

RALPH J. STEPHENSON
CONSULTING ENGINEER

BUSINESS MODEL

FOR

R.A. ASSOCIATES

prepared

by

Ralph J. Stephenson, P.E.
Consultant

Confidential

RALPH J. STEPHENSON

CONSULTING ENGINEER

April 1971

To: R. A. Associates

Re: Suggested Organizational Restructuring

(Based upon associate meeting discussion held at
Skandia Restaurant, Thursday, April 1, 1971)

From: Ralph J. Stephenson, P.E.

On April 1, 1971, the associates of Louis Redstone Associates, Inc., along with concerned guests, were presented with, and briefly discussed a proposed restructuring of the organization of the firm. Suggested alterations to the company operations were submitted to the associates. The subsequent material, along with that distributed the evening of the April 1st meeting, is for the purpose of study and evaluation by the associates. At a future date to be set once their study has been completed, discussions in depth will be held regarding revisions and adoption of the procedure.

It is hoped that each associate will constructively and critically review the proposals with the idea that he is a highly respected manager and executive in the firm and will be responsible for successful implementation of whatever organization is approved and adopted.

Ralph J. Stephenson, P.E.

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ELEMENTS OF BUSINESS MODEL

for

R. A., Inc.

* Group A, Element 1

Basic Socio Economic Purposes

Intensive interviewing of thirteen associates and principals indicates a somewhat consistent concept among this group of the company's socio economic purposes. Socio economic purposes relate to the method by which the business organization and the professional staff contribute to society, provide a living for its members and assist in generating, maintaining and improving the social and economic climate in which individual beliefs are grounded. The analysis was assisted by abstracting the basic socio economic purposes reflected in each individual interview. These are combined below into an overall statement of what the company management staff feels is the company's purpose.

- a. To practice contributive architecture, engineering, planning, and related disciplines in such fashion as to serve the public health, welfare and safety; be of value to the client; and give a sense of worth and accomplishment to the company staff.
- b. To practice contributive architecture, engineering, planning, and related disciplines in such manner as to provide meaningful employment and a good living reimbursement to employees.

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- c. To provide expert professional environmental design and related services within a management structure that maintains effective production levels, but allows internal freedom to the greatest extent possible within the firm.
- d. To competently practice environmental design so that the value return on good work will be managed in such fashion that it accrues to the employees.
- e. To generate and maintain to the greatest extent possible a management system that serves and disciplines, rather than dominates, the professional practice of individuals in the firm; and that is built upon a professional desire to serve, along with a mutual feeling of trust and respect.

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* Group A, Element 2

Values Held Important by Managers

The values and action characteristics presently held important by managers in the organization are summarized or implied in the statement of basic socio economic purposes (Group A, Element 1). For ease in reference, below is summarized the stated values held important by principal members of the staff. The listing is not in any significant order.

- Prudent management
- Hard work
- Profitable work
- Non panic approaches
- Good followup
- Merit reward to staff
- Low non-production expenses
- Experience within and without firm
- Self management
- Opportunity to advance (defined as improving position and achieving a greater profit, whether the profit be measured as financial, professional or personal)
- Pride in workmanship
- Generation of positive values in other people
- Obtaining, maintaining and enjoying a good reputation

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- Short, medium and long term goal establishment
- Organization definition
- Personal involvement with clients
- Good production abilities (of the basic product of the firm)
- Continued diversification
- Good internal and external communication
- Continued internal professional training and education
- Efficiency (effectiveness)
- Mutual trust (one of the most important present characteristics of the firm, and one of the most frequent value statements encountered)
- Achievement of ideals
- Compassion
- Excellence
- Individual contribution to total firm activity
- Thoroughness
- Positive company, organizational and individual growth
- Involvement in creative work
- Job dignity
- Good working environment
- Maintenance of a meaningful and enjoyable career
- Effective management of resources
- Effective marketing of professional product

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This list is by no means complete. It does, however, paint a word picture of the firm and shows the depth of feeling that the management staff has about its professional work. It also points out the importance that members of the organization assign to various elements considered of value by them. The strongest feeling that came through was the intense desire by the majority of the people to do a good, professional job.

