

Joint Transportation Committee

Evaluation of Management and Organizational Structure

WASHINGTON STATE FERRIES

DRAFT Findings and Recommendations



December 7, 2011

INTRODUCTION

In August 2011, the Matrix Consulting Group initiated the Evaluation of Management and Organizational Structure of Washington State Ferries (WSF). The primary goals and objectives of the evaluation is to identify the appropriate number of management layers, identify effective chain of command and spans of control, and make recommendations to improve the efficiency and effectiveness of management. To address these goals and objectives, the project has conducted the following activities:

1. Interviews with more than 70 individuals, including the following:
 - Key elected officials, to obtain their perceptions of how well the WSF is managed, organized, and operated, including the identification of primary issues and potential improvement opportunities.
 - Key staff from the Joint Transportation Committee, the Senate Transportation Committee, the House Transportation Committee, and the Governor's Office, and the Office of Financial Management.
 - The Secretary of Transportation and the WSDOT Chief of Staff to understand the overall management, organizational, and operational issues of the WSF, including the past and present efforts to improve how the WSF is operated.
 - More than 60 individual employees of the WSF, including the Assistant Secretary and Deputy Chiefs, the Directors, Managers, and Coordinators, as well as Vessel Captains, Terminal Supervisors and Senior Engineers, which also included site visits and tours of ferry operations.
2. The collection and review of descriptive WSF information from previous studies and reports, including the review of organizational charts, job classifications and descriptions, employee contracts, employee listings, and applicable workload and service level data.

3. An employee survey which was distributed to approximately 1,500 employees at all levels and divisional work units to obtain their perceptions regarding management and structural issues, and input on the potential opportunities for improvement (the survey results have been included under separate cover and will be incorporated into this draft document after review). Based on these activities, this draft document provides the key findings and preliminary recommendations regarding WSF management and operations, followed by the initial assessment of organizational spans of control, and ending with the assessment of the collective bargaining agreements which impact management decisions and operational costs.

4. Utilized industry best practices and our extensive management review experience and knowledge of management and organizational structure.

Summary of Findings and Recommendations

The following table provides a listing and discussion of the predominant issues impacting the WSF management and organizational structure framed by the above principles; essentially these are key findings, conclusions and preliminary recommendations based upon the project team's analysis thus far.

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(1) General Issues:

- Spans of managerial control are unbalanced, ranging from one-over-one reporting relationships to managing several dozen personnel.
- There is a lack of proper management and supervision outside of the 8am-5pm time period at certain WSF locations (e.g. terminals).
- There are possible opportunities to centralize some staff functions to streamline or re-allocate management positions.

Key Finding	Summary of Project Team's Assessment	Preliminary Recommendation
<p>A. Overall, management to line staff proportions and related costs have not changed significantly over the past decade.</p>	<p>The following data are noted:</p> <ul style="list-style-type: none"> • Management and support operations labor costs in the 1999-2010 timeframe have grown at the same rate as vessel and terminal operations labor costs. In 2010 management and support labor costs were 10 percent of total operations labor costs and the average percentage for the entire 1999-2010 time period is 10 percent. • Executive Management positions decreased over four years and represented 2% of all positions in 2005-07 and 1% in 2009/11. • Operations Management and Support positions increased over four years and represented 4% of all positions in 2005-07 and 5% in 2009/11. • Maintenance Management & Support and Finance & Administration remained at 4% over the 2005 to 2011 time period. • Overall Management and Support positions decreased from 149.25 positions in 2005-07 to 145.15 positions in 2009-11 (10% to 9% of total Full Time Equivalents, respectively)¹. 	<p>None noted.</p>

¹ Cedar River Group, 4/1/11 memorandum, page 1-3.

