Improving Airport Organizational Performance:

Airport Performance is Ultimately "People Performance"

By Nick Davidson and Richard Batty, ICF

Airports operate in an increasingly demanding commercial environment facing greater scrutiny from passengers, airlines, stakeholders, and investors. Airports compete to win and retain air service, and invest significantly in retail and entertainment facilities to enhance the passenger experience and maximize passenger spending. The largest airports spend billions of dollars annually on capital investment in new facilities and technology. Yet no matter how great the investment, its effectiveness and ultimately the quality of the passenger experience are critically dependent on the airport's people—the decisions they make, the skills they use, and the attitudes and behaviors they display.

While today's airport business is ever more commercial in nature, most U.S. airports follow rules, policies, and procedures designed for non-competitive public sector entities. Such constraints result from the airport's governance structure (e.g., the city, county, or state to which the airport organization reports typically requires the airport to follow its rules for recruitment and performance management). Applying rules designed to support public utilities to a self-sustaining airport enterprise limits the ability of airport management to effect change and drive achievement of key goals and outcomes.

Many U.S. airports have alleviated some of these constraints by transitioning to an alternate form of governance that provides greater independence, such as an independent airport authority or corporation. However, if this approach is not a realistic option, there are other means to address constraints and improve airport organizational performance within the existing governance model.

Adapting "People Policies" to Meet Airport Needs Can Yield Real Improvements

ICF conducts organizational reviews for airports in the U.S. and internationally, helping our clients to reconfigure the structure and size of their organizations to meet the challenges they currently face and are likely to face in the future. Having consulted with numerous airport management and staff, we have identified three common prevailing airport organizational performance issues along with people policy solutions for each: 1) recruiting the best staff, 2) managing staff performance effectively, and 3) motivating and engaging staff.

POLICIES TO ADDRESS KEY PEOPLE ISSUES

Key Issue	Policy Levers to Address Issue
Recruiting the best staff	■ Airport-specific position classifications ■ Objective compensation studies ■ Fast-tracking of urgent recruitment needs
Managing staff performance effectively	■ Personal goals tied to organizational goals ■ Recognition and non-financial rewards for achievement ■ Formal incentive bonus systems
Motivating and engaging staff	■ Frequent, multi-channel communication including a compelling vision for change ■ Staff engagement surveys ■ Active follow-up on staff issues

1. **Recruiting the Best Staff** – Airports often cannot hire the staff they need to fill key positions or are unable to create the positions in the first place. This may be due to a variety of causes, including externally imposed budget constraints, complex hiring rules that deter the best candidates, and compensation issues where salaries are defined by standard city/county or state schedules rather than airport industry or applicable local comparators.

    It is tempting to take these constraints as givens, but experience shows that much can be done to create exceptions and process workarounds. The key argument to win is that airports are not typical government departments, and a different approach to managing the organization is required to get the best result for airport users, airlines, investors, employees, and the local community. Unique, airport-specific position classifications can often be created; competitive compensation ranges can be established based on objective compensation studies; and process "fast-tracks" can be established where unmet needs clearly compromise performance and outcomes. Everything is negotiable, but it is important to pick the right battles: which constraints are causing the most pain to the airport and of these which offer the greatest scope for negotiation?

2. **Managing Staff Performance Effectively** – Airports often find it challenging to effectively manage individual staff performance given the constraints of collective wage-bargaining agreements and public-sector performance review processes that offer limited scope for recognizing and rewarding good performance. The key here is recognizing that people work best when they know how their job contributes to the success of the organization and they see their contribution recognized and rewarded within the scope the system allows.

   ICF's experience at U.S. airports shows that exceptions to standard employee performance management systems can be achieved, for example, to establish a stronger connection between individual performance, organizational performance, and personal reward. Establishment of personal goals tied to organizational goals can engage staff and direct performance toward key outcomes. Even within public-sector systems, incentives can be provided, ranging from recognition for achievement, through non-financial rewards to the formal incentive bonus systems that some U.S. airports have been able to establish.

3. **Motivating and Engaging Staff** – Employee engagement and motivation is crucial to the success of any enterprise. Yet engaging staff can be a challenge when appointments, incentives, promotions, and recognition are constrained by policies designed for public service or utility organizations that do not operate in a competitive, customer-driven marketplace. In all organizations, the critical keys to effective employee engagement are 1) communication, 2) engagement surveys, and 3) active follow-up on issues.

   Effective communication starts from the top with a strong and compelling vision for change and full alignment of the senior management team. Communication should be open, genuine, and frequent, using a wide variety of channels—from company-wide events to 1:1 meetings and shift briefings (at whatever hour), but also through videos, blogs, and posters and other physical collateral—whatever is most appropriate for each group of employees. The communication should be two-way, receiving feedback and suggestions and then acting on them. Employee engagement surveys are a critical tool to identify the things that engage and motivate staff, including the things that are missing, and serve as a basis for developing organization-wide strategies to build on strengths and address shortcomings. Engagement surveys raise employee expectations; therefore, it is important to follow up promptly and thoroughly. Management should communicate the survey results, investigate any issues raised, and take action to address them.