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* Group A, Element 3

Opportunities, Strengths, Problems and Weaknesses

A statement of opportunities, strengths, problems and weaknesses represents opinions derived from personal observation and from my interpretation of stated or implied opinions of the principals and associates interviewed. The interchangeability among the four items above is quite striking. An opportunity, for instance, may easily turn into a problem; in fact, most opportunities generate problems before they are realized as opportunities. A weakness in one person's eyes may be a strength in another's. All statements of strengths and weaknesses, opportunities and problems must be subjected to a careful evaluation before they can be of value. With this idea in mind, the groupings below are presented for guidance in looking at the suggested operational and organizational plans for the company.

Opportunities and Strengths

- Good attitudes toward profit (financial, personal, professional)
- Financially strong
- Staff generally loyal
- Staff generally hard working
- Fair check and balance system
- Fair personal rapport between management and employees
- Fair range of environmental development and design talents
- Excellent presentation abilities

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- Excellent reputation among clients and prospective clients
- Good potential for effective production organization
- Detail work good
- Large number of perceptive, sincere and people oriented managers
- Good potential for business investment opportunity
- Client relations, fair to excellent
- Good human values in company
- Diversified characteristics, practice and clientele
- Staff people enjoy solving problems
- Staff people are able to conceive and design serviceable, economical, relatively trouble-free structures
- Principal group is mentally and emotionally strong
- Some staff members financially profit oriented
- Natural good luck
- Good relationships with contractors
- Strong community and social ties
- Associates and principals desirous of improving their's and the company's position

Problems and Weaknesses

- Some paternalism
- Individual financial reward on informal basis
- Some conflicting staff interrelationships

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- Inadequate planning for future client relationships
- Slow work diversification efforts
- Inadequate internal job scheduling and budgeting
- Inadequately staffed engineering groups for full function
- Trend toward unbalanced department sizes
- Excessive dependence upon Mr. L.R. for new work
- Little, if any, deliberate public relations work
- Cost accounting system not responsive enough
- Need for better diffusion of responsibility and authority
from Mr. L.R. to other top managers
- Poor communication among principals
- Research and development attitudes need strengthening
- Limited income potential for all staff members
- Lack of staff understanding about methods of improving
financial return
- Too many unstructured or informal organizational relations
- Some staff impatience (not always bad)
- Undefined and too delicately balanced functional structure
- Unclear definition of responsibility and authority
- Little or no executive training for future managerial
positions
- Inadequate administrative direction
- Over-dependency upon Mr. L.R.

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- Principals and associates often too deeply involved in doing, as opposed to managing
- Inadequate diversification in practicing areas
- Tendency to be preoccupied with over-detail
- Trend toward increase in non-productive activities
- Lack of familiarity at middle management level with affairs of company
- Lack of production staff participation in early project program writing
- Coordination lacking between departments
- Stenographic services poorly distributed
- Clogged communication channels to and from engineering
- Staff often spread too thin
- Departmental responsibilities and authority poorly defined
- Staff capabilities currently only fair for increased diversification
- Occasional loss of continuity with clients
- Field supervision spread thin
- Excessive anxiety among some staff regarding money matters (may affect work)
- Lack of innovation among principals and associates
- Some feeling that construction documents are redundant (a minority feeling)

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- Engineers not involved early enough on project
- Lack of equity stake in company by present principal and associate group
- Lack of understanding among associates about obtaining new business

The above statements of pros and cons regarding the present company could easily be taken out of context and should not be magnified beyond their true importance. It should be kept in mind that these statements of strengths, opportunities, problems and weaknesses are isolated as a help in pinpointing what various responsible people in the company see as assets and liabilities. The above list, in certain cases, has been augmented by observations of my own but basically, it represents feelings of the associates and principals that, in my opinion, have some justification. It is the responsibility of all members of the company management to continually evaluate the interplay of strengths and weaknesses to determine methods of improving performance and achieving goals. However, a plan of work to achieve excellence and to minimize mediocrity can never be conceived and put into work unless characteristics, both good and bad, of the organization are recognized.

