North Carolina
Department of Transportation

Transformation Management Team
Final Report

Volume Eight:
McKinsey Report
Laying the Foundation for a Successful Transformation

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Laying the Foundation for a Successful Transformation

North Carolina Department of Transportation

McKinsey & Company is pleased to have served the North Carolina Department of Transportation (NCDOT) in its effort to lay the foundation for transforming how it delivers transportation services to North Carolinians in the 21st century. We’ve worked closely with NCDOT as a strategic advisor over several months to help diagnose the situation, identify priorities for transformation, and build capabilities.

This report is written as a recap of the diagnostic and transformation effort. As a backdrop, the report begins with a brief discussion of the project objective and the project approach. It then discusses the diagnostic findings that created the fact base upon which the transformation program was built; the five transformation initiatives, describing plans, progress, and next steps for each; and overall next steps. Appendix A provides additional detail on the diagnostic, and Appendix B provides additional detail on the transformation initiatives.

Considering the complexity of the NCDOT organization, it is important to note that the report must be considered in its entirety, including the two appendices. This material, while thorough, does not represent the totality of our transformation capacity building or contribution. It also reflects efforts while McKinsey was present. It does not reflect the ongoing evolution and progression of NCDOT’s transformation efforts planned for the next 12 to 18 months.

We hope that what follows provides helpful input to an important and exciting transformation effort that could well be a landmark in NCDOT’s history and could serve as a model for government agencies within and outside North Carolina.

PROJECT OBJECTIVE

NCDOT’s purpose is to provide the citizens of North Carolina with a safe, reliable transportation network and to do so in a responsive, cost-effective manner. NCDOT is one of the largest and most complex state DOTs. It manages more
lane-miles than any state other than Texas and oversees a complex and growing transportation network that includes roads, ferries, rail, aviation, public transport, bike paths, and pedestrian walkways.

The Department, like many other state transportation agencies, faces challenges on a number of fronts. Several challenges are matters of fundamental economics. Demand for transportation is increasing during a time of rising costs and flattening revenue. North Carolina’s population is expected to grow by approximately 50 percent over the next 25 years, and it is becoming significantly more expensive to meet constituent transportation-related needs. Raw material costs, for example, have increased by over 40 percent in the last 2 years. Meanwhile, federal dollars are not likely to be a source of much help. Federal funding has been relatively flat over the last several years, and the Federal Highway Trust Fund program is projected to run out of funding by 2009.

NCDOT also faces a number of internal challenges. By its own admission, the organization has remained largely stagnant with respect to building capacity and capability; has a limited ability to prioritize and fund projects; has a mixed project performance record (notably the recent high-profile I-40 issues, balanced with successful emergency responses and everyday STIP delivery); offers a less-than-attractive employee value proposition, which makes it difficult to attract and retain talented people, especially when compared to private sector opportunities; and struggles to get a balanced performance message to its constituents. In more general terms, NCDOT has not been keeping up with the best organizations in the public and private sector, which are increasing their focus on efficiency and strategy to achieve operational excellence.

In January 2007, in recognition of the Department’s challenges, NCDOT’s leaders embarked on a comprehensive transformation effort, with a vision of a new DOT that would be more strategic, accountable, efficient, and effective in its use of resources, focused on outcomes-based performance metrics, and ultimately, better able to provide the transportation network needed by North Carolinians in the 21st century. As part of this effort, NCDOT developed and began implementing a new strategy designed to take NCDOT solidly into the new century. The potential benefits of a comprehensive transformation are many:

¶ It can create a transportation infrastructure that makes North Carolina one of the most attractive states in the Southeast for citizens and businesses.

¶ It can establish NCDOT as a national model of efficient and effective government by prioritizing projects, programs, and services based on strategic mission and goals and by shortening project delivery time.
Shortened project delivery time can lead to significant cost savings, particularly in a time of high construction supply inflation.

It can unlock the potential of thousands of NCDOT employees to perform to higher standards with more accountability, coordination, and transparency.

Last spring, to ensure the transformation and the new strategy’s success, and to learn from proven practices in the public and private sectors, NCDOT leaders asked the Governor’s office, members of the North Carolina General Assembly, various constituent groups, and their own leadership team for their opinions on how to diagnose NCDOT performance and then develop, based on the diagnostic, a model for transforming the performance of the organization. Based on these discussions and a competitive RFP process, NCDOT retained McKinsey to serve as an independent advisor on the transformation.

**PROJECT APPROACH**

NCDOT agreed to conduct an in-depth diagnostic built around obtaining candid employee and stakeholder input in a comprehensive and confidential manner. That diagnostic also included a review of best practices from other public sector and private sector entities and an assessment of NCDOT’s organizational values.

The diagnostic identified both strengths that NCDOT should build on and weaknesses in the current organization that need to be addressed. The diagnostic results were discussed with most NCDOT Board members, several state legislators, NCDOT leadership, division engineers, and several other managers from the Department.

A Transformation Management Team (TMT) was launched to focus on specific transformation initiatives. Designed to address the challenges and opportunities identified in the diagnostic, the transformation initiatives would represent the Department’s priorities over the next 12 to 18 months.

NCDOT recognized that the long-term success of any transformation effort must be rooted in the organization itself and not be dependent on ongoing outside help and asked McKinsey to help build relevant NCDOT and TMT capabilities.

Accordingly, throughout the project, the effort focused on building the Department’s ability to make and sustain the proposed changes. Considerable time and attention was dedicated to coaching NCDOT’s transformation leaders, individually and collectively, providing them with examples from the best public and private sector organizations and adding to existing skills in leadership.
strategic thinking, and organizational effectiveness. The capability-building efforts also included having leading experts in fields such as strategic planning, talent management, performance metrics, organizational design, and communication share their insights with NCDOT leaders and managers. Finally, the work to develop the transformation initiatives themselves has been an active and conscious collaboration between McKinsey’s project leaders and their NCDOT counterparts.

FINDINGS FROM THE DIAGNOSTIC

The diagnostic provided in-depth quantitative and qualitative input from an unprecedented number of internal and external stakeholders. More than 70 percent of NCDOT employees (8,977 total responses) completed a quantitative survey. Managers’ perspectives on strategic and organizational priorities were captured via interviews with 60 senior leaders across the organization, including the Board of Transportation, and conducting four diagnostic workshops with managers from DMV, Preconstruction and Central Highway Operations, and the Division Engineers. Fifteen deep structure interviews, probing “root causes” of employee perceptions, highlighted the perspectives of staff from all levels of the organization. Finally, members of the North Carolina General Assembly, the Governor’s office, MPOs, business groups, and other state agencies were interviewed to understand concerns and priorities among NCDOT’s external stakeholders. To encourage candor and openness, all surveys and interviews were conducted in a confidential, not-for-attribution manner.

The diagnostic also included a thorough review of current NCDOT processes and policies, including strategic planning, funding, project planning, design and delivery, operations and maintenance, personnel management, and communications. NCDOT’s current practices in these areas were compared to best-practice examples from the private and public sector, particularly in the areas of organizational alignment, vision and goal setting, strategic planning, performance management, and talent management. A Specialist Team, composed of 17 emerging leaders from across NCDOT, contributed to this review, providing insights and supporting analyses about critical processes and issues.

Finally, the diagnostic included an explicit review of NCDOT’s organizational values – both what it emphasizes today and what it seeks to emphasize in the future.

The diagnostic work painted a picture of both opportunity and challenge.
A strong starting point for transformation

With its current leadership team prepared and willing to make real change, improved financial stability, the support of employees with both technical talent and pride in service, and the foundation of solid self-reported organizational values, NCDOT is positioning itself to embark on significant transformation efforts.

1. **Senior leadership commitment.** The diagnostic found that NCDOT’s senior leaders have demonstrated significant willingness to take a proactive approach to addressing the Department’s challenges.

2. **Stable near-term cash flow.** NCDOT’s Cash Management Initiative has helped bring spending in line with funding, reducing a $440 million shortfall in FY 2005 to $2 million in FY 2006.

3. **Requisite technical skills.** The diagnostic found that engineers at NCDOT have a strong technical skill base, both through academic training and tenure with the Department.

4. **Employees committed to serve.** The diagnostic revealed dedicated employees at all levels of the organization. Many NCDOT employees are driven by a desire to serve the state of North Carolina.

5. **Solid values foundation going forward.** According to NCDOT employees, the ten most common values in today’s organization are public focus, safety focus, budget focus, being of service to others, supporting diversity, environmentally responsible, job security, bureaucracy, rule-oriented, and slow-moving. Many of these current values are consistent with high performing public sector organizations, e.g., supporting diversity, while others are not, e.g., slow-moving.

Going forward, the Department is aiming to be in line with best practices. NCDOT has identified, and the employee surveys, interviews, and focus groups confirmed, 10 values that are indicative of what the organization should espouse going forward: accountability, trust, well-organized, courage to do what’s right, fulfilling work, respect for people, efficiency, job security, safety focus, and environmentally responsible. These values are consistent with many successful public and private sector entities.

**Significant opportunities to improve service to North Carolinians**

The strategic and organizational diagnostic also revealed opportunities for improvement that deal with setting clear direction and rebuilding or refining key
organizational elements. In order to become a high-performing, 21st century Department of Transportation, it was crucial that NCDOT address the following needs identified in the diagnostic:

1. **Setting clear direction.** The diagnostic found that NCDOT could increase its alignment, focus, and effectiveness by setting a clearer direction. Neither NCDOT’s vision and goals nor the Department’s portfolio of projects and services were as consistent and coherent as people believed they needed to be.

   a. **Vision and goals.** NCDOT had numerous and occasionally inconsistent vision and goal statements. It is important that NCDOT clarify its vision and link it more explicitly to a broader, long-term vision for North Carolina, such as the Governor’s “One North Carolina.” Such linkages would imply directly addressing issues such as infrastructure improvement, economic development, efficient governance, and environmental sustainability.

   NCDOT’s goals needed to be linked to a revised vision and be “cascaded” throughout organization. Managers should be given specific and measurable expectations for their respective roles in achieving organizational goals, and those expectations should be linked to managers’ performance reviews.

   b. **Portfolio of projects, programs, and services.** The diagnostic found that NCDOT’s portfolio was not explicitly linked to or coordinated with NCDOT’s goals. In part the result of that fact, the portfolio reflected a lack of focus, manifest in NCDOT’s broad scope of activities. Internal and external stakeholders described NCDOT as trying to be “all things to all people.”

   NCDOT could improve its productivity through a more targeted and strategic portfolio, focused on those projects, programs, and services that are most essential to achieving its goals and long-term vision. Case examples from other state departments of transportation show explicit links between projects, programs, and services and organizational goals.

   The diagnostic found NCDOT’s portfolio to be near-term oriented and familiar, focused on meeting the most immediate demands rather than on long-term planning. The portfolio made limited use of innovative funding approaches, relying instead on existing sources of funds generated from the State Highway Fund, Highway Trust Fund, and federal appropriations.
2. Rebuilding or refining key organizational elements. The diagnostic pointed to critical improvements needed in NCDOT’s core processes, structure and systems, and employee mindsets.

a. Core processes. Four core processes were falling short in some important ways. Specifically, the diagnostic found the following:

- **Strategic planning processes** were ad-hoc and reactive, which had contributed to inconsistent and ineffective project prioritization. In addition, the process often involved too many decision-makers and could be more open. The STIP selection methodology emphasized local priorities and external stakeholder inputs at the expense of systematically addressing long-term statewide needs. The diagnostic found that NCDOT could benefit from adopting a regular process that prioritizes projects in a transparent manner at set intervals.

- **Funding processes** were not flexible enough to enable NCDOT to align its financial resources against strategic needs. NCDOT is currently taking steps to expand its set of funding options, but more can and should be done, including more aggressively pursuing public-private partnerships and other regimes already in use by other states.

- **Project design and delivery processes** had been slowed by a lack of prioritization, accountability, and coordination.

- **Operational processes** could benefit from organization-wide metrics-based management. NCDOT has made early steps to increase accountability, including the Managed Maintenance System and initiatives at the DMV. Using these kinds of metrics across the organization, with linkages to talent reviews, could improve overall operational effectiveness.

b. Structure and systems. Many of the challenges in the core business processes are the result of shortcomings in NCDOT’s organizational structure and systems. Specifically, the diagnostic found:

- **The organizational structure** “silos” elements of some key processes, e.g., project delivery, and lacks units to support others, e.g., intermodal, statewide, strategic planning.

- **Talent systems** have been failing to sufficiently recruit and retain critical talent, drive employee performance, and develop top managers.
• **Internal and external communication systems** have not been sufficiently proactive and may not have the budget resources needed to be effective.

c. **Employee mindsets.** Employees are frequently risk averse and reactive, and many have a “siloed” mentality.

As noted earlier, Appendix A provides additional detail on the diagnostic.

**THE TRANSFORMATION INITIATIVES – PLANS, PROGRESS, AND NEXT STEPS**

This section describes plans, progress, and next steps for the five NCDOT transformation initiatives:

1. Align strategic direction with a new mission statement and goals
2. Streamline project design and delivery
3. Design a more productive organization
4. Increase accountability for and visibility of performance
5. Improve talent management.

As noted earlier, Appendix B provides additional detail on the initiatives.

1 – **Align strategic direction with a new mission statement and goals**

NCDOT has developed a new mission statement and goals and has tied them to a Department-wide dashboard of performance metrics and targets. The Department has also undertaken two major efforts to align strategic direction and decisions with the new mission and goals. The first is to link projects, programs, and services to goals; the second is to diversify funding sources and processes. Finally, the Department has designed and is beginning to implement a strategic planning process and function. These accomplishments are the initial steps in the four efforts that make up the first NCDOT transformation initiative, to align strategic direction with a new mission statement and goals.

a. **Create a new mission statement and goals and communicate them throughout the organization.** A clearly articulated mission statement and corresponding goals are the initial building blocks of any successful organization.
and of any transformation effort. Once articulated, the mission and goals should be cascaded throughout the enterprise.

A clear statement of mission and goals provides important context for decision-making, from determining which projects to pursue, to deciding how to design an organization’s structure, to determining how to measure the success of a project or the performance of an individual business unit. Culturally, a clear statement of mission and goals is the glue that holds an organization together – it can attract the right talent to an organization, and it can inspire long-term commitment.

As noted earlier, the diagnostic surfaced concerns about the consistency and coherence of NCDOT’s vision and goals. This lack of clear direction often meant that employees did not have a broad sense of the ends toward which they were working and managers lacked a set of Department-wide objectives that could strategically guide their unit’s work.

To remedy these problems and to set a stronger, more holistic direction for the Department, the TMT first drafted a new mission statement and goals and communicated them with internal and external stakeholders.

The team was guided by four principles as it shaped the mission statement and goals: craft a mission statement with enduring purpose, not one contingent on existing conditions; craft goals that were not only closely linked to the new mission but also whose ultimate success could be gauged by quantifiable metrics; craft a mission statement and goals that would be broad enough to apply to every part of NCDOT, from the Division of Highways to DMV to ferries, and to both “line” employees and “support” employees; and craft language that was concise, clear, and that could be easily communicated to all stakeholders, within NCDOT and outside the Department.

In June and July, with input from the Executive Committee and the Board of Transportation, the TMT developed and gained agreement on the following new mission statement: “Connecting people and places in North Carolina—safely and efficiently, with accountability and environmental sensitivity.”

The TMT also developed and gained agreement on five related goals:

- Make our transportation network safer
- Make our transportation network move people and goods more efficiently
- Make our infrastructure last longer
- Make our organization a place that works well
¶ Make our organization a great place to work.

In July, NCDOT communicated the new mission statement and goals to all employees via e-mail and paper memos. Feedback from employees and stakeholders has been extremely positive. The TMT has also created a graphic to capture the mission and goals and posted it prominently in the Department.

Going forward, key success factors with respect to creating and communicating the new mission statement and goals include the following.

¶ Ensure widespread posting of the mission and goals. This is especially important in an organization with 14,000 employees; 14 divisions; multiple smaller district offices, maintenance yards, DMV locations, ferry locations; and central Raleigh offices.

¶ Use a range of other vehicles for communicating the mission and goals, primarily “road shows” and “town halls.” This could be an important complement to the e-mails and memos that have already been distributed. Members of NCDOT’s leadership should consistently and forcefully communicate the Department’s mission and goals to employees and external stakeholders. NCDOT should look at building proactive and strategic communication initiatives around its mission and goals.

¶ Embed the mission and goals in NCDOT’s culture. This can be done, for example, by:

• Opening every meeting with a discussion of how the meeting’s objective ties back to the mission and goals, a regular practice in some well-run organizations.

• Ensuring that managers across the organization use the mission and goals in measuring their respective units’ performance and that their performance is linked to successful accomplishment of the Department-wide goals in addition to their personal ones.

b. Link projects, programs, and services to goals. A strong statement of mission and goals, when properly cascaded throughout an organization, give an organization strong strategic direction. Creating a process for prioritizing NCDOT’s projects, programs, and services based on the Department’s new mission and goals was one of the first things TMT members did to begin this critical cascading. This effort also helps address the issues raised during the diagnostic about weak linkages to NCDOT’s goals and lack of focus in the current portfolio of projects, programs, and services.
Specifically, in July, the TMT began building a quantitative model to objectively compare projects, programs, and services against one another. This model, which is still in development, uses technical criteria, qualitative criteria, and a small number of discretionary points to “score” projects, programs, and services based on system-wide needs.

- Technical criteria reflect NCDOT’s three external-facing goals: make the transportation network safer, make the transportation network move people and goods more efficiently, and make the transportation network last longer. Examples of criteria on each of these goals include crash severity rates, to gauge highway safety; congestion points, to gauge efficient movement of people and goods; and pavement conditions, to gauge the transportation network’s durability.

- Qualitative criteria include corridor continuity, environmental stewardship, and geographic equity.

- Discretionary points are allotted for a limited degree of input from stakeholders, including the Board of Transportation. These discretionary points would never trump the other criteria.

To help it develop a long-term prioritization process, NCDOT invited 50 leaders from across the Department to participate in a Strategic Prioritization Process Summit in September. Participants at the Summit discussed specific criteria that should be used in the long-term prioritization process. They also offered feedback on a list of approximately 50 projects, programs, and services the TMT had identified as high priorities for the Department and on the methodology used to develop those lists.

Going forward, key success factors in linking projects, programs, and services to goals include the following.

- Create a Strategic Planning Office with responsibility for prioritizing projects and investments and making trade-offs with a view of the entire state’s needs.

- Expand the prioritization model to better account for programs and services. Although the early version of the model enables NCDOT to compare projects against one another, it does not fully incorporate programs and services.

- Fully incorporate input from the Strategic Prioritization Process Summit into the model.
Reduce the model’s complexity. If the model requires too much data, NCDOT may not have the management and data collection resources needed to prepare for prioritization. If the method for analyzing the data is too complex, stakeholders may not understand prioritization decisions enough to provide useful input and support.

Test the model, once it is complete, with external stakeholders, including Board of Transportation members, MPOs, and RPOs. One possibility would be to build on the format of the September Summit held with internal stakeholders and hold a follow-up Summit with external stakeholders in Spring 2008.

Ensure that strategic and nominal prioritization translates into organizational and cultural prioritization. This would benefit from clear, detailed communication throughout the organization and high-profile reinforcement from the Secretary and other senior management about the importance of prioritization. The result of such communication should mean, in a practical example, that all professional staff in Preconstruction, Operations, and external agencies like DENR can be presented with simultaneous requests to work on two projects and know which project is higher priority and how to respond to the person/entity requesting the lower priority project.

c. Diversify funding sources and processes. In the face of the increasing economic pressure brought on by growing demand for NCDOT services in a time of rising costs and flattening revenue, achieving the Department’s mission and goals requires new thinking about funding on NCDOT’s part. It is well-established that NCDOT faces a funding shortfall over the next three decades, and it should consider diversifying both funding sources and processes to close the gap.

The TMT has identified and sized a broad set of funding sources NCDOT might consider. Going forward, key success factors in diversifying funding sources and processes include the following.

Partner with the General Assembly to request new funding sources for the state’s transportation network. NCDOT is in the process of launching a series of pilots aimed at streamlining project delivery (described in a subsequent section of this report). Successful outcomes – faster implementation, at lower cost, and with higher quality – could prove to the General Assembly that NCDOT is committed to change and could help the Department make a stronger case for more funding.
* Increase the flexibility of NCDOT’s funding to better align resources with goals. NCDOT has already proposed legislation to add more flexibility to the equity formula and has quantified the potential impact of directing maintenance funds to Strategic Highway Corridors. It should also review any internal funding restrictions to ensure that it has full flexibility to allocate externally unrestricted funding in line with its mission and goals.

* Tie new funding to priority investments on the statewide network and measure NCDOT performance against its delivery goals. Put simply, NCDOT should be accountable for delivering specific results against new funding.

d. **Create a strategic planning process and function.** Strategic planning is vital for public sector organizations. It is the process by which public bodies refine the near- and long-term impact they seek to have on their constituents and determine how they can achieve this impact most effectively within a given time frame.

As determined in the diagnostic, NCDOT’s strategic planning is essentially an ad-hoc and reactive process that often involves too many decision-makers and lacks transparency.

In a best-practice strategic planning process, an initial meeting or group of meetings sets criteria for project selection; several months later, these criteria are provided to managers. Throughout the year, interim check-ins are held to ensure that business unit plans match strategic priorities. Finally, corporate and board reviews are held to validate the strategic planning process.

To address the issues identified in the diagnostic and emulate the strategic planning best practices, the TMT has taken a number of steps to create a strategic planning process and function. The TMT has designed a comprehensive 1-year, 2-year, and 8-year strategic planning process, with the intent of enabling NCDOT to turn its strategic direction into concrete financial, operating, and talent plans.

The TMT has made significant progress in establishing the Department’s strategic planning function. TMT members have reviewed proven strategic planning processes and the outputs of those processes at other DOTs and other private sector and public sector agencies. They have also held input meetings with the Executive Committee and Board of Transportation members. With best practices and stakeholder input in hand, the TMT created a strategic planning calendar and aligned that calendar with the human resources planning calendar and the performance metrics quarterly business review calendar.
The TMT has also integrated new performance metrics into the Department’s strategic decision-making processes, to ensure that NCDOT makes data-driven decisions about its future direction. TMT members have also recorded input from internal stakeholders at the Prioritization Summit about criteria for long-term prioritization of the Department’s projects, programs, and services.

Finally, the TMT has created strategic planning manuals for unit heads and other line managers who will be responsible for participating in the strategic planning process.

NCDOT is preparing to establish a Strategic Planning Office to institutionalize the strategic planning process and the work the TMT has done to establish the strategic planning function. The TMT has written a job description for the new director of that office and has approval for posting.

Going forward, key success factors with respect to NCDOT strategic planning include the following.

- Clarify the specific functional distinctions between the Strategic Planning Office and the Program Development/TIP Programming Unit.
- Staff the Strategic Planning Office with highly competent people – people who can play a strategic, not an administrative, role in the Department’s direction-setting.
- Set a budget for the Strategic Planning Office that enables it to offer compensation competitive with similar public sector and private sector roles and give the director of the office a reporting line either to the Secretary of Transportation or to one of the Deputy Secretaries.
- Create communication and training materials to prepare NCDOT managers for their respective roles.

2 – Streamline project design and delivery

This initiative takes aim at the diagnostic finding that NCDOT project design and delivery suffers in part from a lack of project prioritization.

To remedy this problem, NCDOT has developed criteria and a set of process models to guide prioritization, with an eye toward streamlining project design and delivery.

The new process models are being tested through several pilots, which aim to streamline design and delivery of TIP and bridge projects designated as high-priority at the Prioritization Summit.

This report was prepared by McKinsey & Company for the use of the North Carolina Department of Transportation. This material, while thorough, does not represent the totality of our transformation capacity building or contribution.
Teams working on the pilots have identified several ideas for accelerated project delivery. New delivery processes that may be piloted on TIP projects include: creating formal teams to oversee project delivery, with a single team lead; appointing a tri-party lead for end-to-end project delivery, including one person from planning, one from design, and one from operations; and instituting PEF turn-key delivery. These pilots are set to begin in early November.

A new initiative has been launched to redesign the bridge program through a number of innovations, including instituting a tiered design approach, creating standardized designs for bridges on the subregional tier, and others.

Particularly critical to managing the cost of capital-intensive projects is the reduction of delays and cost overruns. Improvements in time to deliver projects can lead to cost savings, particularly in times of high construction cost inflation. In both private and public sector organizations, pilot programs are a common approach for testing and validating solutions such as process design, reorganization, and/or outsourcing. Best-practice pilots require clear and measurable objectives, specific milestones, and designated control groups to baseline relative success. At the conclusion of a pilot run, the organization should have a quantitative basis for decisions about which changes to processes it should adopt. NCDOT pilots should reflect all these lessons.

Going forward, key success factors for streamlining project design and delivery include the following.

- Ensure that pilot performance – the right schedule, cost, and quality mix – be a step-change from business as usual, not an incremental improvement. Formal tracking mechanisms are needed to measure progress against this aspiration.

- Ensure that pilot successes are widely communicated. This is critical for external stakeholder support and internal stakeholder momentum. Successful pilots should:
  - Demonstrate what will happen when important projects are designated as Department priorities
  - Show NCDOT’s ability to operate at emergency-response performance levels on a daily basis and enable the Department to make a stronger case for additional legislative support.
3 – Design a more productive organization

In any organization, vertical silos can reduce information-sharing, dissemination of best practices, and collaboration on important, organization-wide initiatives. In addition to missed opportunities for shared insights, economies of scale, and single-point accountability, silos also make it difficult to allocate resources efficiently. The result can be overstaffing in some areas and understaffing in others.

As noted earlier, the diagnostic showed that NCDOT’s current organizational structure silos elements of some key processes, including the project delivery process. Because employees tend to focus on meeting unit-specific goals, as opposed to organization-wide goals, coordination among business units in the project delivery process is insufficient. The lack of common processes for prioritization, accountability, and coordination also contributes to project delays that lead to inefficient use of resources.

There are several examples that illustrate this trend. Within the Division of Highways, there could be wider coordination among the preconstruction, field operations, and asset management branches. Across NCDOT, there could be stronger links across units that play a critical role in project delivery – for example, between the Chief Information Officer and the Division of Highways and between the Division of Highways and other modes. These silos prevent the organization from operating its transportation network as one system.

To overcome these challenges, the TMT is analyzing NCDOT’s organizational structure to ensure that it maximizes collaboration, accountability, alignment of activities with mission and goals, and efficiency. To date, the TMT has participated in multiple workshops to consider opportunities to increase organizational effectiveness. Guided by McKinsey experts, and informed by our reference set of best practices, the TMT examined alternative organizational models that would increase coordination among business units, increase coordination across geographies in the project delivery process, and instill better, more efficient decision-making processes across the Department.

The TMT has also launched a participative, bottom-up analysis of several units at NCDOT to see how their end products and activities align with their individual missions, in an effort to increase unit-to-unit effectiveness. Business cases have been written for a number of new, high-level coordinating roles that could be created within the organization.

The Strategic Planning Office discussed earlier should be designated to play a role in addressing productivity.
Going forward, key success factors in designing a more productive organization may include the following.

¶ Create a Chief Operating Officer position (not a political appointee) and recruit an experienced executive who has successfully run complex organizations.

¶ Create critical new roles with maximum consideration of their most effective level in the organization, placement/reporting lines in the organization, and compensation levels. For example, NCDOT might consider creating a strategic Human Resources role to lead workforce and leadership planning, career track management, employee value proposition management and other talent management initiatives.

¶ Move “boxes and lines” on an organizational chart only if there is a strong case to do so. Structural changes should be timed so that they do not reduce the momentum of the rest of the transformation initiatives.

¶ Communicate efficiency and productivity analysis as carefully as possible and in close coordination with other transformation communication. By maximizing the “grassroots” or self-generated nature of improvement opportunities, change should be rooted in each employee and business unit’s existing desire and commitment to do good work for the people of the state.

¶ Consider developing alternative models to the current structural relationship between NCDOT and other North Carolina public transportation providers.

4 – Increase accountability for and visibility of performance

Successful organizations emphasize accountability for and visibility of performance so that all employees are working effectively toward corporate goals. Each person knows what he or she is responsible for and can use key performance indicators as a tool to prioritize his or her daily activities. Clear metrics also help develop employees, identifying areas of strength and needed improvement, so that supervisors can work as partners with employees to maximize their contribution to the overall mission. This not only leads to improved performance across the organization, but also to increased satisfaction for individuals, who feel rewarded and encouraged in their work.

As the diagnostic pointed out, NCDOT operations would benefit from organization-wide metrics-based management. Although some NCDOT units have introduced metrics – as noted earlier, the Division of Highways maintenance
unit and the Division of Motor Vehicles – their successes have not spread throughout the organization.

Learning from industry best practices, and following the examples of leading organizations, NCDOT has developed a suite of initiatives to increase accountability for and visibility of performance. A system of metrics was designed and introduced that includes an executive performance dashboard that cascades into metrics for business units and individuals. Performance metrics were also designed for more than 40 independent units, including the Division of Highways, the Division of Motor Vehicles, the Division of Transit (including ferries, rail, buses, and aviation), and support functions such as IT, finance, and human resources. These metrics can be used as part of the first quarter 2008 performance review and may help drive the creation of individual and business unit action plans.

