United States Postal Service Management Structure Study

July 8, 2003

Submitted to:

**President's Commission on the
United States Postal Service**

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Executive Summary

In the nearly two years since we designated the Service's transformation efforts and long-term outlook as a high-risk area, it has experienced financial difficulties and struggled to fulfill its mission of providing high-quality universal service while remaining self-supporting… One of the key challenges of the Service's transformation will be realigning its infrastructure and workforce to support its business model for the 21st century.

Major Management Challenges and Program Risks (GAO Report, January 2003)

Unisys/Watson Wyatt is pleased to submit our study of the management structure of the United States Postal Service (USPS). Highlights of our findings include:

- **The fundamental management structure of the USPS – consisting of Headquarters, Functional Staff, and Operations – is appropriate for an organization that is committed to operational excellence.** The mission of the USPS is to deliver standard, regulated offerings on a massive scale in a manner that is dependable, consistent, and cost effective. Some opportunity exists for rebalancing tasks between the staff groups and the operating organization; however, this is not a major impediment to managing the organization.

- **The current management structure is appropriately lean, although there is a real opportunity to continue to rationalize the network.** Few levels separate the front-line manager and the top USPS executive. This leanness is consistent with contemporary best practice that suggests flattening the organization to minimize bureaucratic decision-making and thereby enhance responsiveness and flexibility.

- **Roles are generally clear.** Managers understand what they are to do and the results they are expected to produce.

- **Good line of sight exists.** Managers understand the organization's objectives and how they align with it.

- **Information is shared across management levels and boundaries.** The ability to integrate information in ways that enhance implementation is a major design principle for an organization driven to achieve by operational excellence. For the most part, information moves within the USPS based on well-established relationships and clear roles.

We believe the USPS should preserve and, in some cases, continue to build upon these and other existing strengths that characterize the organization's existing management structure.

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Notwithstanding the organization's strengths that are identified in our findings, in this report we present four specific recommendations for improvement that could enhance effectiveness and efficiency:

- *Recommendation #1 – Accelerate Rationalization of the Network* – matches the organization structure to demand, enabling a continuing reduction in the number of managers as appropriate.

- *Recommendation #2 – Provide Increased Decision-Making Role for Operations Managers* – recognizes the benefits of the current management structure while recommending a greater voice for the Area-VP role as strategy advisor and sounding board, possibly through the creation of an Operating Council.

- *Recommendation #3 – Improve Headquarters and Area Staff Coordination and Integration with Operations* – presents ideas for ensuring that necessary coordination and shared service activities are delivered effectively, enabling a potential reduction in duplicative staff roles.

- *Recommendation #4 – Adopt a Consistent Performance Cluster Model* – establishes the District Manager as a single point of accountability for Performance Clusters and clarifies the MPOO/POOM role and support requirements.

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Assignment Objectives

Unisys/Watson Wyatt was retained by the President's Commission on the United States Postal Service (the Commission) in June 2003 to independently study and evaluate the management structure of the United States Postal Service (USPS) and assess whether the existing structure can be redesigned to facilitate more effective and efficient organizational performance.

The key questions addressed in our research and analysis include:

- Will the current management structure enable the USPS, over the next three to five years, to achieve the mission, vision, strategic objectives, and business imperatives outlined in its *Transformation Plan* issued in April 2002? What structural changes, if any, should be explored further? (We recognize that the USPS is considering alternative models. Our review of the existing management structure is not based on any of these models.)

- Moving forward, what should be the key drivers or criteria of the USPS's management structure design?

- Does the existing organization structure contain the appropriate number of management levels given the organization's size, geographic spread, scope and diversity of services, day-to-day operational imperatives, and culture?

- Are spans of control set to levels appropriate for successful achievement of both strategic and operational objectives?

- Does the USPS's current management structure (i.e., number of management levels, spans of control, accountability, levels of authority) promote the most effective decision-making possible?

- What, if any, other barriers are currently operating that adversely impact effective and efficient organizational performance?

This report addresses the above questions. We present the research methodology employed, the results of our analysis, and a series of recommended modifications to the existing management structure, supported by available published "best practice" data.

Given the short timeframe available to conduct the evaluation, this report represents a high-level assessment and theoretical examination of fundamental improvements that could be achieved through potential restructuring changes to the existing management structure as of June 2003. Please note that Unisys/Watson Wyatt were not requested to incorporate benchmark management structure data or develop implementation plans for the recommendations put forth in this report.

Background

Executive Order No. 13278 established the President's Commission on the United States Postal Service (the Commission) for the purpose of examining the state of the United States Postal Service, and preparing and submitting a report articulating a proposed vision for the future of the USPS.

In early June 2003, the Commission sought specialized assistance from Unisys/Watson Wyatt in examining and assessing the existing management structure in order to identify possible areas of opportunity to improve the USPS's productivity, reduce costs, enhance customer service, and—overall—more effectively support the mission of the USPS.

In order to facilitate the rapid development of an objective, independent assessment by Unisys/Watson Wyatt, the USPS was requested to provide immediate, unencumbered access to various executives and managers who would be representative of the key levels of its management structure and geographic service areas.

Research Methodology

Because of the compressed, three-week timeline for collecting information, conducting analysis, and developing recommendations, our research was limited to gathering qualitative data through a series of interviews and focus groups conducted at the USPS Headquarters and across a representative sampling of geographic Areas (Northeast, East, Great Lakes, and West) and Performance Clusters within those Areas. Approximately 80 executives and managers were randomly selected for in-person and teleconference interviews or focus groups representing key levels of the management structure under study, including:

- COO
- Area Vice President (A-VP)
- District Manager
- Plant Manager
- Manager of Post Office Operations (MPOO/POOM)
- Postmaster

(See Appendix A—Glossary of Terms for a description of each of these roles.)