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* Group B, Element 1

Strategic Plan Objectives (5 to 10 years)

Strategic plans set goals for the company over a five to ten year time period. They consist of long range statements of objectives and policies that currently appear valid. The intent of stating strategic plans and long range goals is not to create an inflexible situation that disposes of plan changes in the intervening period. Instead, it is to hold up a target by which we might structure our other two sets of plans - medium range and short range - so that as the medium and short range plans are executed, their impact upon an established, well defined, strategic long range plan can be evaluated, recognized and periodically incorporated into a revised strategic plan. Thus, the statements below only represent a starting point and are destinations seen through a long time telescope. We might compare it to the statement of the youngster who, in his childhood, looked at the moon and said: "I want to fly there someday." His goal of flying to the moon may remain as he grows up, is educated and becomes an astronaut but by the enrichment of his mind through experience and education, he sees as he achieves his intermediate goals of high school, college and vocational training, a need to alter his long range plans to encompass a far broader set of objectives than merely flying to the moon. He must decide as he learns and matures how he will go, what it is he will do when he gets there, what purpose it will serve for him to go, how he will return and other such myriad questions. Strategic plans are subject to constant review as medium range and short range plans are achieved.

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The strategic plan objectives listed below (in no special order) are initial suggestions from me as to what character the long range plan statements of the company might take. They are to stimulate discussion and are not to be considered final recommendations by me as to what I think the plans should be.

Strategic Plan Objectives (5 to 10 years)

- a - To develop a mature, well functioning physical and social environmental planning group as a profit making operation of the company
- b - To group the various functional elements of R.A. into logical business entities, all responsible to a major business holding group

The functional divisions may be used to create internal management responsibilities and rewards, while still holding ultimate control over strategic actions. Functional managers become directors of their own professional and vocational destiny. Thus, a functional division in the company complex may literally be a small, medium or large business in its own right with benefits of business success or failure accruing its managers and the parent holding complex.

- c - To generate a broadly diversified and financially profitable investment portfolio consisting of investments both related and unrelated to the company's prime function.

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The investment company should be managed by a competent business executive and serve as a financial profit making vehicle for members of the R. complex. It would be one of the functional divisions.

- d - To expand geographically by deliberate diversification and strengthening of related and non-related business activities. Geographical diversification should be approached slowly and be dependent upon the desires of the managing staff. Such expansion is useless unless accompanied by a corresponding achievement of financial, personal or professional profit. Geographic diversification, however, can enrich the design experiences of a staff and give a variety to professional lives that is lacking in a restricted geographical practice. The five to ten year plan should anticipate expansion within the North American continent. Longer range planning may encompass international expansion.
- e - Within ten years, to develop the total capability of carrying out, as responsible and liable managers, any environmental design and construction program from initial felt need (not necessarily recognized by the client) on through to maintenance and full operation of the facility.

Some elements of this program will be realized as parts of the medium range plan, while others may not be achieved until

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beyond the time scope of the strategic plan as stated now. However, in five to ten years enough well defined functional divisions should be established within the company through which movement into this extended line of action concept can be made.

- f - To achieve individual investment portfolios for each associate and principal that will provide them with incomes beyond those which they can realize from their own, individual professional endeavors. Management of these portfolios should be a responsibility of the investment division of the R.A. organization. Entrance into certain defined management ranks by an individual in the R.A. organization might be rewarded by presentation of a starting investment portfolio. These investment portfolios must grow in value by an equitable contribution of funds, effort and time by the managers to whom they are awarded.

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* Group B, Elements 2 and 3

Medium Range and Short Range Plan Objectives (Now to 5 years)

Medium range plan objectives are those detailed goals that define the intermediate steps which influence achievement of strategic goals.