NCDOT is also beginning to track individual and business unit metrics, translate that information into top-level metrics for the organization, and make that performance data visible to the public in the form of a Department-wide Performance Dashboard. This dashboard, now available on the Department’s website, helps make NCDOT’s ongoing performance improvements visible to the citizens of North Carolina, creating an additional layer of accountability.

As a new culture of accountability and performance visibility becomes embedded in NCDOT, it will be important to continue to actively set and manage to targets for metrics, rather than to allow metrics to become another bureaucratic, time-consuming process.

Going forward, key success factors with respect to increasing accountability for and visibility of performance could include the following.

- Demonstrate senior management commitment to constructive, intensive dialogue during quarterly business reviews.
- Communicate metrics widely and identify the individuals and/or business units accountable for them. This increases accountability and has been shown to create friendly competition and drive performance in public agencies that are unable to attach financial rewards to performance.
- Prepare for disagreement over metrics that people feel they do not completely control. The use of shared “upside-only” incentives for hard-to-attribute metrics can drive performance and teamwork on a metric that could otherwise be divisive.
¶ Develop an internal communication philosophy and approach that constantly reinforces mission, goals, and values and positions DOT leadership for appropriate modeling opportunities.

¶ Create a Marketing group with solid line authority to the Secretary, recruit someone with marketing expertise to lead the group, and charge the group with leveraging NCDOT’s wide presence to collect information and input from external and internal groups and to conduct marketing to those groups regarding NCDOT projects, programs, services and initiatives.

5 – Improve talent management

Because, as the diagnostic showed, NCDOT’s talent systems are failing to recruit and retain critical talent, drive employee performance, and retain top managers, the Department's transformation effort is giving explicit attention to improving talent management.

Talent management involves making prioritized choices about where and how to invest in human capital. It is not a different approach to HR; rather, it is a long-term plan of action, designed to achieve particular business objectives, that works hand-in-hand with traditional HR services. Talent management ensures that the right people, with the right skills, are in the right positions to do their best work – and ultimately, to help fulfill their organization’s mission and goals.

In an effort to rethink talent management across all levels of the Department and then leverage those efforts with other state agencies, NCDOT has launched an “HR innovations” partnership with the Office of State Personnel.

Drawing on best practices in talent management at large public sector and private sector organizations, NCDOT has developed, and continues to refine, a comprehensive program for improving its talent management.

This program includes a new performance management system that evaluates employees against objective performance metrics and the new department values noted earlier; works with employees to plan their career and development goals; and ensures performance consequences. The Department has also begun to provide increased autonomy for employees as they work toward its mission and goals – again in the context of performance management, comprehensive performance metrics, and an overall accountability culture. The result should be unlocked employee potential, enabling and empowering people to provide excellent, innovative, and cost-effective solutions for the people of North Carolina.

This report was prepared by McKinsey & Company for the use of the North Carolina Department of Transportation. This material, while thorough, does not represent the totality of our transformation capacity building or contribution.
The TMT has also designed a new leadership planning process that identifies emerging leadership needs and gaps; reviews employees’ leadership competencies to assess their potential to fill gaps; and then helps fill gaps by preparing employees to apply for newly opened leadership opportunities.

Finally, the TMT has developed a slate of specific talent management initiatives designed to significantly improve NCDOT’s ability to ensure that the right people are in place to carry out the Department’s mission:

- A streamlined hiring approval process, to conform to best practices; this includes removing layers of approval – matched with manager HR budget accountability – as well as moving the Department to the State Personnel Act’s policy on salary increases for promotions and salaries for new hires
- Alternate work schedules to increase employee flexibility – while still requiring that performance objectives be met
- Reinstated mentoring programs, building on existing models to encourage and reinvigorate employee development and retention
- An improved training culture, including a less onerous approval process for training expenses – provided that strict accountability for overall training spending is maintained
- Career banding, in line with legislative approval, to bring NCDOT’s existing salary structures more in line with the marketplace, helping reduce the number of employees lost to the private sector
- Reinstatement of the Professional Engineer certification bonus, as a temporary means of bringing a portion of engineering staff salaries closer to market levels.

Most of these particular initiatives have received initial approval and are being finalized for implementation in the next few months – almost all of them with appropriate partnership between existing groups within the DOT and/or with other state government entities, such as the Office of State Personnel.

Going forward, key success factors for improved talent management could include the following.

- Devote senior management time to communicating and demonstrating that the new performance management system is a tool for development and performance rather than a nominal administrative activity; ensure that persistent underperformers are terminated; and continue to
recommend legislation that would allow performance-based pay, while exploring nonmonetary ways to reward strong performers.

¶ Align resources to ensure that appropriate strategic discussions of talent take place with regularity and at the right level.

¶ Begin to build a more innovative, proactive, and collaborative employee culture, reflected in individual mindsets. Members of the TMT and the NCDOT Leadership have received training on the “influence model,” a proven approach for building desired mindsets and behaviors. Consistent with that model’s fundamental premises, NCDOT leaders must engage in role modeling and reinforce transformation initiatives. They should also refrain from enacting policies that contradict the transformation’s cultural themes.

¶ Develop an internal communication philosophy and approach that constantly reinforces mission, goals, and values and positions DOT leadership for appropriate role modeling opportunities.

OVERALL NEXT STEPS

In addition to staffing and supporting a full-time dedicated Transformation Management Team, the Department’s leaders are training members of that team in transformation-related organizational improvement tools and practices, engaging NCDOT executive leadership and nearly 30 senior managers in intensive capacity-building workshops and best practice presentations, and actively and continuously providing updates to and gathering input from NCDOT employees and external stakeholders.

Specific agenda items for all these parties should include the initiative-specific next steps noted in the key success factors discussions in the preceding section. Their efforts should also reflect four broader guidelines for success in a transformation effort of this breadth and complexity.

¶ Treat the next 12 months with a sense of urgency far beyond business-as-usual, with the transformation as one of the highest priorities for the organization. This is an opportunity for NCDOT’s leadership, employees, and external stakeholders to leave a long-lasting legacy for the organization and the state. In particular, there should be zero tolerance for delays due to politics, individual agendas, or bureaucratic inertia.
¶ Put new processes through at least one cycle, put all organizational changes into place, and introduce critical legislation by September 2008. This should help ensure that the transformation transcends the change in administration. The Department needs to begin transition planning as soon as possible.

¶ Ensure that transformation initiatives have long-term organizational owners. The TMT is critical, but changes will ultimately need to be owned by the rest of the organization. The talent management team’s involvement of HR department staff as full members of its initiative teams is a good example of best-practice ownership transfer.

¶ Ensure that internal and external communication of the transformation is as proactive as possible. The organization has begun to change and adopt proven organizational practices, and it is important to communicate this positive change as much as possible and as proactively as possible to employees and the public.

Finally, it is important to note that NCDOT cannot successfully continue its transformation journey on its own. While the Department bears significant responsibility and should be held accountable for transforming its organization, success in developing a reliable and cost-effective transportation network for North Carolina will require close collaboration with and support from the Governor’s office, the General Assembly, the NC Board of Transportation, and other external stakeholders. The issues are as complex as they are critical – and they demand that kind of collaboration.
Appendix A: Materials from the Diagnostic Phase

North Carolina Department of Transportation

OBJECTIVE

McKinsey & Company began its work with the North Carolina Department of Transportation with a diagnostic phase, to gain a deep understanding of NCDOT’s current situation and how well the organization performs.

The diagnostic sought to evaluate not only the strengths and weaknesses of NCDOT’s organizational structure, but elements of the Department besides structure—NCDOT’s systems and core processes, and the behaviors and mindsets of Department employees. The diagnostic provided a common language and fact base for the design and delivery phase of our work. It was critical to gaining an understanding of which improvements would be necessary and feasible to undertake at NCDOT.

METHODOLOGY AND APPROACH

There are 4 primary tools McKinsey used during this diagnostic phase, including surveys, workshops, structured interviews, and data analysis. Specifically, the diagnostic entailed:

- **Quantitative Survey** of the Organizational Performance Profile completed by **8,977 employees**, more than 70% of the NCDOT
- **60 Senior Leader interviews** across the organization, including the Board, to understand strategic priorities and organizational strengths and challenges
- **9 focus groups** with transportation workers, supervisors and technicians, DMV employees, VERTs, and administrative staff (112 total participants)
• 2 Steering Committee meetings and 4 Specialist Team meetings
• 4 diagnostic Key Leaders workshops with managers from DMV, DOH, Preconstruction and Central Ops, and Division Engineers (93 total participants)
• Over 10 consultations with McKinsey’s global strategy and organizational practice experts
• 15 “deep structured interviews” with employees to probe in-depth ‘root causes’ of employee perceptions of NCDOT
• Over 20 interviews with individuals in the Governor’s Office, Senators and Representatives in the General Assembly, MPOs, and business to understand concerns and priorities of external stakeholders.

The exhibits in Appendix A, immediately following this page, include detailed results of the diagnostic phase. All materials in Appendix A were produced wholly by McKinsey.

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<td>A-2</td>
<td>Preliminary Organizational Diagnostics Results for North Carolina Department of Transportation</td>
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<td>Strategy Workshop with Steering Committee</td>
</tr>
<tr>
<td>A-4</td>
<td>NCDOT Communication of Diagnostic Results</td>
</tr>
</tbody>
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CONFIDENTIAL

Strategic and Organizational Assessment – Phase 1 Diagnostic

June, 2007

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TIMING FOR PROACTIVE TRANSFORMATION IS IDEAL

Declining funding

- State gas tax is less than 1/3 of 1963 level (inflation- and mileage-adjusted average)
- Federal TIP program projected to run out of funding by 2009

Internal and external desire for change

- “We are eager to see change at DOT and prepared to act as partners” – MPO interview
- “We’ll all be better off if the state’s money is spent in the right way” – Legislator interview

Growing demand on system

- NC population projected to grow by 50% between 2000 and 2030
- “A rapidly aging transportation infrastructure that will require significant investment to maintain service levels” – NCDOT Project RFP

Increasing cost of supplies

- 80% overall construction supplies inflation since 2002
- “Spike in global asphalt, cement, steel prices” – Infrastructure Subcommittee document

Committed Leadership

- “The team in place now is in a great position to get something done” – Board of Transportation interview
- “There’s a sense of hope that things might actually get better” – Key Leaders workshop

Booming economy

- NC GDP has grown at a CAGR of 6.2% (vs. 3.5% for U.S.) from 1996 to 2006

Transformation into a 21st Century DOT

Growing demand on system

- NC population projected to grow by 50% between 2000 and 2030
- “A rapidly aging transportation infrastructure that will require significant investment to maintain service levels” – NCDOT Project RFP

Increasing cost of supplies

- 80% overall construction supplies inflation since 2002
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Booming economy

- NC GDP has grown at a CAGR of 6.2% (vs. 3.5% for U.S.) from 1996 to 2006
PHASE ONE OF OUR THREE PHASE TRANSFORMATION EFFORT IS NOW COMPLETE

Performance Assessment

**Diagnosis** – developing a baseline of facts

- Comprehensive framework for thinking about organizational performance
- Perspective on NCDOT “current state” against the organizational framework
- Outline of best practices in organizational performance
- Perspectives on the current NCDOT strategy and on the new vision
- Perspectives from key NC constituents on DOT including organization, institutional, funding, and regulatory challenges

Timing

~8 weeks

**Design** – developing and testing options

- Set of “sort criteria” to think about the strategic options
- Set of “sort criteria” to think about organizational options
- Perspective on NCDOT “future state” against the organizational framework, to include: Capabilities, Processes, Systems, Structure, Culture
- Robust set of several new organizational and management models that NCDOT could adopt
- Proposed recommendation for the organization and strategy to achieve the new vision to include
  - Business process design
  - Organization structure
  - Organization alignment

**Deliver** – developing the specific actions

TBD

Performance Transformation

- Implementation plan for the changes that are required
- Perspective on the pitfalls and gaps that need to be addressed
- Outline of specific targets and metrics for gauging performance of the “change” program
- Program management perspectives
- Specific set of recommendations on how the NCDOT needs to implement all actions and recommendations developed during the course of this effort

Diagnosis phase per contract

Preliminary plan

Key deliverables

PHASE ONE OF OUR THREE PHASE TRANSFORMATION EFFORT IS NOW COMPLETE
PHASE ONE COMPREHENSIVELY ENGAGED NCDOT EMPLOYEES, STAKEHOLDERS AND EXPERTS . . .

- **Quantitative Survey** of the Organizational Performance Profile completed by 8,977 employees, more than 70% of the NCDOT

- **60 Senior Leader interviews** across the organization, including the Board, to understand strategic priorities and organizational strengths and challenges

- **9 focus groups** with transportation workers, supervisors and technicians, DMV employees, VERTs, and administrative staff (112 total participants)

- **2 Steering Committee meetings** and **4 Specialist Team meetings**

- **4 diagnostic Key Leaders workshops** with managers from DMV, DOH, Preconstruction and Central Ops, and Division Engineers (93 total participants)

- **>10 consultations** with McKinsey’s global strategy and organizational practice experts

- **15 “deep structured interviews”** with employees from all levels of the organization to probe in-depth ‘root causes’ of employee perceptions

- **>20 conversations** with individuals in the Governor’s Office, General Assembly, MPOs, and business to understand concerns and priorities of external stakeholders
AND SYNTHESIZED THE FINDINGS IN AN ASSESSMENT OF OVERALL STRATEGY AND ORGANIZATION

Focus of Strategic Assessment

Vision & Goals

Portfolio of Projects and Services

Core Processes

Organizational Structure, Systems and Mindsets

Focus of Organizational Assessment

<table>
<thead>
<tr>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A clear statement that reflects a choice about <strong>how</strong> the organization will serve its constituents and the focused set of <strong>objectives</strong> that will allow it to do so</td>
</tr>
<tr>
<td>• The <strong>outputs</strong> that an organization produces to achieve its goals and serve its constituents</td>
</tr>
<tr>
<td>• The <strong>activities</strong> required to select, design, deliver and maintain the organization’s projects and services</td>
</tr>
<tr>
<td>• The organizational <strong>context</strong> – the structure, talent and communication system, and mindsets of day-to-day operations that defines the core processes</td>
</tr>
</tbody>
</table>
OUR FINDINGS FROM THIS WORK

**Significant opportunities to improve service to North Carolinians**

1. Set clear direction by cascading an explicit vision and specific goals throughout the organization

2. Development of a more targeted and strategic portfolio of projects focused on those most critical to achieving the strategic vision and goals

3. Introduction of greater prioritization, accountability and coordination in core processes

4. Alignment of structure, systems and mindsets to achieve vision

---

**A strong starting point for transformation**

1. Near-term budget stabilized

2. External stakeholders supportive of change

3. Key leaders committed to change

4. Technical skills necessary to deliver

5. Employees proud to serve, with a “can do attitude”
## A STRONG STARTING POINT FOR TRANSFORMATION

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
</table>
| **Near-term budget stabilized** | • NCDOT’s Cash Management initiative has helped to bring spending in line with funding, reducing a $440 MM shortfall in FY2005 to $2 MM in FY2006  
• “Things were pretty hectic for a long time on the accounting side, but now we’re at the point where we can start to take the time to really get healthy again”  
  – Executive Committee interview |
| **External stakeholders supportive of change** | • “You need a revolution here, not just more tweaking”  
  – Board of Transportation interview  
• “We are eager to see change at DOT and prepared to act as partners”  
  – MPO interview |
| **Key leaders committed to change** | • “The team in place now is in a great position to get something done”  
  – Board of Transportation interview  
• “I have been here for 27 years and I’ve never seen anything like this from the upper management before”  
  – Steering Committee interview |
| **Technical skills necessary to deliver** | • “I was in the private sector for 11 years, and I have to say that in my job now I work with some of the most talented, professional people I have ever met”  
  – Executive Committee interview  
• “Employees here really know how to deliver, you just need to tell them what has to get done”  
  – Division Engineers workshop |
| **Employees proud to serve, with a “can do” attitude** | • “I love serving the citizens of North Carolina… even though they hate us.”  
  – Transportation Workers focus group  
• “There is a lot of pride in my work … Sometimes people say ‘thank you’ and that makes it all worth it”  
  – Transportation Supervisors focus group |
SIGNIFICANT OPPORTUNITIES TO IMPROVE SERVICE TO NORTH CAROLINIANS

Summary of opportunities

• NCDOT could increase its alignment, focus and effectiveness by setting a clear direction, cascading an explicit vision and goals throughout the organization.

• NCDOT could improve its productivity through a more targeted and strategic portfolio, focused on those projects that are most essential to achieving its goals and the long-term vision.

• NCDOT’s most significant opportunities for performance improvement lie in developing more prioritized, accountable and coordinated processes.

• Many of the challenges to core processes are the result of shortcomings in NCDOT’s organizational structures, systems and mindsets. Addressing these challenges could have a significant impact on performance.
NCDOT could increase its alignment, focus and effectiveness by setting a clear direction, cascading an explicit vision and goals throughout the organization.

1. Today, there are numerous, occasionally inconsistent, vision statements for NCDOT. Best practice is a single vision statement with linked goals.

2. The NCDOT vision should be more explicitly linked to broader, long-term vision for North Carolina (e.g., the Governor’s “One North Carolina”), by directly addressing issues such as infrastructure improvement, economic development, efficient governance and environmental sustainability.

3. NCDOT’s goals should be clearly linked to the vision and “cascade” clearly through organization. Managers should be given specific and measurable expectations for the goals.
PROGRESS HAS BEEN MADE IN CREATING NEW VISIONS AND GOALS, BUT THESE ARE NOT ALWAYS CONSISTENT

NCDOT has embarked on a transformation program to remake the agency, in light of the challenges it faces. NCDOT’s new Vision is to:

- Play a key role in the improvement of North Carolina’s logistics system - offering more proactive, aggressive, integrated, traffic responsive, cooperative, automated, & integrated solutions by:
  - Establishing statewide standards for mobility / asset condition / safety; with varying standards for each travel tier and clear performance measures – highly visible to stakeholders.

NCDOT’s strategy documents express similar but not entirely consistent themes.

Goals have been expressed in some forms but are not explicit.

When asked to articulate NCDOT goals, the steering group offered 10 divergent responses.
THE CURRENT VISION COULD ALSO MORE TIGHTLY CONNECT TO STATEWIDE VISION

NCDOT – relevant agenda items

• Establishing an aggressive strategy for job creation and economic growth

• Improving our infrastructure

• Protecting the environment

• Making government more efficient

Not obviously relevant

• Continuing our investments in education to build a skilled workforce

• Ensuring secure communities

• Providing quality health care to those who can least afford it

If aligned with the statewide vision, NCDOT’s vision and goals would emphasize its role in:

• Economic development

• Increased efficiency

• Infrastructure improvement

• Environmental protection
VISION AND GOALS DO NOT CASCADE THROUGH THE ORGANIZATION

Survey and interview results suggest confusion about goals and vision:

1 out of 5 employee survey respondents believe NCDOT’s vision is communicated deep into the organization

16% of employee survey respondents think that management aligns NCDOT’s aspirations with employee goals

“Our organization lacks consistent and well-communicated goals that meet the public’s needs and expectations”
– Director survey response

“We need to set the goals so they’re clear, and need to narrow them down to what they really mean to divisions”
– Division Engineer Workshop response

“Management is concerned about budget and schedule. I care about quality and safety”
– Transportation Supervisor focus group

“Our organization lacks consistent and well-communicated goals that meet the public’s needs and expectations”
– Director survey response
TEXAS DEPARTMENT OF TRANSPORTATION

Meeting the Texas Transportation Challenge

Legislative Strategies Addressing the Goals of:
- Reducing Congestion,
- Enhancing Safety,
- Expanding Economic Opportunity,
- Improving Air Quality and
- Increasing the Value of Transportation Assets

BEST PRACTICE GOALS ARE LINKED TO VISION AND CONSISTENTLY ARTICULATED

TxDOT HAS A Plan

VISION
We will deliver a 21st century, multi-modal transportation system that will enhance the quality of life for Texas citizens and increase the competitive position for Texas industry by implementing innovative and effective transportation programs.

Our goals are to:
- Reduce congestion,
- Enhance safety,
- Expand economic opportunity,
- Improve air quality, and
- Increase the value of transportation assets.

TxDOT’s 5 goals and vision are always expressed using the same language

This consistency reminds internal and external stakeholders of the DOT strategy
GOALS SHOULD CASCADE - TRANSLATE INTO SPECIFIC AND MEASURABLE EXPECTATIONS FOR LEADERS OF UNITS

Tangible Results

- Uninterrupted Traffic Flow
- Smooth and Unrestricted Roads and Bridges
- Safe Transportation System
- Roadway Visibility
- Personal, Fast, Courteous and Understandable Response to Customer Requests (Inbound)
- Partner With Others to Deliver Transportation Services
- Leverage Transportation to Advance Economic Development
- Innovative Transportation Solutions
- Fast Projects That Are of Great Value
- Environmentally Responsible
- Efficient Movement of Goods
- Easily Accessible Modal Choices
- Customer Involvement in Transportation Decision-Making
- Convenient, Clean and Safe Roadside Accommodations

MoDOT provides specific metrics and individual responsibility for each goal.

Progress towards each goal is provided in published monthly “Tracker” reports.

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Uninterrupted Traffic Flow – Don Hills (Page 1)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Responsible</th>
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</thead>
<tbody>
<tr>
<td>Average speeds on selected roadway sections</td>
<td>Troy Pinkerton</td>
<td>1a</td>
</tr>
<tr>
<td>Average rate of travel on selected signalized routes</td>
<td>Julie Stollemeyer</td>
<td>1b</td>
</tr>
<tr>
<td>Average time to clear traffic incident</td>
<td>Rick Bennett</td>
<td>1c</td>
</tr>
<tr>
<td>Average time to clear traffic backup from incident</td>
<td>Rick Bennett</td>
<td>1d</td>
</tr>
<tr>
<td>Number of customers assisted by the Motorist Assist program</td>
<td>Rick Bennett</td>
<td>1e</td>
</tr>
<tr>
<td>Percent of Motorist Assist customers who are satisfied with the service</td>
<td>Rick Bennett</td>
<td>1f</td>
</tr>
<tr>
<td>Percent of work zones meeting expectations for traffic flow</td>
<td>Scott Stollemeyer</td>
<td>1g</td>
</tr>
<tr>
<td>Time to meet winter storm event performance objectives on major and minor highways</td>
<td>Tim Jackson</td>
<td>1h</td>
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Smooth and Unrestricted Roads and Bridges – Kevin Keith (Page 2)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Responsible</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of major highways that are in good condition</td>
<td>Jay Blados</td>
<td>2a</td>
</tr>
<tr>
<td>Percent of minor highways that are in good condition</td>
<td>Jay Blados</td>
<td>2b</td>
</tr>
<tr>
<td>Percent of deficient bridges on major highways</td>
<td>Jay Blados</td>
<td>2c</td>
</tr>
<tr>
<td>Percent of deficient bridges on minor highways</td>
<td>Jay Blados</td>
<td>2d</td>
</tr>
<tr>
<td>Number of deficient bridges on the state system (major &amp; minor highways)</td>
<td>Jay Blados</td>
<td>2e</td>
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</tbody>
</table>

Safe Transportation System – Don Hills (Page 3)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Responsible</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of fatalities and disabling injuries</td>
<td>Leanna Dapue</td>
<td>3a</td>
</tr>
<tr>
<td>Number of impaired driver-related fatalities and disabling injuries</td>
<td>Leanna Dapue</td>
<td>3b</td>
</tr>
<tr>
<td>Rate of annual fatalities and disabling injuries</td>
<td>Leanna Dapue</td>
<td>3c</td>
</tr>
<tr>
<td>Percent of safety belt/passenger vehicle restraint use</td>
<td>Leanna Dapue</td>
<td>3d</td>
</tr>
<tr>
<td>Number of bicycle and pedestrian fatalities and disabling injuries</td>
<td>Leanna Dapue</td>
<td>3e</td>
</tr>
</tbody>
</table>
NCDOT could improve its effectiveness through a more targeted and strategic portfolio, focused on those projects that are most essential to achieving its goals and the long-term vision.

1. NCDOT’s broad scope of activities – its portfolio of projects and services – reflects a lack of clear focus. Internal and external stakeholders describe the NCDOT as trying to be ‘all things to all people’.

2. Current projects and services are not explicitly linked or coordinated with organizational goals. Case examples from other state DOTs explicitly link their projects and services with organizational goals.

3. The current portfolio of projects is near-term and familiar, focused on meeting the most immediate demands rather than on long-term planning.

NCDOT HAS A WIDE SCOPE OF ACTIVITIES, LEADING TO A TENDENCY TO BE “ALL THINGS TO ALL PEOPLE”

Public lane miles by ownership

<table>
<thead>
<tr>
<th>State</th>
<th>% of Rural Statewide Ownership</th>
<th>% of Urban Statewide Ownership</th>
<th>% of Total Statewide Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>18.0%</td>
<td>13.8%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Georgia</td>
<td>19.4%</td>
<td>17.9%</td>
<td>19.0%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>89.5%</td>
<td>43.8%</td>
<td>78.0%</td>
</tr>
<tr>
<td>South Carolina</td>
<td>63.4%</td>
<td>69.0%</td>
<td>64.4%</td>
</tr>
<tr>
<td>Texas</td>
<td>33.6%</td>
<td>19.7%</td>
<td>29.5%</td>
</tr>
<tr>
<td>Virginia</td>
<td>95.6%</td>
<td>47.0%</td>
<td>80.3%</td>
</tr>
<tr>
<td>50 State Average</td>
<td>23.2%</td>
<td>18.2%</td>
<td>21.9%</td>
</tr>
</tbody>
</table>

Source: Highway Statistics - US Department of Transportation Federal Highway Administration

“The concept that we’re going to provide some level of service to everybody everywhere is a real problem. We’re espousing a goal we have no chance of achieving.”

“It seems like stakeholders think we’re here to be all things to all people. Having a clear vision would communicate our boundaries.”

• NCDOT’s scope is among the biggest in the country:
  – Second only to Texas in terms of total lane miles
  – Second only to Virginia in percent ownership of total lane miles

• This scope raises concerns about lack of clear focus
Current linkages are not explicit

Specific projects chosen for investment should be linked to vision. Lack of clear goals further weakens linkage

NCDOT CHALLENGE AND VISION
NCDOT has embarked on a transformation program to remake the agency, in light of the challenges it faces.
NCDOT’s new Vision is to:
• Play a key role in the improvement of North Carolina’s logistics system - offering more proactive, aggressive, integrated, traffic responsive, cooperative, automated, & integrated solutions by:
  – Establishing statewide standards for mobility / asset condition / safety; with varying standards for each travel tier and clear performance measures – highly visible to stakeholders

NCDOT Current Project Category Investments
• Routine Highway Maintenance
• Highway Resurfacing and Bridge Repair
• Public Transportation Operations
• Ferries Operations
• Highway Improvements
• Bridge Improvements
• Intelligent Transportation Systems
• Passenger Rail Modernization
• Passenger Rail Modernization
• Freight Rail Modernization
• Bicycle/Pedestrian
• New Highways, Additional Lanes & Urban Loops
• Public Transportation
• Passenger Rail Expansion
• Freight Rail Expansion
• Ferry System Expansion
OTHER STATE DOTs CONNECT THEIR GOALS AND PROJECTS

**TxDOT HAS A Plan**

**VISION**  
We will deliver a 21st century, multi-modal transportation system that will enhance the quality of life for Texas citizens and increase the competitive position for Texas industry by implementing innovative and effective transportation programs.

**GOALS**
1. Reduce congestion  
2. Enhance safety  
3. Expand economic opportunity  
4. Improve air quality  
5. Increase the value of transportation assets

---

1. **Reduce congestion**  
   - tolled alternative lanes  
   - new corridors to divert traffic  
   - truck-lane restrictions  
   - variable toll road pricing  
   - local and regional leaders making local and regional transportation decisions  
   - use of public transportation and carpooling

2. **Enhance safety**  
   - cable barrier installations  
   - rumble strips  
   - wider travel lanes and shoulders  
   - divided highways  
   - dedicated left-turn lanes  
   - teen driver awareness program  
   - clearer highway signs  
   - keeping up with maintenance

3. **Expand economic opportunity**  
   - creating new trade and transport corridors  
   - adding capacity to highways to reduce idling  
   - empowering local and regional leaders to make local and regional transportation decisions  
   - providing tolled lanes that allow businesses to make deliveries more efficient and get employees to work faster  
   - improving rail lines and crossings to move goods more quickly and attract trade

4. **Improve air quality**  
   - using public transportation / carpools  
   - using alternative fuels in the TxDOT fleet  
   - creating High Occupancy Vehicle (HOV) lanes  
   - adding capacity to highways to reduce idling  
   - improving railroad crossings to prevent vehicle stopping

5. **Increase the value of transportation assets**  
   - creating parallel corridors to alleviate traffic burden  
   - using existing footprints for new capacity  
   - improving and maintaining existing roadways  
   - investing transportation dollars where they’re most needed
CURRENT PORTFOLIO OF PROJECTS IS NEAR-TERM AND FAMILIAR

- **RISK:**
  - Innovative
  - Unfamiliar
  - Familiar

- **TIMING:**
  - Meet current needs
  - Address long-term needs

**Projects**

**Maintenance & Preservation**
- 1. Routine Highway Maintenance
- 2. Highway Resurfacing and Bridge Repair
- 3. Public Transportation
- 4. Ferries

**System Modernization**
- 5. Highway Improvements
- 6. Bridge Improvements

**System Expansion**
- 7. Passenger Rail
- 8. Freight Rail
- 9. Bicycle/Pedestrian
- 10. New Highways, Additional Lanes & Urban Loops
- 11. Public Transportation
- 12. Passenger Rail
- 13. Freight Rail
- 14. Ferries

- **Emphasis on spending for current needs at the expense of longer-term needs**

- **Lagging ability to adopt best practice (“unfamiliar”) activities**

- **Current distribution of projects suggests limited commitment of resources to innovative programs**

Bubble size indicates funding level under recommended investment scenario.
MANY FUNDING ALTERNATIVES STILL AVAILABLE TO NCDOT, RANGING FROM PUBLIC, PRIVATE, AND HYBRID METHODS

Vehicle Use
- Motor vehicle rental tax
- Motor vehicle lease tax
- Tire tax
- Highway/bridge toll

Private/Hybrid Funding Sources
- Private equity investors
- Private, non-profit entities
- Special-purpose public agencies

Federal funds
- Motor fuels tax
- Special fuel taxes
- Truck related taxes

Into Highway Trust Fund
- Motor fuel tax
- Highway use tax
- Certificates of title
- Misc. title fees
- Investment income

Other State Taxes
- Sales tax
- Cigarette tax
- Property tax
- Vehicle property tax
- Alcohol tax

Into Highway Fund
- Motor fuel tax
- Staggered registration fee
- Int’l registration plan
- Driver licenses
- Truck licenses
- Investment income

Public Funding Sources
- Personal income tax
- Partnerships with local municipalities
- Lottery

Current funding
Alternative funding
NCDOT’s most significant opportunities for performance improvement lie in developing more prioritized, accountable and coordinated processes.

