public meeting sponsored by each of the four new agencies plus one public meeting held by the Transition Legislative Oversight Committee.

Summary

This applied research project uses a single case study research design to assess the consolidation processes of the Health and Human Services Commission (HHSC). A review of literature related to consolidations, or mergers in the public and private sectors was conducted to

identify key practices that organizations should implement as part of their consolidation. Nine key practices were identified as a result of the review of literature.

The nine practices form the conceptual framework for this research project and guided the data collection for the analysis of the HHSC consolidation. Data was gathered from a number of sources (e.g. documentary, focused interviews, personal observations) to determine what processes HHSC was using for organizing its consolidation. Focused interviews were conducted with selected officials within HHSC's Program Management Office and Transformation Steering Committee. Relevant document documents were also analyzed. Additionally, public meetings of the Transition Legislative Oversight Committee and the HHSC were attended. The next chapter provides an in-depth analysis of data gathered on each criteria.

Table 4.0-Operationalization of Conceptual Framework, links the nine consolidation practices identified by GAO participants with criterion used to assess the degree of closeness with which HHSC's consolidation practices come to GAO's consolidation practices. Table 4.0 also identifies the documents that were analyzed and interview questions for guiding the focused interviews.

TABLE 4.0-OPERATIONALIZATION OF CONCEPTUAL FRAMEWORK

Guiding Practice	Criteria	Document	Interview
1. Leadership drives the transformation.	1a. Responsibilities are elevated, integrated, and institutionalized.	·Unknown· H.B. 2292	From your perspective, who are the top leaders driving the transformation? Who makes the final decisions at this level?
	1b. Leadership is involved.	·Unknown· HB2292 Transition Plan	N/A
	1c. Cadre of champions appointed.		N/A
2. Establish mission with integrated goals.	2a. HHSC has mission for guiding the transformation.	· HHSC Strategic Plan ·Unknown· Handouts at Public Forums and Legislative Transition Oversight Committee meetings	Who was involved with the development of mission statement and strategic goals for guiding the transformation? Who had decision making authority over the mission statement and strategic goals? When were they decided?
	2b. Mission and goals are aligned.		N/A
	2c. Mechanisms are in place for focusing transformation activities.		How is HHSC ensuring the focus of the transformation remains on the mission and goals?
3. Key set of principles and priorities.	3a. Leadership provided key set of principles and priorities.	·Unknown· Position descriptions	3a. What was the process for deciding the guiding principles?
4. Implementation goals and a timeline.	4a. HHSC has implementation plan.	·Unknown· HHSC website ·'Albert· HHSC Requests for Proposals	4a. Who was involved with decision making concerning the plan?
	4b. Timelines and milestones are in plan.		4b. Who is responsible for assessing and monitoring progress of the transformation?
	4c. Plan has mechanism for evaluating progress.		How is HHSC ensuring that information from the assessment and monitoring of progress is looped back into future goals?
5. Dedicate an implementation team.	5a. Implementation team is dedicated.		What was the process for selecting members of the implementation team? Who was involved with their selection?
	5b. Responsibilities are delineated.		What are their responsibilities?
	5c. Team vested with the necessary authority and resources.		What kind of decision making authority do they have? Resources?

	5d. Team leader position designated.		Has a position been dedicated to serve as team leader during the transformation?
	5e. Team scaled to size of merger and representative of legacy organizations.		How was size and composition of implementation team decided?

TABLE 4.0-OPERATIONALIZATION OF CONCEPTUAL FRAMEWORK (CONTINUED)

Guiding Practice	Criteria	Document	Interview
6. Use performance management system.	6a. Employee roles and responsibilities re linked to specific initiatives and outcomes.	·Unknown· H.B. 2292 ·Unknown· HB2292 Transition Plan	What kind of performance management system is HHSC using to link the roles of its leadership and staff to specific organizational initiatives and desired outcomes?
	6b. Individual competencies of leaders and members of implementation team identified.	·Unknown· Handouts at Public Forums and Legislative Transition Oversight Committee meetings.	N/A
	6c. Individual performance and contributions to the success of the transformation are evaluated.	·Unknown· Position descriptions	N/A
7. Communication strategy.	7a. HHSC has a communications plan.	·'Albert· HHSC website ·'Albert· HHSC Requests for Proposals ·'Albert·	Does HHSC have a communication plan for creating shared expectations and reporting progress on the transformation? If yes, who was involved with its development? How often is it reviewed for relevance to current needs and circumstances of HHSC? Who has decision making authority over the communication plan? Describe its communication strategies. Who was involved with the development of communication strategy? Decisions on strategies that would be adopted?
	7b. Communications addresses both internal and external customers.		N/A
	7c. Strategy includes topics: organization's strategic goals, customer service, and employee concerns.		N/A
	7d. Communication mechanisms used.		N/A
8. Involve employees.	8a. Employees involved.		Describe the involvement of different leadership levels in the transformation.
	8b. Traditional activities are continued.		N/A
9.9. Build a World-class organization.	9a. Best practices.		N/A
	9b. Learning organization.		

Chapter V-Results

The purpose of this chapter is to present and analyze the data collected to assess how close the consolidation processes used by the Health and Human Services Commission come to the nine key practices identified by GAO participants. The practices are connected to the literature review and form the conceptual framework for the collection of data collection discussed in chapter IV.

The results of the data collection indicate that HHSC is following the nine key practices in varying degrees. HHSC has established a mission statement, values, and principles for guiding decision-making. HHSC also has an implementation plan that contains goals and objectives with timelines for achieving them and a communication plan for getting its message out to its internal and external stakeholders.

As part of its plan to promote buy-in and facilitate employees identifying with the plan HHSC is holding public meetings and using technology to gather input from the community. HHSC's Transition Plan has language sprinkled throughout indicating intent for the plan to be iterative.

Limitations of Study

Due to time constraints, this study is an initial investigation of the consolidation processes HHSC used during its planning and integration phases of its transformation. HHSC's planning phase began in May 2003 and ended November 2003 with HHSC's submission of its Transition Plan to the Governor. Its integration phase began in November 2003 and is projected to end by late summer 2004[49]. This investigation does not verify whether appropriate follow through is ongoing in the planning and early integration phases, nor does this study assess HHSC's transformation effort during the optimization and transformation phases. Findings for each criteria are discussed separately.

Guiding Practice 1 - Leadership

Strong and active leadership is critical to the successful transformation of an organization of various organizational cultures into a single culture focused on results and accountability. Leadership develops and articulates the strategic direction for the consolidation and sets its pace and tone. Towards this end, leadership must be *involved* and leadership's roles must be *elevated and institutionalized*. Last, a *cadre of champions* that includes senior level staff from the legacy agencies is important to establishing a pocket of support for the consolidation. Document analysis, participant observation and focused interviews show that each of these criterion are addressed.

Results

Document Analysis

Article I of H.B. 2292 provides the framework for consolidating 12 legacy agencies into four new departments under the authority of the HHSC. H.B. 2292 sets forth the duties of the Executive Commissioner of HHSC in relation to the consolidation and it also defines the relationship between the Executive Commissioner, Governor, and the Transition Legislative Oversight Committee (TLOC).

The Executive Commissioner "oversees the operations of the health and human services enterprise in Texas, as well as the day-to-day operations of the Health and Human Services Commission (HHSC)." The HHSC Executive Commissioner is accountable to the Governor and Transition Legislative Oversight Committee. Table 5.1[50] provides additional information about the roles and relationships of top leadership in respect to the consolidation.

Table 5.1-Roles

Executive Commissioner	Transition Legislative Oversight Committee	Transformation Steering Committee	Deputy Executive Commissioner, Program Services
• "Governs the transformation effort • Delivers the Transition Plan	• "Facilitates the transfer of powers, duties, functions, programs, and activities between the state's health and human services agencies and the HHSC	• "Guides the activities of the PMO [Project Management Office] by providing direction, analysis, and decision-making.	• "Provides day-to-day direction and oversight of transformation activities.

to the Governor and Legislative Budget Board"	[Health and Humans Services Commission]."	• Grants final approval for projects authorized for PMO portfolio."	• Directs PMO [Project Management Office] director to manage day-to-day project activities."

The role of the TLOC is to facilitate the transfer of powers, duties, etc. between the twelve legacy agencies. TLOC's **involvement** in the transformation is evidenced by the public meetings[51] it hosted in 2003 and 2004 to gather community input on the development of HHSC's Transition Plan (2003) and on the progress of HHSC's consolidation (2004).