Additional information was gathered through an interview with the Senior Vice President of Human Resources as well as data collection sessions with Field Support, Strategic Planning, and an Area Staff Representative. Finally, we conducted a number of on-site visits to the Postal Services Headquarters, Area Headquarters (East, Northeast, Great Lakes), Plants (Northern Virginia, Philadelphia), and five post offices (Northern Virginia, Great Lakes) to gain a perspective on the role the management structure plays in day-to-day operations of the larger enterprise.

Unisys/Watson Wyatt initially interviewed Pat Donohoe, COO, at the Postal Service Headquarters in Washington, D.C. to discuss the current management structure and allow Mr. Donohoe to share his thoughts on any barriers and facilitators inherent in the existing structure. We also used this time to obtain an understanding of the organizational challenges currently being faced within the context of the *Transformation Plan*.

Subsequently, between June 12th and June 20th, we conducted a series of on-site and teleconference interviews and focus groups across the various geographies and management levels mentioned above. Interviews typically ran one hour, while focus group sessions ran from 60 minutes to two hours and included, on average, eight employees. In all, we conducted 12 interviews and 10 focus groups. Topics centered on the USPS's strategic objectives and management structure (including such areas as spans of control, management level, job scope and responsibilities), role clarity, levels of authority, decision-making, and communication. (See Appendices B and C for a copy of the interview and focus group guides.)

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Interviewees and focus group participants were candid and forthcoming on issues such as productivity, customer service, management structure, and the challenges arising from the existing framework of legal constraints and union agreements. Our data collection concluded with a follow-up teleconference with Mr. Donohoe to share preliminary findings and gain additional insight into the data collected.

Simultaneous to our qualitative data collection exercise, we reviewed available published management and organization behavior research literature and gathered relevant "best practice" information on issues related to management structure. This best practice information, combined with our qualitative data and subject matter expertise, served as the foundation for our analysis and assessment of the USPS's existing management structure.

We identified key performance drivers and critical management structure design criteria in the context of the organization's mission, vision, and strategic objectives as laid out in the *Transformation Plan*. We applied the structural design evaluation criteria to the existing management structure and identified specific areas of opportunity we believe could help the USPS achieve its mandate over the next three to five years.

Discussion of Study Findings

Because of its mission, governance structure, scale of operations, geographic scope, and history, the USPS is a unique organization operating under unique constraints (including labor contracts, legal limitations, etc.). Consequently, there are no "true" comparator organizations that can serve as a valid, comprehensive benchmark source. The USPS is distinctive, in part, due to its multiple stakeholders: Congress, U.S. taxpayers, mass mailers. The USPS must reconcile the often conflicting demands of these groups to deliver on its mission. The management structure of the USPS must both address the needs of these varying constituents and manage to its overall goals and objectives ─ providing universal access at the lowest possible price.

Although the USPS has evolved over recent years (e.g., the relatively recent effort to enhance the "people management" skills of its managers), it nevertheless largely remains structured as a command-and-control organization. We acknowledge the strength of centralized decision-making in driving standardization and consistency in order to maximize operating efficiency for such a vast organization.

Included below are our key findings:

Finding: USPS Management Structure Basically Sound

From our perspective, the current management structure has been designed to focus on setting the strategic direction, managing daily operations, and providing requisite internal support. The Headquarters staff bears primary responsibility for determining the strategy and providing organizational oversight. Operations are primarily consolidated under the Chief Operating Officer (COO), with the exception being the myriad program directives run through both Headquarters and Area staff functions in various combinations.

Individuals across all management levels highlighted several critical factors unrelated to management structure that will be key in determining the organization effectiveness of the USPS, such as labor agreements and legal constraints.

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This organization chart represents our understanding of current managerial relationships:
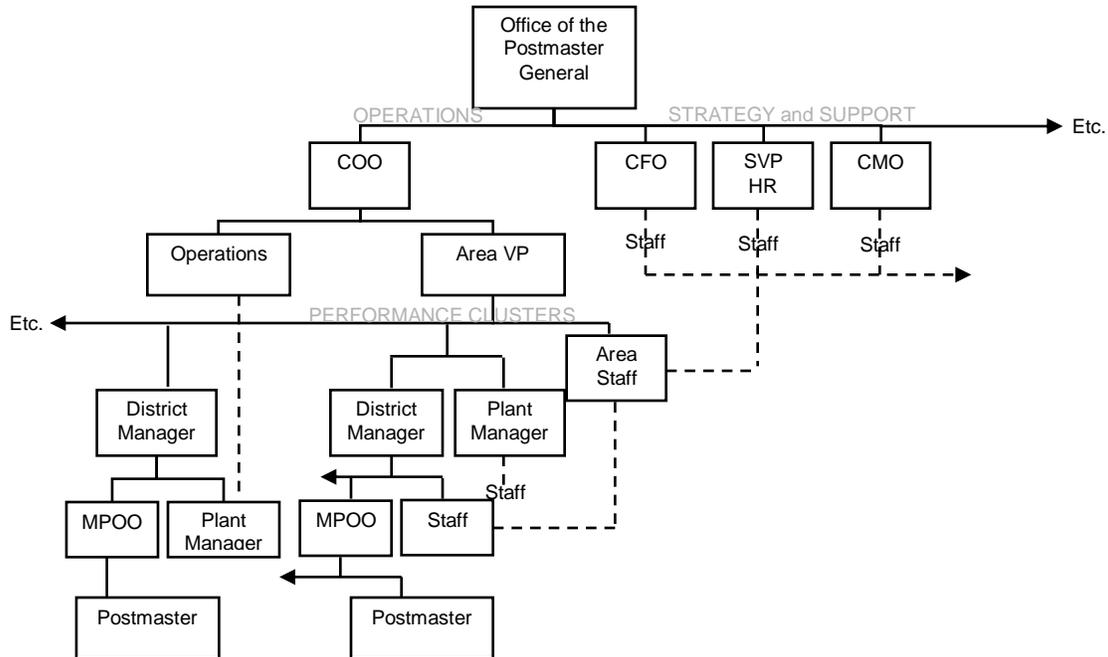
Management fundamentally follows a *command and control structure* with significant policy and operational decisions made at Headquarters. The "Field" (all organizational components outside of Headquarters) is charged with implementation, but is managed within relatively narrow constraints. In essence, Headquarters controls the "what," and the Field controls the "how." All operations (i.e., the collection, processing, and delivery of mail) are accountable to and managed by the COO, which ensures unified management responsibility. Descending the levels of the management structure below the COO, the organization is organized geographically in ever-smaller units.