1. **Strategic planning process** is ad hoc. A regular process that prioritizes projects in a transparent manner at set intervals is needed.

2. **Funding process** is not sufficiently flexible to allow NCDOT to align existing monies against priorities.

3. **Project design and delivery process** is slowed by lack of prioritization, accountability, and coordination.

4. **Operational processes** could be made more efficient through organization-wide metrics-based management.
MOST ORGANIZATIONAL PROCESSES COULD BE IMPROVED ALONG EACH OF THESE DIMENSIONS

Prioritization

- “Clear prioritization could cut 3 years off the big projects.”
  – Preconstruction manager
- “What we work on depends on who’s screaming the loudest.”
  – Preconstruction manager
- “I arrive every day to a whole new set of emails pressuring me to do work on something different from what I was working on yesterday.”
  – Preconstruction supervisor

Accountability

- Only 37% of employee survey respondents believe that each area of NCDOT has explicit targets for key performance indicators.
- “It’s hard to have explicit metric because schedules and budgets keep changing.”
  – Construction manager
- “We don’t always manage directly to metrics mostly because units face factors outside their control.”
  – Preconstruction manager

Coordination

- Only 19% of employee survey respondents believe that NCDOT’s systems and processes produce cross-functional/departmental initiatives.
- “We throw things over the wall here. Everyone’s accountable to their tribe.”
  – Division Engineer
- “Imagine two guys in a garage full of car parts, with a black curtain that splits the garage in half and these guys have to build a car by passing notes to each other from either side. That’s Preconstruction.”
  – Preconstruction engineer
NCDOT’s CURRENT STRATEGIC PLANNING IS AD-HOC COMPARED TO A BEST PRACTICE PROCESS

Best Practice 5-10 Year Planning Process

1. Planning meeting
2. Guidelines distributed
3. Pre-reviews
4. Business reviews
5. Group reviews
6. Corporate review
7. Board review

Interim check-ins ensure business unit plans match strategic priorities.

Rolling throughout the year

NCDOT current process is ad hoc throughout the year without mechanisms to review planned projects against strategic priorities.

NCDOT Planning Process

Staff Meetings throughout the year

Monthly Board Meetings

Corporate and Board reviews reserved for final validation for planning alignment.

External stakeholders involved throughout process.
# OUTCOME OF AD-HOC STRATEGIC PLANNING IS LACK OF PROJECT PRIORITIZATION

## STIP example

<table>
<thead>
<tr>
<th>TRANSPORTATION PROGRAM</th>
<th>GATES COUNTY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROUTE/CITY</strong></td>
<td><strong>ID. NO./BREAK</strong></td>
</tr>
<tr>
<td><strong>RURAL PROJECTS</strong></td>
<td></td>
</tr>
<tr>
<td>US 13</td>
<td>B2687</td>
</tr>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td><strong>STRATEGIC HIGHWAY CORRIDOR</strong></td>
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<tr>
<td>US 13</td>
<td></td>
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<tr>
<td>US 13</td>
<td>B2687</td>
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</tbody>
</table>

"I know how my section prioritizes projects, but I’m not sure exactly how the sections outside of ours do it, or for that matter the sections outside of those"  
– Preconstruction supervisor

"We know the trouble spots in our division where the serious problems are, so why are we doing random political projects?"  
– Transportation technician

"Just tell us the ‘why’ of some of these project decisions by upper management, that’s all we need"  
– Administrative supervisor

"We never know what NCDOT’s current priorities are, so it’s hard for us to know where we stand"  
– MPO Representative

- Listing in STIP is alphabetical by county and expected date of completion
- No clear prioritization based on relative importance or criticality of project
- Lack of transparency internally and externally results
FUNDING PROCESS IS NOT SUFFICIENTLY FLEXIBLE
FY 2007 budget
U.S. $ Millions

1,794

Highway fund

1,101
Highway Trust Fund

1,080**
Federal Funds

393

Uses
• ~50% for maintenance work; remainder for operations
• ~87% of funds used for matching on TIP projects and remainder for secondary roads and municipal aid
• All funds devoted to TIP projects, including interstate maintenance and National Highway System

Restrictions
• NC legislative statute dictates where Highway Fund dollars can be used
• Subject to NC statutory restrictions that dictate locations and programs for fund use
• Based on Federal regulations on use of TIP funds

~62 percent of $3.98 billion in total budgeted NCDOT funding is subject to some form of external restrictions

Many restrictions are NC-imposed

* “Restricted Funds” refers to those subject to NC statutory, U.S. statutory, and FHWA regulatory restrictions; does not include NCDOT-imposed restrictions (allocation formulas, budgetary restrictions)

** Figure based on FY2007 U.S. Federal appropriation and does not account for obligation limitation
## Project Design and Delivery Process Suffers from Several Bottlenecks

<table>
<thead>
<tr>
<th>Stage</th>
<th>Duration</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>~7-8 yrs</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Program Development</td>
<td></td>
<td>~2 yrs 5 mos.</td>
</tr>
<tr>
<td>PDEA</td>
<td></td>
<td>2-3 yrs Ongoing</td>
</tr>
<tr>
<td>PDEA and Design</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Util/Rail/ROW</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ops/Maint</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Design and Delivery Process Bottlenecks

- **Too many false starts on low priority projects** (e.g., STIP projects that remain unfunded)
- **Too many environmental alternatives** considered, each requiring a separate highly detailed environmental field study
- **Different deadlines hinder coordination**—PDEA works toward Right of Way date while Design works toward “Let” date
- **No framework for prioritizing** to keep projects on schedule
  - No system to buffer engineers from external pressures to shift work focus
  - External agencies also slowed due to no clear priorities
- **Design engineers reluctant to take responsibility** of requesting design exceptions, which many argue leads to building of too many “Cadillacs.”
- **Engineers serve units ahead of projects**
- **Utilities, Rail, Right of Way, and Contracts** need to **provide input earlier** because issues surfaced later in process can create serious delays
- **Construction reluctant to take responsibility** by disagreeing with design specifications even if they identify a more cost effective option in initial plan review or construction
- **Limited feedback loop to other groups on ops/maint challenges that result from planning and design decisions**
INCONSISTENT METRICS REDUCE ACCOUNTABILITY ACROSS PROJECT DESIGN AND DELIVERY PROCESS

<table>
<thead>
<tr>
<th>Transportation Planning</th>
<th>PDEA*</th>
<th>Design</th>
<th>Right of Way</th>
<th>Contracting</th>
<th>Construction</th>
</tr>
</thead>
</table>

**Time**

“When the project gets to us, we’re under the gun to get it done to specs on time.”  
– Construction supervisor

“When the project gains some momentum, staying within budget gets more and more important”  
– Construction Supervisor

**Budget**

“I don’t think anyone really gets held accountable for project costs until the construction phase”  
– Preconstruction Manager

“I don’t think anyone really gets held accountable for project costs until the construction phase”  
– Preconstruction Manager

**Quality**

“Quality has risen in prominence across all of DOT after the I-40 incident. Management has been stressing quality more than ever before”  
– Senior interview

“If the slightest part of the inspection or environmental paperwork is off, it can set the project back indefinitely — quality is a main concern the whole way through”  
– Preconstruction supervisor

*Schedule measured in PDEA but deadlines frequently slide due to external factors

* Indicates phase in which performance managed to metric

PRELIMINARY

Even where metrics exist, they’re often not explicitly managed to...
NCDOT HAS INTRODUCED OPERATIONAL METRICS IN ONLY ISOLATED POCKETS OF THE ORGANIZATION . . .

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DOH-Maintenance</strong></td>
<td></td>
</tr>
<tr>
<td>• Maintenance Management System</td>
<td>• More efficient use of resources through planning and scheduling</td>
</tr>
<tr>
<td>• Squad-level maintenance performance incentives</td>
<td>• Increased production from workforce, as compared to prior years’ performance</td>
</tr>
<tr>
<td><strong>DMV</strong></td>
<td></td>
</tr>
<tr>
<td>• Customer wait-time monitoring</td>
<td>• Quantitative statistics used to track and resolve bottlenecks in DMV customer experience</td>
</tr>
<tr>
<td>• Operational improvement initiatives (e.g., reorganization of purchasing agents)</td>
<td>• Significant financial and efficiency gains in core processes (scale economies in purchasing)</td>
</tr>
<tr>
<td>• Tracking of performance indicators (e.g., number of school bus drivers trained)</td>
<td>• Observations of DMV functions provide business intelligence on economic trends (recognition of a retention problem with NC school bus drivers)</td>
</tr>
</tbody>
</table>
OPPORTUNITIES TO IMPROVE ORGANIZATIONAL STRUCTURES, SYSTEMS AND MINDSETS

Many of the challenges to core processes are the result of shortcomings in NCDOT’s organizational structures, systems and mindsets. Addressing these challenges could have a significant impact on performance.

1. NCDOT’s current **organizational structure** may compound many current issues by siloing elements of some key processes (e.g., project delivery) and failing to create structures to support others (e.g., intermodal, statewide, strategic planning).

2. **Talent systems** are failing to:
   - 2a. Recruit and retain critical talent
   - 2b. Drive employee performance
   - 2c. Develop managers

3. Internal and external **communications systems** are not sufficiently proactive. External communications may lack sufficient budget or proactive press outreach needed to build NCDOT’s public image.

4. **Employee mindsets** are frequently risk averse, reactive and silo’d.
NCDOT’S CURRENT STRUCTURE MAY COMPOUND MANY STRATEGIC AND PROCESS CHALLENGES

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Some activities that require coordination are not explicitly linked (e.g., within a single managerial boundary or through another formal coordination mechanism)</td>
<td>• No end-to-end owners of projects</td>
</tr>
<tr>
<td>• Some critical roles have additional “dotted-line” reporting relationships that may hinder their accountability</td>
<td>• Engineers report directly to units instead of project managers</td>
</tr>
<tr>
<td>• Lack of organizational units to undertake critical activities</td>
<td>• Best engineers often called on to help Turnpike Authority</td>
</tr>
<tr>
<td>• Division lines may not logically support effective strategy and process implementation</td>
<td>• State restrictions inhibit IT customer service orientation</td>
</tr>
<tr>
<td>• No dedicated strategic planning group</td>
<td>• No dedicated internal communications group</td>
</tr>
<tr>
<td>• Raleigh, Durham, Chapel Hill area split into two</td>
<td>• 14 divisions in North Carolina compared to 9 in Virginia</td>
</tr>
<tr>
<td>• Rural/urban regions</td>
<td></td>
</tr>
</tbody>
</table>
TALENT SYSTEM REGULATIONS MAY BE HURTING RECRUITING OF EXTERNAL AND INTERNAL TALENT

Relevant quotes and data

“10 percent rule”

• Only 18% of employees believe that NCDOT continually refreshes its talent pool by recruiting top performers from outside the organization
• “The [other agency’s] offer was 20% higher because they factored [in] her work experience. DOT could only offer 10% above the minimum”
• “Several managers factor in the 10% rule and often don’t interview individuals with excellent experience and credentials”
• “Missed hiring opportunities” from one ~200-person Branch in 2004-07
  – 9 cases of the best candidate declining the job offer because of salary limitation; in some cases, this required a re-posting
  – 8 cases of individuals withdrawing due to salary limitation
  – 2 cases of an individual leaving to take job elsewhere because of salary limitation at time of hiring
  – 2 cases of multiple postings due to poor applicant pool

Multi-step hiring approval process

• “I don’t see why the central Raleigh HR department needs to sign off when I want to hire a new transportation worker out in a division”
• “It ends up taking two or three months to hire someone and any decent candidate has usually found another job by the time we can offer them something”
TALENT SYSTEMS ARE FAILING TO RETAIN CRITICAL TALENT

Attrition of engineers by tenure band

Percent

“Some engineers don’t even see the point of staying around to get their PEs here, because we’ve done away with ‘PE bonuses’”

“Many engineers use NCDOT as a comfortable place to prepare for their PE certification and then they leave for the private sector”

“It can be a bit of a revolving door for engineer employment between the DOT and our consultants”

“You see a lot of people leaving shortly after five years, once they’re vested in the retirement programs”

“PDEA and Roadway Design are becoming the best centralized recruiting sources in the state for private sector consultants”
TALENT SYSTEMS DO NOT REWARD OR PENALIZE PERFORMANCE
NCDOT performance evaluations skew high compared to best practices . . .

2006 NCDOT performance rating distribution
Percent, out of all employees

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsatisfactory</td>
<td>0</td>
</tr>
<tr>
<td>Less than good</td>
<td>0</td>
</tr>
<tr>
<td>Good</td>
<td>11</td>
</tr>
<tr>
<td>Very good</td>
<td>57</td>
</tr>
<tr>
<td>Outstanding</td>
<td>32</td>
</tr>
</tbody>
</table>

20% of 2006 voluntary attritions rated Outstanding

Very good and good performers receive no performance incentives
Less than 1% terminated every year

Performance rating distribution at GE under Jack Welch

“Bottom 10”
Bottom 10% terminated every year

“The Vital 70”
B players should get annual increases recognising their contributions

“Top 20”
“We lose less than 1% of our A’s per year”

This system leads to low termination rates, i.e., NCDOT terminates 0.5% of employees per year vs. federal government terminations of 3.8% per year
TALENT SYSTEMS DEMONSTRATE LIMITED FOCUS ON MANAGEMENT PREPARATION AND DEVELOPMENT

Low managerial attendance at North Carolina Public Manager Program
Out of 2,453 supervisors

Only 8% of DOT managerial promotions were to other units within the department
100% = 77 promotions

Current management preparation and development indicates:

• Limited commitment of resources to managerial training

• Divergence from private sector best practices (GE, Procter & Gamble) of required mobility tours for all managers

• Over-reliance on on-the-job management training across organization
EMPLOYEES REPORT INTERNAL COMMUNICATION SYSTEMS

VACUUM

Middle managers

"The top management should explain changes and get face-to-face communication with managers"

"I’d really like to see more information sharing for safety (and other) best practices across DOT"

"Intra-department communication is a big problem. There’s a lot of store piping that causes overlap and waste in processes"

"A lot of decisions get made at higher levels without a lot of communication"

"If I were Secretary for a day, I would put out more communication from DOT about what strategy and vision is for the future"

Limited support for internal communications

- No budget allocated for staff or internal communications across DOT
- Published literature considered unclear
- Mass communications considered forced

Front line workers

"Can we reduce the widening gap between front lines and management? I’m talking about a presence gap—we don’t see or hear from anyone higher than our immediate supervisors."

"Somehow we need to fix the lack of communication coming from upper management."

"There needs to be a lot better communication. I am tired of all the heresay, I want to hear something firm."

"Messages trickle down from the top management, but communication blockages along the way keep the messages from reaching us. I wish we could hear it direct from the top sometimes."
### EXTERNAL COMMUNICATIONS EFFORTS HAS LIMITED BUDGET AND IS REACTIVE

<table>
<thead>
<tr>
<th>Owner</th>
<th>Description</th>
<th>Sample responses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Media and Public Relations</strong></td>
<td>• Division Engineers</td>
<td>• Divisions build local relationships and coordinate information share with communities</td>
</tr>
</tbody>
</table>
| **Major State Media** | • Public Information Office | • Raleigh-based central office responds to press inquiries  
• Frequent “fire-fighting” required | MIDSTATE WELCOME CENTERS UNDER FIRE; APPROVAL PROCESS FOR PAIR CALLED ‘DISTURBING’ [– Charlotte Observer](#) |
| **Other Public Communication** | • Many parties involved; ownership not clearly assigned | • Wide range of public touch-points through project design and delivery process and other customer interactions (e.g., DMV, website)  
• Limited deliberate planning for outreach to external stakeholders | “DOT views us as just another requirement in the process, not as partners” [– MPO Representative](#)  
“They don’t communicate with the public. Nobody appreciates what they do, they just get blasted for screwing up” [– External stakeholder](#) |
CURRENT EMPLOYEE MINDSETS RESTRICT GROWTH IN STRATEGIC AND ORGANIZATIONAL AREAS OF OPPORTUNITY

Reactivity

• “I prioritize the work I do based on who is asking for it to get done”
  – Administrative worker

• “My work as a manager is mostly spent fighting fires and answering people’s mail, not doing the things that make progress”
  – Preconstruction supervisor

Lack of entrepreneurship

• “The response to everything is, ‘We’ve always done it that way’”
  – Multi-modal worker

• “I don’t feel comfortable being able to express an opinion or idea without some kind of political ramification”
  – Clerical worker

Risk-aversion

• “There is so much emphasis on safety and the environment around here that we are paralyzed to make decisions that get things done”
  – Transportation supervisor

• “We are so concerned about being all things to all people that we never let any balls drop, we just keep right on juggling”
  – Assistant resident engineer

Silo-ism

• “We never get opportunities to work with anyone in other departments or sections—it’s a very silo-based culture here”
  – Preconstruction supervisor

• “There are three different versions of IT, they all fall under different bosses, and they are each accountable to different policies”
  – IT supervisor

Lack of urgency

• “Until projects get to us, they are just in this strange state of limbo—they just drift along for years at a time…”
  – Transportation technician

• “A real problem across DOT is a lack of urgency. There is a prevailing mentality that there is no reason to work quickly toward any specific end state because there’s always tomorrow”
  – Steering committee member
NEXT STEPS- SEIZING OUR OPPORTUNITY, LEAVING OUR LEGACY

A strong starting point for transformation
- Key leaders committed to change
- Near-term budget stabilized
- Technical skills necessary to deliver
- Employees proud to serve, with a ‘can do’ attitude
- External stakeholders supportive of change

Seizing our opportunity; Leaving our legacy

1. Exceptional Public Transparency that
   - Effectively solicits and utilizes Stakeholder Input
   - Explicit Prioritization
   - Clearly communicated Expectations

2. A distinctive Employee Environment, that attracts and rewards strong contributors while developing effective leaders

3. Judicious and innovative Financial Stewardship

4. Thoughtful Environmental Stewardship, charting a prosperous and sustainable future for North Carolina

5. Accountability for Performance (against 1-4) at every level of the organization,
Preliminary Organizational Diagnostics Results for North Carolina Department of Transportation

May 2007

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Contents

- **Background**
  - The OPP survey in the context of the complete diagnostic
  - Definition of performance culture
  - Explanation of ratings

- **Overview of results**
  - Emerging overall themes and overall profile outcomes
  - Comparisons with overall database
  - Overall practices profile
  - Profile snapshots
  - Detailed themes
  - Top 10 questions/Bottom 10 questions
  - Values survey
  - Survey comments
  - Question by question results
A DIAGNOSTIC REQUIRES MULTIPLE DATA SOURCES (THIS PACK FOCUSES ON THE SURVEY)

- Organization Performance Profile (OPP) and culture/values assessment
- Focus groups
- Diagnostic and aspiration setting workshops
- Deep structure interviews (DSIs)
- One-on-one interviews with managers
- Fact-based analyses
DATA IS THEN SYNTHESIZED TO CREATE A MANAGEABLE SET OF ‘ACTION THEMES’

The diagnostic integrates information from 4 complementary assessment approaches … … identifying 3 to 5 themes for action

Note: As with any complex diagnostic that solicits input from thousands of employees, some general management issues are raised. In these cases, NCDOT is encouraged to look into these issues where possible and appropriate.
ORGANIZATIONAL PERFORMANCE PROFILE

The profile
- Evaluates aggregate performance across clusters of alignment, execution, and renewal
- Allows deeps dives into each of the elements (e.g. direction) to isolate outcomes, practices, and mindsets
- Creates a common language to discuss current performance as well as desired performance

Alignment
“Do the vast majority of people in the organization understand and agree with where the company is going, how it will get there, and what it means for how they think and what they do?”

Execution
“Is the organization doing what it is supposed to in order to achieve the aligned direction? Is it doing it well and can it respond to challenges?”

Renewal
“Is the organization continuously finding new things (and new ways to do things) that create value?”

Source: McKinsey Organization Practice
## 9 ELEMENTS OF HIGH PERFORMANCE ORGANIZATIONS

<table>
<thead>
<tr>
<th>Nine elements</th>
<th>Organization characterized by</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Alignment –</strong></td>
<td>• Clearly articulated vision of where the company is headed</td>
</tr>
<tr>
<td>Stakeholders are clear on vision,</td>
<td>• Leaders who shape and inspire the actions that drive performance</td>
</tr>
<tr>
<td>strategy, and expected behaviors</td>
<td>• High quality employee interactions and shared understanding of core values</td>
</tr>
<tr>
<td><strong>Execution –</strong></td>
<td>• Organization structure, reporting relationships and individual performance evaluation</td>
</tr>
<tr>
<td>All activities are centered around</td>
<td>• Skills and talent that support strategy and create competitive advantage</td>
</tr>
<tr>
<td>executing strategy and delivering</td>
<td>• Employees who feel inspired and encouraged to take initiative, perform and stay</td>
</tr>
<tr>
<td>results</td>
<td>• Strong business performance and risk management/measurement</td>
</tr>
<tr>
<td><strong>Renewal –</strong></td>
<td>• Constant 2-way interaction with constituents, suppliers, partners and other external groups</td>
</tr>
<tr>
<td>A steady stream of exploit-able</td>
<td>• Steady, solid flow of ideas and change to ensure organization can sustain, survive and grow</td>
</tr>
<tr>
<td>opportunities is created to ensure renewal</td>
<td>over time</td>
</tr>
</tbody>
</table>
ALL ELEMENTS SHOULD BE AT LEAST ON A COMMON LEVEL, WITH STRATEGICALLY SELECTED POINTS OF DISTINCTIVENESS

- Need at least common level of effectiveness on all nine elements to be able to operate effectively
- Strategically aim for distinctiveness on a few outcomes

Effectiveness:
- Distinctive, 85%+
- Superior, 70-84%
- Common, 50-69%
- Not effective, <50%

Outcomes that are ‘not effective’ need to be improved
THERE ARE SEVERAL APPROACHES OR PRACTICES FOR HOW EACH OUTCOME IS ACHIEVED
Contents

• Background
  – The OPP survey in the context of the complete diagnostic
  – Definition of performance culture
  – Explanation of ratings

• Overview of results
  – Emerging overall themes and overall profile outcomes
  – Comparisons with overall database
  – Overall practices profile
  – Profile snapshots
  – Detailed themes
  – Top 10 questions/Bottom 10 questions
  – Values survey
  – Survey comments
  – Question by question results
THE DIAGNOSTIC RESULTS SHOW SEVERAL STRENGTHS TO BUILD ON . . .

Direct managers

- In most departments, direct managers are seen as a good role models with a deep understanding of the NCDOT
- Show empathy for employees and are seeking ways to improve moral within their departments, including asking for the ability to reward high achievers
- Results also indicate that direct managers and employees see the need to retain employees that have a long tenure with NCDOT

Desired accountability

- Respondents from all areas are seeking more accountability within NCDOT
- See sub-par performers as a real threat to the long-term success of NCDOT
- Most picked item in desired future values section was accountability
- Survey comments stress employees frustration with not holding employees accountable and reflect a strong desire for consequence management (reward strong performers and discipline weak performers)
AND INDICATE SERIOUS AREAS FOR CONCERN

Lack of vision and understanding between areas

- Results indicate an almost universal lack of understanding of NCDOT’s vision and strategy, including several comments that suggested the vision has never been discussed with employees
- Lack of vision translates into a lack of shared goals, with employees expressing a lack of understanding in what the NCDOT is trying to accomplish and how their department impacts the attainment of these goals
- Uncertainty around organization’s vision/goals leads different departments to follow different guidelines, ultimately leading to frustration and inefficiencies

Unsupportive work environment

- Workforce with limited performance incentives
- Few practices in place to help employees develop and grow professionally (e.g., job-rotation, coaching, internal career opportunities)
- Little engagement of employees on key issues
- Current level of idea and information flow is rated ineffective and respondents indicate hesitation in making suggestions regarding improvement ideas

Poor people performance management

- Although employees strongly desire accountability, current systems fail to hold employees accountable
- Perceptions of current HR systems are very negative
  - Feel few distinctions are made between high, average, and low performers
  - Feel current salary assessments are inaccurate and are impacting attraction and retention
  - Managers describe a slow hiring process that forces sub-market salary offers
- Few training opportunities offered
OUTCOME PROFILE FOR ALL SURVEYS

Source: Overall results from NCDOT Online + Paper OPP survey (n = 8977)
NCDOT SURVEY RESULTS SIMILAR TO OTHER PUBLIC SECTOR ORGANIZATIONS

Percent of survey respondents observing outcomes “always” or “often”

Source: McKinsey database, 8 government organizations, total n = 2000
HOWEVER, RESULTS LAG PRIVATE SECTOR ORGANIZATIONS

Source: McKinsey database n = 101000
BUT SHARE SIMILARITIES WITH ENGINEERING-DRIVEN CULTURES

Source: McKinsey database of Chemicals, High Tech, and Transportation industry employees n = 3,362
SMALL AVERAGE DIFFERENCE IN OUTCOME SCORES SUGGESTS SIMILAR THEMES ACROSS ORGANIZATION

Source: Overall results from NCDOT Online OPP survey (n = 8977)
PROFILE COMPARISON BY TENURE FOR ALL SURVEYS (PAPER + ONLINE)
PROFILE COMPARISON BY OCCUPATIONAL GROUP FOR ALL SURVEYS (ONLINE + PAPER) 2/2

Licensing/Inspection/Public Safety n=177

Skilled trades n=4403

Eng/Arch n=2230

Outcomes
- Distinctive
- Superior
- Common
- Not effective
COMMON AND INEFFECTIVE OUTCOME RATINGS ARE DRIVEN BY INFREQUENT USE OF PRACTICE LEVERS

Source: Overall results from NCDOT Online OPP survey (n = 3274)
ORGANIZATION PERFORMANCE PROFILE OF PRACTICES FOR ALIGNMENT

### Practices

<table>
<thead>
<tr>
<th>Direction</th>
<th>Summary of findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visionary</td>
<td>• Currently rated as ineffective</td>
</tr>
<tr>
<td>Strategy</td>
<td>• Vision for the NCDOT is unclear and not being translated into specific plans that can guide/direct employee behavior</td>
</tr>
<tr>
<td>Engagement</td>
<td>• Little engagement of employees in direction setting process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Summary of findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community leaders</td>
<td>• Currently rated as common in effectiveness</td>
</tr>
<tr>
<td>Command &amp; control</td>
<td>• No dominant leadership style stands out, using a mixture of community (hands-off), command and control (hands-on), and patriarchal (strong but caring) leadership styles</td>
</tr>
<tr>
<td>Patriarchal</td>
<td>• Direct managers are viewed positively</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environment &amp; values</th>
<th>Summary of findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open and trusting</td>
<td>• Current culture is rated as ineffective</td>
</tr>
<tr>
<td>Disciplined/Competitive</td>
<td>• Focused mainly on operational efficiency with few ‘soft’ elements</td>
</tr>
<tr>
<td>Operational/Task</td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial</td>
<td></td>
</tr>
</tbody>
</table>

Source: Overall results from NCDOT Online OPP survey (n = 3274)
Employees report a general understanding of what they will be held accountable for, but formal job structures and performance targets do not clearly define accountabilities. Results also indicate few links between performance and consequences.

Currently rated as ineffective. Respondents indicate doubt in current HR system’s ability to accurately collect performance data and differentiate between high, average, and low performers.

Employees report confidence in the knowledge and capabilities currently found within the NCDOT, but few practices in place to fully leverage this. Limited efforts to codify and disseminate best practices around internal processes.

Also, few efforts made to develop internal talent (e.g., job rotation, coaching, etc)

Employees indicate personal motivation, but do not see the same level of motivation in their colleagues. Values (which were reported as unclear in E&V) are failing to drive motivation. Few incentives/oppts in place to increase motivation.

