Core elements of operating capacity (structure, process, human resources)

11.958 Getting Things Implemented
January 2009

DAY 4 NOTES
Outline: Elements of operating capacity

- Organizational structure and operational process
  - The benefits and costs of specialization, vertical (“stovepiped”) organizations, coping symptoms
  - The Transit Authority predicament: symptoms, causes, options for change
  - Assessing the options: political and other realities
  - Operational process: Why and how to map them, key concepts for improving them

- Human resources
  - The Tax Board’s HR challenges and options
  - Specific tools: Appraisal
  - HR in relation to structure and processes
## Why a “vertical,” functionally specialized organization?

<table>
<thead>
<tr>
<th>BENEFITS</th>
<th>COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skill benefits of specialization</td>
<td>Poor coordination and planning outside the functional area, weak integration skills</td>
</tr>
<tr>
<td>Loyalty, pride, professional identity associated with specialty</td>
<td>Parochial outlook (“silos” mentality) on organization, its impact, strategic challenges</td>
</tr>
<tr>
<td>Highly developed professional standards, codes, shorthand</td>
<td>Frustrations of dealing with professional lingo, different mental models, standards</td>
</tr>
<tr>
<td>Sense of order and control</td>
<td>Stagnation, lack of responsiveness to customers</td>
</tr>
</tbody>
</table>
Symptoms of dysfunctional structure in Transit Authority case

- Accountability to the functional area, not the customer where the service is delivered (unit-based performance measures)
- Lack of coordination and responsiveness (time lags, miscommunication, errors, little sense of responding to “internal customers” outside your unit)
- “Station manager” in this structure is a “process owner” only on paper (no authority or supportive structure to win cooperation of people who don’t report to him, aren’t evaluated by him, have other priorities).
How do people in these structures cope, secure cooperation across units?

- **Appeals to formal authority**
  - “Softball”: Include someone’s boss in the information loop
  - “Hardball”: End run the noncooperative co-worker, ask their boss to “make them do it.”

- **Relational: reciprocity, favor trading, informal authority**
  - Develop networks of trusted cooperators or “people who owe you” throughout the organization or system.
  - Broker rewards and sanctions. Extreme: Exploit the dysfunctional structure to create a personal fiefdom (see the film, “King Rat”).
Assessing the “re-org” options

1. Status quo (focus on non-structural changes): Best if time is wrong to expend political capita, incur risks?

2. New powers for superintendents

3. More superintendents: More managerial attention, might be stepping stone to more radical re-org (4).

4. Station department: Direct attention to x-functional team, process ownership. Might need a pilot (learn and fine-tune before scaling up), risks complicating bureaucracy but centers on value creation for customer.
General wisdom for assessing options

- **Timing:** Is the moment right, not “is this the smartest in the abstract.” Re-org is political, and timing is central to effective political action.
- **Phasing:** Is one more likely to be successful if I pursue 1 or more of the others as steps on a journey? Small wins make room for bigger change?
- **The “pathway” issue:** How reversible is this choice? Does it leave other options open or close them off?
- **Inventing more:** Have I developed a wide enough range for meaningful comparison, or am I making “successive limited comparisons” (“muddling through”)?
Operational process: Why analyze?

- Identify priority problems clearly to make them more fix-able.
- Directly analyze capacity needs at specific stages in a larger process, which may be complex.
- Choose better performance measures, appropriate to each stage of a process, including distinct definitions of “quality” (e.g., wait time, response time).

Terms: Process analysis, process mapping (typically flowchart form, left to right)
Key concerns

- **Bottlenecks**: Where demand exceeds capacity (blocks flow through entire system). Some would-be fixes just move the bottleneck.

- **Peak load or demand**: When demand is greatest, e.g. for patient care, processing tax returns or development permits.

- **By type of process**:
  - Human services and care: Wait times
  - Manufacturing: total response time, specific delay points

See “Process Fundamentals”
Summary: Lessons

- Organizational restructuring is hard, often slow, sometimes vital. New talent and great process ideas won’t overcome a dysfunctional structure (“hard wired”).
- It is also political (destroys one order before creating another one), invites resistance, requires political capital, proof of concept, supportive coalitions, etc.
- Flatness per se is not the goal. See the GE re-org example (some functions remain “vertical,” but core value-creating production process is cross-functional, team-based, “owned” by someone accountable)
- Process analysis “drills down” to the nitty-gritty of operations to analyze capacity demand vs. capacity available. Can be a guide to restructuring, shifts in capacity deployed (how many welders, doctors versus nurses, neighborhood planners, etc.?)
- Changes in structure and/or process may have significant HR implications (see next case).
## Major human resource “flows”

<table>
<thead>
<tr>
<th>STAGE</th>
<th>PROCESSES</th>
</tr>
</thead>
</table>
| Entry | **Recruitment** (announce, market, network)  
**Selection** (multi-method, screen, select)  
**Orientation** (formal, informal) |
| Development | **Placement** (job design, matching)  
**Training** (formal and informal, coaching, rotation, re-skilling, multi-skilling)  
**Promotion** |
| Exit | **Transfers, layoffs, resignations, retirements, dismissals** (firing) |
Human resources: Global trends

- Increased competition and accountability expectations, within and across sectors.
- Complex, changing work demands—driving teamwork, multi-skilling, lifelong learning, expanded coaching, contingent workers, outsourcing, temp hiring.
- Higher “empowerment” and life satisfaction expectations of workforce: Greater participation in decisionmaking, greater flexibility, work-life balance.
- Increased demographic and lifestyle diversity in organizations.
Classic, varied HR opportunities and challenges:

- Seasonal demand for some labor
- Growing skill demands (new tasks demanded, new technology available to do it with)
- Hiring mandate (welfare-to-work) adding to skills gap, transport needs, etc.
- Growing diversity of ethnic groups, household types (more single parents, others who need childcare)
- Shifting work-life balance expectations (societal shifts)
Major Tax Board HR strategies

- Skills: Expand and diversity on-site training, launch external partnerships (schools, colleges)
- Expand career ladders within organization (upward mobility, continual growth potential)
- Monetary reward: Revise pay scales to better compete for talent
- Non-monetary: Rethink job content, benefits (including on-site childcare)
- Other
Appraisal

- **Distinct objectives**
  - Measure to control
  - Measure to reward
  - Measure to develop (coach, upskill)

- **Approaches**
  - *Traditional* (vertical): Manager periodically evaluates subordinate
  - “*360 degree*”: manager and subordinates evaluate each other, internal and/or external customers evaluate subject.
Dueling models of human motivation

What energizes, directs, and sustains good behavior? How much control and how much support are appropriate?

- **Empowerment, nurturing**: Human beings need these to realize their potential, will perform if given supports and rewards, both *extrinsic* (pay, benefits) and *intrinsic* (recognition, security, personal growth, influence).

- **Control**: Human beings will misbehave, cause problems, slack off unless monitored, bound by rules, sanctioned for wrongdoing.

- **Reality**: Need for boundary systems, belief systems, and more (see “Control in an age of empowerment”).

  *Curbing bad behavior is important, and so is promoting performance, satisfaction, loyalty, etc.*
Human resources represent a core element of operating capacity and, in some sectors, of strategic advantage.

Strategic human resource management addresses flows (entry, development, exit) and targets (motivation, reward, performance).

Need to carefully examine strategic challenges: How much is it dysfunctional structure or process (“good people, bad systems”)? How much is it HR (good people, not-so-good people, under-skilled people, people who don’t stay around)? How are these challenges linked?