

**An Examination of Organizational Change:
A Look at Managers in Texas Health & Human Services Agencies**

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ABSTRACT

The concept of organizational change provokes many questions for both scholars and practicing public administrators. Inquiries such as "why and how organizations change," "how often do they change," and "what is the impact of that change on employees" are some of the impending questions. Management acceptance of change is a necessary step towards dealing with organizational change. The Texas House Bill 2641 (HB 2641), a recent legislative mandate, stimulates organizational change for Texas Health and Human Service (HHS) agencies. HB 2641 assumes some level of organizational change among all agencies comprising the HHS System, some of which are considered significant.

Changes in organizations and ways in which managers effectively manage change is the focus of this Applied Research Project. A focused case study is the chosen research methodology for an exploration into organizational change in HHS agencies. Survey research is used to examine attitudes about the nature and impact of organizational change across management levels in these HHS agencies. The applied project explores how Texas HHS managers at the executive and middle management levels characterize organizational change and its environment, and whether human services managers at varying levels value and use tools and strategies to manage ongoing, and often mandated organizational change.

The study introduces the rationale of the efficacy of fundamental values, such as shared meaning and purpose, and shared decision making among managers who are often responsible for the successful implementation of organizational change. The research findings indicate effective organizational change depends not only on recognizing the type of strategy employed during organizational change, but also on the actual use of

effective tools and strategies, and which tools and strategies are used for what purposes.

Successful strategic change, also, depends on the use of effective tools and strategies such as communication, cooperation and support between and among all managers that can be used to rectify any inefficiencies in work environments. In addition, it is important to note differences in perceptions of power between the two management levels

Recognizing these problems together is a start to effectively addressing them together.

CHAPTER ONE: INTRODUCTION*

Introduction

Constant change is an enigma that occurs in organization structures in health and human service agencies. Organizational change identified by research runs the gamut and includes activities such as improving upon the old way of doing things, implementing a new program that requires rearranging or dismantling old methods, and coping with ideas of new leaders (Kleiner & Corrigan, 1989, p. 26). Management acceptance of change is a necessary step towards dealing with change. Although conceptualizing the change process may be the initial step, many change initiatives are based on the idea that change is imposed most effectively through formal systems and structures.

The concept of organizational change provokes many questions. Inquiries such as "why and how organizations change," "how often do they change," and "what is the impact of that change on employees" are the impending questions for both scholars and practicing public administrators. A changing agency has many faces:

- A single state agency with a distinct mission is tremendously affected by a recent legislative mandate requiring the relocation of it under an umbrella agency that encompasses power, authority and jurisdiction over the single state agency. [Texas Juvenile Probation Commission, 1999]
- A newly appointed board of commissioners expands the scope of an organization requiring it to revisit its mission statement and agency goals. [Texas Interagency Council on Early Childhood Intervention, 1998]

* Author's Note: I would like to sincerely thank Dr. Patricia Shields, Dr. Audrey McKinney, and Dr. Cecelia R. Castillo for their continuing support. Many thanks to my co-workers who supported this project; to the HHS managers who were interviewed and shared their heartfelt experiences, and to those who participated in the survey, without whose insights, the project would not be complete. I also wish to thank my wonderful friends who provided warm, undying support during the Applied Research Project accomplishment.

- A different marketing strategy is embraced in order for a corporation to successfully unveil a new product on the market. [Advanced Micro Devices, 1997]
- A change in population demographics drives two agencies to consolidate their organizational operating policies and procedures. [Texas Department on Aging and Texas Rehabilitation Commission, 1998]

These are some examples of internal or external forces driving change in organizations today. Organizations are challenged to be flexible and adaptive in order to perform effectively in the face of uncertainty.

During organizational change, high level decisions usually cascade to lower level staff. Top management staff typically identifies new organizational needs, while middle management staff are often faced with the responsibility of implementing these changes. The relationship between staff at the executive and middle management levels is yet to be fully examined. Given the dearth of literature related to this topic, it is useful to perform a study that examines the complexity of this relationship. This line of inquiry embodies a compelling need to explore the extent to which managers at two distinct levels in the organization agree upon the nature of organizational change and share in decision-making about organizational change.

Managers at all levels are often faced with the obstacles during organizational change that may interfere with the promotion of clear and consistent messages (Mink, 1991, p 1). It is the intent of this study to concentrate on obstacles to organizational change, as well as the perceptions of managers concerning the value and use of a variety of tools and strategies to effectively manage change. Agreement between and among management levels is indicative of group cohesion and should promote organizational coherence. This study examines attitudes about features of organizational change across

management levels. In this way, evidence about agreement and disagreement should emerge. The implications of agreement and/or disagreement should provide lessons for implementation of change across state agencies in Texas.

From this perspective, exploratory research into the factors of organizational change and how managers in Texas Health and Human Services agencies view and manage organizational change is an important step toward promoting positive implementation. Organizational change and ways in which managers effectively manage change is the focus of this Applied Research Project. The nature and scope of this empirical exploration takes into account the constantly changing environment within which Texas Health and Human Service managers operate. The proposed study focuses on the manner in which managers characterize organizational change, as well as the ways in which they contend with organizational change associated with the most recent legislative mandate. Because this study links the pertinent literature with the observed work environment, a more profound inquiry into organizational change and the corresponding management behaviors is possible.

The purpose of this research is to examine relevant issues and challenges of organizational change^t in Texas Health and Human Services (HHS) agencies.² More specifically, the research purpose is to (1) explore how Texas Health and Human Services

^t "Organizational change," "strategic change," and "reorganization" are terms used interchangeably throughout this research paper.

The Health and Human Services (HHS) agencies are public service agencies comprising the Texas Health and Human Services System as a result of the Texas Legislative House Bill 2641 (HB 2641). The HB 2641 places the Texas Health and Human Services Commission as the lead agency. The selection of participating state agencies distinguishes only those umbrella agencies with no more than 300 employees to better assess the depth of perceptions and operational decisions, as well as differences or similarities in the two management levels in smaller agencies, and maintain confidentiality. These five agencies, therefore, include the Texas Commission on Alcohol & Drug Abuse, Early Childhood Intervention Department on Aging, Juvenile Probation Commission, and Health and Human Services Commission.

managers' at the executive and middle management levels characterize organizational change and its environment. and to (2) explore whether human services managers at varying levels value and use available tools and strategies to manage ongoing, and often mandated organizational change. Finally, an examination of the extent to which health and human service managers at two levels in the organization agree on the nature and impact of organizational change and share in decision-making about organizational change is included.

Case Study

This project is a case study of a specific technique to explore management of organizational change. The case is stimulated by Texas House Bill 2641 (HB 2641). This legislation mandates change in Texas Health and Human Services (HHS) agencies.

Survey research is the primary research technique used in this study. Survey research is used to gather data on the perceptions of organizational change and management decisions of all managers in five Texas Health and Human Services agencies. Descriptive statistics are used to present the survey data.

Structured interviews and participant observation are also employed to gain support to the survey results about organizational change. A summary of the results of both the survey and the structured interviews should show the level of agreement between management levels about the nature and impact of organizational change and share in decision-making about organizational change.

³ For the purpose of this applied project, managers at the executive level include the executive director, bureau chief, branch deputy, senior planner, or legal counsel. Middle managers include the division or

Chapter Summaries

A historical context in which organizational culture serves as the background for organizational change is addressed in Chapter Two. In addition, a discussion about ongoing, and often mandated, organizational change at Texas Health and Human Services (HHS) agencies is provided. Finally, a discussion of the nature of HHS organizations, their missions, and their management structure is included.

Chapter Three provides further context for the organizational change literature, which is used to formulate the conceptual framework used for the study. Organizational change literature addresses why and how public and private organizations change. In addition, this chapter discusses whether managers in public or private organizations who are often responsible for managing change value tools and strategies that are needed to manage organizational change. Furthermore, a discussion about whether these managers use tools to manage ongoing and often mandated change is included. If there is agreement between these two management levels, it is assumed that there is group cohesion that reflects organizational coherence.

Chapter Four provides a discussion of HHS managers as the respondents in agencies that are affected by House Bill 2641 (HB 2641). A discussion of organizational structure is also provided in this chapter. Finally, a brief discussion of HB 2641 as the impetus for change is included.

Chapter Five addresses the methodology for the study. A discussion of the methods used and the sampling technique are included.

Chapter Six reports the results of the research and describes the related analysis. Finally, Chapter Seven provides the conclusions and recommendations, which can be used by the HHS agencies for policy development and future research.

Table of Tables

The following is Table 1.1 that encompasses all of the data charts for this applied research project:

Table 1.1 TABLE OF TABLES

TABLE	TITLE
1.1	Table of Tables
3.1	Introduction
5.1	Survey Responses
5.2	Linking the Conceptual Framework to Evidence Collection
6.1	Frequency of Organizational Change
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CHAPTER TWO: INSTITUTIONAL SETTING

Introduction

This chapter examines organizational culture⁴ in Texas Health and Human Services (HHS) agencies. A discussion about ongoing, and often mandated, organizational change at HHS agencies is also provided. Finally, the nature of HHS organizations, their mission, and organizational structure is explored.

Historical Setting

Texas Legislature

As the state's lawmaking body of the Texas Constitution, the primary function of the Texas Legislature is to enact laws to provide for the health, welfare, education, environment, and economic well-being of the citizens of Texas (Texas Legislature Online, 1997). The legislative process involves the drafting of bills for consideration by the governor and voters, when necessary. Article 3 of the Constitution delineates the authority of the Texas Legislature to consolidate governmental offices and functions by special statute (Texas Legislature Online, 1997). House Bill 2641 outlines the proposed implementation of the consolidation process of specific governmental functions among several health and human service agencies.

Reorganization in Health and Human Services

The proposed implementation of Texas HB 2641 is the driving force behind current organizational change at many state HHS agencies. Significant changes during 2000 to the organization design of the Texas Health and Human Services Commission⁵ (HHSC), as well as the participating agencies in the Texas HHS system characterize organizational change.

76th Texas Legislature – House Rill 2641

House Bill 2641 (HB 2641) was passed during the 76th Legislative Session when HHSC came under Sunset review. HHSC is currently undergoing **major** changes to enact the consolidation of governmental functions mandated in HB 2641.

The thrust of the Sunset Legislation, which continues through September 1, 2007, increases the powers and authority granted to the Commission in certain key functional areas. These statutory mandates require significant changes in (1) the organizational design of the Commission, (2) the accountability relationships between the Commission and the **Agencies**,⁶ and (3) the deployment of Commission resources.

⁴ For the purpose of this ARP, culture is defined as the set of shared attitudes, values, goals and practices that characterize an organization. Culture is held together by shared meaning, as well as a **common** purpose that have a distinct role in **organizational structure**. For **example**, see Maynard, et al., 1986.

⁵ The Texas Health and Human Services Commission will be referred to as both "HHSC" and the "Com~~mission~~" throughout ~~this~~ applied research project.

⁶ The Agencies comprise the Texas Health and Human Services (HHS) System which includes: (1) Health and Human Services Commission; (2) Department of Mental Health and Mental Retardation; (3) **Department of Health**; (4) **Department of Protective and Regulatory Services**; (5) Department of Human Services; (6) **Rehabilitation Commission**; (7) Commission on Alcohol and Drug Abuse; (8) **Juvenile Probation Commission**; (9) **Interagency Council on Early Childhood Intervention**; (10) Department on Aging; (11) Commission for the **Deaf and Hard of Hearing**; (12) Children's' Trust Fund; (13) Health Care **Information** Council, and (14) Commission for the Blind.

HB 2641 contains many initiatives and directives related to organizational change, including the combination of governmental offices and functions. HB 2641 assumes some level of organizational change among all agencies under the HHS umbrella, some of which are considered significant. The proposed implementation of HB 2641 includes the creation of interagency workgroups that correspond to six areas of functional authority referenced in the bill. The workgroups were appointed in July, 1999 and charged with four specific stipulations, as follows: (1) identification of HHSC statutory requirements, (2) review of pertinent governmental reports for a context of these statutory requirements, (3) recommend organizational relationships between HHSC and the Agencies that allow for the successful discharge of HHSC duties, and (4) recommend resource allocation (*see Appendix D*). The process of implementing HB 2641 has created a climate of organizational change. Further, the workgroups mandate is a stimulus of organizational change. Clearly, managers operating within this climate should be able to provide insight about the process and coherence of organizational change in Texas Health and Human Services agencies.

Organizational Structure

An understanding of the evolving structure of the Health and Human Service system presents a formidable challenge. The culture of the agencies and of the system is also an important element of change in this structure. An exploration into the service system affected by specific legislation that is the impetus for organizational change depicts new challenges.

Texas Health and Human Services System

The Texas Health and Human Services (HHS) System⁷ was created by HB 2641 during the 76th Texas Legislative Session. HHS State Agencies under this system have the primary responsibility for the general health and well-being of the citizens of Texas (Texas Legislature Online, **1997**). These agencies provide an array of services based on each agency's mission and goals.

Changes to the current structure are prompted to ensure the efficiency and effectiveness of the state's delivery of health and human services. These major changes include, but are not limited to, (1) new direction and management of the state agencies, (2) key business functions, and (3) human resource responsibilities. The Commissioner of HHSC assumes greater responsibility for the general oversight and direction of the HHS delivery system.

The *direction and management of state agencies*, as well as the accountability relationships between the Commission and the fourteen participating agencies is assured through two executed Memoranda of Understanding (MOU) (*see Appendix E*). The first MOU between the Commission and the participating agencies clearly defines the policymaking authority of the Board/Commission and the operational authority of the Commissioner. The second MOU between the Commissioner and each executive director or commissioner specifies activities involved in the hiring and supervising of agencies' directors or commissioners, and the performance evaluation of these directors or commissioners.

⁷ The Texas Health and Human Services System comprises the fourteen state agencies listed above.

The legislature expanded the role of HHSC in certain key *business functions*. The administration of these key functions with participating agencies is conducted through the work of assigned interagency workgroups, which corresponds to six areas of functional authority referenced in the bill. These six areas address general business functions and requirements, as well as the coordination and implementation of service planning, procurement, delivery, and information technology.

HHSC is also, granted the power to allocate *agency human resources*. The allocation of human resources may be initiated within and among all state agencies under the HHS umbrella. The intent of the human resource allocation is to provide sufficient resources to effectively carry out the functions of HHSC for the state's delivery of services (Texas Legislature Online, 1997). Within human resources management are policymaking responsibilities that govern the delivery of services to persons, families and communities who are served by each agency, as well as the rights and duties of persons who are regulated by that agency (Texas Legislature Online, 1997).

Organizational Culture

Kleiner and Corrigan (1989) suggest core themes that pertain to the role of the culture during reorganization: (1) clarification and articulation of values is crucial to turnaround process and acceptable modes of behavior; (2) old values are preserved as new ones are added; and (3) traditional morality and values play a role in turnaround situations (p. 28-9). Organizational culture provides a backdrop for exploring the internal procedures of state agencies.

Imbedded within organization structure is the organizational culture.' Culture implies that human behavior is partially prescribed by a collectively created and sustained way of life that is shared by diverse individuals (Van Maanen & Barley. 1985, p 31-2) Shared meaning and common purpose in the organizational structure provide the glue with which agencies function. As each agency's sustained "way of life" begins to change, so will the practices and behaviors of its members. For example, the tasks and dependencies of ECI on HHSC dictated by HB 2641 will likely change as ECI interacts more with HHSC and other state agencies. According to Van Maanen and Barley (1985),

the structuring of an organization into work roles influences patterns of interaction found in organizations. Differential interaction among an organization's membership may reflect physical proximity. the sharing of common tasks or status, dependencies in the workflow, demands made by some members on others, and even accidents in history (p. 37).

HB 2641 has the potential to influence organization culture in all the affected agencies because HHSC has new monitoring responsibilities. This change in the new role of compliance by these agencies influences culture. For example, joint planning and coordination is now expected of all participating agencies mandated by this new legislation. In addition, HHSC now has the power to select the top leadership in all the umbrella agencies. Clearly wholesale change in leadership can influence organizational culture. As organization culture becomes a variable in the organizational change scheme, joint activities will take the shape of the new direction and management instituted by HHSC's expanded authority

⁸ Culture is defined as the set of shared attitudes, values, goals and practices *that* characterizes an organization. Culture is the attitudes, values, goals and practices held together by shared meaning, as well as a common purpose that have a distinct role in organizational structure. For example, see Maynard, *et al.*, 1986.

Like organization culture, the identity of an organization presents an important discovery in the process of reorganization. Poole (1998) claims that organization identity⁹ is constructed through the actions of leaders and members of the organization (p. 47). Furthermore, the actions that are constructed by the leaders and members are related to critical incidents (p. 47). Organizational change is a critical incident that links the actions and behaviors of top and middle managers to the organization identity. As agencies undergo changes of HB 2641, the organization identity will reflect these changes as well.

Poole (1998) also asserts that conceptual frameworks, such as organizational climate, culture, and identity, provide organization members with the attributes of the organization that become institutionalized and shape organizational cognitions¹⁰ (p. 46). These cognitions will be affected through the process of change upon implementation of any new legislation.

Kleiner and Corrigan (1989) suggest that culture and strategy are linked together to bring about shared values which convey desired needed changes (p. 26). As reorganization mirrors the new strategy, the culture of the existing agency links to this new strategy evolving into a new or expanded culture.

New cues that influence behavior cause interactions in an organizational model that influence outcomes and individual development (Kleiner & Corrigan, 1989, p. 29). Hence, organizational structure, identity, and culture of organizations demonstrate ways in which organizations operate by virtue of behaviors and decisions of both employees of the organizations and their managers.

⁹ Organization identity is the essence of an organization that presents an enduring character of an organization. For example, see Poole, 1998.

¹⁰ Cognitions are representations of awareness, knowledge and perceptions of organizational members as a whole. For example, see Poole, 1998.

The process of organizational change is likened to a new painting: the depiction (new vision) is conveyed through contrasted shades, colors, and shapes (words and deeds) that are logically and systematically portrayed (transmitted) onto a canvas (HHS system) resulting in the new art work (reorganization). While both the final art display and the latest reorganization have similar aims or products, the processes often appear dissimilar. On the one hand, the painting usually occurs in a moderate, deliberate, and methodical way so that the ultimate image is accurately portrayed. On the other hand, reorganization often seems swift, unorganized, and rigid to achieve the best outcome. Organizational change, therefore, should reflect shared meaning, values and purpose among managers who are often responsible for the successful implementation of organizational change. As change is initiated, the previous knowledge held by individual agencies and their managers resonates new knowledge.

General Themes

In order to learn about the nature of organizational change at these agencies and the impact of HB 2641: interviews¹¹ were conducted with ten managers.¹² Most managers

¹¹ The structured interviews were employed to set the stage for the survey. The study depends primarily on the survey results that are supported by general themes derived from these interviews with the managers. Respondents for this research included one executive manager and one middle manager or director in each of the five state agencies for a total of ten interviews. The structured interview was voluntary, confidential, and contained 12 open-ended questions (see Appendix C). The first question asks respondents to identify a current position assigned at the time of the interview. The remaining questions relate to "concepts" reflected in the working hypotheses in the study. These concepts include organizational change environment, frequency of organizational change, obstacles to organizational change, managers' perceptions of the value of tools and strategies, and managers, and perceptions of the use of tools and strategies.

¹² A total of ten managers from both the executive and middle management levels participated in the structured interviews. The positions of these diverse respondents fell under the three broad areas including (1) human relations and/or resources, (2) staff or agency oversight and management, and (3) planning, development and/or repositioning. All respondents appeared to be very open and honest in their responses.

claimed that their agencies experienced organizational **change at least one time per year**. In actuality, the majority (eight) of respondents reported that their agency experienced organizational change **more than once per year**. One respondent claimed "We are experiencing change right now." Another respondent indicated "It's forever evolving" and a third stated the agency started changes in the previous year and is still continuing.

A majority of the managers recognized HB 2641 as a source of change in their agency. Most of managers recognized that this legislation brought additional organizational change. Most issues or challenges introduced by HB 2641 related to their role in providing new direction and leadership, and developing a clear vision for their agency, as well as allocating human resources. Only one agency manager responded that their agency is not yet ready to deal with HB 2641. In addition, all but one manager felt their jobs would change tremendously due to recent organizational change.

Most managers had surprisingly similar responses to the question of the value and the use of tools and strategies. All managers claimed to value a variety of tools and strategies to manage organizational change. In addition, most managers use skills, knowledge and learned strategies to manage organizational change (**see Appendix C**).

Managers discussed the need for new automation, management or technical skills. identification and allocation of resources, and improved communication across agency divisions and functions in order to appropriately respond to the requirements of HB 2641. Most respondents felt somewhat anxious, but prepared for the changes.

CHAPTER THREE: ORGANIZATIONAL CHANGE LITERATURE

Introduction

The purpose of this chapter is to examine the issues and challenges that are relevant to **organizational change**¹ and the role of managers in organizational change. This chapter explores why both public and private organizations find it necessary to change. In particular, this review chapter examines (1) the organizational change environment, (2) the frequency of organizational change, and (3) the factors that restrain organizational change. In addition, this literature review explores whether managers in organizations value and utilize tools and strategies to manage organizational change. Finally, the literature review will focus on the extent to which managers at various levels in the organization agree upon fundamental values implicit in organizational change and share in decision-making about organizational change. This chapter sets a foundation for further inquiry into the change process and explores how organizational change is perceived and managed at varying, but interdependent levels of management.

Organizational Change Literature

The topic of organizational change has provoked debates in contemporary studies (Baker, 1998, p. 397). Debates about **reorganization** draw attention to the manner in which organizations change and why they change. The distinctive character of strategic

change, however, remains significantly under-studied because "the nature of processes used to launch a strategic change effort has not been well-articulated" (Gioia & Chittipeddi, 1991, p. 433). **Strategic change** involves altering the current modes of cognition and action by the organization's membership to enable the organization to take advantage of important opportunities or to cope with consequential environmental threats (Gioia & Chittipeddi, 1991, p. 433). Organizational change literature, therefore, is at some level incomplete. Most of the existing work on reorganization is either conceptual or anecdotal (Conant, 1986, p. 48). In addition, empirically based studies of bottom line results of reorganization are almost nonexistent. Consequently our knowledge of the effects and consequences of reorganization remains limited (Conant, 1986, p. 48). Given the dearth of empirical research on the organizational change, an exploration into the factors that influence organizational change and the role of managers in facilitating organizational change is definitely called for.

Organizational Change Environment

Raker (1998) suggests environmental characteristics in organizations that are experiencing change include complexity and changing factors that are circumstantial (p. 403). The complex factors found in changing environments are recognized in today's literature as prominent conditions attributed to organizational change. Theories of organizational change, for the most part, transcend sectoral boundaries such as public

¹³ "Organizational change," "strategic change," and "reorganization" are terms used interchangeably throughout this applied research project.

and private. Shifts in the principles of organization structure associated with organization and management theory, as well as public administration. and bureaucratic theory have occurred (Mohr, 1982, p. 103). Overriding principles changed focus from controlling *internal* activities to managing *external* constraints (Mohr, 1982, p. 103; Whetten, 1981, p. 1). As the focus to organizational change continues to shift, so does the organizational environment.

Boeker (1997) posits that organizational research indicates a variance in the extent to which researchers adopt an adaptive or inertial view of strategic change (p. 152). Boeker notes that the basic difference lies between a *strategic adaptation* and a *preservation of strategy* (1997, p. 152). According to Boeker (1997), strategic adaptation involves the role of managers in monitoring environmental changes and modifying organizational strategy (p. 152). If a more inertial view of strategy is employed, the general tendency is for strategy to be preserved rather than radically changed (Boeker, 1997, p. 152). If applied to the real world, this variance between an adaptive and an inertial view of strategic change suggests a difference in the management responses to organizational change and its environment.

Nadler and Tushman (1999) view strategy as an open system that transforms input from the external environment into an output of various types (p. 49). The organization consisting of formal and informal arrangements, the people, and core work is driven by an articulated strategy (p. 49). The importance of strategy in both private and public organizations represents the dynamics of change. The consequences of and solutions to organizational change seem similar in both sectors, even though the main causes of organizational change may vary.

Previous research on management responses to organizational change spans varied ideology concerning reorganization. Organizational change and its environment depend upon the managers' beliefs. Managers tend to seek an understanding of the factors and conditions involved in strategic change (Gioia & Chittipeddi, 1991, p. 435). Managers, therefore, are notional¹⁴, as well as perceptive¹⁵ about organizational change and its environment. The first general assumption for this research reflects this view:

Working Hypothesis 1:
Managers in both public and private organizations have beliefs about the efficacy of organizational change and its environment.

Potential factors in both public and private organizations that influence managers' beliefs about organizational change have been examined. These factors are important regardless of whether they reflect a strategic adaptation or a preservation of an existing strategy. These two opposing views of strategy represent the issues and challenges facing organizations today.

Public Sector Environment

Conant (1986) posits that state government reorganization efforts are frequently launched to curtail wasteful or unnecessary spending and yield large savings (p. 49). Conant also claims that reorganization efforts were conceptualized as structural change. The focus of the structural change was to rationalize an administrative structure or to improve government performance (1986, p. 49). Developing improved systems is an example of a structural change. Organizational change in public agencies is, therefore,

¹⁴ Notional is meant as the ability to observe, understand and discern the organizational environment

¹⁵ Perceptive means to being rational, sensible, and astute in daily matters.

often regarded as the remedy prescribed for the ills identified, and the anticipated results are big savings and improved service delivery¹⁶ (Conant, 1986, p. 48) Little evidence in the public sector literature, however, supports claims that reorganization can reduce overall expenditures because when savings occur, new programs are often added¹⁷ (Conant, 1986, p. 55).

A potential factor examined in public organizations, particularly Health and Human Service agencies, and found to influence managers' beliefs about organizational change is the changing risk factors of populations served. Improving service systems that are responsive to the multiple needs of persons at risk. also, influence these beliefs. Client-driven systems identify and address client needs through appropriate programming and service responses (Agranoff, 1991, p. 553) Systems that are client-driven are a product of public agencies that are generally responsible to federal, state or local governments.

Private Sector Environment

Organizations change for many reasons. Nevertheless, most organizational change is stimulated by external factors. In the private sector, most organizational redesign is propelled by the pursuit of competitive advantage in an uncertain world. Technological change over the past 20 years is just one example of dramatic environment change

¹⁶ The author uses concepts of economic savings and effectiveness in service delivery which primarily concern human service agencies. The author poses questions about using reorganization in governmental agencies as an effective tool for reducing costs of government or budget deficits, and for improving governmental performance. For example. see Conant, 1986.

¹⁷ The cycle of reinvesting cost savings appears routinized in public organizations, such as state governments. This experience is derived from the demand for needed services by clients, as well as from statistical reports required by funding sources who in turn use the statistics to generate new priorities. The

(Nadler & Tushman, 1999, p. 45). This environmental change factor has been examined and found to influence the performance of organizations, as well as of managers. For example, past research indicates that poor performance¹⁸ acts as a catalyst to organizational change when managers take actions in response to a decline in performance (e.g., profits) (Roeker, 1997, p. 154). Actions that are taken by managers are often in relation to organization design. Nadler and Tushman (1999) advance four basic lessons of organization design in response to environmental change conditions (p. 46):

1. The environment drives the strategic architecture of the enterprise, either through anticipation of, or reaction to, major changes in the marketplace.
2. Strategy drives organizational architecture, a term that describes the variety of ways in which the enterprise structures, coordinates, and manages the work of its people in pursuit of strategic objectives.
3. The relationship between strategy and organization design is reciprocal.

