Aligning Organizational Strategies with Leadership Development Programs

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DFW International Airport
EVP and CFO
Objectives of Presentation
The proper execution of strategy leads to superior business results

- Overview of the DFW Leadership System and Strategic Plan
  - Organizational Alignment

- Employee Engagement
  - Strategic Objectives and Initiatives
  - Measurement and Compensation Programs
  - Leadership Competencies, Training and Communication

- Implementation Timeframes
DFW Leadership System and Business Model
DFW’s Leadership System for Strategic Alignment*

Phases of DFW's Leadership System

Policy and Controlling Documents

Strategic Planning and Management

Measurement

Employee Compensation and Alignment

Employee Goal Setting and Engagement

Annual Workplan and Budget

* Based on an article written by Christopher A. Poinsatte, and published by *Journal of Airport Management*, Henry Stewart Publications, Vol. 6, No. 1
Aligning Organizational Strategies with Leadership Development Programs
ACI Economics and Human Capital Conference, Nashville, TN

Phases and Elements of DFW’s Leadership System
There are multiple Elements within each Phase. Each Element is critical to the overall success of DFW’s Leadership System.

Phases and Key Elements of DFW's Leadership System

Policy and Controlling Documents
- Contract and Agreement
- Airline Use Agreements
- Bond Ordinances

Strategic Planning and Management System
- Strategic Plan
- Financial Plan
- Airport Master Plan
- Capital Plan
- Enterprise Risk Management
- 3-5 Yr Business Unit Plans

Annual Workplan and Annual Budget
- Annual Operating and Capital Budget
- Annual Workplan of Goals and Initiatives

Employee Goal Setting & Engagement
- Level 1 Goals and Initiatives for Senior Management
- Level 2 & 3 Goals/Initiatives Cascaded to Managers and Employees
- Levels 2 & 3 Scorecards and Reporting

Measurement
- Level 1 Scorecards and Reporting

Employee Compensation & Alignment
- Pay for Performance
- Incentive Compensation
- Leadership Competencies
- Beliefs
OUR VISION
DFW Airport – Connecting the World

OUR MISSION
DFW International Airport will provide our customers outstanding facilities and services, expanding global access and economic benefits to those we serve.

OUR PRIMARY BUSINESS GOAL
Grow the core business of domestic and international passenger and cargo airline service.

KEY RESULTS

KEEP DFW COST COMPETITIVE
CREATE CUSTOMER SATISFACTION
DELIVER OPERATIONAL EXCELLENCE
FOSTER EMPLOYEE ENGAGEMENT

BELIEFS

YOU’RE IMPORTANT!
OWNING IT!
STEPPING UP!
REACHING OUT!
INNOVATING WINS!

STRATEGIC OBJECTIVES AND INITIATIVES
Strategic Planning and Management Systems
There are six Elements in this phase. All are interrelated and help ensure that DFW’s long range planning efforts are coordinated.

- CEO commitment critical
- Involve multiple levels of management
- Use a facilitator
- Development of plan can take 6-12 months
- Include performance metrics, timelines, and quantifiable goals
- Should drive Financial Plan, Business Plans, and Capital Plans
- Write the plan to employees
- Train all employees (Learning Map ©)
- Reinforce communication regularly
Strategic Plan Training with a Learning Map Game
History Map - Effective Way to Communicate Where We Have Been

[Image of a history map showing key events and milestones.]

- **1990** - Aviation Safety & Capacity Expansion Act (H.R. 2494)
- **1993** - Senator Bill 348 passed, allowing DFW expansion
- **1997** - 7th Runway Opened
- **1999** - Low-cost carriers start
- **2000** - CDP continues with added security enhancements
- **2003** - Delta de-hubs, 1st Employee Engagement Survey, Rise of the Aerotropolis
- **2005** - Largest expansion, 3 runway extensions
- **2006** - AOC & EOC
- **2020** - DFW Global Super-Hub

**Key Results**
- **Attendee Satisfaction**
- **Operational Excellence**
- **Cost-Competitive**
- **Employee Engagement**

**Future**
- Low-Cost Carriers
- Increased Customer Focus
- Post 9/11

**Our Beliefs**
- You're Important
- Owning It
- Stepping Up
- Reaching Out
- Innovating Wins

**DFW International Airport**
- DFW stands for Dallas/Fort Worth
- Home of the Dallas Cowboys
- 3rd largest airport in the world

**Future**
- 2030
- 28 terminals
- 3.3 million acres of land

**DFW**
- DFW International Airport
Annual Workplan of Goals and Initiatives
Management cascades strategic priorities into its Budget and Annual Workplan.