The role of the Transformation Steering Committee is to assist the HHSC Executive Commissioner with the transformation effort. The HHSC Deputy Commissioner for Program Services chairs the Transformation Steering Committee and sponsors the Project Management Office. The Transformation Steering Committee is made up of senior leaders from the legacy agencies of the health and human services enterprise and its purpose is to provide tactical guidance to the transformation effort. In essence, the Transformation Steering Committee is HHSC's **cadre of champions**.

Participant Observation

I attended four public meetings, one for each of the four new departments. During the public meetings of each department, the Commissioners reviewed the mission/vision of the State of Texas and the missions of their respective department. The Commissioners also reviewed the results of functional reviews[52] that the legacy agencies conducted. Functional reviews provided information on what each agency was doing and identified where streamlining could occur or duplication eliminated. Leadership also reviewed transformation goals and principles for guiding decision making. Finally, the Commissioners sought input from the participants at the public meeting on how the departments should be organized.

Additionally, I attended a public meeting held by the Transitional Legislative Oversight Committee (TLOC) on January 28, 2004. The purpose of the meeting was for HHSC to update the TLOC on the progress of the transformation. The meeting was attended by Albert Hawkins, the Executive Commissioner of HHSC and members of the Texas Legislature such as Representative Arlene Wohlgemuth and Senator Jane Nelson. Gregg Phillips, Deputy Executive Commissioner, Social Services at HHSC and Commissioners from each of the new departments updated the TLOC on the progress of their department's transformation. Membership of the TLOC provided guidance on the pace with which the transformation was proceeding. Table 5.1 below summarizes the results of the assessment on leadership.

Focused Interviews

Individuals interviewed indicated that per H.B. 2292, HHSC's Executive Commissioner bears ultimate responsibility for the transformation and the TLOC provides oversight. A summary of the findings is provided in Table 5.1.1.

Table 5.1.1: Top Leadership – Results

Ideal Type Categories	Evidence	Research Method	Evidence Supports
- Leadership's **responsibilities** are **elevated** and **institutionalized** - Leadership **involved** with process - Leadership appointed **cadre of champions**	Responsibilities are in writing and communicated to the stakeholders. Leadership participates in meetings. Cadre of champions appointed.	Document Analysis Participant Observation Focused Interviews	Yes Yes Yes

Guiding Practice 2 - Mission

GAO participants consistently found ***mission statements*** in organizations that had successfully emerged from their consolidation and they agreed that having a ***mission statement*** is crucial to uniting an organizational culture behind a common cause and focusing an organization's individual and collective efforts on the transformation. The results of the document analysis and participant observation follow.

Results

Document Analysis

The new Departments of Family and Protective Services, Assistive and Rehabilitative Services and State Health Services have mission statements for guiding their transformation and the Department of Aging and Disability Services has a vision statement for guiding its transformation. Their ***mission statements*** are clear in terms of the populations they serve and most state ***efficiency*** of services is a value the organization embraces. The following is the vision for the HHSC enterprise.

> "We envision a health and human services enterprise that works better and costs less. Toward this goal, we will seek input and build partnerships with local communities, advocacy groups, and the private and not-for-profit sectors to put in place solutions that emphasize program efficacy and personal responsibility. We also envision a highly coordinated HHS system driven by motivated and talented workers focused not only on sound processes and procedures but particularly on results."

-- Albert Hawkins (as cited in HHSC's Transition Plan)[53]

Table 5.2 contains the mission statements of the state of Texas, HHSC and the four new departments.

Table 5.2:Mission / Vision Statements

of Texas	Health and Human Services	Family and Protective Services	Assistive and Rehabilitative Services	Aging and Disability Services	State Health Services
s state government e limited, ***efficient***, ompletely ntable. It will foster tunity, economic erity, and family. tewards of the public will be men and en who administer government in a fair, nd responsible er. To honor the : trust, state officials :eek new and ative ways to meet government priorities n its financial s."	"The mission of health and human service agencies in Texas is to develop and administer an accessible, ***effective***, and ***efficient*** health and human services delivery system that is beneficial and responsive to the people of Texas."	"The mission of the Department of Family and Protective Services is to protect children, the elderly and people with disabilities from abuse, neglect and exploitation by providing innovative and ***effective*** services to families and vulnerable individuals in their communities."	"To work in partnership with Texans with disabilities and families with children who have developmental delays to improve the quality of their lives and to enable their full participating in society."	**Vision Statement** "Older Texas and persons with disabilities will be supported by a comprehensive and cost-***effective*** service delivery system that promotes and enhances individual's well-being, dignity, and choice."	"The Texas Department of State Health Services promotes optimal health for individuals and communities while providing ***effective*** health, mental health, and substance abuse services to qualified Texas in need."

The missions appear to be aligned. The State of Texas mission provides a meta-framework for overseeing government services. HHSC's mission is framed within the context of the State of Texas' mission and focuses on the health and human services delivery system. The missions of the four new departments are framed within the context of HHSC's mission and focuses on a subset population in need. Values such as ***effective and efficient*** services are the thread that connects them.

Participant Observation

Leadership reviewed the ***vision*** and ***mission*** that guide HHSC's transformation during public meetings held by the TLOC and each of the four new departments. Handouts distributed at the public meetings also contained information about the ***vision*** and ***mission*** of the transformation. Table 5.2.1 below summarizes the results of practice 2.

Table 5.2.1 Mission – Results

Ideal Type Categories	Evidence	Research Method	Evidence Supports
- Mission statement for guiding transformation.	Evidence of mission statement in writing and communicated to stakeholders.	Document Analysis Participant	Yes
-- Mission aligned with goals.	Evidence that mission aligned with goals	Observation	Yes

Guiding Practice 3 - Principles

Principles and priorities help ground an organization and provide a framework for guiding its decision-making and driving employee behavior. They also help keep an organization focused on the consolidation. Ideally the **values** embraced by the organization are reflected in the principles and priorities. Results of document analysis, participant observation and focused interviews follow.

Results

Documentary Analysis

Table 5.3 contains HHSC's **principles** for guiding its reorganization decision-making, business decision-making, and program management decision-making. It appears that there is a prioritization process at the macro-level, but I did not find evidence of prioritization further down the organizational structure. This is important because there are a multitude of consolidation initiatives occurring simultaneously. Each initiative has its own set of goals with timeframes for achieving those goals. Given the fast pace with which the consolidation is occurring, these initiatives compete with each other for staff's time and attention. A prioritization system for employees at mid-level and front-line levels of HHSC to follow would help employees balance their workload between focusing on consolidation initiatives on one side and continuing to deliver services on the other side. Additional information about the principles is provided as Appendix D.

Table 5.3: Principles

Principles for Reorganization Decision-Making	Business Decision-Making	Program Management Decision-Making
"Focus on service delivery.	"Carefully compile decision criteria.	"Strategy guides structure.
Maintain key identities.	Require an open and competitive procurement process.	Focus on key elements, not every activity.
Careful and deliberate.	Establish strong contract management focused on performance and accountability.	Ongoing project prioritization.
Focus on quality.	Develop a transition strategy for affected employees.	Clear and simple.
Public input.	Provide an open and active communications."	Open communications."
Incremental process.	(Downloaded from http://www.hhsc.state.tx.us/Consolidation/	(as cited on page 31 of HHSC Transition Plan or Appendix B.)
Standardization.	Consl_Principle.html on March 25, 2004)	
Administrative services consolidation."		
(as cited on page 14 of HHSC Transition Plan or Appendix B.)		

Focused Interviews

Individuals interviewed provided a consistent description of principles used to guide decision-making and provided guidance to me on where I could find HHSC's Transition Plan.

Participant Observation

The Commissioners reviewed the principles for guiding decision making during the public meetings that I attended. I did not find evidence that priorities for guiding decision-making were established. Table 5.3.1 summarizes the results.

Table 5.3.1: Principles - Results

Ideal Type Categories	Evidence	Research Method	Evidence Supports
-- Key set of **principles** and priorities.	Evidence of principles and priorities for guiding transformation.	Document Analysis	Somewhat

			Focused Interviews	Yes	
--	*Values* embedded in principles and priorities	Evidence that organization's values are embedded in principles and principles.	Participant Observation		

Guiding Practice 4 - Implementation goals

Mergers can take several years to complete. An ***implementation plan*** with clear and integrated ***goals*** and ***timelines*** for achieving those goals is essential to setting the pace of the consolidation. ***Goals*** and ***timelines*** also help establish the organization's focus on the transformation early on and sustain the focus throughout the consolidation. The ideal ***implementation plan*** is ***iterative*** and includes a ***process for evaluating*** the progress of the transformation. That way organizations can determine whether mid-course changes are needed and adjust their strategy accordingly and the organization remains positioned to respond to change and capitalize on opportunities. The results of document analysis, participant observation and focused interviews are provided below.