The accelerated pace of technological change that exists in every industry also has produced a pervasive demand for continuous innovation (Nadler & Tushman, 1999, p. 46)

Environmental changes in private businesses act as forces that drive organizations toward change and arise in response to industry discontinuities, product life-cycle shifts, and internal company dynamics (Kleiner & Corrigan, 1989, p. 27). Some scholars emphasize the potency of reorganization as a symbolic tool that chief executives can use to manipulate public opinion (Conant, 1986, p. 48). Others stress the value of

reinvesting cycle is also driven by various interest groups that lobby governmental entities that respond with other priorities specifically for those groups that lobbied them.

reorganization as a tactical vehicle for limiting or enhancing individual or group access to the decision-making process (Conant, 1986, p. 48). Organizational change literature also describes what usually occurs when executives initiate change. For example, Poole (1998) postulates that

when radical shifts are proposed by top management, a mental shift for organization membership in which procedures, customs, and myths that have become the cumulative knowledge about action-outcome relations in the organization will be subject to change (p. 45).

In order to address the consequences of a changing environment, managers in organizations assess their internal strengths and weaknesses and recognize their external opportunities and threats'' (Mink, 1994, p. 37). By doing so, organizations can strategically gain a competitive advantage in a rapidly changing market (Heizer & Kender, 1996, p. 44). As organizations interface more with the external world, they are better equipped to control the uncertainty of environmental exigencies (Whetten, 1981, p. 1). The better the internal controls and the ability to respond to external difficulties, the better the organization's capability to engage in organizational change efforts. Organizations undergoing frequent and drastic environmental changes are in desperate need of effective approaches and strategies.

Formal and informal organization structures²⁰ in both public and private agencies also affect reorganization because of what they represent and how they operate in

¹⁸ Performance is specific to the organization rather than individuals in the organization, and is related to effects that are direct and interactive. For example, see Boeker, 1997.

¹⁹ Also known as SWOT Analysis. both public and private organizations conduct these types of analyses to better deal with organizational change. For example, see Mink, 1994; Heizer & Render, 1996.

²⁰ Formal and informal organizations are an important consideration. A formal organization includes the systems, policies, rules and regulations that express what the relations of one person to another are. Informal social organizations or groups include the individual's values and rules of social behavior that are determined by that individual's membership in that group. Informal groups are formed because they satisfy human needs, help solve work problems. For example, see Hussein, 1989.

organizations. These formal and informal arrangements exist in every organization and are considered units in which work decisions and judgements are reached (Hussein, 1989, p. 10). Organizations must consider both of these structures during reorganization.

Why Public Sector Organizations Change

External factors that contribute to organizational change in the public sector can be viewed as two main segments (1) client-oriented indicators, and (2) governmental events influenced by political pressures. These external factors represent real-life demands for organizational change that often conflict. Organizational change management is most challenging under these circumstances because managers must negotiate competing demands.

Client-oriented Pressures

Pressures driving change for public entities include changes in program strategy, and the need to better coordinate services and maximize limited resources (Agranoff, 1996, p.11). Program strategy, as noted earlier, relates to organization and the management of its people (Nadler & Tushman, 1999). Structuring an organization design to best meet the needs of multi-problem clients requires innovative ways in which governments manage human service programs (Agranoff, 1996, p. 11). Seeking solutions to client-oriented pressures begins with top management. Agranoff (1996) posits that

management, most importantly. includes: (1) increased ability to understand and use resources; (2) more efficient, but not necessarily economical, management, including both policy management and administrative services; (3) flexibility in access, both to joint development of a problem-oriented focus and to clients' ability to get a wider range of services, and (4) a focus on problems rather than services (p 14).

Management has the responsibility to identify solutions to client access and efficiency of services issues, as well as ensure the provision of a wide range of services. For example, the direction, guidance, and policy making for the children's health insurance program will require operating agencies to interface and streamline functions between agency units (Texas Legislature Online. 1997) These responses by management undoubtedly drive public agencies toward organizational change

Many public organizations modify their current environments to achieve a more efficient service delivery system driven by client-oriented pressures. Some of these examples of the modifications include a consolidation²¹ of services. interorganizational implementation,²² and interagency coordination²³

Governmental Events Influenced by Political Pressures

Organizational change in public agencies is, also, prompted by events in government such as new mandates, revised legislative laws, and reorganization of

²¹ Consolidation implies the transferring of all or most administrative and program authority of previously autonomous programs into a new agency. For example, see Robert Agranoff, 1996.

²² Interorganizational implementation occurs when two or more organizations coordinate together to achieve a mutual goal such as implementing a shared policy. For example, see O'Toole & Montjoy, 1984.

²³ Interagency coordination is another method that has been employed by state and local organizations in an effort to improve efficiency of needed services. Coordination is fairly common in public agencies due to differences that grow out of clashes in statutory missions or different legitimate mandates. Coordination can be attained in the absence of hierarchy and through formal agreements. Coordination efforts have

inefficient bureaucracies (O'Toole & Montjoy, 1985; Conant, 1986). An inefficient bureaucracy is a common target of politicians during an election year. Inefficient bureaucracies slow down effective management practices. The frictions that slow down good management at the local and state levels, however, have little to do with party politics (Barrett & Greene, 1999, p. 76). While many of the obstacles on the surface appear to be battles between Democrats and Republicans at the federal level, the underlying differences go beyond partisan politics (p. 76)

Disputes have shifted from Republican versus Democrat to executive versus legislative (Barrett & Greene, 1999, p. 76). In government management, power translates into control and controlling governmental or legislative agendas usually results in mandates that instigate organizational change. Debilitating struggles occur between the executive and legislative branches. For example, in 1994, an electoral defeat in the House and Senate resulted in a policy reversal on health care, ending the unified control of Congress and the presidency (Loomis, 1996, p. 173). Party politics in control reflected Republican unity in opposition of many Clinton initiatives during 1994 (Loomis, 1996, p. 173). Consequently, public sector organizations, such as the Health Department, are affected by these final health care reform decisions.

Modern political scientists think of reorganization as a political tool rather than an administrative strategy (Conant, 1986, p. 48). Although the legislature has the power to make final decisions about measures, for example, political agendas are advanced over what and how much gets measured (Barren & Greene, 1999, p. 76). For instance, the Texas Legislative Budget Board (LBB), one of the state's central authorities, requires

promising results for attaining shared goals and interests, whether the organization is formal or informal. For examples, see Frank Baker, 1991; Jennings, 1998.

each health and human service agency to report on its outcome measures for the biennium during the legislative session. Agencies often fear that the power of the LBB is used to intimidate them into producing unrealistic measures that satisfy legislators rather than client service needs (Barrett & Greene, 1999, p. 78). When agencies produce such measures, they are eventually held responsible for something they think is unreasonable or which they feel is not reflective of the true population needs. Thus, agencies are not moving as quickly at developing outcome measures as the legislature would like (Barrett & Greene, 1999, p. 78). Another example of the promotion of political agendas is hypothetically when a bill is introduced by a senator as a way to respond to his constituents, and the bill requires two state agencies with distinct missions to merge (Texas Legislature Online, 1997). If the bill is adopted, the result is the consolidation of these two agencies. The organizational change reflects the views of one senator's wish over the needs of the specific populations previously served by these individual agencies. Changing agencies must cope with ongoing and often difficult political pressures, and must balance that with the overall purposes and missions of the agencies.

How Organizations Change

Research shows that the organization's internal environment shifts in various ways when change is initiated. Existing patterns are often disrupted and this results in a period of uncertainty and conflict (Isabella, 1990, p. 8). Kleiner and Corrigan (1989) clarify this point.

All change begins with perceptions or experiences of some environmental threat, loss or opportunity, and whether an organization successfully addresses these issues. This depends on where it (the organization) is in its life cycle and how significantly the perceived threat will impact the organization (p. 25).

Isabella (1990) describes organizational responses to events as specific organizational and managerial actions or activities (p. 7). Analyses of organization reforms have tended to either concentrate on practicality of the specified changes or to focus on the political and organizational environments that resist those changes (Teasely & Ready, 1981. p 261)

Organizational change can have a full range of effects and consequences on the organizational environment regardless of the action the organization takes. If the organization decides on strategic adaptation, it is faced with an array of possible types of organizational change. Kleiner and Corrigan (1989) assert that

types of organizational change involve (1) developmental (improving old ways of doing things), (2) transitional (implementation of a new state and requires rearranging or dismantling old methods), and (3) transformational²⁴ stages which are the most profound and traumatic. and are driven by shifts in strategy (p. 26).

On the one hand, the characteristics of organizational change can take the form of a simple improvement or a minor adjustment of existing methods or procedures. On the other hand, change can produce a major modification of the organizational mission, components, and procedures. Actions that are typically associated with organizational transformation include changes to (1) organization strategy, (2) personnel changes (at the top), and (3) revisited organizational strategies (Poole, 1998, p 45)

To illustrate changes to *organization strategy* in public agencies, an organization facing a new mandate related to a consolidation of functions with another agency will experience a shift in organization strategy. Organization strategy, according to Poole (1998), operates from cognitive structures that are considered to be part of an organization identity (p. 47). The cognitive structures provide a sense of organizational purpose (Poole, 1998, p. 47). Upon changes to organization strategy, the actions associated with organization transformation can drastically modify the existing environment. Policies and procedures, as well as personnel considerations related to the consolidation of functions will need to be developed and implemented by the performing public agencies.

Similarly, **private companies** are now focusing on the specific value they are providing for specific customers (Chawla & Renesch, 1995, p. 77). Values change as customers' interests change, and customers are interested in a variety of choices of goods or products and services provided by private companies. Thus, as values change, so does the company's environment. According to Heizer and Render (1995),

strategies change for two reasons: (1) strategy is dynamic within the organization because all areas of the company are subject to change, and (2) changes may be in a variety of areas including purchasing, finance, technology, and product life (p. 43).

Poole (1998) asserts that *personnel changes* are actions that are also associated with organizational transformation (p. 45). Organizational transformation affects personnel by altering power and status, as well as revising interaction patterns (Poole, 1998, p. 26). Change in power and status in management involves a shift in beliefs and

²⁴ Transformational change involves reformed mission and core values, altered power and status, reorganization, revised interaction patterns, and new executives. For example, see Kleiner & Corrigan

customs in the organization. Drawing from Peter Blau's (1955) social structure theory, Van Maanen and Barley (1989) posit that interpretations, values, and elaborate behavioral rituals shape the manner in which organizations perform (p. 45). The interpretations and behaviors of the employees set the foundation for the transformation.

Revised patterns of interaction deal with employee beliefs, values and behaviors. Examining these employee attributes is similar to the study of interpretation and meaning systems. The study of interpretation is of fundamental importance to the study of strategic change (Gioia & Chittipeddi. 1991, p. 435). Individual behavior, according to Kleiner and Corrigan (1989) links organizational change and subsequent outcomes (p. 25). Employee values, beliefs, assumptions, and perceptions, thus, influence organizational behavior that links organizational change and outcomes.

As a consequence of organizational transformation, the cognitive structures, human resources, and the organizational environment as a whole, in both public or private organization. are profoundly changed. Changes such as a new focus on customer desirability, the latest mandate from a state legislature, or organization reforms are examples of internal and external forces behind these changes. While studies of the strategic change characteristics remain limited. the only certainty in the dynamic nature of change is that uncertainty will be the norm (Gioia & Chittipeddi, 1991, p. 433). Both public and private organizations, therefore, must deal with not only the unknowns concerning change, but the recurrence of change, as well.

Frequent Organizational Change

Organizational change is likened to a constant state of affairs. Managers working within public organizations that change frequently may sense that soon after a new mandate is implemented, another one will come along. There are several reasons for the fast pace of change. "Business is changing from the sociocultural forces driving demands for a meaning-rich worklife and from the economic pressures leaving American industry with marginal profits" (Chawla & Renesch, 1995, p. 101). Chawla and Renesch (1995) posit that "in industry after industry, power is systematically shifting away from those who produce goods and services towards those who buy and consume goods and services" (p. 73). A systematic shift toward a new strategy implies a regular, ongoing change process. Whether this systematic shift occurs in public or private organizations, these events suggest that reorganization is a recurring theme.

Research on the frequency of organizational change reveals a dynamic versus a static environment²⁵ that is observed and interpreted in organizations. Managers' beliefs about the frequency of change are often derived from theoretical inferences, as well as practical situations. The frequency of organizational change is one of many conditions which managers seek to understand through a sense of the organization's internal and external environment (Gioia & Chittipeddi, 1991, p. 434). When managers acquire an understanding of the change environment, managers gain a sense of a strategic change process that can occur and be supported.

²⁵ A dynamic environment reflects **frequent** and constant **organizational** change **occurring at least once per year** affected by internal and external factors, whereas, a static environment remains constant and likely reflects a preservation of organization strategy.

Working Hypothesis 1a:
Managers in public and private organizations have beliefs about the frequency of organizational change.

The dynamics of changing businesses play a major role in the frequency of change in the **private sector**. For example, shifts in product life cycles create strategic change. Strategies tend to change as products move through their life cycle, and successful product strategies require determining the best strategy for each product based on its position in the life cycle (Heizer & Render, 1995, p. 198). Furthermore, most changes are initiated within stages of a (product) life cycle (Kleiner & Corrigan, 1989, p. 26). The frequency of change for a product life cycle is, therefore, dictated by the position of the product in the life cycle stage. The life of a product, therefore, depends on market trends and the best strategy possible.

Nadler and Tushman (1999) posit that rapidly accelerating change is a significant implication of environmental change (p. 48). The heightened speed at which change occurs affects several factors in the change environment. For instance, the **lifespan** of a product, and the process and distribution technologies are greatly affected by the timing and distribution of new products on the market (p. 48). Another critical issue identified by Nadler and Tushman (1999) is the time and its rapidity warps organizational time and space (p. 48). Both the time factor of products and the time constraints in organizations should be congruent. A third pressure for change comes from the demands to compete and innovate simultaneously in multiple venues and in overlapping time frames (p. 48). To effectively meet these demands, organizations need to find creative ways to design and implement new organizational architectures in half the time (Nadler and Tushman,

1999, p. 48). These factors give credence to the notion that changes in private organizations occur frequently.

Change in public entities is often a product of changing legal mandates (O'Toole & Montjoy, 1985; Agranoff, 1996). External responsiveness in an organization comes from the continuous interchange of activities, data, and energy with the other systems it serves or depends upon (Mink, 1994, p. 18). The open organization model,²⁶ as an example, demonstrates a framework for change and presents a useful way to evaluate the current status of any organization (Mink, 1994, p. 1). The model pinpoints areas for growth and reflects the increasing necessity to deal with imminent organizational change and the presenting obstacles (p. 1). Agencies that utilize management practices based on concepts of "open" rather than "closed" organizations are better equipped to deal with change. Open organizations also characterize shared values and purpose that demonstrate alignment between divisions in the organizational systems within it (Mink, 1994, p. 1).

Kleiner and Corrigan (1989) advance the notion that a sudden drastic change is desired over a piecemeal approach because an approach that is delivered in fragments creates individual resistance to change and organizational inertia (p. 27). As organizations impose change, organizational structures will no longer institutionalize stability, rather they will institutionalize change (Nadler & Tushman, 1999, p. 48).

²⁶ Open organizations reflect a healthy work environment and productive organization in which individuals operate from a symptom-free perspective so that it can self-manage, self-direct and manage the external world effectively and efficiently. Characteristics of an open organization suggest elements of cooperation,

Obstacles to Effective Reorganization

A range of obstacles to effective organizational change has been recognized through research. In **public entities**, these obstacles may include an ineffective response to new mandates, outdated procedures, internal control problems, and hierarchical settings. In **private companies**, the obstacles may reflect a myopic organization, the utility of a piece-meal approach to rapidly accelerated change, inflexible management, and organizational inertia. Managers search to comprehend the changing environment, and in doing so, are aware of these obstacles that exist within organizations and with which they must contend.

Working Hypothesis 1b:
Managers in public and private organizations believe they operate within an environment that creates obstacles to organizational change.

Mink (1994) postulates that managers face obstacles during organizational change that interfere with the promotion of clear and consistent messages (p. 3). Several factors make organizational change and its processes challenging. Political resistance and vested interests within an organization are examples that cause organizational change to be difficult (Boeker, 1997, p. 152). Political pressures and their accompanying resistance are a source of disruption in organizations. As noted previously, underlying differences between ideology that go beyond political struggles are barriers to progress (Barrett & Greene, 1999, p. 76). Resistance to political pressure, for example, comes from a control factor in legislative agendas that often produce obstacles in organizations, in general, and in bureaucracies, in particular. Public agency managers working inside have a sense of

openness, shared values & purpose, communication, flexibility, & action-orientation. Closed organizations

capabilities and limits. Insights into the capability and capacity of an organization are seemingly ignored by politicians as they change policy and bureaucratic missions or legislative agendas. Understandably, differences in perspectives about the capabilities of public bureaucracies often cause state agencies to resist in producing outcomes, if outcomes demanded by a state central authority are viewed as unrealistic or unachievable. The dissonance in perceptions about agency capabilities and goals is often an obstacle to progress.

Jennings (1998) posits that hierarchical settings create control problems that lead to constrained performance and limited coordination (p. 418). In addition, Conant (1986) postulates that bureaucracies that reflect hierarchical settings are often regarded as environments with barriers to reorganization (p. 48). Factors inherent in bureaucratic organizations²¹ limit the willingness and ability of agencies to respond to new mandates (O'Toole and Montjoy, 1982, p. 491-2). Ironically, a bureaucracy's inefficiency can be a force that contributes to a mandate for organizational change (Conant, 1986, p. 48; Jennings, 1998, p. 418).

The influence of managerial characteristics plays a part in the outcome of organizational change (Boeker, 1997, p. 152). As indicated by Boeker (1997), organizations are constrained in their ability to adjust to changes if they apply a more static view of strategy rather than a strategic conversion (1997, p. 152). Boeker also claims as top management structures remain stable, the less flexible and the more insulated they become over time (1997, p. 152). **An** inertial view of strategy seems more

connote the opposite; are referred to as "bureaucratic organizations." For example, see Mink, 1994.

²¹ Bureaucratic organizations are defined as "closed" organizations or environments in which the structure is pyramid-like, hierarchical, rigid, static, ritualistic and primarily operates under rules, laws and procedures. For example, see Mink, 1994.

consistent with an inflexible and static management. In addition, chief executives and top managers are less likely to deviate from earlier courses of action, especially when change involves organizational strategy (Boeker, 1997. p. 152).

The organization's culture, whether in public or private organizations, has essential attributes in its structural properties that can also affect organizational change. If the culture incorporates a fixated strategic myopia,²⁸ it creates a barrier to organizational change (Kleiner & Corrigan, 1989, p. 28). The inability of managers to respond to emerging obstacles reflects a lack of effective approaches to organizational change.

Tools and Strategies

Understanding and managing organizational change involves identifying and employing the right tools and strategies. According to blink (1994), a diagnostic review of an organization provides a comprehensive analysis of internal procedures, as well as conflicts about its future direction (p. 47). The diagnostic review is especially useful when new leaders have a desire to take new approaches to meet new demands (p. 47). Leadership functions include building a shared purpose and developing a climate of trust (Mink, 1994, p. 128). Quality relationships are developed through healthy people who are capable of nurturing relationships based on quality relationship components²⁹ and are open to learning and changing (Mink, 1994, p. 101).

²⁸ A fixated strategic myopia is meant as a chronic lack of foresight in strategic change.

²⁹ Quality relationship components are based on four growth processes: trusting (giving and receiving acceptance), opening (giving and receiving truth), realizing (giving and receiving power), and inter-being (giving and receiving freedom). For example. see Mink. 1994.

Management and reorganization literature identifies a variety of effective tools and strategies. For instance, Isabella posits that as change unfolds, managers must identify resistances occurring during change, and select a change strategy that will minimize or eliminate them (Isabella, 1990, p. 34). Kerr and Jackofsky (1989) stress the importance of matching managerial talent with organizational strategy (p. 157). Strategic implications of managerial staffing and matching managers with organization strategies are noted (p. 157). Strategic alignment between managers and strategies is a function of organizational performance. If alignment between organization strategies and managers is employed during reorganization, it will improve performance and the outcome will be more positive.

A number of tools and strategies have been recommended as beneficial during reorganization. These tools and strategies include, but are not limited to (1) strategic change interpretations, (2) critical analysis, (3) problem-solving, (4) decision-making skills, and (5) communication (Baker, 1998; Shields, 1938; Gioia & Chittipeddi, 1991; Finstad, 1998; Mohr, 1982; Poole, 1998).

Gioia and Chittipeddi (1991) assert that strategic change *interpretations* are key in promoting organizational change (p. 444). Gioia and Chittipeddi further claim that labels such as sensemaking and sensegiving are fundamental processes involved in assessing and managing organizational change (1991, p. 444). For example, managers develop a sense of the organization's internal and external environment and define a revised conception of organization (p. 434). In addition, these interpretive processes provide an alternative way of viewing the initiation of strategic change (p. 444).

Critical analysis serves as the link between the analytical concepts for understanding change and the context on which managers' understanding of change is based (Finstad, 1998, p. 721). For example, interpreting or translating legislative mandates requires critical thinking and analysis of the factors involved in the precise intent of a legal mandate. Critical thinking involves practical judgments about everyday problems and solutions to those problems (Shields, 1998, p. 203). Critical thinking patterns that are evident in strategic change can often lead to other learning processes. Poole (1998) suggests that a search for new behavior and a transformation of an agency's mission are examples of new learning processes undertaken by managers during reorganization (p. 48).

Problem-solving techniques are approaches to dealing with environmental uncertainty. O'Toole (1997) claims that to make sound choices efficiently, managers are challenged to craft the necessary circumstances in which key individuals can make important decisions (p. 45). For example, managers in public agencies help solve client multi-service needs when they organize the efforts of interagency committees (Poole, 1997, p. 46). As another example, managers in private organizations conduct more detailed studies of the impact of reorganization on the distribution of power within organizations (Maynard, et al., 1986, p. 302).

Communication, a mechanism by which information about reorganization is transmitted, can be a highly effective tool for positive change. Poole (1998) asserts that managers should clearly and effectively communicate a new vision to organization members (p. 48). Managers must also master change conversation to be effective in strategic change processes (Poole, 1998, p. 48). Gioia & Chittipeddi (1991) offer the

example that a vision of change can be disseminated to stakeholders through symbolic action once managers revise their conception of the organization (p. 434). Kerr and Jackofsky (1989) posit that

management development^m can influence communication by providing (1) problem-solving networks as informal organization structures that increase the efficiency of the formal organization. and (2) mentoring that integrates the vertical divisions by providing a rich communication medium between supervisors and employees (p. 160).

Another method that can be applied during organizational change is *decision-making* which provides for strategic action. Mohr (1982) indicates that when managers make strategic decisions, they should consider all facets of organizational change regardless of whether the situation is uncertain (p. 109). In addition, when there are continuing sources of uncertainty, it is impossible to delegate with clear guidelines in which case a different strategy must be employed (Mohr, 1982, p. 105). Kerr and Jackofsky concur that "operating managers interpret and utilize statements by top management as parameters for their own decision-making" (1989, p. 159)

Managers in changing organizations acknowledge these tools and strategies. therefore a second general assumption incorporates this view

***Working Hypothesis 2:
Managers in public and private organizations believe there are
tools and strategies to manage organizational change.***

As previously indicated, there is a link between individual behavior and the actions and outcomes of organizational change (Kleiner & Corrigan, 1989, p. 25). As

³⁰ Management development is the process through which the manager's value to the organization increases based on the acquisition of new behaviors, skills, knowledge, attitudes, and motives. For example, see Ken & Jackofsky, 1989.

a result. the organizational change literature suggests that managers recognize the importance of useful tools and strategies that are often needed in strategic management.

Working Hypothesis 2a:
Managers in public and private organizations value tools and strategies that can be used to effectively manage organizational change.

Managers find a variety of methods and approaches useful in the management of reorganization. Isabella (1990) posits that the views of managers as a collective are important because managers are at the heart of cognitive shifts in organizations (p. 8) Shifts in cognition provide the basis for responding to reorganization (Isabella, 1990. p 8; Gioia & Chittipeddi, 1991, p. 438). As previously noted by Kerr and Jackofsky (1989), managers interpret and use statements made by top management to make their own decisions (p. 159). In examining interpretative processes associated with organizational change phenomenon, Isabella (1990) found that

interpretations of key events evolve through a series of stages... categorized by a different construed reality, a set of interpretive tasks, and predominant frame of reference (p. 14).

A frame of reference serves as a source of intuitive knowledge that supports the direction toward change. According to research, the strategic change process involves managers making sense of reorganization by interpreting events through careful analysis, and by using those interpretations to frame meaning for other participants.³¹ Subsequently, the evolved meaning can be communicated openly and honestly. For example, top management involves a vision of change that serves as an interpretive framework for strategic change. Top and middle managers can unite to communicate,

³¹ See for example: Gioia & Chittipeddi, 1991; Isabella 1990; Kerr & Jackofsky. 1989.

champion, and influence the evolved vision in the face of possible indifference or resistance by stakeholders (Gioia & Chittipeddi, 1991, p. 434).

Critically analyzing a situation provides a way to examine agency responses and directions of reorganization. As managers concerned with decisions that affect long-term consequences of public action negotiate the internal workings of the organization, they often make practical judgments of everyday problems and solutions to those problems (Shields, 1998, p. 203). Shaping practical judgments deals directly with the pragmatic decisions of managers in daily work activities (Shields, 1998, p. 203). Problem-solving techniques are also viewed as valuable strategies to negotiate the strategic change process. As Hussein (1989) notes, another factor that increases effectiveness includes a focal person who initiates an atmosphere for interpersonal decision making (p. 11).

The steps toward organizational change and the tools and strategies implemented by top and middle management are critical to the success of the reorganization. Managers must adapt and become more active in this process. As the change process unfolds, managers are required to use different orientations and styles (Isabella, 1990, p. 8). Varied orientations and methods used by managers provide the opportunity to offer solutions to diverse problems encountered. Aligning managers with specific strategies is also an important approach (Kerr & Jackofsky, 1989, p. 157).

***Working Hypothesis 2b:
Managers in public and private organizations believe they use tools and
strategies to influence the process and outcome of organizational change.***

Evidence that managers use tools and strategies during organizational change is supported by organizational change literature. Active participation of managers in the strategic planning and implementation processes would seem to be a significant way for

useful organizational change objectives to grow and change. Effective responses to organizational change require the use of tools and strategies. The tools and strategies implemented by top and middle management provide the road map for managers to facilitate organizational change. When effective tools and strategies are implemented, the level of agreement between management levels about fundamental values and decision-making regarding organizational change becomes more evident.

Leon Festinger, author of the concept of cognitive dissonance,³² claims that shared experiences produce group norms and values (Wallace & Wolf, 1991, p. 217). Cognitive dissonance may cause the recognition of a problem between and among groups of managers concerning the nature of organizational change, especially when values clash. When disagreement between levels of managers is high, there is a need for change in the organization structure and a need for appropriate tools and strategies

Whether they are acting individually or as a group, managers play a pivotal role in managing change. Baker (1998) claims that strategic-choice theorists emphasize the ability of managers to redesign organizations to fit changing tasks and environments (p. 397). A redesigning of an organization goes beyond just the use of individual tools and strategies. It encompasses effective and positive management, as well as a reorientation to new mission and goals. According to Kerr and Jackofsky (1989), management during change incorporates flexibility,³³ cohesion,³⁴ and communication.⁵ (p. 159).