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Key Finding	Summary of Project Team's Assessment	Preliminary Recommendation
<p>B1. The WSF organizational structure varies widely with regard to span of control and managerial layers.</p> <p>B2. In a “reactive/responsive culture” such as WSF, additional management positions and layers are necessary’ (Discussed in further detail in 2-(5)).</p> <p>B3. Additional management positions and layers are regularly necessary when lowest level managers and/or supervisors do not or cannot exert sufficient authority and control. (Discussed in further detail in 2-(8)).</p>	<p>Best practices typically indicate that there should be no more than five management layers from the lowest first line supervisor to the executive management position of an agency; there are exceptions. The intent of this “flatter organizational structure” is to facilitate communication and drive decision-making to lower levels. When incorporating WSF in the broader WSDOT organization, the “rule of five” is exceeded in some divisions.</p> <p>Best practice suggests typical mid-level manager to first-line supervisor spans of control range from 1:6 to 1:11 depending upon variables such as the amount of technical, administrative and field work accomplished by the supervisor/manager beyond personnel oversight, the type and complexity of the profession, etc. Executive-level spans of control are typically narrower. Recent trends are to widen span of control.</p> <ul style="list-style-type: none"> • When incorporating WSF in the broader WSDOT organization, the “rule of five” is exceeded in some divisions. By example, in WSF Operations, the number of layers is seven (ranging from the WSDOT Secretary to the Captain level) or six if only including the WSF organizational structure. • The spans of control in some WSF instances is overly narrow, with some one-over-one reporting relationships (e.g. the Operations Center Port Captain has one direct report). • Conversely, some lower level manager positions have overly extensive spans of control, overseeing dozens of personnel (e.g. Port Captains and Terminal Managers). 	<ol style="list-style-type: none"> 1. Consolidation of a moderate number of upper manager functions appears viable upon other organizational/cultural changes noted subsequently. 2. Additional low level management supervision appears necessary in some functional areas. Specifics will be detailed in the final report. <p><i>Specific position types that can be consolidated or should be added to will be detailed in the final report. Ultimately, however, management re-organization will result in minimal net change in management positions.</i></p>

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Key Finding	Summary of Project Team's Assessment	Preliminary Recommendation
<p>C1. Ferry Terminals do not have dedicated supervision beyond the approximately the 5pm to 2am timeframe.</p> <p>C2. In the Operations Center dispatchers work on a schedule covering 18 hours, 7 days per week. They have no direct supervision during night periods and must rely on the Crew Resource Manager being "on-call." This is despite a Watch Center Supervisor on-site with other duties that is not cross-trained and has no authority over these dispatch positions.</p>	<p>Some WSF operations do not have the lowest level of management (direct supervisors) available during operating hours outside of 7am to 5pm. Examples include:</p> <ul style="list-style-type: none"> • Terminal supervisors typically conclude shifts at 5 pm despite extended (and often busier) operating hours well beyond this time. • There is no dedicated or officially delegated manager in-charge at these terminals outside of 7 am to 5pm. Senior Sellers typically perform this role, if required, without "acting pay" compensation. • There is no dedicated supervisor in charge of the Operations Center (Dispatch operations) beyond 5pm. 	<p>3. All WSF operations should have an assigned supervisor to manage daily functions irrespective of the time of day / day of week. This can be an acting supervisor, or a dedicated supervisor.</p> <p>4. Those personnel assigned to regularly act in a supervisory capacity should be paid "acting pay" for such service.</p> <p>5. Different supervisory models could be adopted to avoid the need for site-specific supervision. This could include a Supervisor outside of 9-5 in the Operations Center overseeing dispatch on-site and terminal functions remotely. The issue is to ensure that personnel with dedicated responsibility and accountability are assigned to manage/supervise.</p>

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(2) General Issue:

- **The WSF Performance Management System (performance evaluations, performance objectives, key performance indicators) is not consistently used or fully established throughout the organizational structure.**

