



SAN DIEGO COUNTY
REGIONAL AIRPORT AUTHORITY
STAFF REPORT

Item No.
18

Meeting Date: **FEBRUARY 9, 2012**

Subject:

Authorization for a Second Amendment to the Contract with Advantage Performance Group for Strategic Business Planning Services

Recommendation:

Adopt Resolution No. 2012-0022, authorizing the President/CEO to take necessary actions to amend the Authority's contract with Advantage Performance Group to add \$407,500 to the current contract amount of \$516,600 for a total contract amount of \$924,100.

Background/Justification:

In December 2010, the Board approved award of an agreement with Advantage Performance Group, Inc. to assist the Authority with a strategic engagement effort to engage the entire organization and ensure its long-term sustainability. The process began with alignment of the Board and Executive Team to create a vision for the future. Then, two of Root Learning's *Learning Maps*[®] were developed for the Authority: one focusing on the vision and strategies; and another focused on the finances of the organization.

Our Vision Map



Our Financial MapWork to Date

Both of the learning maps were shared with all 350 employees in June 2011; a process referred to as cascading. The results of that effort have been telling. SDCRAA employees now have the context they need to better connect their jobs to the strategy of the Airport and where the Authority is headed. What is most compelling is that prior to the strategy sessions, fewer than one in five employees understood the strategic direction of the Authority. Following the rollout, at least seven out of every ten employees know the organization's direction, and about seven out of ten employees know how they can personally bring the strategic plan to life.

The next step was to assist managers in understanding their role, and that their people are their top priority. Through the two-day Compass training session, managers learned that if they focus on people in very specific ways, improved results will follow. To effectively do this, they reviewed and practiced the necessary skills for engaging their team members. Managers learned how to work with employees who accept change and those who are resistant to it, and how to help guide all of them along the path to the final vision.

The Next Phase

Currently, in addition to safely, securely, and efficiently operating a world class airport, the San Diego County Regional Airport Authority ("Airport Authority") is undertaking seven strategic priorities:

- Revenue Enhancement;
- Green Build;
- Concession Development;
- Strategic Engagement of the Workforce;
- Consolidated Rental Car Facility (CONRAC);
- Ground Transportation Initiatives;
- and the Airport Development Plan.

These priorities are designed to improve not only organizational capacity and efficiency, but also the passenger experience. Each of these priorities is aligned with the organization's five strategies: customer; community; financial; employee; and operations. As a result of work done over the past two years, it is apparent that the organization has robust priorities and goals that must be met. Yet, the organization is operating under resource constraints resulting from an uncertain economic climate. To measure organizational performance, 17 organizational performance measures were established:

- % Airline to Total Operating Revenue
- Non-Airline Revenue per Enplaned Passenger (EPAX)
- Days Cash on Hand
- Airline Cost per EPAX
- Operating Expense per EPAX
- Debt Service Coverage
- Federal Aviation Administration Inspection Discrepancies
- Attorney General MOU Execution
- Enplanements
- Cargo Operations
- Total Operations
- Passenger Satisfaction
- Tenant Satisfaction
- Media Coverage
- Employee Engagement
- Employee Safety (2 metrics)

Achievement of the targets for each of the above metrics is a critical component in ensuring that the organization is able to manage its capacity, capability, and execution of both day-to-day operations as well as the seven priorities that are concurrently underway. The strategic engagement process, launched approximately 18 months ago, ensures that the organization's leaders can calibrate their leadership capabilities to the challenging work at hand. While Advantage Performance Group and its subcontractor, Root Learning (Root), have a long and impressive list of organizations that have successfully executed strategic engagement processes, perhaps the best point of

comparison for San Diego's Airport Authority is the work done by Root Learning with the Dallas/Fort Worth (DFW) Airport Authority.

Over the past six years, DFW has leveraged its strategic engagement competence to build and sustain robust leadership development; strategic planning; and management and compensation (pay for performance) systems. In an in-depth fall 2011 article published *Airport Management*, the DFW Executive Vice-President/CFO, Christopher A. Poinatte, explains the "journey" that the organization has been on. As a result of the strategic engagement (alignment in DFW language) of the organization's workforce, Mr. Poinatte shared the organization's dashboard results: 32% exceeded the prior year's results and 44% of metrics experienced a positive variance to the budget plan. Equally as compelling, Mr. Poinatte shared that none of the metrics performed worse than planned. While it is impossible to guarantee future organizational performance, the investment made in the San Diego County Regional Airport Authority's Strategic Engagement initiative is designed to improve organizational performance in a resource-constrained environment by calibrating the performance of the workforce to the most important priorities and initiatives that the organization is undertaking.