³² Cognitive dissonance is present when a disliked psychological state exists in which some of the facts that someone faces are in conflict with others, or experiences are not in line with what "ought" to be. then cognitive dissonance emerges. For example, see Leon Festinger, Wallace & Wolf, 1991.

³³ Flexibility is a function of the range of responses available and the speed with which they can be mounted. For example, see Kerr & Jackofsky, 1989.

³⁴ Cohesion is meant as a shared understanding of the strategy and its implications in which the chaotic testing stage evolves into a period of consensus and commitment. For example, see Kerr & Jackofsky, 1989.

The implementation of tools and strategies by managers in the workplace supported by top management and communicated to organizational members helps to build a functional reorganization. Often as change becomes routinized, new changes emerge and the change cycle begins again. Newcomer and Downey (1997) stress the importance of promoting resources to support managers and providing them with the requisite resources and trust to foster positive change (p. 156). How managers can further interpret and effect change individually or as a group and in specific conditions is worthy of further inquiry.

³⁵ Based on the incremental model, it is through communication that top management first senses strategic needs and opportunities; top management communicates its vision downward in order to stimulate and shape the incremental process. Communication flows upward and across the organization as people interpret and influence the strategy process. For example, see Kerr & Jackofsky, 1989.

Linking the Literature to the Research

The purpose of this Literature Review is to provide theoretical support for an exploration of the dimensions of organizational change, including the environment, the change frequency, and the restraining factors. This literature review also explores whether managers in organizations recognize the importance of, as well as utilize effective tools and strategies to manage ongoing, and often mandated, organizational change. Information includes information about the level of agreement between management levels about fundamental values and decision-making regarding organizational change.

The organization change literature surrounding this review supports the notion that organizational change is both expansive and complex. Organizational change is affected by both internal and external factors such as culture, structure, and management ideology. Another factor that affects organizational change is whether the organization adopts an adaptive or inertial view of strategic change, which requires more concrete organization and management responses. Furthermore, managers at the executive and middle management levels indeed play a significant role in setting the stage for and facilitating the organizational change process.

The nature and scope of this empirical exploration connects the reviewed literature with the pragmatic work environment that demonstrates organizational and management behaviors. These theoretical explanations reflect the conceptual framework that links the literature with the research. The following section summarizes the conceptual framework designed for this study.

Conceptual Framework

Working Hypotheses:

Working Hypotheses are ideal for this study because it proposes to investigate multiple aspects of organizational change. Working Hypotheses focus on the extent to which a phenomenon has not yet been fully realized or that conceptualization is in its early stages. Shields (1997) posits that Working Hypotheses provide a purpose that leads to discovery of other critical facts. The proposed Working Hypotheses identify important facts about the dimensions of organizational structures and the management strategies used in public and private organizations. This exploration will lead to further discovery of issues and challenges relating to organizational change.

Table 3.1 summarizes the Working Hypotheses and links them to a larger scholarly focus as well as the works of individual scholars. An overview of Table 3.1 suggests that further study about the organizational change environment, the frequency of organizational change, and the factors that restrain organizational change is merited. This literature review also provides a discussion of managers in organizations and a sense of whether they value and actually use tools and strategies to manage ongoing, and often mandated, organizational change. The factors that influence agreement across management levels about the fundamental values and decision-making regarding organizational change are also discussed.

Table 3.1 Working Hypotheses Linked to the Literature

Working Hypotheses	Scholarly Focus	References
WH1: Managers in public and private organizations have beliefs about the efficacy of organizational change and its environment.	Organizational Change Environment	Agranoff (1991) Boeker (1998) Conant (1986) Gioia & Chittipeddi (1991) Heizer & Render (1996) Isabella (1990) Kieiner & Comgan (1989) Mink (1994) Mohr (1982) Nadler & Tushman (1999) Poole (1998)
WH1a: Managers in public and private organizations have beliefs about the frequency of organizational change.	Frequency of Organizational Change	Chawla & Renesch (1995) Heizer & Render (1996) Mink (1994) Nadler & Tushman (1999) O'Toole & Montjoy (1985) Poole (1998)
WH1b: Managers in public and private organizations believe they operate within an environment that creates obstacles to organizational change.	Obstacles to Organizational Change	Boeker (1998) Conant (1986) Jennings (1998) Kleiner & Comgan (1989) Mink (1994) O'Toole & Montjoy (1985)
WH2: Managers in public and private organizations believe there are tools and strategies that can be used to effectively manage organizational change.	Tools and Strategies Core Competencies Pragmatism	Baker (1998) Finstad (1998) Gioia & Chittipeddi (1991) Hussein (1989) Isabella (1990) Kleiner & Comgan (1989) Maynard, et al (1986) Mink (1994) Mohr (1982) Poole (1998) Shields (1998)
WH2a: Managers in public and private organizations value effective tools and strategies to manage organizational change.	Tools and Strategies Cognitive Processes	Gioia & Chittipeddi (1991) Isabella (1990) Ken & Jackofsky (1989) Kleiner & Comgan (1989)
WH2b: Managers in public and private organizations believe they use tools and strategies to influence the process and outcome of organizational change.	Interpretive and Pragmatic Mechanisms Cognitive Processes Tools and Strategies	Gioia & Chittipeddi (1991) Isabella (1990) Kleiner & Comgan (1989) Newcomer & Downey (1997)

CHAPTER FOUR. TEXAS HEALTH AND HUMAN SERVICE MANAGERS

Introduction

This chapter discusses the organization structures in select state HHS agencies³⁶ influenced by the changes outlined in House Bill 2641 (HB 2641). The issues and challenges facing these HHS agencies and their managers during organizational change are, also, addressed. Finally, this chapter includes a discussion about the sample method used in the study, and about the respondents as managers in these Texas state agencies.

Organizational Structures in Select State Agencies

Health and Human Services Commission (HHSC)

As previously noted, HHSC is the umbrella agency responsible for the implementation of HB 2641. HHSC is included as a participating agency in the study because it is one of the smaller agencies and part of the HHS System. More importantly, the purpose for its inclusion is to gain insight into the perceptions of organizational change from this agency's perspective as it implements HB 2641. HHSC employs the top commissioner named in the Memorandum of Understanding between HHSC and the fourteen Agencies in the Texas HHS System, including the five select agencies chosen for this study.

HHSC employs 182.5 staff members. Eleven managers of HHSC participated in the study. HHSC's primary goals relate to the coordination and consolidation of functions and services between and among state agencies. Managers at the upper management level consist of executive deputy commissioner, chief financial officer, deputy commissioner, and five associate commissioners. Middle managers consist of division and department directors. These managers take more of a monitoring role with the other state agencies.

Texas Department on Aging (TDoA)

A total of 35 staff members are employed at TDoA, the smallest state agency chosen for the study. A total of 10 managers in TDoA participated in the study. The management levels range from executive director and six branch directors that constitute upper management. Middle management consists of assistant director, chief accountant, and contract manager.

Texas Commission on Alcohol and Drug Abuse (TCADA)

TCADA has the largest number of employees with 244.5 staff members. TCADA also has the highest number of participants in the study. A total of 44 managers who participated in the study ranged in six upper managers and thirty-eight middle managers. The executive management consists of executive director, internal auditor, and four

³⁶ The select state agencies include: (1) Health and Human Services Commission; (2) Department on Aging; (3) Commission on Alcohol and Drug Abuse; (4) Interagency Council on Early Childhood Intervention; and (5) Juvenile Probation Commission.

branch deputies. The middle management staff consists of ten division managers, twenty department managers (excluding the researcher), and eight section supervisors.

Interagency Council on Early Childhood Intervention (ECI)

ECI employs 66 workers of which 10 managers participated in this smaller state agency. The upper management level staff consists of executive director, executive legal counsel, and deputy director. Middle management staff consists of five division directors and two department managers.

Texas Juvenile Probation Commission (TJPC)

A total of 55 staff are employed at TJPC and a total of 11 participants are included in the study. Four managers make up the upper management level consisting of executive director, deputy executive director, chief of staff and executive services officer. The remaining seven middle managers consist of division and department directors.

Organizational Change Process

Organizational change literature stresses the connection between employing a strategic vision for organizational change and desired outcomes. Organizational change typically begins with executive management. Gioia and Chittipeddi (1991) claim that

when change is initiated, top management usually uses an evolutionary process to develop a new scheme or vision. The new vision or scheme then serves as an interpretive framework for strategic change effort (p. 434). In a state agency, for example, executive managers often introduce a new legislative mandate in ways that will eventually permeate throughout the agency. Thus, the new mandate can be found in new agency rules, functions, responsibilities, and expectations. Managers in HHS agencies modify, adjust or develop new agency rules, redefine (albeit sometimes slightly) functions and responsibilities, and respond to a new set of expectations related to appropriations requests.³⁷ Poole (1998) and Baker (1998) assert that managers at all levels must clearly and consistently communicate a new vision and use their abilities to re-design organizations to fit new tasks.

Strategic change, also, alters existing systems of meaning and purpose that reflect the values of top managers (Gioia & Chittipeddi, 1991, p. 434). Managers chosen to participate in this research study do experience various degrees of organizational change, as well as undergo management problem-solving and critical decision making due to HB 2641. Organizational change and its environment depend greatly upon the beliefs, attitudes, and perceptions of managers. How these managers in the HHS system interpret and respond to reorganization as a result of HB 2641, therefore, is important. As new change is introduced, the organization structure also changes.

According to Agranoff (1996), increased ability to understand and use resources is a factor involved in successful organizational change (p. 14). Implementation of HB 2641 requires Health and Human Services Commission (HHSC) managers to deploy

³⁷ **Legislative appropriations requests involve a process by which state agencies apply for state funding and agree on functional operations and performance measures. For example, see Texas Legislature Online,**

Commission resources to other HHS agencies. To meet this requirement, HHSC is allocating human resources to some agencies under its umbrella with a limited number of managers. This is a way to provide more resources to facilitate the implementation of HHSC functions.

Agranoff also claims that more efficient management, including both policy management and traditional administrative services, are other factors that facilitate organizational change (1996, p. 14). A requirement of HB 2641 alludes to the Memorandum of Understanding (MOU) between participating agencies that dictates managers provide new direction and management of state agencies within the HHS system. The MOU further defines the policymaking authority of the Board and of the Commission, as well as the operational authority of the Commissioner. Managers in the HHS system must find ways to maintain common operations within the system, as well as augment the system with important additional responsibilities.

The means by which the new vision is communicated in the face of possible resistance by stakeholders, also, influences the organizational culture. The culture (organizational values and practices) is held together by shared meaning and a common purpose that have a distinct role in organizational structure (Maynard, *et al.*, 1986). Poole (1998) asserts that effective managers understand their organization culture and convey consistent messages to members (p. 45). Unfortunately, the inconsistency of words and deeds during the change process can cause the change effort to fail (p. 46).

Directed, effective organizational change requires alignment across organizational levels and functions. When change, such as reorganization, is mandated, the organization often experiences a degree of disruption and should respond in a coherent and aligned

manner. If not, the success of the change is jeopardized, and unfortunate consequences such as poor morale and employee turnover can occur. The alignment between management perceptions and organization strategy is, consequently, important during reorganization. Kerr and Jackofsky (1989) have stressed the importance of matching managerial capability with organizational strategy (p. 157). Effective leaders are able to match management capability with organizational strategy. When leadership and strategy are combined and become a strategic vision, a key component of **managing** increasingly complex organizations is in place (Westley & Mintzberg, 1989, p. 17). Changing organizations should be sensitive to the strategic implications of matching managers with organizational strategies (Kerr & Jackofsky, 1989, p. 157). Strategic alignment between manager perceptions and strategies influences organizational performance. If alignment between strategies and management perceptions during reorganization improves performance, the outcome should be more positive. The perceptions of managers in the organizational change environment are, therefore, important.

Summary

The HB 2641 stimulates change in the organization structure and culture of the participating agencies. Organizational change and its environment depend greatly upon the beliefs, attitudes, and perceptions of managers. Strategic alignment between manager perceptions and **strategies** can have a positive impact on organizational performance during reorganization.

CHAPTER FIVE. METHODOLOGY

Introduction

This chapter discusses the research methodology employed to test the working hypotheses. The research design and data collection techniques are also discussed. In addition, a description of the respondents is included.

Research Methods

Focused Case Study

A focused case study, albeit an exhaustive one beyond the scope of this applied research project, is the most appropriate research methodology for an exploration into organizational change. The case study approach is used because it provides the researcher with a sense of what is going on in an organization and the findings refer to real organizational terms undergoing change (Yin, 1993). This research method is preferred in examining contemporary events that occur in a real-life context, but when the relevant behaviors cannot be manipulated (Yin, 1994, p. 8). Organizational change such as that mandated by Texas House Bill 2641 is an example of "contemporary phenomenon within a real-life context" (Yin, 1994, p. 1). In this sense, the case study provides a "hands on" approach to studying organization phenomenon such as mandated reorganization. An omission of the case study from text books has been documented: "most social science textbooks have failed to consider the case study a formal research strategy at all..one

common flaw was to consider the case study as the exploratory stage of some other type of research strategy" (Yin, 1994, p. 12). The intended study proposes a strategy that is an empirical inquiry of circumstances and research problems in organizations (p. 13).

The research methodology uses survey research.³⁹ Survey research is appropriate for this applied project because the attitudes of a larger group (agency managers) are sought (Babbie, 1995, p. 257). The nature and scope of this empirical exploration takes into account the constantly changing environment within which Health and Human Service (HHS) managers operate. Management perceptions of this environment are central to the study. The major focus of the study is on how managers characterize organizational change as well as the ways they deal with the most recent legislative mandate. The pertinent literature supports a more profound inquiry into organizational change and the corresponding management behaviors.

Study Techniques³⁹

Survey Research

Survey research, as the primary technique, is used to canvas all upper and middle managers in the selected HHS agencies about their perceptions of the concepts of organizational change. The survey reflects the concepts in the research questions and working hypotheses regarding the following six scholarly foci: (1) organizational change

¹⁸ Structured interviews are also used to support the research strategy. Interviews yield answers to "how" questions about organizational change posed to two levels of managers in the select state agencies.

³⁹ Managers at two management levels are also interviewed from each of the selected agencies. The interviews are used to provide theoretical support to the survey data. This case study includes direct observation as the final source of evidence. Participant observation is also used to augment the research process by increasing an understanding of the study exploration. The use of observation is unique to the

environment. (2) frequency of organizational change, (3) obstacles to organizational change, (4) recognition of tools and strategies to manage organizational change, (5) valuing tools and strategies, and (6) using tools and strategies.

Survey Implementation

The survey is a brief, three-page, self-administered questionnaire containing 26 questions, (*see Appendix A*). It uses a Likert-type weighted scale with values ranging 1 to 5 corresponding to responses from *never* to *always* or from *very true* to *not at all true*. Participants were asked to select one answer for each question. Questions varied in sections that reflected the six working hypotheses and scholarly focus.

The survey was pre-tested by distributing it to twelve select managers at two larger agencies⁴⁰ not included in this applied project. Once pre-tested, a total of eighty-six surveys were mailed to both executive and middle managers located in each of the five state agencies⁴⁰ chosen for the study, along with a cover letter (*See Appendix B*) and self-addressed stamped envelope. The survey was anonymous, confidential, and voluntary for managers. Follow-up surveys were mailed to non-respondents one week after the original response deadline.

The survey questions address the following two research purposes: (1) it explores how Texas Health and Human Services managers characterize organizational change and its environment, and (2) it explores whether Health and Human Services managers at

proposed research methodology because it involves the researcher in a direct **management** role in a **changing** environment. as **well** as in the structured **interview** process.

⁴⁰ The two agencies used to pre-test the survey are the Department of Health and the Department of Transportation.

varying levels value and use tools and strategies to manage ongoing and often mandated organizational change.

Judgment Sample

Agency Selection Process

Five of the fourteen state agencies in the legislation are selected for inclusion in this study. The purpose of selecting these five agencies is to increase the efficacy of an in-depth exploration into the dimensions of organizational change between and among management levels in smaller agencies. Using judgment sampling, the selection targets smaller agencies that contain no more than 300 employees with at least ten managers. The judgment for excluding very small agencies with less than ten managers is to produce a reasonable number of participating managers that are representative of all managers in state agencies of similar size and organization. This, in turn, yields important information about the purpose of the study. Finally, it is important to maintain the confidentiality of the participating managers. These agencies, therefore, include:

- 3 Health and Human Services Commission (HHSC),
- ❖ Interagency Council on Early Childhood Intervention (ECI),
- ❖ Department on Aging (TDoA),
- ❖ Juvenile Probation Commission (TJPC), and
- ❖ Commission on Alcohol and Drug Abuse (TCADA).

⁴¹ Selected agencies include the Health and Human Services Commission (HHSC), the Interagency Council on Early Childhood Intervention (ECI), the Department on Aging (TDoA), the Juvenile Probation

Organization Structures of Select Agencies

The Health and Human Service Commission (HHSC) is the umbrella agency responsible for the organization and implementation of HB 2641. HHSC employs 182.5 employees and is currently undergoing massive organizational change, including changes to its current structure and its overall mission. HHSC, as indicated by HB 2641, is now responsible for five major functions: (1) Medicaid Policy and Administration; (2) Fiscal Policy; (3) Planning & Evaluation; (4) Systems Operation; and (5) Office of Investigations and Enforcement (OLE) (see *Appendix D*). The OIE remains relatively unchanged. Thus, the first four functions are directed by HB 2641. The participating agencies will be required to interface and cooperate with HHSC to accomplish this new mandate. Agencies will also communicate information about the strategic planning process to HHSC before major events in their process take place. Agencies will also brief the HHS Commissioner at appropriate points in process, consistent with the statute, on likely changes agencies will seek in their strategic plan.

The Department on Aging (TDoA) is the smallest state agency selected in the study. TDoA is responsible for advocating and providing services to the aged. TDoA has only thirty-five employees and works with advocacy groups, governmental agencies, and consumers to develop and improve upon existing services to the older population. TDoA is also experiencing organizational change prompted by HB 2641. Under HB 2641, TDoA is required to provide additional information on demographic data and information received from public hearings during agency planning processes to HHSC. Thus TDoA is

accountable to HHSC in a new more concrete way. The meaning of the new accountability on the day-to-day level of managers is as yet unclear.

The Juvenile Probation Commission (TJPC), the next smallest agency, employs fifty-five staff members and coordinates services with local boards for juveniles between the ages of 13-17 who are adjudicated or placed on probation. TJPC interfaces with HHSC and other agencies serving juveniles such as the Texas Youth Commission (TYC) and the Department of Protective and Regulatory Services (PRS). TJPC also works with organizations that focus on youth with special health care services. As required by HB 2641, TJPC will work more closely with HHSC on performance measures related to the planning, research, and program development for this population.

The Interagency Council on Early Childhood Intervention (ECI) is a state agency with sixty-six employees. The mission of ECI is to serve infants ages 0-3 with developmental disabilities, and their families. Under HB 2641, ECI is now required to interface functions related to Medicaid Policy and Administration with HHSC, since many of the clients and families served by ECI will be Medicaid eligible. A specific key coordinated function across both agencies involves targeted case management and medical administration claimed under Medicaid.

The Commission on Alcohol and Drug Abuse (TCADA), the largest of the five agencies, employs 244.5 people. TCADA is responsible for the prevention, intervention, and treatment of substance abuse in both youth and adults in the state of Texas. TCADA is also responsible for the prevention of gambling. HB 2641 mandates TCADA to conduct cross-agency program and funding coordination to enhance the effectiveness of service delivery. In this sense, the executive management staff of this agency will now

report specific performance requirements to HHSC. Under HB 2641, the reporting requirements will reflect how TCADA interfaces with other state agencies who also provide services to similar clients,

As HB 2641 is implemented, the direction and management, business functions, and human resources of each state agency will dramatically change. In addition, the legislative authority, mission, goals and culture of each agency will be impacted.

Statistics

The results for each management level are represented by modal responses for each survey question in addition to data sets used to compare responses between management levels, where appropriate. Finally, percentages in the aggregate for all managers are also included.

Respondents

Units of Analysis

The population for this study consists of individual HHS agency managers⁴² within the selected Texas HHS agencies.⁴³ The managers in HHS agencies represent upper and middle levels of management in each participating agency. Individual agency

⁴² For the purpose of this ARP, executive managers consists of executive directors, associate commissioners, bureau chiefs, branch deputies, legal counsels, or senior planners. Middle managers include division managers/directors, department managers/directors, and section supervisors.

⁴³ Selected agencies include the Health and Human Services Commission (HHSC), the Interagency Council on Early Childhood Intervention (ECI), the Department on Aging (TDoA), the Juvenile Probation Commission (TJPC), and the Commission on Alcohol and Drug Abuse (TCADA).

managers, as the units of analysis for survey research, are appropriate for this applied project because this method may be used for exploratory purposes (Babbie, 1995, p. 257).

The executive and middle managers in select agencies chosen for the study represent a divergence of titles and scope of responsibilities. For example, manager positions range from holding the highest level executive positions to section supervisors. The scope of responsibilities for these respondents varies according to their level of supervision, functions, and primary tasks.

All managers in the study have had to deal with organizational change associated with the implementation of HB 2641. This legislation has focused management attention and responsibilities on three main areas including (1) new direction and management of the state agencies, (2) key business functions, and (3) human resource responsibilities.

Sample Selection

Managers in Select Agencies

A total of 86 upper and middle management staff⁴⁴ from each participating agency are included in the study. Sixty-three or 73 percent of the mailed surveys were returned. Of the sixty-three returned surveys, thirty-two or 50.8 percent of the responses represented **executive managers** which encompasses the executive director, bureau chief, branch deputy, senior planner, and legal counsel. Thirty one or 49.2 percent of the

⁴⁴ As noted previously, one upper manager and one middle manager from each of these state agencies also participated in structured interviews.

responses were from **middle managers** which includes the division or department manager or director, and section supervisor.

The first question required each respondent to indicate which management level (executive or middle) he or she was assigned at the time the survey was administered. The remaining questions focused on the exploratory concepts in the working hypotheses: (1) organizational change environment, (2) frequency of organizational change, (3) obstacles to organizational change, (4) recognition of tools and strategies to manage organizational change, (5) valuing tools and strategies, and (6) using tools and strategies.

The responsibility of managers in HHS agencies related to this project focuses on the implementation of HB 2641. Managers are becoming involved in carrying out the responsibilities of the three main areas described above. As managers engage in strategic change, an organizational change vision will impact the key areas in the legislatively mandated HB 2641. Table 5.1 summarizes the results for the respondents.

Table 5.1 Survey Respondents

AGENCY	# EMPLOYEES	# RESPONDENTS**
1 Health and Human Services Commission*	182.5	11
2 Texas Department on Aging	35	10
3 Texas Commission on Alcohol & Drug Abuse	244.5	44
4 Interagency Co Early Childhood Intervention	66	10
5 Texas Juvenile Probation Commission	55	11
TOTAL	583	86
TOTAL RETURNED		63
RESPONSE RATE		73%***

* HHSC is the umbrella agency responsible for implementing HB 2641.

** Of the survey respondents, one upper and one middle manager from each agency participated in the structured interviews.

*** 50.8% represented Executives; 49.2% represented Middle Managers.

Linking Evidence to Conceptual Framework

Table 5.2 provides the conceptual link between the Working Hypotheses, the research methodology, and the evidence collected to test WH 1, 1a, 1b, WH 2, 2a, and 2b. Each WH was modified to fit the available data. The research question and data of this study are focused on the health and human service agencies, in particular.

Table 5. 2 Linking the Conceptual Framework to Evidence Collection

Working Hypotheses	Research Method	Evidence
WH1: Managers in Texas Health & Human Service Agencies Have Beliefs About the Efficiency of Organizational Change and its Environment		
WH1a: Managers in Texas Health and Human Service Agencies Have Beliefs About the Frequency of Organizational Change	a. Survey Questions 2, 3 b. Structured Interview Question 2'	Perceptions of frequent organizational change among managers in Texas Health & Human Service agencies
WH1b: Managers in Texas Health and Human Service Agencies Believe They Operate Within an Environment That Creates Obstacles to Organizational Change	a. Survey Questions 4, 5, 6, 7, 9, 12, 13, 14, 16 b. Structured Interview Questions' 3 a, b, c, 4, 8, 10a	Perceptions of Texas HHS managers that they operate within an environment that creates obstacles to organizational change
WH2: Managers in Texas Health & Human Service Agencies Believe There are Tools and Strategies That can be Used to Effectively Manage Organizational Change		
WH2a: Managers in Texas Health and Human Service Agencies Value Tools and Strategies That can be used to Manage Organizational Change	a. Survey Questions 8, 17 a, b, c, d, e b. Structured Interview Questions' 6, 10b, 11	Perceptions of Texas HHS managers that they value tools and strategies that can be used to effectively manage Organizational change
WH2b: Managers in Texas Health and Human Service Agencies Believe They Use Tools and Strategies to Influence the Process and Outcome of Organizational Change	a. Survey Questions 10, 11 a, b, c, d, e, f b. Structured Interview Questions' 5, 7, 9	Perceptions of Texas HHS managers that they use tools and strategies to influence the process and outcome of of organizational change

'The Structured Interview Questions support the Working Hypotheses and are captured in the Institution Setting Chapter

Summary

Descriptive statistics are derived from the data presented by the survey. A summary of the results of both the survey and the structured interviews will demonstrate the perceptions of change in managers regarding organizational change characteristics as well as whether managers value and use effective tools and strategies. In a confined way, the statistics by simple majority will show the extent to which managers at various levels in the organization agree upon fundamental values implicit in organizational change and share in decision-making about organizational change

CHAPTER SIX: RESULTS

Introduction

This chapter includes the results of the data collection derived primarily from the self-administered survey used to test the Working Hypotheses. The study includes descriptive data on perceptions of Texas Health and Human Service managers about the organizational change process and their efforts to manage organizational change. The research design and statistical analysis are discussed.

As indicated in Chapter Five, the research uses a case study approach as the methodology to explore organizational change. The case study is preferred because this research project focuses on organizational change as a contemporary event. This event occurs in a real-life context in which the relevant behaviors of managers in Texas Health and Human Service agencies cannot manipulate (Yin, 1994, p. 8). The majority of the data for this study is based on respondent/participant perceptions using a survey. Simple descriptive statistics such as percent distribution are employed. The results are presented for each level of managers.

Working Hypothesis 1: *Managers in Texas Health and Human Service agencies have beliefs about the efficacy of organizational change and its environment.*

As discussed in Chapter Three, organizational change literature provides theoretical support for the factors and characteristics of organizational change and the role of managers in public and private organizations that facilitate organizational change.

Specific characteristics of organizational change included in the study are *the frequency of change* and the *obstacles to organizational change* influenced by internal and external factors. These characteristics are further explored as subcategories indicated below.

According to the literature, managers in public and private agencies often possess an array of cognitive, behavioral, and perceptual characteristics. Managers, also, experience an alteration of current modes of cognition and action, where warranted. These characteristics are shown to be linked to viewpoints about the organizational change environment. One can, therefore, conclude that because of these characteristics, managers operate under particular beliefs about organizational change. In addition, by assigning managers to two distinct management levels, one can determine which managers have what beliefs and provide further comparisons between levels. Through a delineation of these levels, the beliefs and perceptions of top management as compared to middle management demonstrate the extent to which these managers agree upon fundamental values implicit in organizational change and share in decision-making about organizational change.

