Linking Strategic and Operational Planning to Individual Performance

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Strategic and Operational Planning – The Past

- Driving force was statutory
- Unclear/Limited link to operational planning
- No ownership/visibility in the strategic plan
- Strategic plan developed as separate process to operational planning
  - Strategic performance measures often different from operational performance measures
- Little accountability on performance measures

Strategic and Operational Planning – The Present

- Top down – Bottom up Strategic Planning
  - Goals
    - Departmental level sets goals
    - Goals then set at office level, then division level, then districts and section level
  - Objectives and Performance Measures
    - District and section level, and in some cases work unit level, set objectives, measures, and targets
    - Based on objectives established at district, section, or work unit level, objectives, measures and targets then set at the division level, then office level, then Department level

Strategic and Operational Planning – The Present

- Top down – Bottom Up methodology ties objectives established at the work unit or section/district level to strategic plan
- Accountability through monthly executive meeting on office performance measures
  - Some monthly meetings on performance measures at section level
- Some staff performance tied to objectives
  - 30% of annual performance review

Strategic and Operational Planning – The Future

- Tie all employee performance to objectives
  - Incentivize through PPRs or pay
- Establish data driven objectives, performance measures, and targets that reflect the business
- Develop a systematic method to collect the data

Can Individual Performance be Affected While Tying it to Strategic and Operational Plans???

Yes it can!!!

Pay for Performance – Pilot I*

- In 2007 DOTD initiated an effort to pilot "Pay for Performance" to enhance employee productivity, motivation, and team work
- Pilots were project based and tied to DOTD special initiatives
  - One in a headquarters/district function
    - Bid 100% of 116 surplus funds projects by commitment date - Successfully achieved
    - Improve on-time bidding on the overall program by 10% - Failed to achieve
  - One in a district function
    - Design and bid an interstate cable barrier project by targeted dates - Successfully achieved

* Approved By Civil Service November 2007

Pay for Performance – Pilot I

Managers Feedback

- Heightened level of project ownership
  - Even among strong employees
- A welcome change from traditional “employee of the quarter” programs
- Increased teamwork
  - Including working across district lines
- Challenges
  - Late start in project cycle
  - Lack of full communication to all employees involved
  - Lack of inclusion of all relevant employees

Pay for Performance – Pilot I

Participants feedback

- Pleased to receive extra pay
- Rewards ($500 or $1000) were sufficient to incent performance
- Incentives caused employees to work harder on the project (including working overtime)
- Team members were more cooperative
- Projects linked to PFP were given highest priority

Pay for Performance – Pilot I

Lessons learned

- Not all employees realized they were part of the pilot
- Two recipients split their payments with subordinates not included in the pilot
- The “project” nature of the pilots made them easy to measure but difficult and labor- intensive to administer
- Some participants would have liked a “peer review” component because not all team members contributed equally to the results

Pay for Performance – Pilot I

Decisions

- No expansion of project based PFP
  - Difficulty in including all employees
  - Not tied to performance of normal work
  - Allows for a concentration on PFP project to the detriment of normal operations
  - Significant administrative effort
- Proceed with a Phase II PFP pilot
  - Tied to unit/section operational objectives
  - Tied to DOTD strategic & operational plans
  - Allows expansion to all employees

Pay for Performance – Pilot II

- Utilize DOTD's top down - bottom up approach for strategic and operational planning
  - Goals established at agency level that roll down to section/unit level
  - Objectives & performance measures established at section/unit level roll up to agency level
- DOTD employee PPRs on a fiscal year basis
- Some DOTD sections using "new" PPR form
  - 30% of individual performance rating tied to unit/section/office objectives
  - Quantifiable with an opportunity to excel

Pay for Performance – Pilot II

Proposal

- Utilize the unit/section objectives and the “new” PPR form
  - Tie incentives to **core work objectives** rather than projects
- Individual and section/unit performance must clearly exceed quantifiable targets
- Incentives would be a pre-determined amount
  - Not a percentage of salary
- Involve each of DOTD’s five Offices

Pay for Performance – Pilot II

Advantages

- Would directly tie individual performance to unit/section/office/department strategic and operational objectives
- Would still involve group effort (teamwork)
- Would give managers a tool to focus employee efforts on core priority areas

Pay for Performance – Pilot II *

Challenges

- Rigor to establish challenging objectives
  - Must measure core work responsibilities
  - Must be data driven
- Establish unit objectives to involve all employees
  - Engineers, bridge tenders, toll collectors, etc.
- Effective communication is essential

* Approved by Civil Service Commission January 2009

Pay for Performance – Pilot II

Select participants

- Systems Preservation Section - Engineering
- Procurement Section – Management & Finance
- Aviation Section – Public Works & Intermodal
- Traffic Monitoring Section – Planning & Programming
- Bridge Tender Gang in District 02 - Operations

Pay for Performance – Pilot II

Establish Objectives

- Much rigor to establish SMART objectives
- In some cases little data was available to set meaningful targets
- No systematic method established to collect data
  - Very labor intensive

Pay for Performance – Pilot II

Performance Incentives

- Performance review
  - 30% of rating tied to section/gang performance
  - Rating of “3” on all factors to be eligible for pay
- Recognition and Rewards Pay
  - Exceed 25% of objectives by more than 10%
    - $500 one time payment
  - Exceed 50% of objectives by more than 10%
    - $1000 one time payment

Pay for Performance – Pilot II

Results

- 3 sections/gangs exceeded objectives for pay
  - Includes bridge tender gang
- 2 sections did not meet objectives for pay

Pay for Performance – Pilot II

Observations

- Participants believed the objectives were achievable
- Participants believed that the program and possible reward caused them to work harder
- Participants believed that since the program was teamwork-based it made them work more like a team

Pay for Performance – Pilot II

Participant comments

- "*I believe as a whole, we worked harder to achieve the goals needed to receive our reward. I know working together things were better as far as work quality and our relationship as employees.*"
- *"I would love to participate in such programs in the future."*
- *"I believe this pilot program fostered additional team effort to complete the objectives…"*

Pay for Performance – Pilot II

Agency next steps

- Meet with Civil Service Director
- Meet with SCHR
  - Consider expanding the program
    - Experiment 3
  - Consider making the program agency wide
    - Refine SMART objectives and collect data for FY11 & FY12
    - Tie objectives to pay incentives for FY2013
- Present SCHR recommendations to DOTD Execs
- Present to Civil Service Commission - February 2011

Linking Strategic and Operational Planning to Individual Performance

- It has been demonstrated that strategic and operational planning can be tied to individual performance
  - Through performance expectations and reviews
  - Though pay-for-performance mechanisms
- It has been demonstrated that individual performance can be affected
  - Through accountability via performance ratings
  - Through pay incentives

Questions?