Statement of intermediate objectives that offer potential will help give direction, and stimulate further statements by present management (associates and principals) as to their feelings in this critical transition period. The following are some of the more pertinent and offer a starting point.

- ✓ 1 - To initiate an intensive analytical study and implementation of investment opportunities in environmental design and construction related investments as well as in non-related fields.

This action should be accomplished by a person or persons who understand the basic present business of the company and have a desire to relate it to other business activities.
- ✓ 2 - To develop and put into practice a comprehensive scheduling, budgeting and control system for architectural, engineering and planning work within the R.A. organization. (Also see item 23)
- ✓ 3 - To develop a detailed business plan, the basic purpose of which is to generate a high degree of responsibility among top and middle management personnel for management, profit making and goal achievement of functional divisions held by the parent R.A. organization.

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- ✓ 4 - To develop a comprehensive sales and public relations division that involves members of the R.A. staff but is directed by a full time operating group.
- ✓ 5 - To clearly define the management authority, responsibility and reporting systems in various functional divisions as defined in the present proposed organization structure for R.A.
- ✓ 6 - To strengthen and bring up to organization parity (where necessary) the mechanical, electrical and structural engineering departments.

Parity is roughly defined as staffing a department in general proportion to the amount of money budgeted to its operation for any given project. This tends to allocate time on a fair basis and prevents panic situations and high buildup of unwarranted overtime.
- 7 - To strengthen managerial and creative design interest and talents in the mechanical, electrical and structural engineering departments.
- 8 - To develop two drafting pools (perhaps later, a third), the first for the architectural group; the second for the engineering group. A high degree of flexibility should be encouraged among members of the pool so that where desire is indicated, an individual can gain experience in a wide range of disciplines within the company. It is recommended, in fact, that a prerequisite to promotion is constant exposure in the pools to a wide diversity of project work.

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- 9 - To establish a well defined succession of management so continuity of organizational direction is maintained irrespective of personnel changes.
- 10 - To develop a well defined set of company policies that will clearly set the professional, functional and financial position of those in the R.A. organization.

This is not to imply that a rigid managerial system is also to be applied. In fact, the management techniques to achieve objectives may, of necessity, be somewhat informal in nature. The purpose of defining policies is to allow any person in the company to fully understand his position at any time and for him to be able to acquire information necessary to evaluate his performance, standing and relationship to the R.A. organization.
- 11 - To establish a client relation and public relation group that is responsible for maintaining a continuous supply of work to all functional segments of the company.
- 12 - To initiate a land planning division with an objective of gradually expanding the functions of this group as personnel become proficient and are acquired, to encompass other physical and non physical disciplines related to the planning effort.
- 13 - To establish responsibility for continually evaluating, improving and applying research and development techniques to production work of the office. The goal is to improve methods of producing the end products of the R.A. organization.

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- 14 - To constantly study the impact of numerical business change in dollar amount and in number of personnel so as to allow healthy increases as a result of diversification and acquisition of new accounts.
- A quantitative statement of goal increase in dollar volume or manpower level is avoided at the present time, since such a statement is useless without further definition of the business efforts to be concentrated upon. It is the concentration of attention on proper functional areas that ultimately will allow us to define the numerical standards we wish to achieve.
- 15 - To encourage continued education and training efforts among responsible members of the staff. This ultimately to be expanded into a planned educational program serving as a requirement for advancement within the company.
- 16 - To encourage development of a project oriented management system that will allow acceptance of responsibility and authority by any member of the middle or lower management who seeks such responsibility.
- 17 - To interlace a functional project organization with the currently strong departmental relationship so that the management reporting system is kept simple, consistent and understandable to all members of the organization.