The Area Vice President (A-VP) position serves as the critical control point for quickly and consistently disseminating organizational directives into nine geographic entities. Management levels within each Area are also organized on a geographic basis. The impact of this design is to maximize operational consistency and achieve economies of scale.

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e) Study Findings and Best Practices

In our review, we found a number of organization design "best practices" evident to some degree within the USPS management structure including:

Best Practices	USPS Examples
Delayering of the organization levels	Elimination of some levels and roles in recent years
Clarity among managerial roles	New performance measurement system that is beginning to cascade through the management structure
Matrix relationships to handle growing organizational complexity	Interface among Headquarters and Area functional staff
Integration of accountability of processing and retail responsibility further down in the organization	Creation of "lead" role in some Performance Clusters

Given the magnitude and importance of operations to the USPS, it appears that the "operations side" of the organization may be under-represented in the development of key strategies and new programs.

The "processing" and "customer service" sides of operations are integrated at the Performance Cluster level. However, there are at least two operating models at this level that provide for this integration inconsistently:

Lead Model	*Partnership Model*
Typically the District Manager fills the lead role and is held accountable for all aspects of the cluster performance and management. Occasionally, the Plant Manager fills this role.	The District Manager and Plant Manager partner as peers in managing all aspects of customer service and operations respectively. Under this model, there is no single point of accountability for a Performance Cluster.

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Finding: MPOO/POOM Lacks Clarity and Consistency

The MPOO/POOM role is important for program and resource coordination and integration. It is the first level of response when issues are escalated from the front line (post office level). However, our review found that the role is an area identified as needing study and improvement.

> *Each POOM oversees anywhere from 75 to 125 post offices. There are Executive POOMs and about 20 non-executive POOMs in the Region. Many operate with no staff. POOMs are kept very busy, always on the go. This is a significant job, with many day-to-day fires to be put out in addition to the administrative component and keeping the postmasters aligned around the strategy.*

For example:

- Deployment of the role within the organization is inconsistent – in an organization characterized by standardized approaches, the MPOO/POOM role is an exception to the norm. Difference is not necessarily bad, but the feedback we collected suggests there is lack of clarity in the organization as to what defines the role and what outcomes it is expected to produce.
- Span of control for some of the MPOO/POOM positions is high compared to best practice standards.
- Exacerbating the large spans of control are the varying levels of support provided to the position, ranging from an adequate level to no support.

Finding: Alignment Opportunities – Communication and Directives from Staff Functions Cause Confusion

The clean "command and control" management approach of the USPS cascades strategy and goals from the top into the organization to lower management levels for implementation. However, Postmasters frequently receive conflicting, duplicative, or competing directives from staff functions in Headquarters and Areas. This causes confusion and negates the effectiveness and efficiencies required of an operational effectiveness model. To minimize the drag caused by this inefficiency, staff groups need to clearly align their initiatives and programs with overall organization strategies and ensure that requests and requirements placed on operating units are coordinated and vetted for impact prior to launch. In some cases, a staff function that exists at both Headquarters and in Areas provide different messages, suggesting a need for better coordination within the functions.

> *We should really take the time to work out the kinks out of the programs first. Don't worry about being first. Worry about being accurate.*
>
> USPS Study Participant

Finding: USPS Has Clear Line of Sight

The drivers of operational excellence for an organization like the USPS are uniformity and consistency, repeatable streamlined processes, rapid information transfer, cost efficiencies, and the capacity to execute. To manage an organization in light of these drivers, it is critical to establish and maintain clear "line of sight" – meaning that all employees understand the organization's objectives, their individual roles and responsibilities, and how they are performing against them.

The existing management structure consists of Headquarters, functional staff, and operations. This approach is uniformly applied across a huge organization allowing for consistent messages about strategy, performance expectations, and tactics. As these messages are communicated and reinforced, they produce a clear line of sight across all levels of management from individual postmasters to the Postmaster General. We found a striking similarity in the understanding of organizational challenges and potential solutions to address these issues among managers and executives across various levels and geographies. General themes we uncovered include:

> *We have reduced the employee population by roughly 60,000 over the past few years. I believe a great line of sight exists from Headquarters down through the Areas and Districts.*
>
> USPS Study Participant

- Management structure is not the issue.
- People management is the bigger challenge (labor issues, etc.).
- There is a need for better alignment between corporate staff functions and Area representatives.
- Most managers feel they have appropriate autonomy in decision-making.

In our experience, it is rare to find an organization of such size that has achieved this degree of consensus across differing management layers.

Furthermore, our research indicates the crucial role that line of sight can play in an organization's success. The findings of Watson Wyatt's **WorkUSA® 2002** study show organizations that achieve superior line of sight have Total Return to Shareholder levels that are four times higher than those of organizations with poor line of sight. (Total Return to Shareholder may be viewed as a proxy measure of economic value generation, which in turn reflects operating effectiveness and efficiency.)