Source: Overall results from NCDOT Online OPP survey (n = 3274)
ORGANIZATION PERFORMANCE PROFILE OF PRACTICES FOR RENEWAL

Practices

Summary of findings

- Rated as ineffective
- Failing to sustain and develop ideas/knowledge
- Little engagement and support of employees to share improvement ideas with management or other parts of the company
- Few meetings for management to discuss how things could be done differently

Highest rated element
Some efforts made to respond to the public and other external bodies

Source: Overall results from NCDOT Online OPP survey (n = 3274)
### ALIGNMENT – DIRECTION

<table>
<thead>
<tr>
<th>Survey responses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vision</strong></td>
<td></td>
</tr>
<tr>
<td>• NCDOT’s vision is communicated deep into the organization</td>
<td>44 36 20</td>
</tr>
<tr>
<td>• NCDOT articulates a vision that resonates with my personal values</td>
<td>36 38 26</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td></td>
</tr>
<tr>
<td>• NCDOT translates its vision into specific strategic goals/milestones</td>
<td>32 40 28</td>
</tr>
<tr>
<td>• NCDOT management develops detailed strategic plans</td>
<td>29 39 32</td>
</tr>
<tr>
<td><strong>Employee engagement</strong></td>
<td></td>
</tr>
<tr>
<td>• Management solicits employee involvement in direction-setting</td>
<td>49 31 20</td>
</tr>
<tr>
<td>• Management aligns NCDOT’s aspirations with employee goals</td>
<td>55 29 16</td>
</tr>
<tr>
<td>• Managers explain the vision to employees to make it relevant</td>
<td>50 32 18</td>
</tr>
</tbody>
</table>

Survey responses:

- **“The big picture does not filter down to the rank and file employees.”**
  - Percent: 44 36 20
- **“I doubt 1 in 50 employees can articulate the department’s vision . . .”**
  - Percent: 36 38 26
- **“I don’t think we have put our heads together as an organization about what direction we want to take it.”**
  - Percent: 32 40 28
- **“It seems like everything is a priority.”**
  - Percent: 29 39 32
- **“I am fairly sure that 95% of DOT employees have no idea what the goals and objectives are.”**
  - Percent: 49 31 20
- **“Management is concerned about budget and schedule. I care about quality and safety.”**
  - Percent: 55 29 16
- **“There’s too much confusion of what our goals are and how to achieve them.”**
  - Percent: 50 32 18
**ALIGNMENT – LEADERSHIP**

**Immediate supervisor collaboration**
- Immediate supervisor gives people autonomy to make own decisions
  - Strongly agree/agree: 64%
  - Neutral: 13%
  - Strongly disagree/disagree: 13%

- Immediate supervisor strives to achieve consensus on decisions
  - Strongly agree/agree: 57%
  - Neutral: 27%
  - Strongly disagree/disagree: 16%

**Immediate supervisor care and concern**
- Immediate supervisor demonstrates concern for welfare of employees
  - Strongly agree/agree: 69%
  - Neutral: 14%
  - Strongly disagree/disagree: 17%

- Supervisor creates positive sense of family to influence direct reports
  - Strongly agree/agree: 57%
  - Neutral: 22%
  - Strongly disagree/disagree: 21%

**NCDOT’s board and senior management**
- . . . shares a common vision for the future of the organization
  - Strongly agree/agree: 36%
  - Neutral: 36%
  - Strongly disagree/disagree: 28%

- . . . is highly respected throughout the organization
  - Strongly agree/agree: 37%
  - Neutral: 31%
  - Strongly disagree/disagree: 32%

- . . . makes a visible contribution to the success of the organization
  - Strongly agree/agree: 37%
  - Neutral: 31%
  - Strongly disagree/disagree: 32%

Survey responses:
- “I don’t need to get permission to handle issues myself.”
- “Sometimes it makes me upset that I’m not included in meetings or decisions where I might be able to contribute ideas.”
- “My supervisor cares about employees and really tries to help when I have a problem.”
- “My immediate supervisor was available as a sounding board if I needed help.”
- “I know nothing about the vision, mission, and goal setting activities of upper management.”
- “The upper management cares about politics, politics, and politics.”
- “I have never seen what the NCDOT vision is. Not one person I work with could tell me what it is.”
“What’s important changes every day—safety, budget, environment, take your pick.”

“The only reason I try hard is because of my upbringing to do a job well.”

“Workers who don’t try hard get paid just as much and move up just as fast as anyone else.”

“I don’t know how they measure the organization or themselves, or how this is tied to my activities or my department’s activities.”

“The state does what it’s done for years and years, so don’t dare rock the boat.”

“Everyone knows you don’t bring up new ideas.”

“As soon as I bring up new ideas I get shot down.”

<table>
<thead>
<tr>
<th>Survey responses</th>
<th>Distribution of responses</th>
<th>Survey responses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td></td>
<td>“What’s important changes every day—safety, budget, environment, take your pick.”</td>
</tr>
<tr>
<td>• The NCDOT’s culture and values are clearly defined</td>
<td>29</td>
<td>35</td>
</tr>
<tr>
<td>• The NCDOT’s culture and values produce employee behaviors supportive of its strategy</td>
<td>30</td>
<td>37</td>
</tr>
<tr>
<td><strong>Disciplined competition</strong></td>
<td></td>
<td>“The only reason I try hard is because of my upbringing to do a job well.”</td>
</tr>
<tr>
<td>• Incentive and recognition systems promote healthy internal competition</td>
<td>62</td>
<td>15</td>
</tr>
<tr>
<td>• Results are internally transparent to create pressure to perform</td>
<td>44</td>
<td>38</td>
</tr>
<tr>
<td><strong>Entrepreneurial</strong></td>
<td></td>
<td>“Workers who don’t try hard get paid just as much and move up just as fast as anyone else.”</td>
</tr>
<tr>
<td>• Management encourages employees to take calculated risks</td>
<td>59</td>
<td>29</td>
</tr>
<tr>
<td>• NCDOT protects creativity/innovation from management pressures</td>
<td>41</td>
<td>39</td>
</tr>
<tr>
<td>• NCDOT provides employees opportunities to pursue new ideas</td>
<td>48</td>
<td>33</td>
</tr>
</tbody>
</table>
## EXECUTION – ACCOUNTABILITY

<table>
<thead>
<tr>
<th>Survey responses</th>
<th>Distribution of responses Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Roles &amp; goals</strong></td>
<td></td>
</tr>
<tr>
<td>• Employees know what they will be held accountable for</td>
<td><img src="chart.png" alt="Chart" /></td>
</tr>
<tr>
<td>• Employees receive clear explanations of what has to be achieved in their jobs</td>
<td><img src="chart.png" alt="Chart" /></td>
</tr>
<tr>
<td><strong>Consequence system</strong></td>
<td><img src="chart.png" alt="Chart" /></td>
</tr>
<tr>
<td>• NCDOT provides attractive incentives to high performers</td>
<td><img src="chart.png" alt="Chart" /></td>
</tr>
<tr>
<td>• NCDOT gives coaching to underperformers to help them improve</td>
<td><img src="chart.png" alt="Chart" /></td>
</tr>
<tr>
<td><strong>Personal obligation</strong></td>
<td><img src="chart.png" alt="Chart" /></td>
</tr>
<tr>
<td>• NCDOT creates performance expectations by emphasizing each employee’s personal obligation</td>
<td><img src="chart.png" alt="Chart" /></td>
</tr>
<tr>
<td>• Each Employee’s personal obligation clearly explained to them</td>
<td><img src="chart.png" alt="Chart" /></td>
</tr>
<tr>
<td>• NCDOT recognizes performance results that exceed employee’s personal obligation to organization</td>
<td><img src="chart.png" alt="Chart" /></td>
</tr>
</tbody>
</table>

### Survey responses

- **People here have high professional standards and are accountable to their roles but rarely more.**
- **No one sat me down and told me what I had to do, but I figured it out as I went.**
- **There is NO incentive program.**
- **People do not want to measure performance because they know that when poor performers are exposed, they will have to take action. Management does not have the ‘stomach’ to hold people accountable.**
- **There are no incentives for anyone to achieve beyond the boundaries of their job.**
- **Once people get into their positions, they operate on this ‘you can’t fire me’ mentality.**
- **Reward superior performance with superior pay. Do not reward mediocrity.**
**EXECUTION – COORDINATION & CONTROL**

**Survey responses**

**Professional standards**
- NCDOT communicates clear standards for employee conduct
- The NCDOT uses policies to discourage employees from inappropriate activities

**People**
- NCDOT’s people and performance feedback processes collect accurate people information...
- ...and clearly differentiate between the high, average, and low performers

**Financial**
- NCDOT’s financial measures are good indicators of its true economic performance
- NCDOT holds challenging budget reviews
- Financial control systems monitor performance deep in the organization

**Distribution of responses**

<table>
<thead>
<tr>
<th>Category</th>
<th>Strongly disagree/disagree or observe outcomes rarely/never</th>
<th>Neutral</th>
<th>Strongly agree/agree with statements or observe outcomes always/often</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional standards</td>
<td>23%</td>
<td>43%</td>
<td>34%</td>
</tr>
<tr>
<td>People</td>
<td>15%</td>
<td>48%</td>
<td>37%</td>
</tr>
<tr>
<td>Financial</td>
<td>26%</td>
<td>40%</td>
<td>34%</td>
</tr>
</tbody>
</table>

**Survey responses**

- "There are very specific instructions that go with on-the-job skills."
- "We have five page manuals for the simplest tasks, but at least its clear."
- "Management barely completes performance management evaluations, much less have a discussion over them."
- "There is no incentive to do anything. The worst performers have the same rewards as the best."
- "We don't account sufficiently for indirect project costs."
- "There are too many opportunities to revise a project’s schedule and budget over the years."
- "There are open project accounts sitting out there with obligated funds years after projects have been finished."
## EXECUTION – CAPABILITIES

### Survey responses

<table>
<thead>
<tr>
<th>Overall</th>
<th>Recruiting</th>
<th>Development</th>
<th>Mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The NCDOT has the knowledge to deliver its strategy</td>
<td>• The NCDOT continually refreshes its talent pool by recruiting top performers from outside the organization to fill key roles</td>
<td>• The NCDOT regularly reviews and enhances its internal training programs to reflect the latest processes and knowledge</td>
<td>• The NCDOT uses job-rotation to broaden the experience and capabilities of employees</td>
</tr>
</tbody>
</table>

### Distribution of responses

<table>
<thead>
<tr>
<th>Percent</th>
<th>Strongly agree/agree</th>
<th>Neutral</th>
<th>Strongly disagree/disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>28</td>
<td>55</td>
<td>17</td>
</tr>
<tr>
<td>Recruiting</td>
<td>51</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td>Development</td>
<td>20</td>
<td>37</td>
<td>43</td>
</tr>
<tr>
<td>Mobility</td>
<td>50</td>
<td>19</td>
<td>31</td>
</tr>
</tbody>
</table>

### Survey responses

- "DOT has many highly competent and hard-working employees at every skill level."
- "I think we are missing out on hiring ‘good’ employees because we cannot compete with their current salaries."
- "Attracting and keeping top performers is difficult due to the lack of monetary rewards."
- "When you move to a new position, you get NO TRAINING!"
- "Much better coaching and training would help to make me more productive, quicker."
- "Be supportive of employees attending professional networking, including out of state events to network, share ideas, and learn about innovative methods from peers across the nation."
EXECUTION – MOTIVATION

Survey responses

Self-directed
- People exert extraordinary effort when needed
- I feel motivated to achieve my performance goals/targets

Financial
- The NCDOT provides attractive financial incentives to motivate people to achieve their performance targets
- The NCDOT extends financial incentives deep within the organization to motivate employees at all levels

Top performers
- The NCDOT pays high performers significantly more than average performers
- The NCDOT offers top performers the most attractive career opportunities within the organization

Distribution of responses

Survey responses

“DOT employees are passionate about what they do and how they do it.”

“I achieve a real sense of motivation and satisfaction knowing I serve the citizens of North Carolina.”

“There is no incentive program. Recently, the opportunity for advancement based on skill was removed. What motivation does that leave people with?”

“I think more recognition programs would . . . get [employees] motivated and increase productivity.”

“All state employees receive the same raise, regardless of performance. This hurts motivation.”

“The worst performers have the same rewards as the best.”
### RENEWAL – INNOVATION

#### Overall

- The NCDOT generates enough high quality ideas to achieve its organizational goals
  - Strongly agree/agree: 24%
  - Neutral: 38%
  - Strongly disagree/disagree: 38%

- The NCDOT readily adopts performance improvement ideas
  - Strongly agree/agree: 30%
  - Neutral: 36%
  - Strongly disagree/disagree: 34%

#### Employee-led

- Employees actively engage in improvement activities
  - Strongly agree/agree: 37%
  - Neutral: 42%
  - Strongly disagree/disagree: 21%

- The NCDOT provides incentives for employees to develop and implement improvement ideas
  - Strongly agree/agree: 46%
  - Neutral: 34%
  - Strongly disagree/disagree: 20%

#### Best practice sharing

- The NCDOT imports 'best practices' from other organizations
  - Strongly agree/agree: 24%
  - Neutral: 53%
  - Strongly disagree/disagree: 23%

- The NCDOT facilitates regular knowledge/idea sharing forums across the organization
  - Strongly agree/agree: 42%
  - Neutral: 39%
  - Strongly disagree/disagree: 19%

- Management encourages different parts of the NCDOT to jointly pursue improvement opportunities
  - Strongly agree/agree: 37%
  - Neutral: 40%
  - Strongly disagree/disagree: 23%

---

“*It appears the NCDOT prefers to work in its comfort zone—continuing to do business as we have for 50 years.*”

“We hear ‘there is no money, there is no need’ and (worst of the bunch) ‘this is not the way we have done it in the past.’”

“The bottom of the chain workers have good ideas but are not encouraged to pursue them.”

“NCDOT employees are not rewarded for risk-taking.”

“We’re in a rut. Doing things the same old way.”

“I don’t feel comfortable being able to express an opinion or idea without some kind of political ramification.”

“I feel like we are encouraged to think outside the box but work inside the box.”
**RENEWAL – EXTERNAL ORIENTATION**

### Responsive-ness
- The NCDOT is highly responsive to the public’s opinions and needs.
- The NCDOT views its constituents (e.g., taxpayers, local communities/division board members, industry) as an extension of itself.
- The NCDOT actively considers the response of government regulatory bodies when making decisions.
- The NCDOT creates opportunities to discuss the performance of its external partners with them.

### Proactivity
- The NCDOT solicits feedback from the public to improve its ability to meet their needs.
- The NCDOT actively considers the capabilities of other government agencies and states when making decisions.
- The NCDOT pursues joint performance initiatives with external business partners.

### Distribution of responses

<table>
<thead>
<tr>
<th>Survey responses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree/agree with statements or observe outcomes always/often</td>
<td>25</td>
</tr>
<tr>
<td>Neutral</td>
<td>59</td>
</tr>
<tr>
<td>Strongly disagree/disagree or observe outcomes rarely/never</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Survey responses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>“When media stories break out, I am usually told to drop everything and quickly prepare a response.”</td>
<td>25</td>
</tr>
<tr>
<td>“I am a taxpayer of North Carolina too, so I feel like I am serving myself and my family.”</td>
<td>50</td>
</tr>
<tr>
<td>“The political layer of management holds a lot of authority in the DOT’s higher leadership.”</td>
<td>63</td>
</tr>
<tr>
<td>“We care very deeply about what the public has to say and we have gotten a lot better about listening to their concerns.”</td>
<td>46</td>
</tr>
<tr>
<td>“We need to align the way we operate and handle personnel issues with other state agencies.”</td>
<td>38</td>
</tr>
<tr>
<td>“Contractors know the gaps in the system and how to exploit them.”</td>
<td>34</td>
</tr>
<tr>
<td>“Once they have won the bid, contractors establish prices and timelines as needed.”</td>
<td>34</td>
</tr>
</tbody>
</table>

### Survey responses

<table>
<thead>
<tr>
<th>Distribution of responses</th>
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<tr>
<td>Neutral</td>
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<tr>
<td>Strongly disagree/disagree or observe outcomes rarely/never</td>
</tr>
</tbody>
</table>
QUESTIONS WITH THE MOST POSITIVE RESPONSES FROM NCDOT RELATE PRIMARILY TO DIRECT MANAGERS

<table>
<thead>
<tr>
<th>MOST POSITIVE RESPONSES FROM NCDOT EMPLOYEES</th>
<th>NEG</th>
<th>NEU</th>
<th>POS</th>
</tr>
</thead>
<tbody>
<tr>
<td>The manager I report to has a deep understanding of the NCDOT</td>
<td>9%</td>
<td>17%</td>
<td>74%</td>
</tr>
<tr>
<td>The manager I report to maintains constructive relationships with his/her direct reports</td>
<td>13%</td>
<td>16%</td>
<td>71%</td>
</tr>
<tr>
<td>The manager I report to makes decisions in a timely manner</td>
<td>15%</td>
<td>15%</td>
<td>70%</td>
</tr>
<tr>
<td>The NCDOT uses policies and procedures to discourage employees from engaging in inappropriate activities (e.g. formal codes of conduct, rule books)</td>
<td>10%</td>
<td>20%</td>
<td>70%</td>
</tr>
<tr>
<td>The manager that I report to provides a good role model for me to follow</td>
<td>15%</td>
<td>15%</td>
<td>70%</td>
</tr>
<tr>
<td>Employees in the NCDOT know what they will be held accountable for</td>
<td>15%</td>
<td>16%</td>
<td>69%</td>
</tr>
<tr>
<td>The NCDOT is highly responsive to the public’s opinions and needs</td>
<td>10%</td>
<td>21%</td>
<td>69%</td>
</tr>
<tr>
<td>The manager I report to demonstrates concern for the welfare of employees</td>
<td>14%</td>
<td>17%</td>
<td>69%</td>
</tr>
<tr>
<td>The manager I report to makes high quality decisions</td>
<td>13%</td>
<td>18%</td>
<td>69%</td>
</tr>
<tr>
<td>The NCDOT has the knowledge to deliver its strategy</td>
<td>10%</td>
<td>23%</td>
<td>67%</td>
</tr>
</tbody>
</table>

Source: Overall results from NCDOT Online OPP survey (n = 3274)
QUESTIONS WITH THE LEAST POSITIVE RESPONSES FROM NCDOT RELATE PRIMARILY TO MOTIVATING EMPLOYEES

The NCDOT offers top performers the most attractive career opportunities within the organization  
17%  40%  43%  

The NCDOT designs jobs to be as stimulating as possible for all employees  
17%  25%  58%  

The NCDOT recognizes performance results that exceed an employee’s personal obligation to the organization  
15%  23%  62%  

Management encourages employees to take calculated risks  
15%  23%  62%  

The NCDOT’s incentive and recognition systems promote healthy competition among employees  
62%  23%  15%  

Management aligns the NCDOT’s aspirations with the personal goals of employees  
55%  29%  16%  

The NCDOT recognizes performance results that exceed an employee’s personal obligation to the organization  
58%  25%  17%  

The NCDOT designs jobs to be as stimulating as possible for all employees  
43%  40%  17%  

The NCDOT offers top performers the most attractive career opportunities within the organization  
46%  36%  18%  

Source: Overall results from NCDOT Online OPP survey (n = 3274)
THE SURVEY ALSO ASKED EMPLOYEES ABOUT THE VALUES THEY SEE IN NCDOT’S CURRENT CULTURE AND IN THE CULTURE THEY DESIRE

Top 10 values selected by respondents

<table>
<thead>
<tr>
<th>What values does NCDOT’s culture emphasize today?</th>
<th>What values would you most like to see in NCDOT’s future culture?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rule oriented</td>
<td>Accountability*</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>Trust</td>
</tr>
<tr>
<td>Public focus</td>
<td>Well organized</td>
</tr>
<tr>
<td>Budget focus</td>
<td>Courage to do what’s right</td>
</tr>
<tr>
<td>Being of service to others</td>
<td>Fulfilling work</td>
</tr>
<tr>
<td>Supporting diversity</td>
<td>Respect for people</td>
</tr>
<tr>
<td>Slow-moving</td>
<td>Efficiency</td>
</tr>
<tr>
<td>Job security</td>
<td>Job security</td>
</tr>
<tr>
<td>Safety focus</td>
<td>Safety focus</td>
</tr>
<tr>
<td>Environmentally responsible</td>
<td>Environmentally responsible</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>What values are missing from NCDOT’s culture today?</th>
<th>What values would you least like to see in NCDOT’s future culture?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee focus</td>
<td>Arrogant</td>
</tr>
<tr>
<td>Personal growth</td>
<td>Fear</td>
</tr>
<tr>
<td>Stress</td>
<td>Stress</td>
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<tr>
<td>Professional growth</td>
<td>Internal politics</td>
</tr>
<tr>
<td>Fear</td>
<td>Conflict</td>
</tr>
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<td>Arrogant</td>
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</tr>
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<td>Efficiency</td>
<td>Lack of shared purpose</td>
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<td>Well organized</td>
<td>Hierarchical</td>
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<td>Respect for people</td>
<td>Slow-moving</td>
</tr>
</tbody>
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* Most picked item in desired organization
Source: Overall results from NCDOT Online Values survey (n = 3274)
RESULTS FROM THE VALUES SURVEY REVEALS LITTLE OVERLAP BETWEEN THE CURRENT AND THE DESIRED CULTURES

Top 10 values selected by respondents

What values does NCDOT’s culture emphasize today?
- Rule oriented
- Bureaucracy
- Public focus
- Budget focus
- Being of service to others
- Supporting diversity
- Slow-moving
- Job security
- Safety focus
- Environmentally responsible

What values would you most like to see in NCDOT’s future culture?
- Accountability*
- Trust
- Well organized
- Courage to do what’s right
- Fulfilling work
- Respect for people
- Efficiency
- Efficiency

Overlap between current and desired best culture indicates strengths in the current culture that should continue

* Most picked item in desired organization

Source: Overall results from NCDOT Online Values survey (n = 3274)
RESULTS INDICATE A STRONG DESIRE TO BE BETTER ORGANIZED AND MORE PEOPLE FRIENDLY

Top 10 values selected by respondents*

- Courage to do what's right
- Job security
- Accountability
- Efficiency
- Well organized
- Trust
- Respect for people
- Environmentally responsible
- Fulfilling work
- Job security
- Safety focus
- Employee focus
- Personal growth
- Stress
- Professional growth
- Fear
- Arrogant

What values are missing from NCDOT’s culture today?

What values would you most like to see in NCDOT’s future culture?

Value jumps – absence in current culture is keenly felt

Source: Overall results from NCDOT Online Values survey (n = 3274)
RESULTS INDICATE THE BUREAUCRATIC AND SLOW-MOVING NATURE OF THE NCDOT ARE ACTING AS BARRIERS

Top 10 values selected by respondents

<table>
<thead>
<tr>
<th>Value</th>
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<td>Hierarchical</td>
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</tr>
</tbody>
</table>

Blocking values – most serious problems in current culture

Source: Overall results from NCDOT Online Values survey (n = 3274)
SURVEY COMMENTS EMPHASIZE THE CARE AND RESPECT SHOWN BY DIRECT MANAGERS...

“In my part of the organization, it is easy to get things done because of the leadership and guidance from my direct manager. He is supportive and encourages growth. I do not believe it is the case with all managers.” - Fiscal employee

“I feel my direct supervisor is very easy to communicate ideas with. Beyond that level you get into another world of politics.” - DMV employee

“It’s easy to get things done because my immediate supervisor lets us do the work without passing along the pressure from higher above.” - Highways employee

“For areas where my direct manager has authority, it is easy to get things done. He believes in hiring capable people and minimizing obstacles to their success. He encourages his employees to take initiative and become as self-sufficient as possible. He strives to include employees in decision-making as much as possible.” - IT employee

“It is easy to get my job done because I work for a great manager that supports my group and communicates to us on a regular basis. Our group works as a team and is a close as a small family. There is respect for each other and for what we do.” - IT employee

“Our immediate supervisors know what we need – but they can only do so much. Higher leadership think they know what we need, but they are not out here in these offices seeing for themselves.” - DMV employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
BUT ALSO DESCRIBE SEVERAL AREAS OF CONCERN INCLUDING: A LACK OF VISION AND DISCONNECT BETWEEN DIFFERENT AREAS (1/3)

“Our organization lacks consistent and well-communicated goals that meet the public’s needs and expectations.” - Intergov’t affairs employee

“The NCDOT should set clear objectives and share them with everyone. If all employees have the same objective, they will be more inclined to work with other units…” – Highways employee

“I’m fairly sure that 95% of DOT employees have no idea what the goals and objectives are.” - IT employee

“There’s too much confusion of what our goals are and how to achieve them.” - Administrative employee

“It is not easy to get things done in OCR because management has not provided staff with a clearly articulated vision or mission to help us understand how our roles fit in with the NCDOT’s vision or mission. The result is a lot of wasted time and resources and frustration amongst staff.” - Administrative employee

“I know nothing about the vision, mission, and goal setting activities of upper management. I don’t know how they measure the organization or themselves, or how this is tied to my activities or my department’s activities. So many questions here are pure guesswork.” - Fiscal employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
BUT ALSO DESCRIBE SEVERAL AREAS OF CONCERN INCLUDING: A LACK OF VISION AND DISCONNECT BETWEEN DIFFERENT AREAS (2/3)

“I have never even seen what the NCDOT vision is. It was discussed while I was doing this survey and not one person that I talked to could tell me what it is.” - Transit employee

“We have some of the brightest, most talented people right here in the NCDOT, but I don’t think we have put our heads together as an organization to reach agreement about what direction we want to take the organization. We have done some amazing things in NCDOT and we are a national leader in many areas, but we could be even better if we had a clearer understanding of our vision.” - Fiscal employee

“The big picture of the DOT does not filter down to the rank and file employees.” - Highways employee

“It seems like everything is a priority, and neither we nor our partners who help deliver the transportation program know what is the most important to accomplish.” - Intergov’t affairs employee

“I doubt 1 in 50 employees can articulate the department’s vision or any strategies. Whatever comes out of this study should be communicated thoroughly to the staff, and not just in email. It needs to be sold to them and mangers need to be instructed how performance, behavior, goals, etc. can be established that relate back to the department’s vision/strategies.” - Fiscal employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
BUT ALSO DESCRIBE SEVERAL AREAS OF CONCERN INCLUDING: A LACK OF VISION AND DISCONNECT BETWEEN DIFFERENT AREAS (3/3)

“For areas where inter-group coordination/cooperation is involved, it runs the gamut. Each group is easy or difficult to work with depending largely on who manages the group. Most lower-levels managers seem to cooperate well together, but even one manager on a power trip can cause problems and inefficiencies for many other groups.” - IT employee

“If I thought folks in other divisions of NCDOT were actually listening and trying to understand the issues that I was working on, I would take greater care to produce an excellent work product.” - Intergov’t affairs employee

“It is not easy getting things done because there is a disconnect between my unit and other units throughout the agency. Not everyone shares the same passion in doing a job well.” - Fiscal employee

“There needs to be more communication between the different NCDOT groups. We need to work together more.” - IT employee

“Generally things are easy to get done when they are within my sphere of control. When other departments get involved, frequently their rules, goals, and mission are considered more important. There is a lack of understanding that everyone should be working toward the same goals.” – Fiscal employee

“Certain aspects of my job are easy to get done, those are the items which can be decided and agreed upon within our section/unit. The areas in which this section/unit must wait (at times months) for other managers and/or departments, make it difficult.” - Administrative employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
A LACK OF ENGAGEMENT BETWEEN EMPLOYEES AND MANAGEMENT…

“IT IS NOT EASY TO GET THINGS DONE in my part of the organization because management’s failure to involve employees in decision making.” – Administrative employee

“I WOULD LIKE TO BE INFORMED OF WHAT IS GOING on in this organization. I hear most of the news about the organization from outsiders.” – IT employee

“ASK US WHAT WE REALLY NEED TO BEST do our jobs instead of just giving us what you think we should be able to get by with.” – Administrative employee

“My department could better inform me of our future goals. Having this information would better direct me when I make decisions regarding my current project.” – IT employee

“HIGHLY MOTIVATED PEOPLE MUST BE CHALLENGED TO learn something new most everyday. Managers should be talking periodically with their staff to see where employees’ areas of interest may be. Evaluating strengths and weaknesses of each employee, to assimilate team projects, may results in camaraderie and instill a sense of family and belonging.” – Fiscal employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
A LACK OF EMPOWERMENT TO GET THINGS DONE…

“Trust my judgment and allow me to make decisions without going through multiple layers of management for basic stuff. They need to be involved in the complex issues, not the day to day stuff.” - Fiscal employee

“It is not easy to get things done because management does not trust its employees to make sound decisions. As a developer, I am forced to go with decisions made by management and the client’s management instead of relying on my analytical development skills.” - IT employee

“It is very difficult to get decisions made because people in mid-level management positions are not empowered to make decisions without taking the decision all the way up the flag pole.” - Intergov’t affairs employee

“While my part of the organization has, in my opinion, made strides over the past 7 years, the biggest problem we face is that we do not have the authority to make binding decisions that would benefit the DOT as a whole. We are forced to make ‘suggestions’ that the various units can follow. While this is nice for the units, it kills any chance of having consistent and usable procedures DOT-wide.” - IT employee

“Allow the employees to make their own decisions without so much wasted back and forth between management levels and subordinates.” - Secretary employee

“I work in a unit that is unique in that the unit’s management allows employees to do their job…This is not what happens in a lot of other units.” - Highways employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
A LACK OF INNOVATION AND RISK TAKING (1/2)...