Results
Document Analysis

Article I of H.B. 2292 established the framework for the merger of 12 existing health and human services agencies into a single health and human services enterprise. The goal of H.B. 2292 is "to create an integrated, effective and accessible health an human services enterprise that protects public health and brings high-quality services and support to Texans in need.[54]" It required the executive commissioner of HHSC to submit a plan for managing HHSC's transformation to the governor and Legislative Budget Board no later than December 1, 2003. HHSC submitted its ***Transition Plan*** (See Appendix B) to the Governor and Legislative Budget Board on November 4, 2003.

HHSC's ***Transition Plan*** is a high level plan for consolidating the administrative functions of HHSC's 12 legacy agencies at the meta-level level. HHSC's goal for the transformation is "to improve services, enhance accountability and increase inefficiencies."[55] It contains a consolidation ***timeline***, goals and ***vision*** for organizing the health and human services delivery system and managing change. HHSC plans to consolidate in four phases: planning, integrating, optimizing and transforming the organization[56]. Each phase is organized into seven work clusters: strategy, value, compliance, people, process, technology, and program management. HHSC's Program Management Office (PMO) coordinates HHSC's portfolio of individual projects and initiatives that pertain to the consolidation effort. See Guiding Practice 5 for additional information about the PMO. Table 5.4 (on next page) shows the four phases and seven work clusters[57].

Table 5.4-Implementation Phases and Work Clusters[58]

Appendix F provides additional information about the clusters of work activities. Finally, according to HHSC's Transition Plan, HHSC intends for the Transition Plan to be ***iterative***[59]. HHSC also intends to modify its Transition Plan during the consolidation period based on input from the community and feedback from performance measures[60].

Focused Interviews

Information gathered from interviews is consistent with information gathered from HHSC's Transition Plan. HHSC is consolidating in phases and is using a program management approach to manage its portfolio of individual consolidation projects. In the plan are ***dates***, ***processes***, benchmarks and ***activity schedules***[61] for ensuring workgroups downstream get the job done. See Appendix E for additional details. A summary of the results is provided in Table 5.4.1.

Table 5.4.1: Implementation goals - Results

Ideal Type Categories	Evidence	Research Method	Evidence Supports
-- HHSC has *implementation plan*.	Evidence of implementation plan.	Document Analysis	Yes
-- Plan has *goals* and *timelines* for achieving them.	Evidence of timelines.	Focused Interviews	Somewhat [62]
-- Plan is *iterative* and has process for *evaluating* progress.	Evidence of plan being iterative and process for evaluating progress.		Somewhat

Guiding Practice 5 - Implementation Teams

Strong and active *implementation teams* are critical to the success of HHSC's transformation. Having *access to leadership* to clarify questions and *access to resources* to get the job done is crucial to their performance and effectiveness of the teams. Teams must also have the *authority* to set priorities and to make timely decisions if they are to be effective. The results of document analysis and participant observation are provided below.

Results

Document Analysis

According to HHSC's Transition Plan, the Transformation Program Management Office (PMO) was created to oversee and monitor the Health and Human Services Commission's (HHSC) consolidation efforts. The PMO is staffed by agency personnel from the HHSC enterprise and by implementation consultants or third-party advisors[63]. Responsibilities of the PMO include creating management processes for assessing and selecting projects, "monitoring and tracking projects, and managing issues and scope changes of projects that make up the transformation portfolio (HHSC Transition Plan 2003, p.31). In essence, the PMO is responsible for making sure the consolidation happens.

The PMO is supported by Departmental Program Management Offices (DPMO). The D PMOs are located within each of the four new departments and head up the department's consolidation efforts. Farther downstream are interagency workgroups comprised of employees from the various legacy agencies who are expert in an area or function under consideration for consolidation. For example, one interagency workgroup looking at the consolidation of legal functions is made up of staff from the legal departments of the legacy agencies and one of task is to determine which legal functions are "in-scope/out-of-scope" for consolidation. Each workgroup develops a charter for guiding their activities and to ensure its membership knows what is expected, when it is expected and who is responsible for getting it done. A prototype of a charter[64] is provided as Appendix H.

Participant Observation

I attended a public meeting sponsored by the Transition Legislative Oversight Committee (TLOC) on January 28, 2004. During the meeting, Gregg Phillips, Deputy Commissioner for HHSC, provided an overview of HHSC's Transition Plan and updated the TLOC on the progress of HHSC's consolidation as of January 28, 2004. Overall the PMO Office had been involved with 95 projects involving 1,000 workgroup participants by the January 28, 2004 meeting. A list of the workgroups is provided as Appendix I.[65] The results of the document analysis, focused interviews and participant observation are summarized in Table 5.5 below.

Table 5.5: Implementation Teams-Results

Ideal Type Categories	Evidence	Research Method	Evidence Supports
-- *Implementation team*	Evidence of implementation team.	Document Analysis	Yes

established.			
-- Team *responsibilities* delineated.	Evidence that responsibilities are delineated.	Participant Observations	Yes
-- Team has *access to leadership.*	Evidence that team has access to leadership.		Somewhat[66]
-- Team has *authority* and *resources*.	Evidence team has authority and resources.		Somewhat

Guiding Practice #6 - Performance Management

An effective ***performance management*** system helps organizations better manage its resources so that cost savings occurs, individual and organizational performance improves and quality services result. An ideal ***performance management*** system has two components: performance measurement and performance development. ***Performance measurement*** helps ensure accountability by aligning the overall mission of the organization with "the job-specific element of work for which the employee or group of employees are held responsible". ***Performance measurement*** systems can also be used to keep contractors accountable for results.

Performance development is concerned with the development of resources, technology and workforce skills needed to meet the organizations "mission defined challenges".   The results of document analysis and participant observation are summarized below.

Results

Document Analysis

A primary goal of HHSC is to "focus more resources on serving the needs of clients".[67] Towards this end, HHSC intends to implement a system of tools for monitoring and reporting on actual performance by individual, organizational unit, and contractor. Additionally, HHSC intends to permeate throughout the organization, "clear and specific responsibilities and performance expectations for each and every staff person and contractor"[68].

Individual

The position descriptions posted for leadership positions within the HHSC such as the Deputy Commissioner positions in the Texas State Health Services and Texas Department of Aging and Disability Services, list ***competencies***[69] that are consistent with cohesion ***values***. Cohesion values are important to developing collaborative relationships and are needed to create the environment that will lead to the mindset of a single organizational culture focused on and accountable for results.

Organizational

Interagency workgroup performance in relation to the transformation is tracked via charters. It is not clear whether individual performance in relation to the workgroup is tracked and tied in with the individual responsibilities staff may already have had. Organizations are still responsible for meeting performance measures mandated by state and federal funding sources.

Contractors

HHSC is examining service delivery processes and administrative support functions to identify areas where HHSC operations might be handled more efficiently in the private sector.   In 2003 HHSC issued two Request for Proposals (RFP)[70], one for its Project Management Office (PMO) and one for Human Resource and Payroll Services. HHSC included a provision in the general information section of both RFPs that HHSC was committed to contracting for results. HHSC defined successful result as "the generation of discrete, defined, measurable, and beneficial outcomes that support the State's Mission and Objectives and satisfy the requirements of the resulting Contract."

Participant Observation

Overall, I could not find anything in HHSC's Transition Plan to suggest a view that HHSC considers its human resource department a strategic partner in the planning and implementation processes of the consolidation. It is too early in the transformation to determine what kind of follow through is occurring with regards to linking individual, team or organizational performance with the job specific element of work for which employees are responsible.

For example, the Departments of State Health Services and Aging and Disability Services announced that it had hired the Commissioners for these Departments on December 29, 2003[71]. Although the knowledge, skills, and abilities required of the position describe competencies that are needed to successfully perform the duties required of the position, I could not establish that the performance evaluations of the Deputy Commissioner positions were linked to the job specific elements of work for which the Deputy Commissioners were responsible. The same holds true for the RFPs, however, HHSC did publish a list of 93 vendors that HHSC determined were eligible to compete for work related to the consolidation in the future[72]. Table 5.6 below summarizes the results.

Table 5.6: Performance Management Results

Ideal Type Categories	Evidence	Research Method	Evidence Supports
Performance management system is used.	Evidence of mission statement in writing and communicated to stakeholders.	Document Analysis	Somewhat
Performance management system includes a *performance measurement* and *performance development* component.	Evidence of *performance measurement* and *performance development* components.	Participant Observation	Somewhat
Performance measurement of leadership includes *competencies* that reflect mission *values*.	Evidence of *competencies* sought in HHSC leadership reflects mission values.		Too early to tell

Guiding Practice #7 - Communication

Communication transcends organizational boundaries and can either impair or improve performance (Penley & Hawkins 1985, p.312 & Greenbaum 1974, p.742). An effective *communication plan* can create the shared vision necessary for synergy to occur between the organizational cultures of HHSC's various legacy agencies. An effective **communication plan** can also raise the visibility of HHSC's transformation efforts and keep the organization focused on the transformation farther into the future. The opposite can occur if there is no *communication plan* or if the *communication plan* is not effectively implemented (Behn 1980, p.616).

