

# Ideas for Organizations

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This is the second in a series of newsletters taken from **Clearing Out the Dust and Cobwebs: Observations on Management, Organizations, and People**. The series contains a number of anecdotes and observations based on the experience of management consultant Bill G. Evans, as recorded by Michael H. Walker. The anecdotes in this series are grounded in actual experience, and the principles they embody can be applied to management in any sector, public, private, or nonprofit. Each story communicates a simple truth about management. Taken as a whole, they convey an overall management philosophy.

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## The Simple Truths About Organizations Is – It All Depends

Some time ago, one of our consultants received a flyer inviting him to participate in a series of seminars in which the merits of recently published books would be debated. Each month a different book was to be featured. At each monthly meeting a speaker would begin by criticizing the book; then the author would get up and defend his or her work.

One of the books in the seminar series was entitled *It All Depends*. In it, the author Harvey Sherman systematically debunked each of the principles of organizational structure that are written in textbooks on management. For example, the textbooks say that as a general rule an employee should report to no more than one person. Sherman correctly pointed out that everyone reports to more than one person. Matrix management is a fact of organizational life. Indeed, most of us report to more than one person from the moment we are born -- the first two being Mom and Dad. Sherman also debunked the principle that authority should be commensurate with responsibility. That sounds good, but have you ever met anyone whose authority was exactly commensurate with his or her responsibility?

The overall thesis of Sherman's book was that you cannot use organizational

principles alone to design the right structure for an organization. Creating the best organizational structure depends on a myriad of factors. There is no single right or wrong answer or formula that can be applied. "It all depends."

We couldn't agree with Simmons more. However, in our work we have found that there are certain approaches that can be applied to most organizations trying to arrive at a suitable structure. These issues are discussed in the following paragraphs.

### Organize functions, then organize people

Many people will tell you that when you think about organizations you should focus exclusively on functions. It is inappropriate they say, to organize around people. We disagree. Organizations are made up of people, and it is foolhardy to ignore their management styles, skills, and personalities when creating organizational structures. This is not to say that organizing functions is unimportant – it is. However, organizing functions is but the first step in developing a sound organizational plan. Unless you intend to fire everyone in your organization and start all over, the

second, more important step, is to modify the organizational plan to reflect the skills, styles, and personalities of the people who are expected to make things work.

### **Organize around complexity**

Some years ago several of our consultants attended a management seminar at New York University led by Peter Drucker. Mid-level and senior managers representing a broad spectrum of corporate America were attending the session. At the end of the seminar Drucker took questions from the floor. We were amazed at his ability to give insightful answers to questions that were, at best, mundane. One answer struck us as particularly perceptive. When asked what the appropriate span of control for mid-level managers should be, he answered, "You don't organize around numbers of people; you organize around complexity. An orchestra leader is able to effectively supervise a 72-piece orchestra. Of course, everyone in the orchestra has the same score."

### **Put authority at the lowest levels at which there is enough work to be an economic unit of production**

Despite its reputation for bureaucracy, over the years the U.S. Army has developed some very effective management practices. One of the most effective is its approach to organizing responsibility for vehicle maintenance. It divides vehicle maintenance into echelons of service. The first echelon consists of simple preventive maintenance, such as changing oil and windshield wiper blades. Responsibility for the first echelon is assigned to drivers.

Second-echelon maintenance – replacing alternators and brake pads, for example -- is assigned to the battalion level. There is not enough transmission and brake work in any one infantry company to justify having the skilled mechanics and specialized equipment needed to do it. A battalion, however, has enough second-echelon work to justify employing these skilled mechanics

and to make effective use of their equipment.

Third-echelon maintenance consists of changing engines or transmissions and requires highly skilled mechanics and very specialized equipment. Since there is not enough work at the battalion level to make effective use of these specialized resources, responsibility for third-echelon maintenance is assigned to the division.

This management principle – placing authority for a function at the lowest level for which there is enough work to justify an economic unit of production – can be applied to almost any type of organization. In schools, for example, it makes sense for principals to oversee the custodians assigned to their schools. Indeed, research shows a correlation between a clean, orderly learning environment and improved student performance. On the other hand, it makes little sense for principals to oversee tree-trimming operations on the school grounds. There is not enough tree-trimming work at any one school to make effective use of the specialized skills and equipment needed to perform this function.