“We're in a rut. Doing the same old things the same old way.” – IT employee

“NCDOT employees are not rewarded for risk taking and are comfortable with using the standards or policies as an excuse.” - Secretary employee

“We’re in a rut. Doing the same old things the same old way.” – IT employee

“We have a classic ‘top-down’ management system in this building...The bottom of the chain workers have good ideas but are not encouraged to pursue them.” - IT employee

“NCDOT prefers to work in its comfort zone – continuing to do business as we have for 50 years. I’m a manager who thinks outside the box, but regardless of my ideas, some departments refuse to listen or make the needed changes.” - Highways employee

“We’re in a rut. Doing the same old things the same old way.” – IT employee

“The department needs to embrace and actually finance innovative approaches to getting things done.” - Highways employee

“Upper management is hesitant to change, so that even when there are new ideas to implement which would make us more efficient and productive (and HAPPY I might add), we are often stonewalled and told NO. We hear ‘there is no money, there is no need’ and (the worse of the bunch) ‘this is not the way we have done it in the past.’” – Fiscal employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
A LACK OF INNOVATION AND RISK TAKING (2/2)…

“Do not punish people when they make mistakes! I repeat, do not punish people when they make mistakes! People learn more from their mistakes than when they do things right.” - IT employee

“Encourage risk taking. Be accepting of new and different ideas. Don’t state that something will not work without first hearing all the facts. A different approach to the same tasks will sometimes yield a different result.” - Fiscal employee

“All it takes is one person that does not like either you or the idea and it won’t go anywhere. You are not suppose to have/express your opinion – just do as you are told.” - Highways employee

“Not feeling comfortable in being able to express an opinion or idea without some kind of political ramification.” - Administrative employee

“Too many activities micromanaged from above. No room to explore potential solutions to today’s problems or tomorrow’s. Current management strategy to manage and control through fear.” - DMV employee

“I believe it is not easy to get things done in my organization because there are too many people who will not make a decision because they fear what may happen if it is the wrong decision.” - Highways employee

It “would be wonderful to feel like you could actually speak with upper management without having to feel that you need to walk on eggshells. Should you dare to disagree with one of the politically appointed ones… good luck with your career.” – Administrative employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
A SYSTEMATIC LACK OF MOTIVATION DUE TO (1/2) …

“Morale is the lowest I have seen in my 10+ years working at the NCDOT. There is a lack of confidence in our management and many team members do not feel respected or supported.” - IT employee

“I think more recognition programs would provide employees the extra incentive that they need to get motivated and increase productivity.” - Secretary employee

“Show appreciation! Nothing motivates a person more than feeling appreciated for what they do. More ‘Thank you’s’ and more pats on the back make a person feel successful.” - Administrative employee

“DOT has many highly competent and hard working employees at every skill level. They are passionate about what they do and how they do it. Unfortunately, they are not often recognized or rewarded for the value they bring and the service they provide to NC.” - IT employee

“There is NO incentive program. Recently, the opportunity for advancement based on skill was removed. What motivation does that leave people with?” – IT employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
A SYSTEMATIC LACK OF MOTIVATION DUE TO (2/2) …

“I think that the NCDOT is a wonderful place to work with the exception of the pay scales and the internal promoting practices.” - Secretary employee

“Encourage your people to do the best possible job they can, whatever their role in the organization might be. This will not work for everyone, but those of us who take our jobs seriously will appreciate it. Positive reinforcement should be used more often.” – Fiscal employee

“Letting people know that their good work is appreciated (not just financially) will go a long way towards encouraging them to be more productive and efficient in their jobs.” - Fiscal employee

“I feel that the department I work in does a great job, but the employee moral is very low. Management, especially senior management, does not show appreciation for it’s employees.” - DMV employee

“If I didn’t have over 15 years of service and close to retiring, I’d quit today given the low pay and marginal health and retirement benefits. I’m trapped in a dead end job and there haven’t been any realistic opportunities available to advance within the NCDOT. I have resigned myself to make the best of the situation.” - Transit employee

“Don’t let politics rule. Allow me to pay my employees based on what they are worth. Give me a way to show appreciation to good employees.” - Highways employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
“One of the largest problems is employee morale due to salaries and promotional opportunities. Eliminating the 10% pay increase rule would make a huge difference to employees.” - Secretary employee

“Pay incentives were used to motivate employees to learn new skills and work harder, but the pay incentive program was frozen before employees were rewarded for their hard work. Other incentives such as flexible work schedules are being stripped away one by one.” - Fiscal employee

“Figure out a way to fund IT career banding…it is suppose to be eliminating inequities, but it is just creating more inequities! We are rewarding new state employees and abusing career state employees.” - IT employee

“Allow me to give direct reports performance or merit increases. Allow me to give more than the 10% increase for promotions.” - IT employee

“The pay grade scales appear to be fair, but no one can ever make near the top of his pay grade scale – not even if he has over 25 years of what has been considered excellent service. It hurts when less experienced people are hired making about the same as you. One does not feel appreciated.” - Administrative employee

“The career banding system is career ending. I wish we never had this system to begin with.” - IT employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
PERCEIVED LACK OF ACCOUNTABILITY AND...

“There is supposed to be a policy and procedure manual that is supposed to be followed, but there are no two offices in the DMV-Driver License Section that do what they are supposed to do. Every office has their own way of doing things, be it right or wrong.” - DMV employee

“I think if supervisors and management had more flexibility in holding employees accountable for their work and many employees are just skating along. Clean out the dead wood and use funds to encourage the rest of us.” - IT employee

“The biggest problem I see within the NCDOT is there seems to be NO ONE IN CHARGE. In the 7 years I have been with the NCDOT, I still don’t know where the ‘BUCK’ stops.” - IT employee

“We do not hold every employee accountable for their work and many employees are just skating along. Clean out the dead wood and use funds to encourage the rest of us.” - IT employee

“I think if supervisors and management had more flexibility in holding employees accountable for their work performance, or lack thereof, the morale among employees would drastically change.” - Secretary employee

“People do not want to measure performance because they know that when poor performers are exposed, they will have to take action. Management does not have the ‘stomach’ to hold people accountable.” - Fiscal employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
AND PERCEIVED INEFFECTIVE CONSEQUENCE MANAGEMENT (1/3)

“The NCDOT needs to hold employees more accountable. If an employee does not perform to their job requirement or doesn’t work their schedule, management should have the ability to recognize this and take action.” – IT employee

“I would like to be able to reward employees for their dedication to their job. If they get the same amount of money, or less than, someone who does their job poorly, then what reason do they have to strive for success?” - Highways employee

“The performance management program is an excellent opportunity to gain feedback, praise, etc., but on several occasions management barely completes them much less go over them and have a discussion. I’ve noticed that no one seems to track the paperwork and since merit raises no longer result in much, no one really pays much attention to the process.” - Secretary employee

“Status quo is the rule. There are no incentives for anyone to achieve beyond the boundaries of their job. Today you are going to perform as you did yesterday, and the day before, and the day before.” - Turnpike Employee

“We at middle management are stuck between a rock and a hard spot. We have to motivate our employees to perform at ‘superior’ levels with little or no means of rewarding this type of performance.” - Transit employee

“Change the philosophy to that of a corporation instead of the same old government bureaucracy. Let managers get rid of non productive employees and reward the good ones.” - Fiscal employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
AND PERCEIVED INEFFECTIVE CONSEQUENCE MANAGEMENT (2/3)

“Many employees are not motivated to work hard due to a lack of incentives. All state employees receive the same raise, regardless of performance. This hurts motivation.” - Fiscal employee

“Since starting 5 years ago, I have consistently gotten “excellent” performance reports. I am pleased to do good work, but my colleagues and I often joke about how job performance is not connected in any way with tangible rewards.” - DMV employee

“Create a way to have performance reviews mean something – not just a piece of paper with writing on it. Use it for disciplinary action.” - Transit employee

“Hold management accountable for the performance appraisal/review process. Reward and punish employees according to said appraisals/reviews.” - Transit employee

“Although some type of praise or recognition for a job well done goes a long way, I feel that using competitive compensation could be a very effective motivational tool. Good is good, and very good is very good, but excellent employees should not be paid the same as underachievers.” - Fiscal employee

“Once people get into their positions, they operate on this ‘you can’t fire me’ mentality, so everyone puts up with mediocrity and stress to hold out for 30-year retirement.” - IT employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
AND PERCEIVED INEFFECTIVE CONSEQUENCE MANAGEMENT (3/3)

“Reward superior performance with superior pay. Do not reward mediocrity.” - Transit employee

“To much protection is afforded to non productive and disgruntled personnel in administering disciplinary actions. In the private sector, these types of personnel issues would be dealt with forth right – rather than continually giving written warnings.” – Transit employee

“The NCDOT has some good people, but morale is at an all time low. The legislature needs to forget about the free 40 hours of extra vacation time and give more pay to better performers. I have so much vacation and comp time, that I will never use it until I resign or retire.” - Transit employee

“The NCDOT is too political. Friends looking after friends. You can come in and do nothing or you can be productive but it pays the same.” - DMV employee

“Provide incentives for doing a good job. There is no incentive to do anything. The worse performers have the same rewards as the best.” - DMV employee

“I would be able to better motivate my direct reports if I could reward them for a job well done and penalize them for unreasonably poor performance.” - Highways employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
“Remove hiring salary caps that preclude hiring the most experienced and qualified individuals.” - Fiscal employee

“The DOT does not even pay at established market rates that other state agencies post and pay. Not only does this hurt the ability to recruit, but it sends a devastating message to long term, loyal state employees that no one is willing to do what is right.” - IT employee

“An inordinate amount of time is consumed in bringing new hires on board.” - Transit employee

“NCDOT must be willing to invest in both the present and the future by supporting managers in hiring the most talented, capable, and motivated applicants for vacant positions.” - Intergov’t affairs employee

“Managers should have more authority in hiring. HR rules and policies are not flexible and often results in an inability of managers to hire qualified employees.” – Highways employee

The “NCDOT needs to develop human capital planning to attract, develop, and retain high-quality employees.” - Secretary employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
OTHER COMMENTS EXPRESS CONCERN OVER THE RECRUITING PROCESS AND THE TRAINING OF EMPLOYEES (2/3)

“My concern recently has been in hiring employees. We have noticed trends in which applicant salaries exceed our internal staff salaries at the same position or even lower positions. As a result, I think we are missing out on hiring ‘good’ employees because we cannot compete with their current salaries.” – Fiscal employee

“It’s hard to recruit good employees because the process takes so long.” – Highways employee

“It is not easy to effectively deliver programs and positive outcomes to the public under the current hiring policy which limits salaries to a minimum level. This approach is self-defeating for the organization. The offer of minimal salaries does not result in hiring the most talented employees.” – Intergov’t affairs employee

“Hire more high-quality employees. There are situations where it would be much wiser to hire one employee for $50,000 instead of 2 employees with less skills for $30,000 per employee. In many instances, the $50,000 employee could accomplish the work of two and save the state money.” – Fiscal employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
“Take care of employees. Pay them appropriately. If you can’t pay them, send them to training when they express an interest. Managers should also suggest and think about training opportunities that would benefit the organization and employee. It should not always be the employee that has to ask which makes most sense.” – IT employee

“Be supportive of employees attending professional development courses and networking, including out of state events to network, share ideas, and learn about innovative methods from peers across the nation.” – Intergov’t affairs employee

“As it relates to programming languages (learning new ones) once a need arises, it would be nice to have an established track with an accredited company that employees could take. As it is now, those opportunities are not given to everyone.” – IT employee

“The state has excellent training classes, but they cost and take time away from your work. We are discouraged from taking them even though we know a class could greatly increase our productivity in the long run.” – Administrative employee

“I work in the purchasing department. When you move to a new position, you get NO TRAINING! We should have a structured training program for people taking new positions. And I do not mean BSIP training. I mean job training!” – Fiscal employee

Source: Overall results from NCDOT Online Values survey (n = 3274)
# DIRECTION OUTCOME QUESTIONS – OVERALL (ONLINE + PAPER)

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<th>Outcomes</th>
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<tr>
<td>1. The vision for the NCDOT’s future is widely understood by its employees</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>30</td>
</tr>
<tr>
<td>2. The NCDOT’s vision is meaningful to its employees on a personal level</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>32</td>
</tr>
<tr>
<td>3. The NCDOT’s strategy is aligned with its vision</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>31</td>
</tr>
<tr>
<td>4. The NCDOT’s strategy provides clear direction for its employees</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>30</td>
</tr>
<tr>
<td>5. Employees’ day-to-day behavior is guided by the NCDOT’s strategy</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>36</td>
</tr>
</tbody>
</table>

Source: Overall results from NCDOT Online + Paper OPP survey (n = 8977)
LEADERSHIP OUTCOME QUESTIONS – OVERALL (ONLINE + PAPER)

1. The manager that I report to – (please answer each question)
   a. Provides a good role model for me to follow
   b. Makes decisions in a timely manner
   c. Makes high quality decisions
   d. Has a deep understanding of the NCDOT
   e. Maintains constructive relationships with his/her direct reports

2. The actions of the NCDOT’s board members are aligned with the organization’s strategy

3. The NCDOT’s board – (please answer each question)
   a. Shares a common vision for the future of the organization
   b. Is highly respected throughout the organization
   c. Makes a visible contribution to the success of the organization

Source: Overall results from NCDOT Online + Paper OPP survey (n = 8977)
ENVIRONMENT & VALUES OUTCOME QUESTIONS – OVERALL (ONLINE + PAPER)

Outcomes

1. The NCDOT’s culture and values are clearly defined
   - Strongly agree/agree: 29%
   - Neutral: 35%
   - Strongly disagree/disagree: 36%

2. The NCDOT’s culture produces employee behaviors that support its strategy
   - Strongly agree/agree: 30%
   - Neutral: 37%
   - Strongly disagree/disagree: 33%

3. People join the NCDOT because of its culture and values
   - Strongly agree/agree: 47%
   - Neutral: 28%
   - Strongly disagree/disagree: 25%

4. People stay with the NCDOT because of its culture and values
   - Strongly agree/agree: 46%
   - Neutral: 26%
   - Strongly disagree/disagree: 28%

5. There is a good atmosphere in the NCDOT
   - Strongly agree/agree: 34%
   - Neutral: 28%
   - Strongly disagree/disagree: 38%

Source: Overall results from NCDOT Online + Paper OPP survey (n = 8977)
### Accountability Outcome Questions – Overall (Online + Paper)

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Distribution of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employees in the NCDOT know what they will be held accountable for</td>
<td>20 20 60</td>
</tr>
<tr>
<td>2. Employees receive clear explanations of what has to be achieved in their jobs</td>
<td>21 22 57</td>
</tr>
<tr>
<td>3. People in the NCDOT feel accountable for the results they are expected to deliver</td>
<td>20 26 54</td>
</tr>
<tr>
<td>4. In the NCDOT, employees have enough authority to make decisions</td>
<td>34 26 40</td>
</tr>
<tr>
<td>5. Employees in the NCDOT feel trusted to do their jobs well</td>
<td>25 24 51</td>
</tr>
</tbody>
</table>

Source: Overall results from NCDOT Online + Paper OPP survey (n = 8977)
COORDINATION & CONTROL OUTCOME QUESTIONS – OVERALL (ONLINE + PAPER)

1. The NCDOT exercises adequate control over its core business activities

```
Outcomes
21 35 44
```

2. Risk is managed effectively in the NCDOT

```
Outcomes
21 34 45
```

3. The NCDOT’s control systems enable us to minimize unexpected results

```
Outcomes
21 39 40
```

4. Performance reviews in the NCDOT
   a. Rapidly identify the real causes of problems

```
Outcomes
38 28 34
```
   b. Lead to corrective, follow-up actions

```
Outcomes
34 28 38
```

Source: Overall results from NCDOT Online + Paper OPP survey (n = 8977)
CAPABILITIES OUTCOME QUESTIONS – OVERALL (ONLINE + PAPER)

1. The NCDOT has the institutional capabilities (i.e., core competencies) to achieve its strategy

   - Strongly agree/agree: 17%
   - Neutral: 31%
   - Strongly disagree/disagree: 52%

2. The NCDOT has people with the ‘right’ skills to deliver its strategy

   - Strongly agree/agree: 23%
   - Neutral: 27%
   - Strongly disagree/disagree: 50%

3. The NCDOT has the knowledge to deliver its strategy

   - Strongly agree/agree: 17%
   - Neutral: 28%
   - Strongly disagree/disagree: 55%

4. The NCDOT has the processes and systems to deliver its strategy

   - Strongly agree/agree: 19%
   - Neutral: 31%
   - Strongly disagree/disagree: 50%

5. The NCDOT understands the capabilities that make it successful

   - Strongly agree/agree: 23%
   - Neutral: 32%
   - Strongly disagree/disagree: 45%

Source: Overall results from NCDOT Online + Paper OPP survey (n = 8977)
MOTIVATION OUTCOME QUESTIONS – OVERALL (ONLINE + PAPER)

1. The NCDOT’s employees are highly motivated
   - Strongly agree/agree: 44
   - Neutral: 29
   - Strongly disagree/disagree: 27

2. In the NCDOT, people are generally enthusiastic about their jobs
   - Strongly agree/agree: 40
   - Neutral: 29
   - Strongly disagree/disagree: 31

3. People exert extraordinary effort when needed
   - Strongly agree/agree: 21
   - Neutral: 24
   - Strongly disagree/disagree: 55

4. I feel motivated to achieve my performance goals/targets
   - Strongly agree/agree: 20
   - Neutral: 20
   - Strongly disagree/disagree: 60

5. The NCDOT attracts highly talented people to join the organization
   - Strongly agree/agree: 41
   - Neutral: 29
   - Strongly disagree/disagree: 30

Source: Overall results from NCDOT Online + Paper OPP survey (n = 8977)
## INNOVATION OUTCOME QUESTIONS – OVERALL (ONLINE + PAPER)

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Distribution of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The NCDOT generates enough high quality ideas to achieve its organizational goals</td>
<td><img src="chart1.png" alt="Bar Chart" /></td>
</tr>
<tr>
<td>2. The NCDOT effectively adapts to changes in its external environment</td>
<td><img src="chart2.png" alt="Bar Chart" /></td>
</tr>
<tr>
<td>3. The NCDOT readily adopts performance improvement ideas</td>
<td><img src="chart3.png" alt="Bar Chart" /></td>
</tr>
<tr>
<td>4. The NCDOT changes/improves at a greater rate than other government bodies</td>
<td><img src="chart4.png" alt="Bar Chart" /></td>
</tr>
<tr>
<td>5. Ideas and knowledge are freely shared within the NCDOT</td>
<td><img src="chart5.png" alt="Bar Chart" /></td>
</tr>
</tbody>
</table>

Source: Overall results from NCDOT Online + Paper OPP survey (n = 8977)
## EXTERNAL ORIENTATION OUTCOME QUESTIONS – OVERALL (ONLINE + PAPER)

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Distribution of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The NCDOT is highly responsive to the public’s opinions and needs</td>
<td>![Distribution Chart]</td>
</tr>
<tr>
<td>2. The NCDOT consistently meets the needs of the public</td>
<td>![Distribution Chart]</td>
</tr>
<tr>
<td>3. The NCDOT effectively responds to external parties</td>
<td>![Distribution Chart]</td>
</tr>
<tr>
<td>4. The NCDOT views its constituents (e.g., taxpayers, local communities/division board members, industry) as an extension of itself</td>
<td>![Distribution Chart]</td>
</tr>
<tr>
<td>5. The NCDOT is aware of the important trends/developments in the external environment</td>
<td>![Distribution Chart]</td>
</tr>
</tbody>
</table>

### Source
Overall results from NCDOT Online + Paper OPP survey (n = 8977)
## DIRECTION – COMBINED PRACTICES AND OUTCOMES

### Practices

**Visionary**
1. The NCDOT devotes adequate time to developing a compelling vision
   - Distribution of responses:
   - Strongly agree/agree: 28%
   - Agree: 45%
   - Neutral: 27%

2. The NCDOT’s vision is communicated deep into the organization
   - Distribution of responses:
   - Strongly agree/agree: 44%
   - Agree: 36%
   - Neutral: 20%

3. Management articulates a vision for the future of the NCDOT that resonates with my personal values
   - Distribution of responses:
   - Strongly agree/agree: 36%
   - Agree: 38%
   - Neutral: 26%

4. Management translates its vision for the NCDOT into specific strategic goals and milestones
   - Distribution of responses:
   - Strongly agree/agree: 32%
   - Agree: 40%
   - Neutral: 28%

5. Management in the NCDOT develops detailed strategic plans
   - Distribution of responses:
   - Strongly agree/agree: 29%
   - Agree: 39%
   - Neutral: 32%

6. The NCDOT’s strategic plan is translated into specific annual operational plans and targets
   - Distribution of responses:
   - Strongly agree/agree: 28%
   - Agree: 40%
   - Neutral: 32%

**Strategy**
7. Management actively solicits employee involvement in setting the NCDOT’s direction
   - Distribution of responses:
   - Strongly agree/agree: 49%
   - Agree: 31%
   - Neutral: 20%

8. Management aligns the NCDOT’s aspirations with the personal goals of employees
   - Distribution of responses:
   - Strongly agree/agree: 55%
   - Agree: 29%
   - Neutral: 16%

9. Managers at all levels of the NCDOT explain the vision to make it more relevant to their own people
   - Distribution of responses:
   - Strongly agree/agree: 50%
   - Agree: 32%
   - Neutral: 18%

Source: Overall results from NCDOT Online OPP survey (n = 3274)
## LEADERSHIP – COMBINED PRACTICES AND OUTCOMES

### Distribution of responses

<table>
<thead>
<tr>
<th>Practices</th>
<th>Percent</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Asks the opinions of others before making important decisions</td>
<td>17</td>
<td>29</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>2. Gives people the autonomy to make their own decisions</td>
<td>13</td>
<td>23</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td>3. Strives to achieve consensus on decisions</td>
<td>16</td>
<td>27</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>4. Uses authority to influence others to take action</td>
<td>21</td>
<td>36</td>
<td>43</td>
<td></td>
</tr>
<tr>
<td>5. Directs the activities of his/her direct reports</td>
<td>13</td>
<td>34</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>6. Provides continual pressure and guidance to get things done</td>
<td>24</td>
<td>34</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>7. Strives to create a sense of harmony and togetherness within the NCDOT</td>
<td>19</td>
<td>21</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>8. Demonstrates concern for the welfare of employees</td>
<td>14</td>
<td>17</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>9. Creates a positive sense of ‘family’ or ‘obligation’ to influence the behavior of direct reports</td>
<td>21</td>
<td>22</td>
<td>57</td>
<td></td>
</tr>
</tbody>
</table>

### Outcomes

- Strongly agree/agree
- Neutral
- Strongly disagree/disagree

Source: Overall results from NCDOT Online OPP survey (n = 3274)
ENVIRONMENT & VALUES – COMBINED PRACTICES AND OUTCOMES

<table>
<thead>
<tr>
<th>Practices</th>
<th>Distribution of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Managers in the NCDOT emphasize important values related to trust</td>
<td>22</td>
</tr>
<tr>
<td>2. Management consults with employees on issues that affect them</td>
<td>26</td>
</tr>
<tr>
<td>3. People in the NCDOT are encouraged to provide honest feedback to one another</td>
<td>25</td>
</tr>
<tr>
<td>4. The NCDOT uses forced rankings of employees to motivate people to achieve</td>
<td>38</td>
</tr>
<tr>
<td>5. The NCDOT’s incentive and recognition systems promote healthy competition among employees</td>
<td>62</td>
</tr>
<tr>
<td>6. Results are made internally transparent to create pressure to perform</td>
<td>44</td>
</tr>
<tr>
<td>7. Management emphasizes the importance of efficiency and productivity</td>
<td>15</td>
</tr>
<tr>
<td>8. The NCDOT communicates clear standards of program delivery (e.g., on-time, on-budget, high quality)</td>
<td>16</td>
</tr>
<tr>
<td>9. Managers in the NCDOT closely monitor the operational details of the organization</td>
<td>16</td>
</tr>
<tr>
<td>10. Management encourages employees to take calculated risks</td>
<td>59</td>
</tr>
<tr>
<td>11. The NCDOT protects creative activities/innovated ideas from day-to-day management pressures</td>
<td>41</td>
</tr>
<tr>
<td>12. The NCDOT provides opportunities for entrepreneurial employees to pursue new ideas</td>
<td>48</td>
</tr>
</tbody>
</table>

Source: Overall results from NCDOT Online OPP survey (n = 3274)
# ACCOUNTABILITY—
## COMBINED PRACTICES AND OUTCOMES

<table>
<thead>
<tr>
<th>Practices</th>
<th>Distribution of responses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structure/role</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. obs in the NCDOT are designed to have clear objectives and accountabilities for results</td>
<td>14</td>
<td>38</td>
</tr>
<tr>
<td>2. The NCDOT reviews key roles and their authority to ensure accountability is allocated to the ‘right’ people</td>
<td>26</td>
<td>40</td>
</tr>
<tr>
<td>3. The NCDOT’s organization structure creates an environment of clear accountability</td>
<td>24</td>
<td>39</td>
</tr>
<tr>
<td><strong>Performance control</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. The NCDOT sets challenging but achievable targets/performance goals for individuals</td>
<td>21</td>
<td>38</td>
</tr>
<tr>
<td>5. Targets are regularly updated to ensure managers and employees are challenged</td>
<td>32</td>
<td>40</td>
</tr>
<tr>
<td>6. The NCDOT develops performance contracts for all managers that clearly define what each individual is accountable for</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td><strong>Consequence system</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. The NCDOT has created clear links between performance and consequences</td>
<td>37</td>
<td>32</td>
</tr>
<tr>
<td>8. The NCDOT provides attractive incentives to high performing employees</td>
<td>78</td>
<td>13</td>
</tr>
<tr>
<td>9. The NCDOT provides coaching to under-performers to help them improve their results</td>
<td>39</td>
<td>34</td>
</tr>
<tr>
<td><strong>Personal obligation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. The NCDOT creates performance expectations by emphasizing each employee's &quot;personal obligation&quot; to the organization</td>
<td>38</td>
<td>35</td>
</tr>
<tr>
<td>12. Each employee’s personal obligation to the NCDOT is clearly explained to them</td>
<td>34</td>
<td>32</td>
</tr>
<tr>
<td>13. The NCDOT recognizes performance results that exceed an employee’s personal obligation to the organization</td>
<td>58</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Overall results from NCDOT Online OPP survey (n = 3274)
### COORDINATION & CONTROL – COMBINED PRACTICES AND OUTCOMES

#### Practices

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
<th>Distribution of responses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The NCDOT systematically tracks people’s performance over time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>The NCDOT’s people performance feedback and review processes: (please answer each question)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Collect accurate information about people’s strengths, weaknesses, and potential</td>
<td>20 30 50</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Clearly differentiate between the high, average, and low performers</td>
<td>29 38 33</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Managers provide feedback to individuals to ensure they have an accurate</td>
<td>35-35 33 32</td>
<td></td>
</tr>
<tr>
<td></td>
<td>understanding of their strengths, weaknesses, and development priorities</td>
<td>23 39 38</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. The NCDOT’s financial control systems monitor financial performance deep</td>
<td>28 33 39</td>
<td></td>
</tr>
<tr>
<td></td>
<td>in the organization</td>
<td>37 35 28</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. The NCDOT’s financial measures are good indicators of its true</td>
<td>32 36 32</td>
<td></td>
</tr>
<tr>
<td></td>
<td>economic performance</td>
<td>22 34 44</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. The NCDOT holds challenging budget reviews</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7. The NCDOT’s operating measures (e.g. safety, program delivery, mobility,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>infrastructure health) are clearly defined in each area of the organization</td>
<td>26 37 37</td>
<td></td>
</tr>
<tr>
<td></td>
<td>8. Each area of the NCDOT has explicit targets for its key performance indicators (KPIs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9. The NCDOT holds challenging reviews to evaluate performance against the operational</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>plan/KPIs</td>
<td>34 37 29</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10. The NCDOT communicates clear standards for employee conduct</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11. The NCDOT uses standard operating procedures (SOPs) to influence the way</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>employees conduct their work</td>
<td>14 23 63</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12. The NCDOT uses policies and procedures to discourage employees from engaging in</td>
<td>12 27 61</td>
<td></td>
</tr>
<tr>
<td></td>
<td>inappropriate activities (e.g. formal codes of conduct, rule books)</td>
<td>10 20 70</td>
<td></td>
</tr>
</tbody>
</table>

#### Distribution of responses

- **Strongly agree/agree**
- **Neutral**
- **Strongly disagree/disagree**

Source: Overall results from NCDOT Online OPP survey (n = 3274)
### CAPABILITIES – COMBINED PRACTICES AND OUTCOMES