Good Line of Sight	21%
Poor Line of Sight	5%

■ Three-Year TRS
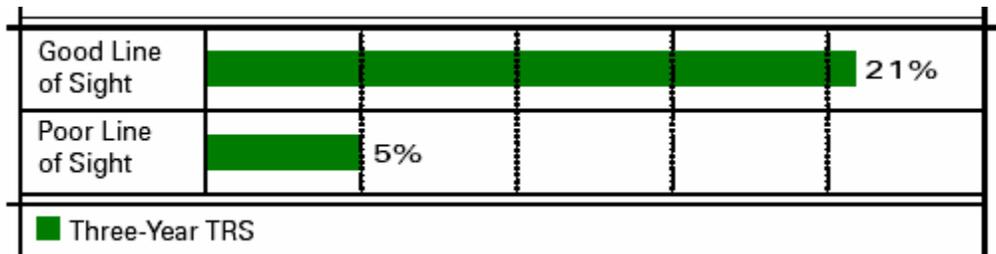
Watson Wyatt WorkUSA® 2002

Finding: USPS Management Has a Lean Structure

Given the size of the USPS organization, we found the management structure to be extremely lean. There are few levels of management overall and the number of managers as a percentage of total USPS employment is similar to other production-driven organizations, such as light manufacturing and warehousing operations.

The USPS deserves credit for the actions it has taken in this regard. As noted in the USPS 2001 Annual Report: "We restructured our organization to bring more focus to priorities and the core business. Changes in our headquarters and field organization are enabling us to better serve the American people by establishing a leaner management structure."

> *We knew we had to take some strong steps. We did. They included sweeping organizational changes that started at the top when we reduced the number of officers by 20 percent. We eliminated 800 Headquarters positions. We realigned our field management structure, eliminating 20 percent of our Area offices.*
>
> Postmaster General John Potter testimony to Senate Subcommittee, September 27, 2002.

The senior management spans of control (A-VP and below) appear to be in line with best practices (see Span of Control Data following). However, within the Performance Clusters, we found the span of control to exceed best practice ranges.

Overall, the current management structure is similar to organizations with well-defined missions, large employee populations, and geographically-dispersed operations, such as airlines and military organizations. The current five-level organizational hierarchy appears in line with organizational best practice in large organizations where five levels typically separate the senior executive and first-level manager.

Though lean, the USPS's consistently applied management structure supports and enables the organization to maintain a focus on its key mission and objectives.

Finding: Span of Control is Generally Consistent with Best Practice

Our review of USPS's data indicates that span of control at the USPS is consistent with accepted best practice trends. However at certain levels (e.g., MPOO/POOM), there are some variances from best practices.

Research from the Bureau of Labor Statistics supports the delayering trend, indicating an increase in the spans of control for front-line supervisors. For example, since 1989, spans of control have increased by 21 percent for supervisors within the light manufacturing and consumer products industries.

> *We feel we are getting to the outer limits with regards to spans of control. We need to balance consolidation with spans of control. We could be getting close to "cutting to the bone."*
>
> USPS Study Participant

Following is a span of control overview at the USPS derived from data provided by the organization and our interviews and focus groups:

COO has 11 direct reports (8 Area VPs plus 1 Cap Metro, 1 SVP operations, 1 VP Labor Relations)

8 Area Vice Presidents plus 1 Capitol Metro Area head
- Average 90,000 employees per Area
- Average 150 Area support staff
- Average 9 Districts per Area
- Direct Reports include 9 district managers plus senior Area support staff (about 8 executives per Area) = about 15 direct reports

85 District Managers
- Average 8,500 employees per District
- Average 4-5 MPOOs per District
- Direct reports typically include 4–5 MPOO/POOMs, possibly 1–3 Plant Managers, Postmasters for large cities in the District, and district support staff = about 10 direct reports

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377 Manager, Post Office Operations (MPOO/POOM)
- Average 1,900 employees in post offices overseen by MPOO/POOM
- Directly oversee an average of 70–100 post offices, excluding any large city post offices that report to District Manager
- Some MPOO/POOMs have secretarial support
- Some MPOO/POOMs behave as if local post offices report to them, some District Managers insist Postmasters report to the District Manager; varied approaches results in direct reports ranging from 0 to 100 depending on Performance Cluster

27,621 Postmasters
- Widely divergent role from 0 to 2,000 employees; average = 26

Span of Control Trends

If companies reduce the number of management layers and spans of control excessively, they risk eliminating valuable leadership development positions and future leaders. Alternatively, if companies do not eliminate excessive management layers, they may lack efficiency and flexibility to deal with external market changes.

Trend #1: Executives and directors comprise less than three percent of the total employee population at all companies.

Trend #2: Profiled companies are reducing the layers of management and will continue to do so in the near future.

Trend #3: Managers are responsible for managing a greater number of direct reports.

Corporate Leadership Council. *Management Layers and Span of Control.* Washington: Corporate Executive Board (June 2002).

A 1995 Conference Board survey determined that the downsizing of middle management caused managerial spans of control to increase from six in 1990 to an average of nine or more in 1995. Additionally, research from the Bureau of Labor Statistics determined that the average span of control moved from 9.52 in 1989 to 11.6 in 1998.

Corporate Leadership Council. *Management Determining Effective Spans of Control.* Washington: Corporate Executive Board (October 2001).

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Management Structure Design Criteria

Criteria for examining organization design and management structure include, first and foremost, that the structure should enable accomplishment of strategies and goals – form follows function. Next, the design should take advantage of best practices, including those that facilitate good governance. Specific organization design principles addressing areas such as role clarity, decision-making and accountability, staff performance, knowledge sharing, and career progression paths are also relevant concerns.