The first question in the survey asks respondents to identify which management level they are currently assigned. Of the 63 respondents, all respondents assigned themselves to a corresponding management level. As indicated in Chapter Five, 50.8 percent were executive managers, and the remaining 49.2 percent represented middle managers. Comparisons between management levels are indicated in areas of significant differences, where merited

Working Hypotheses 1a: *Managers in Texas Health and Human Service agencies have beliefs about the frequency of organizational change.*

The survey results for WH 1a are mixed. Survey questions measure perceptions of frequency of organizational change. Table 6.1 shows that thirty percent (30.2%) of all managers perceive their agency *always* experiences organizational change once per year. Similarly, thirty-seven percent (37%) of all managers believe their organizations *frequently* experience yearly organizational change. In addition, approximately ten managers (9.5%) sense organizational change *always* occurs too often. Finally, close to thirty percent (28.6%) of all managers believe organizational change *frequently* occurs too often. Results that test WH 1a are shown in Table 6.1

Table 6.1 Frequency of Organizational Change

Frequency of Organizational Change	"ALWAYS"	"FREQUENTLY"	MODE	MEAN
<i>Once per Year</i>	30.2%	36.5%	"FREQUENTLY"	
			4.0	3.9
<i>Total</i>	19	23	[36.5%]	
<i>Occurs too Often</i>	9.5%	28.6%	"SOMETIMES"	
			3.0	3.3
<i>Total</i>	6	18	[41.3%]	

N=63

1 = <i>Never</i>
2 = <i>Rarely</i>
3 = <i>Sometimes</i>
4 = <i>Frequently</i>
5 = <i>Always</i>

Ratings by individual management levels show significant variations in perceptions of the frequency of organizational change. Only one-fourth (25%) of executive managers sense organizational change to *always* occur once per year as

compared to thirty-six percent (35.5%) of middle managers. A larger percentage of executive managers (15.6%), however, perceive change to **always** occur too often as compared to only about three percent (3.2%) for middle managers. Table 6.2 indicates the results by management levels.

Table 6.2 Frequency of Organizational Change by Management Levels

Once per Year	"Always"	"Frequently"	Occurs too Often	"Always"	"Frequently"
<i>EXECUTIVE</i> (N=32) Total	25.0% 8	28.1% 9	<i>EXECUTIVE</i> (N=32) Total	15.6% 5	9.4% 3
<i>MIDDLE</i> (N=31) Total	35.5% 11	45.2% 14	<i>MIDDLE</i> (N=31) Total	3.2% 1	48.4% 15

As noted in Chapter Two, the majority of the responses of the ten managers who participated in the structured interviews indicated that their agencies experience organizational change more than once per year. Responses include phrases such as "it is forever evolving," and "once the ink's dry on the organizational chart, its time to change it again." Other comments revealed an indication that organizational change occurs incrementally over time, rather than a swift, ephemeral change. The results of the survey and the sense received from the interviews point out that a majority of the managers have a strong sense about frequent organizational change.

Working Hypothesis 1b: *Managers in Texas Health and Human Service agencies believe they operate in an environment that creates obstacles to organizational change.*

The questions for WH 1b are designed to measure concepts of obstacles or barriers to organizational change. Obstacles such as legal mandates and agency policies are measured first with questions designating the presence of these concepts as barriers. Table 6.3 reviews the results related to obstacles to organizational change.

Table 6.3 Legal Mandates and Agency Policies as Obstacles

Obstacles to Organizational Change	"FREQUENTLY"	"SOMETIMES"	MODE	MEAN
<i>Legal Mandates as Barriers</i>	28.6%	41.3%	"SOMETIMES"	
<i>Total</i>	18	26	3 [41.3%]	3
<i>Agency Policies as Barriers</i>	15.9%	50.8%	"SOMETIMES"	
<i>Total</i>	10	32	3 [50.8%]	2.8

N=63

1 = <i>Never</i>
2 = <i>Rarely</i>
3 = <i>Sometimes</i>
4 = <i>Frequently</i>
5 = <i>Always</i>

Data reveal that both management levels acknowledge that legal mandates *sometimes* present barriers to the agency mission at forty-one percent (41.3%). These managers also perceive that legal requirements *frequently* present barriers at twenty-nine percent (28.6%)

As noted in the organizational change literature in Chapter Three, middle managers often interpret statements made by top executives to guide implementation and decision-making. Hence, legal mandates and agency policies are often dealt with by individual management levels at different times and in different contexts. Results show that managers view mandates and agency policies as barriers at least *some* of the time

The remaining concepts are measured to test WH 1b. These questions include concepts of being kept informed of important decisions, of having a strong voice in decision-making, of consistency between management level decisions, and of consistency between what is said and done. The questions and corresponding manager responses indicate the paucity of these concepts as perceived barriers to the agency mission. Table 6.4 shows results for all managers as a group

Table 6.4 Obstacles to Organizational Change

Obstacles to Organizational Change	"FREQUENTLY"	"SOMETIMES"	MODE	MEAN
<i>Kept Informed</i>	30.2%	38.1%	"SOMETIMES"	
<i>Total</i>	19	24	3 [38.1%]	3.3
<i>Productive Work Environment</i>	34.9%	28.6%	"FREQUENTLY"	
<i>Total</i>	22	18	4 [34.9%]	3.2
<i>Able to Receive Training</i>	36.5%	31.7%	"FREQUENTLY"	
<i>Total</i>	23	20	4 [36.5%]	3.2
<i>Feel Supported</i>	34.9%	38.1%	"SOMETIMES"	
<i>Total</i>	22	24	3 [38.1%]	3.5
<i>Decision Agreement Between Levels</i>	12.7%	38.1%	"SOMETIMES"	
<i>Total</i>	8	24	3 [38.1%]	2.7
<i>Level Has Strong Voice</i>	22.2%	22.2%	"RARELY"	
<i>Total</i>	14	14	2 [30.2%]	2.9
<i>Consistency in Words & Deeds</i>	28.6%	42.9%	"SOMETIMES"	
<i>Total</i>	18	27	3 [42.9%]	3

N=63

1 = *Never*
2 = *Rarely*
3 = *Sometimes*
4 = *Frequently*
5 = *Always*

Responses to this set of questions indicate that, for the most part, managers as a group, do not strongly perceive the lack of these concepts as presenting barriers. For instance, about one-third (30.2%) of all managers feel they are *frequently* kept informed important decisions that affect them and their employees. About thirty-eight percent (38.1%), however, believe they are *sometimes* kept informed. Similarly, about 35 percent (34.9%) of all managers perceive their work environment to *frequently* be productive. This particular measure, however, shows diverse responses. For example, thirty percent (30%) of all managers believe their agencies *rarely* have a productive work environment which connotes the presence of obstacles. Only four managers (6.3%) believe they work in an agency that is *always* productive.

Interestingly, data concerning concepts of **being kept informed** reveal significant differences in management levels. Almost half (48%) of middle managers believe they are only *sometimes* kept informed about important decisions, while 37.5 percent of executive managers claim they are *frequently* kept informed of such matters. These findings are supported by the literature that indicates executive managers typically have greater power and authority in organizations than do middle managers, especially in hierarchical settings. These findings suggest that due their administrative positions, executive managers work in conditions with greater access to vast information.

Similarly, variations in the results concerning perceptions of **productive work environments** by level are apparent. A sharp contrast in responses between management levels show that 37.5% of executive managers believe their agency is *frequently* productive, while 35.5% of mid-managers see their agency as *rarely* productive. This radical difference between these two manager groups suggests they contrast in their

perceptions about what constitutes a productive work environment. This makes for an interesting set of circumstances that represent two opposing views of work environments by two levels of managers that have distinct ways of approaching day-to-day operations. Table 6.5 displays these variances in the views of these two levels.

Table 6.5 Obstacles to Organizational Change by Management Levels

Kept Informed of Decisions	"Always"	"Frequently"	Productive Work Environment	"Always"	"Frequently"
<i>EXECUTIVE</i> (N=32) Total	21.9% 7	37.5% 12	<i>EXECUTIVE</i> (N=32) Total	12.5% 4	37.5% 12
<i>MIDDLE</i> (N=31) Total	0.0% 0	22.6% 7	<i>MIDDLE</i> (N=31) Total	0.0% 0	32.3% 10

As noted in Chapter Three, the literature on organizational change indicates that organizational performance is constrained and coordination is limited in hierarchical organizational structures. Findings displayed in Table 6.3.3 suggest similarities in the data and the literature.

Data also show most managers have a sense of **support** by **other managers**. Data indicate thirty-five (34.9%) percent of all managers (22) *frequently* feel supported. A higher percentage of managers (38.1%) *sometimes* feel supported. Only 3 managers claim they *rarely* feel supported.

The results indicate some managers feel they **have a strong voice**, while others do not. Twenty-two (22.4%) percent (14) of all managers perceive they *frequently* have a strong voice. Conversely, almost one-third (30.2% or 19) of all managers claim their management level *rarely* has a strong voice and another 4.8 percent (3) feel they *never* have a voice. The variation in responses seems to be related to the differences in the data

for the two levels of managers. For example, 3 middle managers feel they never have a strong voice, while no executive managers feel this way. In addition, forty-eight percent (15) of middle managers claim they rarely have a strong voice, as compared to only 12.5 percent (4) of executives that claim to rarely have a strong voice. Differences in the perceptions between levels of managers connotes the presence of barriers.

Data on agreement between management levels reveal that only 8 managers (12.7%) perceive to *frequently* have agreement between management levels. A wide variation in responses suggests a contrast in manager perceptions concerning agreement on decisions that are made about reorganization. For example, executive managers perceive there is agreement some of the time at 40.6 percent, while middle managers claim there rarely is agreement at 41.9 percent. These findings suggest that the lack of agreement between these levels increases problems in communication between levels.

Survey questions are designed to examine manager perceptions of consistency between what is said and **what** is done are also measured. Across all managers, 42.9 percent indicate consistency only some of the time. This finding suggests that a large number of managers recognize inconsistency between words and deeds which often creates confusion and/or misinterpretation of the mission of the agencies.

Working Hypothesis 2: *Managers in Texas Health and Human Service agencies believe there are tools and strategies that can be used to effectively manage organizational change.*

As noted in Chapter Three, organizational change literature provides theoretical support for the role of managers in public and private organizations in facilitating organizational change. Specific concepts within the role of managers that are included in this study are the *value of tools and strategies* and the *use of tools and strategies*. These concepts are further explored as subcategories below.

According to the literature, understanding and managing organizational change involves identifying and employing the right tools and strategies. In addition, it is vitally important to know how managers construe organizational change events as change unfolds. Perceptions of the value and the use of tools and strategies, and the recognition of those perceptions is key to the success of that change. The literature, also, conveys the importance of a variety of new approaches to meet new demands, leadership functions that include building a shared purpose and shared values, quality working relationships that are open to learning and changing, and initiating improvement strategies. One can, therefore, conclude that because of these important characteristics and conditions, managers believe there are tools and strategies that can be successfully employed to manage organizational change.

Working Hypothesis 2a: *Managers in Texas Health and Human Service agencies value tools and strategies that can be used to manage organizational change.*

Survey questions are designed to examine the tools and strategies that managers would desire or find useful (*value*) to facilitate organizational change. Managers are first asked to indicate to what extent they need tools and strategies to promote positive

organizational change. Table 6.6 displays the results of manager perceptions of the need for tools and strategies to measure WII 2a

Tables 6.6 Managers Perceived Need of Tools and Strategies

Managers Value Tools & Strategies	"ALWAYS"	"FREQUENTLY"	MODE	MEAN
<i>Perceived Need of Tools & Strategies</i>	60.3%	31.7%	"ALWAYS"	
			5	4.5
Total	38	20	54.8% [54.8%]	

1 = <i>Newr</i>
2 = <i>Rarely</i>
3 = <i>Sometimes</i>
4 = <i>Frequently</i>
5 = <i>Always</i>

In the aggregate, 60.3 percent believe that managers always need effective tools and strategies to facilitate organizational change. Not surprising, the majority of both executive managers (65.6%) and middle managers (54.8%) also feel that all managers *always* need effective tools and strategies.

Manager responses are varied to the questions about the extent that their ideas reflect a set of concepts about additional tools and strategies to promote positive change. Concepts of "Shared Purpose," "Action Plans for Effectiveness," "Quality Working Relationships," "Coordination Between and Among Divisions," and "Shared Values" are measured. Table 6.7 shows the survey results.

Table 6.7 Managers Value Tools and Strategies

Ideas Reflect Concepts	"VERY TRUE"	"FREQUENTLY TRUE"	MODE	MEAN
<i>Shared Purpose</i>	61.9%	27.0%	"VERY TRUE"	
<i>Total</i>	39	17	1 [61.9%]	1.5
<i>Action Plans for Effectiveness</i>	46.0%	31.7%	"VERY TRUE"	
<i>Total</i>	29	20	1 [46.0%]	1.8
<i>Quality Working Relationships</i>	55.6%	33.3%	"VERY TRUE"	
<i>Total</i>	35	35	1 [55.6%]	1.6
<i>Coordination in Divisions</i>	66.7%	20.6%	"VERY TRUE"	
<i>Total</i>	42	13	1 [66.7%]	1.7
<i>Shared Values</i>	52.4%	25.4%	"VERY TRUE"	
<i>Total</i>	33	16	1 [52.4%]	1.7

N=63

1 = Very True
2 = Frequently True
3 = Sometimes True
4 = Rarely True
5 = Not At All True

The remaining survey results for WH 2a regarding perceptions of the value of tools and strategies are expectedly similar for all managers, as well as across management levels. All responses except one ("Action Plans for Effectiveness") on this set of five questions are rated above 50 percent by all managers. These results indicate the majority of managers rated their perceptions of their ideas that reflect the concepts as being *very true*. Thus, the results suggest that the concepts are valued by all managers.

An interesting note is that 58.1 percent of middle managers find coordination between divisions to be *very true*, while a striking 74.0 percent of executive managers express this concept to be *very true*. These findings seem to suggest that executive managers desire coordination more than middle managers or middle managers appear to

devalue coordination. What may be indistinct, however, is a reluctance of middle managers to coordinate areas that are not under their authority or the absence of latitude in middle managers to promote coordination between levels. The degree of authority or latitude afforded to executive managers more so than middle managers suggests a power differentiation between management levels. While this is not the study focus, it is meaningful to point out these findings that may lead to the difference in results.

Working Hypothesis 2b: *Managers in Texas Health and Human Service agencies believe they use tools and strategies to influence the process uttd outcome of organizational change*

Tables 6.8 and 6.9 review the responses of all managers for questions designed to test WH 2b. The questions are designed to measure concepts of tools and strategies that managers employ or seek to employ (use) during organizational change. Table 6.8 displays the results to show if managers themselves use these tools and strategies.

Table 6.8 Managers Use Tools and Strategies

Managers Use Tools & Strategies	"ALWAYS"	"FREQUENTLY"	MODE	MEAN
	15.9%	47.6%	"FREQUENTLY"	
<i>Total</i>	10	30	4 [47.6%]	3.7

N=63

1 = *Newr*
 2 = *Rarely*
 3 = *Sometimes*
 4 = *Frequently*
 5 = *Always*

Although the data indicate a large percentage of managers (47.6%) perceive they **frequently** use tools and strategies during reorganization, responses vary between levels. Almost fifty-two percent (51.6%) of middle managers claim they **frequently** use tools and strategies, while surprisingly **fewer** executive managers (43.8%) believe this to be so.

Table 6.9 displays the responses to the remaining questions that are designed to measure concepts of tools and strategies. These concepts are measured concurrently to ascertain the extent to which all managers agree that managers use tools and strategies in the most recent reorganization

Table 6.9 Managers Agree Other Managers Use Tools and Strategies

Managers Agree Other Managers	"FREQUENTLY TRUE"	"SOMETIMES TRUE"	MODE	MEAN
<i>Promote Meaningful Framework</i> Total	15.9% 10	36.5% 23	"SOMETIMES" 3 [36.5%]	3.1
<i>Preserve Old Values as New Ones Added</i> Total	11.1% 7	38.1% 24	"SOMETIMES" 3 [38.1%]	3.1
<i>Communicate and Influence New Vision</i> Total	14.3% 9	22.2% 14	"RARELY TRUE" 4 [38.1%]	3.3
<i>Postpone Judgments Before Solutions</i> Total	17.5% 11	34.9% 22	"SOMETIMES" 3 [34.9%]	3.2
<i>Examine Principles, Beliefs & Values</i> Total	12.7% 8	33.3% 21	"SOMETIMES" 3 [33.3%]	3.2
<i>Initiate Strategies for Improvement</i> Total	17.5% 11	27.0% 17	"RARELY TRUE" 4 [31.7%]	3.9

N=63

1 = *Very True*
2 = *Frequently True*
= *Sometimes True*
4 = *Rarely True*
5 = *Not At All True*

The remaining survey results for WH 2b regarding perceptions of **use** as compared to the **value** of tools and strategies across all managers reveal less agreement. Manager responses on the six questions indicate the use of tools and strategies to be *sometimes true*. These results suggest that, while tools and strategies are valued by all managers, there is a tendency to only use them some of the time.

Variations in manager responses reveal a sharp contrast between the two levels of managers related to the concept "Communicate and Influence a New Vision." The contrast is indicative of a difference in perceptions between levels concerning whether all managers use this strategy. For instance, more than half (58.1%) of middle managers believe managers *rarely* use this strategy, while less (18.8%) executive managers believe managers *rarely* use this strategy.

Similarly, variations in these responses on the extent to which managers "Examine Principles, Beliefs and Values" and "Initiate Strategies for Improvement" indicate a difference of the two management levels suggesting differences in strategic views to organizational change. Table 6.10 displays these differences in responses.

Table 6.10 Use of Tools and Strategies by Management Level

Examine Principles	'SOMETIMES TRUE'	'RARELY TRUE'	Initiate Strategies	'SOMETIMES TRUE'	'RARELY TRUE'
<i>EXECUTIVE</i> (N=32) Total	37.5% 12	15.6% 5	<i>EXECUTIVE</i> (N=32) Total	34.4% 11	18.8% 6
<i>MIDDLE</i> (N=31) Total	29.0% 9	35.5% 11	<i>MIDDLE</i> (N=31) Total	19.4% 6	45.2% 14

As noted in Chapter Three, the literature on organizational change agrees that the strategies employed by managers during organizational change depend largely on which

strategic view the manager selects and employs, On the one hand, if a manager agrees with the view of strategic adaptation, the manager monitors environmental changes and modifies organizational strategy. If, on the other hand, a more inertial view of strategy is employed, the manager preserves an existing strategy rather than radically change it. Hence, contrasting views of managers related to strategic change suggest a difference in the management responses to organizational change and its environment. While responses from both levels to this question appear bleak. an overwhelming number of middle managers do not seem to share in their views of strategic change with the views of executive managers.

Research Results

Table 6.11 represents the research evidence in support of the conceptual framework for the study. The evidence includes results of the survey and the structured interviews

Table 6.11 Evidence in Support of Conceptual Framework

WORKING HYPOTHESES	SURVEY	STRUCTURED INTERVIEWS
WH 1: Managers Have Beliefs About the Efficacy of Organizational Change	Supports	Supports
WH 1a: Managers Have Beliefs About the Frequency of Organizational Change	Partial Support	Supports
WH 1b: Managers Believe They Operate in an Environment That Creates Obstacles	Partial Support	Supports
WH 2: Managers Believe There are Tools and Strategies to Manage Organizational Change	Strong Support	Supports
WH 2a: Managers Value Tools and Strategies to Manage Organizational Change	Strong Support	Supports
WH 2b: Managers Use Tools and Strategies to Influence the Outcome of Organizational Change	Partial Support	Supports

The overall results to the questionnaire are *mixed*. WH 1 concerning manager beliefs about organizational change is supported by the literature. In addition, the results for WH 1a and WH 1b concerning beliefs about the frequency of change, and about operating in an environment that creates obstacles to organizational change are mixed. WH 1a regarding the frequency of organizational change is supported by the survey results. Both executive and middle managers, individually and in the aggregate, perceive organizational change to be frequent. The data for WH 1b, which explores perceptions of obstacles to organizational change, provide some evidence to support this notion. The data reveal there is a greater perception of obstacles by middle managers. Based on these same data, executive managers far less perceive obstacles in organizations in which they work. Thus, it can only be concluded that the survey reveals partial support for WH 1b.

The data for WH 2, 2a and 2b provide, for the most part, evidence that managers in general recognize, value and use tools and strategies to manage organizational change. WH 2, concerning manager perceptions about the availability of tools and strategies, is supported by the literature and the evidence. Survey results provide compelling evidence that both executive and middle managers, individually and in the aggregate, value tools and strategies to manage organizational change supporting WH 2a.

The data for WH 2b are *mixed*. Working Hypothesis 2b, which explores perceptions of manager use of tools and strategies, provides partial support. The data reveal that there is a greater perception of use of tools and strategies by executive managers. Based on these same data, middle managers have less perception of use of these tools and strategies, particularly when it relates to communication, examining beliefs and values, and initiating strategies for improvement. Thus, it can only be

concluded that the data provide partial support for WH 2b. Moreover, the results for WH 2b provide some support that managers themselves use tools and strategies despite their ability to acquire new tools and strategies or their positions in their agencies.

Summary and Observations

The survey questions are designed to measure concepts of the efficacy of organizational change, the frequency of change, and the obstacles to change. In addition, the questions measure the concepts of the value and use of tools and strategies by diverse managers during reorganization. Four main observations are worthy of mention.

It is important to note that the degree of power and authority afforded to one level of management over the other tremendously impacts perceptions and ultimately the actions of managers concerning organizational change. Differences in responses to questions concerning obstacles to organizational change reveal a correlation between the fundamental difference in position and authority between these two management levels and perceptions of obstacles. According to the literature, change in power and status in management involves a shift in beliefs and customs in the organization. Transformational change entails reformed mission and core values, altered power and status, and revised interaction patterns. Perceptions concerning whether managers receive training, feel supported by other management staff, agree with other levels, have a strong voice, and have consistency between what is said and what is done all seem to reflect this fundamental difference in power between levels.

Based on data results, managers valuing tools and strategies during organizational change does not necessarily equate to managers using them. While an overwhelming number of managers seem to value tools and strategies, and feel that both levels of managers always need effective tools and strategies, they sometimes use them.

A third observation is the direction and perception of organizational change depends largely on which strategic view managers select and employ. Contrasting views of managers related to strategic change suggest a difference in the management responses to organizational change and its environment. Again, the implementation of appropriate tools and strategies can reduce the wide variation in perceptions of both manager levels.

A final conclusion is the equitable spread among responses (from rarely to frequently) for middle and executive managers concerning their work environments. The spread of equitable responses translates into a wide variation of manager perspectives concerning the degree of productivity in their place of work. One can conclude that effective organizational change depends not only on recognizing the type of strategy employed, but also on the actual use of effective tools and strategies, and which tools and strategies are used for what purposes. Successful strategic change, also, depends on the use of effective tools and strategies such as communication, cooperation and support between and among all managers that can be used rectify any inefficiencies in work environments. Recognizing these problems together is a start to effectively addressing them concurrently.

CHAPTER SEVEN: CONCLUSIONS

Introduction

This chapter presents the research conclusions of the study. The six Working Hypotheses related to the organizational change environment, frequency of change, obstacles of change, and the manager's perceptions of the value and use of tools and strategies provide the framework for the analysis and discussion. Issues related to the interpretation of the results and the limitations of the study are also included

Conclusions

The conceptual framework is partially supported by the data results of the survey and the structured interviews. The survey questions were designed to measure concepts of organizational change and perceptions of managers in this light. The structured interview was used as an alternative method to support the survey results. The following are conclusions supported by the research methodologies:

- 1) Managers in Texas Health and Human Service agencies **do** have beliefs about the efficacy of organizational change, and **do** believe there is frequent organizational change.
- 2) The perception of operating in an environment that creates obstacles to organizational change exists primarily with the middle managers. This finding suggests that perceptual differences are influenced by the degree of the position of

power and authority afforded to one level, the executive level of management, over the other, the middle management level. The perceptions and ultimately the actions of managers concerning organizational change are affected by this revelation.

- 3) Managers in Texas Health and Human Service agencies do recognize there are tools and strategies that can be used to effectively manage organizational change.
- 4) Managers seem to overwhelmingly value tools and strategies during organizational change. They also feel that both levels of managers always need effective tools and strategies to effectively manage change.
- 5) Data results, however, show that while an overwhelming number of managers seem to value tools and strategies, and feel strongly that both levels of managers always need effective tools and strategies, they sometimes use them.
- 6) The direction and perception of organizational change seem to depend largely on which strategic view managers select and employ. Contrasting views of managers related to strategic change suggest a difference in the management responses to organizational change and its environment. The implementation of appropriate tools and strategies can reduce the wide variation in perceptions of both manager levels.
- 7) A wide variation of manager perspectives exists concerning their perception of productivity in their place of work. One can conclude that effective organizational change depends not only on recognizing the type of strategy employed and the differences in power between levels, but also on the actual use of effective tools and strategies, and which tools and strategies are used for what purposes

- 8) Tools and strategies such as communication, coordination, cooperative decision-making, and support between and among managers can help rectify any inefficiencies in work environments.

These conclusions are drawn from the data and the scholarly focus in the literature to provide a synthesis of the findings for the study. This exploration delved into the nuances of organizational change and the realities that at times appear incoherent, but are, nonetheless, important to the management that is ultimately responsible for its continued success.

Concluding Remarks

The field of management in health and human services organizations continues to evolve and adapt to constant change. State agencies fashion themselves to deal with new legal mandates, such as HB 2641, in order to cope with these consequential environmental exigencies. Research into the perceptions, actions, and behaviors of managers at various levels provides a wealth of insight into the day-to-day, pragmatic occurrences that serve to keep government working at its very best.

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APPENDIX A: Survey of Health & Human Services Agency Directors/Managers

This survey is anonymous, confidential, and voluntary for managers at HHS agencies. The survey is about organizational change that impacts your work environment and management responses at your agency. Please circle only one answer for each question that best represents you and your views: and return the completed survey in the enclosed envelope by January 31, 2000. If you are unwilling to participate, please return the blank survey in the enclosed envelope. Thank you.

1. To which management level are you currently assigned?

- (a) Executive Management (E.D., Deputy, Bureau Chief, Division Director or Manager)
- (b) Middle Management (Department Director or Manager, Section Supervisor)

2. Do you believe your agency experiences organizational change at least once per year?

Never	Rarely	Sometimes	Frequently	Always
(1)	(2)	(3)	(4)	(5)

3. Do you feel that organizational change occurs too often?

Never	Rarely	Sometimes	Frequently	Always
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4. Do you believe legal mandates present barriers to the mission of your state agency?

Never	Rarely	Sometimes	Frequently	Always
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5. Do you feel that you are kept informed about important decisions about organizational change that affect you and your employees?

Never	Rarely	Sometimes	Frequently	Always
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6. Do your agency policies tend to constrain employee performance and limit coordination?

Never	Rarely	Sometimes	Frequently	Always
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7. Do you consider your agency to have a productive work environment?

Never	Rarely	Sometimes	Frequently	Always
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8. Do you feel that directors/managers need effective tools and strategies, such as critical thinking, communication skills, and problem-solving, to promote positive change?

Never	Rarely	Sometimes	Frequently	Always
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9. As a director/manager, are you able to receive training in effective tools and strategies?

Never	Rarely	Sometimes	Frequently	Always
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10. Do you use tools and strategies (such as those listed in no. 8 above) regularly in your agency?

Never	Rarely	Sometimes	Frequently	Always
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(Page 2)

11. To what extent do you agree that the following strategies are used by directors/simanager during the most recent reorganization in your agency:

(1 = Very True; 2 = Frequently True; 3 = Sometimes True; 4 = Rarely True. 5 = Not At All True)

(a) Promote a meaningful framework for understanding the nature of the intended organizational change?

