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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 created so that American revolutionaries could communicate with one another outside of the Royal Mail system. Benjamin Franklin served as the first postmaster general.

In 1970, the postal service was designated an independent entity rather than a government-supported monopoly. The Postal Reorganization Act of that year eliminated taxpayer subsidies and mandated that the postal service be self-supporting. Since that date, 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 decided 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 the 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 inward 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 assessment that resulted in the creation of 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 in revenue. Until recently, it happened to be a key process goal. Today, the postal service continues to deliver various classes of mail consistently within a standard time that also happens to be a key process goal.

To drive its strategic performance, the postal service has used what it calls “breakthrough productivity initiatives.” These are defined for specific units and support specific goals like the reduction of costs at mail-processing plants, retail locations and bulk-mail facilities. Such “breakthrough productivity initiatives” have resulted in cost savings in work hours as well as in functions such as processing and accounting and has reduced the number of full-time, permanent employees by 80,000 or about 10 percent since 2001.

In addition to reducing costs, the postal service also integrates the feedback into its decisions by strategically planning. Annual performance targets are established based on recent performance trends, changes in the business environment, and anticipated organizational capabilities so as to drive accountability throughout the organization.

The executive team then obtains required resources and negotiates targets and allocates resources to strategic initiatives among headquarters, field units and across functions. The team adjusts goals, indicators and targets as required. Consistent with efforts to reduce costs, the postal service has moved to mail with lower value. The amount of effort and resources devoted by managers has decreased as executive and field managers have become more comfortable with the management cycle and cooperation at all levels has increased.

The once protracted and contentious internal budgeting process has become swift and predictable and is now concluded through one or two conference calls. Some flexibility has also been built into the cycle. For example, after hurricanes in Louisiana and Florida, the postal service worked with mailers to stop non-critical mail and re-route forward critical mail such as social security checks for displaced individuals.

The postal service has also managed to dramatically improve key processes such as transporting mail by partnering with competitors to further enhance service quality and reduce costs. As an example, it contracts with Federal Express to help deliver various classes of mail consistently within a standard time that also happens to be a key process goal.

Today, the postal service continues to focus on improving productivity and efficiency. It expects to refine the performance measurement system so as to further improve how and what the organization measures...to incorporate new strategic tools that will refine future-oriented decision making through the use of things like business planning toolkits and the integration of strategic data into the decision making process, and...to conduct business environment assessments as well as stakeholder outreach initiatives like surveys of both customers and business partners. As one example, it expects to make mail more “intelligent” through a more efficient bar-code tracking.

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