As Board Members are aware, in July 2010, the Airport Authority issued an RFP to solicit assistance with strategic business planning processes, including: 1) developing and aligning strategic goals and outcomes; 2) establishing strategic leadership and critical thinking paradigms; 3) assessment of organizational culture and strategies for enhancing culture; and, 4) creating, nurturing and sustaining a high-performance organization that engages and involves Authority stakeholders including the airlines, Authority Board and other public agencies. Advantage Performance Group was awarded this contract as a result of the Airport Authority's RFP and contracting process.

The Airport Authority is completing a successful strategic launch of the first two phases of this three-phase project. We have: (1) aligned our board and executive team on the strategic direction as well as the working relationship between the two, and (2) engaged all employees in the Authority's vision and strategy for the future, as well as trained 72 leaders in Compass skills, Root's proprietary management method – not only improving management skills but also helping them to tie the strategy to employees' daily actions. All of this is important foundational work for the success of the Airport Authority and establishes the foundation for phase three. In the third phase, the organization will embed the skills into the cultural DNA, which will enable the organization to then effectively engage its stakeholders.

This next step for the Airport Authority includes keeping the strategy alive and reinforcing those aspects of the culture that ensure we are maximizing the potential return on investment and achieving, or exceeding, our business metrics. Nowhere is this more important than within the Executive and Management teams. For many, there will be a huge temptation to revert to established, comfortable routines, actions, and behaviors which may not consistently produce optimal results. The Airport Authority has attempted strategy execution initiatives in the past with inconsistent and, perhaps, limited success. There is no margin for error this time. Root has found that the probability of sustained execution of strategy rises significantly when applying six key insights and practices:

- **Ensure that the Executive and Management teams commit the necessary time to stay aligned** in their messaging, goals, and metrics and model the behaviors they expect from the entire organization. This helps to build pools of competence at each level that can improve the success of succession planning initiatives.
- **Move all employees from bystander to advocate.** Leaders must create conditions to move people from being detached and critical of the strategy to being willing to actually *advocate* for it.
- **Hold people accountable.** This primarily begins with managers and leaders. They must be the catalyst for change and must demonstrate that they're effectively living the strategy.
- **Provide examples.** As we know, strategies *can be* abstract to some. It is the role of leaders to help their team to "see what it will look like if we are doing what we say we want to do."
- **Change and sustain desirable behaviors.** Change is never easy. However, behavior change happens most successfully by appealing to people in a multi-faceted manner, not just their intellect. The change story must be simple, easy to identify with, resonant, and positive.
- **Establish new standards that become personal contracts.** More organizations sustain change over the long term by instituting new standards of performance and behavior for everyone to follow, including new operational standards that become non-negotiable for leaders, managers, and individuals.

Execution of the third phase of this initiative will enable the organization to not only embed the strategic engagement principles into the organization's DNA, it will also enable the Airport Authority to engage its partners and stakeholders. This will allow Airport Authority staff to leverage existing relationships with stakeholders to maximize the productivity of relationships and ultimately improve passengers' experience at SAN.

The Airport Authority staff's ability to effectively educate and engage stakeholders/partners in understanding the vision of the organization and the experience its travelers have is of critical importance. Success in the partner/stakeholder engagement initiative will be greatly enhanced by the fact that the entire Airport Authority workforce will be aligned with the organization's strategies and designated Airport Authority staff will be taught how to effectively engage stakeholders in the "Through the Eyes of Travelers" learning modules. Creating this competence on-site will enable the organization to scale the stakeholder engagement component to match Executive interests and priorities in a sustainable and ongoing manner.