Results

Document Analysis

HHSC's Transition Plan contains a *communication plan* for establishing and maintaining effective communication between HHSC and its stakeholders. See Appendix B-HHSC Transition Plan[73]. According to HHSC's Transition Plan, the priorities of HHSC's *communication plan* are to put into place the personnel, processes, and tools for "planning and managing consistent, coordinated and effective communications throughout the transformation effort" (2003, p.74). Objectives of the *communication plan* are to ensure continuous input into its transformation from all stakeholders; build awareness, understanding, acceptance[74], and commitment to the consolidation effort and its planned outcomes.

Focused Interviews

Individuals interviewed described HHSC's communication strategy in a manner that is consistent with its Transition Plan. HHSC's *communication plan* includes a two pronged approach targeting *internal and external stakeholders* with a consistent message concerning HHSC's strategic direction for the transformation. Individuals interviewed also suggested that the HHSC's project teams or interagency workgroups help maintain effective organizational *upward, downward* and *laterally* throughout the enterprise.

Participant Observation

HHSC uses ***communication mechanisms*** such as Internet sites and newsletters sent out via E-mail to get its message out about its transformation. HHSC communicates on ***topics*** such as what the new organization's strategic goals are, customer service, and employee concerns. The results of the document analysis, participant observation and focused interviews are summarized in Table 5.7 below.

Table 5.7: Communication - Results

Ideal Type Categories	Evidence	Research Method	Evidence Supports
-- HHSC has a communication plan.	Evidence of communication strategy.	Document Analysis	Yes
-- Plan addresses internal and external stakeholders.	Evidence that strategy addresses internal and external stakeholders.	Participant Observation	Yes
-- Topics: strategic goals, customer service and customer concerns.	Strategy includes plans to address strategic goals, customer service and customer concerns.	Focused Interviews	Yes
-- Communications mechanisms such as satellite broadcasts are used.	Evidence of communications mechanisms.		Yes

Guiding Practice #8 – Involve employees

Ongoing negotiation and communication between leadership and employees is critical to an organization's effectively managing change. Actively **involving** employees with the problem solving about solutions on how to best manage change opens the door for "the give and take" that is essential to the acceptance of the consolidation. It also begins the process of obtaining commitment from organizations and individuals for the new programs and policies that may result (West, Berman & Milakovich 1993, p.177). The "pockets of commitment in the organization" can be expanded outward throughout the organization in incremental stages until wide acceptance of the consolidation is gained.

Results

Document Analysis

The TLOC held a series of public meetings to involve the communities and gather input on the development of HHSC's Transition Plan. HHSC also held public meetings[75] to involve the community in the consolidation and gather input on how the Departments should be organized. Additionally, HHSC utilized mechanisms such as the Internet, mail, and electronic mail to keep the community involved and to gather input on a continuous basis on the transformation. HHSC's Transition Plan calls for periodic surveys of its employees, providers, and advocacy groups throughout the transformation process.

Focused Interviews

Upper level employees interviewed indicated that HHSC ***involves*** its employees in the transformation by including them in project teams or interagency workgroups to plan and implement the consolidation. Another avenue through which HHSC involves the community in its policy making is through Advisory Councils.

Participant Observation

The Commissioners of each of the four new departments[76] hosted public meetings to gather community input on proposed organizational structures for each of the four new departments. During the public meetings[77] on the proposed structure of the Departments of State Health Services and Aging and Disability Services, input was sought on two proposed models for structuring the Departments. Model A focused on span of control, and Model B focused on functional integrity.

HHSC announced in its February 27, 2004 news release that organizational structure B was selected as the model for the health services agency. According to the news release, the organizational structure was tweaked to include "discreet units for regional and local public health and substance abuse/mental health"[78] based on public feedback.

Table 5.8 below summarizes the results.

Table 5.8 Involve Employee - Results

Ideal Type Categories	Evidence	Research Method	Evidence Supports
-- Employees are *involved* in the transformation process.	Evidence of employee involvement in the transformation.	Document Analysis Focused Interviews	Somewhat[79]
-- *Traditional activities* are continued in legacy agencies.	Evidence that legacy agencies are continuing their traditional activities	Participant Observation	Somewhat[80]

Guiding Practice #9 – Best Practices

Mergers are complex and require a substantial investment of time, leadership commitment and resources. *Learning organizations* ensure that these investments continue to pay dividends well into the organization's future by ensuring that its management strategies are iterative, data driven, and based on *best practices*. *Learning organizations* also empowers its employees to expand their capacity to create and to be part of the generative process of an organization's life (Senge 1990, p.14).

Results

Document Analysis

According to HHSC's transformation plan, HHSC staff researched the use of mergers or consolidations in the public and private sectors to identify methods, tools, techniques, and technologies that had proven beneficial to the merging organizations. In addition, HHSC invited key private sector leaders who were experienced at managing large-scale mergers (e.g. Hewlett Packard-Compaq and Affiliated Computer Services) to assist with the planning of the consolidation. The following themes were incorporated into HHSC's Transition Plan.

· **"Communicate** everything and communicate often.

· **Act quickly** to integrate the organization and name leaders as soon as possible.

· Keep attention focused on **key goals**.

· Create **clear accountability** and actively **measure performance**.

· Establish and support the desired **culture**.

· Take aggressive steps to **retain the best people**.

· Establish and adhere to a **business case**.

· Plan with **detail** and execute with **determination**."

These themes track the nine key practices identified by GAO participants as essential to the successful transformation of a merging organization. For example, "*business case*" tracks with GAO Practice #6: Establish a performance management system because business cases help ensure accountability for and effective management of resources by tracking cost savings and benefits generation of potential consolidation projects. HHSC requires business cases be developed for each of its potential consolidation projects. Building business cases to track project cost and benefits is also congruent with a priority of HHSC's Transition Plan: identifying best practices and finding ways they can be replicated within the enerprise.

Finally, documentary evidence suggests HHSC intends for its Transition plan to be iterative and will work towards creating and sustaining an environment that leads to a *learning organization*. This is based on language in HHSC's Transition Plan saying HHSC expects its full transformation to take place over a period of three to five years. During this time, HHSC intends to use feedback from its performance measures and from stakeholders to improve the transformation. HHSC's modifications to its Transition Plan will be reviewed by the TLOC and submitted to the Governor and Legislative Budget Board as appropriate.

As a result, HHSC could obtain support from Texas legislature and other existing authorities to leverage change. Legislative and executive branches of government can change established rules, formal laws, informal norms, practices, and organizational structures to recreate and shape the actions of civil servants and citizens through its oversight, authorizing, and appropriation roles. The results of the document analysis, participant observation and focused interviews are summarized in Table 5.9 below.

Table 5.9: Best Practices - Results

Ideal Type Categories	Evidence	Research Method	Evidence Supports
-- **Best practices** are implemented.	Evidence of effort to promote and implement best practices.	Document Analysis	Yes
-- Strategies promote an environment for a ***learning organization*** to occur.	Evidence that HHSC's strategies for change management are iterative.		Yes

Summary

The purpose of this chapter was to review the analysis of the data collected to assess the consolidation of the Texas State health and human services delivery system. The data was collected via documents such as H.B. 2292 and HHSC's Transition Plan, draft RFPs, focused interviews, and participant observation.

Nine key practices identified by GAO participants as crucial for operationalizing a consolidation were used to assess the processes, activities, and practices used by the Health and Human Services enterprise for its consolidation. The practices (conceptual framework) are connected to the literature review and form the instruments of data collection discussed in chapter four.

The next chapter summarizes the results of this study and provides recommendations.

Chapter VI-Conclusion

The purpose of this applied research project was threefold. The first purpose was to explain nine key practices that were consistently found at the center of successful mergers by a cross section of experts from the public and private sectors. Towards this end, Chapter III explains the nine practices as the "practical ideal type categories" that form the conceptual framework for this study.

Chapter V of this research project achieves the second purpose of this research project, which is to assess how closely the consolidation processess used by the HHSC come to the nine GAO practices. Herein lies two limitations of the study-this investigation does not verify whether appropriate follow through is ongoing in the planning and early integration phases, nor does this study assess HHSC's transformation effort during the optimization and transformation phases.