While initiatives to adapt the general-fund policies of city, county, and state airport sponsors as outlined above can yield real improvements, a fundamental issue remains: airports are not public utilities. They are instead financially self-sustaining enterprises that must compete for air service, passengers, and the talent needed to run them. Managing such an enterprise requires policies that reward the delivery of outcomes rather than conformance with process and that give management flexibility to engage, motivate, and reward staff based on both collective and individual performance.

Governance Change Can Deliver Fundamental Improvement to Airport "People Performance"

Many U.S. airports have eliminated these airport organizational performance constraints through governance change, in particular by transition of the airport enterprise to an independent airport authority.

Independent authorities today run 42 of the top 100 U.S. airports. Cities, counties, and states run 48 airports, with the remaining 10 airports run by commissions.

GOVERNANCE OF TOP 100 U.S. AIRPORTS

Commission, 10
State, 6
County, 12
Authority, 42
City, 30
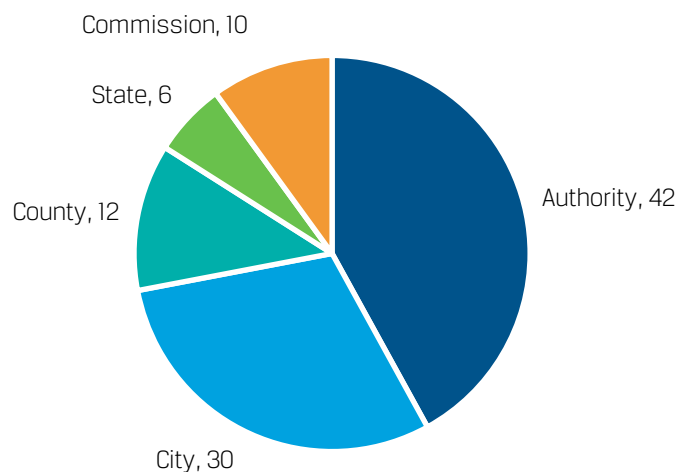
Source: ACI, ICF analysis
Note: top 100 U.S. airports identified based on 2015 traffic

The trend is gradual, but clear: in the last 25 years, 13 major U.S. airport operators have transitioned to independent authorities, while no airports have transitioned from the authority model to an alternate form. Advantages claimed by recent airport authority transitions include the following:

- More responsive, better qualified Board

- Improved management continuity, by de-linking appointments from political terms

- Airport-specific procurement systems, which have cut lead times significantly

- Airport-specific Human Resources and compensation systems, enabling top quality talent to be hired and retained

- More entrepreneurial, nimble, and business-focused culture

This is not to say that the management teams of airport authorities have complete freedom of action; all terms of the transition need to be negotiated, not least the protection of rights for employees transferring to the authority (normally a high priority for government as well as relevant labor unions).

About ICF

ICF is a global consulting services company with over 5,000 specialized experts, but we are not your typical consultants. At ICF, business analysts and policy specialists work together with digital strategists, data scientists and creatives. We combine unmatched industry expertise with cutting-edge engagement capabilities to help organizations solve their most complex challenges. Since 1969, public and private sector clients have worked with ICF to navigate change and shape the future.

Change of governance can be achieved only with the support of many groups of stakeholders, including the business community and the government of the city, county, or state currently running the airport. Many different interests need to be aligned (e.g., the recent transition of Connecticut airports to the Connecticut Airport Authority was motivated by the desire to strengthen the airports' economic contribution to the State).

Transition to authority status may be the long-term solution for many of the existing city, county, and state-run airports, but it is difficult and time-consuming to achieve. For the time being, many airports will need to find alternative ways to improve organizational effectiveness.

Like any business, airport performance is primarily driven by people performance—engaging, motivating, and rewarding employees. ICF's experience shows that people performance can always be improved either within existing governance structures or by adopting new governance structures.

About the Authors
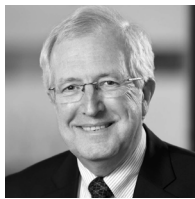
Nick Davidson has more than 30 years of experience in management consulting and is a recognized leader in airport strategic planning. He has led strategic planning efforts, organizational reviews, and governance studies for more than 25 organizations, including Los Angeles World Airports, Houston Airport System, the State of Hawaii Department of Transportation (Airports), the Port of Houston Authority, and Port of Seattle's Aviation Division.

Richard Batty has over 25 years of experience in business strategy and organizational effectiveness, mainly for airports and other transportation organizations. He has recently managed projects for Los Angeles World Airports, the Connecticut Airport Authority, the Port of Seattle's Aviation Division, and the City of San Jose Airport Department.

For more information, contact:

Nick Davidson
nick.davidson@icf.com   +1 415 677 7146

Richard Batty
richard.batty@icf.com   +1 703 713 8765

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