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11.958 Getting Things Implemented: Strategy, People, Performance, and Leadership  
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# Core elements of operating capacity (structure, process, human resources)

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**11.958 Getting Things Implemented**  
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**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?

<b>BENEFITS</b>	<b>COSTS</b>
<b>Skill benefits of specialization</b>	<b>Poor coordination and planning outside the functional area, weak integration skills</b>
<b>Loyalty, pride, professional identity associated with specialty</b>	<b>Parochial outlook (“silo” mentality) on organization, its impact, strategic challenges</b>
<b>Highly developed professional standards, codes, shorthand</b>	<b>Frustrations of dealing with professional lingo, different mental models, standards</b>
<b>Sense of order and control</b>	<b>Stagnation, lack of responsiveness to customers</b>

# 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”

<b>STAGE</b>	<b>PROCESSES</b>
<b>Entry</b>	<b>Recruitment</b> (announce, market, network) <b>Selection</b> (multi-method, screen, select) <b>Orientation</b> (formal, informal)
<b>Development</b>	<b>Placement</b> (job design, matching) <b>Training</b> (formal and informal, coaching, rotation, re-skilling, multi-skilling) <b>Promotion</b>
<b>Exit</b>	<b>Transfers, layoffs, resignations, retirements, dismissals (firing)</b>

# 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.**

# CA Franchise Tax Board

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.*

# Summary: Lessons

- 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?