Recommendation:

The final phase (phase 3) of the strategic engagement initiative includes several learning solutions that build upon the foundational work completed in the first two phases. Embedding the learning into the Airport Authority's DNA greatly increases the likelihood of successfully engaging partners/stakeholders in this initiative. While Root Learning offers a robust set of tools to their clients, as well as ongoing support, the Airport Authority staff has selected the learning solutions and support that matches the vision

outlined by the Board and the President/CEO. The learning solutions needed to achieve the organization's vision are:

- "Through the Eyes of the Travelers and Partners" learning module. This interactive program builds upon the Authority's vision and financial maps to challenge staff to think about the airport experience through a traveler's or partner's perspective.
- Linking leadership competencies to the strategies is a series of activities that support the linkage between Compass trained skills, and the performance of our day to day roles. The Airport Authority has a robust set of competencies, which are used in its talent management programs (recruiting, training, performance management, etc.) and now they need to be linked to the observable performance required for this final phase and beyond.
- Leading our strategic priorities is a learning solution that enables executive leaders to build upon their capabilities and competence to sustain high performance in a dynamic environment where plans change and challenges arise.
- Cascading our Monthly Strategic Focus is the learning solution that teaches Authority staff to sustain the work that has been done in the area of aligning the workforce with the organization's strategies.
- The Strategy Execution Toolkit is the learning solution which provides staff with the tools necessary to embed and sustain the strategic engagement principles learned to date.
- The final learning solution, "Engaging our Partners in our Strategy", is the component where Root Learning updates the tools for use with our partners/stakeholders and teaches Authority staff how to conduct learning sessions with the designated stakeholders.

Learning Solution	Estimated Fees, Production and Associated Expenses
Through the Eyes of Travelers and Partners Module	\$206,500
Linking Leadership Competencies for Executive Leaders and Managers to Strategies	\$ 22,500
Leading our Strategic Priorities	\$ 34,500
Cascading our Monthly Strategic Focus	\$ 21,000
Strategy Execution Toolkit	\$ 55,000
Engaging our Partners in our Strategy Two Modified Learning Modules	\$ 68,000
Total Cost, Phase 3	\$407,500

Fiscal Impact:

The amount of the original agreement is \$492,000. An amendment in 2011 increased the total value of the contract by \$24,600 to \$516,600. This second amendment adds \$407,500, which is expected to be spent over two fiscal years. Approximately \$196,000 is expected to be a FY 2012 expense. This amount will be realized through savings in various line item expenses throughout the Authority budget. The remaining amount will be expended in FY 2013 and will be allocated during FY 2013 budget planning.

Authority Strategies:

This item supports one or more of the Authority Strategies, as follows:

Community Strategy Customer Strategy Employee Strategy Financial Strategy Operations Strategy

Environmental Review:

- A. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act (CEQA), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA, Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

Equal Opportunity Program:

The Authority's small business program promotes the utilization of small, local, disadvantaged, and other business enterprises, on all contracts, to provide equal opportunity for qualified firms. By providing education programs, making resources available, and communicating through effective outreach, the Authority strives for diversity in all contracting opportunities.

The Authority has a Disadvantaged Business Enterprise ("DBE") Plan as required by the Department of Transportation, 49 CFR Part 26. The DBE Plan calls for the Authority to submit an annual overall goal for DBE participation on all federally funded projects.

This project does not utilize federal funds; therefore, it will not be applied toward the Authority's over-all DBE goal.

Prepared by:

JEFF LINDEMAN
SENIOR DIRECTOR, ORGANIZATIONAL PERFORMANCE & DEVELOPMENT

RESOLUTION NO. 2012-0022

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY AUTHORIZING THE PRESIDENT/CEO TO TAKE NECESSARY ACTIONS TO AMEND THE AUTHORITY'S CONTRACT WITH ADVANTAGE PERFORMANCE GROUP TO ADD \$407,500 TO THE CURRENT CONTRACT AMOUNT OF \$516,600 FOR A TOTAL CONTRACT AMOUNT OF \$924,100

WHEREAS, the San Diego County Regional Airport Authority (Airport Authority) has been implementing a strategic engagement initiative over the past two years; and

WHEREAS, this initiative has involved Board members and Staff in aligning their contributions to the organization with the most critically important initiatives and priorities to achieve the Airport Authority's strategies and to bring the enterprise's mission and vision to life; and

WHEREAS, this process has included phases 1 and 2 of a three phase process which included alignment and education of all internal stakeholders to build competence and capability, resulting in dramatic increases in employee awareness of and engagement in critically important initiatives; and

WHEREAS, phase 3 involves embedding the principles within the organization and engaging external stakeholders and partners which greatly increases the likelihood that the organization will meet and/or exceed its deliverables in 17 essential business metrics; and

WHEREAS, the Board now wishes to proceed to the third and final phase of this initiative.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby authorizes the President/CEO to take necessary actions to amend the Authority's contract with Advantage Performance Group to add \$407,500 to the current contract amount of \$516,600 for a total contract amount of \$924,100; and