Key Finding	Summary of Project Team's Assessment	Preliminary Recommendation
<p>A1. The annual employee performance evaluation system is not used consistently throughout the WSF organization. This includes various management/supervisor positions as well as line staff.</p> <p>A2. Additional and appropriate Performance Objectives need to be developed allowing the WSF management to be held accountable by the executive branch and overseen by the legislative branch, thereby minimizing overt involvement.</p>	<p>Performance evaluations and performance objectives are part of a broader, and important, Performance Management Program.</p> <ul style="list-style-type: none"> • Interview with WSF managers indicates the performance evaluation system is not used consistently in all WSF work units. • 47% of employee survey respondents disagreed with the statement “the performance evaluation system is fair and consistent”; a smaller percentage (37%) agreed with the statement. • While there are certain Key Performance Indicators (KPI) or objectives in place at WSF (e.g. fairbox recovery rate), there is opportunity to augment these with additional SMART objectives (Specific, Measurable, Achievable, Relevant, and Time-bound). The OFM is working to develop additional appropriate performance objectives for the WSF pursuant to legislation enacted in 2011. 	<p>6. Ensure an annual performance evaluation program is executed for all first-line supervisor positions and above on an annual basis. Properly completed performance evaluations are integral to a broader Performance Management Program.</p> <p>7. Follow-through on the independent Performance Objective Development Initiative. The Governor’s Office should use SMART objectives for WSF, reported quarterly to key stakeholders, to ensure the organization’s accountability and help minimize legislative operational involvement and inquiry, as practical.</p> <p>8. In concert with the above, develop an Annual Work Plan as part of a broader Performance Management Program whereby the Governor’s Office can hold WSF accountable for achievement of certain agreed upon initiatives. These results should be reported to the Legislature.</p>

(3) General Issue:

- **The WSF promotion process is problematic for some management positions.**

Key Finding	Summary of Project Team's Assessment	Preliminary Recommendation
<p>A. The WSF does not have a consistent practice in place with respect to promotional opportunities. Some "Equivalent Positions" are promoted based upon seniority while others are based upon knowledge, skills and abilities.</p>	<p>Disparate promotional systems and opportunities are not consistent with best management practices and exacerbate problems in any agency's Performance Management system.</p> <ul style="list-style-type: none"> • Positions such as Staff Chief assigned to Vessel-based Engineering and Terminal Supervisors are promoted based upon performance. • Positions such as Staff Master (Captain) and Watch Center Supervisors (Operations Center) are promoted based exclusively on seniority. • This issue is linked to specific contract language and discussed further in Section 3 of this report. 	<p>9. To facilitate effective agency-wide Performance Management, contracts should be negotiated whereby manager/supervisor selection is based upon the "most qualified" person with seniority being utilized as a factor only on "equally qualified" individuals.</p>

(4) General Issue:

- Many contract terms and conditions associated with several bargaining units are uncommon; these can have a dramatic impact on the way an organization is managed.
- Certain internal procedures (e.g. call-back procedures, disciplinary procedures) are cumbersome and hinder managers' ability to effectively operate, and results in excessive operating costs.

Key Finding	Summary of Project Team's Assessment	Preliminary Recommendation
<p>A1. There are various major provisions in WSF contracts that have significant impact on either operational discretion exercised by Management or that represent increased costs to operations beyond those typically seen in other public sector employment relationships.</p> <p>A2. Conversely, the contracts are missing other provisions that are consistent with best practices.</p>	<p>Contract terms and conditions can have a dramatic impact on the way an organization is managed and how business is conducted, impacting both operational efficiency and effectiveness. Contracts need to be equitable for both management and staff to ensure productive agency operations.</p> <ul style="list-style-type: none"> • Given the importance of potential deleterious issues related to contract language, it is further detailed in Section 3 of this report. • There are some contract elements, such as "lack of acting pay for supervision" or "pay for additional certifications" that ideally should be incorporated into contract language. 	<p>10. To facilitate efficient and effective WSF operations, contracts should be negotiated with terms and conditions that are equitable to staff while retaining appropriate management rights and flexibility to productively operate the WSF agency.</p>

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(5) General Issue:

- **Multiple and often competing direct input from numerous stakeholders creates a reactive culture and impacts manager’s capabilities to manage efficiently and effectively.**