<table>
<thead>
<tr>
<th>Practices</th>
<th>Distribution of responses</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The NCDOT actively documents knowledge and ideas</td>
<td>22</td>
<td>44</td>
</tr>
<tr>
<td>2. The NCDOT develops standard operating procedures (SOPs) throughout all parts of the organization</td>
<td>55</td>
<td>32</td>
</tr>
<tr>
<td>3. The NCDOT regularly reviews and enhances its internal training programs to reflect the latest processes and knowledge</td>
<td>43</td>
<td>37</td>
</tr>
<tr>
<td>4. The NCDOT provides on-the-job assignments to develop the capabilities of senior employees</td>
<td>35</td>
<td>38</td>
</tr>
<tr>
<td>5. Managers in the NCDOT provide helpful coaching</td>
<td>38</td>
<td>40</td>
</tr>
<tr>
<td>6. The NCDOT uses job-rotation to broaden the experience and capabilities of employees</td>
<td>19</td>
<td>31</td>
</tr>
<tr>
<td>7. The NCDOT continually refreshes its talent pool by recruiting top performers from outside the organization to fill key roles</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td>8. The NCDOT uses rigorous selection procedures to ensure the hiring of the best external candidates</td>
<td>26</td>
<td>32</td>
</tr>
<tr>
<td>9. The NCDOT proactively identifies and recruits the best external sources of top candidates</td>
<td>21</td>
<td>33</td>
</tr>
<tr>
<td>10. The NCDOT outsources functions or activities that can be better done by others</td>
<td>36</td>
<td>48</td>
</tr>
<tr>
<td>11. The NCDOT uses external contractors/consultants to deliver the capabilities it needs</td>
<td>48</td>
<td>43</td>
</tr>
<tr>
<td>12. The NCDOT forms alliances with others to fill capability gaps</td>
<td>35</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Overall results from NCDOT Online OPP survey (n = 3274)
## MOTIVATION – COMBINED PRACTICES AND OUTCOMES

### Practices

<table>
<thead>
<tr>
<th>Leaders</th>
<th>1. Managers in the NCDOT find ways to make work more meaningful to their direct reports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Managers in the NCDOT encourage their direct reports by providing active support</td>
</tr>
<tr>
<td></td>
<td>3. Managers in the NCDOT provide praise, thanks, or other forms of recognition to high performers</td>
</tr>
<tr>
<td></td>
<td>4. The NCDOT’s senior management communicates a set of values that is personally meaningful to employees</td>
</tr>
<tr>
<td></td>
<td>5. The NCDOT publicizes and disseminates values within the organization</td>
</tr>
<tr>
<td></td>
<td>6. The NCDOT uses values as an important factor in the review process</td>
</tr>
<tr>
<td></td>
<td>7. The NCDOT promotes employees based on their merit rather than their seniority or tenure</td>
</tr>
<tr>
<td></td>
<td>8. The NCDOT offers top performers the most attractive career opportunities within the organization</td>
</tr>
<tr>
<td></td>
<td>9. The NCDOT designs jobs to be as stimulating as possible for all employees</td>
</tr>
<tr>
<td></td>
<td>10. The NCDOT provides attractive financial incentives to motivate people to achieve their performance targets</td>
</tr>
<tr>
<td></td>
<td>11. The NCDOT pays high performers significantly more than average performers</td>
</tr>
<tr>
<td></td>
<td>12. The NCDOT extends financial incentives deep within the organization to motivate employees at all levels</td>
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### Distribution of responses

<table>
<thead>
<tr>
<th>Practices</th>
<th>Distribution of responses</th>
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Source: Overall results from NCDOT Online OPP survey (n = 3274)
INNOVATION – COMBINED PRACTICES AND OUTCOMES

<table>
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<tr>
<td></td>
<td>Percent</td>
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<td>Strongly agree/agree</td>
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<tr>
<td></td>
<td>Neutral</td>
</tr>
<tr>
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<td>Strongly disagree/disagree</td>
</tr>
<tr>
<td>1. The NCDOT uses external contacts to maximize the flow of ideas into</td>
<td>22</td>
</tr>
<tr>
<td>the organization</td>
<td>54</td>
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<td></td>
<td>23</td>
</tr>
<tr>
<td>2. The NCDOT imports ‘best practices’ from other organizations</td>
<td>24</td>
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<td></td>
<td>53</td>
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<tr>
<td></td>
<td>23</td>
</tr>
<tr>
<td>3. The NCDOT creates active networks with leading academics/consultants</td>
<td>25</td>
</tr>
<tr>
<td>to bring new ideas into the organization</td>
<td>50</td>
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<td></td>
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<td>4. The NCDOT’s senior management devotes sufficient attention to</td>
<td>28</td>
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<tr>
<td>thinking about how the organization can do things differently</td>
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<tr>
<td>5. The NCDOT’s senior management meets regularly to surface new</td>
<td>24</td>
</tr>
<tr>
<td>improvement ideas</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>38</td>
</tr>
<tr>
<td>6. The NCDOT’s central administration works with senior management to</td>
<td>25</td>
</tr>
<tr>
<td>further develop major improvement ideas</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>31</td>
</tr>
<tr>
<td>7. The NCDOT has clear processes and systems for employees to</td>
<td>27</td>
</tr>
<tr>
<td>contribute improvement ideas</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>32</td>
</tr>
<tr>
<td>8. Employees actively engage in improvement activities</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>21</td>
</tr>
<tr>
<td>9. The NCDOT provides incentives for employees to develop and</td>
<td>46</td>
</tr>
<tr>
<td>implement improvement ideas</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>20</td>
</tr>
<tr>
<td>10. The NCDOT facilitates regular knowledge/idea sharing forums across</td>
<td>42</td>
</tr>
<tr>
<td>the organization</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>19</td>
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<tr>
<td>11. Management encourages different parts of the NCDOT to jointly</td>
<td>37</td>
</tr>
<tr>
<td>pursue improvement opportunities</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>23</td>
</tr>
<tr>
<td>12. The NCDOT’s systems and processes facilitate cross-</td>
<td>41</td>
</tr>
<tr>
<td>functional/departmental initiatives</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>19</td>
</tr>
</tbody>
</table>

Source: Overall results from NCDOT Online OPP survey (n = 3274)
### EXTERNAL ORIENTATION – COMBINED PRACTICES AND OUTCOMES

**Practices**

1. The NCDOT uses segmentation to better understand the needs of the public
2. The NCDOT solicits feedback from the public to improve its ability to meet their needs
3. The NCDOT actively considers the public’s preferences and behaviors when making decisions
4. The NCDOT actively shares and uses information about other government agencies and states
5. The NCDOT actively considers the capabilities of other government agencies and states when making decisions
6. The NCDOT spends time considering the strengths of its services relative to the services of other agencies and states
7. The NCDOT pursues joint performance initiatives with external business partners
8. The NCDOT maintains an active network of external business partners
9. The NCDOT creates opportunities to discuss the performance of its external partners with them
10. The NCDOT actively considers the response of government regulatory bodies when making decisions
11. The NCDOT’s stated values reinforce its commitment to the local community
12. The NCDOT invests significant resources to build and maintain strong relationships with the community

### Distribution of responses

<table>
<thead>
<tr>
<th>Practices</th>
<th>Distribution of responses</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
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<td>9.</td>
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<td>12.</td>
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<td>17 37 46</td>
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</tbody>
</table>

**Source:** Overall results from NCDOT Online OPP survey (n = 3274)

137
MUCH GREAT WORK HAS ALREADY BEEN ACCOMPLISHED AT NCDOT TOWARDS STRATEGIC PLANNING

NCDOT CHALLENGE AND VISION

NCDOT has embarked on a transformation program to remake the agency, in light of the challenges it faces.

NCDOT’s new Vision is to:

- Play a key role in the improvement of North Carolina’s logistics system - offering more proactive, aggressive, integrated, traffic responsive, cooperative, automated, & integrated solutions by:
  - Establishing statewide standards for mobility / asset condition / safety; with varying standards for each travel tier and clear performance measures – highly visible to stakeholders.
TAking this work to the next level requires an integrated and aligned strategic process

- A clear statement that reflects a choice about the how the organization will move ahead towards its mission

- The focused set of specific objectives that support the vision

- The full set of actions that achieve the goals, typically with measurable outcomes and timeframes, and balanced over risk and time
INITIAL ASSESSMENT OF NCDOT SHOWS SOME STRENGTHS, SOME OPPORTUNITIES FOR IMPROVEMENT

- A clear statement that reflects a **choice** about the **how** the organization will move ahead towards its mission

  *Vision of NCDOT’s purpose embedded in the organization and expressed in different versions for different purposes*

- The **focused** set of specific **objectives** that support the vision

  *Many goals exist, but they have do not appear to be explicitly articulated throughout NCDOT*

- The full set of **actions** that achieve the goals, typically with measurable **outcomes** and **timeframes**, and balanced over risk and time

  *Lots of initiatives undertaken across NCDOT – more can be done to ensure management attention is directed at the most critical*
What do you consider the 3-5 goals of NCDOT?

How do these major NCDOT initiatives align with the goals you identify?

1. Performance Based Management
2. Highway Safety Program
3. Workplace Safety Program
4. HR System and Management Improvements
5. Environmental Stewardship Programs
6. Program Delivery Method Improvements
7. Changes to Secondary Roads Construction
8. Innovative Financing
9. Improved Systems Operations Management
10. Managed Maintenance Program
11. Revenue Administration Improvement
12. Contract Administration Improvement
13. Research and Development
14. Economic Development (e.g., Airline Promotion)
15. Routine Highway Maintenance
16. Highway and Bridge Resurfacing
17. ITS Implementation
18. Highway and Bridge Modernization
19. Alternative Modes Modernization
20. Road System Expansion
21. Public Transportation Expansion
22. Rail System Expansion
23. Rail Safety Programs (e.g., rail crossings)
24. Strategic Highway Corridors

Source: NCDOT Challenge and Vision Document; Interviews, NCDOT Specialist Team analysis
NORTH CAROLINA’S STATEWIDE VISION POINTS TOWARD SEVERAL STRATEGIC PRIORITIES FOR NCDOT

Elements in North Carolina Statewide Agenda

- Establishing an aggressive strategy for job creation and economic growth
- Continuing our investments in education to build a skilled workforce
- Ensuring secure communities
- Making government more efficient
- Improving our infrastructure
- Protecting the environment
- Providing quality health care to those who can least afford it

If aligned with the statewide vision, NCDOT’s strategy would emphasize:
- Economic development
- Increased efficiency
- Infrastructure improvement
- Environmental protection
EXAMPLE OF AN ALIGNED STRATEGY #1 – US ARMY

Vision
To remain the preeminent landpower on Earth – the ultimate instrument of national resolve – that is both relevant to and ready for the challenges of dangerous and complex 21st century security environment

Goals
(1) Countering Terrorism
(2) Defending the Homeland
(3) Shaping Choices of Countries at Crossroads
(4) Preventing Acquisitions of Weapons of Mass Destruction

Initiatives
1. Assist friends and allies in military operations
2. Train forces to counter radical or insurgent elements
3. Provide ground forces to support large scale counter-terror and counter-insurgency operations
4. Rapidly deploy large numbers of forces as needed
5. Conduct extended stability operations
6. Detect and prevent hostile activities against the homeland through the Guard and Reserve presence
7. Support civil authorities in consequence management and disaster relief
8. Establish relationships with foreign forces
9. Seize control and defend key facilities or terrain to preclude actions by adversaries
10. Conduct expeditionary forces to deter, destroy or defeat potential adversaries
11. Conduct irregular or unconventional warfare in support of the Joint Force
12. Deny sanctuary for terrorist groups
13. Assist in operations against groups attempting to possess or transfer WMD

EXAMPLE OF AN ALIGNED STRATEGY #2 – TEXAS DOT

We will deliver a 21st century, multi-modal transportation system that will enhance the quality of life for Texas citizens and increase the competitive position for Texas Industry by implementing innovative and effective transportation programs.

(1) Reduce congestion
(2) Enhance safety
(3) Expand economic opportunity
(4) Improve air quality
(5) Increase the value of transportation assets

1. Texas State Infrastructure Bank
2. Parity for Border Region
3. Leveraging Local Funding for Behrens Bridge
4. Comprehensive Development Agreement
5. A Simplified Unified Transportation Program
6. Texas Metropolitan Mobility Plan
7. Statewide Mobility Program
8. Mobility Funding Category Allocations
9. Pass-Through Toll Financing
10. Regional Mobility Authority
11. Rail Relocation

Source: Texas DOT Strategic Plan for 2007-2011
EXAMPLE OF AN ALIGNED STRATEGY #3 – CENTERS FOR MEDICARE AND MEDICAID

Each of CMS’s 5 goals has a discrete set of initiatives underway to make achieving that goal possible.
VISION EXAMPLE – US ARMY

ARMY VISION

The Army Vision is to remain the preeminent landpower on Earth—the ultimate instrument of national resolve—that is both relevant to and ready for the challenges of the dangerous and complex 21st Century security environment.

LEADERS
Innovative, adaptive and confident in leading Soldiers and civilians. Leading change, building teams, confronting uncertainty, and solving complex problems.

SOLDIERS
Living the Warrior Ethos - on duty protecting the Nation and the society they serve.

ORGANIZED INTO MODULAR FORCES
Rapidly deployable, full-spectrum, networked, adaptive, and more powerful. Enabling joint and expeditionary operations with interagency and multinational partners. Executing protracted campaigns to protect freedom and deter adversaries; if required, defeat our enemies, secure peace, and provide stability and reconstruction.

SUPPORTED BY THE INSTITUTION
Providing relevant and ready land forces and capabilities to the Combatant Commanders while transforming. Leading change to create the future Army. Providing the people, resources, quality of life, and infrastructure critical to the success of America's Army.
# NCDOT Communications of Diagnostic Results to Internal and External Stakeholders

<table>
<thead>
<tr>
<th>Communication/Forum</th>
<th>Timing</th>
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<tbody>
<tr>
<td>All-employee communication</td>
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<tr>
<td>1. All-employee email</td>
<td>June 2007</td>
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<tr>
<td>2. All-employee memo</td>
<td>June 2007</td>
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<tr>
<td>Small group presentations</td>
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<td>1. Executive Committee</td>
<td>May 2007</td>
</tr>
<tr>
<td>2. Transportation Management Team</td>
<td>June 2007</td>
</tr>
<tr>
<td>3. Steering Committee and Specialist team</td>
<td>June 2007</td>
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<tr>
<td>4. Division Engineers</td>
<td>June 2007</td>
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<tr>
<td>5. Human Resources Department</td>
<td>July 2007</td>
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<tr>
<td>External presentations</td>
<td></td>
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<td>1. Small group board member discussions</td>
<td>June 2007</td>
</tr>
<tr>
<td>2. Private sector stakeholders</td>
<td>July 2007</td>
</tr>
<tr>
<td>3. Multiple legislators, including:</td>
<td>July 2007</td>
</tr>
<tr>
<td>- House</td>
<td></td>
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<tr>
<td>- Senate</td>
<td></td>
</tr>
<tr>
<td>- Democrats</td>
<td></td>
</tr>
<tr>
<td>- Republicans</td>
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<tr>
<td>5. Transportation Leadership Team</td>
<td>July 2007</td>
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</table>

List of communications is non-exhaustive and includes a mix of presentations led by NCDOT, McKinsey, and NCDOT jointly with McKinsey.
Appendix B: Materials from the Design and Delivery Phase

North Carolina Department of Transportation

OBJECTIVE

The diagnostic phase of McKinsey’s work showed significant opportunities to improve the clarity of NCDOT’s strategic direction and to strengthen its organizational performance. To capture those opportunities, McKinsey collaborated with the Department in embarking on a significant transformation program, to help NCDOT refine its strategy, better coordinate its core structure and processes, build the skills and capabilities of its employees, and change Department mindsets and behaviors.

This transformation effort constituted the design and delivery phase of McKinsey’s work.

METHODOLOGY AND APPROACH

Throughout the design and delivery phase, McKinsey’s focus was on building NCDOT’s own capacity for sustaining organizational changes. McKinsey firmly believes that the success of any transformation effort must be rooted in the organization itself, not dependent on ongoing outside help.

To that end, McKinsey concentrated its efforts on providing NCDOT’s transformation leaders, individually and collectively, with the tools necessary to support change in the long-term. For six months, a full-time team of McKinsey consultants worked side-by-side with TMT members to help them tailor NCDOT’s change efforts, based on best practices from the private sector, case examples from the public sector, and consultations with experts on transportation, organizational change, and corporate strategy. McKinsey brought many of these experts to NCDOT to hold workshops with TMT members, on issues ranging from strategic planning, to talent management, to performance metrics, to organizational design. McKinsey also held numerous skill-building workshops with TMT members to build their capabilities in leadership, strategic thinking, and communications.
KEY CHANGES AND INITIATIVES

McKinsey’s side-by-side work with the TMT focused on five broad changes. Those changes are listed below.

- Alignment of strategic direction with new mission and goals
- Streamlining of project delivery
- Designing the organization to become more productive
- Increased accountability and visibility for performance
- Improved talent management

The exhibits in Appendix B, immediately following this page, offer a full view of each of the initiatives undertaken to fulfill the changes listed above. Materials included in Appendix B were created by McKinsey in collaboration with members of the TMT. Document formats may vary.

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<table>
<thead>
<tr>
<th>Number</th>
<th>Document Title</th>
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</thead>
<tbody>
<tr>
<td>B1-1</td>
<td>Transformation Management Team Kickoff Meeting</td>
</tr>
<tr>
<td>B1-2</td>
<td>Vision Statements and Goals: Context and Recommendations</td>
</tr>
<tr>
<td>B1-3</td>
<td>Strategic Prioritization Process Summit</td>
</tr>
<tr>
<td>B1-4</td>
<td>Synthesis of September 10, 2007 Prioritization Summit</td>
</tr>
<tr>
<td>B1-5</td>
<td>Perspective on Funding Sources for NCDOT</td>
</tr>
<tr>
<td>B1-6</td>
<td>Organizational Effectiveness Options</td>
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<td>B1-7</td>
<td>Building Efficiencies and Productivity at NCDOT</td>
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<td>B2-1</td>
<td>Strategic Prioritization Process &amp; Planning Cycles</td>
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<td>B2-2</td>
<td>Leadership Team- Strategic Prioritization Process</td>
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<td>B2-3</td>
<td>Implementation Plans for Pilot Projects</td>
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<td>B2-4</td>
<td>Performance Metrics &amp; Management Summary Working Document</td>
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<td>Talent Management Policy Recommendations</td>
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<tr>
<td>B2-7</td>
<td>Sample Leadership Planning Process</td>
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<td>B2-8</td>
<td>Talent Management Initiatives—Ownership and Integration with HR</td>
</tr>
<tr>
<td>B2-9</td>
<td>NCDOT Involvement of Internal and External Stakeholders in Transformation</td>
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</tbody>
</table>
Transformation Management Team Kickoff Meeting

June 12, 2007

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**OBJECTIVES AND AGENDA FOR TODAY’S DISCUSSION**

<table>
<thead>
<tr>
<th>Agenda</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Introductions and Overview</td>
<td>9:00 to 9:30</td>
</tr>
<tr>
<td>• Background</td>
<td>9:30 to 10:15</td>
</tr>
<tr>
<td>• TMT: Organization, Roles, and Working Approach</td>
<td>10:15 to 11:00</td>
</tr>
<tr>
<td>• Lessons on transformation and aspiration setting</td>
<td>11:00 to 12:00</td>
</tr>
<tr>
<td>• Lunch</td>
<td>12:00 to 12:30</td>
</tr>
<tr>
<td>• Detail on TMT workstreams</td>
<td>12:30 to 2:45</td>
</tr>
<tr>
<td>• Break</td>
<td>2:45 to 3:00</td>
</tr>
<tr>
<td>• Next steps</td>
<td>3:00 to 3:15</td>
</tr>
<tr>
<td>• Group meetings</td>
<td>3:15 to 5:00</td>
</tr>
</tbody>
</table>

**Objectives**

- Understand the context and aspirations of the transformation
- Introduce the Transformation Management Team (TMT)
- Agree on our priorities as a team
- Understand how we’re going to work together
WHY IS NCDOT LAUNCHING A TRANSFORMATION MANAGEMENT TEAM

• Secretary Tippett and his executive team determined that the challenges and opportunities facing the NCDOT required a proactive response

• As a first step, NCDOT’s leadership called for an outside-in assessment— a diagnostic— of its current strategy and organization

• The diagnostic concluded that NCDOT had significant opportunities to improve its service to North Carolinians. It also determined that NCDOT was at a strong starting point for transformation

• In response to the diagnostic and in consultation with its stakeholders, NCDOT’s leadership determined it had a mandate for transformation and that immediate action was required

• The TMT has been launched to carry forward this mandate and move quickly to design and implement NCDOT’s transformation
### TODAY’S NCDOT CHALLENGES REQUIRE A PROACTIVE RESPONSE

**Transformation into a 21st Century DOT**

<table>
<thead>
<tr>
<th>Declining funding</th>
<th>Internal and external desire for change</th>
</tr>
</thead>
<tbody>
<tr>
<td>• State gas tax is less than 1/3 of 1963 level (inflation- and mileage-adjusted average)</td>
<td>• “We are eager to see change at DOT and prepared to act as partners”</td>
</tr>
<tr>
<td>• Federal TIP program projected to run out of funding by 2009</td>
<td>• “We’ll all be better off if the state’s money is spent in the right way”</td>
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<table>
<thead>
<tr>
<th>Increasing cost of supplies</th>
<th>Committed Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 80% overall construction supplies inflation since 2002</td>
<td>• “The team in place now is in a great position to get something done”</td>
</tr>
<tr>
<td>• “Spike in global asphalt, cement, steel prices”</td>
<td>• “There’s a sense of hope that things might actually get better”</td>
</tr>
<tr>
<td>– Infrastructure Subcommittee document</td>
<td>– Board of Transportation interview</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growing demand on system</th>
<th>Booming economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• NC population projected to grow by 50% between 2000 and 2030</td>
<td>• NC GDP has grown at a CAGR of 6.2% (vs. 3.5% for U.S.) from 1996 to 2006</td>
</tr>
<tr>
<td>• “A rapidly aging transportation infrastructure that will require significant investment to maintain service levels”</td>
<td></td>
</tr>
<tr>
<td>– NCDOT Project RFP</td>
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</tbody>
</table>

- **Booming economy**
  - **NC GDP has grown at a CAGR of 6.2% (vs. 3.5% for U.S.) from 1996 to 2006**

- **Growing demand on system**
  - **NC population projected to grow by 50% between 2000 and 2030**
  - **“A rapidly aging transportation infrastructure that will require significant investment to maintain service levels”**
    - NCDOT Project RFP

- **Declining funding**
  - **State gas tax is less than 1/3 of 1963 level (inflation- and mileage-adjusted average)**
  - **Federal TIP program projected to run out of funding by 2009**

- **Increasing cost of supplies**
  - **80% overall construction supplies inflation since 2002**
  - **“Spike in global asphalt, cement, steel prices”**
    - Infrastructure Subcommittee document

- **Internal and external desire for change**
  - **“We are eager to see change at DOT and prepared to act as partners”** – MPO interview
  - **“We’ll all be better off if the state’s money is spent in the right way”** – Legislator interview

- **Committed Leadership**
  - **“The team in place now is in a great position to get something done”** – Board of Transportation interview
  - **“There’s a sense of hope that things might actually get better”** – Key Leaders workshop
DIAGNOSTIC IDENTIFIED SIGNIFICANT OPPORTUNITIES TO IMPROVE PERFORMANCE

A strong starting point for transformation

1. Near-term budget stabilized
2. External stakeholders supportive of change
3. Key leaders committed to change
4. Technical skills necessary to deliver
5. Employees proud to serve, with a “can do attitude”

Significant opportunities to improve service to North Carolinians

1. Set clear direction by cascading an explicit vision and specific goals throughout the organization
2. Development of a more targeted and strategic portfolio of projects focused on those most critical to achieving the strategic vision and goals
3. Introduction of greater prioritization, accountability and coordination in core processes
4. Alignment of structure, systems and mindsets to achieve vision
THE POSSIBILITIES OF TRANSFORMATION

This transformation could...

• Create a transportation infrastructure that makes North Carolina the most attractive state in the Southeast for businesses and citizens

• Establish NCDOT as a national model of efficient and effective government. E.g.,
  – Prioritize projects and initiatives based on strategic vision and goals
  – Shorten project delivery time

• Unlock the potential of thousands of NCDOT employees
  – Position NCDOT among the employers of choice in North Carolina
  – Create opportunities to grow strong leaders
  – Recognize outstanding performance

• Make NCDOT the most respected government agency in North Carolina

The TMT has a mandate to define and implement a program of initiatives to accomplish dramatic change
OBJECTIVES AND AGENDA FOR TODAY’S DISCUSSION

Objectives
- Understand the context and aspirations of the transformation
- Introduce the Transformation Management Team (TMT)
- Agree on our priorities as a team
- Understand how we’re going to work together

Agenda

<table>
<thead>
<tr>
<th>Topic</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introductions and Overview</td>
<td>9:00 to 9:30</td>
</tr>
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<td>3:00 to 3:15</td>
</tr>
<tr>
<td>Group meetings</td>
<td>3:15 to 5:00</td>
</tr>
</tbody>
</table>
THE DIAGNOSTIC COMPREHENSIVELY ENGAGED NCDOT EMPLOYEES, STAKEHOLDERS AND EXPERTS

- **Quantitative Survey** of the Organizational Performance Profile completed by 8,977 employees, more than 70% of the NCDOT

- **60 Senior Leader interviews** across the organization, including the Board, to understand strategic priorities and organizational strengths and challenges

- **9 focus groups** with transportation workers, supervisors and technicians, DMV employees, VERTs, and administrative staff (112 total participants)

- **2 Steering Committee meetings** and **4 Specialist Team meetings**

- **4 diagnostic Key Leaders workshops** with managers from DMV, DOH, Preconstruction and Central Ops, and Division Engineers (93 total participants)

- **>10 consultations** with McKinsey’s global strategy and organizational practice experts

- **15 “deep structured interviews”** with employees from all levels of the organization to probe in-depth ‘root causes’ of employee perceptions

- **>20 conversations** with individuals in the Governor’s Office, Legislature, MPOs, and business to understand concerns and priorities of external stakeholders
## DIAGNOSTIC FOUND OPPORTUNITIES FOR IMPROVEMENT THROUGHOUT ORGANIZATION

| Vision and Goals | • Vision and goals are currently numerous and occasionally inconsistent  
| | • Vision and goals are not linked to broader, long-term vision for North Carolina  
| | • Vision and goals are not communicated explicitly or cascaded into specific expectations for managers  
| Portfolio of Projects and Services | • Projects and services are not explicitly linked with goals  
| | • NCDOT relies too heavily on existing funding sources without sufficiently exploring alternative sources of funding  
| | • The NCDOT’s broad activities lack clear focus and priorities  
| Core Processes (E.g., Decide, Design, Deliver) | • Strategic planning process is ad hoc and reactive  
| | • Funding processes are not flexible enough to align resources with goals  
| | • Project design/delivery processes slowed by lack of prioritization, accountability, and coordination  
| | • Operational processes lack sufficient metrics to ensure accountability  
| Organizational Structure, Functions and Mindsets | • Organizational structure creates silos in some processes (e.g., project design and delivery), fails to create critical support roles (e.g., strategic planning), allows unclear reporting relationships, and support illogical geographic groupings  
| | • Talent systems are failing to recruit and retain critical talent, drive employee performance and develop managers  
| | • Internal and external communications are not sufficiently proactive and lack sufficient budget  
| | • Employee mindsets are frequently risk averse, reactive, and silo’d |
DIAGNOSTIC FINDING- PROGRESS HAS BEEN MADE IN CREATING NEW VISIONS AND GOALS, BUT THESE ARE NOT ALWAYS CONSISTENT

- NCDOT’s strategy documents express similar but not entirely consistent themes
- Goals have been expressed in some forms but are not explicit
- When asked to articulate NCDOT goals, the steering group offered 10 divergent responses

NCDOT CHALLENGE AND VISION

NCDOT has embarked on a transformation program to remake the agency, in light of the challenges it faces.

