

# Systems Approach to Business Models and Management San Francisco Municipal Transportation Authority (SFMTA) Case Analysis

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**Abstract:** In 2007, San Francisco Municipal Transportation Authority (SFMTA) embarked on strict measures to fill the budget shortfall, with over \$15.11 million shortfall that is projected to climb higher. SFMTA with pressure from the mayors' office was forced to consider and decide on cutting %20 of its budget; one suggestion that floated was the layoff of over 220 employees from the total 5300 personnel. Of these proposed layoffs, fifteen employees from the enforcement division were on the list to be eliminated, in addition to the demotion of five supervisors at the same division.

This proposal created a furry and anger that touched almost everyone at the enforcement division. Bad economic times require some tough measures; in those times competent leaders and managers will shine, by preventing the situation from deteriorating any further.

This paper will analyze management approach within San Francisco Municipal Authority and how challenges were handled throughout the organization.

**Keywords:** Transportation, Strategic Management, Leadership, Human Resources, Management Frame.

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In 2007, San Francisco Municipal Transportation Authority (SFMTA) embarked on strict measures to fill the budget shortfall, with over \$15.11 million shortfall that is projected to climb higher. SFMTA with pressure from the mayors' office was forced to consider and decide on cutting %20 of its budget; one suggestion that floated was the layoff of over 220 employees from the total 5300 personnel. Of these proposed layoffs, fifteen employees from the enforcement division were on the list to be eliminated, in addition to the demotion of five supervisors at the same division.

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The organizational structure of SFMTA played a major role in the decision of laying off "money generating" employees, as I mentioned in my earlier paper, that the way decisions are thought of and drafted is so vague, to the extent of being unrealistic. The decision making mechanism within SFMTA management, seems to be too rational with minimal relation to the outcome of such decisions, for example; the decision to lay off 15 parking control officers despite the fact that they generate good amount of revenue, the fact that the enforcement division within SFMTA, generated \$99 million annually on average with only 320 employees, is such an astounding result for a governmental division. Management decision was based on ambiguity by not taking in consideration the whole picture, in order to prevent any unwanted attention; SFMTA management rushed into decisions that lacked a good analytical thinking.

**Reframing organizations by** Bolman, Lee G., Deal, Terrence E. (2008), presented a four frames theory in order to help organizations become more adaptive to changes, also to analyze organizational behavior. Managers at organizations regardless of size could benefit greatly in applying these four frames, since these frames could be applied in either public or private sectors, since both sectors interact and benefit from each other on different times and levels; an example is the FDA and pharmaceutical companies, since the later will be affected and subject to the governmental bureaucratic system and layers of paper work that seem endless. Bolman and Deal book draws a road map for managers at all levels to institute change and creativity within an organization. These frames are; structural, human, political and symbolic. They are applicable to any organization regardless of sector, size and industry.

An example that I will use to be discussed and analyzed is SFMTA, which is an organization that consist of 5300 employees on average, with an annual budget of \$850 million (2011).

SFMTA faced a budget deficit since 2008, started at \$15.3 million that year, \$66.2 million in 2009, \$128.9 million in 2010; \$45.3 million in 2011, with a projected budget deficit of \$28 million in 2012 (Source: Municipal Transportation agency/ Finance and Administration Division Office).

SFMTA went through a major restructuring (reframing) in 2008, which started during the then mayor of San Francisco Gavin Newsom, Mr. Newsom appointed Nathaniel Ford as the chief executive of SFMTA, despite being a city department, SFMTA restructuring chose a private sector model to adopt, Mr. Ford was the only city official to be given a title of CEO of a city department.

Below is my analytical view of applying the four frames to SFMTA, looking at the aforementioned issue of eliminating personnel at the enforcement division/ SFMTA, and to see how the four frames were utilized and if contributed to it:

**Structural Frame:** SFMTA consisted of multiple divisions where they pertain to transportation and any vehicle related issue, for example the taxi commission, cable car and cable car museum, underground metro trains, buses, enforcement division, fare inspectors, signal traffic lights and all the repair and maintenance crews for all the aforementioned, in addition to bicycle related concerns and requests by the bicycle coalition and bicyclist.

Since SFMTA is divided to multiple divisions, each division is run by a director level manager, who reports to the CEO office.

During the 2007 budget crisis the CFO and CEO of SFMTA were approached by the mayor's office in a step that most observers considered politically motivated. It was a way the mayor will be portrayed as an effective leader who is working on fixing the city shortfall.

SFMTA is such a large organization and it's completely self-sufficient financially, it generates enough revenue to the extent of providing the city of San Francisco general fund account with constant stream of revenue. To understand the complexity of eliminating revenue generating employees, we need to examine the goals of employing an approximately 300 parking control officer, the main goal which at the same time is un-mentioned with a loud voice, is the constant stream of citations revenue.