- Definitions:
  - Goal = numeric target
  - Initiative = task or project to be completed
  - Prioritization - Levels 1, 2, and 3
### Annual Workplan – Thoughts and Helpful Hints

#### GROW THE CORE BUSINESS

1. Achieve passenger budget of 57.9M  
2. Achieve 50 international destinations  
3. Achieve 17 domestic LCC destinations  
4. Achieve 48 weekly international cargo destinations  
5. Manage AMR bankruptcy  
6. On schedule with TRIP design and construction  
7. Create/ implement stakeholder outreach programs  
8. Enhance “Owner City Program”

#### OPERATIONAL EXCELLENCE

9. Achieve airline cost budget  
10. Achieve 2nd or better in comparative CPE  

#### COST COMPETITIVE

11. Achieve DFW cost center net revenues budget  
12. Issue new money and refunding bonds  
13. Award concessions contracts for Terminals B/E  
14. Initiate Southgate and Founders Plaza

#### EMPLOYEE ENGAGEMENT

15. Achieve ACI satisfaction score of 1.65  
16. Achieve 1st place in competitive set on ACI survey  

#### OTHER STRATEGIC INITIATIVES

17. Add customer service language to contracts  
18. Update Terminal E baggage system  
19. Zero FAA Part 139 uncorrectable deficiencies  
20. Zero notices of regulatory enforcement violations  
21. Achieve MWBE aspirational goals  
22. Reduce paper consumption 25%  
23. Establish sustainability programs and reporting  
24. Complete FAA safety management system  
25. Complete fire training and rescue center  
26. Update MWBE programs with availability study  
27. Achieve employee engagement of 74%  
28. Increase LiveWell participation from 65% to 68%  
29. Implement medical services at LiveWell Center  
30. Progress on tax sharing arrangements  
31. Progress with DART and T service to DFW  
32. Progress on legislative agenda and G-10
Employee Goal Setting - Helpful Hints/Lessons Learned

- Link Level 1 goals/initiatives from Annual Workplan to
  - Management’s annual performance plans
  - Incentive Compensation Program

- Cascade the Level 1, 2, and 3 goals/initiatives to all levels of organization to line employees
**Measurement**

### Key Performance Indicators

**Core Business**
- L1 Total Passengers (Ms) **
- L1 International Passenger Destinations Announced **
- L1 International Cargo Service Departures (non-integrators) **
- L2 O&D Passengers (Ms)
- L2 Total Landed Weights (Bs)
- L2 Cargo Landed Weights (Bs)

**Cost Competitive**
- L1 Net Revenues from DFW Cost Center **
- L1 Passenger Airline Cost per Enplanement (CPE) (3)**
- L2 CPE Ranking vs. Competitive Set of 13 large hubs (1)
- L2 Total 102 Fund Expenditure Budget (Ms)
- L2 Total Airline Cost (Ms)
- L2 Revenue Mgmt. Revenues per Enplanement
- L2 Parking Revenue per Originating Passenger
- L2 Concession Revenue per Enplanement

**Customer Satisfaction** **
- L1 DFW's ACI Passenger Survey Score
- L1 ACI Survey Relative Ranking (competitive set of 13) (1)

**Operational Excellence** **
- L1 % Level 1 Goals & Initiatives Achieved (1)
- L1 FAA Part 139 Uncorrectable Deficiencies
- L1 Regulatory Enforcement Violation Notices
- L1 Aspirational M/WBE Goals (GS/Prof/Const) (2) (1)