We believe the principle of "flexible standardization" should underpin the optimal design criteria for application to the USPS so the organization can become more nimble as it moves toward implementing the *Transformation Plan*. Ideally, autonomy should be pushed as close to the customer level as is practical, while preserving the centralized control necessary to assure the level of standardization and consistency required to maximize efficiency.

By "flexible standardization" we mean a management approach that is as consistent as possible across the country yet allows flexibility at the A-VP level through MPOO / POOM level. For example, we believe a review of specific responsibilities at the A-VP and District Manager levels, in conjunction with the metrics tracked by the new performance measurement system, will identify some that can be "safely" delegated downward. We believe such delegation will enable the management structure of the USPS to quickly recognize and act upon opportunities for additional operating effectiveness and efficiencies.

We have identified several management structure design criteria for the USPS. These criteria have been derived from our review of the USPS *Transformation Plan*, our understanding of the organization's mission and strategic objectives, our preliminary assessment of the current state management structure, and a review of prevailing best practices that could be appropriate for an organization of this scale. These criteria should serve as a framework for the USPS to achieve organizational effectiveness.

Suggested management structure design criteria for the USPS include:

- *Strategic and tactical flexibility* to enable rapid and effective response to changes in the organization's mission and accommodate fluctuations in day-to-day operations
- *Empowered operations staff* to continue to enhance the consistent delivery of the customer experience in accordance with predetermined, published standards

> *In the "old days," Postmasters had more accountability /authority. Now we feel like we are being micromanaged. We can't hire an additional person-now. It's up to the A-VP who may not have personal knowledge of the situation (e.g., long-term leave). We can't move people. This makes it difficult to develop people.*
>
> USPS Study Participant

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- *Maximizing operating efficiency* through the continuing standardization of processes and programs while allowing for appropriate differences driven by local market requirements
- *Active knowledge sharing* to drive operating efficiency and ensure that internal best practices are fully leveraged
- *Defined career paths* that logically provide exposure to customer service, operations, and strategic or function support to improve talent development and promote internal mobility so capable leaders can replace retirees
- *Clear managerial accountability* pushed as deeply as possible in the organization to enhance customer service

Below we compare the design criteria to the existing management structure of the organization:

DESIGN CRITERIA	FOR USPS, THIS MEANS...
Strategic and tactical flexibility	"Operations" playing a larger role in strategic decision-making
Empowered operations staff	Allow greater decision-making flexibility for A-VPs, DMs, MPOO/POOMs, and Postmasters
Maximizing operating efficiency	Explore changes to certain roles and deployment (e.g., MPOO/POOM)
Active knowledge sharing	Deploy more cross-functional teams and leverage internal best practices
Defined career paths	Encourage more rotational opportunities and specifically define paths between "processing" and "retail" operations
Clear managerial accountability	Continue to push accountability and decision-making further down into the organization (e.g., DM freeing up A-VP to concentrate on strategic issues)

Recommendations

During the course of this study we uncovered several areas of opportunity with the potential to enhance effectiveness and efficiency of the USPS management structure. We found significant agreement across the organization that these are, in fact, the areas that would benefit from closer examination and action.

In this section of the report, we present four specific recommendations that link to our findings:

- *Recommendation #1 – Accelerate Rationalization of the Network* – matches the organization structure to demand, enabling a continuing reduction in the number of managers as appropriate.

- *Recommendation #2 – Provide Increased Decision-Making Role for Operations Managers* – recognizes the benefits of the current management structure while recommending a greater voice for the Area-VP role as strategy advisor and sounding board, possibly through the creation of an Operating Council.

- *Recommendation #3 – Improve Headquarters and Area Staff Coordination and Integration with Operations* – presents ideas for ensuring that necessary coordination and shared service activities are delivered effectively, enabling a potential reduction in duplicative staff roles.

- *Recommendation #4 – Adopt a Consistent Performance Cluster Model* – establishes the District Manager as a single point of accountability for Performance Clusters and clarifies the MPOO/POOM role and support requirements.

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Recommendation #1 – Continue to Rationalize the Network

The organization recognizes and has been acting upon the need to rationalize its comprehensive network of customer service and processing facilities in response to shifting population demographics and changing volumes and types of mail. Many of the executives and managers interviewed during the course of this study expressed hope that this process will be accelerated, although they well recognize it is subject to factors far outside the scope of this study (e.g., political influence).

Rationalization could include both a reduction of the absolute number of units into which the organization is divided and a redefinition of the geographic boundaries of those units. *Thus, rationalization also means a possible reduction in the number of management positions and the number of managers needed to staff them, and the redeployment of managerial staff from shrinking to growing areas of need.*

The clearest opportunities for continued rationalization appear to exist at three levels:

- The Performance Cluster (or District Level)
- The Post Office Level
- The Processing Plant Level

However, recognize that rationalization of the network at these levels could affect the Area management structure as well. We believe it is important for the Areas to remain reasonably balanced in size and geographic scope. Otherwise, the larger Areas could come to dominate decision-making within Operations and override legitimate regional operating differences.

Additionally, continued rationalization of the network could enable a reduction in the number of Areas, although such a structural change would result in the displacement of Area staff.

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Recommendation #2: Provide Increased Decision-Making Role for Operations Managers

The vast majority of the organization's activities and employees are concentrated within the purview of the COO. This consolidation of activities within a unified management structure enhances both control and accountability. However, given the magnitude of the "operations" side of the USPS, such consolidation may inadvertently diminish the weight of its voice at the top of the organization.