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- 18 - To establish procedural techniques by which short, medium and long range plans and objectives are evaluated, reviewed and articulated each year.
- The planning group should be composed of responsible operating managers of the organization, and business planning should be a required part of their job activities.
- 19 - To develop formal statements of responsibilities and authority for guidance of top managers in the company.
- Although organizational over-structuring is sometimes unhealthy, it appears that within the next one to five years a slight swing in the other direction could be beneficial to the R.A. company. A strong need now is to better define the position of each manager in relationship to the total organization and to each other. Careful watch should be kept to see that when symptoms of detrimental over-structuring appear, the system is modified to regain a healthy business balance.
- 20 - To encourage participation and contribution by all staff members in their respective professional groups. Writing and lecturing responsibilities should be expected as a part of the manager's business.
- 21 - To develop a recruiting campaign that will assure a steady flow of talent as needed into the company.
- The technique of evaluation and selection that has been encouraged and used by Mr. L.R. should be continued. I suggest that

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responsibility for maintaining contact with prospective employees, measuring the worth of their activities and abilities, and ultimately deciding on their roles with the company be made a function of other persons in addition to Mr. L.R.

- 22 - To introduce to all prospects and clients of the company each of the responsible principals in the firm.

If a homogeneous sense of responsibility, authority, respect and confidence is to be established in the relations between R.A. and its clients, each client must know to the best extent possible the principals responsible for processing their work. A deliberate and studied effort should also be made to bring prospects and principals into contact with each other so there is a good understanding of the contribution potential of the R.A. total staff irrespective of who may ultimately be the project executive.

- 23 - To establish a budgeting, scheduling and control group whose responsibility it is to insure that all work is properly contracted for, fees properly established, contracts adequately written, work correctly budgeted and the plan of action properly documented and disseminated, and that the work is properly controlled to achieve project goals.

This is a weak area now and a heavy effort should be devoted during the next one to five years to establishing such a

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managerial control system in the office. The control system should be capable of expansion to an unlimited variety of professional projects.

- 24 - To carry out a transition to the managerial structure generally proposed in the new organization chart and flow diagrams. Over the first year of reorganization, the pattern of major management structure should be strongly established. In subsequent years refinements, additions and needed modifications to the techniques, functional divisions and investment management can occur as required.

- *25 - To study and continuously contemplate the ownership of the company to see if it is most appropriately held. What is proper today, may not be proper tomorrow. The ownership structure should never be allowed to dominate the organization to the point where it is a creator of excessive overhead and non productive cost. I suggest the present owners analyze with the future visualized owners the impact of long and medium range goals upon future functions of the company. Ownership diffusion without loss of control should be a serious objective. Techniques for achieving this should be discussed now.

- 26 - To develop well defined measures by which the profit sharing of each member of the total organization is established. This should be based upon a set of justifiable yardsticks administered by the managing group of the company.

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- * 27 - To clarify to the principals and associates the position of each member of the R. family in relationship to the R.A. organization. This step is desirable if we are to avoid dissatisfaction and unfulfilled commitments among other responsible members of the business organization. The management pattern for a reasonably accurate statement of such positions is already being set and should offer no major problems providing it is done intelligently and consistently with the aptitudes and interests of each member of the R. family.
- 28 - To encourage the transition of Mr. S.R. into a position of counseling and evaluating in matters of R.A. business related investments.
- 29 - To encourage the transition of Mr. L.R. into a position of advisor, traveler, lecturer, writer, artist and generator of good will and business.
- His efforts now are most severely needed in diversification of clientele, in the overall advising of the R.A. organization, and most particularly, in the introduction of the R.A. management to those clients already well wedded to the company.
- His disinvolvement with the details of office procedure and his increased involvement with the conceptual areas pertinent to the total R.A. function are critical to the success of any reorganization plan. If such shift in involvement is not forthcoming, the

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success that Mr. L.R. has achieved will fail to be perpetuated by a lack of understanding and practice on the part of those charged with such perpetuation.

- 30 - To become more deeply involved than presently in the creative areas of extended design situations, primarily in interior work, landscaping, planning and other sub disciplines that are similar to but transcend and extend beyond the aesthetic design of structures. The present staff is reasonably well equipped to accomplish this extension and should be encouraged to acquire work and achieve such diversification starting now.