**Employee Engagement** **
- L1 Engagement Index (1)
- L1 Engagement Survey Participation (1)

**Results Status Bar** ** Excellence Reward Program

<table>
<thead>
<tr>
<th></th>
<th>FY10 Actuals</th>
<th>FY11 Budget</th>
<th>FY11 Actuals</th>
<th>FY11A vs FY10A</th>
<th>FY11A vs FY11B</th>
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<tr>
<td>L1 Total Passengers</td>
<td>56.4</td>
<td>57.3</td>
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<td>38</td>
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<td>46</td>
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<td>L2 O&amp;D Passengers</td>
<td>23.1</td>
<td>23.9</td>
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<td>L2 Total Landed</td>
<td>36.3</td>
<td>36.7</td>
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<td>L2 Cargo Landed</td>
<td>3.0</td>
<td>3.0</td>
<td>3.1</td>
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<td><strong>Cost Competitive</strong></td>
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<tr>
<td>L1 Net Revenues</td>
<td>n/a</td>
<td>$50.3</td>
<td>$72.1</td>
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<tr>
<td>L1 Passenger Airline</td>
<td>$6.67</td>
<td>$6.73</td>
<td>$6.30</td>
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<td>L2 CPE Ranking vs.</td>
<td>1st place</td>
<td>1st quartile</td>
<td>2nd place</td>
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<td>L2 Total 102 Fund</td>
<td>$585.5</td>
<td>$572.3</td>
<td>$565.9</td>
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<td>L2 Total Airline</td>
<td>$200.0</td>
<td>$202.4</td>
<td>$190.5</td>
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<td>L2 Revenue Mgmt.</td>
<td>$7.20</td>
<td>$7.07</td>
<td>$7.80</td>
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<td>L2 Parking</td>
<td>$8.17</td>
<td>$7.98</td>
<td>$8.48</td>
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<td>L2 Concession</td>
<td>$1.79</td>
<td>$1.59</td>
<td>$1.80</td>
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<td><strong>Customer Satisfaction</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>L1 DFW's ACI Passenger Survey Score</td>
<td>4.19</td>
<td>4.15</td>
<td>4.19</td>
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<td>**</td>
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<tr>
<td>L1 ACI Survey Relative Ranking</td>
<td>1st place</td>
<td>1st quartile</td>
<td>1st place</td>
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<td>**</td>
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<tr>
<td><strong>Operational Excellence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>L1 % Level 1 Goals &amp; Initiatives Achieved</td>
<td>95%</td>
<td>90%</td>
<td>90%</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>L1 FAA Part 139</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>L1 Regulatory</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>L1 Aspirational</td>
<td>35/32/30%</td>
<td>25/27/30%</td>
<td>30/41/36%</td>
<td>n/a (2)</td>
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<tr>
<td><strong>Employee Engagement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>L1 Engagement Index</td>
<td>73%</td>
<td>70%</td>
<td>74%</td>
<td></td>
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<tr>
<td>L1 Engagement Survey Participation</td>
<td>86%</td>
<td>82%</td>
<td>85%</td>
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</tbody>
</table>

Legend:
- Green: Improved/Constant
- Star: Exceeded by >5%
- Red: Worse by >5%
- Yellow: Worse by 0-5%
Employee Engagement
Strategies and Initiatives
Employee Engagement – Strategic Objectives and Initiatives

- Ensure that the workforce is productive, engaged, healthy, inclusive and diverse.
  - Continually update “LiveWell” health and wellness initiative.
  - Continually update Total Rewards program to align the benefits employee value with the cost of compensation and benefits.
  - Fully integrate inclusion practices to ensure workforce diversity.
  - Continually update DFW’s performance management process to ensure that individual employee objectives are aligned with desired organizational goals and strategic objectives.

Long Range Target for Employee Engagement – 80%
Employee Engagement – Strategic Objectives

- Enhance a continuous learning environment by providing education, training, and career development opportunities.