Key Finding	Summary of Project Team’s Assessment	Preliminary Recommendation
<p>A1. There is a strong perception that the Legislature micro-manages WSF to its detriment. Micro-management is also perceived as a characteristic of some WSF management.</p> <p>A2. There is a strong perception of over-involvement by various interested WSF stakeholders (ranging from the Legislature to citizen Ferry Advisory Committees) that overly influence WSF operations. Such involvement can impact the efficiency and effectiveness of the organization. There is a perception insufficient autonomy exists.</p> <p>A3. There is perceived dissension among union, rank, file, and management that impacts the ability to effectively manage.</p> <p>A4. The outcome of these influences is a reactive/responsive organizational culture that impacts agency personnel requirements (Firefighter Syndrome).</p>	<p>Micro-management definition: <i>To manage or control very closely, as by making decisions about even the smallest details, often so as to be regarded as acting inefficiently or counterproductively</i></p> <ul style="list-style-type: none"> • Both management and employee survey results indicated a culture of micro-management at WSF, beginning with the Legislature and including some personnel in various management positions. • There is opinion that various end-user groups, such as the Ferry Advisory Committees, have undue influence on WSF operations impacting its ability to make sound business decisions based upon both service delivery and fiscal realities. • 72% of survey respondents disagreed with the statement “political bodies and WSF staff work effectively together.” • 72% of all survey respondents disagreed with the statement “the Union and WSF management work effectively together”. Interestingly, a smaller proportion (64%) of staff positions shared this position although 1-in-6 had “no opinion.” • 78% of WSF Executives and Managers, and 54% of supervisors (1-in-5 had no opinion), disagreed with the statement “Political bodies emphasize policy guidance to WSF as opposed to operational input.” 	<p>11. Improve staff / management relations through internal joint teams dedicated to solving major WSF issues, particularly those linked to the Performance Management Program’s Annual Workplan.</p> <p>12. The Governor’s Office and WSDOT executive management, in conjunction with WSF executive staff, should establish and agree upon clear performance standards which to evaluate the level of success achieved by the WSF organization in providing services to the public. These performance standards should ultimately be deemed appropriate by WSF stakeholders as representative of a “productively run organization” hopefully limiting their over-involvement in WSF operations.</p>

(6) General Issue:

- **Some administrative tasks performed by manager/supervisor are over-emphasized and extremely time consuming.**

Key Finding	Summary of Project Team's Assessment	Preliminary Recommendation
<p>A1. Administrative duties performed by a number of managers and supervisors are inconsistent with best practices and/or better performed by para-professional positions.</p> <p>A2. Such duties impact both staffing needs and the abilities of managers and supervisors to focus on core business as opposed to repetitive administrative tasks.</p>	<p>A key management principle is Staff resources should be utilized efficiently. The organization must allow managers to focus on the core business of managing processes and people while <i>minimizing</i> burdensome administrative tasks.</p> <ul style="list-style-type: none"> • Approximately one dozen middle managers spend 20% to 30% of their time auditing personnel Pay Orders. • Every terminal supervisor audits daily all Digital Video Recording (DVR) Exceptions at the payment booths (of which only a small percentage are terminal employee error) as opposed to programs based on random sampling, Employee Improvement Program efforts or other similar initiatives. 	<p>13. Enhance internal operations through internal staff / management teams dedicated to solving major WSF issues. By example, identify time-consuming and repetitive managerial administrative tasks and then re-engineer these processes to reduce administrative burden.</p> <p>14. If various administrative efforts are deemed mandatory, identify and hire para-professional positions, as practical, to re-allocate these duties, thereby freeing managers to perform core business associated with a management position.</p>

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(7) General Issue:

- **Information Systems (technology, communications) are not effectively utilized in several instances reducing managerial efficiency.**

Key Finding	Summary of Project Team's Assessment	Preliminary Recommendation
<p>A1. Various prior information technology (IT) initiatives have not met with desired success or, alternately, have outright failed in their implementation for various reasons.</p> <p>A2. Technology impediments can significantly affect an organizations ability to manage efficiently and effectively.</p>	<p>The proper use of technologies is a key driver in managing an organization. While effectively implemented technologies can support and supplant staff, failed technology initiatives, or those not implemented effectively, can have a dramatic impact on managerial efficiency. The following serve as WSF technology efforts that have not achieved desirable outcomes.</p> <ul style="list-style-type: none"> • A lack of integration between two IT systems: Oracle and AOSS (Automated Operations Support System) software, requires managers to spend extensive time auditing Pay Orders. • The MPET software that tracks inventory, parts, and work orders has inconsistent on-vessel communication linkage to the land-bound communication infrastructure. This causes intermittent connections, periodic lost data, redundant data entry, etc. • The WINDS dispatch software designed to replace other proprietary software has been described by some WSF members as a failed information technology solution. The software, implemented within the past 5 years at an approximate cost of \$2 million is described as both cumbersome and unmanageable by end users, resulting in some staff using older systems to facilitate their work. • A proprietary customer complaint database is maintained, but not generally used for lessons-learned, disciplinary processes, pattern identification that could lead to operational modifications, etc. 	<p>15. Ensure all IT projects developed are consistent with a WSF Information Technology Strategic Plan; if this is not in place, develop one.</p> <p>16. All information technology projects should be managed consistent with Engineering-based PMBOK (Project Management Body of Knowledge) standards.</p> <p>17. Re-visit major information technology initiatives that are identified as potential failures or have significant implementation problems and report to WSDOT executives the steps that must be taken to resolve such issues.</p>