This chapter addresses the third purpose, which is to provide recommendations (if appropriate) on how the consolidation process could be improved. This applied research project barely scratched the surface of HHSC's consolidation effort. Certainly the framework is in place for getting the consolidation effort started, and elements of the nine key practices identified by the GAO are sprinkled throughout the plan. Effective

implementation of an innovation such as a consolidation; however, takes time and the gateway between an individual's decision to accept the consolidation may vary depending on how well the employees of the legacy agencies receive or resist it. HHSC is at this critical phase.

Continue to focus on the people

In a nutshell, the people making up the organizational culture determine whether a consolidating organization will successfully emerge from its transformation. For an innovation to succeed, people must identify with it. The same holds true for the consolidation-if it is to succeed, the organizational culture must understand how the change will improve the current conditions and the culture must also understand its benefits.

Executive and Legislative leadership helped create the structure for guiding the transformation effort. Transitional leadership now must create the environment that could lead to staff identifying with the consolidation by involving their employees and empowering them to be a part of the change. Representational leadership must also be able to answer the big picture questions concerning what the strategic direction of the organization will be and with what resources the direction will be achieved to gain acceptance of the consolidation.

Effective planning is also essential to a successful transformation; however now it is time to act. Table 6.0 provides recommendations on how the consolidation may be improved.

TABLE 6.0-RECOMMENDATIONS

Guiding Practice	Degree of Completion	Recommendation
1. Leadership	Somewhat	Now that the transformational leadership tasks of formulating the strategic direction for the enterprise have been completed, the transactional leadership tasks of creating the environment that will lead to stakeholders, especially employees, identifying with the strategy and accepting the consolidation is the next critical next step towards a successful transformation. Towards this end, leadership should continue to remain strong, active, and involved with the consolidation effort. Continuity of leadership at the top is key to minimizing risk associated with change in leadership such as delays in implementation, change of direction or uncertainty in middle management.
2. Mission	Fully in place	Continue to elevate the mission of HHSC as the centerpiece for guiding HHSC through its transformation. By doing so leadership can begin sowing the seeds that might lead to the creation of a single organizational culture.
3. Principles and Priorities	Somewhat	Continue to hold high HHSC's principles for guiding re-organizational decision-making, business decision-making, and program management and encourage employees to abide by these principles. Ensure that a mechanism for prioritizing and sequencing HHSC's change initiatives exists so that HHSC employees at the mid-level and front-line level of the organization can balance their workload between focusing on consolidation initiatives on one side and continuing to deliver services on the other side. Guiding Practice 5 talks about how a system for prioritizing and sequencing workload can help contribute to organizational efficiency and access to leadership..
4. Implementation Plan	Somewhat	HHSC's Transition Plan was developed for the purpose of installing a framework for rolling out the consolidation process. Now that HHSC has had at least 10 months of consolidation under its belt, consider evaluating HHSC's progress to determine whether mid course changes are needed. One consideration is whether HHSC's Transition Plan is cross-pollinating with HHSC's strategic plan. For example, HHSC's Strategic Plan has an element within focusing on development of resources, technology and workforce skills needed to meet the organizations "mission defined challenges".
5. Implementation team.	Somewhat	Certainly the interagency teams at the big picture level are in place. Further downstream, the interagency teams are forming and are increasingly active in the day to day activities of consolidating. With 95 consolidation projects simultaneously underway, leadership will likely be bombarded with questions from all sides. A consistent system for prioritizing and sequencing consolidation activities that transcends the organization would help the teams determine which issues are critical to the immediate consolidation efforts; thus need to be forwarded to leadership for clarification or resolution immediately. Leadership can triage the issues they receive from the workgroups, prioritize and sequence the issues, and respond based on the level of criticality of the issue to the consolidation effort. As a result, operational efficiency is ensured, and the organization is better able to strike the right balance between ensuring that the consolidation activities get done within the timeframes established and ensuring that services continue to be delivered. Also continue to emphasize workgroup's access to resources and authority to act to implement change.

TABLE 6.0-RECOMMENDATIONS (continued)

Guiding Practice	Degree of Completion	Recommendation
6. Performance management	Somewhat	I could not find anything to suggest that HHSC considers its human resource department a strategic partner in the consolidation. If true, HHSC could be missing out on an opportunity to bring to bear a resource that could help facilitate HHSC's achievement of its mission and goals: providing cost effective services.
7. Communication	Fully in Place	HHSC has created a communication plan for guiding its communications about the consolidation. Evaluate whether the current communications from leadership is consistent with the communication objectives stated in the Transition

		Plan since the consolidation effort has been underway for ten months and new staff have come on board.
8. Involve employees	Somewhat	Continue to involve employees and other stakeholders in the transformation.
9. World-class organization.	Somewhat	HHSC's Transition Plan contains language about HHSC's intent to make itself a learning organization that values best practices to ensure products and services are the best that they can be. Continue emphasizing the importance of empowering staff to create and learn.

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Appendix A

H.B. 2292 will be provided in hardcopy only.

Appendix B

Transition Plan will be provided in hardcopy only.

Appendix C – Consolidation Practices

Consolidation Assessment Practice	Description
1. "Ensure top leadership drives the transformation."	Transformational leadership that is strong and involved is critical to providing the vision for guiding the transformation and setting its pace. Top leadership must be able to effectively articulate the values its embraces and its vision for what the new organization will look like at the other end of the transformation to the stakeholders to help them understand why the merger is necessary, what the benefits will be, and probably most importantly, what this means to them (Senge 1990, Behn 1980, p.613 & GAO 2003, p.9).

Consolidation Assessment Practice	Description
2. "Establish a coherent mission and integrated strategic goals."	"Mission statements are a vehicle through which leadership can communicate its organizational values to employees and they also offer a portal through which to view an organization's purpose and direction (Weiss & Piderit 1999, p. 220). A mission statement also focus the organization's attention on the transformation and provides a "rallying point" around which staff from the legacy organizations can unite (Weiss 1996, p. 196, Simon 1993, p.141 & GAO 2003, p.11).
3. "Focus on a key set of principles and priorities."	Principles and priorities provide the framework for guiding the organization's decision-making and driving employee behavior. Ideally the values embraced by the organization are reflected in the principles and priorities so that the new organization can create the environment conducive to the development of a single unified culture (GAO 2003, p.13).
4. "Set implementation goals and a timeline."	Mergers may take 5-7 years to complete. Clear and integrated goals helps an organization achieve a successful transformation by maintaining the organization's focus on the transformation, conserving organizational resources "for things that matter," generating the energy for getting things rolling, and sustaining the momentum needed to see the organization through the transformation. By evaluating its progress towards achieving the implementation goals, an organization can make mid-course changes (if needed) to better position itself to respond to changes in its environment (GAO 2003, p.14).
5. "Use implementation teams to manage the transformation."	Strong and active teams are critical to a successful transformation because these teams make sure the transformation activities get done. Having the resources and the authority to set priorities and to make timely decisions is crucial to the team's performance and effectiveness (GAO 2003, p.18).

Appendix C continued

Consolidation Assessment Practice	Description
6. "Use the performance management system to define responsibility and assure accountability for change."	A performance management system is made up of two components: performance measurement and performance development. Performance measurement helps ensure accountability by aligning the overall mission of the organization with "the job-specific element of work for which the employee or group of employees are held responsible" so that the desired results are achieved (Patton, Witt, Lovrich, & Fredericksen 1999, p.310 & GAO 2003, p.20). Performance development can help advance an organization's effort to achieve its mission by helping to recruit top talent with the knowledge, skills and abilities that can be brought to bear on what the job requirements are. Performance development is also concerned with the development of resources, technology and workforce skills needed to meet the organizations "mission defined challenges" (Baird & Meshoulam 1988, in Patton, Witt, Lovrich, & Fredericksen).
7. "Establish a communication strategy to create shared expectations and report related progress."	Communication transcends organizational boundaries and can either impair or improve performance (Penley & Hawkins 1985, p.312 & Greenbaum 1974, p.742). Organizations communicate through four main communication subsystems: regulative, innovative, integrative, and informative instructive (Greenbaum 1974, p.742). An effective communication plan communicates the strategic direction for the transformation, responds to the information needs of stakeholders about the transformation, and clarifies goals and objectives of the transformation. Thus it can help create the environment for synergy to occur between the various organizational cultures of the legacy agencies or it can add fuel to the fires of conflict and confusion that a merger can bring (Behn 1980, p. 616).
8. "Involve employees to obtain their ideas and gain their ownership for the transformation."	Tough choices will have to be made in a political environment filled with uncertainty and constantly changing. The outcomes of those decisions may not be positive for everyone inside or outside the organization yet everyone will have a stake in each alternative. Leadership can begin building the collaboratives that will be needed to make the merger work, build trust, and get employees to accept responsibility for implementing innovations by getting them involved with the transformation process (Behn 1980, p.618).
9. "Build a world-class organization.	Mergers are complex and will require a substantial investment of time, leadership commitment and resources. Paradigms of the legacy organizations will no longer apply thus creating an opportunity to "shoot for the stars" by implementing innovations that are outside the box of traditional thinking but still relevant to the issues at hand (GAO 2003, p.30).