Publicly, SFMTA and DPT (Department of Parking and Traffic), are verbally articulate when it comes to informing anyone who is acquiring about the actual role of Parking Control Officers in particular and DPT in general. This is what the official web site says the goals are regarding DPT and its staff (parking control officers): "SFMTA Enforcement objectives are to ease traffic congestion and promote parking turnover throughout the City by enforcing regulations and directing traffic. Enforcement also responds to customer service calls for the removal of vehicles which are blocking driveways or parked beyond 72 hours". (<http://www.sfmta.com/cms/penf/indxpkenf.htm>, 2010)

These are the goals of SFMTA/enforcement division, but a close look at the operations of DPT, and also by talking to few parking control officer, the main goal is revenue; generating a stream of revenue to support SFMTA budget.

In 2010/2011 citations revenue were \$99 million dollars. So the notion of losing portion of the revenue is not a wise decision especially in times where economic conditions are bleak. SFMTA proposal to cut 220 positions throughout the whole organization was in the form of dividing this number on the number of divisions and that way management will cut between 10-15 personnel from each division.

The reason could be the 'fairness factor' which is laying off an even number from all divisions, so no division or the director of that division will feel targeted unfairly, or given the feeling of being less important within of SFMTA. If this later reasoning was the actual factor, then the rules and procedures within SFMTA are vague and are not being upheld to the best interest of the organization well-being, let's not forget that SFMTA is facing unprecedented budget deficits, and this situation definitely requires a leadership to act based on the interest of the whole organization instead of mending rules and goals to the benefit a few.

The above brings us to examine the hierarchy of SFMTA and if it's the best hierarchy for the organization? I mentioned earlier that restructuring of SFMTA in 2008 created many managerial positions, at the same time created multiple levels of directors and executives, which made movement of information slow and increased the gap between front line personnel and management.

These hierarchies created a powerless leadership, SFMTA executive power was limited due to the fact of difficulty of attaining a unified agreement between upper management and middle management, which resulted in the creation of confusion in decision making and policies that reached a point of pointless and vague.

An example is decision by SFMTA in 2010 that all official vehicles within the boundaries of San Francisco shall carry a parking placard that will give these vehicles an exemption from parking regulations, vehicles without this SFMTA issued placard will be cited if found in a violation of parking regulation. Few days later, management issued a decision that official vehicles that belong to SFPD (San Francisco Police Department and SFFD (San Francisco Fire Department) are exempt, then few days later another decision that gave trucks and pickup an exemption, then few weeks later, another management decision gave the parking control officer unwritten order (verbal) that POCs are to use their discretion in citing city vehicles.

This whole decision to issue a parking placard to city vehicles cost the agency unknown amount of funds to design and make these placards, while few weeks later seemed pointless and unnecessary. This is just an individual example to the confusion and vagueness of how multiple unnecessary management levels became a barrier to improving the organization.

**Human Resources Frame:** human resource department within SFMTA, did a poor job by not utilizing its duties and position in the matter of deciding who should be laid off and if any. Higher management collaboration with HR and vice versa seemed very minimal; an important role for human resources is the clarification of employees' potential contribution to SFMTA, and the analysis of departmental necessity and requirements.

Human resources within organizations play an important role in empowering employees in order to benefit the organization. So the relationship between employees and the organization is beneficial for both sides, organizations provide to employees income (money), job security, promotion opportunity, recognition and empowerment.

On the other side, organizations will reap benefits like: devotion, dedication, more productivity which will translate into successful operational process, it could be for profit or a not for profit sectors or could be a smooth and dependable operation in a governmental organization.

In the case of SFMTA which is a cross of both, a for-profit and a non-profit organization. SFMTA depends largely on revenues from ridership fares, advertisements on buses and trolleys and citations revenues to sustain its operations and cost of labor and equipments.

Human resources department did a poor job by not reporting and clarifying to management the following:

- Fifteen PCOs (Parking Control Officers) elimination is a source of revenue that will be eliminated as well, which in a sense defies the purpose of eliminating them. Cutting cost by stopping revenue is far away from logic.
- Eliminating these PCOs will damage the morale of the entire department; which in turn will have an adverse effect on "productivity" or "revenues".
- -Will indirectly affect the daily traffic flow, increasing time delays of public transportation, emergency and events responses will be affected as well.

Human resources factor was overlooked in deciding the elimination of these positions, management failed to consult human resources department and also failed in taking the consideration of human factors when deciding on employees' matters. Maslow theory of the needs of employees, in his famous pyramid, was never in the minds of management. (Harold Koontz, 2006)

The psychological needs and the job security needs were for the main part ignored in a tragic way, when employees at DPT/ enforcement division felt that their living is at stake, there morale took a hit and therefore job performance.