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* Group C, Element 1

Organization

The evaluation of R.A. as presently constituted showed that the many strengths it currently possesses should be retained and amplified while an effort should be started now to dampen, or in some cases eliminate, the weaknesses and problems. It is, of course, impossible to totally eliminate weaknesses and problems but optimizing the operation so as to raise functional effectiveness is certainly a desirable goal.

I approach the problem of reorganization (or perhaps better, organization) on the basis that three kinds of management could be used in R.A. because of the personnel's particular talents. These are defined as unstructured, totally structured and combination structured and unstructured organization.

Unstructured Organization

The unstructured organization encourages functions to be fulfilled without any authority or responsibility definition.

Presently within R.A. there are some examples of such unstructured operation. It should be understood that an unstructured organization within limits is not undesirable, and where totally responsible people are involved under certain conditions, it can work remarkably well. The requirements of a properly functioning unstructured organization, however, are so severe, and the system is so delicately balanced that the mere impact of time change is sometimes sufficient to render the mechanism inoperative.

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Young companies whose work is spontaneous and who are engaged upon pioneering projects often exist for years with an unstructured organization and do their work well, in fact often brilliantly so long as there is an abundance of goals to be achieved. As individual and organizational goals are reached, however, similar adequate replacement motivations are sometimes not available and the group turns to traditional management jockeying for power positions within the company as the energy release. Unstructured organization must be used carefully and expertly.

Totally Structured Organization

This form of organization is often attempted but rarely succeeds in a pure sense since it must be modified, except in unusual circumstances, by some unstructured relationships. Structured management is sometimes likened to formal management, often called the traditional theory of management. Characteristics of the totally structured management include:

- a - An orderly and effective arrangement
- b - Well defined lines of authority
- c - Unity of command in which each person reports directly and is responsible to one other identifiable individual
- d - Departmentization by functional or other type resource utilization

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e - Line and staff distinction - generally the structured organization is composed of those whose work is considered to contribute directly to the fundamental goal of the company (line group), and those whose work it is to provide the auxiliary services necessary to accomplish fundamental goals (staff group)

In the line operation, person to person reporting responsibilities are clearly defined. On the other hand, the staff group acts in an advisory capacity often interacting with those with whom there is no authority relation.

f - Regulated span of supervision

g - Defined delegation of authority and responsibility

The use of a structured management system without recognizing the needs and desires of individuals, particularly in functionally creative companies is a serious mistake. The drawbacks of highly structured organizations are too numerous to discuss here, although awareness of the deficiencies should be had by all managers. As mentioned in the statement of intermediate and short range plan objectives (pages 15 - 23) a trend toward over-structured management might be healthy within R.A. for a period of time so as to more clearly define the responsibilities and authority of individuals seeking such definition.

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In my approach to establishing an organization structure, I recommend we combine the unstructured and totally structured form into a third organization outlined next.

Combined Structured and Unstructured Organization

In the combination, care must be taken to properly define the levels of management that are structured and unstructured, and to insure that an unstructured area can be formalized if it does not meet performance requirements. In the considerations of R.A. management, I suggest a rather highly structured top management system but feel that within functional divisions some unstructured organization should be allowed to exist, dependent upon desires of division managers.

Thus, middle and lower managers are encouraged to achieve required goals by using the management system they feel is best. This then gives them heavy responsibility patterns for effective performance, rather than demanding adherence to a structure defined by someone other than themselves.