Without changing the existing A-VP reporting relationship, we would encourage an expansion of their role in providing input to strategic decisions.

Many large organizations have established an Operating Council to ensure that senior leadership effectively functions as a team bearing collective responsibility for the success of the organization. In some respects, an Operating Council may be thought of as a de facto Board of Directors for a business, a major business segment, or a specific function, providing unified governance and applying collective experience to the review of significant decisions. In other respects, an Operating Council may be considered an extension of the business, segment, or function head, sharing responsibility for pursuing various significant initiatives or implementing large-scale change.

Effective Operating Councils usually comprise all of the direct reports of the business segment or function head, meet monthly, and share accountability for their collective performance while continuing to bear responsibility for the performance of their individual part of the organization. Of course, the business, segment, or function head retains "51% of the vote" on critical issues even while striving to achieve consensus.

We believe the USPS could benefit from the establishment of a formal Operating Council to ensure all key voices are integrated as the organization manages through the significant changes that will arise as it pursues implementation of the *Transformation Plan.* If established at the highest level of the organization, such an Operating Council would most likely comprise the Postmaster General and all his direct reports. However, to increase the strategic input provided by operations, it may benefit the USPS to include up to three A-VPs on the Council. In keeping with best practices, A-VPs could rotate through the Operating Council annually, thereby providing all Areas with direct representation over a three-year period.

Recommendation #3 – Improve Headquarters and Area Staff Coordination and Integration with Operations

The USPS depends upon staff at multiple levels to work with managers to collect and evaluate performance data, investigate and propose potential process improvements, administer the implementation of new programs, and engage in many other activities that pertain to running the organization. The various staff levels interface on a matrix basis, with each other and with their respective management. This multi-tiered matrix creates some degree of uncertainty and confusion that is evident in the duplicate initiatives and competing requests for information or action that flow through the management structure. Postmasters in particular feel increasingly hard-pressed to sift through and prioritize conflicting demands. District Managers also believe they would benefit from greater staff coordination.

> *No one in Area staff functions has worked in a post office for at least fifteen years; they don't know what it's really like down here today, so they come up with all these ideas that don't make any sense.*
>
> USPS Study Participant

We believe there is a significant opportunity to more clearly define staff responsibilities, identify potential duplication, improve coordination and control over new initiatives, and—ultimately—possibly reduce the number of support staff roles.

Michael Goold and Andrew Campbell, authors of *Designing Effective Organizations: How to Create Structured Networks,* propose a method for considering organizational structures. They suggest organizations use two types of tests to balance the "right amount of hierarchy, control, and process – enough for the design to work smoothly but not so much as to dampen initiative, flexibility, and networking." Their Parenting Advantage Test seems applicable to the USPS. Existing management structure is a command and control structure, with a strong matrix overlay. We believe this test will provide for better clarity for the Headquarters going forward.

This test involves defining the corporate-level or "parent" activities that add value to the entire organization and, therefore, should be allocated to the corporate center (e.g., managing government relations, broadly maintaining key organizational capabilities) and evaluating whether the design supports these propositions.

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Based on our initial observations, the "Current" column below represents Headquarters' role in these best practice activities. Note that our organization design experience leads us to conclude that *all* of these roles are vital to the USPS.

Role	Best Practice Description	Current	Future
Broker	Creates value by acquiring units/people for less than their worth and discarding activities for more than their worth	●	◕
Collaborator	Helps units expand size/scope of activity by supporting growth initiatives	◒	●
Director	Helps units improve costs, quality, or profitability by setting stretch targets and providing benchmarks	◒	●
Liaison	Helps units work together in ways that might otherwise be difficult by setting incentives or centralizing certain activities	◵	◕
Proprietor	Finds ways to exploit central resources such as brands, competencies, relationships or patents across business units	◒	●

Note: the degree of shading in each circle indicates the degree to which the role is being performed or should be performed. The greater the shading, the greater the role should be filled.

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Recommendation #4 – Adopt a Consistent Performance Cluster Model

The USPS would benefit from more consistency within Performance Clusters, both with respect to the overall management of the Performance Cluster and to the discharging of the MPOO/POOM role.

As noted in the Findings section, some Performance Clusters are managed on a collaborative basis wherein the District Manager and Plant Manager share responsibility. In many others, one of these two roles serves as a "lead." We believe the "lead" model is superior because it represents a continuation of the unified management structure that otherwise prevails across the organization. Establishing such a "lead" role ensures a single point of accountability for each Performance Cluster. Furthermore, if decision-making is to be pushed to lower levels of the management structure, such a single point of accountability will be required to ensure effective control is preserved through the alignment of autonomy and accountability.

We suggest that the 'lead" role in a Performance Cluster should generally be filled by the District Manager, who bears responsibility for customer service. The organization should, however, remain open to allowing rare exceptions in cases where the local Plant Manager *as an individual* has more relevant experience to serve as "lead." Nevertheless, we are aware that the Plant Manager's primary responsibility is to run processing as effectively as possible to meet the customer needs advocated by the District Manager. Thus, these exceptions should be rare.

A second inconsistency with the Performance Cluster level of the organization pertains to the MPOO/POOM role. Even the differing names for this role—MPOO vs. POOM—reflect this inconsistency. We believe rectifying this inconsistency by clarifying the role and standardizing key processes would enable MPOO/POOMs to function more effectively. They could more readily anticipate and meet the organization's expectations because their role would be commonly understood. Also, they could more readily leverage best practices.