1 2 3 4 5

(b) Preserve old values as new ones are added?

1	2	3	4	5
1	2	3	4	5
6	7	8	9	10
11	12	13	14	15
16	17	18	19	20
21	22	23	24	25
26	27	28	29	30
31	32	33	34	35
36	37	38	39	40
41	42	43	44	45
46	47	48	49	50
51	52	53	54	55
56	57	58	59	60
61	62	63	64	65
66	67	68	69	70
71	72	73	74	75
76	77	78	79	80
81	82	83	84	85
86	87	88	89	90
91	92	93	94	95
96	97	98	99	100

(c) Communicate, champion, and influence the evolving vision in the face of possible indifference or resistance by employees?

1	2	3	4	5
1	2	3	4	5
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21	22	23	24	25
26	27	28	29	30
31	32	33	34	35
36	37	38	39	40
41	42	43	44	45
46	47	48	49	50
51	52	53	54	55
56	57	58	59	60
61	62	63	64	65
66	67	68	69	70
71	72	73	74	75
76	77	78	79	80
81	82	83	84	85
86	87	88	89	90
91	92	93	94	95
96	97	98	99	100

(d) Postpone judgments about a problem to determine the nature of the problem before identifying a solution'?

1	2	3	4	5
1	2	3	4	5
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51	52	53	54	55
56	57	58	59	60
61	62	63	64	65
66	67	68	69	70
71	72	73	74	75
76	77	78	79	80
81	82	83	84	85
86	87	88	89	90
91	92	93	94	95
96	97	98	99	100

(e) Esamine guiding principles, beliefs, assumptions, and values?

1	2	3	4	5
1	2	3	4	5
6	7	8	9	10
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46	47	48	49	50
51	52	53	54	55
56	57	58	59	60
61	62	63	64	65
66	67	68	69	70
71	72	73	74	75
76	77	78	79	80
81	82	83	84	85
86	87	88	89	90
91	92	93	94	95
96	97	98	99	100

(f) Initiate strategies to implement continuous organizational improvement?

1	2	3	4	5
1	2	3	4	5
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31	32	33	34	35
36	37	38	39	40
41	42	43	44	45
46	47	48	49	50
51	52	53	54	55
56	57	58	59	60
61	62	63	64	65
66	67	68	69	70
71	72	73	74	75
76	77	78	79	80
81	82	83	84	85
86	87	88	89	90
91	92	93	94	95
96	97	98	99	100

12 As a **director/manager**, do you usually feel supported by other management staff?

Never Rarely Sometimes Frequently Always

13. When decisions about reorganization are made, do you believe there is agreement between the two management levels on these decisions?

Never Rarely Sometimes Frequently Always

14. Do members of your management level have a strong voice in the direction of new change?

Never Rarely Sometimes Frequently Always

(Page 3)

15. When change is mandated. do you believe sharing information with all employees is important"

Never Rarely Sometimes Frequently Always

16. Do you believe that there consistency between what is said and what is done?

Never Rarely Sometimes Frequently Always

17. If you were able to offer ideas that would help facilitate organizational change. to what extent would your ideas reflect the following-

(1 = Very True, 2 = Frequently True; 3 = Sometimes True; 4 = Rarely True; 5 = Not At All True)

(a) Shared purpose across the organization'?

I 2 3 4 5

(b) Action plans to enhance organizational rffrectiveness?

1 2 3 4 5

(c.) Quality working relationships?

I 2 3 4 5

(d) Coordination between divisions and functions?

I 2 3 4 5

(e) Shared values to bring about the desired changes?

I 2 3 4 5

Is there anything you would like to add that has not already been asked or explain any answer?
(Please indicate which question you are explaining)

Thank you for your time!

APPENDIX B: SAMPLE LETTER

February 20, 2000

TCADA
1515 West Mockingbird Ln
Suite 215
Dallas, Tx 75235-5609

Dear :

Enclosed is a Survey of Human Services Managers which I am using to satisfy part of the educational requirements toward the completion of a Masters in Public Administration (MPA). The survey, which is voluntary, anonymous and confidential, is about organizational change and about the managers or supervisors in Health and Human Services (HHS) agencies. I would greatly appreciate your participation as a manager or supervisor as it will hopefully yield important information about managing change in HHS agencies.

Thank you in advance for your time!

Sincerely

Catherine Gorham

APPENDIX C:

Organizational Change – Interview Questions for Management Staff

This interview is about organizational change in relation to House Bill 2641. I am interested in understanding the changing environment in your agency and ways in which management staff may respond to change.

1. What is your current position?"
2. When was the last time your agency experienced organizational change?
3. H.B. 2641 addresses several performance objectives and overall management (i.e., reporting and accountability mechanisms, performance assessment in key operational areas, personnel and employment policies, and quality improvements). From your perspective, what do you believe are the top 3 issues or challenges facing your agency today?
 - a)
 - b)
 - c)
4. How will your agency's work environment change'?
5. How would you go about addressing and resolving chronic conflicts?
6. Are there new skills and knowledge that management staff will need?
7. How would you go about communicating organizational change to your employees?
8. As a director (manager), do you feel you have a voice in important decisions regarding organizational change that affect you and your employees?
9. There is usually no single force that is behind organizational changes in agencies. What steps would directors (managers) take to assess all forces in order to implement changes'?
10. Are directors (managers) at your agency given the opportunity to redesign/restructure the agency to fit tasks required by HB2641? If so, how?
11. What do you consider to be the most important tools and strategies available to directors (managers) that they can use to help manage organizational change?
12. Is there anything you would like to add that has not already been asked'?

APPENDIX C: Transcriptions for Structured Interviews

1. What is your current position? (designated in three broad areas)

AGENCY RESPONSES:

Middle Manager: Planning and Development Area.
Executive Manager: Human Relations/Resources Area

Middle Manager: Human Relations/Resources Area
Executive Manager: Oversight and Management Area.

Middle Manager: Human Relations/Resources Area
Executive Manager: Oversight and Management Area.

Middle Manager: Planning and Development Area.
Executive Manager: Oversight and Management Area.

Middle Manager: Planning and Development Area.
Executive Manager: Human Relations/Resources Area

2. When was the last time your agency experienced organizational change?

AGENCY RESPONSES

Middle Manager: The most recent major organizational change was about four years ago. We went from a previous structure (one of issuing recommendations) to a system in which we had contract managers - people who draw up contracts and assure that they are followed and evaluated properly. So, as a result, we ended up having fewer in-house experts on areas specific to targeted population... This was the last major overhaul. We (also) had a major reorganization as a result of Sunset recommendations, but that is just happening now, and it's still happening, and essentially it's a move back toward having in-house policy expertise. We've created a Division which will, in fact, have the responsibility of doing surveys, developing research on topic areas related to (target population). So in some ways we've gone back to the previous system. Because one of the points raised in the initial review process of Sunset Review was that we had probably gone too far in the direction away from policy expertise and that it probably ill-served us in a number of ways. The legislation specifically stated that we were again supposed to have policy expertise and make recommendations available to elected officials and policymakers.

Executive Manager: It is forever evolving. After the latest legislative session, and because of our Sunset bill, one of the things they said is they want us to be the be all, do all, end all on agency policies. and we try to pull as many resources from many other areas, and what positions were vacant and we pulled them into and created a new division involved in policy and planning. ... So that division is quite large as compared to what it was prior to the last session. This has been the most recent change. We've gone through an awful lot of change. I've been with this agency for (several) years. We really do consider ourselves one of the leanest and meanest agencies around. We really have no duplication of effort. We all work extremely hard try to think out of the box and we do more with a heck of a lot less. Prior to this our biggest change and we kind of jokingly say that once the ink's dry on the organizational chart, its time to change it again. We really do. We went through, at least 5 or 6 years ago, a major shift. from program areas to contract management. The world of health and human services contract management was the buzz word, and we focused an awful lot on that. We were kind of the lead agency to kind of do that. We kind of made some inroads and had an awful lot of people looking to us and saying what was it that you did. So, we've been through a lot of organizational change. Pendulum swings into what they want us to do and look at, so our contract management it land of swung back the other way.

AGENCY RESPONSES

Middle Manager: One time, E.D. was named, which happened (a few years ago). Values started to change in the organizational culture. In 6 or so years, there were (several) E.D.s during that time. We underwent a lot of change. The dynamics of having a new E.D. involve restructuring the organizational chart, and drove change in the organization.

Executive Manager: Right now experiencing; prior to that it was (about 6 years ago) was the last major.

AGENCY RESPONSES

Middle Manager: Our agency is fairly young. it has had incremental organizational change. Such as in 1997.. with a re-shifting of several divisions, and two years ago. there was another change.

Executive Manager: No major change in the last 6 years. Organizational change is looked at as an amorphous function. Minor changes which had significant, practical and cosmetic impact on how we do business.

AGENCY RESPONSES

Middle Manager: We're in organizational change right now; agency as a whole.

Executive Manager: Currently experiencing organizational change. We started (several months ago) and we continue planning for it.

AGENCY RESPONSES

Middle Manager: Approximately 1 month ago, have a new organizational chart, we've been embarking over a few months. The organizational chart clarifies the granite, the content of all of the changes.

Executive Manager: Just a couple of weeks ago. Actually it started (several months ago) with the retirement of three of our top staff... We went back and looked at our organizational structure and our problem with our chart was that we're very, very horizontal. And we needed to be a little bit more vertical. We're small in comparison to some of the larger agencies, so we went in and we looked at functions... Because we've always been so small, we just didn't have that luxury (having certain positions and the functions that go with those positions). So now we're going to get that. With this new reorganization, it's already working a lot better than what it was. . . we allowed pretty much everyone to be involved in the staff reorganization, in the agency reorganization. We told them what we were looking at. Let's look at functions, we don't people losing their jobs; that's not what this is all about. Again, the resounding cry was we need (certain positions). We had staff that really got involved in this and gave us ideas. One of the other things that staff was saying is that we were too horizontal. With the way we redid this, we did cut this down by one unit. That land of helped a little bit. To do what staff wanted us to do, we would have to come in and really go through a severe organizational change and people would have to lose their titles. Our ED wasn't interested in doing that

3. H.B. 2641 addresses several performance objectives and overall management (i.e., reporting and accountability mechanisms, performance assessment in key operational areas, personnel and employment policies, and quality improvements). From your perspective, what do you believe are the top 3 issues or challenges facing your agency today?

AGENCY RESPONSES

Middle Manager: A) Has to be best value, because we are still defining best value. And everyone has a different definition, even between the legislature and the agencies there are different definitions for best value. So, that to me is one of our biggest challenges is to understand what their definition is and incorporate that with our definition and mission. That is the key issue to me right now, for both services and operations. B) The second top issue, we share with other agencies is finding and keeping the qualified staff, the retention is a real challenge. The hiring and then the retention of staff go together.

Middle Manager (Cont'd): Certainly over the last 2 years, we have lost and gained so many support staff. Being a small agency we don't pay as much nor do we have as many promotional opportunities. Being a small agency, we get them, we train them and they leave for a better paying job. **C)** Defining ourselves. I think because of Sunset, the Legislature, because of all of the accountability mechanisms and performance assessments they have made, I think every agency, certainly our agency, looks at itself, what are we, what do we want to be, how do we portray ourselves. But its how do we want to look so that we can provide the service. But its more internal. These are ethics, defining what are the values. I do think best values has challenged us to do that. **They** all go hand in hand, and of course that has to do with the staffing because to define ourselves, we have to find the staff that can work for us. What are we looking for in people? Do we want someone who's good, but doesn't care about people? Do we want someone who's slower, but really cares? How do we want our workforce to look. So all of those kind of intermingle in my estimation.

Executive Manager: **A)** Fiscal issue relating to "best value" is the number 1. **B)** Automation is number 2; too many things being done mechanically, and it takes time to process paper. **C)** Reaching every expanding clientele

AGENCY RESPONSES

Middle Manager: **A)** Promoting effective collaboration; how it is implemented is key; **B)** Maintaining morale for staff within the agency and keeping staff; **C)** Need for being more personal; what does it mean for the ultimate concern should be on the forefront.

Executive Manager: **A)** Role of providing direction and leadership. it's a real challenge, especially to do it in a way that results in positive outcomes for the system; **B)** another challenge is helping or assisting everyone with recognizing that change is good and can be positive and helping people adjust to it, because some people adjust to it quickly, others have a more difficult time; its helping people analyze what are really the necessary things we need to do and what are we doing that is not contributing to systems improvement, what's not contributing to efficiencies and having people be more analytic about that. Because as you know, people learn this is their job and they don't know how to get out of that box. I think there's some challenging personnel issues associated with bringing about change: **C)** a real challenge is knowing or having measures of if we're doing what we say we are going to do or not and applying them across the board.

AGENCY RESPONSES

Middle Manager: **A)** First of all, having a clearly defined vision, what the agency is trying to achieve and accomplish in the State of Texas. Under that I think of issues like how to provide the services what we are mandated to provide, how do we ensure the quality of services, how do we ensure that we are meeting the needs in the state, how do we ensure that we are maximizing all the resources that we have to be able to provide these services. In some ways, to be able to assess whether you're on the right course in achieving what you're trying to achieve. **B)** You have an organization in which the employees know what that vision is, and what do they do or activities they perform are aligned with that vision, so that everybody knows what the charge is, and to know what needs to be done to get there and they are committed to get there. **C)** Have to have fiscal resources and materials, good automation systems; then you got to ensure that you've got the right people in the right places, and that you've got a well-trained, confident, qualified staff to get the job done... That quality work force becomes a challenge.

Executive Manager: **A)** Reporting and accountability are both issues and challenges for the agency. **B)** Quality improvements are also important; we need decent and accurate reporting and accountability. **C)** Personnel and employee needs; we need training; induce cultural change in the agency.

AGENCY RESPONSES

Middle Manager: **A)** I would say it's dealing with the implications of Texas' population as a whole and for governmental policy... helping convey policy recommendations... developing and communicating policy recommendations to elected officials. This includes dealing with the population's concerns, long-term care, demographic change, the whole nine yards basically. **B)** One of our responsibilities is making policy recommendations to elected officials. **C)** The other would be from the consumer standpoint - creating a more seamless service system so that even though you're getting services from several agencies, public and private, you don't have to be aware of the transitions between one source of help and another. You can have somebody help coordinate it, help you make your way through the system.

Executive Manager: A) One because of the sheer volume of it. the reporting, you know last session. the legislature really just put in many, many, many, many new reporting requirements, some of which might make sense, some of which don't seem to make sense. some of which are duplicative, and it seems like we're overwhelmed with the reporting requirements. B) Another issue for our agency, and I think maybe because of the way we're structured, might be the performance assessment (discussion about the services to targeted population). We get our money from the feds, we then pass it down to the (local) agencies. our "networks" in the state, ... and then they either contract out for services or provide the services themselves.... We've been doing some multivariate research to see actually what's going on with our population. Its about ensuring they got is what they needed to help live an independent, more productive life. Its what benefit they got in what we want to look to in a performance measure. its very difficult. Researchers to formulate state policy to show yes this is what we need to do. C) Being a small agency, we are better able to have internal controls. It's making us re-evaluate the caps on staffing. We looked at our staff and we can look at our processes. and we really reduced our staff a while back. What happens in state government, when you do that they don't give you those back. You have to go and you have to ask for it. Many times the answer you get is no. In the thought process, we really want to be stewards of the tax dollars, we really want to do our part to save the taxpayers money and get the best service. We don't want to overstaff and then of course, later on when you're given more responsibilities and more work, you don't get those staff back which makes it pretty difficult.

AGENCY RESPONSES

Middle Manager: A) Interagency oriented in that we are now learning how to function in the context of the systems in agencies that have a myriad of statutory responsibilities, a variety of organizational structures that cross state and local lines. ...we are going to have to do this very interesting dance together with all these key issues, downsizing, maximizing our efficiencies, maximizing federal funds, and restructuring multi-systems so that we can leverage the process. And this is in a new economy. B) Shifts. dramatic shifts in the environment in which we function. and dramatic shifts are the market economic shifts that are driving the process as well as the demographic shifts and the political shifts and even technological shifts that are affecting the environment in which we function. Agencies have to compete not just with necessarily other agencies for goods and services or revenue. to deliver the goods and services but they are also in competition for private enterprise. a new economy... There's some inherent issues that drive this process that are also important. The issue of the body of ethics, a body of beliefs that would suggest that what we're doing is truly representative of the people, the public trust as opposed to special interest. And all of those issues make this economy that we're in an extremely difficult task, because we really aren't part of the enterprise citizen... C) It's critical thinking or strategic thinking and strategic action. Its an informed, fluid and capacity for organizations or system of organizations to make. Qualitative shifts in direction to meet any given issue or any given circumstance in this market economy we function in. And that means, if an executive director of an agency, even if its only an agency with 15 FTEs, doesn't have some kind of tangible understanding that what happens in China will tangibly affect their decision making right now and the future, they're out to lunch. they don't get it. That's another important issue.

Executive Manager: Again I refer to us as a small agency in comparison. To us it's another reporting mechanism. We've got to report more paperwork. It's somebody else watching what we're doing. That's one problem. The other challenge is our uniqueness.

4. How will your agency's work environment change?

AGENCY RESPONSES

Middle Manager: Well, obviously we're going to be - in fact already are - working more closely with other HHS agencies, but the full extent of this interaction is yet to be defined. We've only now begun meeting face-to-face with the Commissioner of the HHSC. We're meeting today with staff of another, so there's going to be more joint planning, joint coordination and so forth with other agencies as we move toward the eventual merger. That would probably be their topic area. I think a lot of things, would be affected. For example, the means by which we pay our contractors. All different agencies have different setups for that. We have different ways of dealing with contracts to provide services. And rate-

Middle Manager (Cont'd): setting is a real big deal. So that kind of hardcore, point-by-point consolidation of effort will be **necessary**. And, of course, there's the process of figuring out areas where **perhaps** we shouldn't change. In some cases it **may** be that different methodologies, different rate structures and so forth exist for good reasons and should continue because they're the most efficient.

Executive Manager: We all have to learn how to cross-do, know what the agency as a whole needs and pick up where we can. You really have to work very hard at being multi-tasking, you can't spend an awful lot of time focusing on one thing, you have to get that done and move on to the next, you really need to look at your processes, and say can this really be done a different way. A couple of things we've done in the last year is we outsourced (a section) to another state agency... We're looking at outsourcing whatever we can in relatively large chunks... Being small, you can't be an expert in every hat you wear. You're a generalist and in some cases that means having to get the book out and spend a lot of extra time to deal with an issue that you might only deal with once a year whereas somebody else who deals with that on a daily basis can deal with it right. That's how we're dealing with an awful lot of the changes in relation to reduction of staff. With attrition, we surely take advantage of saying "do we really got to do it this same way we've always done it can we do it differently?"

AGENCY RESPONSES

Middle Manager: A lot of change that will take place in our organization has a lot to do with who's at the helm and who the leader is. I think that the leader will set the tone for change... So the leader is going to take a big part in leading and can ...take us to another level. It has a lot to do with what kind of team will be developed, and whether that person will listen or whether that person will not be afraid to make change. A lot of it will have to do whether that person really cares about this agency, his or her commitment to it, is it just a job for them or is it something that they really can vision.

Executive Manager: Productivity will increase because of the quality and quantity of the agency efforts. In spirit it would be a happier work environment if the agency and the employees were productive. It will help us to feel good about ourselves.

AGENCY RESPONSES

Middle Manager: I think the change is very immediate because either we start addressing today the mechanisms that we have to have in place to accomplish the performance assessment or were not going to make it when it comes time to do it. So, I think its affecting our work environment now... The work environment has changed to more questioning of our own values as an agency. So there's more communication between people, between divisions, whereas before, you do your piece and I do my piece, and you just stay in your office, and I stay in mine, and we don't intermingle. We intermingle more now because we're asking where are we going, what are we doing, and that causes us to include the time to talk.

Executive Manager: This is a small agency, so there won't be a lot of change. We will still be doing personal contact, automation reduces travel, and the like.

AGENCY RESPONSES

Middle Manager: More management roles and oversight; take higher road for management; and consulting.... If not directly involved, you lose sight of the true intent.

Executive Manager: We had teamwork in the beginning, but not support from state leadership in the same way. And then we had change in management, and we haven't had teamwork for a long time, and I think we're having a real struggle to get back internally to the kind of teamwork that we need to build. And I think we're getting there, but I think that is a real change that has to be... it's a very deliberate kind of internal collaboration and teamwork and sharing of information that hasn't always happened.

AGENCY RESPONSES

Middle Manager: That's very difficult to say, I really don't know. I think I have an idea of how I think it will change. How it should change, we are confronted with a significant paradigm shift in organizations. While we know, the market economy is different, it suggests we have to do things differently internal to the organization. We have to leverage knowing full well we have limited FTEs... We have to take people out of the industrial revolution and catapult it in the micromillennium way of looking at things. ...it is the job of every employee to innovate, to make decisions, to handle accountability, accountability gets applied to the organization. With that goes, the necessity to share power. Everyone must share in power, and everyone must be seen as an expert in their own right as we

Middle Manager (Cont'd): give them the tools, creativity and the responsibility for a process. And instead of **structuring** organizations rigidly to operations **management**, I think it's **becoming** more **important** to structure processes of **organizations** and that **people** who are **involved** in the processes. **whether** we're **making** a widget, or shoe or developing a **policy** or constructing a set of **rules**, everyone involved in the process **must** have input. Those closest to the action **must** have the immediacy of decision making. We don't have time to run issues up in an antiquated **chain** of command... **because** if we **allow** that to **happen** we're in an **economy** where **change** happens at a cataclysmically, and **from** moment to moment what's reality now may not be reality **tomorrow**. **Often** times when information **travels**, communication through the vortex and back to the worker bees who have not **been** empowered. it's an old issue. It's too late to make a **decision**, it's too late to capitalize on a market share **where** a window of opportunity opened up and it ends shut... No one waits on **you**. It begins in an **organization** with **empowering** everyone. **Secretaries** have to be **empowered** for whatever part of the process **they're** **involved** in. So **whether** we go **there** or not as an organization. I don't know. But I know **that** organizations that are thriving are **already** doing that...
Executive Manager: Depends. We are in the early stages and HB 2641 has not hit that hard yet. Going to many meetings. Reporting - attending **meetings** and stretching limited resources.

5. How would you go about addressing and resolving chronic conflicts?

AGENCY RESPONSES

Middle Manager: My personal **belief** is that most of the time, conflict and definitely chronic conflict comes from fear. And I address fear through education. You have to educate the people that are bringing up the **conflict**. There's a reason why they're feeling conflicted so I'd want to open the lines of communication to find out why they feel the conflict and I want to educate... **Because** if you've **educated**, and you've been clear about what **you** are as an **agency**, and they don't like it, **then** they also have a **choice**. But I see us as being responsible for **bringing** up the choices.

Executive Manager: First, identify to **ensure** there is chronic conflict; second, **resolving** state and **governmental** conflict **through** Alternative Dispute Resolution, mediation, negotiation, and arbitration; strategies and methods inherent in **ADR**. **Look** at what **ifs**; manager **responds** to **get** the job; uses **resources** and **makes** decisions.

AGENCY RESPONSES

Middle Manager: The mechanisms are already beginning to **operate**. The Commissioner has set up **several** interagency workgroups already. In the past, I think when conflicts **between** **agencies** existed, the tendency was for the agencies **involved** to try to work it out among themselves. Of course there was always a **serious** effort to resolve conflicts, but **when** those efforts failed, we would simply agree to disagree and keep on doing what we were **doing** individually. Now **with** the Commissioner's stronger **role**, including the **ability** apparently, to hire and **fire** Executive Directors of agencies- something that didn't exist before - the Commissioner becomes the arbiter. I **think** agencies **certainly** should continue trying to resolve conflicts and inconsistencies directly, but that ultimately the 'referee' should be the Health and Human Services Commissioner. I **think** that's the intent of the legislation, and hopefully that will happen.

Executive Manager: I think the **big** key is communication. You know, at some level there's always going to be conflict, **especially** when you **have** a relatively diverse workforce because you're going to **have** different **opinions** and you're trying to **mesh** all of those different opinions together to come to whatever the best solution is. So, that's going to create **conflict** which is not always bad. The more you communicate, stick with and work through those conflicts, the better off **you're** going to be. You know, just cause you don't agree, doesn't mean that's a bad thing and it might even produce a better solution. So, I think **communication** is the big key to resolving conflict and consistency, too. Make sure you approach it from the same consistent manner, **policy-wise**.

AGENCY RESPONSES

Middle Manager: With regard to 2641, need to reinforce vision and ultimate goal: if **identify** what it is, you can settle for the ultimate. Need to ask **the** question, is this going to help me with implementing changes; and have the flexibility to redesign the structure.

Executive Manager: I never find that once everyone understands each other and knows what the common goals are, that there is any conflict. So I think that first of all, information sharing, education, educating each other, and once that is understood, we all have very common goals, then it's usually not a problem. ... what I found is you keep addressing specific issues, and you focus on the specific issue that needs to be resolved at the moment.

AGENCY RESPONSES

Middle Manager: It's important to look at the manifestation of conflict, and look at how it manifests in a number of different ways that might appear to be. we have a problem with communication, or we have a conflict concerning policy, or have a conflict concerning a career ladder, or its personalities, or its division against division, and so forth. To me, it's important to look at symptomology but that is not the diagnosis, and if we really want to do a good diagnosis, we have to look at what is the culture, not just what is stated, but what is that people do in terms of the culture. There's a culture of managing each organization. It's really a culture of this is how we do this, this, this is how we make decisions, this is how we agree, this is who plays roles in that process, and there is a formal stated piece of that, and there's an informal unstated piece of that. To me that has to be analyzed and defined... It's also very important to have a grasp of rules, policy and procedure and mandates that are clear, and sometimes conflict can be as simple as revisiting one's missions, one's philosophies, and what one has publicly stated about this is what the organization is about, and some say we are supposed to be about this and we're not this, and that can be a point of conflict. So it's important to look at the obvious stuff that crafts, shapes, and guides what an organization is, what that organization does, and why it does it.

Executive Manager: Being up front, honest and putting all the cards on the table, addressing limitations and resources. Could be internal conflicts (HB 2641) if told to attend meetings and report.

AGENCY RESPONSES

Middle Manager: Meet with parties separately, will want to get a feel for what's the history, what are the issues and barriers and perceptions that exists. I would get the main leaders. Meet with representation of party A and party B. Then I would identify commonalities. Then bring leadership together and have them maybe for the first time, hear each other's concerns. I would actually have them identify real issues, in a very controlled way. Determine what is needed and identify solutions, and try to leave there with some commitment to an action plan to flunk about specific things that could be done. When implemented, I would have a follow-up meeting.

Executive Manager: First, we need a better process structure in the organization to be able to see what's being done: we will then be able to produce better results through a better process structure. Conflicts result from things not being "normal".

6. Are there new skills and knowledge that management staff will need?

AGENCY RESPONSES

Middle Manager: I have to say that at this point we're still trying to find that out. I would say, though that given the fact that a lot of managers are in their 40's and 50's age-wise, a greater familiarity with new technology would be very helpful. Technological means of gathering and disseminating information can be really helpful. Greater understanding of the potential of technology would enable us to create more efficient means of service-delivery, information-gathering and research-gathering. Also, I think we need to make an effort to communicate with elected officials in a clear, straightforward non-technical way in providing useful information and recommendations to elected officials. Even with a complicated, essentially bureaucratic problem there has to be a way to present it to an elected official so he or she can appropriately resolve it. There's been a tendency, I think, among government workers to complain that the legislature takes action without a real understanding of the governmental process. So it becomes our responsibility to educate them more about how government works, and why it works the way it does, and what issues we're trying to resolve, who we're trying to serve, why we coordinate in some areas and don't in others. So all of those areas that we're being asked to deal with now... if (elected officials) can understand... if we can communicate more effectively with them and make our reports seem less bureaucratic, then I think we'll be better off.

