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UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON, D.C. 20545

September 16, 1971

PERSONAL AND CONFIDENTIAL

MEMORANDUM FOR THE RECORD

SUBJECT: Discussion with the Chairman re The Institution

The Chairman called me in today to discuss the status of management in the AEC. He has an impression that the staff is living in Lotus Land, that they are not inclined to respond effectively and vigorously to the new initiatives he has in mind, and he asked me to give some thought to possible courses of action which should be taken to energize the Institution. He added parenthetically that his comment re lack of staff responsiveness did not include me.

I said I would make this my first priority and repeated a comment I had previously made to him, that I thought the AEC had in its staff a high level of competence and capability which had been improperly used and directed for many years. He recognized this, naming the Production complex as a high quality group and I agreed. I commented the Regulatory function was a different and more serious situation and he said that could only be corrected by major surgery while the General Manager's side of the house could hopefully be reinvigorated by selective corrective actions and that we must now consider the tactical approach to that objective. I asked him if he had discussed the problem with Bob Hollingsworth and he said he had. I said I felt sure Bob would be responsive to the Chairman's objectives, that I considered him basically a good General Manager, but that the combination of his emphasis upon delegation of authority and responsibility, the establishment of the third floor ring around him, the type of management endorsed by Chairman Seaborg for the last 10 years, and Commissioner Ramey's vigorous and extensive pressure on the staff to achieve his ends, had made it most difficult for the General Manager to direct the agency.

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TO:	326 US ATOMIC ENERGY COMMISSION
FROM:	McCool
SUBJECT:	3321 Memo for Record

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We discussed at some length the role of Chairman Strauss, Chairman McCone, some Commissioners and General Managers Fields and Luedcke in agency management and some of the results of their respective philosophies, work habits, and selection of key personnel. In discussing the separation of the Regulatory function in 1961 and Commissioner Olson's role in that, the Chairman asked if Olson is active and in Washington and I said yes and it just might be he would welcome an invitation from the Chairman to be consulted informally on the Regulatory function.

The Chairman called Marty Hoffmann and asked him to discuss with me the preparation of recommendations on a revision of the AEC's regulations on the ex parte rule. Mr. Hoffmann said a draft would be available by next Monday for our discussion.

I assured the Chairman I was pleased to be associated with his desire to turn the institution, that happily my management and organization philosophy coincided with his and that while I would proceed just as vigorously on the request had it been otherwise, it is always personally stimulating and refreshing to find that your ideas coincide with the Chief's.



W. B. McCool
Secretary of the Commission

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September 20, 1971

AN ANALYSIS OF THE AEC ORGANIZATION

The management principle which we are stressing in AEC is that of delegation of authority to staff with concomitant responsibility and accountability. The present organization of AEC's operational and promotional activities inhibits the effectiveness of this management principle in a number of ways:

1. The present organization fragments responsibility.

In 1957 the AEC organization, including both operational and regulatory functions, provided for 5 Assistant General Managers and 18 Headquarters Divisions and Offices. Today the operational organization alone includes 9 Assistant General Managers and 34 Headquarters Divisions and Offices. It is true that AEC's responsibilities have grown and become more complex during the last 15 years, but certainly not in the ratio of almost 2 to 1, which these statistics suggest. The fragmentation of responsibility is even more apparent when headquarters employment statistics are considered. Since 1957, the size of the operational staff has increased by only 400 positions (from 1,640 at the end of FY 1957 to 2,093 at the end of FY 1971). In other words, while operational employment has increased about 25 percent, the number of organizational units has risen almost 100 percent. This fragmentation explains in part the staff's inability to respond quickly and effectively. Excessive fragmentation of responsibility narrows the staff's perspective, increases the difficulty of coordinated action, blunts the focus of the response, and slows response.

2. The present organization diffuses responsibility.

Fragmentation leads to diffusion of responsibility. To provide adequate direction, it was deemed necessary to insert additional layers of authority between the Commission and those in the staff who are directly responsible for programs. The virtual doubling of the number of divisions has required a similar multiplication of the number of Assistant General Managers needed both to follow and to coordinate activities of the divisions. The number of Assistant General Managers today is greater than the number of division directors in 1948.