Appendix D Data Collection Template   (Part 1)

PRACTICAL IDEAL TYPE	CRITERIA	EVIDENCE			
		INTERVIEW	PARTICIPANT OBSERVATION	DOCUMENT ANALYSIS	NAME OF DOCUMENT
1.1. "Leadership drives the transformation."	1a.	X	X	X	H.B. 2292, Transition Plan, Handouts at public meetings.
	1b.	X	X	X	H.B. 2292, Transition Plan, Handouts at public meetings.
	1c.	X	X	X	H.B. 2292, Transition Plan, Handouts at public meetings.
2.2. "Establish mission with integrated strategic goals."	2a.		X	X	Transition Plan and handouts at public meetings
	2b.		X	X	Transition Plan and handouts at public meetings

		INTERVIEW	PARTICIPANT OBSERVATION	DOCUMENT ANALYSIS	NAME OF DOCUMENT
	2c.		X	X	Same.
3.3. "Key set of principles and priorities."	3a.	X	X	X	Transition Plan
	3b.	X	X	X	Transition Plan
4.4. "Implementation goals and a timeline."	4a.	X	X	X	Transition Plan
	4b.	X	X	X	Transition Plan
	4c.	X	X	X	Transition Plan
5.5. "Dedicate an implementation team."	5a.	X	X	X	Transition Plan.
	5b.	X	X	X	Transition Plan HHSC website
	5c.	X	X	X	Transition Plan
	5d.	X	X	X	Transition Plan

Appendix D Data Collection Template
(Part 2)

PRACTICAL IDEAL TYPE	CRITERIA	EVIDENCE			
		INTERVIEW	PARTICIPANT OBSERVATION	DOCUMENT ANALYSIS	NAME OF DOCUMENT
6.6. "Use performance management system."	6a.	X		X	Transition Plan Draft RFPs-Human Resource and Project Management Office
	6b.			X	
	6c.			X	
7.7. "Communication strategy."	7a.	X	X	X	Transition Plan HHSC Website
	7b.	X	X	X	Transition Plan
	7c.	X	X	X	Transition Plan
	7d.	X	X	X	Transition Plan
8.8. "Involve employees."	8a.	X	X	X	HHSC Transition Plan HHSC website
9.9. "Build a world-class organization."	9a.			X	HHSC Transition Plan
	9b.			X	HHSC Transition Plan

Appendix E Principles for Decision-making

Reorganization	Business Decisions	Program Management
"**Focus on service delivery**. As a result of centralization of administrative services, the new departments will focus their efforts almost exclusively on delivering services.	"**Carefully compile decision criteria.** Every analysis of agency operations will begin with a thorough examination of that function's mission, business processes and service level. This will form the "As Is" model for that function. HHSC staff will develop an "Optimized" model to determine the most effective way to perform those functions in-house. The Commission also will evaluate how the private sector would perform these functions and at what cost, or an "Outsourced" model. Decisions on which model to use will be based on the goal of providing the best value and services to Texans.	"**Strategy guides structure**. Use the strategy of H.B. 2292 to guide the structure of the transformation effort and extend the structure to enable agile execution of the mandate by HHSC and the four departments.
Maintain key identities. By following an incremental process, HHSC will seek to maintain the identities of key service areas (such as blind or deaf services) to minimize any confusion among clients looking for and receiving such services.	**Require an open and competitive procurement process.** When the Commission decides to contract for a service or evaluate the possibility of outsourcing a function, it issues a request for proposals. This request defines the scope of the work to be performed, sets performance level expectations and establishes the criteria against which all proposals will be evaluated. These criteria are designed to determine the best value for the state and support the Commission's standards for performance-based contracting.	**Focus on key elements, not every activity**. Manage key elements of the program, such as issues, milestones, interdependencies, risk and critical path.

| Careful and deliberate. While the effort will seek to maintain constant forward progress, HHSC leadership is approaching this reorganization with a great deal of focus on making decisions based on significant stakeholder input, analysis of best practices, and consideration of how decisions will affect all aspects of service delivery."

(as cited on page 14 of HHSC Transition Plan or Appendix B.) | Establish strong contract management focused on performance and accountability. The same principles of accountability apply whether a state employee, community-based organization or private company performs the work. In all cases, monitoring and oversight are essential to accountability. For a contractor, performance and outcome standards are built into the contract, such as requiring claims to be processed within a specific timeframe or setting targets for how many people will receive services. Each request for proposals issued by the Commission includes a performance matrix that establishes clear performance standards and the penalties for not meeting those standards. Contracts also include provisions for performance bonds and liquidated damages if the terms of the contract are not met."

 | Ongoing project prioritization. Establish a process of continuous prioritization for the numerous efforts in support of transformation to ensure that appropriate resources are deployed for the initiatives with the most benefit."

(as cited on page 31 of HHSC Transition Plan or Appendix B.) |

Appendix E Principles for Decision-making (continued)

Reorganization	Business Decisions	Program Management
"**Focus on quality**. The consolidation of health and human services into HHSC and its four new departments is being managed as a merger of program and service delivery structures, not a takeover of one agency by another. This will ensure that the best people, the best ideas, and the best practices that exist across all agencies are identified and utilized.	"**Develop a transition strategy for affected state employees.** The Commission believes in open and honest communication with employees. This means providing employees with information as early as possible about changes in their jobs. HHSC also will develop mitigation strategies should there be a loss of productivity or higher attrition due to the potential for outsourcing. Any reductions in force that become necessary will be handled through a standard policy across the health and human services system, and the Texas Workforce Commission's rapid response service will be used to provide immediate services to displaced employees.	"**Clear and simple**. Provide program management processes that are clear and simple that enable departments to maintain customer service and to focus project efforts on integration and optimization while providing status of progress.
Public input. Throughout the reorganization process, and using various methods, HHSC will seek input and feedback from the public on how best to reorganize health and human services.	**Provide open and active communications.** HHSC is fully committed to the principles of open government. The Commission will assume information is public unless the law explicitly prohibits its release. HHSC also will keep all its stakeholders informed of its business decisions and operations, and it will provide opportunities for two-way communication with the public."	**Open communications**. Maintain open and frequent communications with departments, external stakeholders, and the public."
Incremental process. The reorganization is not being undertaken via a single sweeping action. HHSC leadership will guide the reorganization through a series of incremental steps that accomplish reorganization while maintaining focus on service delivery.		(as cited on page 31 of HHSC Transition Plan or Appendix B.)
Standardization. A significant component of the reorganization is the adoption of a consistent set of management structures and titles across the health and human services enterprise.		
Administrative services consolidation. Administrative services (such as human resources, purchasing, accounting, etc.) will be consolidated under HHSC, and only limited services deemed critical to supporting departmental operations will be left under the control of an individual commissioner." (as cited on page 14 of HHSC Transition Plan or Appendix B.)		

Appendix F Consolidation Timelines

Project	Current Phase	Planning Completion Date	Integration Completion Date	Optimization Completion Date	Transformation Completion Date
Administrative Services Consolidations					
Human Resources	Integration	April 2003	June 2003	TBD	TBD
Procurement and Contract Administration	Integration	August 2003	October 2003	TBD	TBD
Information Resources	Integration	November 2003	January 2004	TBD	TBD
Leasing	Planning	August 2003	November 2003	TBD	TBD
Strategic Planning and Evaluation	Planning	August 2003	November 2003	TBD	TBD
Ombudsman	Planning	October 2003	November 2003	TBD	TBD
Financial Management Services	Planning	November 2003	January 2004	TBD	TBD
Internal Audit	Planning	November 2003	January 2004	TBD	TBD
Accounting Services	Planning	November 2003	December 2003	TBD	TBD
Rate Setting	Planning	November 2003	December 2003	TBD	TBD
Rule Making	Planning	November 2003	December 2003	TBD	TBD
Policy	Planning	November 2003	December 2003	TBD	TBD