- Develop sustainable leadership capabilities by implementing talent review and succession planning initiatives.

- Create an organizational culture consistent with DFW beliefs by effectively aligning policies, processes, and systems to reinforce the beliefs.

- Execute comprehensive internal communication programs to educate employees on significant goals and strategic initiatives.
## Employee – Pay for Performance and Incentive Compensation

<table>
<thead>
<tr>
<th>Goal Description</th>
<th>Result</th>
<th>Percent of Target Pool</th>
<th>Percent of Target Paid-Out</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reduce Cost per Enplanement below budget of $6.80</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve CPE of $6.80 - $6.72 (approx $2M in cost savings to airlines)</td>
<td>30%</td>
<td>50%</td>
<td></td>
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<tr>
<td>Achieve CPE of $6.71 to $6.47 (approx $2M-$10M in cost savings to airline)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve CPE of $6.46 or lower (approximately &gt;$10M in cost reductions)</td>
<td>$6.30</td>
<td>150%</td>
<td></td>
</tr>
<tr>
<td><strong>Grow DFW Cost Center Net Revenues above budget of $54M</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve $54M to $55.9M</td>
<td>30%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Achieve Net Revenues of $56M to $59.9M</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve Net Revenues of $60.0M or over</td>
<td>$72.0</td>
<td>150%</td>
<td></td>
</tr>
<tr>
<td><strong>Customer Satisfaction (DFW Score)</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Achieve score of 4.15 to 4.17</td>
<td></td>
<td></td>
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<tr>
<td>Achieve score of 4.171 to 4.19 (FY10 actual)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exceed 4.191+ (Exceeds FY10 Actual despite TDP construction)</td>
<td>4.1914</td>
<td>150%</td>
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<tr>
<td><strong>Operational Excellence - CEO Initiatives</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete 75% of CEO goals and initiatives as scheduled</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete 90% or more of CEO goals and initiatives as scheduled</td>
<td></td>
<td>90%</td>
<td></td>
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<tr>
<td><strong>DFW Employee Engagement Goals</strong></td>
<td></td>
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<tr>
<td>Achieve engagement survey target of 70%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achieve engagement survey target of 73% (equal to FY 2010 actual)</td>
<td></td>
<td>74%</td>
<td>100%</td>
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**Total** 100% 138%
Employee – Leadership Competencies

AIRPORT LEADER COMPETENCY MODEL

This model represents a common set of expectations for how employees achieve results. Airport Leader Competencies are built upon DFW Airport Beliefs and relate to “how” work is accomplished. Every employee will be held accountable for the 13 competencies, which will be measured as one of three key areas of Overall Performance.

Pay for Performance
Incentive Compensation
Leadership Competencies
Beliefs

Employee Compensation and Alignment

视线/使命/业务目标

- 增强个人效率
  - 发展自我与他人 / 教育他人
  - 接受 / 领导 / 倡导变革
  - 有效沟通

- 采用集成思维方式
  - 创造愿景
  - 展示商业洞察力
  - 有好的判断力

- 建立人际关系
  - 提高多样性与包容性
  - 促进团队合作与协作
  - 关注客户
  - 显示组织智慧

- 展示承诺
  - 展示对战略优先事项的专注
  - 推动关键结果

- 你很重要！
- 采取行动！
- 负责！
- 达到目标！
- 创新赢！
Succession Planning and Focused Training

- Develop **sustainable leadership capabilities** by implementing talent review and succession planning initiatives.
  - Senior management reviews
  - Department reviews to manager level
  - Updated annually
  - Identify gaps and training opportunities

- Enhance a **continuous learning environment** by providing education, training, and career development opportunities.
  - Annual review process
DFW’s Beliefs
Create an organizational culture consistent with DFW beliefs by effectively aligning policies, processes, and systems to reinforce the beliefs.
DFW Believes – The Action Oriented/Skinny Version

- You’re Important!
- Step Up!
- Stepping Up!
- Innovation Wins!
- Own It!
- Owning It!
- Reach Out!
- Reaching Out!