This layering of organization is harmful in several ways. It increases substantially the number of officials competing for the Commissioners' time. It requires the Commission in many instances to rely on the advice and opinion of administrators at the AGM level rather than upon the program directors and technical specialists at the division level. It delays response to Commission requests and directives. It filters out the authenticity of communication -- in one direction, the flavor and spirit of Commission policy guidance; in the other, the practical and specific considerations at the operating level. Because the Assistant General Managers cannot be deeply involved in the day-to-day problems of their divisions, they cannot always respond quickly to Commission requests. The division directors have suffered a substantial loss of stature during the last 15 years and seldom have a chance to present issues to the Commission in any coherent way. Thus the present organization does not enable either the Assistant General Managers or the division directors to exercise their responsibilities effectively.

The diffusion of responsibility has resulted not simply from the layering of organizational structure. Some of it comes from the way the organization has been used. In 1957, the Assistant General Managers served essentially as staff advisors to the General Manager on broad areas of program; the division directors still reported directly and personally to the General Manager; they were part of his staff. Today the division directors are not really members of the General Manager's staff. The Assistant General Managers have assumed much of their authority, leaving the divisions to function largely as technical and clerical support for the Assistant General Managers. In terms of authority, the Assistant General Managers in 1971 are the equivalent of the division directors in 1957. Even with the division directors excluded, the General Manager's staff is still too large to be effective and still too dependent upon the divisions to be sharply responsive to the Commission.

3. The present organization is outmoded.

Although the number of divisions has almost doubled during the last 15 years, the organizational structure under the General Manager and the center of gravity in that structure has changed little. During the first 10 years of the Commission's existence, the primary functions of the agency lay in the procurement of raw materials, the production of special nuclear

materials, and the design and production of nuclear weapons. The program divisions responsible for these activities commanded a large portion of the AEC budget and were responsible for generating some of the most significant decisions made by the Commission during those years. Moreover, the best route for promotion to executive positions lay through these divisions. Thus, the General Manager, Deputy General Manager, and 4 of the Assistant General Managers have come to their present positions through the production-weapons organization. This fact is probably more a symptom than a cause of the dominant position these divisions continue to hold in the AEC organization. But the fact is that history, rather than present priorities, explains why the center of gravity in the AEC organization rests near these divisions.

Other examples could be cited, but the point is that the original delineation of responsibilities between the divisions has not been changed since 1947. New programs and new concerns have simply brought new divisions, which have been added to the existing structure.

This process has created a bulky and cumbersome organization. It has also made it difficult for new divisions with vital missions to gain the necessary leverage in the organizational structure. A good example is the Office of Environmental Affairs. This office, which is theoretically responsible for one of the most crucial aspects of the AEC program, was appended to the bottom of the AEC roster. Without formal ties to any Assistant General Manager, the office has been closely circumscribed by the old-line divisions and by their Assistant General Managers.

4. The present organization is inbred, traditionally oriented, and non-adaptive. Although the AEC staff contains many persons who are outstanding authorities in their fields, many who are excellent administrators, and many who are capable of imaginative innovation, the over-all character and attitude of the staff is that of declining middle-age. Of the 34 directors of divisions or offices, 10 have been with the atomic energy program since Manhattan District days, 10 have been with AEC more than 20 years, and 7 for more than 15 years. Virtually all major appointments during the last ten years have been from the AEC

organization. Age and length of service are not in themselves a measure of efficiency or competence in an individual sense, but the collective effect of these factors can be to produce a less effective, less responsive, and less innovative staff.

Conclusions.

The above analysis suggests ways of correcting these deficiencies:

1. The present organization should be replaced with a new structure reflecting the current priorities and concerns of AEC.
 - a. Divisions whose responsibilities have declined or fundamentally changed should be abolished.
 - b. The number of divisions should be reduced.
2. The number of Assistant General Managers should be reduced and their functions changed from essentially line to staff activities.
3. Primary operating responsibility for program activities should be returned to the divisions.
4. Division directors should have more opportunity to discuss problems and policy issues informally with the Commission, for example by reinstating the monthly oral status reports discontinued in 1958.
5. There should be a concerted effort to replace senior staff with younger persons of outstanding ability, including some from outside the agency.
6. Similar changes should be made to upgrade the authority of the field office managers and to improve their communication with the Commission.