Executive Manager: I think so. A lot of times, when you have the new business buzz words, and you recycle the old words, 'management by objective,' you change it a little bit and repackage it. I think you forget too and you need to continue to hone your skills whatever those letters from college might be. So I think that's very important to always be looking at new skills. Each manager is different in how and what works for them. Whether they need to change their management style a little bit to get something to work, they can find out, they've been doing it one way for so long, you can get them to do it a little differently. We tend to do management training on a regular annual basis of some sort. Because we're small, we probably don't do it as much as some of the bigger agencies. But when we do it, we try to do it in a group together, so that we're kind of hearing the same thing. So I like to at least once a year ... I get the management staff together to do at least one training per year. It works better when you come back to implement because everybody's on the same page.

AGENCY RESPONSES

Middle Manager: Our managers need to be trained on how to manage. They need management 101, they need concrete resolution training, how to develop performance evaluations and progressive discipline for staff. You need to have a local group, each one that outlines what each has to do. Managers need training in communication, interpersonal relationships, and building a work team. Getting them to understand there has to be accountability so everybody is aligned. They also need to know how to make decisions and stick with it. Gathering the facts and exploring options, analyzing situation, experimenting and trying out new things, allowing people to have input. Better understanding about motivation, what challenges people, some basic training on treating people the way you want to be treated. There are a lot of policies and procedures that govern the agencies that managers need to know and understand... Part of it, is they haven't made this a priority. When culture structure changes to more accountability, this includes knowing policies and procedures. Most of problems that managers have are related to the people they supervise. 80% of managers' time is supervising, and on problems created by people trying to get along in the work environment. That's where we spend our time, and where we need to focus on training.

Executive Manager: Yes, we need and should be allowed to acquire skills toward leadership styles versus old style of management by intimidation. We need to find new ways to improve and be more productive through intellectually doing something better.

AGENCY RESPONSES

Middle Manager: To make sure we have connections with experts, business reengineering, will need to pull in the experts. Also, there's a need to have good facilitation skills for agency's standpoint, listen and lead very diverse groups.

Executive Manager: I think that negotiation skills, conflict resolution skills at a very high level, and ability to direct processes, because you can't just look at structure. And you have to look at processes, and understanding processes and how they work, you cannot ignore that. I also think that there's an understanding that different staff are at different levels and understanding, and there's a need to understand that it takes various approaches, you can't really treat everybody alike. Different people need different approaches and management styles, so being considerate and responsive to everyone you work with.

AGENCY RESPONSES

Middle Manager: I believe it's important that if we're going to strike some semblance of synergy systemically, then let's get on the same page, and come up with some type of agreement. Not let it be management by personalities, and management by personalities that have political dues to be paid, or hidden agendas, or individual psychopathology that gets loaded into the process of management... But since we're talking about a new economy, I would hope that we all then empower all employees to be leaders. It's also an issue of empowering to participate in the process... They're in charge of the process, with limitations of what's ethically soundly appropriate relative to process. That's a training issue as well as a management philosophy issue that has to happen. Another issue is that all managers, all public agencies, should be well trained on management techniques and leadership issues, I mean well trained. And it's a pity that that's not the case, it leaves a gaping whole in the process of maximizing efficiencies and between organizations. It is totally unacceptable, but it exists. I think what also should happen, leaders through government and other organizations, must somehow be taught and somehow empowered to be a

Middle Manager (Cont'd): part of the process of strategically thinking, strategically planning, and strategically implementing these qualitative shifts in directions that must accrue and occur quickly. And that's not done. No one is pulling that together. It's the way we've always done it. You work your way up the ranks, start as line staff person, and now a manager, and don't get it. Look at things from microcosmic view instead of large scale global view. Its land of practice and culture and how people get into leadership positions. There's no coherent philosophy. Some get there because they know someone, not based on principles and skills. It's not just state government problems. To be held accountable, requires measure of leadership.

Executive Manager: Automation is critical for all staff, but particularly for managers.

AGENCY RESPONSES

Middle Manager: Definitely, from simple mediation skills to knowledge of diversity... people need to gain knowledge that people are different. That not everybody thinks the same way, and therefore, as a manager, I have to hear people, so I can learn how they think and then work through that. And that's a skill I don't find very much... The other skill that management staff will need in this day and age is fluidness. If there is a new idea that we never thought of, and I don't want to ...say "think outside the box", but its like if somebody just came up with a new idea that none of us thought of, the tendency is to say "oh, that won't work." and I think in today's day in age, we have to say, "huh, how would that work." rather than "no, that won't work." And those of us that are getting a little older are not used to that fluidness. we're used to saying no, you do number 1, number 2, number 3. That's it. I think that younger people are much more open to "ok, we'll try it that way." And I think we, management, has to learn to do that better: be open to new ideas, ideas you never tried before, even ideas that you've tried before and didn't work. And so I have to say, maybe it'll work today.

Executive Manager: Automation is one skill. Employee-employer (manager-subordinate) relationship skills is another. Changing jobs and the need for technology May have to deal with people in a different manner, seeking of ideas and sharing of information. Workforce that brings new skills and a fresh perspective, and make sure what we're getting.

7. How would you go about communicating organizational change to your employees?

AGENCY RESPONSES

Middle Manager: I would have an all staff meeting. And I would have certainly the CEO chief, the executive director. I would also in combination with that have a fact sheet, because some people learn by reading better than by hearing. So I would do it at the same time. They come into a meeting, and I would pass out the information and I would have the executive director, whomever, talk about it, say "these are the changes, this is what's happening with us." Then I would say "I know all of you will have questions. I know there will be concerns, I know there will be whatever, so when we leave here, or sometime today, each of your division directors will have a meeting, will meet with all of your staff"

Executive Manager: Reorganize and some changes are very difficult for some. Example is ED calling in senior level managers and brainstorming (including the use of subliminal messages), and planting Executive Manager (Cont'd): the direction: management needs to know before and have some ideas. Put ideas out and communicate preliminary thoughts, additional layer of HHSC any change done at least until barriers are addressed. Clear sense of direction. ED's mass communication first, then seek input, not at lowest level staff, but senior and middle level managers surely would have input: dialoging with them.

AGENCY RESPONSES

Middle Manager: It's not a hard thing to do really. We have people here who have stayed well up on the legislation and understand the issues at hand... I think it's just a matter of keeping them up-to-date, answering questions that they pose to me as accurately as I can, trying to limit the amount of unfounded speculation, and keeping communication on a factual level...that helps me communicate to them how these changes are going to affect them personally in their jobs.

Executive Manager: Again because we're small, we do that pretty easily via word of mouth. We hold monthly staff meetings where the entire staff comes.. Each director talks about what their division is doing so we get some good information about what's going on. Many times a division director will do a

Executive Manager (Cont'd): presentation about maybe one of their **programs** they've got going on to get a little **more** in-depth knowledge. We communicate a lot also via **email**. ED is pretty good about letting us know **whenever** (ED) goes to **meetings** on what people are saying. ... We also try to let people be involved in **whatever** they'd like to be involved in. Then we have weekly **management meetings**. We also put our calendar out by each **manager**; we do include what meetings **we're** going to and what projects we're working on.

AGENCY RESPONSES

Middle Manager: One thing that has to **happen** is that the ED and the **deputies** first of all have to be united **and** function as a team. and the people need to see the) are a **team**. That **doesn't** mean that they won't have an issue. But when they walk out of **that executive office**, they need to be united. Its **important** that the **executive management** walk the talk. Because it will **eliminate** most reservations about not knowing what's going to happen. The **managers** have to **figure** out a strategy. how that can be done in a forum to articulate the vision and the changes that are going to occur and why.... **Continue** to have Information out in the newsletter. have questions into the ED and have **them** addressed in the newsletter....**Multi-cross** functional teams helps develop relationships. **When** you can have **people** actual help. the more you have buy in the **more** you have ownership. That's a good way to approach it.

Executive Manager: Always try to find a hook that affects employees' jobs positively. **There** are reasons why people resist **change**. It ties back to **research** on the **primitive** part of the brain that says when there is loss. it equals to **death**. So with change. there is loss and it is **equated** to death. People **resist** change but we can help them to adjust to change.

AGENCY RESPONSES

Middle Manager: Sharing as much information as I **have**; and having the information be based on fact. **Keep** reminding staff **about** the vision and demonstrate it through logic; **promote** and articulate a common vision.

Executive Manager: Well I have a few quotes. I use something like "**Whatever** today. whatever. resolving for the moment." I use those **phrases** a lot and **use** it for the **moment**. and this is how it is today. Or this is a **process** and this is **where we** are in the process. and really **helping them** to begin to think that way. You cannot look at these things in black and white **because** the system is so complex. that as you **learn** more things that impact any **issue** you're working on, you've got to be able to adjust your solutions and your ideas for where you're going. And so **you've** really got to understand the process with many pieces to it. and that every piece to that you have to make an adjustment. It's really a strategic management. You really, really have to do that, and that's very difficult for **some people** who want to see things in black and white. And for those **employees**, it's very **challenging** to **manage**. very challenging. And I think for **those**. **maybe** you have to find **particular** things that can work on **particular niches** that **enables** them to be **more** comfortable, and you have to match that with the **employee**. Until they can get to the point **where** they are **more able** to see the process and to adjust to it. It's very difficult. I think all this reorganization and doing all this and all the **processes** that are going on now, a lot of people do get to the point where they either leave or do get to the point and say, "whatever!"

AGENCY RESPONSES

Middle Manager: I wouldn't do it in **memo**, but it is **part** of process. My preference is for communication flow to be as personable and as genuine as possible. And a lot of it depends on how large **the** organization is. If you are a relatively small organization, you can have a staff **meeting** and you can **talk** about the issues and maybe even broach an) concerns. If you're one of **these** huge mega-agencies. you have to depend on either **letting** divisions, or units or unit managers filter down the message and the information, it **all** depends on structure that defines the communication patterns and how **communication** flows. It just **depends** on **the** agency. Maintain **two** principles of being personable and **genuine**. They **are** very basic in communication theory that oftentimes overlooked in organizations... Subsequently. we have to get some **feedback**, and it's a very basic thing, we overlook it **every** day, communicating **organizational** change. If you want conflict and confusion, **try** sending out an **email message** to 550 employees. They get 500 interpretations.

Executive Manager: Be as open as **we** could be. **Meetings**, appointed **committees** from each unit to **provide** suggestions. That is the **advantage** of being a small agency.

8. As a director (manager), do you feel you have a voice in important decisions regarding organizational change that affect you and your employees?

AGENCY RESPONSES

Middle Manager: Yes, I think I have formal input but I also have informal input. I have informal input because since I've been in the organization for a long time, I've developed relationships with people... So I know that I have some input by virtue of the fact that I developed and maintain relationships and kept lines of communications open. The other thing is in regards to the formal organizational structure... we have our management meetings that provide opportunities to present our ideas. Those are two ways that there's input.

Executive Manager: Definitely – all the voice! More so to develop the organizational chart.

AGENCY RESPONSES

Middle Manager: Honestly, no. I think this has all been pretty much prescribed from without and given to us to deal with...once it gets into the legislature, the committees, it's kind of in the hands of the members themselves and any independent advocates that we may have out in the field. (HB) 2641 occurred largely as a result of decisions that were made at higher levels. We were not really given much of an opportunity to change the outcome. Certainly, we can work with legislators who are knowledgeable about us, but it's really what they do on our behalf. And even there, it wouldn't be accurate to say that they're working 'on our behalf.' Their activities really have to do with assuring that an ideal system is in place, and that means integrating the concerns and abilities of a lot of different agencies. So really we are just part of the big picture here. It's pretty much in our hand to take the mandates and run with them at the point the legislation is passed. Within our organization, I think there is some opportunity for input about how the mandated changes will occur, but always with the understanding that certain results are dictated to us and that all we can really hope to affect is the means of reaching the ends.

Executive Manager: Very much so, particularly this agency. ED is pretty good about facilitating, saying you all figure it out with parameters and is always looking to take on more responsibility or go outside of their box, or do whatever they want to help.

AGENCY RESPONSES

Middle Manager: Absolutely, I think my executive director has gone out of the way to ensure that every manager feels that their ideas are heard, their concerns are listened to, and whether there's agreement to do it the way we think it should be done or not. You don't have to agree with me, because they ultimately have to make the decisions for the better good of the whole agency, and I may not be saying everything for the whole agency, even if I try to, but I may not, but I think they have to hear each one of us.

Executive Manager: Obviously I do have a voice because of my position; input drawing from 20 plus years of management function: bodies come and go; change is about functions.

AGENCY RESPONSES

Middle Manager: I do feel that I have a chance that benefits (the agency), and all laws for employee/employer relationships are implemented and that we are in compliance with the laws... Things that can be done to make the workplace better...I feel very comfortable addressing issues. The ED and directors usually listen and are very cooperative.. Just by nature of my position, they listen more.

Executive Manager: Yes, I do have a voice; it has recently happened here when people started seeing reality and the whole picture. It's not about suggesting change, but presenting reality about what's really going on. The role of managers is to help facilitate that process through a team effort.

AGENCY RESPONSES

Middle Manager: On a Likert scale (1-5), about a 3 because there are political factors that do affect how changes roll out. I am able to give input but I believe there is a minimal effort made, and to what degree input is used has to be in the context with the political climate as well as personalities.

Executive Manager: Yes, well I make myself heard: I don't think that there had been an adequate process in our agency for everyone to have the kind of input they could have had... It's really a process of negotiating our own way and feeling like we have a voice, and making ourselves heard because it's not really explicit that you can do this.

9. There is usually no single force that is behind organizational changes in agencies. What steps would directors (managers) take to assess all forces in order to implement changes?

AGENCY RESPONSES

Middle Manager: All we ~~can~~ do is gather information to make assessments. Inevitably, there are unintended responses; we can try fact-finding mission to make sound decisions. Steps that agencies can take are sharing of information.

Executive Manager: The main thing is being responsive to strategic suggestions from everyone else I mean you have to take all that into consideration and being willing to adjust. I think you listen, you talk to people... I think that a lot of it depends on top management and what kind of system or structure they have set up and how good the communication is across the agency. And if it's not good, or don't have a high level of understanding of what's going on in the process, then you feel defeated. You're kind of stuck.

AGENCY RESPONSES

Middle Manager: I think, for example, that when MOUs are developed with other agencies, or when strategic plans are being made, that's our opportunity for input... The interagency workgroup and MOU-development processes and the strategic planning process - this is where we have our shot at affecting what happens.

Executive Manager: I think again communication has got to be the first step. It's so easy to miss one of those things and if everybody kind of get together and think more than just within their area when they're outside doing different things, and then if something triggers an idea or thought that might affect another division, that they share that, that we aren't in silos, that we really need to work together to be able to make this whole thing work. Communicate, communicate, communicate. Put it all up on the board do a brain session, etc.

AGENCY RESPONSES

Middle Manager: First, there needs to be a process to identify what is the root cause. For managers, it would be trying to figure out ... what were the precipitating factors that led to it and try to put your arms around root causes rather than dealing with the results. When deal with root causes, can get into prevention. There are a lot of ways you can identify root causes. One way is to survey people, another way is individual interviews, or facilitated group discussions to get down to what the issues are. It's like all the other problem-solving processes, identify options and implement plan and check the progress. Think about change, first got to know where you're at and need to assess the situation, and best way is communication. You also need observation... It usually takes organizational change training for true change to last.

Executive Manager: Some things we are currently doing seem to help such as internal groups that see what can we do together to find and share what agencies are doing. It takes away from the sting when we become part of the change. Like becoming active in the process.

AGENCY RESPONSES

Middle Manager: If it was up to me part of the responsibility of being here in a public service its incumbent in us all to be able to stand for some kind of thing. Most of us have some code of ethics that we belong to and bring to the table and that impinges on policy or the process of developing policy... I think that HB 2641 is the framework but it doesn't define the totality of reality, so in that context there is ample room to be creative because I'm stubborn to enough believe that you can make just about anything work. You also have your strategic thinking and that's where your strategic thinking and strategic action come into play. That's how you're going to survive in the new economy. I just can't stress how important it is for organizations to be able to do that and where positive change occurs in context. (HB)2641 is part of the context, the market place is part of the context and that's all reality we have to work with.

Executive Manager: Recognize a need - where are the needs: identify resources and match up with the needs. My opinion is, if you don't have a need, then you don't need to reorganize!

AGENCY RESPONSES

Middle Manager: My job is not to try to figure out why nor to criticize that they did. My job is to take what they want us to do and define it and how it fits in my agency. Its like they painted this picture

Middle Manager (Cont'd): and said here. we want you to put this picture into place. And I have to take that picture, and say. ok. do I fit it sideways, do I fit in pieces. do I fit it upside down. How does it best fit so I do what it wants but I don't compromise my agency. That's what I would do, I would educate myself, on what's the meat behind it and how do I fit that into my agency.

Executive Manarer: Three major issues with forces: clientele forces, policy forces (initiated by Sunset); and **Legislative** forces. The HB 2641 is a sense of organizational change. but Sunset has a greater impact and gives a sense of direction of what to do.

10. Are directors (managers) at your agency given the opportunity to redesign/restructure the agency to fit tasks required by HB2641? If so, how?

AGENCY RESPONSES

Middle Manager: Not really. At this level of management in my agency we're pretty much doing things at the behest of our Executive Director and Board and. to a larger degree, the HHSC Commissioner and Legislature.

Executive Manager: Yes, we do that (directors or managers given the opportunity to redesign/restructure agency) and a group of division directors. given the number of staff. and the requirements, its difficult to move people... The (HHSC) **Commissioner** does have authority to move or change people, money, anything like that. If he said this is what needs to happen. then we would need to get together and work through it. ED may have some ideas and thoughts, and it'll work because we've talked about it.

AGENCY RESPONSES

Middle Manager: Yes, I really do especially right now. we have started looking at our service design. how we provide services and all of that. That's all going to fall into performance assessment and deliver?. of services. And so all of that the division directors are looking at that, the managers are looking at that and saying what do we have to re-shift, what do we have to change. Do we need to change the way we monitor. do we need to change the way we contract. what do we need to change to make sure we accomplish all of this? Absolutely.

Executive Manager: Yes, have to evaluate and assess legislation as a function for clients, by interpretation of legislative mandate. There must be extensive dialogue. and learn by trial and error when doing a paper design, i.e., organizational chart. This is a preliminary thought at least from the legislative perspective.

AGENCY RESPONSES

Middle Manager: CEO has more input than others. More methodical for input. It was more the CEO and the right-hand person who has most input. Some cause/effect issues as a result.

Executive Manager: Not explicitly. I know I'm pretty assertive and proactive so I do feel like I've had made some inroads in that. Not other managers.

AGENCY RESPONSES

Middle Manager: I think our directors (and assistant directors) have input, but in terms of actual decision making, probably vested in our executive management. ...that's one venue. but another venue for information sharing is open solicitation of ideas from everyone in the organization.

Executive Manager: Definitely! Manager is involved in the decision and wanted this to happen; all staff are involved in the decisions. Process should be communicated; know expectations. It's important to buy-in and participate in the process.

AGENCY RESPONSES

Middle Manager: I think that we will be. I don't really know to what extent it was in the past With the current administration, managers will be taking manager role in giving input. providing information, suggestions and recommendations. I think managers will be treated differently, and expected to take different roles. It will be a lot of walking the talk, doing, and let them know we're serious about their participation.

Executive Manager: Yes, have come up with new things. For example, we have many different approaches, but most important is to come to consensus via similar procedures. **implement** recommendations through **consensus**.

11. What do you consider to be the most important tools and strategies available to directors (managers) that they can use to help manage organizational change?

AGENCY RESPONSES

Middle Manager: We talked about that. We live in an information society, but information is not the problem; it really isn't. It's taking advantage of the opportunity of information, so that people can critically **think** and take critical action: strategic **thinking** and strategic action, if you will. If it's strategic **thinking**, you're looking at operations: the resources that are internally, all the trends in the marketplace. You understand the limitations and the givens in the mission, and your mandates, the informal issues that exist; you understand you're in a political environment. And then you critically **think**, you strategically think the process through. And then you take strategic action based on where you want to go. To me that means **being** courageous enough to **redefine** who you are. It depends on how courageous one is willing to be. Everything we see around us is an idea and willingness to act on the idea. Do you want to be a **participant** or not? It's as easy and complicated as looking around to see what exists because someone was **thinking** strategically and then **someone** took strategic action. Whether or not we should take (HB) 2641 and look beyond that into this market will have everything to do with **managed** care, and **capitation** rates will have **everything** to do with downsizing, and whether or not there's a partnership between state and local government really is going to work, and the issue of local **control** and local solutions to local problems kind of. I'm not sure that anyone is thinking the total picture. But I **assure** you the marketplace, customers and **stakeholders** are going to get what they **want** whether we have a notion or not. The market forces are there and **are** going to have an impact on our lives. We have a tremendous **opportunity** to decide to what extent we have a part to play in the economy.

Executive Manager: Automation, training, management skills (management teams with directors). How to work together and function as a team and go back to units to **make** sure they **function** as a team and work together as a **team** and as an agency.

AGENCY RESPONSES

Middle Manager: **Probably** communication skills. It is very possible to develop communication skills that may have been primarily used in the past to communicate with people in our immediate sphere - in the field, and **direct** them outward to communicate to our higher ups, like the Commissioner or the Legislature, when we have a chance to do that. So, again, that relates back to what we were saying earlier about clarity and directness, about taking into account who we're addressing and tailoring the vocabulary and the message appropriately.

Executive Manager: Again communication is **the** most important tool or strategy. Approaching it from an organized manner knowing **what** it is you're going to do, planning **that** out and **letting** people know and then moving **forward** with that plan and then communicating that plan over and over again. If **people** don't know, they get scared, they really do. We might have to redirect those people, and we feel like we have a **staff** that is versatile enough and has been going through so many changes. We tell all new staff members coming on, during the interview process, what exactly **what** to expect.

AGENCY RESPONSES

Middle Manager: Well certainly a strategy to me is education. That's how you best manage change, organizational change, its through education, so that they are not afraid. People are not afraid if they know what they're going to be doing. We're all afraid of change, but if we know what the change is **going** to accomplish, then there's no more fear. The most **important** tool available at our agency to help us manage change is our **executive** director. We take our cue from E.D., who is very good about saying this is what's **important** for the (clients). can zero in on what's **important** for our agency. And if people **listen**, they stop being afraid. The **second** reason for that is **telling** the **truth**, doesn't lie to staff, and they know that.

Executive Manager: If you sum it up in one word, words put into language and communicating upward to the top (Commissioner), Legislative Committees, LBB, Governor's Office, Senate Finance

Executive Manager (Cont'd): **Committee** all impact any change we make. The Legislative **process** is archaic, **seen** as a passive process; you go in and ask questions, then tell you **what** to do. A lot of people are waiting around and **this** is wasteful. Authority of this agency results in structure, we initially impact upon that authority. They react perception by authority, i.e., respond to what we thought perceived authority. interpret to peers (other agencies) and staff and others.

AGENCY RESPONSES

Middle Manager: The **main** tool is to be **receptive** to change themselves and modeling to others. The important thing is that middle **managers** can **either** block or be the conduit for change. Managers will need to master vocabulary of change. **they** need to help sell the change and instill a positive **attitude** about change. We need a good communication flow. **Fifty managers will influence** 230 employees. They can give you **input**, and **through** them you can do the orientation. **Without them**, it won't happen. Managers are the promoters and coaches. If you don't have them on **the team**, you won't get **everybody else** to join in.

Executive Manager: I used to believe that **there's** too **much planning** and not enough doing: planning to design to execute the design. I realized the better things are planned, which doesn't **cost you** much, the better the outcome. **The more planning, the more** functional things are. A lot of benchmarking helps in any given situation, as a way for self-monitoring and in doing good for the agency which is seen as a value-added to the agency. Also, trouble-shooting and looking at the problem and fixing it.

AGENCY RESPONSES

Middle Manager: Skills to **paint** a picture about **what's** going on; provide assurance about work being done; good communication **upward/downward**; if **communication flow** is **open** and honest, you have better results... also forums with advocacy groups and **general staff** meetings. One thing we can count on is change.

Executive Manager: I **think** sharing information is one tool. Giving **staff** opportunities to ask questions and answering those questions as best you can at the moment. Helping them recognize that you may give **them** an answer but **that** may change depending upon other factors **that** come into it. And that is **very, very** frustrating for staff. Answering questions to **make** them feel a **little more** comfortable, but somehow getting them to **understand that** the process is about bringing about change, no matter **what** training they have. Staff left because they said I'm **not** comfortable with change, and because of the level we're at, and it's ok to recognize that. It's **difficult**, and in our environment. **there** are so **many demands** on your time, you don't really **have true** managers. So everyone **manages** and work and have **their own** projects. It's very, very **difficult** for some managers to do. And so that part of **change**, maybe a **strategy** or tool. thinking about training. I **think maybe some** updated short courses on strategic management and complex organizations, and how **processes** work. helping them to understand **that** and depersonalize it. But I think if they had an overview of what's going on and the approaches, it might help at all levels.

12. Is there anything you would like to add that has not already been asked?

AGENCY RESPONSES

Middle Manager: N/A

Executive Manager: It's early still and do not yet know the true effects of **HB 2641**. I hope not to go to micromanagement, one individual to have that much power. Let agencies do what they need to do. Seek umbrella for **support**; facilitate needs between agencies.

AGENCY RESPONSES

Middle Manager: I think we need to introduce the plan for change through managers, who need to be kept **informed**. Change is difficult for managers as well as for employees. We will be going through **the "change exercise"** to make it happen.

Executive Manager: N/A

AGENCY RESPONSES

Middle Manager: Well. I **think** this is an exciting time. I think it's totally positive because we can **make** it positive. I think it's moving people **forward**. I **think** it's great. Yes, I know **there's** a lot more

Middle Manager (Cont'd): reports, and little things that have to be done, but on the whole, its moving forward. And I think that's the atmosphere that will make people want to do it, change, and be better employees within the changes, use the changes to produce better services for the clients, all of that. It's a win-win.

Executive Manager: During organizational change, we manipulate words and use automotive processes, produce as the bottom line, it survives the bottom line: strategies are borrowed from private successes and failures and learn from that. As a summation, change is inevitable, if not, we are stagnate, and we die. Change comes from people and money or lack of it. We need to be mindful for potential change and what we say and the organization is based upon authority; we perceive what and why we are here today, and evaluate the authority given to us (by Sunset). We will review it again in 2007.

AGENCY RESPONSES

Middle Manager: This process has given me an opportunity to express the key points of what I think you're trying to get at. Obviously, the next Legislative Session is going have the potential for more change - for example to the processes and outcomes called for by HB 2641 (and others). The requirements that were put in place in those bills could be changed. So I would urge you to check back at the end of the next Session and see how this has all changed because the picture might be different. What I think you'll get here is a good snapshot, but the big picture will change.

Executive Manager: Small agencies have unique challenges and need to find ways to overcome those challenges. Due to the population we serve, they're not technological. They want a live voice. And we think we can provide those things for them. So our size and structure is a good thing.

AGENCY RESPONSES

Middle Manager: Trusting relationships are important: at the local level. There are better services to the community if there is trust.