Within SFMTA in particular and in the public sector in general, assumptions are that employees are like pawns instead of origins, and the meaning is; the presumption that management look at front line employees; they are passive, incompetent, and require constant training and supervision. These assumptions are built in the mentality of managers and leaders at SFMTA; one main reason is the absenteeism of the human resources role, to be more optimistic, the weak role of human resources department. (DeCharms, 1968)

To summarize my point regarding the human resource frame, the human resources failed in stating that SFMTA needs these PCOs and these PCOs need SFMTA, and therefore there is no need to eliminate these employees for the reasons aforementioned.

**Political Frame:** SFMTA is considered the largest organization within the city and county of San Francisco structure, with 25% of total civil employees, large budget and the visible role that SFMTA plays in the life of the citizens of San Francisco.

These facts show how the managers and leaders at SFMTA are in possession of power and authority. When the mayor's office requested that city departments cut their budgets by 20%, SFMTA answered the request with no regard to its importance and authority. Managers and leaders at SFMTA lacked the tactics and strategies to deal with budget cuts. The political frame as Bolman and Deal mentioned is a way, if used effectively, to be successful at the organization. (DeCharms, 1968)

Managers and leaders at SFMTA did not recognize employees and their roles, therefore conflict rose between head of divisions to which division will be the most affected, the CEO of SFMTA playing neutral was a disaster to the whole organization, as an authority with power that could be utilized in a way to steer to safety by having a clear direction and goals. As Bolman and Deal mentioned, that organizations are coalitions, and therefore the differences among coalition members will create conflict, and there is the best situation where the leader (CEO of SFMTA) should use the political frame in show the power of the authority in deciding on the elimination of enforcement division personnel.

The CEO and higher management lacked the transparency in communicating budget shortfall and the need to decide on painful measures. Employees felt that they are not part of the process which made them look like a scapegoat for higher management incompetency.

SFMTA lacked the political skills to map the political terrain, an example will be forecasting any uphill battles ahead, the example that I discussed above; the elimination of revenue generating positions, was a battle to management to convince officials the importance of these positions and the reasons to why SFMTA and the City of San Francisco are in need to hire more revenue generators than to eliminate few of them, and that will be feasible if management at SFMTA used a political authority by negotiating better alternatives, highlighting the costs of elimination and the benefit of keeping those positions.

Internally, management at SFMTA failed at approaching front line employees who are threatened with elimination, by calming the chaos and hard feelings, assuring them that this is just a fight that management will fight and prevail to the benefit of everyone at SFMTA, and to show how management see and appreciate the importance of these personnel and their hard work.

SFMTA use of the political frame could be improved substantially and more in depth, instead of ignoring the weight that this organization carry within the Bay Area in general and the city of san Francisco in particular.

**Symbolic Frame:** desperation, lost trust and low morale are some of what affected employees during the time of lay off talk, management at SFMTA did a poor job in creating a comfortable culture at the organization.

SFMTA is known as Muni for the past few decades, the word Muni became synonymous with public transportation in San Francisco, and employees at SFMTA have their own distinguishable uniforms. Employees in general and front line employees in particular felt proud to be part of this important organization, but for the past few years things started to change slowly to an ambiguous and confusing environment.

Enforcement division shocked by the elimination news to some of its personnel felt the betrayal and a cultural shock. The culture of civil service is based on a well known myth, the myth of never being fired, the myth of job security that is permanent; City of San Francisco employees' job classification describes them as permanent employees. So the feeling of being laid off is the feeling of betrayal to the core, the reasons for that are the following:

- the faith that personnel had in job security, a main character of civil job is the feeling of secured employment, having that in mind provided a mental comfort that contributed to motivation and productivity. When an employee is an origin instead of a pawn, motivation goes up and so productivity. (DeCharms, 1968)
- the feeling of under appreciation, enforcement division employees are required to be on the field to enforce traffic regulations, which face them to encounter the public, on numerous occasions they face angry citizens for many different reasons. It's a stressful and abusive work environment, so instead of having the appreciation they get the pink slips.

SFMTA management failed to create the culture of caring and failed to have employees feel belongingness to the organization, SFMTA did not have a plan to its employees to create the feeling of warmth and the feeling of belongings to the family of SFMTA, the seriousness of their job should have been relieved by incorporating some "fun" rituals and humorous meetings and storytelling by management at designated departmental events.

The symbolic frame is urgently needed at SFMTA. In order to achieve multiple goals and benefits, to name few:

- to loosen tension created by the nature of job duties that personnel carry out daily on the streets of the city.
- create a sense of family environment. Incorporating creative rituals and events will increase the level of employee loyalty and productivity.
- create programs to reward employees, and recognize achievers.
- planning on organizational social events at all levels of the organization.
- forming of a specialized language to foster cohesion and commitment.

All the above mentioned benefits to the symbolic frame at SFMTA were missing and thus created a chaotic work environment that affected productivity and morale.

Looking at the above analysis, I am confident that SFMTA is indeed requires a leadership that will transform it into a world class successful organization.

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