Legal Services	Planning	January 2004	March 2004	TBD	TBD
New Department Creation and Consolidation					
Health and Human Services Commission	Planning	November 2003	January 2004	TBD	TBD
DFPS (Family and Protective Services)	Planning	November 2003	January 2004	TBD	TBD
DARS (Assistive and Rehabilitative Services)	Planning	November 2003	January 2004	TBD	TBD
DADS (Aging and Disability Services)	Planning	February 2004	Spring/Summer 2004	TBD	TBD
DSHS (State Health Services)	Planning	February 2004	Spring/Summer 2004	TBD	TBD
Other Consolidations					
Family Violence	Integration	August 2003	October 2003	TBD	TBD
Refugee Services	Integration	August 2003	October 2003	TBD	TBD
TANF Policy	Planning	October 2003	December 2003	TBD	TBD
Office of Inspector General	Planning	November 2003	January 2004	TBD	TBD
Information and Referral	Planning	November 2003	January 2004	TBD	TBD
Eligibility Determination	Planning	December 2003	June 2004	TBD	TBD
Medicaid	Planning	December 2003	March 2004	TBD	TBD
Early Childhood	Planning	December 2003	February 2004	TBD	TBD
Civil Rights	Integration	September 2003	October 2003	TBD	TBD

Appendix G   Transition Phases

Planning Phase	Integration Phase	Optimization Phase	Transformation Phase
"The planning phase was officially completed when the H.B. 2292 Transition Plan was delivered to the Governor and the Legislative Budget Board on Nov. 4, 2003. However, many individual transition projects, including those focused on creating the new departments, remain in the planning phase of their work. This work includes defining the project's purpose and goals, developing a business case, building a management team and conducting functional reviews. This phase examines the current situation and lays a foundation for a successful integration.	Once planning is complete, HHSC will review the plans and authorize the implementation of the project, including staffing, resource allocation and leadership for integration. During the integration phase, each project will focus on implementing a transitional organizational structure, consolidating staff and resources and preparing for optimization. It is during this phase that staff may be transferred from one agency to another. It may be necessary to adjust some senior managerial assignments, but this phase generally will not involve reassigning existing duties of staff, programs or other groups. At this time, the new departments also will begin standardizing their operational procedures and policies, such as general procurement guidelines, hiring procedures and employee travel policies. Technology, such as e-mail and accounting systems, also may need to be modified to reflect the new organizational structure.	During this phase each project will develop and submit an optimization plan to HHSC and the PMO, and the project director will be responsible for implementing that plan. During this phase, project teams will evaluate and implement ways to operate more efficiently and realize cost savings, such as streamlining administrative services, consolidating regional offices, using technology to reduce manual data entry and eliminating redundant processes. House Bill 2292 requires us to determine if some of our business services could be handled more efficiently by the private sector, and we will explore this option during the optimization phase of many projects. In some cases, we will issue a Request for Proposals to determine how the private sector would perform these functions and at what cost. At the same time, we also will determine the most effective model to perform those functions in-house. In all cases, decisions on whether to perform functions in-house or through a private vendor will be based on the goal of strengthening service delivery to our clients.	The transformation phase represents our commitment to continuous improvement. Once the optimization phase is complete, our agencies will continue to search for new ways to improve our service delivery, organization design, use of technology and business processes."

November 24 2003,

Weekly Transformation Update Archives

Appendix H - Work Clusters

"COMPONENT	PLANNING	INTEGRATION	OPTIMIZATION	TRANSFORMATION

STRATEGY	Develop project charter that includes purpose scope, outputs, and leadership	Complete legal documentation to create the new organization	Create optimization plan\n\nPlan optimization projects	Create enterprise-wide transformation plans\n\nPlan optimization projects
VALUE	Develop business case scope\n\nDevelop project costs\n\nDevelop project benefits\n\nCalculate financial impacts	Refine the business case\nMonitor benefits realized	Refine the business case\n\nTrack costs and benefits realized	Refine the business case\n\nMonitor benefits realized
REGULATORY	Identify state, federal, and other regulatory and funding source-related requirements\n\nAssess impacts of requirements on project scope	Determine impacts of requirements such as cost allocation, federal funding, and reporting requirements on scope	Develop detailed approaches and processes to comply with regulatory and funding requirements\n\nManage compliance/audit follow-up process	Complete steps to address regulatory requirements\n\nManage compliance/audit follow-up process
PEOPLE	Designate project director\n\nAssign project team\n\nCreate interim "integration" organization chart	Appoint chief executive of the organization\n\nIdentify/transfer staff to new organization\n\nImplement "integration" organization structure	Refine the organizational structure to reflect optimization efforts	Refine the organizational structure to reflect transformation efforts
PROCESS	Establish standard set of policies and procedures\n\nDevelop set of project support tools	Conduct functional review for high level duplication of process\n\nImplement standard set of policies and procedures	Analyze business processes for reengineering opportunities\n\nEvaluate outsourcing options/alternative service delivery models	Analyze business processes for reengineering opportunities\n\nEvaluate outsourcing options/alternative service delivery models
TECHNOLOGY	Identify affected systems and technologies	Modify software systems to support new organization	Develop plan for standardizing and integrate existing technologies\n\nDevelop plan for using new technologies	Standardize and integrate technologies
PROGRAM MANAGEMENT	Develop work breakdown structure\n\nDefine approaches for managing integration, scope, schedule, cost, quality, human resource, communication, and risk	Provide project status reporting on cost, schedule, benefits, and issues\n\nManage integration, scope, schedule, cost, quality, human resource, communication, and risk areas	Provide project status reporting on cost, schedule, benefits, and issues\n\nManage integration, scope, schedule, cost, quality, human resource, communication, and risk areas\n\nRefine communication and stakeholder feedback approaches	Provide project status reporting on cost, schedule, benefits, and issues\n\nManage integration, scope, schedule, cost, quality, human resource, communication, and risk areas"

Appendix   I – HHSC Project Charter

"HHSC PROJECT CHARTER

Date: November 3, 2003

Project Name: Planning for Department of Assistive and Rehabilitative Services

Project Sponsor(s):   Gregg Phillips, HHSC Phone: 512-424-6609

Project Directors: Current Commissioners of ECI, TCB, TCDHH, and TRC

Project Start Date: November 3, 2003 Target Date: December 15, 2003

PURPOSE: Prepare for the merger of HHS rehabilitation services, services for blind and visually impaired, services for the deaf and hard of hearing and early childhood intervention services into the Texas Department of Assistive and Rehabilitative Services as directed by HB 2292.

SCOPE:

Coordinate with the HHSC PMO to accomplish the following:

- Develop vision and mission statements
- Conduct a functional review of programs and services
- Identify programs and services to be consolidated
- Identify relevant staffing, budget, and business case
- Identify location of staff
- Develop and implement methods for obtaining public and customer input into the design and operations of the new department consistent with the HB 2292 transition plan, including participation in workgroups, public forums, focus groups and use of the advocacy registry system
- Define the organizational structure of the department
- Ensure appropriate communication to customer base regarding continuation of services
- Develop a transition plan to create an operational Department by January 30, 2004
- Ensure the appropriate steps are taken for cessation of the current Boards.
- Identify risks associated with transition and develop and implement appropriate mitigation strategies
- Identify actions necessary to ensure continued service delivery during and after transition
- Development a milestone plan for reporting

KEY STAKEHOLDERS/DEPARTMENTS:

Texas Rehabilitation Commission
Texas Department for the Deaf and Hard of Hearing
Texas Commission for the Blind
Interagency Council on Early Childhood Intervention Services
Texas Health and Human Services Commission
HHSC PMO, Finance, Human Resources, and Legal
Public, Private, State, and Federal Partners

Appendix I Continued

MAJOR DELIVERABLES:

List of programs and services to be consolidated
Staffing, budget, location and business case information
Transition plan for creating an operational department by January 30, 2004
List of risks and appropriate mitigation strategies
Milestone reporting plan
Business case for project

HIGH-LEVEL SCHEDULE:

Information on programs, services, staffing, budget, and location by November 21, 2003
Draft transition plan by December 15, 2003

ASSUMPTIONS, CONSTRAINTS, AND RISKS:

Assumptions:

Creation of the department is based primarily on developing a line of authority that ensures accountability, keeps programs running and otherwise minimizes risk to the clients.

The functional review will be used to identify redundancies and other immediate optimizations that result in fewer staff when the department becomes operational.

Opportunities for synergies and efficiencies that optimize department service delivery identified in the transition process will be identified for follow-up by department executive staff.

Except as may change through the administrative services consolidation efforts, administrative services will continue to be provided to staff as it is currently.
Once named, the commissioner of the new department will assume the role of project director.

Constraints:

The workgroup is charged with securing the resources and staff it needs to complete its work. Any constraints should be brought to the project sponsor's attention immediately.

Cost allocation plan development and approval.

Risks:

Will be identified by the workgroup for which this charter is written."