Major Functional Divisions (All listings, unless noted, are at random for optimum discussion results)

To generate a preliminary organization plan, I first established the present and potential future functional operations of the company. These major functions included:

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- Building Planning (BP)
 - conceptual design
 - production of working documents
 - budgeting and scheduling of building planning
 - art and graphics concepts and production
 - post production operations (shop drawings, bulletins, change orders, turnover and inspection in conjunction with Project Implementation division)

- Land Planning (LP)
 - physical land planning
 - non physical environmental planning (political, social, psychological and such)
 - communication planning (planning for the dynamic inter- relations of the environment)

- Plan Implementation (PI)
 - building plan implementation
 - land plan implementation
 - construction management, project turnover, maintenance and operation (in conjunction with Investment division)

- Business Development (BD)
 - sales
 - public relations

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- proposals
- intra professional relationships
- corporate planning, training and education (this function may be carried out by another identifiable group but falls under the general definition of business development)
- Investments (IV)
 - financial investment
 - land and building investment
 - construction management (in conjunction with Plan Implementation division)
- Administrative Services (AS)
 - accounting and cost control
 - legal consultation
 - office management
 - data processing (transcends the normal definition of data processing and includes all data storage, retrieval and operational procedures)

The above responsibilities for each major division resulted from a detailed list of operations assigned to each of the groups. These detailed operations are listed on sheet 1.

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Once the above functional groups were defined and established, a design of the organization proceeded interrelating these groups into an arrangement through which short, medium and long range plan objectives could be met.

The form of the organization is not nearly so important as is the maintenance of functional integrity and identification. Therefore, only one or two different organizational arrangements are considered at this time since others will follow in many varieties as modifications and improvements are suggested to the basic plan of managerial organization. Of most importance in this preliminary evaluation is to establish the propriety of the functional relationships defined above.

Next, some plan form must be given the divisional elements. In a conventional organization chart, which is still a good graphic technique for showing normal business relations, we arrange the elements first so there is a hierarchy upon which can be superimposed various kinds of interrelationships. These might include:

- Formal functional relations
- Informal functional relations
- Reporting relations
- Staff relations
- Occasional reporting relations

Definitions of each are summarized below. These characteristics are not traditional, nor are they conventionally stated. For the purpose of this

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study, it was felt necessary to generate a unique language to cover the special results desired.

- Formal Functional Relations

The formally defined line relations that concern transmission of data, information, ideas, paper, decisions and other organizationally related transmissibles. Official guidance, direction and help most often flow along these formal functional lines.

- Informal Functional Relations

The natural channels along which organizationally related transmissibles most easily, comfortably and quickly flow. Usually these informal functional relations exist through oral communication.

The informal functional relation generally exists by consent and is stimulated to effectiveness by a mutual profit gained from the relation. Often there is little, if any, functional authority or responsibility present in informal functional relations.

- Reporting Relations

The official channels through which each individual in the company conveys or is given raises, appraisals, evaluations; is fired, assigned or given professional, vocational or personal identity.

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- Staff Relations

(Staff persons and divisions provide auxiliary services necessary to accomplish fundamental goals. As such, the staff group acts in an advisory capacity with no authority or responsibility implied, relative to those outside the group) Formal staff relations show the major inter-communication channels originating with staff groups.

- Occasional Reporting Relations

Reporting relations demanded when extraordinary or temporarily unusual demands for management action arise.

Arrangement of all elements into all configurations possible would be a never-ending task. Therefore, as a starting point, one general system is suggested from which modification discussions can spring. In this base plan of organization there are other uniquely defined elements besides the six functional divisions. A general definition of each is given below.

Project Executive

A responsible top management member of the firm generally working in the line departments most directly involved in current major business activities of a professional nature. The project executive is responsible to his superiors and the total company for any given project to which he is assigned. Project executives may remain with a job for its full duration in the office or may release their duties

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to other executives as the project enters different phases. Normally, a project executive should stay with a job through at least one major operational sequence. Project executives are drawn from one of four functional divisions - business development, building planning, project implementation and land planning.

Project Manager

The project manager is drawn from one of two functional groups, building planning or land planning. He reports directly to the project executive in all project matters and to his defined superior in those matters that relate to his position with the firm (Reporting Relation). The project manager is in direct responsible charge of the entire program through one or more of the major operational stages of a project. His authority is derived from the project executive by delegation and constitutes a functional authority over those individuals assigned to carry out the work in each department. It is to be repeated that project managers report to project executives on project matters. For this management system to work, flexible, free interplay must characterize the work relations with fair, trustworthy and honest treatment understood.

