Session 5: How Does Your Airport Measure Up?

Airport Performance Measurement
A Strategy For Management Information and Improvement

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Performance Measurement (PM) Discussion Topics

- PM Theory…
- A simple definition of PM …
- Objectives of PM programs …
- Measuring your own performance …
- Issues to consider in PM …
- Selecting your measures ….
- PM Principles …
- Common PM Pitfalls
- The generic PM model …
- Examples of PM Systems …
- ACRP Guidebook for Developing Airport PM Systems
Performance Measurement Theory

What gets measured gets done
What gets done gets rewarded
What gets rewarded counts
What counts gets measured
PM Definition

• Performance measurement is the ongoing monitoring and reporting of an organization’s accomplishments; particularly progress towards pre-established goals.

• Performance measures typically address…
  – Process: the type or level of activities conducted -- “are we doing the right things”
  – Outputs: direct products and services delivered -- “are we doing things right”
  – Outcomes: the results of those products and services-- "are we achieving the pre-established goals"
PM Objectives

• Effective performance measures can let us know:
  – How well we are doing in an ever-evolving industry environment
  – If we are meeting our goals
  – If our stakeholders (customers, Board, communities, etc.) are satisfied
  – If our processes are in control
  – If and where improvements are necessary
  – Reduce emotionalism (given concrete data) and encourages constructive problem solving
  – They provide us with the information necessary to make intelligent decisions about what we do
Measuring Your Own Performance

• What To Measure? Think Impact!
• How To Measure? Think Precision!
• What Data? Think Efficiency!
• How To Use It? Think Feedback!
Selecting Your Measures

- Accuracy in evaluating the activity;
- Synergy with other measures for the same or related activity;
- Robustness and comparability of the data collected;
- Cost of collection versus value of the data to airport management;
- Compatibility with existing data collection and reporting systems;
- Relative ease with which the data can be analyzed and understood;
- Reliability of the measure over time and under changing conditions;
- The ease with which comparable data can be collected others;
- The type and magnitude of adjustments required to make data comparable;
- The degree to which the measures provide insight into how an airport business process should be changed in order to be improved.
Issues to Consider in Developing Performance Measurement Systems

• Efficient vs. effective measures
• Objective vs. subjective measures
• Continuous collection vs. performance audits
• Cost of collection vs. payoff
• Distribution/use of data with staff
• Controllable vs. non controllable measures
• Use of Information technology
PM Principles

• Use measures to support performance improvement and behavior change, not to blame or punish
• Leadership needs to be fully engaged in conception, design and implementation of PM
• Accountability for each measure should be clear, and people who are accountable should lead efforts to improve performance.
• Measure process as well as results, so you can identify improvement needs
• Measurements must be done, preferably, within the organizations day-to-day activities and in the background
• Needs to be built into the culture of the organization
• Measures should be balanced among processes, outputs, and outcomes
• Have just enough measures to show what's critical and keep everyone focused
• All measures should be aligned with strategies and with each other; Measures at different levels of performance should be aligned
• Measures should be accessible, visible, and understandable
Common PM Pitfalls

- Amassing too much data
- Focusing on the short-term only
- Failing to base business decisions on the data
- Measuring too little
- Collecting inconsistent, conflicting, and unnecessary data
- Driving the wrong performance (Exceptional performance in one area could be disastrous in another)
- Encouraging competition and discouraging teamwork
- Establishing unrealistic and/or unreasonable measures
- Failing to link measures to the strategic plan
- Measuring progress too often or not often enough
- Ignoring the customer
- Asking the wrong questions/looking in the wrong places
The Generic PM System

PM Hierarchy

- Clear “Line of Site”
- Mission
  - Strategy
  - Objectives
    - Measures overall performance in delivering on the organization mission and strategic goals
    - Increasing shareholder value; achieving Board mandates
  - Examples
    - Given the strategies, measure the effectiveness of execution of particular aspects of the organization
    - Business Results:
      - Quality
      - Quantity
      - Customer Satisfaction
      - Employee Satisfaction
    - Help identify the underlying factors that affect changes in performance measures
    - Not measures
    - Process tools
    - Reference guide defines how to use
  - Link and Integrate at all levels
- Organization (Unit)
  - Individual/Managerial Goals/Competencies
    - Assess how organizational measures relate to individual/managerial performance appraisals
    - Critical job elements for employees
    - Commitments for many executives

PM Approach

1. Reaffirm/Focus Strategy
2. Develop Strategic Objectives
3. Design Unit and Individual Measures
4. Develop Targets and Plan to Leverage Technology
5. Train and Implement
6. Evaluate and Monitor
Performance Measurement Systems

- Shareholder value added
- Activity Based Costing
- Cost of Quality
- Competitive Benchmarking
- Business Excellence Model
- Balance Score Card
- Performance Prism
Performance Measurement Systems

- **Business Excellence Model**: is a nine-box model, originally developed by the European Foundation for Quality Management (EFQM) to support the management of organizations in accelerating the process of making quality a decisive influence for achieving global competitive advantage.
Performance Measurement Systems

• **Balance Score Card:** A system that measures and is used to manage an organization's progress toward strategic objectives. Introduced by Robert Kaplan and David Norton in 1992, the balance scorecard incorporates not only financial indicators but also three other perspectives: customer, internal business, and learning/innovation. The scorecard shows how these measures are interlinked and affect each other, enabling an organization's past, present, and potential performance to be tracked and managed.
Performance Measurement Systems

- **The Performance Prism**: Performance management tool that takes into consideration not only strategies, process and capabilities of the organization but also stakeholders satisfaction and contributions into an integrated five faced prism.
Objective

• Produce a practical, user-friendly guidebook that will:
  – Assist in understanding practical benefits of Performance Measurement (PM) Systems
  – Help airports discern how well they are meeting customer and stakeholder expectations
  – Guide development and implementation of the most appropriate PM System
  – Cite examples of key performance indicators (KPIs) and how to incorporate them into a PM System
Expected Results

• Enhance the decision-making process to improve service and efficiency through Performance Measurement Systems
Milestones

1. Data Collection & Analysis
2. Industry Status & Best Practices
3. Graphical Flow-Chart Tool
4. Research Plan & Methodology
5. Guidebook

Project Timeline:
May 2008-April 2009

Final Version
Case Study Airports

- Dayton Int’l, DAY
- Sebring Regional, SEF
- Pearland Regional, LVJ
- Dallas Fort Worth, DFW
- Minneapolis St. Paul, MSP
- San Diego Int’l, SAN
- Washington National & Dulles, DCA/AID
- Tampa Int’l, TPA
- Toronto Pearson, YYZ
- San Antonio, SAT
- Ted Stevens Anchorage, ANC
- Memphis Int’l, MEM
- Chicago Midway, MDW
- Billings Logan Int’l, BIL
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