Executive Manager: One of the most positive things that's happened in a long time has, I think, a real chance of leading to really good government... it involves education, it involves work force, it involves transportation, it involves housing and I think its happening across the state. And I see it as the direction we're going, really leading to better government that's more responsive to the citizens who are paying the bills and the citizens that we're serving. I truly believe that and if I didn't, I'd be gone. I really do see it make government more efficient, and to pay attention to the people we serve, especially for state government to really look at what we are doing to communities and the people we serve, and saying this is not our role. Our role needs to be different to really support this.

**Proposal for the Implementation of House Bill 2641
76th Legislature**

Proposal for the Implementation of House Bill 2641, 76th Legislature

Executive Summary

In the 76th Legislative Session, the Health and Human Services Commission (HHSC) came under Sunset review. The thrust of the Sunset legislation, which continues the HHSC through September 1, 2007, is to increase the powers and authority granted to the Commission in certain key functional areas. These statutory mandates require significant changes in the organizational design of the Commission, the accountability relationships between the Commission and the Agencies, and the deployment of Commission resources.

In order to begin to respond to the many challenges of HB 2641, the HHSC created interagency workgroups, corresponding to the six areas of functional authority referenced in the bill:

- Medicaid Administration
- Federal Funds Management
- Information Technology
- Strategic Planning
- Program Evaluation
- System Economy/Efficiency

The workgroups were appointed in early July and charged with:

- Identification of HHSC statutory requirements
- Review of reports from SAO, TPR and the Sunset Commission to understand the context for the statutory requirements in HB 2641
- Recommend organizational relationships between HHSC and the Agencies that will allow for the successful discharge of HHSC duties
- Recommend resource allocations

The recommendations from the workgroups were to be guided by the principle that in carrying out the responsibilities of the Commission, neither the agency mission nor its ability to achieve its mission should be compromised by the new role of HHSC. Recommendations contained in this report build on the assumption that agencies will work cooperatively and constructively with HHSC to achieve its mission.

Workgroup Results

Statutory Requirements

While House Bill 2641 provided the majority of the framework for the workgroups discussions, other bills from the past and recent legislative sessions, and riders and provisions in the General Appropriations Act were also reviewed. In Appendix A the workgroup recommendations are cross-referenced to specific statutory provision of HB 2641 and the General Appropriations Act. Only the key statutory requirements for HHSC are addressed by these six work groups.

Key Findings

Generally the workgroups reviewed the State Auditor's Office management reports (1997), the Sunset Advisory Commission staff reports on HHS enterprise agencies (1996-1998), and various Texas Performance Review (TPR) recommendations (1991-1999). The conclusion of these reports was that HHSC was not vested with sufficient authority or resources to effectively address the long-standing concerns for the efficiency and the ultimate effectiveness of the state's delivery of health and human services. Most of the recommendations are based on this conclusion.

Recommendations

The recommendations from the workgroups centered around four broad areas:

- Formally identify the operational relationships between HHSC and the agencies.
- Allocate sufficient resources to HHSC to perform its functions.
- Improve communications and the exchange of critical information between HHSC and the agencies.
- Formalize accountability through the required Memoranda of Understanding between HHSC and the agency CEO and HHSC and the agency Board.

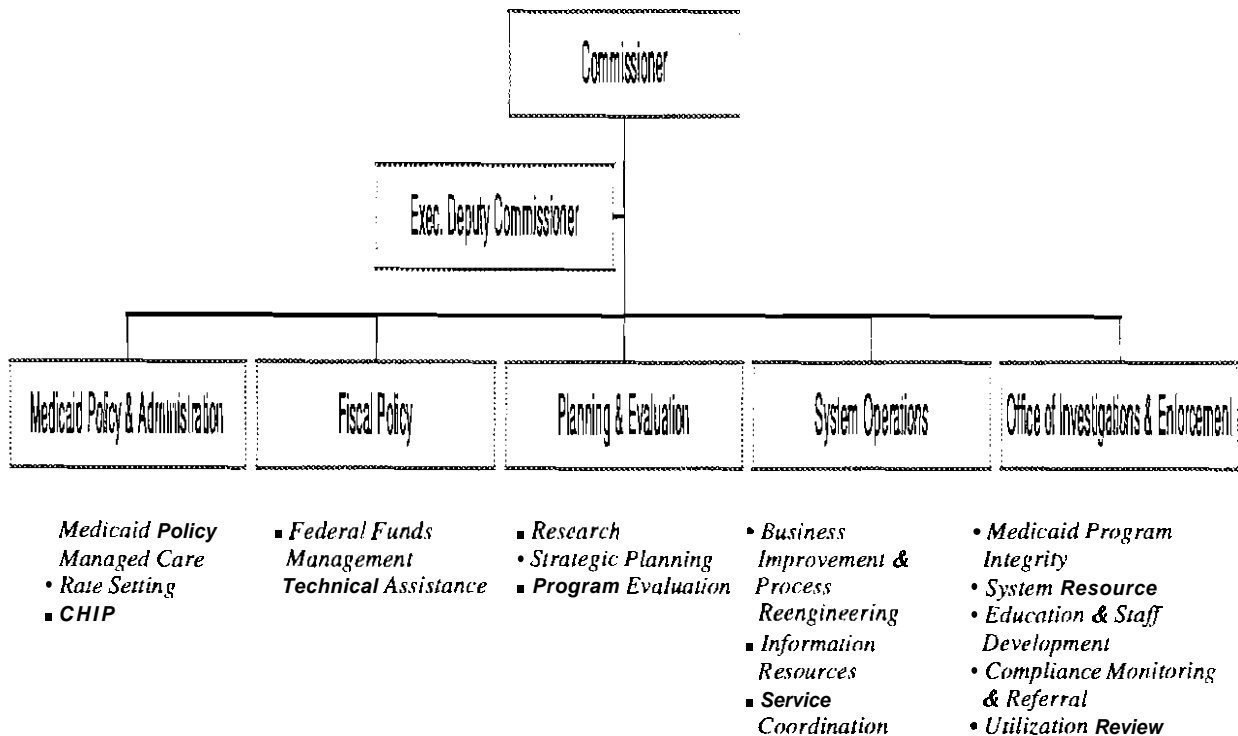
Workgroup recommendations have been carefully evaluated and form the basis of the following plan for HHSC organization, resource deployment, agency interface and accountability systems. This plan will address organization, resource requirements, interface and accountability from the overall perspective of the Commission in each of the key operational areas.

HHSC Organization

The Health and Human Services Commission has been designated with the responsibilities of five (5) major functions: Medicaid Policy and Administration; Fiscal Policy; Planning & Evaluation; System Operations; and Office of Investigations & Enforcement (OIE). Of the five (5) functions, four (4) functions are impacted by House Bill 2641 (Medicaid Policy and Administration, Fiscal Policy, Planning & Evaluation, and System Operations). OIE remains relatively unchanged. This report centers around the four (4) functions that are impacted by House Bill 2641. They are:

- Medicaid Policy and Administration
- Fiscal Policy
- Planning & Evaluation
- System Operations

Texas Health and Human Services Commission



This chart does not illustrate functions, which are internal to the HHSC functions such as legal services, government relations, etc.

HHSC – Resource Requirements

The Health and Human Services Commission will build its key functions around a small nucleus of core staff that will search out opportunities to enhance enterprise outcomes in their assigned areas. The HHSC will rely heavily on external resources, including consultants and agency staff for project specific activities. Through the redeployment of HHSC resources, it is envisioned that at least initially the Commission will be able to accommodate the new responsibilities assigned in HB 2641 within the currently assigned FTE cap.

HHSC – Interface with Agencies

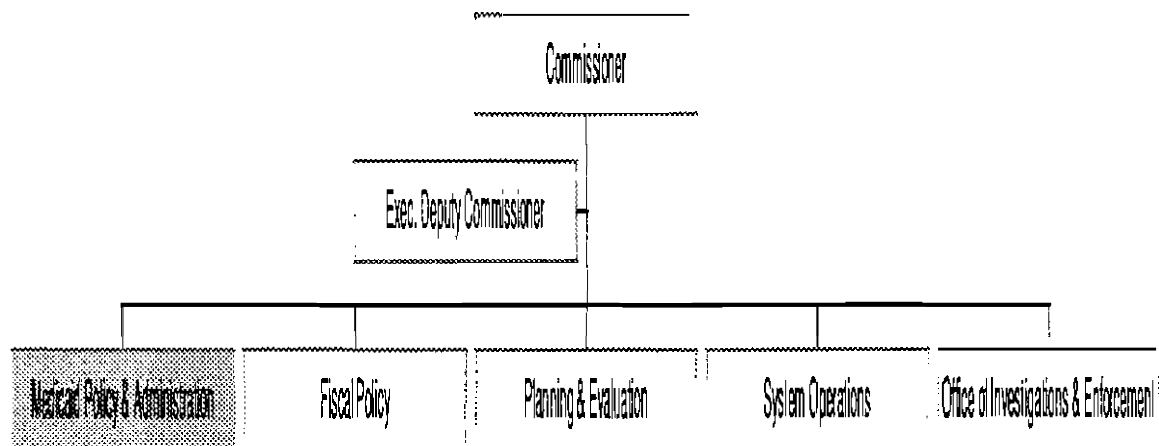
The sharing of timely and relevant information is essential to carrying out the duties of HHSC with minimal staff resources and minimal intrusion into the existing management systems of the agencies. The Commission simply must be able to rely on the availability and responsiveness of agency information and key staff to avoid the imposition of more intrusive approaches to managing the day to day operations of the agencies as specified in statute. In addition to the systems of interface described in each of the four functional areas, each agency CEO will be expected to provide a monthly briefing report to the HHS Commission in which the status of key projects and initiatives is detailed, and current and anticipated challenges are identified.

HHSC – Accountability

In order for the spirit of cooperation to be assured throughout the key points of interface with HHSC, agency CEOs will be expected to set the tone and expectations for their staff in supporting the role of HHSC. Agency CEOs will be evaluated on the demonstration of agency cooperation and partnership in each of the key points of interface. Clear expectations and performance criteria will be established for the points of primary interface, and evaluations will be conducted at six-month intervals. Results of these evaluations will be shared with the agency CEO; and corrective action plans, if necessary, will be the responsibility of the agency CEO. In developing the expectations and performance criteria for the key interface areas: HHSC will negotiate with agencies, the conditions that must be present to demonstrate reciprocal cooperation and partnership. Agency CEOs will be encouraged to communicate instances of nonperformance by HHSC staff to the HHSC Commissioner.

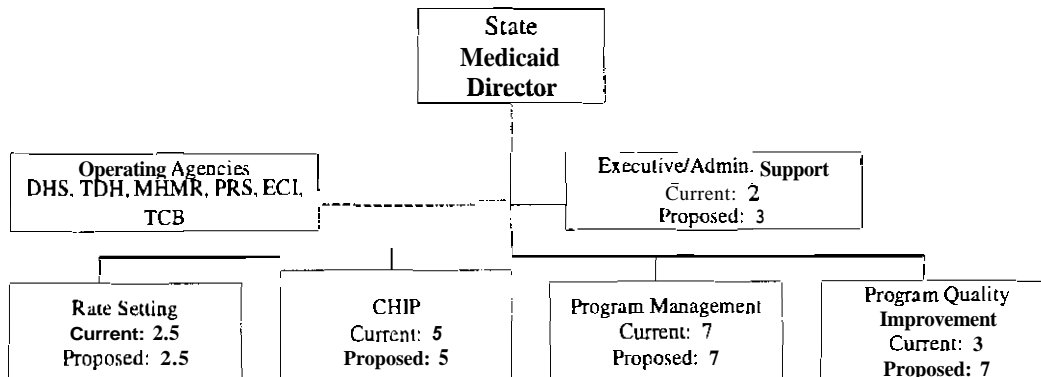
The following section deals with the key functions of HHSC and the implications for organization, resources, interface and accountability.

Medicaid Policy and Administration



- Medicaid Policy
- Managed Core
- Rate Setting
- CHIP

Medicaid Division



All Medicaid related functions, both internally and externally, will be accountable to the State Medicaid Director. The Medicaid policy area will be divided into two units: program administration and program monitoring. Each Medicaid operating agency will have a HHSC lead staff person to assist with their policy issues and coordination across agencies. It is the intent of the State Medicaid Office to provide leadership, direction, and guidance on all Medicaid related activities with minimal intrusion into the existing **management** systems of the agencies.

In the area of managed care, a special initiative will be organized to address the issues identified in HB 2641. This effort will be led by the Deputy Director of Medicaid. Assigned agency representatives will be critical to this initiative in order to address and resolve the myriad of managed care issues. We will work closely with the Bureau Chief of Managed Care at TDH, as well as agency representatives for the DHS STAR PLUS and MHMR NorthSTAR projects.

The direction, guidance, and policy making for the Children's Health Insurance Program (CHIP) will interface with the operating agencies in similar manner as the Medicaid policy units.

Medicaid Resource Requirements

Current Staffing	#	Proposed Staffing	#
Medicaid Policy	13	Medicaid Policy	18
Managed Care	0	Managed Care	0
Rate Setting	2.5	Rate Setting	2.5
CHIP	5	CHIP	5
Total	20.5	Total	25.5

Medicaid Interface with Agencies

The Medicaid Operating Agencies are as follows:

- TDH- Medicaid acute care; children's services; and waivers
- DHS – Medicaid eligibility; long term care services; licensure, survey and certification; and waivers
- MHMR – targeted case management; rehabilitative services; and waivers

Other agencies which manage specific Medicaid services on behalf of the Medicaid Office

- PRS – targeted case management and medical administration claiming
- ECI – targeted case management and medical administration claiming
- TCB - targeted case management

- State Medicaid Director will provide input into the development of the functional job description for key agency managers.
- Interagency agreements developed between HHSC and the Medicaid operating agencies will outline specified responsibilities and be updated annually.
- A policy development process, which identifies the responsibility of all affected entities, will be negotiated.
- Monthly interagency policy meetings; regular meetings or program reviews with the HHSC Commissioner, SMO staff, and operating agency representatives will be scheduled.
- Individuals will be designated to be the point of contact for HHSC, SMO, and the Medicaid operating agencies to reduce fragmentation and confusion on policy direction while maintaining flexibility to accomplish the program objectives.
- The SMO will develop a formal process to improve all components of the managed care delivery system to ensure accountability and operational efficiency. The SMO is responsible for the development, procurement, management, and oversight of all Medicaid managed care contracts, including delegation of specific activities to Medicaid operating agencies as it determines appropriate. The HHSC Commissioner and the State Medicaid Director will seek input from operating agency managers on the performance of HHSC and SMO staff who routinely interact with the various operating agencies on Medicaid issues.
- The State Medicaid Director will be given the opportunity for input on the selection and performance of key managers within the Medicaid operating agencies. In order to lead and direct the Medicaid program, the SMO Director must have input on the selection and performance of key senior managers who are designated to manage a portion of the Medicaid program. The State Medicaid Office will work with the Medicaid operating agencies to assign staff and design timely processes to resolve policy issues related to the Managed Care Improvement Initiative in a timely fashion.

Medicaid Accountability

The primary points of interface between the State Medicaid Office and the Medicaid operating agencies will be:

Texas Department of Health

Deputy Commissioner for Health Care Financing
 Associate Commissioner for Programs & Policy
 Associate Commissioner for Information, Finance & Support
 Bureau Chief, Managed Care
 Bureau Chief, CHIP
 Associate Commissioner Community Health & Resources Development

Texas Department of Human Services

Deputy Commissioner for Programs

Deputy Commissioner for Long Term Care, Regulatory, Home & Community Support Agencies

Texas Department of Mental Health and Mental Retardation

Director, Medicaid Administration

Director, Behavioral Health Services

Director, Long Term Services & Support

Texas Department of Protective & Regulatory Services

Federal Funds Manager

Interagency Council for Early Childhood Intervention Services

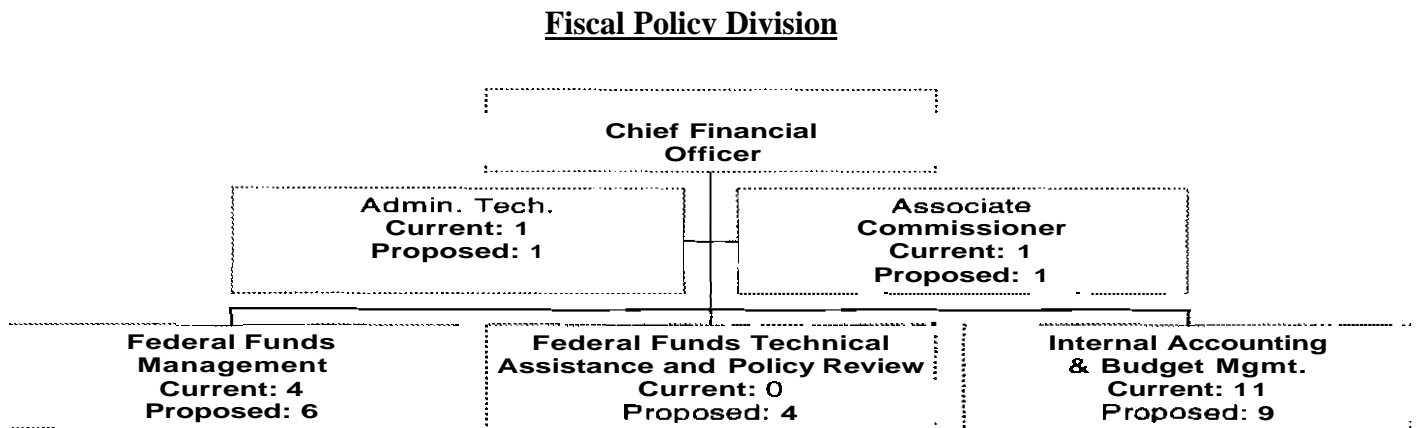
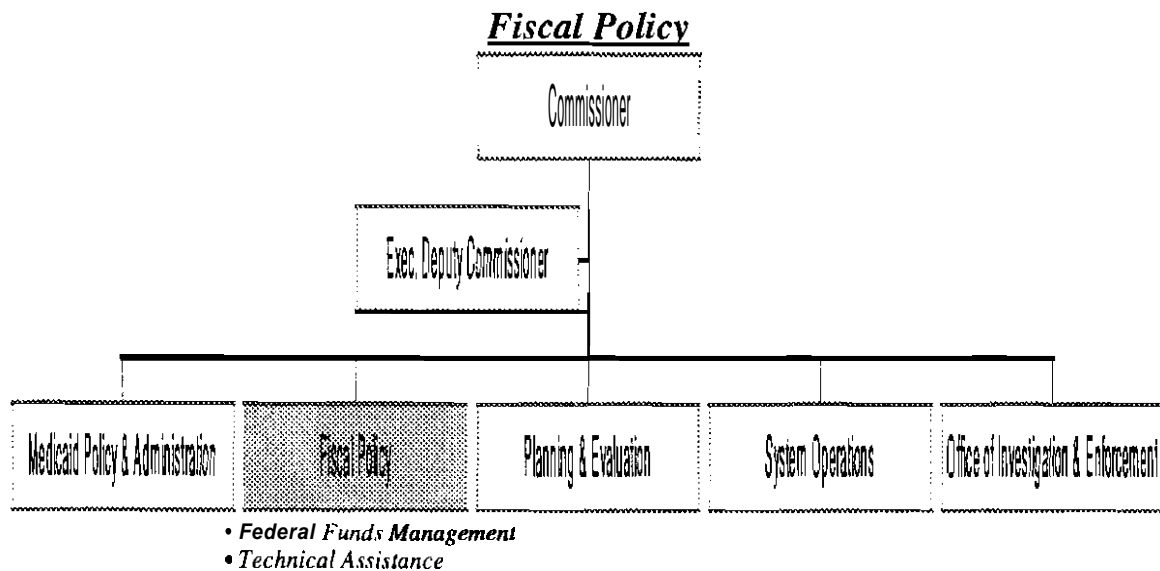
Program Administrator Provider Funding for Agencies

Texas Commission for the Blind

Interagency Coordinator

Staff of the State Medicaid Office will work closely with the staff of the operating agencies on Medicaid related activities. The State Medicaid Director will assign relevant staff to the various tasks required by HHSC.

A Title XIX working group with representatives from HHSC and the Medicaid operating agencies will develop the new processes, protocols, and systems needed to implement the recommendations. Expectations for agency key staff will be negotiated by the end of the **first** quarter of FY2000. A formal performance evaluation will be conducted by the SMO at mid year and every six (6) months afterward. This report will be shared with the key agency staff, the agency CEO and the HHSC Commissioner. The need for corrective action, when necessary, will be indicated in the body of the evaluation.



The fiscal policy organization will play a proactive role in the management of federal funds rather than reacting to problems as they rise. It is the intent of Fiscal Policy Division to build a comprehensive inventory of all federal funds available across the health and human services system. This will enable the division to maximize the financial resources available in the HHS umbrella to solve issues. The Fiscal Policy Division will be divided into three units: Federal Funds Management, Federal Funds Technical Assistance and Policy Review, and Internal Accounting and Budget Management. The division will be responsible for:

- Requesting budget execution for the transfer of funds from one agency to another as appropriate.
- Reviewing and commenting on each health and human services agency's legislative appropriation request, annual operating budget, and any transfer of funds between agency budget strategies.
- Reviewing and commenting on the state plan prepared by the designated single state agency for a particular federal funding source.

- Developing outcome-based performance measures in HHS agencies' budget.
- Establishing a federal management system to coordinate and monitor the use of federal money that is received by HHS agencies to ensure that the money is spent in the most efficient manner.
- Preparing and processing all aspects of accounting such as payroll, accounts payable and receivable, funds management, and travel reimbursement.

Fiscal Policy– Resource Requirements

Current Staffing	#	Proposed Staffing	#
Chief Financial Officer	1	Chief Financial Officer	1
Associate Commissioner	1	Associate Commissioner	1
Administrative Technician	1	Administrative Technician	1
Budget Management	4	Federal Funds Management	6
Internal Accounting/Budget	11	Internal Accounting/Budget	9
		Federal Funds-Technical Assistance/Policy Review	4
Total	<u>18</u>	Total	<u>22</u>

Fiscal Policy– Interface with Agencies

- The Fiscal Policy Division will provide a quarterly financial report that will be submitted to the commissioner and shared with the CEOs of the HHS agencies. Formal reports on other financial issues will also be provided on a monthly or ad hoc basis.
- A core group of federal funds specialists will schedule regular meetings to ensure that coordination occurs cross agency relating to federal fund management issues such as TANF, Title XX, and Medicaid initiatives.
- An online resource manual will be developed to provide basic information to the HHS agencies and general public about the various federal funding sources, including **information** on match requirements, authorization of funds, where to get further information on federal funds.
- The Fiscal Policy staff will serve as a liaison with local governments, LBB federal funds unit, the Office of State-Federal Relations, and the Federal Grants Assistance Group at the Governor's Office.
- The Information Resource and Fiscal Policy staffs will work closely to utilize the Internet as a basis to share financial and programmatic **information**. HHSC will set up links between HHS agencies and HHSC web sites to accommodate the sharing of financial information.
- a Monthly meetings of agency CFOs will be scheduled in order to track the status of major financial issues.

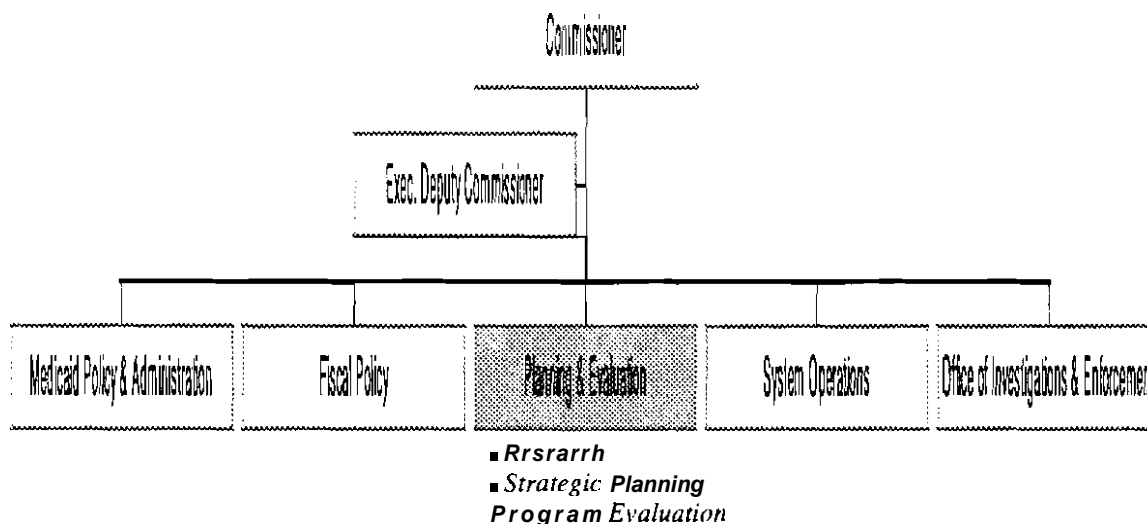
Formal business processes for HHS agencies to identify resource needs that may require transfers between agencies or approvals from the LBB and/or the Governor will be developed.

Fiscal Policy Accountability

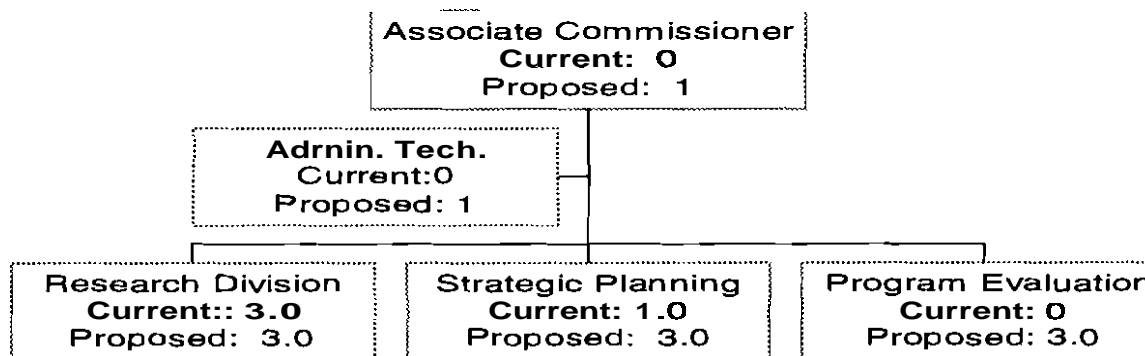
The primary point of contact between the Fiscal Policy Division and all other HHS agencies will be the Chief Financial Officer for that agency. This individual will be responsible for assigning relevant staff to the various fiscal tasks required by HHSC.

Expectations for agency key staff will be negotiated in further detail and a formal performance evaluation will be conducted by the agencies' Chief Financial Officers to include benchmarks to measure successes and failures of the federal funds management process.

Planning and Evaluation



Planning & Evaluation Division



The Planning & Evaluation Organization is divided into three divisions: Research, Strategic Planning, and Program Evaluation. Each division will be discussed separately.

Research Division

The Research Division is involved with policy analysis and development. The division will address issues on a system-wide basis that are essential to planning for the State's health and human services needs. It will be linked to the strategic planning process to provide information necessary to realize goals and directions set forth by the strategic plan. The Research Division will be responsible for:

- organizing and overseeing HHSC review of agency rules
- determining how regional business plans will be developed and
- continuing current research and analysis on demographics and caseload projections.