BE IT FURTHER RESOLVED that the components of this contract will be implemented over the course of Airport Authority Fiscal Years 12 and 13; and

BE IT FURTHER RESOLVED that this Board action is not a "project" subject to CEQA, Pub. Res. Code §21065 nor is it a "development" as defined by the California Coastal Act. Cal. Pub. Res. Code §30106.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a special meeting this 9th day of February, 2012, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

TONY R. RUSSELL
DIRECTOR, CORPORATE SERVICES/
AUTHORITY CLERK

APPROVED AS TO FORM:

BRETON K. LOBNER
GENERAL COUNSEL

Our Journey in Mastering the Art of Airports



Authorization for a Second Amendment to the
Contract with Advantage Performance Group for
Strategic Business Planning Services

The Final Phase

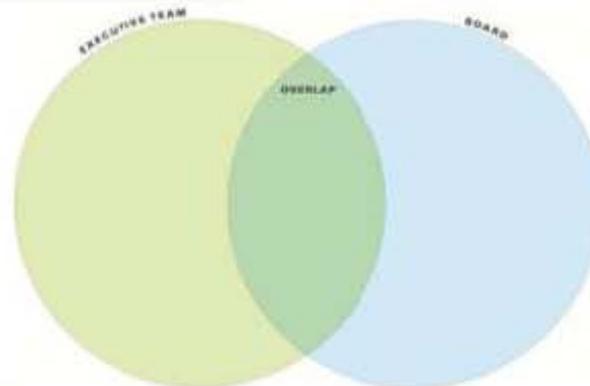


Aligning the Board and the Executive Team (Session 1)



Strategic Priorities	
Improve operational efficiency, safety, and security.	
Attract and extend both aerial and ground customer service operations.	
Enhance regional partnerships.	
Expand and diversify revenue.	

Strategic Priorities	
Improve operational efficiency, safety, and security.	
Attract and extend both aerial and ground customer service operations.	
Enhance regional partnerships.	
Expand and diversify revenue, including through a commercial terminal, and flight operations expansion.	
Enhance the financial position of the Authority.	
Provide various solutions for short and long term regional or transportation needs.	
Be recognized as an aviation industry leader.	
Provide, support, and strengthen diverse, high performance, well educated, team environment. Employee work culture.	



Cascading the Message to All of the Authority



Results

	% of participants responding either good or excellent understanding prior to the Map Strategy Sessions	% of participants responding either good or excellent understanding following the Map Strategy Sessions
The hybrid business model we operate under and the financial complexities of the Airport Authority	33%	73%
The financial performance of the Airport Authority and my area of responsibility's impact on the performance	33%	72%
Aware of the impact of many external factors and our industry's volatility on the airport's financial performance	35%	73%
Our strategic plan, including our Vision, Mission, Strategies, Values, Initiatives, and Actions	19%	72%
How I help bring the strategic plan to life	25%	66%

Compass Training

▶ Compass Training outcomes include:

- understanding how the workforce is the method/means by which the organization's strategies are executed
- comprehension of the importance of engaging and aligning each individual team member's work plan and priorities with the organization's business initiatives
- establishing clarity around elements required of high performance teams and the resulting expectations of the leader/team member relationships
- clarity of performance management goal setting and the linkage to the organization's strategies, priorities, and initiatives
- building competence around the various types of performance and development dialogs that occur between leaders and team members within high performing organizations

(72 leaders attended including Executives through front line supervisors)