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(8) General Issue:

- **There is a lack of consensus and understanding regarding some management positions as to their respective roles and responsibilities.**

Key Finding	Summary of Project Team's Assessment	Preliminary Recommendation
<p>A1. Staff Master / Captain positions are not yet fully developed, nor are staff trained, to serve as first-line managers / supervisors in WSF.</p> <p>A2. Other supervisory positions in WSF (e.g. Terminal Supervisor) do not consistently understand or embrace the roles and responsibilities of a supervisor positions, particularly related to employee discipline.</p> <p>A3. Lowest level manager and first-line supervisor positions that are untrained, unable, unwilling, or not directed to perform core supervisory duties can affect the roles and responsibilities of upper level managers. Supervisors that do not perform in such roles consistent with best practice can potentially require additional staff resources at managerial levels to compensate.</p>	<p>Lowest level managers and first-line supervisors are near universally regarded as one of the most important “managerial” positions in an agency, providing the critical linkage between staff and “upper management.” Problems at this organizational layer can have a dramatic impact on operations.</p> <ul style="list-style-type: none"> • With the recent “re-class” of Captains to managers, there is a lack of clarity as to their true roles and responsibilities. Many captains do not embrace this job expansion. Limited training has been provided. Formal extension of their duties does not begin until July, 2013. • Many first line supervisors are not delegated, or not contractually obligated to get involved in employee review and/or disciplinary processes. This requires managers to take on this sometimes onerous and lengthy responsibility. 	<p>18. In the mid-term, conduct a comprehensive WSF compensation and classification study specifically defining the roles and responsibilities of all WSF positions and well as compensation recommendations based upon knowledge, skills, abilities and job requirements. This should include Relief Employees as well as On-Call employees. Such studies typically cost \$500-\$1,000 per job classification and could be limited to various job classification layers (e.g. all supervisors).</p> <p>19. Provide adequate (e.g. 40 hours) supervisory training to all new managers and supervisors with regard to expected roles and responsibilities with particular emphasis in such areas are personnel management. Periodic re-fresher training is encouraged on a bi-annual basis. The cost of such operations is dependent upon the training performed (on-site versus off-site) and whether absent positions resulting from training require overtime coverage.</p>

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(9) General Issue:

- Some positions classified as “managers” are performing few managerial functions. They operate as professional classifications.

Key Finding	Summary of Project Team’s Assessment	Preliminary Recommendation
<p>A1. A review of manager positions indicates that some of them would be classified as professional or supervisory (as opposed to managerial) job classifications in many other public sector agencies.</p> <p>A2. Mis-classification of job positions can inflate (or alternately deflate) numbers related to the total assignments in managerial, professional, para-professional, clerical, and other job classes. In WSF, the managerial count seems to be partially inflated.</p>	<p>With regard to an organizational and management structure that demonstrates: <i>Job classifications reflect the appropriate duties and responsibilities performed</i>, the organization should ensure position titles and the attendant roles properly reflect a common-practice job classification.</p> <ul style="list-style-type: none"> • One-over-one reporting relationships often (though not always) indicate redundancy in duties and responsibilities—and the possibility of position reduction—or alternately improperly classified jobs. There are some situations of one-over-one relationships in WSF. • Some positions, illustrated by the Communications Manager or Communications Systems Manager, are actually supervisor or professional positions in other public sector agencies, not managers. 	<p>20. See recommendation 18.</p>