Appendix J - HHSC Projects
Hardcopy only.

[1] The General Accounting Office (GAO) convened a forum consisting of a cross section of leaders from both the public and private sectors on September 24, 2002. Participants were either experienced at managing large-scale organizational mergers or had studied them. The purpose of the forum was to discuss lessons learned from private and public sector mergers and identify useful practices that could be used as guiding principles by federal agencies such as the new Department of Homeland Security (DHS) to consider as it transformed its various originating components into a unified department. The GAO published a list of nine key practices identified by GAO participants as being critical to the successful transformation of an organization undergoing consolidation on July 2, 2003.

[2] Practical ideal types "can be viewed as standards or points of reference," particularly as a comparison for a real situation (Shields 1998, p. 219 & Ley 2002, p. 24).

[3] Article I, H.B. 2292 is provided as Appendix A.

[4] The terms "mergers" and "consolidation" are used interchangeably throughout this study.

[5] Article I of H.B. 2292 is provided as Appendix A.

[6] HHSC Enterprise means the Health and Human Services Commission (oversight agency) and the four new agencies.

[7] The General Accounting Office (GAO) convened a forum consisting of a cross section of leaders from both the public and private sectors on September 24, 2002. Participants were either experienced at managing large-scale organizational mergers or had studied them. The purpose of the forum was to discuss lessons learned from private and public sector mergers and identify useful practices that could be used as guiding principles by federal agencies such as the new Department of Homeland Security (DHS) to consider as it transformed its various originating components into a unified department. The GAO published a list of nine key practices identified by GAO participants as being critical to the successful transformation of an organization undergoing consolidation on July 2, 2003.

[8] Practical ideal types "can be viewed as standards or points of reference," particularly as a comparison for a real situation (Shields 1998, p. 219 & Ley 2002, p. 24).

[9] HHSC – RFP No. 529-04-270 (2/20/2004).

[10] HHSC Strategic Plan for 2003-2008.

[11] As cited in March 25, 2003 HHSC News Release.

[12] Together the twelve legacy agencies had 62 executive level positions. The number was reduced to 34 in the newly proposed agency.

[13] Klein and Sorra call this "nonuse."

[14] Klein and Sorra call this "compliant use."

[15] Klein and Sorra call this "committed use."

[16] Simon defines decision maker as any employee in the organization.

[17] The nine key practices were identified in a 2003 report issued by the U.S. General Accounting Office: *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*.

[18] Farazmand 1999, p.513; Abramson, Bruel & Kamensky 2003, p.4; Kamarck 2002, p.5; Cohen & Cyert 1973, p.366.

[19] Shields 1988, p.60; McFarland 1994, p.9; Caiden 1980, p.143; Simon 1993, p.137.

[20] Many attribute the reinventing government movement to Osborne and Gaebler's 1993 book, *Reinventing Government*.

[21] Jane McFarland quoted this statement in her 1994 applied research project for Texas State University (formerly Southwest Texas State)[21].

[22] A core issue often debated in relation to programs and services offered by government are government's proper role and size.

[23] Allen Schick in Patricia Shields 1998, p.64.

[24] This cite is found on pages 63 & 64 of Dr. Shields' article: Less is Less: Fiscal Issues in Human Services.

[25] Charles Levine, Irene Rubin & George Wolohojian 1982, p.102; Kim Cameron, Myung Kim & David Whetten 1987, p.222; & Jane McFarland 1984, pp.25-27.

[26] Downloaded through JSTOR on February 21, 2004.

[27] Guiding Practice 1.

[28] Guiding Practice 2

[29] Guiding Practices 3 & 4.

[30] Guiding Practices 5 & 6.

[31] Guiding Practices 7 & 8.

[32] Guiding Practice 9.

[33] Health and Human Services Commission.

[34] The leadership tasks are based on J.M. Burns' book *Leadership*.

[35] West, Berman & Milakovich based these skills on J.P. Kotter's What Leaders Really Do, *Harvard Business Review* (pp.103-111).

Behn 1980, p.614; Frumkin 2003, pp.4 & 5; GAO Report 2003, p.9; & Simon 1993, p.137.

[37] Cohen & Cyert 1973, p.350; Simon 1993, p.137; Behn 1980, p.613; & GAO 2003, p.9.

[38] Cohen & Cyert 1973, p.349; Behn 1980, p.613; & Simon 1993, p.132.

[39] Rokeach 1979; Schwartz 1992 in Kabanoff; Waldersee & Cohen 1995, p.1077; & GAO 2003, p.14.

[40] Cohen & Cyert define a coalition as a group of individuals in which no one dominates (p.350).

[41] Klein and Sorra call this "nonuse."

[42] Klein and Sorra call this "compliant use."

[43] Klein and Sorra call this "committed use."

[44] Levine, Rubin & Wolohojian 1982, p.102; Cameron, Kim & Whetten 1987, p.222; & McFarland 1984, pp.25-27.

[45] Simon 1993, p.141; GAO 2003, p.11; & Levine, Rubin & Wolohojian 1982, p.103.

[46] Watzlawick, Beavin, & Jackson in Penley & Hawkins 1985, p.67 & Rubenstein 1953, pp.79 & 80.

[47] Term used in POSI 5315-Problems in Public Personnel Administration to describe individuals who "drives the new paradigm from rough concept into practical application" (Ashworth, S. 2004).

[48] GAO (General Accounting Office).

[49] As of January 28, 2004, HHSC was managing a portfolio of 95 individual projects that involved 1,000 workgroups.   Each of these projects will transition through the same four transformation phases: planning, integration, optimization, and transforming at different rates of speed.

[50] Information gathered from HHSC Transition Plan.

[51] Summaries of comments gathered at public meetings hosted by TLOC can be found on pages 37-50 of HHSC's Transition Plan.

[52] Results of functional reviews can be found on pages 12-14 of HHSC Transition Plan.

[53] Quote can be found on page 1 of HHSC's Transition Plan.

[54] Downloaded from HHSC's Frequently Asked Questions webpage (http://www.hhsc.state.tx.us/) on April 12, 2004.

[55] Downloaded from HHSC's Frequently Asked Questions webpage (http://www.hhsc.state.tx.us/) on April 12, 2004.

[56] See Appendix F for additional information.

[57] Table can be found on page 19 of HHSC's Transition Plan.

[58] Downloaded from http://www.hhsc.state.tx.us/ on March 14, 2004.

[59] Unable to assess HHSC follow-through on this issue.

[60] Unable to assess HHSC follow-through on this issue.

[61] See pages 29 and 30 of Appendix B-HHSC Transition Plan.

[62] Goals with timelines are for consolidating at meta-level.

[63] HHSC published a list of 91 individuals eligible to contract with HHSC on its consolidation efforts.

[64] HHSC's Transition Plan contains charters for the four new Departments.

[65] Attachment I is part of HHSC's handout for the Transition Legislative Oversight Committee's public meeting on January 28, 2004.

[66] Workgroups downstream coordinate with PMO. PMO coordinates with Transformation Steering Committee. Deputy Executive Commissioner, Program Services provides the "day to day" direction concerning consolidation effort.

[67] Downloaded from HHSC's Frequently Asked Questions webpage (http://www.hhsc.state.tx.us/) on April 12, 2004.

[68] HHSC Transition Plan.

[69] Examples of competencies sought in candidates for leadership positions: skill in strategic planning, skill in leadership, ability to lead, implement and balance change, ability to build, establish, and maintain effective working relationships and coalitions.

[70] HHSC issued more than two RFPs, however this study will review the RFP for Project Management Office and Human Resource and Payroll Services.

[71] Information taken from HHSC News Release dated 12/29/03 and was downloaded from HHSC website on March 1, 2004. Commissioner for State Health Services-Dr. Eduardo J. Sanchez. New Commissioner for Aging and Disability Services-Jim Hine.

[72] Downloaded off HHSC Implementation Consultant Contact Listing webpage (http://www.hhsc.state.tx.us/) on April 8, 2004.

[73] HHSC's **communication plan** is Appendix D of HHSC's Transition Plan.

[74] Awareness, understanding, acceptance are key to an individual's identifying with the consolidation and as a result committing to it.

[75] HHSC public meetings were in Austin, Arlington, El Paso, Harlingen and Houston.

[76] Departments of State Health Services, Assistive and Rehabilitative Services, Family and Protective Services, and Aging and Disability Services.

[77] Input from the community on Models A and B was also sought via Internet and the HHSC website.

[78] Information taken from HHSC news release on HHSC website (http://www.hhsc.tx.us/) on February 27, 2004.

[79] Although elements are in place, thorough assessment of how input is influencing the implementation practices could not be completed due to time constraints.

Ibid.