NCDOT’s new Vision is to:
- Play a key role in the improvement of North Carolina’s logistics system - offering more proactive, aggressive, integrated, traffic responsive, cooperative, automated, & integrated solutions by:
  - Establishing statewide standards for mobility / asset condition / safety; with varying standards for each travel tier and clear performance measures – highly visible to stakeholders.
### Diagnostic Finding - Organizational Processes and Functions Lacking in Prioritization, Accountability, and Coordination

#### Prioritization
- “Clear prioritization could cut 3 years off the big projects.”
  - Preconstruction manager
- “What we work on depends on who’s screaming the loudest.”
  - Preconstruction manager
- “I arrive every day to a whole new set of emails pressuring me to do work on something different from what I was working on yesterday.”
  - Preconstruction supervisor

#### Accountability
- Only 37% of employee survey respondents believe that each area of NCDOT has explicit targets for key performance indicators.
- “It’s hard to have explicit metric because schedules and budgets keep changing.”
  - Construction manager
- “We don’t always manage directly to metrics mostly because units face factors outside their control.”
  - Preconstruction manager

#### Coordination
- Only 19% of employee survey respondents believe that NCDOT’s systems and processes produce cross-functional/departamental initiatives.
- “We throw things over the wall here. Everyone’s accountable to their tribe.”
  - Division Engineer
- “Imagine two guys in a garage full of car parts, with a black curtain that splits the garage in half and these guys have to build a car by passing notes to each other from either side. That’s Preconstruction.”
  - Preconstruction engineer
# Diagnostic Finding: Ad-Hoc Strategic Planning Produces Lack of Project Prioritization

**STIP Example**

<table>
<thead>
<tr>
<th>TRANSPORTATION PROGRAM</th>
<th>GATES COUNTY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROUTE/CITY</strong></td>
<td><strong>ID. NO. / BREAK</strong></td>
</tr>
<tr>
<td><strong>RURAL PROJECTS</strong></td>
<td></td>
</tr>
<tr>
<td>US 73</td>
<td>R569</td>
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<td></td>
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</tbody>
</table>

- Listing in STIP is alphabetical by county and expected date of completion
- No clear prioritization based on relative importance or criticality of project
- Lack of transparency internally and externally results

---

"I know how my section prioritizes projects, but I'm not sure exactly how the sections outside of ours do it, or for that matter the sections outside of those"  
- Preconstruction supervisor

"Just tell us the 'why' of some of these project decisions by upper management, that's all we need"  
- Administrative supervisor

"We know the trouble spots in our division where the serious problems are, so why are we doing random political projects?"  
- Transportation technician

"We never know what NCDOT's current priorities are, so it's hard for us to know where we stand"  
- MPO Representative
“Once the construction begins, they [construction supervisors] know they have more projects waiting in line to get done so time is an important metric” – Senior interview

“Time

“When the project gets to us, we’re under the gun to get it done to specs on time.” – Construction supervisor

Budget

“When a project gains some momentum, staying within budget gets more and more important” – Construction Supervisor

“I don’t think anyone really gets held accountable for project costs until the construction phase” – Preconstruction Manager

Quality

“If the slightest part of the inspection or environmental paperwork is off, it can set the project back indefinitely — quality is a main concern the whole way through” – Preconstruction supervisor

“Quality has risen in prominence across all of DOT after the I-40 incident. Management has been stressing quality more than ever before” – Senior interview

* Schedule measured in PDEA but deadlines frequently slide due to external factors
## Diagnostic Finding NCDOT’s Current Structure May Compound Many Strategic and Process Challenges

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some activities that require coordination are not explicitly linked (e.g., within a single managerial boundary or through another formal coordination mechanism)</td>
<td>No end-to-end owners of projects</td>
</tr>
<tr>
<td>Some critical roles have additional “dotted-line” reporting relationships that may hinder their accountability</td>
<td>Engineers report directly to units instead of project managers</td>
</tr>
<tr>
<td>Lack of organizational units to undertake critical activities</td>
<td>Best engineers often called on to help Turnpike Authority</td>
</tr>
<tr>
<td>Division lines may not logically support effective strategy and process implementation</td>
<td>State restrictions inhibit IT customer service orientation</td>
</tr>
</tbody>
</table>

### Critical Links
- [Diagram of critical links]

### Reporting lines
- [Diagram of reporting lines]

### Critical functions
- [Diagram of critical functions]

### Geographic Organization
- [Diagram of geographic organization]
DIAGNOSTIC FINDING - TALENT MANAGEMENT FUNCTION DOES NOT PROMOTE PERFORMANCE OR DEVELOPMENT

NCDOT performance evaluations skew high compared to best practices . . .

2006 NCDOT performance rating distribution
Percent, out of all employees

| 0 | 0 | 11 | 57 | 32 |

20% of 2006 voluntary attritions rated Outstanding
Very good and good performers receive no performance incentives
Less than 1% terminated every year

“Bottom 10” “The Vital 70” “Top 20”
Bottom 10% terminated every year
B players should get annual increases recognizing their contributions
“We lose less than 1% of our A’s per year”

...And manager mobility is low

Only 8% of DOT managerial promotions were to other units within the department
100% = 77 promotions

Mobile

Non-mobile

At best practice private sector organizations:

• Managers are encouraged to transfer every three years
• Mobility is a prerequisite for senior management
EMPLOYEES REPORT INTERNAL INFORMATION VACUUM

Limited support for internal communications

- No budget allocated for staff or internal communications across DOT
- Published literature considered unclear
- Mass communications considered forced

Middle managers

“Middle managers should explain changes and get face-to-face communication with managers”

“I’d really like to see more information sharing for safety (and other) best practices across DOT”

“Middle management communication is a big problem. There's a lot of store piping that causes overlap and waste in processes”

“A lot of decisions get made at higher levels without a lot of communication”

“If I were Secretary for a day, I would put out more communication from DOT about what strategy and vision is for the future”

Front line workers

“Can we reduce the widening gap between front lines and management? I'm talking about a presence gap--we don't see or hear from anyone higher than our immediate supervisors.”

“Somehow we need to fix the lack of communication coming from upper management.”

“There needs to be a lot better communication. I am tired of all the heresay, I want to hear something firm.”

“Messages trickle down from the top management, but communication blockages along the way keep the messages from reaching us. I wish we could hear it direct from the top sometimes.”
CONCLUSIONS OF THE DIAGNOSTIC

NCDOT must move quickly to…

• Launch Transformation Management Team (TMT) to lead design and implementation of change initiatives

• Lead the following groups of change initiatives through the TMT
  – State vision and goals explicitly and then develop corresponding alternative “strategic blueprints”, with implications on scope of activities, prioritization, funding and organization.
  
  – Address improvement opportunities identified in critical organizational functions, e.g., strategic planning/prioritization, performance management, and talent management.
  
  – Continue a proactive information management program regarding the transformation effort.
  
  – Additional high priority change initiatives for possible inclusion in TMT.
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**Objectives**

- Understand the context and aspirations of the transformation
- Introduce the Transformation Management Team (TMT)
- Agree on our priorities as a team
- Understand how we’re going to work together
HOW THE TMT WILL MAKE CHANGE HAPPEN

TMT proposes new change initiatives

TMT leads change initiative design

TMT leads implementation of change initiatives

TMT fully transfers out change initiatives and embeds in organization

TMT recommends change initiatives based on:
- Importance to fundamental NCDOT transformation
- Timeliness and feasibility of initiatives

Change initiatives designed by:
- Identifying best practices from other organizations
- Outreach to understand current practices and ideas
- Assessing expected impact of change initiatives
- Approval by Leadership Team

Implementation achieved through:
- Careful planning
- Buy-in building in advance
- Close communication with and training of NCDOT managers

TMT Leadership, the Leadership Team, and the Secretary must agree on any new change initiative before it is added to the TMT’s mandate.

Full control transitioned out when:
- Organization is ready to manage initiatives independently
<table>
<thead>
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<th>Change initiatives</th>
<th>Objectives</th>
</tr>
</thead>
</table>
| **Strategic Blueprint**                | • Create set of criteria for prioritizing projects and initiatives based on strategic vision and goals  
• Develop funding scenarios that address strategic priorities, including potential opportunities for new sources of funds and changes to funding restrictions  
• Evaluate possible organizational changes to reach strategic goals, including defining key roles and responsibilities |
| **Strategic Planning and Prioritization** | • Design and roll out strategic planning and prioritization process that:  
  – Allows NCDOT to create and annually refresh strategic plans based on its vision, goals, and evolving industry context  
  – Gathers input from stakeholders in a systematic way, channeling political input to specific set of forums  
  – Generates a transparent system for prioritizing projects |
| **Performance Metrics and Management**  | • Design and roll out dashboard of high-level metrics tied to NCDOT vision and goals  
• Design process for reporting and managing to metrics  
• Design process for cascading of metrics throughout organization |
| **Talent Management**                  | • Design a rigorous performance review process tied to performance metrics  
• Design a process for succession and mobility planning  
• Make high level recommendations on talent value proposition, development/training |
| **Information Management**             | • Share transformation information throughout NCDOT organization  
• Create proof-of-concept for lasting internal information sharing improvements |
TIMELINE OF ACTIVITIES OF THE TMT

Wave 1: 6/11 to 8/15
- Develop strategic blueprint alternatives, including scope, project portfolio & funding, and org changes
- Define revisions to process for strategic planning and prioritization process, as well as future office
- Create dashboard of key performance metrics
- Design process for metrics mgmt., including ties to talent mgmt
- Develop set of tactical changes to talent management function, including
- Design TMT communications strategy
- Maintain employee momentum through quick wins
- TBD

Wave 2: 8/15 to 10/31
- Support selection and design roll out plan to implement selected strategic blueprint
- Prepare for roll out of strategic planning process
- Define roles and responsibilities for Office
- Roll out dashboard and pilot performance metrics
- Prepare for full roll out from pilot
- Roll out pilot of talent management system
- Ongoing implementation and adaptation of strategy
- TBD

Wave 3: 10/31 to 12/31
- Rollout changes to strategic blueprint, including changes to organizational model
- Pilot and rollout portions of strategic planning process, in line with annual cycle
- Full roll out of performance metrics throughout organization
- Broaden roll out of talent management system
- Ongoing implementation and adaptation of strategy
- TBD

Workstreams
- Strategic Blueprint
- Strategic Planning
- Performance Management
- Talent Management
- Information Management
- Others
EACH GROUP WILL REPORT TO THE TMT PROJECT LEADER

TMT Project Office
- Lead the TMT and drive transformation throughout NCDOT
- Monitor TMT overall and Group progress

TMT Information Management
- Communicate progress of the TMT to internal and external stakeholders

TMT Groups

Strategic Blueprinting
- Design strategic blueprint options with corresponding scope of activities, project prioritization, funding and organizational implications

Organizational Functions
- Design and roll out new strategic planning and prioritization function
- Design and roll out new performance and metrics management function
- Design and roll out new talent management function

TBD
**ROLES OF TRANSFORMATION TEAM**

- Offers high-level direction and guidance, including objectives and themes of transformation
- Approves organizational/functional changes required by transformation initiatives
- Approves key decisions to improve speed and ease of implementation
- Reviews performance of TMT Leader and members, providing feedback on performance

- Key executive responsible for leading program and ‘the face’ of the transformation
- Controls the effort and allocates resources, proposing priorities and direction for overall transformation
- Communicates progress to Secretary & Leadership Team and with internal and external stakeholders based on design of communication plan
- TMT Leader’s Office:
  - Assures the Groups are provided with the required tools and people
  - Coordinates work streams and manages overlaps and conflicts
  - Monitors progress against workplan and assesses process quality

- Responsible for designing and implementing initiatives to address Group’s objective
- Communicates progress with TMT leader, Secretary & Leadership Team
- May have several project team members reporting to him

- Leads the design and implementation of assigned piece of the initiative
- Develops and executes against workflow with clear deliverables and deadlines
- Proactively identifies implementation barriers, suggests solutions, and participates in their removal

Roles will be flexible and evolve with the needs of the transformation
WHY WAS THIS GROUP SELECTED TO LEAD THE TMT?

• Secretary Tippett has made this effort THE priority for NCDOT – the transformation effort will be your opportunity to be part of leading groundbreaking change for the Department and for North Carolina

• You are viewed as leaders in this organization – and that is why you have been asked to join the TMT

• You bring the entrepreneurial energy, can-do attitude, respect of your colleagues, and ability to get things done that is needed for a successful transformation effort.

• You are a leader who can operate across divisions, branches and units of NCDOT to ensure that transformation is a collaborative effort not confined to any single part of the organization

• Because of your dedicated role in the transformation effort, you will be seen by the organization as an ambassador for transformation
THE TMT WILL START OFF COMPOSED OF MEMBERS FROM BOTH NCDOT AND MCKINSEY, WHO WILL HAVE DISTINCT ROLES

NCDOT Team Members

• Will lead change for NCDOT and be responsible for designing and implementing the NCDOT transformation
• Will provide deep understanding of NCDOT internal operations and transportation agency subject matter expertise
• Will leverage existing internal and external relationships to promote the mission of the TMT
• Will create all TMT end products

McKinsey Team Members

• Will help the TMT “jump start” its transformation program
• Advise the NCDOT team members on a range of matters, such as the structure, analytical foundation, and launch of transformation efforts
• Will draw upon firm expertise and best practice examples from public and private sector organizations
• Will provide context on Phase 1 diagnostic results for use in TMT work
• Will advise on TMT end products
TMT CULTURE AND EXPECTATIONS

The culture of the TMT will be challenging and fast-paced...

• We will work quickly and decisively
• We will work informally
• Our efforts will be hypothesis-driven
• We will follow 80-20, about 80% of the time
• We will care passionately about finding a way to accomplish even the most ‘impossible’ milestones
• Open communication and idea-sharing will the norm, rather than the exception
• We will always support each other whenever possible

...With high expectations of team members

• Confidentiality around the TMT’s work is non-negotiable
• Open-mindedness will be an essential component of this initiative
• Flexibility and a willingness to give 110% effort is expected and crucial to success
TMT MEMBERS WILL ALSO LEARN SKILLS VALUABLE IN LEADING TRANSFORMATION

<table>
<thead>
<tr>
<th>Module</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery support tools</td>
<td>Introduces a collection of best practice frameworks that can be used to structure team efforts during transformation</td>
</tr>
<tr>
<td>Overarching project management</td>
<td>Presents a novel and generalizable approach to project management that can be applied across several industries</td>
</tr>
<tr>
<td>Strategic communication</td>
<td>Defines ‘strategic communication’ and maps out a means to employ it in leading an organization</td>
</tr>
<tr>
<td>Capability building</td>
<td>Describes institutional and individual capability and presents best practice examples of how to develop both in an organization</td>
</tr>
<tr>
<td>Coaching and mentoring</td>
<td>Provides lessons on the mindsets needed and methods used to promote effective coaching of lower level staff</td>
</tr>
<tr>
<td>Leading through teams</td>
<td>Examines the dimensions of leadership team effectiveness and describes techniques for getting maximum value as a leadership team</td>
</tr>
</tbody>
</table>

We plan to hold a series of 3-hour long sessions each Monday afternoon during the transformation process.
TMT GROUPS WILL DEVELOP A DETAILED WORKPLAN TO INFORM OVERALL TMT TIMELINE

**Master TMT timeline**

<table>
<thead>
<tr>
<th>High level timeline</th>
<th>Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Launch Team</td>
<td>2</td>
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<tr>
<td>- Confirm goals and scope of effort</td>
<td>4</td>
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<tr>
<td>- Gather previous work and resources</td>
<td>6</td>
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<tr>
<td>- Define system and rules</td>
<td>8</td>
</tr>
<tr>
<td>- Define basic reimbursement mechanism for every activity (e.g., Reimbursement mechanism, psychiatric, ER) and assign Group responsibility</td>
<td>10</td>
</tr>
<tr>
<td>- Capitation system</td>
<td>12</td>
</tr>
<tr>
<td>- Define rules for maintaining capitation lists</td>
<td>-</td>
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<tr>
<td>- Propose risk adjustment levels</td>
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<tr>
<td>- Define other strategies to mitigate negative incentives (e.g., integrated care)</td>
<td>-</td>
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<tr>
<td>- DRG system</td>
<td>-</td>
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<tr>
<td>- Identify DRG catalogue to adopted/amended</td>
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<tr>
<td>- Confirm appropriate DRG groupings</td>
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<tr>
<td>- Define other strategies to mitigate negative incentives (e.g., integrated care)</td>
<td>-</td>
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<tr>
<td>- Calculate cost impact of proposed systems</td>
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</tbody>
</table>

- TMT leader’s office will use the Master timeline to comprehensively detail key activities and the timelines for all projects
- Master timeline should identify the most important milestones and deliverables for each group
- Key interdependencies between groups and any contingencies should be described in the Master timeline
- Potential hurdles and delays should be cited, along with strategies for mitigating these issues

**Detailed Group Workplans**

- Every group should have a detailed workplan with activities, milestones, deliverables and responsibilities (assigned to members)
- Workplans should include information about key support and resource requirements responsible member will need to complete activity
TMT GROUPS WILL PROVIDE WEEKLY UPDATES TO TMT REGARDING STATUS

TMT groups report to the TMT Leader’s Office, and then to the Secretary and Leadership Team about:
- Project status and major milestones
- Project challenges and successes, including impact of projects
- How the Steering Committee might support or improve projects

<table>
<thead>
<tr>
<th>Project XX Update (1 of 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Milestones achieved</strong></td>
</tr>
<tr>
<td>- Define interconnection needs with other operators</td>
</tr>
<tr>
<td>- Begin the negotiation with enterprises at shared places</td>
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<tr>
<td>- Analyze offers received for site acquisitions</td>
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<tr>
<td><strong>Decisions to be made</strong></td>
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<tr>
<td>Issue</td>
</tr>
<tr>
<td>- Negotiate final terms with selected ad agency</td>
</tr>
<tr>
<td>- Approval by legal dept. of RFPs for multimedia platform</td>
</tr>
<tr>
<td><strong>Next steps</strong></td>
</tr>
<tr>
<td>Steps</td>
</tr>
<tr>
<td>- Approval by legal dept. of RFPs for multimedia platform</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Project XX Update (2 of 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ongoing efforts</strong></td>
</tr>
<tr>
<td>- Incorporate additional resources</td>
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<tr>
<td>- Define Business requirements (commercial areas)</td>
</tr>
<tr>
<td><strong>Deliverables</strong></td>
</tr>
<tr>
<td>Deadline</td>
</tr>
<tr>
<td>- Negotiate final terms with selected ad agency</td>
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<td>- Approval by legal dept. of RFPs for multimedia platform</td>
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<tr>
<td>PMO support required</td>
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<tr>
<td>- Define interconnection needs with other operators</td>
</tr>
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<td>- Define Business requirements (commercial areas)</td>
</tr>
</tbody>
</table>
## EXPLANATION OF PROGRESS INDICATORS IN UPDATE

<table>
<thead>
<tr>
<th>Degree of attainment</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Project idea formulated</td>
</tr>
<tr>
<td>2</td>
<td>Detailed project proposal prepared</td>
</tr>
<tr>
<td>3</td>
<td>Evaluated and key decision taken</td>
</tr>
<tr>
<td>4</td>
<td>Team up and running</td>
</tr>
<tr>
<td>5</td>
<td>Project implemented</td>
</tr>
<tr>
<td>6</td>
<td>Impact tangible</td>
</tr>
</tbody>
</table>
### PROPOSED MEETING RHYTHM FOR TMT

<table>
<thead>
<tr>
<th>Activity</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Secretary updates [every other Thursday]</strong></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>• Sign-off on critical decisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Identification/resolution of roadblocks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Update on key milestones met</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Leadership team meetings [every Tuesday 3:30]</strong></td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>• Overall status update for all working teams</td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>• Identification/resolution of critical issues</td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>• Definition of agenda for Secretary updates</td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td><strong>TMT meetings [Monday 10:30, Thurs 1:30]</strong></td>
<td>▲</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Discussion of working team progress</td>
<td></td>
<td>▲</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Definition of next steps/barriers</td>
<td></td>
<td>▲</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Review of TMO overall effectiveness</td>
<td></td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td><strong>TMT transformation skills modules [Monday 1:00]</strong></td>
<td>▲</td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td><strong>Executive/Steering Committee “Best Practice” Workshops</strong></td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Topics, in order:</td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>• Vision &amp; Goals (presentation) [6/26]</td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>• Strat Planning &amp; Prioritization (best practices) [7/10]</td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>• Performance Management (best practices) [7/17]</td>
<td></td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>• Talent Management (best practices) [7/24]</td>
<td></td>
<td></td>
<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
</tbody>
</table>

- McKinsey team goes dark
# OBJECTIVES AND AGENDA FOR TODAY’S DISCUSSION

## Objectives
- Understand the context and aspirations of the transformation
- Introduce the Transformation Management Team (TMT)
- Agree on our priorities as a team
- Understand how we’re going to work together

## Agenda

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introductions and Overview</td>
<td>9:00 to 9:30</td>
</tr>
<tr>
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</tr>
<tr>
<td>TMT: Organization, Roles, and Working Approach</td>
<td>10:15 to 11:00</td>
</tr>
<tr>
<td>Lessons on transformation and aspiration setting</td>
<td>11:00 to 12:00</td>
</tr>
<tr>
<td>Lunch</td>
<td>12:00 to 12:30</td>
</tr>
<tr>
<td>Detail on TMT workstreams</td>
<td>12:30 to 2:45</td>
</tr>
<tr>
<td>Break</td>
<td>2:45 to 3:00</td>
</tr>
<tr>
<td>Next steps</td>
<td>3:00 to 3:15</td>
</tr>
<tr>
<td>Group meetings</td>
<td>3:15 to 5:00</td>
</tr>
</tbody>
</table>
TYPICAL PERFORMANCE TRANSFORMATION PROCESS

Common transformation horizons

**Step A**

**Resolve to improve**

**Conditions:** Crisis situation. Financial performance significantly lags industry. Attrition high for key positions

**Actions required:**
- Assemble a new team
  - Stabilize senior management
  - Remove blockers
- Instill urgency about bottom line
  - Reorganize to devolve P&L responsibility
  - Establish baseline financial controls (i.e., install budgets)

**Conditions:** Poor financial performance relative to industry. “Out of shape”

**Actions required:**
- Set new direction
  - Build executive consensus on a redefined mission
  - Evangelize new vision, exciting employees about the future
  - Set new, aggressive targets tied to the new direction
- Build “score keeping” systems to provide performance feedback
- Motivate employees to meet metrics
  - Financial incentives
  - Fast-track advancement
  - Freedom to innovate
  - Values and beliefs

**Step B**

**Apply basic conditioning**

**Step C**

**Commit to fitness**

**Conditions:** Competing for industry leadership

**Actions required:**
- Inspire the team by relentlessly evangelizing mission and values
- Upgrade the players
  - Accelerate advancement for talented managers
  - Weed out underperformers
- Raise the stakes
  - Toughen targets
  - Toughen consequences
  - Strengthen rewards for high performers
  - Heighten risk associated with compensation
- Enable success
  - Provide coaching and development
  - Improve operational controls

Source: Survey of top executives in North America; interviews
6 KEY CATALYSTS FOR SUCCESSFUL PERFORMANCE TRANSFORMATIONS HAVE BEEN IDENTIFIED

In successful transformations...

1. Rigor in program architecture
   • ... the architecture is consistently articulated at three levels: an overall change agenda, a set of core performance themes, and an array of individual initiatives

2. Performance and health
   • ... both performance and health are lifted to new levels, rather than traded against each other as conflicting goals

3. Aspirations and pace
   • ... a powerful, long-term performance vision is rolled back to a desired midterm future state that is more granular and actionable, yet a stretch in terms of scale and the pace of change

4. Embedding change
   • ... early, visible manifestations of change in the operating model lock in higher performance, create energy, facilitate learning, and foster change

5. Making change personal
   • ... mindsets and behaviors are changed through a holistic approach that addresses employees’ understanding and commitment, the systems and structures that guide their actions, their skills and competencies, and their need for influential role models

6. Transforming leadership
   • ... leadership is tapped to propel change, and is also systematically expanded

Source: Team analysis
ORGANIZATIONAL ISSUES ARE CRITICAL TO SUCCESSFUL TRANSFORMATION...

70% of transformation failures are due to organizational issues

Factors contributing to transformation failures
Per cent

- Employee resistance to change: 39%
- Management behavior not supportive of change: 33%
- Inadequate resources or budget: 14%
- All other obstacles: 14%

Source: Beer and Nohria (2000), Cameron and Quinn (1997), CSC Index, Caldewell (1994), Gross et al. (1993), Kotter and Heskett (1992); Hickings (1988); Conference Board report (Fortune 500 interviews); press analysis; McKinsey analysis
... SO IT IS IMPORTANT TO INFLUENCE MINDSETS AND BEHAVIORS
“... I will change my behavior if...”

**Lever categories**

- Leadership actions
- Opinion shapers
- Interactions

- Learning
  - On-the-job development
  - Training
  - Action learning
- Talent management
  - Hiring
  - Replacing
  - Retaining

<table>
<thead>
<tr>
<th>Role-modeling</th>
<th>Fostering understanding and conviction</th>
</tr>
</thead>
<tbody>
<tr>
<td>“I see superiors, peers and subordinates behaving in the new way”</td>
<td></td>
</tr>
<tr>
<td>“I know what is expected of me – I agree with it, and it is meaningful”</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Developing talent and skills</th>
<th>Reinforcing with formal mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>“I have the skills and competencies to behave in the new way”</td>
<td></td>
</tr>
<tr>
<td>“The structures, processes and systems reinforce the change in behavior I am being asked to make”</td>
<td></td>
</tr>
</tbody>
</table>

**Lever categories**

- Story development (includes all the key elements, e.g., values, strategy, case for change)
- Story delivery (across relevant levels, i.e., organizational, employee, functional)
- Organization structure
- Targets and metrics
- Management processes
- Business processes
- Rewards, recognition and consequences
- Information systems
What will success for the TMT look and feel like?
• How will the team work together?
• How will the team interact with the rest of the organization? With specific stakeholder groups?
• What will be different about your work on the TMT versus your prior work at the NCDOT?

What will a successful transformation of the NCDOT look and feel like?
• What differences will you see when you walk around NCDOT?
• What will people be talking about that is different than today?
• What will people be doing differently?

Please take a moment to think these questions through independently and then we will discuss as a group.
## OBJECTIVES AND AGENDA FOR TODAY’S DISCUSSION

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<td>3:00 to 3:15</td>
</tr>
<tr>
<td>Group meetings</td>
<td>3:15 to 5:00</td>
</tr>
</tbody>
</table>
Team’s Mission

• To design a new strategic blueprint for NCDOT that will:
  – Introduce an overarching vision and transparent goals toward which to direct its activities
  – Establish a new project prioritization scheme based on its strategic priorities
  – Develop a suite of alternative funding scenarios to support the new prioritization method
  – Realign its organization to more effectively meet its goals and project priorities

Context

• NCDOT is an organization with neither a single agreed-upon vision nor associated set of strategic goals

• Strategic direction is unclear and activities may not align with vision and goals

• NCDOT has vast scope of activities that may not fit with vision, goals and strategy

• Funding and organizational structure may not be aligned with overall vision, goals, and strategy
STRATEGIC BLUEPRINT – EXAMPLE END PRODUCT

**Scope of Activities**

- **Some core activities outsourced**
- **Some non-core activities outsourced**
- **Current scope of activities**

**Funding Scenario**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>PPPs</th>
<th>Federal Aid</th>
<th>General fund/DOT receipts</th>
<th>Highway trust fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major change</td>
<td>35.0</td>
<td>40.0</td>
<td>47.0</td>
<td>(1,754)</td>
</tr>
<tr>
<td>Incremental change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Project Portfolio**

- **Scope: High devolution to municipalities**
  - Criteria: Goal 1 → 50%, Goal 2 → 40%, Goal 3 → 10%
- **Scope: Greater share with municipalities; divisions**
  - Criteria: Goal 1 → 30%, Goal 2 → 40%, Goal 3 → 30%
- **Scope: No change to status quo**
  - Criteria: Goal 1 → 33%, Goal 2 → 33%, Goal 3 → 33%

**Organizational Structure**

EXAMPLE ONLY
Wave 1: 6/11 to 8/15

End products
• State vision and goals explicitly
• New strategic blueprint options for NCDOT, which will include:
  – Scope of NCDOT activities
  – Prioritization criteria for project selection and ranking
    (e.g., points system based on whether project meets strategic statewide, regional or local needs)
  – Scenarios for alternative project funding (i.e., what level of funding, what sources of funding and what flexibility/guidelines for fund uses are needed for options)
  – Options for a newly aligned organizational model, which would include structures, reporting lines, decision rights, roles, and responsibilities

Activities underway by end of wave
• Publication and cascading of newly developed strategic vision and goals across NCDOT
• Evaluation of potential scope changes
• Review of proposed prioritization schemes for project portfolio with stakeholders
• Evaluation of funding scenarios to assess feasibility and generate discussions about steps needed to change restrictions on funding

Wave 2: 8/15 to 10/31

• Detailed roll out plan for any changes to the organizational model
• Syndication of proposed organizational model changes throughout NCDOT
STRATEGIC PLANNING AND PRIORITIZATION - CONTEXT AND MISSION

Our Team’s Mission

• To introduce a strategic planning and prioritization process that:
  – Allows NCDOT to create and annually refresh strategic plans based on its vision, goals, and evolving industry context
  – Gathers input from stakeholders in a systematic way with
    • Annual formal stakeholder process
    • Formal channels for ad hoc input
  – Generates a transparent system for prioritizing projects

• To establish the structure, roles and responsibilities of a Strategic Planning Office at NCDOT

Context

• Strategic planning at NCDOT has historically been ad hoc, with no systematic annual process

• The result of lack of process is a lack of project prioritization

• Ad hoc pressures from multiple stakeholders further confuse project prioritization
## Example Strategic Planning and Prioritization Process

### Strategic Planning Phases

1. **Pre-work**
2. **Target approval**
3a. **Plan building**
3b. **Support for plan building**
4. **Strategic plan approval**

### CEO/CFO

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
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</thead>
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</tr>
</tbody>
</table>

### External Stakeholders

- **Strategic Planning group** (CEO/CFO)
- **BUs**

### Strategic Planning Group

- **“Off cycle” analysis**
  - Benchmarking innovations/metrics at other DOTs
  - End-user trends
  - Technology changes

- **Framework building** (including prioritization criteria)

- **Target dev’t**

- **Support BU strat analysis & planning**

### Operating Plan Review and Approval

- **Strategic plan review**
- **Operating plan building**
- **Operating plan review and approval**

### Ilustrative Example

- **“Off cycle” analysis**
  - Benchmarking innovations/metrics at other DOTs
  - End-user trends
  - Technology changes

- **Process kickoff**
- **Series of creative plan-building meetings**
EXAMPLE STRUCTURE, ROLES AND RESPONSIBILITIES OF THE STRATEGIC PLANNING OFFICE

Basic elements of structure

CEO

CFO

VP, Strategic Planning

Strategic Planning Director (Pharma)

Strategic Planning Director (ex-Pharma)

Special Projects Director

Strategic Planning Analyst

Special Projects Analyst

Possible high level roles and responsibilities

Option 1

• 2 Directors and 1 Analyst dedicated to strategic planning process for the bulk of the year
  – Will support special projects based on capacity
  – Resources broadly aligned by BU
• 1 Director and 1 Analyst to support ad-hoc special projects

Option 2

• Entire group – 3 Directors and 2 Analysts – to split time between supporting strategic plan and undertaking special projects throughout the years
• Resources broadly aligned by BU

Considerations

• Extent of capacity needed for special projects
• Skill levels of Directors and Analysts
STRATEGIC PLANNING AND PRIORITIZATION - END PRODUCTS AND ACTIVITIES

Wave 1:
6/11 to 8/15

End products

- Strategic planning and prioritization process operating manual, including:
  - Roles and responsibilities of NCDOT internal and external stakeholders
  - Strategic planning timeline that links to budgeting process and external stakeholder cycles
  - Detailed annual process for gathering stakeholder input
  - Annual project prioritization process
  - Process for channeling ad hoc stakeholder input throughout year
- Blueprint for new Strategic Planning Office (SPO), including roles and responsibilities

Activities underway by end of wave

- Syndication of strategic planning and prioritization process with key stakeholders

Wave 2:
8/15 to 10/31

PRELIMINARY

- Finalized Strategic Planning Office organizational chart and roster
- Finalized early public communications of strategic planning process
- Revised training materials on new strategic planning process based on feedback from internal and external stakeholders
- Training key NCDOT strategic planning contributors on new process
- Educating external stakeholders on new strategic planning process (e.g. FHWA and other agencies, MPOs/RPOs, legislators, Board of Transportation members)
- Preparation for roll out of first cycle of new strategic planning process
- Hiring of SPO Staff
PERFORMANCE METRICS AND MANAGEMENT- CONTEXT AND MISSION

Context

• NCDOT has a history of operating with current needs in mind, rather than long-term goals

• There has been some implementation performance management measures within business units, but those efforts are neither linked to NCDOT nor other business unit priorities

• NCDOT’s ad hoc nature of performance indicator generation sometimes led to conflicting needs between units

Our Team’s Mission

• To introduce a performance metrics and management function characterized by:

  – High-level set of metrics tied to NCDOT vision and goals

  – Organization-wide agreement on key performance indicators that suit both NCDOT and individual business unit needs

  – Management focused on leading toward meeting performance metrics

  – Linking of staff performance reviews to overall metrics
PERFORMANCE METRICS AND MANAGEMENT - EXAMPLE DASHBOARD

Research Accounting & Analysis
University of Washington
Dec 2006

Research Accounting and Analysis

National Benchmark

Efficiency

Research Accounting and Analysis

Operational Performance Dashboard

Process / Measure | Current Output Measure | Target | Gap (Target - Output) | Process / Measure | Current Output Measure | Target | Gap (Target - Output)

Customer Perspective

1) NEW BUDGETS
Average number of business days to close a new award from award approval to certification of active budget in FY 2006.