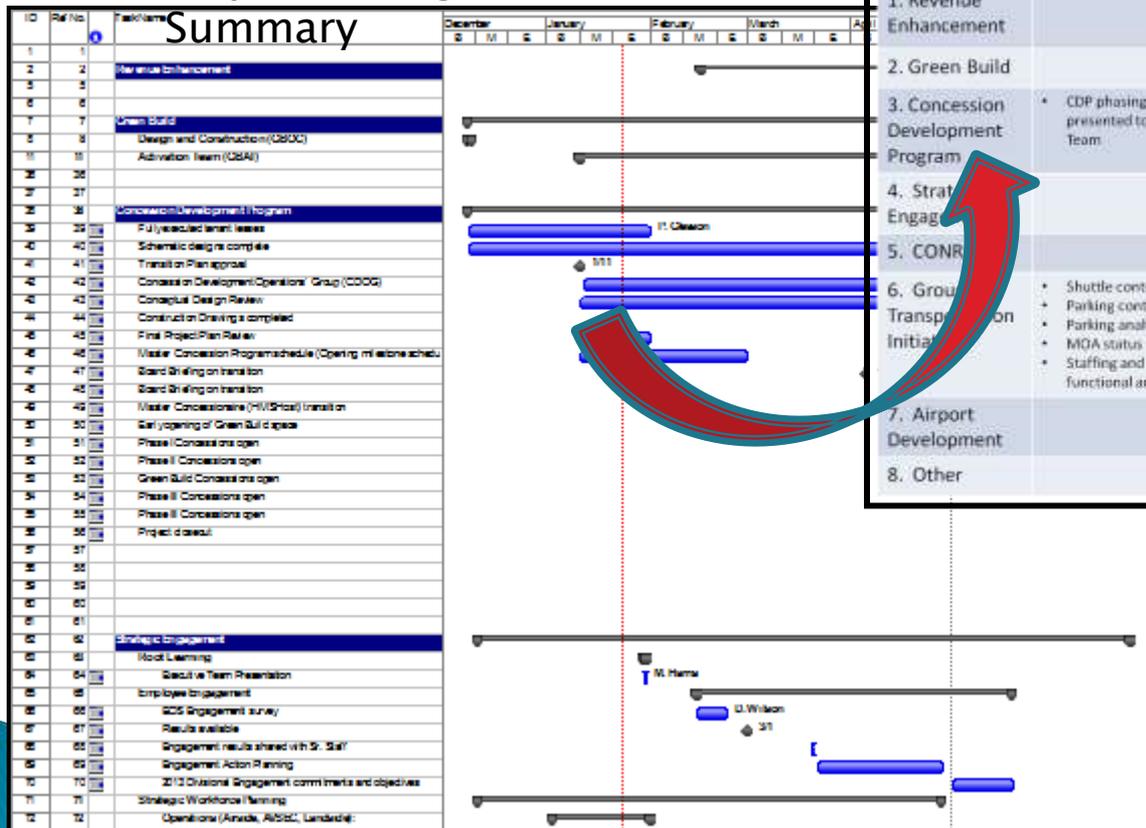
Top 7 Priorities FY 12 & 13

- Revenue Enhancement
- Green Build
- Concession Development Program
- Strategic Engagement
- Consolidated Rental Car Facility (CONRAC)
- Ground Transportation
- Airport Development Plan

Managing the 7 Priorities

Manage the project details to summarize the most important data and facts for periodic review.

Project Management Summary



Authority's Priority Program Management Summary

PRIORITY	PROGRESS	ISSUES OR CHALLENGES	GOALS (NEXT 3-6 MONTHS)	SUMMARY (NEEDED EXEC. DECISIONS)
1. Revenue Enhancement			• Develop Business Development job description	
2. Green Build				
3. Concession Development Program		• CDP phasing plan presented to Exec. Team		
4. Strategic Engagement			• EDS Engagement survey and results	
5. CONR				
6. Ground Transportation Initiatives		• Shuttle contract • Parking contract • Parking analysis • MOA status • Staffing and functional analysis		
7. Airport Development				
8. Other				

The Journey Continues...

Harnessing the power of high-performing teams to achieve extraordinary results



Engaging our Employees to Engage our Customers

A satisfied customer is the best strategy of all.

-Michael Leboeuf

Investing in Our Leaders and Managers to Continue Cascading the Message and Executing the Strategy



Engaging Our Partners in the Strategy

All stakeholders are not equal.

Successful stakeholder engagement requires an intentional strategy that will be developed and prioritized by Airport Authority Executives.

The Airport Authority's leadership team will engage with stakeholder and partner organizations to design the best way to educate and engage the respective and appropriate team members.



Investment

Learning Solution	Estimated Fees, Production and Associated Expenses
Through the Eyes of Travelers and Partners Module	\$206,500
Linking Leadership Competencies for Executive Leaders and Managers to Strategies	\$ 22,500
Leading our Strategic Priorities	\$ 34,500
Cascading our Monthly Strategic Focus	\$ 21,000
Strategy Execution Toolkit	\$ 55,000
Engaging our Partners in our StrategyTwo Modified Learning Modules	\$ 68,000
Total Cost, Phase 3	\$407,500

Closing and Questions