Executive Committee

The activities of the executive committee provide the lubricating

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oil for a relatively unstructured operation at the lower management level. It also places in the key top management personnel's hands enough positive leverage to insure, within reasonable boundaries, that those desires of the majority will be influential.

It is anticipated that if this function is vested in a committee (rather than in an executive vice president and his companion vice presidents) the committee would ultimately consist of the president and his six major divisional heads.

The executive committee would be chaired on a rotating membership monthly, quarterly, semi-annually or annually. The president would be excluded from holding the chairmanship, but along with all members, would be allowed a single vote. The chairman of the executive committee in any given period would take over as interim president in the absence of the president elected by the board of directors.

Duties of the executive committee might include:

- Reviewing and establishing salaries (not their own) based upon recommendations of principals, associates and supervisors
- Establishing profit sharing levels
- Appointing associates
- Accomplishing medium and long range corporate planning
- Selecting project executives and project managers

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- Approving assignments to special projects group
- Establishing project organization
- Reviewing budgets
- Reviewing research and development operations
- Reviewing and releasing proposals
- Reviewing all major activities of functional groups in conjunction with president
- Setting and implementing all major personnel policies (does not include administration which is at the principal, associate, or supervisor level)

The reporting relation for the executive committee is normally to the president. However, it could be that by majority or greater vote, the reporting relation could be transferred temporarily to the board of directors. This, to allow deeply held differences with the president by the executive committee to be brought before the board of directors. Literally, the executive committee becomes the president's second-in-command and as such, fulfills the duties (hopefully, more efficiently and competently) of an executive vice president, vice presidents and assistant to the president.

Principal

A responsible member of top management elected to such position by the board of directors and the executive committee and serving on the executive committee. All principals are to be registered in

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their professional disciplines.

Associates

Those who occupy management positions dealing with the responsible direction of elements internal to the six functional divisions.

Associates are elected by the executive committee.

Supervisors

Those who direct the activities of others in responsible management roles but are not principals or associates. Normally, the supervisor is in charge of functions that do not require legal registration in a professional discipline.

Profit Sharing

The method by which over and above performance is rewarded throughout the organization irrespective of management rank. Profit sharing is by the allocation each year of a portion of the total profit to be established by the board of directors and the president. Allocation of the profit internally is to be accomplished by decisions of the executive committee. The profit sharing plan shall be designed to ultimately replace the duo-bonus and profit sharing system now in operation. It will be devised such that a well defined series of points are used to determine the percentage of the total profit to be distributed that is allocated to each person in the firm. It might be that a minimum

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employment period should be a requirement of sharing in the profit and if this is to be done, a nominal minimum profit distribution should be allocated for junior members of the firm.

Profit sharing can be considered an over and above reward to all employees for good financial performance by the entire company. It is company wide in nature. Factors to be considered and weighed in determining the share of profits allotted to any given individual might include the following:

- a - Registration
- b - Length of service at R.A.
- c - Length of service in profession
- d - Competence in practice of profession
- e - Competence in managing subordinates
- f - Competence in working with associates and principals
- g - Effectiveness in acquiring new work
- h - Effectiveness in presenting the organization and its work
- i - Contribution to professional stature of firm over past period (awards, papers, etc.)
- j - Contributions to financial strength of firm over past period (scheduling, goal achievement, etc.)
- k - Dependability
- l - Effectiveness in solving organizational and operational problems

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- m - Effectiveness in training staff under his
direction
- n - Personal achievement (writing, speaking, person
to person relations) over past period

General Summary

The above report is presented as an Associates Discussion Draft to allow responsible management members of R.A. to review a suggested restructuring of the company. The associates play an extremely important role in the success of R.A., and their opinions, feelings, desires and aspirations are an integral part of any replanning.

Once a thorough review of the material has been made by each associate in the firm, further discussions will be held to talk over recommendations, and establish implementation procedures. This material is confidential and should be treated as such.

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