5-2008

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https://digitalscholarship.unlv.edu/sea_fac_articles/334
Strategically Managing Resources and Revenue

Christine Gibbs Springer

Moving from an inwardly focused culture to one that is customer-oriented and revenue-centric, the United States Postal Service today provides public managers with lessons learned and successes achieved in strategic management. This institution dates back to 1775. It was mandated that the postal service be self-supported monopoly. The government-supported monopoly. The postal service has been governed by an 11-member board of governors, nine of whom are appointed by the U.S. President and then approved by the U.S. Senate. The governors appoint the postmaster general, who then selects, with board approval, the deputy postmaster general. Both the postmaster general and the deputy serve on the board. Pricing must be approved by an independent Postal Regulatory Commission as a result of the 2006 Postal Accountability and Enhancement Act.

Despite this traditional and some would say, bureaucratic approach to structuring the organization, the postal service achieved financial self-sufficiency in the 1980s and has continued to advance its revenue-positive model ever since with revenues rising from $66 billion in 2001 to $73 billion in 2006. By 2005, it had eliminated a $11.3 billion debt and decreased expenses by more than $5 billion through a series of productivity improvements. Injury and illness rates among workers declined from 8.8 to 5.6 per 1,000 work hours from 2001 to 2006. Employee attitudes became more favorable growing from 55 percent to 63 percent and customer satisfaction scores as reported by the American Customer Satisfaction Index rose from 61 to 71.

To meet the challenges of rapidly changing markets, new technologies, evolving customer expectations and competition from companies like Federal Express, the postal service decided in the early 1990s to emphasize customers-first and to also establish accountability for service quality. These changes required transforming an organizational culture that was traditionally risk-averse, rule-based, and inwardly focused to one that engaged customers, employees and business. It began by assessing its performance using the Baldrige National Quality Award criteria, which focus on leadership, strategic planning, customer and market focus, performance measurement and analysis, human resources and process management. Then it crafted a series of five-year plans for reducing costs, increasing revenues, improving service and enhancing work settings. Five years later, the postal service hired outside examiners to conduct a formal Baldrige examination which resulted in the creation of a new management cycle which came to be known as Establish, Deploy, Implement and Review. As part of this new management cycle, the postal service defined strategic goals vital to the three voices it deemed necessary to continually respond to—the customer, the employee and the business.

Progress has been made and results matter. The U.S. Postal Service is but one example of an organization that is committed not to simply succeeding, but to also achieving sustained success through strategic management.

These goals became a detailed strategy map with operational excellence as the primary driver of value creation. An implementation team made up of executives from finance, marketing, human resources, strategic planning and field operations became responsible for oversight. By 2001, the performance measures had been accepted by 15 major business units which included six functional areas and nine geographically based operational units that supported six major lines of business. At the same time, an innovative performance incentive system based on private-sector practices was implemented to replace a seniority-based system of raises. To encourage adoption of the system, the postal service designed individual and unit performance goals reflecting common priorities as well as the diversity of job descriptions and contributions made by different operations to the organization’s overall success. As an example, the postmaster general and top executives became responsible and accountable for overall service performance while delivery supervisors assumed responsibility and full accountability for the performance of letter carriers who reported to them. Compensation is based upon sustained improvement.

Today, the postal service has more than 37,000 retail locations that generate over $17 billion pieces of mail every year and has made $17 billion in revenue. The U.S. Postal Service is but one example of an organization that is committed not to simply succeeding, but to also achieving sustained success through strategic management that allows it to weather industry turmoil, economic downturns, leadership changes, new competitive threats and resource constraints as well as to serve its customers, employees, and American citizens effectively.

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