Research Division Resource Requirements

Current Staffing	#	Proposed Staffing	#
Research Lead	1	Research Lead	1
Demographer	1	Demographer	1
Data Base Manager	<u>1</u>	Data Base Manager	1
Total	3.0	Total	3.0

Research Division Interface with Agencies

- The Research staff will continue to assist HHS agencies by providing demographic data and research for other activities and projects.
- Medicaid Waivers and Medicaid Risk groups will continue to develop consensus on forecasting assumptions.
- Through an ad hoc work group, the Research staff will establish an interagency process for review of rules. The policies and procedures will be based on a similar process used by the Medicaid Division.
- Facilitated by HHSC, an ad hoc work group, including HHS agencies staff and designated regional staff, will design the requirements and structure for the regional business plan.

Research Division Accountability

For needs assessments and caseload forecasting, the primary point of contact will be the caseload forecaster in each HHS agency. Caseload forecasting reports by the Research staff that use consistent assumptions across programs and that meet legislative intent will indicate successful implementation of this responsibility. HHS agency planners will continue to provide guidance and assistance as needed to coordinate the agencies' active role in the development of a comprehensive health and human services delivery system.

Strategic Planning Division

The strategic planning division will concentrate on the development and ultimate transition of an integrated planning process across the 13 health and human services agencies. This unit will be responsible for determination of system-wide improvements and will work closely with other HHSC divisions in evaluating implementation of those improvements. The strategic planning organization will be responsible for:

- developing the coordinated strategic plan
- organizing public input
- organizing work with local government entities
- review and comment on agency strategic plans

Strategic Planning Resource Reaquirements

Current Staffing	#	Proposed Staffing	#
Lead Planner	1	Lead Planner	1
Planners	<u>0</u>	Planners	<u>2</u>
Total	1	Total	3.0

Strategic Planning Interface with Agencies

- HHS agency CEOs will work with HHSC commissioner to set priorities and strategic direction for the State's health and human services system.
- Strategic planning staff will prepare the planning document and will oversee the planning process. HHS agency planners will continue to help guide this process through the Planners Work Group meetings. Agency planners will identify agency-specific issues for planning consideration.
- HHS agency Board members will provide review and comment on strategic direction set by Coordinated Strategic Plan (CSP).
- HHS agencies will share and discuss information received from public hearings during agency planning processes, which will influence priorities in the CSP. The HHSC Strategic Planning staff will organize and facilitate meetings.
- Strategic Planning staff will organize and manage the local process. HHS planning staff and HHSC staff working on community-based projects will share this responsibility. Through the Planners Work Group, HHS agency planners will continue to provide guidance and assistance as needed to coordinate the agencies' active role at the local level. Assistance from agency program or regional agency staff may be necessary on an ad hoc basis to provide assistance in local planning.
- The Strategic Planning staff will monitor HHS agency planning processes for content appropriate to the CSP and for meeting HHSC expectations for successful agency planning. HHS agencies will **communicate** information about strategic planning processes to HHSC before major events in their process. Agencies will also brief the HHS commissioner at appropriate points in the process on likely changes agencies will seek in their strategic plan.

Strategic Planning Accountability

For strategic planning, the primary point of contact between HHSC and agencies will be the lead planner of each agency. HHSC will continue to use the strategic planning work groups to organize ongoing tasks. For strategic planning published documents will indicate success. Agency strategic plans should reflect the integrated nature of planning across health and human services agencies, such as common priorities and environmental assessment information. Monitoring of agency planning processes and review and comment on draft agency plans, which includes briefing the Commissioner on agency strategic plans as outlined in the recommendations, will encourage integration. Expectations for agency strategic plans will be clearly defined.

Program Evaluation Division

The Program Evaluation Division will be responsible for interfacing with HHS agencies to address high-priority, cross-agency program evaluation initiatives. This division will:

- Provide a point of contact for HHS agencies to address high-priority, cross-agency program coordination and evaluation initiatives as identified in HHS legislation, strategic plans, audits and other evaluation reports.
- Serve as the leading HHS resource and model for conducting cross-agency program coordination and programmatic review to enhance the effectiveness of service delivery in health and human services.
- Work through a Core Team of HHS agency representatives to effectively plan and implement the high-priority coordination and evaluation initiatives.
- Work with HHSC and HHS agency planning, fiscal, research, program and other resources as needed.

Program Evaluation Resource Requirements

Current Staffing	#	Proposed Staffing	#
None	0	Program/Policy Analysts	3
	<hr/> 0	Total	<hr/> 3

Program Evaluation Interface with Agencies

- All HHS agencies will have various tasks related to this functional area. Also, non-HHS agencies such as the Texas Education Agency, the Texas Department of Transportation, the Texas Youth Commission and the Texas Workforce Commission will be involved when HHS agency services link to those agencies.

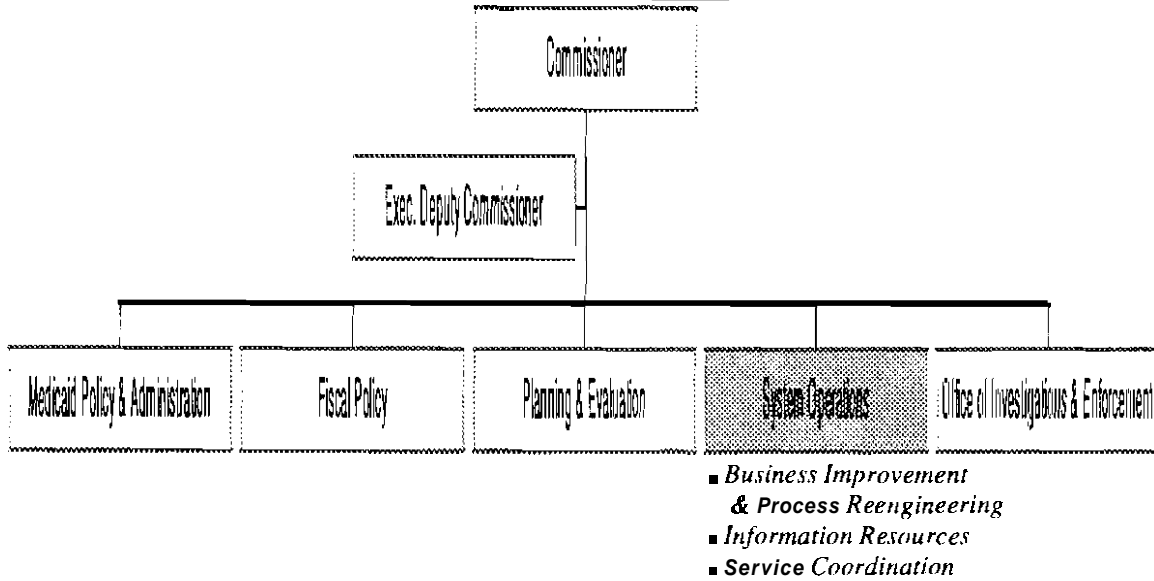
- The Program Evaluation staff will develop a network of HHS evaluators through which information will be shared regarding evaluation activities, experience with outside evaluators, evaluation methodologies, evaluation policies, etc.
- HHSC Commissioner in consultation with HHS CEOs will identify priority evaluation projects and commitment of resources. The Program Evaluation Division will direct and coordinate the high priority evaluation activities and the HHS agencies will provide information to staff regarding potential issues for cross-agency coordination and programmatic review/evaluation.
- HHS CEOs will appoint a staff member to participate on the Core Evaluation Team that will work closely with Program Evaluation staff to select, plan, and implement high priority evaluation projects. The Core Evaluation Team also will identify project teams that will work on specific evaluation projects on a temporary basis as needed.
- The Program Evaluation staff will develop a process to coordinate technical assistance across HHS agencies related to program evaluation.
- A centralized repository for evaluation reports will be established in the Program Evaluation Division. HHSC Information Resources Management Division will assist to coordinate the development and maintenance of a website with links to state (SAO, Sunset Commission, etc.) and national websites (GAO, etc.)
- Based on the inventory conducted by HHS agencies, the Program Evaluation Division will develop and maintain a database of evaluation activities across the agencies.
- HHS agencies will periodically brief and provide ad hoc reports to the Commissioner and Program Evaluation staff on progress of projects, and revise plans as directed.

Program Evaluation Accountability

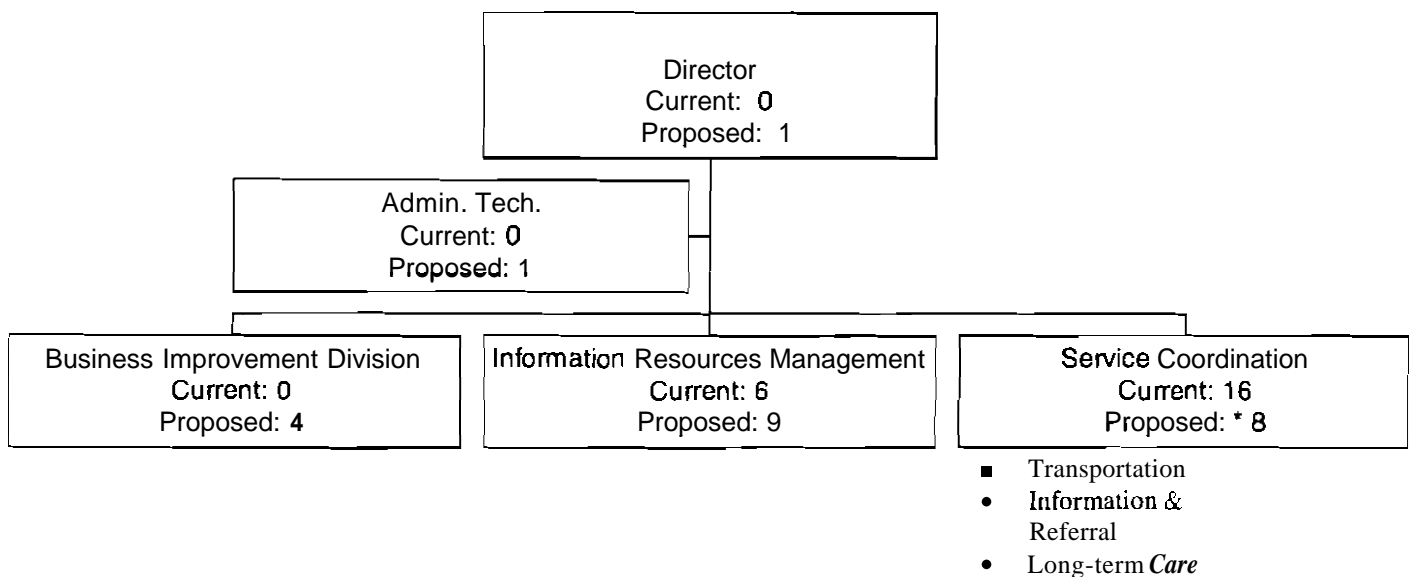
The primary point of contact between the Program Evaluation Division and all other HHS agencies will be a Core Team comprised of agency program evaluation representatives designated by the Agency CEOs. The Core Team members will be responsible for assigning project teams and resources to the various coordination and evaluation tasks required by HHSC.

Expectations for agency core team staff will be negotiated in further detail with agency designees.

System Operations



System Operations



- *Service Coordination functions as assigned in HB 2641; others to be assigned to HHS agencies as appropriate. Final decisions with regard to these reassignments are still under consideration.*

The organizational structure for Systems Operations is divided into the Information Resources Management, Business Improvement and Process Reengineering, and Service Coordination Divisions.

Information Resources Management Division

The Information Resources Management Division will provide the leadership in establishing the strategic direction for the implementation and management of information resources in the HHS agencies. Emphasis will be placed on preemptive planning, Information Technology (IT) project management, standards development, compliance monitoring and attaining tangible results from collaborative information resources management efforts.

A common direction for the implementation of technology is established for the HHS agencies through coordinated strategic planning. HHSC will ensure that the state's acquisition and application of technology are cost-effective and are based on sound business strategies.

The Information Resources Management Division is also responsible for the management of the internal information resources for HHSC. This includes the statutory requirements of the **Information Resources Management Act**; establishing IR standards and guidelines which are in compliance with enterprise and state standards; providing direction and consultation in the management, development and implementation of major information projects; and other legislated responsibilities.

Information Resource Management Resource Requirements

Current Staffing	#	Proposed Staffing	#
Director (CIO/IRM)	1	Director (CIO/IRM)	1
Technical Support	1	Technical Support	1
Agency/Enterprise Planning	1	Web Administration	1
Agency/Enterprise	1	Enterprise Project Office	3
Information Architecture			
Business Analyst	1	HHSC Agency Operations	3
Network Support	<u>1</u>		
Total	6	Total	9

Information Resource Management Interface with Agencies

- The HHSC CIOIRM will act in an expanded capacity, functioning in a more external role for enterprise initiatives and coordinating communication with oversight entities such as the State Auditor's Office (SAO), the Department of Information Resources (**DIR**), the Legislative Budget Board (**LBB**) and the Texas Performance Review (TPR).
Under the leadership of HHSC, the HHS Information Resource Managers (**IRM**) Committee will be responsible for defining the enterprise goals and objectives for information resources and technology; defining the process for coordinating plans; identifying opportunities for collaborative information resources management efforts; developing short-term and long-term strategic direction and migration strategies; providing oversight for implementing multi-agency projects; and developing methods for leveraging limited IT

resources. Participation of all HHS agencies will be mandatory on this committee.

- HHSC will function as the planning agent for smaller agencies, either by performing the planning function or by incorporating the smaller agencies as components of the HHSC plan.
- HHSC will have input into the selection and performance of each HHS agency's IRM in order to lead and direct the management of information resources at each HHSC agency.
- HHSC will negotiate with agencies for the reassignment of specific staff to serve on essential technology projects for time limited periods.

Information Resource Management Accountability

The primary point of contact between HHSC and the HHS agencies will be the designated Information Resources Manager for that agency. Each HHS agency's IRM will be responsible for ensuring that integrated information resources are acquired and implemented appropriately within each HHS agency and comply with HHS enterprise priorities, policies, standards and procedures.

Each HHS agency's IRM will be responsible for being the day-to-day enforcers of enterprise priorities, standards, policies and procedures within their respective agencies.

The HHSC review and approval process of automation plans will be structured in such a way that the compliance test takes place at the agency level via the day to day oversight of the agency IRM. The agency IRM will be responsible for sending forward an enterprise-compliant plan for approval, and the HHSC approval will be a final sign off rather than a detailed compliance check.

The Business Improvement and Process Reengineering Division

The Business Improvement and Process Reengineering unit is a newly created division that will be responsible for improving economies and efficiencies in HHS agencies. Projects will be prioritized based on funding, current availability of staff resources, changing mandates, and information technology requirements. The following are responsibilities of the Business Improvement Division:

- Create and implement a process to identify, plan and pursue opportunities for business improvements across agencies.
- Provide support to and work closely with the Leadership team that consists of the HHSC Commissioner and CEOs of HHS agencies.
- Under direction of the Commission, identify economy and efficiency opportunities, present recommendations, and maintain support of on-going projects.
- Serve as point of contact for SAO, TPR, and Sunset related to business improvements-economies and efficiencies.
- Prepare specifications for resource requirements for each project.

- Chair or co-chair the Business Improvements Steering Committee and work closely with the various functional teams to accomplish goals and objectives of the new process.

The Business Improvement and Process Reengineering Division Resource Requirements

Current Staffing	#	Proposed Staffing	#
None	0	Director	1
		Business Analysts	3
		Total	4

The Business Improvement and Process Reengineering Division Interface with Agencies

- A steering committee will be established to provide oversight and direction to the Business Improvement & Process Reengineering (BIPR) staff in the identification of potential areas for streamlining and enhanced efficiency. The members of the steering committee will be senior agency representatives appointed by the agency CEO.
- With input from the steering committee, the BIPR staff will establish an annual work plan that details improvement opportunities and proposed evaluation protocols. The plan will be submitted to agency CEOs for their review and endorsement.
- As business improvement or process reengineering opportunities are determined, the BIPR staff will present findings and evaluation data that supports their recommendations to the HHSC commissioner and agency CEOs for final considerations.
- Upon project approval, work plans will be developed by BIPR staff that detail resource requirements and project milestones for consideration by agency CEOs and final approval by the HHSC Commissioner.
- The effectiveness of the BIPR Division will be measured by the **actual** savings that result from streamlining and reengineering efforts that emanate from this Division.

The Business Improvement and Process Reengineering Division Accountability

The primary point of contact between the Business Improvement and Process Reengineering Division and HHS agencies will be agency representatives to the steering committee.

APPENDIX E

STATE OF TEXAS

COUNTY OF TRAVIS

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
HEALTH & HUMAN SERVICES COMMISSION
AND THE
[NAME OF BOARD/COMMISSION]
REGARDING THE
IMPLEMENTATION OF H.B. 2641, 76TH LEGISLATURE**

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is entered into between the HEALTH AND HUMAN SERVICES COMMISSION ("HHSC") and the [name of board/commission] ("the Board/Commission"), the duly constituted governing body for the [name of agency] ("_____"), for the purpose of implementing the requirements of H.B. 2641, 76TH Legislature. [name of agency] may be referred to in this MOU as the "Agency." HHSC and [name of agency] are referred to in this MOU collectively as the "Agencies."

Article 1. Background and Objectives.

Section 1.01 House ~~Bill~~ no. 2641, 76th Leg.

(a) *Expansion of the Commissioner's operational responsibility.* The 76TH Texas Legislature, in enacting House Bill no. 2641 ("H.B. 2641"), authorized HHSC for an additional eight-year period. H.B. 2641 specified, among other things, that the commissioner of health and human services ("the Commissioner") and HHSC assume greater responsibility for the management and direction of the operations of health and human services agencies and the supervision and direction of the activities of each agency director, executive director, or commissioner, as the case may be.

(1) *Areas of operational responsibility under H.B. 2641.* The Legislature expanded HHSC's role in certain key business functions, including the following:

- Medicaid, including Medicaid managed care;
- Information resources technology;
- Federal funds management;
- Management of regional support functions;
- Annual business planning;
- Procurement procedures; and
- Approval of Agency lease agreements

(2) *Specific authority of HHSC under H.B. 2641.* The authority of HHSC may extend, at the discretion of the Commissioner, to the following:

- The daily operation of the functions described in paragraph (a)(1) of this Section;
- The allocation of Agency resources, including the use of federal funds; and
- Human resources management.

(b) *Confirmation of the Board/Commission's policymaking responsibility.* In addition, the Legislature confirmed in H.B. 2641 the authority of the policymaking body of each health and human services agency to continue to adopt, as authorized by law and subject to the prior notification of HHSC under section 531.0057, Government Code, policies and rules that govern:

- The delivery of services to persons who are served by the agency; and
- The rights and duties of persons who are regulated by the agency.

(c) *Commissioner's responsibility to hire and supervise the Agency Director.* H.B. 2641 directs the Commissioner to employ, subject to the approval of the Governor and the Board/Commission, the Agency's chief executive officer (the "Director").

(d) *Required Memorandum of Understanding.* H.B. 2641 also requires the Commissioner and the policymaking body to execute a memorandum of understanding. The MOU must clearly define the policymaking authority of the Board/Commission and the operational authority of the Commissioner.

Section 1.02 Objectives.

(a) *Objectives.* As directed by the Legislature, HHSC and the Board/Commission desire to achieve the following specific objectives:

- To clearly delineate the responsibility of the Commissioner with respect to the operations of the [name of agency];
- To expressly acknowledge the long-standing role of the Board/Commission to establish program policy for [name of agency];
- To formally recognize the continuing role of the Board/Commission to advise the Commissioner on certain matters relating to the operations of [name of agency];
- To set forth the general responsibilities of the Commissioner to evaluate the operations of the Agency and the Agency to report on matters determined by the Commissioner to be relevant to his evaluation of the Agency;
- To establish a flexible, responsive, and accountable relationship between the Commissioner, the Board/Commission, the Agencies and other responsible state agencies; and
- To ensure operational efficiency in the provision and oversight of Agency services.

(b) *Understanding and commitment of the Agencies.* The Agencies acknowledge that the achievement of legislative objectives requires the commitment and cooperation of both Agencies to ensure the smooth transition of operational oversight and the preservation of effective policymaking authority. The Agencies mutually commit to the successful implementation of the requirements of H.B. 2641.

Section 1.03 *Legal authority.*

This MOU is executed in accordance with Government Code section 531.055(1).

Article 2. General Terms and Conditions.

Section 2.01 *Term of the MOU.*

This MOU takes effect on the date it is finally executed by the Commissioner and the Board/Commission and will remain effective until August 31, 2001. This MOU may be terminated by mutual agreement of the Agencies.

Section 2.02 *Amendments or modifications.*

No amendment to any provision of this MOU is valid unless it is in writing and signed by the Commissioner and Chair of the Board/Commission or his or her designee.

Article 3. Roles and Responsibilities of the Agencies.

Section 3.01 *Operational authority of the Commissioner*

As specified in H.B. 2641, the Commissioner is delegated specific authority over the operations of [name of agency] as follows:

(a) ***Management of daily agency operations.*** With regard to the key business functions identified in paragraph (a)(1) of Section 1.01 of this MOU, the operations of the Agency will be managed by the Agency in accordance with any significant restructuring or reorganization approved by the Commissioner. The Agency director will have the latitude to exercise judgment in managing the affairs of the Agency, subject to the supervision and direction of the Commissioner as documented in the memorandum of understanding executed between the Commissioner and the Director.

(b) ***Evaluation of Agency operations.*** The Commissioner, in consultation with the Agency Director, will implement a program for evaluating and supervising the daily operations of the Agency in the key business functions specified in paragraph (a)(1) of Section 1.01 of this MOU.

(1) ***Elements of the program.*** The program implemented by the Commissioner under the paragraph will include clear performance objectives for the Agency Director and adequate reporting requirements to enable the Commissioner to fulfill his responsibilities under H.B. 2641.

(2) ***Reporting responsibilities.*** The Agency will report information in the format and detail prescribed by the Commissioner as part of the program implemented under this paragraph.

(c) ***Allocation of agency resources.*** The Commissioner, in consultation with the Agency Director, may propose the reallocation of the Agency's resources to the Legislative Budget Board and the Governor's Budget and Planning Office, consistent with authority provided under Government Code chapter 531.

(1) **Management of federal funds.** The Commissioner will establish a federal money management system to ensure that federal funds are spent in the most efficient manner possible.

(2) **Maximization of federal funds.** A proposed reallocation of Agency resources will be made, consistent with legislative intent, to maximize federal participation in the provision of services and/or to further the achievement of the outcomes specified in the General Appropriations Act.

(3) **Consultation with the Board/Commission.** When opportunities to enhance federal funding or improve legislative outcomes are identified, the Commissioner will consult with the Board/Commission prior to submission of any proposed reallocation of Agency resources to the Legislative Budget Board and Governor's Budget and Planning Office.

(d) **Personnel and employment policies.** Human resources management for the key business functions identified in paragraph (1)(a) of Section 1.01 of the MOU will be in accordance with Agency human resources policy and practice. The Commissioner will monitor the human resources management of the Agency for these key business functions and recommend modifications to Agency employment policies as the Commissioner deems necessary or appropriate. The Commissioner will submit any recommendation to the Agency Director and the Board/Commission for their consideration.

(e) **Contracting, purchasing, and related policies.** The Commissioner will implement a system for coordinating the acquisition of goods and services by health and human services agencies that is consistent with applicable rules of HHSC and the General Services Commission.

(1) **Elements of the system.** The system implemented by the Commissioner under this paragraph will enable the HHSC to develop the following:

- Rules for the acquisition of goods and services by health and human services agencies;
- A single statewide risk analysis procedure for contracts; and
- A contract management handbook that establishes consistent contracting policies and practices to be followed by health and human services agencies.

(2) **Coordination of HHS agency purchasing practices.** The system implemented by the Commissioner under this paragraph will facilitate HHSC's coordination of procurement practices of health and human services agencies and encourage the use of efficient procurement practices including, but not limited to, group purchasing programs, combined maintenance contracts, and prompt payment discounts.

(f) **Information resources systems used by the agency.** The Commissioner will implement a process under which HHSC will be responsible for strategic planning for the information resource management for the Agency. The plan will include development of a five-year coordinated strategic plan.

(g) **Location of agency facilities.** The Commissioner will implement an evaluation system under which HHSC will assess the benefits of consolidating support services provided to health and human services agencies in agency headquarters and in regional offices. The Commissioner will submit any recommendation for relocation of an Agency facility to the Agency Director and Board/Commission for their consideration prior to implementation.

(h) ***Coordination of interagency activities.*** The Commissioner will implement a process that enables HHSC to coordinate or assist the activities of the Agency with other state agencies, including other health and human services agencies.

(i) ***Implementation of Commissioner's responsibilities.*** The implementation of the Commissioner's operational responsibilities under this Section 3.01 will be conducted in accordance with the schedule provided in section 531.0055, Government Code. The Agency will continue current policies, procedures, and practices that govern the key business functions identified in paragraph (a)(1) of Section 1.01 of this MOU that are in effect on the effective date of this MOU until the implementation of the Commissioner's operational authority. Until the Commissioner assumes operational authority, the Agency may modify as necessary any policies, practices or procedures to comply with any requirements of state or federal law.

Section 3.02 Policymaking authority of the Board/Commission.

(a) ***Policymaking authority regarding delivery of services by [name of agency].*** The Board/Commission retains all statutory authority to adopt Agency policy and Agency administrative rules that govern the delivery of services to persons who are served by the Agency, including clients of the programs of the agency.

(b) ***Policymaking authority regarding rights and duties of regulated persons.*** The Board/Commission retains all statutory authority regarding the adoption of Agency policy and agency administrative rules that govern the rights and duties of persons who are regulated by agency.

(c) ***Medicaid .single .state agency responsibility.*** The authority of the Board/Commission to promulgate policy for the Agency regarding the Texas Title XIX Medical Assistance program (Medicaid) is subject to the authority and or approval of HHSC as the single state agency for purposes of the Social Security Act for the Medicaid program under section 531.021, Government Code. Medicaid policy that originates with HHSC will be coordinated as appropriate with the Board/Commission, and the Agency Director.

Section 3.03 Shared responsibilities.

(a) ***Advisory assistance.*** The Commissioner recognizes the experience, knowledge, and understanding of the Board/Commission is an invaluable resource in the effective management and supervision of the Agency's operations. The Commissioner will solicit the advice and recommendation of the Board/Commission on critical operational issues, including, but not limited to, the following:

- The process for selection of the Agency Director;
- Performance evaluation of the Agency Director;
- Compensation decisions with respect to the Agency Director;
- Implementation of effective service and support operations that fulfill the policy priorities of the Board/Commission; and
- The effective utilization of Agency resources

(b) ***Policy development.*** The Board/Commission acknowledges that the successful implementation of the landmark changes represented by H.B. 2641 will require the delivery of adequate and timely

information regarding the policy initiatives of the Agency. The Board/Commission will keep the Commissioner informed of critical policy development for the Agency and, when appropriate, seek the Commissioner's advice regarding the potential impact of contemplated policy on the Commissioner's supervision and management of Agency operations.

(c) *Termination of the Agency Director.* In the event the Commissioner decides to terminate the employment of the Agency Director, the Commissioner shall notify the Board/Commission for its concurrence. If the Board/Commission concurs with the decision to terminate the employment of the Agency Director, it shall notify the Commissioner of its concurrence in writing and the Commissioner shall communicate this decision to the Agency Director.

IN WITNESS HEREOF, HHSC and _____ have each caused this MOU to be signed and delivered by its duly authorized representative.

[NAME OF BOARD/COMMISSION]

HEALTH & HUMAN SERVICES COMMISSION

By: _____
[name of chair]
[title]

By: _____
Don A. Gilbert
Commissioner

Date: _____

Date: _____