The USPS could benefit from two other modifications to the MPOO/POOM role that should be explored more fully. (1) MPOO/POOMs generally confront a large span of control, yet often lack any designated support. Preliminary indications suggest that MPOO/POOMs

> *Every MPOO in the organization does things differently. There is little consistency about the role, the kind of people who fill that role, their skill set, or even how they do what they do.*
>
> *I never get help from my MPOO because he is always tied up in telecons. I bet he spends two days a week feeding the information monster, so he can't be out here working with us.*
>
> *I think the MPOO's role is to squeeze us. They never provide guidance in how to fix something; they only point out problems that I already know about.*
>
> USPS Study Participants

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with such support are able to dedicate more time to working with their assigned Postmasters. We believe it would be worthwhile to explore this observation during the course of clarifying the MPOO/POOM role. (2) Several District Managers have called for the creation of a "senior" MPOO/POOM role in larger, more complex Performance Clusters. This role would bear responsibility for addressing the needs of the most significant post offices and major operating issues that arise within their assigned Area. Another MPOO/POOM in the Performance Cluster could assume responsibility for the functional interface with departments such as Finance and HR. This concept should also be explored in greater depth when clarifying the MPOO/POOM role.

Capitalize on Existing USPS Strengths

In addition to the above recommendations, we have identified a number of operational strengths that are facilitated by the existing USPS management structure. These positive attributes should be preserved and leveraged as any future structural changes are implemented:

> *We should be able to close post offices through attrition – consolidation efforts should result in better service being provided; flexibility is needed.*
>
> USPS Study Participant

- *Promoting a clear line of sight*—The broad cross-section of executives and managers interviewed for this study were found to be universally committed to the USPS and the transformation effort and keenly aware of the significant challenges faced by the organization. As discussed in the Findings section, achieving a clear line of sight between each individual and the organization's strategic goals is critical to success. Otherwise, management would be working at cross-purposes in pursuit of misaligned goals. The relatively flat management structure currently in place has fostered tangible objectives, performance metrics, and performance targets for each management role that visibly link to the USPS's objectives and provide a remarkably clear line of sight.

- *Maintaining a lean management structure*— As noted by the Corporate Leadership Council (*Determining Effective Spans of Control,* October 2001), the 1990's demonstrated a trend towards reorganizing corporate design and structure. Companies started flattening or "delayering" to reduce the hierarchy within the organization. They decreased the number of middle managers and increased spans of control of remaining managers. Four primary reasons are cited for this expansion:
  - Maximizing cost efficiencies by eliminating unnecessary processes or assets
  - Leveraging the benefits of globalization
  - Shortening the distance between executive decisions and line-level execution
  - Outsourcing production elements to third-party providers

  Clearly some of these factors have influenced the USPS in moving toward a lean organization.

- *Defining job scope broadly*—The streamlined organization structure with few levels of management has enabled the scope of each management role to be broadly defined and therefore offer challenge and flexibility to executives and managers. The USPS has traditionally grown its leaders from within due to the unique nature of the organization. The existing management structure has allowed employees to move from less demanding to more complex positions as

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their individual skills develop while remaining in the same type of role simply by moving across geographies.

It is worth noting that the *Transformation Plan* observes: "The challenge to assure continuity of leadership has never been more important than it is today. Approximately 55 percent of Poster Service officers and senior executives and 36 percent of managers will become eligible to retire over the next five years."

- *Sharing information openly*—The streamlined organization structure also promotes sharing information and leveraging best practices because large groups of managers occupy the same role, confronting similar challenges while striving to perform well against identical metrics. Managers are able to exchange relevant information and best practices because they understand the role they share with their peers. Promoting such free transit of information is essential because there are no true comparators to the USPS that could serve as ready sources of best practices.

> *From a national systems perspective, communication works well—8 A-VPs meeting with Donohoe, lots of input. They discuss implementation issues and then let our people know about it. At local levels, the approaches are diverse. With an organization this large, it requires pressure to keep things aligned through a chain or line of command.*
>
> USPS Study Participant

- *Fostering internal competition*—Despite the open flow of information described above, the geographic basis of the management structure enables the USPS to promote internal competitiveness against NPR metrics and thereby drive USPS performance. Because so many individuals occupy the same role measured by the same metrics, their performance can be readily arrayed for periodic comparison. As we heard often during our interviews, "No one wants to be last."

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In conclusion, Unisys/Watson Wyatt believes that the overall management structure is appropriate with some areas of opportunity. The four recommendations put forth in this report, with proper implementation and oversight, can enhance the overall operating effectiveness and efficiency of the USPS. We respectfully urge the USPS to more closely examine the merits and viability of these recommendations.

Appendix A – Glossary of Terms

Bold words are defined elsewhere in the Glossary of Terms

Area, Area Vice President (A-VP)	The USPS presently divides the country into eight Areas. (A ninth, large geographical unit functions like an Area and has been treated as such for purposes of this report.) Each of the eight Areas is headed by an officer-level Area Vice President who bears responsibility for postal operations within that geographical area.
Best Practice	Practices, programs, or policies, widely implemented by successful organizations that are coping with similar conditions and facing similar opportunities or challenges. Best practices are a valuable source of insight, though not a prescriptive decision-making guide.
Career Path	A predetermined path through succeeding positions—generally of increasing responsibility and authority—that has been identified as a logical progression for the development of employee skills and leadership ability.
Command and Control	The philosophy underlying an organization structure that is designed to reinforce the consistent, efficient execution of strategic initiatives established at the very top of the organization. Command and control organizations are very hierarchical and tend to discourage the upward flow of input on strategy. However, they excel at standardizing processes across a broadly dispersed organization.
Chief Operating Officer (COO)	The Chief Operating Officer (COO) of the USPS is presently responsible for overseeing nationwide field operations and Headquarters Operations and Labor Relations departments. The COO reports directly to the Postmaster General.
Drivers (e.g., of strategy, organization design)	A driver represents a significant force that helps shape or determine various aspects of an organization's existence. Drivers may represent material opportunities, challenges, resource constraints, or other factors.