Consolidated operations are not necessarily the most efficient operations. One of the first law enforcement consulting projects our firm performed was a study of the 124 police departments (not including Chicago's) in Cook County, Illinois. The individual departments ranged in size from small to smaller. A number of people we spoke to while we were doing this study felt that operating 124 separate police forces was intolerably expensive. Consolidating police operations into a single suburban police department, they argued, would be much more cost-effective. To make their case they pointed to the experience of Los Angeles County, California. Los Angeles County has 83 cities (which are somewhat larger than those in Cook County). At the time 80 percent of them

contracted with the Los Angeles County Sheriff's Department for police services.

To address this issue, we spent time looking at the system in Los Angeles County. In so doing we uncovered some interesting facts. First, we found that the total annual cost of police services allocated on a per-patrol unit basis in the 124 Cook County police departments was \$108,000, while the Los Angeles County Sheriff's Department was charging the communities it contracted with \$125,000 per patrol unit deployed. (Each community decided how many patrol units it wanted the Sheriff's Department to deploy on its behalf.) Part of this difference in costs was the result of differences in deployment strategies. The Los Angeles County Sheriff's Department deployed more two person patrol units than the Cook County police departments. As a result, its per patrol unit costs tended to be higher.

More telling were the results of another study. The Los Angeles County Grand Jury had hired the accounting firm Peat Marwick to calculate the total costs, including overhead, of the services the County Sheriff's Department provided on a contractual basis. Peat Marwick found that when overhead was appropriately allocated, the total cost of operating each contracted patrol unit was \$303,000, not \$125,000.

Similarly, our analysis for Cook County revealed that costs per patrol unit would double if a single overall suburban force were formed. We also concluded that consolidating police forces would not improve the quality of police protection at all. These increased costs, like the overhead costs in Los Angeles County, would primarily be the result of the additional supervisory resources needed to manage a consolidated police force. Obviously, a single police chief could not oversee 124 precinct captains, and a significant supervisory pyramid would be needed to oversee a consolidated department. In this example, consolidating similar operations sounded good but did not make sense.

To summarize, when you're looking at organizational structure with an eye to making it more efficient, you can't blindly follow principles. Remember, **it all depends.**

### Getting the Upper Hand When Dealing with Specialists

Senior managers, as a rule, are generalists. Instead of having a narrowly focused area of responsibility, they oversee a wide range of functions. This is as it should be. Over the years, we have observed that generalists often abdicate their managerial responsibilities when dealing with specialized or technical functions with which they are not familiar. They assume that they are not competent to oversee specialized functions. After all, what do they know about police departments? What do they know about fire departments? They feel pretty comfortable overseeing the finance function they previously managed themselves, but managing computer operations seems like venturing into foreign territory. Better leave something like that to the experts, they figure.

Well, they figure wrong. Generalists need to take the upper hand when dealing with specialists. To do so they have to learn to question the conventional wisdom if it doesn't seem to make sense.

Peter Drucker once noted that if you are an orchestra leader you don't need to know how to play the bassoon; you just need to be able to tell the difference between good bassoon playing and bad bassoon playing. You also need to be able to coax good bassoon playing out of the bassoonist. The same can be said about any manager. As a manager you need to understand the fundamentals of each operation you oversee. If you are a city manager, you don't need to know all there is to know about police operations for example. You do need to be able to tell whether your police department is providing adequate service at a reasonable cost. Likewise, you don't

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have to be a “computer jock” to be effective at overseeing a data processing operation. You just need to know what types of services you want that operation to provide.

Specialists often try to confuse the generalists who oversee them. They wrap themselves in the aura of their expertise. Rather than give direct answers to questions they obfuscate issues using jargon. Specialists often convey the impression that no generalist could really understand the issue and you will just have to “trust them on this one.”

Managers don't need to understand everything there is to know about a specialized operation. They just need to know enough to ask good questions, have the judgment to know when to ask them, and be able to recognize correct answers.