Implications:

- You’re Important! - Recognition and Value
- Step Up! - Progress and Improvement
- Stepping Up! - Growth and Development
- Innovation Wins! - Creativity and Success
- Own It! - Responsibility and Control
- Owning It! - Ownership and Commitment
- Reach Out! - Collaboration and Connection
- Reaching Out! - Network and Influence
Results – Employee Engagement

Employee Engagement Scores

<table>
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<tr>
<th>Year</th>
<th>Score</th>
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<tr>
<td>FY05</td>
<td>60%</td>
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<tr>
<td>FY06</td>
<td>62%</td>
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<tr>
<td>FY07</td>
<td>62%</td>
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<td>FY08</td>
<td>65%</td>
</tr>
<tr>
<td>FY09</td>
<td>67%</td>
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<tr>
<td>FY10</td>
<td>73%</td>
</tr>
<tr>
<td>FY11</td>
<td>74%</td>
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Implementation Timeframe
Numerous elements were missing when DFW developed first strategic plan.

Biggest changes were linking annual work plans and measurement and implementation of incentive compensation.
Implementation of DFW’s Leadership System: FY 2010-2012

In next phase, DFW improved its long range financial and capital planning and ERM, plus pushing measurement and accountability down into the organization.

Element fully/systematically implemented  Element partially implemented  Element not implemented
Summary
It’s a Journey!

- DFW has successfully aligned its strategic planning with employee goals, performance evaluation, training, and compensation
- This has resulted in
  - Superior business results
  - Satisfied customers
  - Engaged employees
- The process takes years
- So get started today and enjoy the implementation!
Achieving Superior Business Results at DFW
Linking Strategy to Execution

Christopher A. Poinsatte
DFW International Airport
EVP and CFO
ACRP 06-02 AIRPORT LEADERSHIP DEVELOPMENT PROGRAM
Research Purpose

- Determine Leadership Development needs of existing Airport Leaders
- Create scalable Leadership Development Training Program to be used by airports
- Pilot the Leadership Development Training for a live class
Definition of Leadership

“The process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task”
Research
Phases of Research

- Research Existing Leadership Programs
  - Review organizations, associations and airport programs
- Identification of Needs
  - Performed focus groups
- Determine Gap
- Develop Program
- Pilot Program and Refine with Feedback Results
Major Findings - Research

- Leadership needs not unique
- Programs cost prohibitive
- Audience promotability
- Need assessment tool
- Gap in training for over 10 years
Curriculum Design and Development

- Include self-awareness assessment tool
- Customizable modules
- Target improving leadership skills in CURRENT positions
- Leadership fundamentals
- Realistic synthesis in assessment centers
Leadership Program Content
Program Materials

- Facilitator's guide
- Participant guide
- Supplemental readings
- 360 degree feedback survey
- Facilitator’s guide for survey
Curriculum Content
360 Degree Survey

- “Ticket to Admission” for course
- Questions align directly to the content of the course
- Results used to create personal development roadmap
- Repeatable for any size airport
- Tool agnostic
Leadership Journey

- Strategic Vision
- Socialization
- Relationship
- Culture
- Commitment
- Change Management
- Engagement
- Strategy Execution
- Monitor and Correct
Self Management

Topics:

- Leadership Styles
- Leadership Brand and Legacy
- Leadership Journey
Leadership Fundamentals

Topics:

- Communication Styles
- Conflict Resolution
- Critical Thinking
- Decision Making
- Building a Business Case
- Negotiation
Executing Leadership

Topics:
- Strategic Planning
- Developing Culture
- Relationship Building
- Strategy Execution
- Change Management
Assessment Centers

- Building Business Case
- Communication and Conflict Resolution
- Negotiation Scenarios
- Culminating activity
  - Strategic Thinking
  - Crisis Communication
  - Power and Influence in Relationships
  - Culture Transformation
Outcomes

- 360 degree survey report
- Personal development roadmap
- Organizational challenge solutions for immediate application
Contact Information

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  - 614-214-6227
  - Mindy.price@directeffectolutions.com