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District, District Manager	The USPS presently divides each postal **Area** into a number of Districts. Presently there are 85 Districts nationwide, each headed by a District Manager who reports to the respective **A-VP**. District Managers are responsible for overseeing operations for all post offices within their District. (Please see **Performance Cluster** for additional information.)
Focus Group	To facilitate information gathering, a Focus Group may be convened whereby several individuals who typically occupy the same role within an organization are brought together and asked certain questions. Often, the group will amplify what a single individual may say and thereby provide more detailed insight and understanding.
Job Responsibilities and Scope	Jobs—or roles—are established to help an organization complete certain activities or tasks. Job responsibilities define those tasks and desired outcomes, whereas job scope delineates the outer limit of those responsibilities.
Line of Sight	Employees typically ask three questions: (1) What is the organization trying to accomplish? (2) What am I expected to do that contributes to achieving the overall objectives? (3) How will I be rewarded? Line of sight refers to the degree to which the answers to these three questions are linked. In organizations with a strong line of sight, employees clearly understand how their own activities support the organization's goals, and how actual results will determine their individual rewards.
Matrix	A matrix is a set of relationships across an organization, wherein an individual employee reports to more than one manager. Some degree of conflict is inherent in a matrix organization structure.
MPOO (Manager, Post Office Operations)	Reporting to each **District Manager** is a small number of Managers, Post Office Operations. These MPOOs, also known as **POOMs** in some sectors of the USPS, oversee an average of seventy post offices within their respective districts.

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Organization Design Criteria	Organization design criteria represent an organization's ideal characteristics and are developed in response to the various **drivers** that have shaped that organization. The optimal organization design best promotes the realization of those ideal characteristics.
Performance Cluster	The USPS presently divides each **Area** into a number of geographically-defined **Districts** that are also known as Performance Clusters. For all intents and purposes, Districts and Performance Clusters represent the same geographic boundaries, operating facilities, and staff.
POOM	See **MPOO**
Postmaster	Perhaps the most familiar management role within the USPS to the general public, the Postmaster is responsible for all aspects of the daily operation of a specific postal facility. The role varies widely in scope, ranging from small offices where the Postmaster may be the only regular employee to large city offices where the Postmaster may manage a very large staff and even oversee small post offices nearby. Large city Postmasters may report directly to a **District Manager** rather than an **MPOO/POOM**.
Span of Control	Span of Control indicates the number of individuals that report to a specific manager.

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Appendix B – Interview Guide

United States Postal Service
Interview Guide
June 2003

Thank you for meeting with me as we review the USPS management structure in support of the President's Commission on the United States Postal Service. Your own responses to the following questions will remain confidential, although the responses from all interviewees will be synthesized and integrated into our report findings.

Strategic Direction

1. As an organization, what is the USPS trying to achieve? What will be the key organizational drivers over the next three-to-five years?

2. What are the barriers/challenges that may be hindering the performance of the organization?

3. What are the greatest risks that need to be mitigated?

4. What are the internal implications of these challenges and risks?

5. What strengths does the current organization bring toward meeting these future challenges?

Organization Structure

6. Do you feel the organization is structured effectively to drive the USPS mission and vision? Why or why not?

7. How are key decisions made within the organization (i.e., how well are decision-making and autonomy aligned?)

8. Are there informal ways that work gets accomplished within the organization?

9. How does the physical structure (e.g., geographic spread) affect how things are done?

Roles

10. Tell me about your current role and responsibilities.

11. What does your role specifically provide to the level above it and the level below it in the organization (e.g., content expertise, decision-making support)?

12. How do you interact with your peers who occupy the same role (e.g., role interdependency)?

13. Do you interact with other managerial roles across boundaries? If so, how?

14. In your opinion, is there role clarity across the organization?

Culture

15. What workplace behaviors are promoted and reinforced?

16. How effective is communication upwards, downwards, and across the organization?

Close

15. Is there anything else you would like to add regarding the USPS management structure?

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Appendix C – Focus Group Guide

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United States Postal Service
Focus Group Guide
June 2003

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Thank you for meeting with me as we review the USPS management structure in support of the President's Commission on the United States Postal Service. We have brought you together to solicit your views on various aspects of structure. We would like everyone to participate in the discussion, recognizing there are no "right" or "wrong" answers. We also ask that you keep each other's opinions confidential—what's shared in this room stays in this room.

I will be taking notes during our discussion, but we will not attribute any comments to specific individuals. The notes from today will be combined with input from others in the organization and integrated into our report findings.

Before we begin, please let me know how long you have been with the USPS.

Strategic Direction

1. As an organization, what is the USPS trying to achieve?

2. What are the barriers/challenges that may be hindering the performance of the organization?

3. What are the internal implications of these challenges and risks?

Organization Structure

4. Do you feel the organization is structured effectively to drive the USPS mission and vision? Why or why not?

5. How are key decisions made within the organization (i.e., how well are decision-making and autonomy aligned)?

6. Are there informal ways that work gets accomplished within the organization?

7. How does the physical structure (e.g., geographic spread) affect how things are done?

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Roles

8. Tell me about your current role and responsibilities.

9. What does your role specifically provide to the level above it and the level below it in the organization (e.g., content expertise, decision-making support)?

10. How do you interact with your peers who occupy the same role (e.g., role interdependency)?

11. Do you interact with other managerial roles across boundaries? If so, how?

12. In your opinion, is there clarity of roles across the organization?

Culture

13. What workplace behaviors are promoted and reinforced?

14. How effective is communication upwards, downwards, and across the organization?

Close

15. Is there anything else you would like to add regarding the USPS management structure?

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