2) REQUEST FOR TRANSFER EXPENDITURE
Number of business days to process RT Ex.

3) INVOICINGS
Number of calendar days to close a budget

4) RECHARGE CENTERS
Average number of calendar days to prepare, review, and approve proposals. Three targets for three levels of review complexity.

9) BILLING
Billing backlog—consultant cost-reimbursable grant expenditures not yet invoiced.

10) AGED RECEIVABLES
Percentage of unpaid invoices past 150 days due.

11) TOTAL UNCOLLECTED
A combination of billing (#9) and aged receivables (#10). Total University’s Accounts Receivable for cost-reimbursable research.

12) DHHS
Potential DHHS write-offs that will de-obligate on Sept 30, 2006.

13) F&A INDIRECT COST
Percent of dollar increase from year to year (fiscal year over fiscal year). Rolling 5-year average.

Financial Perspective

December 2006
Quarter 2 - Fiscal Year 07

12 day
Dec 06
1
don't know

2 day
Dec 06
1
don't know

90 days
Dec 06
75 days
Dec 06

7 day
Dec 06
5 day
Dec 06

12 day
Dec 06
7 day
Dec 06

4 day
Dec 06

4 day
Dec 06

2 day
Dec 06

2 day
Dec 06

2 day
Dec 06

4 day
Dec 06

$12.0 M
Dec 06
$2.3 M
$10.7 M

26%
Dec 06
15.0%
14%

$25.9 M
Dec 06
$2.3 M
$2.3 M

$15 M
Dec 06
$0
$1.2 M

5.4%
Q4 - Q1
Sep 06
5.9%
No gap
## Performance and Talent Reviews

<table>
<thead>
<tr>
<th>Level</th>
<th>Frequency</th>
<th>Daily</th>
<th>Weekly</th>
<th>Monthly</th>
<th>Quarterly</th>
<th>Annually</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate management</td>
<td></td>
<td>Individual coaching and feedback</td>
<td>Individual coaching and feedback</td>
<td>Individual coaching and feedback</td>
<td>Individual coaching and feedback</td>
<td>Annual front-line management talent review</td>
</tr>
<tr>
<td>Business unit management</td>
<td></td>
<td>Individual reviews</td>
<td>Weekly Business Performance review</td>
<td>Monthly Business Performance review</td>
<td>Quarterly Business Performance review</td>
<td>Annual front-line talent review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Individual coaching and feedback</td>
<td>Individual coaching and feedback</td>
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<td></td>
<td>Individual reviews</td>
<td>Individual reviews</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Individual reviews</td>
<td>Individual reviews</td>
<td>Annual front-line talent review</td>
</tr>
</tbody>
</table>

**Example Links with Talent Management**

- Daily Business Performance review
- Weekly Business Performance review
- Monthly Business Performance review
- Quarterly Business Performance review
- Annual management BU talent review
- Annual front-line management talent review
- Annual front-line talent review
PERFORMANCE METRICS AND MANAGEMENT- END PRODUCTS AND ACTIVITIES

Wave 1:
6/11 to 8/15

End products
- Specific dashboard tool (e.g. website or annual hard copy publication) that NCDOT leadership and stakeholders/public can use to monitor performance against list of high-level performance metrics
- Process to manage to and periodically update dashboard
- Roll-out plan for performance management system
  - Including major milestones, timeline for staggered introduction across business units, and schedule for tying metrics to talent management
- Cascading of high-level throughout the NCDOT organization (e.g. metrics for Highways adopted at the state-wide, division, and municipal levels)

Activities underway by end of wave
- Early stages of managing to some metrics in selected business units
- Modifications to IT systems to facilitate metric tracking in progress
- Development of mid- and low-level performance metrics in core operating units (i.e., Division of Highways, Transit, and DMV)
- Linkages between performance management and talent management systems being developed

Wave 2:
8/15 to 10/31

PRELIMINARY

- List of most mid- and low-level performance metrics for use in core operating units (i.e., Division of Highways, Transit, and DMV)
- Preliminary plan for linking performance management and talent management systems, including ties to compensation and promotion
- Roll out and public communication of new dashboard tool
- Development of mid- and low-level metrics for other NCDOT groups
- Continued roll-out of metrics-based management to all NCDOT business units
TALENT MANAGEMENT - CONTEXT AND MISSION

Context

- Talent management function is failing to:
  - Recruit and retain critical talent
  - Drive employee performance
  - Develop managers

- This is driven by:
  - A nominal performance review process without consequences
  - Limited succession and mobility planning for most critical functions
  - An inadequate employee value proposition
  - A view of Human Resources as an administrative function, not a strategic responsibility

Our Team’s Mission

- To introduce a talent management function characterized by:
  - A rigorous performance review process tied to performance metrics effort
  - Improvements in development, succession planning, mobility and retention of talent, particularly high performers
  - A talent value proposition that makes NCDOT an attractive place to launch and build a career
  - Focus on HR as a strategy, not only a function
TALENT MANAGEMENT - TMT WILL FOCUS INITIALLY ON MOST CRITICAL AREAS

Talent management processes

- Talent strategy process
- Competency/value model
- Talent planning
- Development of employer value proposition
- Recruitment & selection
- Onboarding & integration
- Target management
- Talent reviews
- Management of talent review outcome
- Identifying development objectives
- Designing appropriate programs
- Execution, evaluation & review of effects
- Succession planning
- Job rotation & mobility
- Career transfer
- Creation of networks between employees
- Sharing of knowledge and best practices
- Activities to engage and retain top talent
- Alumni management
- Top-team alignment, communication, cultural change
- Organization structure & IT support
- Implementation & review (input, output, results)

Source: McKinsey Organization Practice

Wave one

- TMT to design detailed initiatives
- TMT to advise on high-level policies
- Limited TMT involvement
  Specific TMT focus areas in BOLD

TALENT MANAGEMENT - TMT WILL FOCUS INITIALLY ON MOST CRITICAL AREAS

TMT to design detailed initiatives
TMT to advise on high-level policies
Limited TMT involvement
Specific TMT focus areas in BOLD

Strategy
- Talent strategy process
- Competency/value model
- Talent planning
- Development of employer value proposition
- Recruitment & selection
- Onboarding & integration

Recruit & onboard
- Talent planning
- Development of employer value proposition
- Recruitment & selection
- Onboarding & integration

Review & recognize
- Target management
- Talent reviews
- Management of talent review outcome

Develop
- Identifying development objectives
- Designing appropriate programs
- Execution, evaluation & review of effects

Deploy & rotate
- Succession planning
- Job rotation & mobility
- Career transfer

Engage & connect
- Creation of networks between employees
- Sharing of knowledge and best practices
- Activities to engage and retain top talent
- Alumni management

Embed in culture
TALENT MANAGEMENT- BEST PRACTICES

Talent strategy:
• Articulate a talent strategy that delivers implications of corporate strategy and fits with needs of business environment

Embed in culture:
• Measure talent management outcomes
• Instill talent mindset and capabilities throughout the organization

Engage and connect:
• Build employee engagement to drive productivity
• Building social capital (connections between employees) is essential to make the most of human capital (capabilities)

Recruiting and on-boarding
• Ensure ‘fit’ is built into recruiting criteria
• Recruit for the people you need five years from now, as well as those you need today

Deploy and rotate
• Deploy not just to fill a position, but to fill the pipeline
• Use challenging roles to drive development
• Ensure succession plans cover current and projected needs
• Involve senior leadership in career planning for ‘top talent’

Develop
• Develop a capability building plan based on strategic capability gaps
• For each capability, use appropriate mix of training with on-the-job development (slanted towards the latter)

Review and recognise
• Individual targets reflect overall corporate targets
• Gather review input sufficient to estimate future potential as well as current performance
• Calibrate individual reviews
• Link consequences to clear accountabilities
TALENT MANAGEMENT - END PRODUCTS AND ACTIVITIES

Wave 1: 6/11 to 8/15

End products

- Talent management process operating manual for senior managers, which will include strategic approach to talent management, talent management cycle timelines, list of (and tools for) key talent planning meetings
- Recommended succession planning/mobility policy
- Operating manual for managers to use for employee reviews, including policies, processes, and templates
- NCDOT policy recommendation memos on:
  - High-level process to link talent and strategic planning
  - Enhanced employee value proposition
  - Improved training and development of managers
  - Multiple career trajectories (e.g., tech v. managerial)
- Roll out plan for talent management system pilot

Activities underway by end of wave

- Preparation for roll out of new talent management system
- Evaluation of training, value proposition, and career trajectory options

Wave 2: 8/15 to 10/31

- Identification of “critical” positions to include in the next wave of talent management system roll-outs
- Preliminary plan for linking performance management and talent management systems, including ties to compensation and promotion
- Initial cycle of new talent management process for a pilot group of ~100 critical positions
- Continued training of managers on new employee review process
## OBJECTIVES AND AGENDA FOR TODAY’S DISCUSSION

### Objectives
- Understand the context and aspirations of the transformation
- Introduce the Transformation Management Team (TMT)
- Agree on our priorities as a team
- Understand how we’re going to work together

### Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
</tr>
</thead>
<tbody>
<tr>
<td>9:00 to 9:30</td>
<td>Introductions and Overview</td>
</tr>
<tr>
<td>9:30 to 10:15</td>
<td>Background</td>
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<tr>
<td>10:15 to 11:00</td>
<td>TMT: Organization, Roles, and Working Approach</td>
</tr>
<tr>
<td>11:00 to 12:00</td>
<td>Lessons on transformation and aspiration setting</td>
</tr>
<tr>
<td>12:00 to 12:30</td>
<td>Lunch</td>
</tr>
<tr>
<td>12:30 to 2:45</td>
<td>Detail on TMT workstreams</td>
</tr>
<tr>
<td>2:45 to 3:00</td>
<td>Break</td>
</tr>
<tr>
<td>3:00 to 3:15</td>
<td>Next steps</td>
</tr>
<tr>
<td>3:15 to 5:00</td>
<td>Group meetings</td>
</tr>
</tbody>
</table>
MOVING FORWARD

We will get started this week.

• For our Thursday meeting, please work with your Group to:
  – Complete a draft team charter, defining specific objectives, milestones, resource requirements and interdependencies
  – Complete a timelined workplan of the activities required to accomplish your objectives in this first wave of the TMT’s work
  – Complete your first ‘Weekly Update Templates’, like those that will be shared every Thursday

• Begin work required to accomplish your groups objectives, e.g., information gathering, setting up appropriate interviews, developing alternatives
OBJECTIVES AND AGENDA FOR TODAY’S DISCUSSION

Objectives
- Understand the context and aspirations of the transformation
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</tr>
</tbody>
</table>
TEAM CHARTER: ______________ TEAM

Objective of project
If successful, what will this team have accomplished?

Key milestones
What milestones will indicate that the team is on track to reach its objective?

Key Activities
What must the team do to reach its objective?

Critical resources
Resource required by the team for success, including:
• Key partnerships/constituencies
• Key data resources

Interdependencies with other teams
What do you require of other TMT teams for success? What do they require of you?

Open Issues
Any areas of concern or ambiguity? How critical is their resolution to the project’s ability to move forward?

Level of urgency

Date
### Milestones achieved this period

### Issues outstanding/decisions to be made

<table>
<thead>
<tr>
<th>Issue</th>
<th>Responsible</th>
</tr>
</thead>
</table>

### Next steps

<table>
<thead>
<tr>
<th>Steps</th>
<th>Start</th>
<th>End</th>
<th>Responsible</th>
</tr>
</thead>
</table>
## PROJECT UPDATE (2/2): ______________ TEAM

### Ongoing efforts

<table>
<thead>
<tr>
<th>Deliverables</th>
<th>Deadline</th>
<th>Status</th>
</tr>
</thead>
</table>

### Leadership support required

| Risks/ comments |
Vision Statements and Goals:
Context and Recommendations

Document for Review
June 26, 2007
1. Safety
   • The number of fatalities in North Carolina is the fourth highest of any state.
   • North Carolina’s crash-fatality rate has historically been among the 25 highest in the nation; NC’s current crash-fatality rate per 100 million vehicle miles traveled is 1.51, compared to the national average of 1.45.

2. Maintenance
   • The 2006 Report on the Condition of the State Highway System gave the following grades: Pavement maintenance, D; Traffic signs, D; Pavement striping, D-; Pavement markers, F.
   • The size of the NCDOT system has increased 12.5 percent over the past 10 years, but the resurfacing and maintenance budget has only increased 19 percent.
   • Assets are getting older and more expensive to rehabilitate. On the facilities front, 3.5 million gross square feet, representing approximately 1,400 buildings, are more than 35 years old; and 2 million gross square feet, representing approximately 800 buildings, are more than 50 years old.

3. Mobility
   • Vehicle Miles Traveled have increased 32.6 percent over the past 10 years, but lane miles themselves have increased only 12.5 percent.
   • The average one-way commute increased by 21 percent between 1990 and 2002, from 19.8 minutes to 24 minutes.
   • Traffic congestion in NC costs licensed drivers $775 million annually in delays and wasted fuel.

4. Culture, Mindsets, Accountability
   • NCDOT has too few performance metrics.
   • Talent systems are not retaining critical talent.

5. Organizational effectiveness and delivery
   • Current scoping and project prioritization schemes are inefficient.
   • Funding is restrictive and inflexible.

6. Environmental stewardship
   • Nearly one-third of all North Carolina counties are designated non-attainment for air quality.
   • Environmental lawsuits on US-1, I-26, WSNB have caused dramatic increases in project costs.
   • Median time to complete Environmental Impact Statements in FY 2006 was 60 months. The national average is 14 months.
CRITERIA FOR NEW VISION AND GOALS ADDRESS WEAKNESSES IDENTIFIED IN THE DIAGNOSTIC

<table>
<thead>
<tr>
<th>Diagnostic findings</th>
<th>TMT’s criteria for new vision and goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Many different statements of NCDOT’s vision</td>
<td></td>
</tr>
<tr>
<td>• Various vision statements were not always consistent</td>
<td></td>
</tr>
<tr>
<td>• Goals were not explicitly linked to statewide vision or to measurable targets</td>
<td></td>
</tr>
<tr>
<td>• Vision and goals were not well known throughout the organization</td>
<td></td>
</tr>
<tr>
<td>1. Communicable, memorable, easily understandable language</td>
<td></td>
</tr>
<tr>
<td>2. Realistic, measurable targets</td>
<td></td>
</tr>
<tr>
<td>3. Objectives with applicability across the entire NCDOT organization</td>
<td></td>
</tr>
<tr>
<td>4. Statements directed simultaneously at people who work at NCDOT and are served by NCDOT</td>
<td></td>
</tr>
</tbody>
</table>
PROPOSED VISION STATEMENTS (1 of 2)

<table>
<thead>
<tr>
<th>Vision</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vision</strong></td>
<td><strong>Implications</strong></td>
</tr>
<tr>
<td>NCDOT: Connecting people and businesses in North Carolina safely, efficiently, and with accountability.</td>
<td>• Suggestive of some goal statements (see last slide)</td>
</tr>
<tr>
<td>NCDOT will deliver and manage a highly efficient, safe, reliable transportation system, while operating as a performance-driven organization.</td>
<td>• Assumes NCDOT is broadly responsible for functions of the transportation system</td>
</tr>
<tr>
<td>North Carolina’s transportation system will move people and goods safely, efficiently, and reliably; operate in an environmentally responsible manner; and enhance economic opportunities under the leadership of an effective, highly accountable Department of Transportation.</td>
<td>• Suggests multi-modal choices</td>
</tr>
</tbody>
</table>

TMT’s preferred option
## PROPOSED VISION STATEMENTS (2 of 2)

<table>
<thead>
<tr>
<th>Vision</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCDOT will deliver a fully integrated, multi-modal transportation system that enhances the quality of life of North Carolinians and the state’s economy, with a commitment to operate as an efficient, highly accountable organization.</td>
<td></td>
</tr>
</tbody>
</table>
| NCDOT will focus its investments on a defined set of transportation corridors to move people and goods safely, efficiently, and reliably, and it will operate as an efficient, highly accountable organization. | • Suggestive of many goal statements (see last slide)  
• Poses NCDOT as responsible only for providing integrated modal choices for NC’s citizens and businesses  
• Links the transportation system to the quality of life of NC’s residents and the state’s economic health |
| Focused on Multi-Modal Transportation |  |
| Focused on Specific Corridors |  |
## Proposed Goal Statements

<table>
<thead>
<tr>
<th>Goals</th>
<th>Metrics to use to gauge success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make our transportation network <strong>safer</strong></td>
<td>• Number of crashes and fatalities&lt;br&gt;• Percentage of crashes involving revoked licenses</td>
</tr>
<tr>
<td>Make our transportation network <strong>last longer</strong></td>
<td>• Maintenance Condition Assessment Report metrics&lt;br&gt;• Pavement Condition Assessment Report metrics&lt;br&gt;• Bridge Condition Report metrics</td>
</tr>
<tr>
<td>Make our transportation network <strong>move people and goods more efficiently</strong></td>
<td>• Travel times&lt;br&gt;• Miles congested&lt;br&gt;• Clearance times&lt;br&gt;• Ferry arrival and departure times</td>
</tr>
<tr>
<td>Make our organization a great place to work</td>
<td>• Recruiting yield rates&lt;br&gt;• Attrition rates&lt;br&gt;• Employee satisfaction rates&lt;br&gt;• Facilities condition</td>
</tr>
<tr>
<td>Make our organization a place that works well</td>
<td>• Wait times for license and registration services&lt;br&gt;• Performance management metrics&lt;br&gt;• On-time, on-budget project delivery&lt;br&gt;• On-time, on-budget process delivery</td>
</tr>
</tbody>
</table>
SUPPLEMENTARY GOAL STATEMENT ON THE ENVIRONMENT

The team sees three options for how to include environmental stewardship among NCDOT’s goals.

A. Include environmental stewardship as an explicit goal
   • Additional goal statement: “Make our transportation network greener.”
   • Corresponding metrics: ICAs (Immediate Corrective Actions), NOVs (Notices of Violation), LEED building standards, usage statistics for multi-modal transit, and Environmental Justice Participation, among others.

B. Do not include environmental stewardship as an explicit goal, but include environmental-related metrics with other goals.
   • Corresponding metrics for “Make our transportation network last longer”: decreases in road-building activity in rural areas
   • Corresponding metrics for “Make our transportation network move people and goods more efficiently”: statistics for multi-modal transit
   • Corresponding metrics for “Make our organization a great place to work,”: new square footage of LEED buildings.

C. Include environmental stewardship only as part of an explicit goal.
   • Alternative goal statement: “Make our organization a place that works in the best service of its employees, customers, and the environment.” (In place of goal #5)
   • Corresponding metrics: combine the metrics from option (A), above, with the metrics from goal 5 on the previous slide.
- Strategic Prioritization Process Summit -

September 10, 2007

RBC Center
Why Prioritize?

• Dictionary.com Definition
  – “to organize/arrange something according to its importance”

• NCDOT can’t be “all things to all people”
  – better focus Dept’s energies/communicate our progress
Why Prioritize?

McKinsey Diagnostic

- **Strategic direction is unclear and activities may not align with vision and goals**
  - Only ~30% of employees agree/strongly agree that “NCDOT’s strategy is aligned with its vision.”

- **The result of lack of strategic planning process is a lack of project prioritization**
  - STIP projects are currently not prioritized
  - Diagnostic found that lack of prioritization **may be biggest contributor** to project delivery delays

- **Ad hoc pressures from multiple stakeholders further confuse project prioritization**
  - One of the most critical issues identified in the diagnostic was the absence of a process to prioritize projects based on **systematic**, rather than ad hoc, stakeholder input and then **buffer the organization for external pressures**
Transportation System Impacts
“A Gathering Storm”

• Population Demand
  – 500,000 new residents since 2001
  – 7th most populous state by 2030

• Construction Cost Escalation
  – Spike in global asphalt, cement, steel prices

• Deferred Projects / Cash Shortages
  – Delays in the completion of EXP related projects
  – Less back from Fed-Aid $

• Congestion is worsening
North Carolina Projections 2030
Percent Growth over 1970 basis

- Vehicle Miles Traveled
- Population
- DOT revenues in constant dollars (state funds)
Material Cost Escalation

Construction Inflation
2001 to 2005

+45% Since 2003
Annual Lettings

($ in Millions)
Reduced Federal Outlook

- Receipts
- Outlays
- EOY Balance

$ in Billions


(20)

(10)

(20)
NCDOT

OUR MISSION

Connecting people and places in North Carolina – safely and efficiently, with accountability and environmental sensitivity

OUR GOALS

• Make our transportation network safer
• Make our transportation network move people and goods more efficiently
• Make our infrastructure last longer
• Make our organization a place that works well
• Make our organization a great place to work
Approach since July

- Quantitative and Qualitative Criteria
- Equity Issues
- Statewide or large regional impact
- BOT and local input considerations
- Programs/Services that have been ignored
PV Beta Model

• Technical Criteria
  – Safety
    • fatal and crash severity rates

  – Last Longer
    • pavement roughness and serviceability ratings

  – Move Efficiently
    • congestion relief, v/c, level of service
PV Beta Model

• Qualitative Criteria
  – Environmental Factor
  – Intermodal Connectivity
  – Geographic Balance/equity
  – Local Priorities
  – Economic Equity
• **Discretionary points**
  – Flexible points for BOT input
Brainstorm Questions for Morning Breakouts

Question 1
• 11:10-11:30
Based on NCDOT’s new Mission and Goals, what criteria should we use in prioritizing the Department’s work?
• How do you prioritize within projects / programs / services?
• How do you compare projects vs. services vs. programs vs. initiatives (examples of each)

Question 2
• 11:30-11:45
What should be critical elements of the process to prioritize?
• Get as specific as the time allows: think about involvement of key roles in DOT (inputs); what role key stakeholders should play; timing (every 1 or 3 years), decision-makers, etc.

Question 3
• 11:45-11:55
What current DOT resources or potential new resources should be used in this process?
• Think about best practices that exist in DOTs today; potential new roles; new data to be collected; increased capacity in current roles; software available outside of DOT, etc.
Determining Priorities

- 07-13 TIP Projects - 4 High Level Filters

- Programs/Services - Interviewed 25 Leaders
  - DMV
  - Modal Areas
  - Administration
  - Traffic Safety
  - IT
HOW DID DON AND ALPESH NARROW DOWN THE STIP TO ~30 PROJECTS TO BE CONSIDERED AT THE SUMMIT?

3000 projects in the TIP

600-700 projects

80 projects

Recommended Near Term TIP Priorities ~ 30

Time horizons:
- 13-36 months let list
- 36-60 months
- Prior to scoping and unfunded

Projects on any of the 4 high-level lists:
- Strategic Highway Corridors
- Top 27 bottlenecks
- TIP leadership and BOT input
- PBS&J Report

Most Projects on 2 or more high-level filters
“4 High Level Filters”

Near-Term TIP Priorities

• SHC
  – 5400 miles of 79,000 -- 7% of system

• TIP / BOT / Division Eng input
  – equity and historical needs

• Top 27 Bottleneck Locations
  – fed request in 2006

• PBSJ Report
  – value engineering, high profile projects
Definitions

• **Projects ~ 27**
  – From the 07-13 TIP
    • 13-36 Months (FY 09/10)
    • 36-60 Months (FY 11/12/13)
    • Post Year or Unfunded
    • focus on major bridges and safety issues

• **Programs ~ 21**
  – Formal state or federal programs (ex. Bridge maint)

• **Services ~ 11**
  – Any support service (ex. DMV, IT)
**Business Case For Projects**

**TIP Number (Time Horizon):** (13-36 months let list, 36-60 months, or prior to scoping)

**Project Description:** A brief summary of the project

**Filters Met:**

<table>
<thead>
<tr>
<th>Goal(s) enhanced by proposed initiative</th>
<th>Current Conditions</th>
<th>Expected Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAFETY = Compared crash severity &amp; fatality rates to statewide and regional tier avg</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note: <em>limited safety data for new location projects</em></td>
<td></td>
<td></td>
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<tr>
<td>MOVE EFFICIENTLY = Identified bottlenecks, 2005 V/C ratios from SHC map</td>
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<tr>
<td>LAST LONGER = Indicators of pavement roughness (IRI) and service life (PSR)</td>
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**Challenges/Risk:** Some projects will provoke environmental, political, community, or other opposition, and this may affect the extent to which it is a good choice as a top priority

**Cost:** $ TIP

**Improvement to project’s cross-section allows for consistency with adjacent sections**

**If project is in region under 7-year Equity Target**

**Corridor Continuity**

**Required by state law**

**Local priority**

**Advances econ. development**

**Environmental benefits**

**Earmarked by Fed Law**

**Promotes geographic equity**

**Minimum wetland/stream mitigation expected**

**Other Key Point(s) for why this is a Priority:**

237
# Business Case For Programs & Services

**Program or Service Title:** Federal/State program and/or support service  
**Program or Service Description:** A brief summary of the initiative

<table>
<thead>
<tr>
<th>Goal(s) enhanced by proposed initiative</th>
<th>How the initiative will advance this goal</th>
<th>Specific needs this initiative is solving for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>What specific actions will the initiative take to further the new DOT goal</td>
<td>Ideally, show statistics demonstrating the magnitude of the need we’re solving for</td>
</tr>
<tr>
<td>Move efficiently</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Last longer</td>
<td></td>
<td></td>
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<td>Req’d by state law</td>
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<tr>
<td>Improves coordination and communication in NCDOT</td>
</tr>
<tr>
<td>Advances economic development</td>
</tr>
<tr>
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<tr>
<td>Promotes geographic equity</td>
</tr>
<tr>
<td>Priority of partner agency</td>
</tr>
</tbody>
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### Checklist

- Wise use of funds
- Req’d by state law
- Improves coordination and communication in NCDOT
- Advances economic development
- Environmental benefits
- Req’d by federal law
- Promotes geographic equity
- Priority of partner agency

**Other Key Point(s) for why this is a Priority:**

**Cost:** $______

**Challenges/Risk:**

- Last longer
- A place that works well
- A great place to work

List each of the new NCDOT goals this initiative will advance. Some will fulfill only one or two goals, while others will advance several or all goals.

Ideally, show statistics demonstrating the magnitude of the need we’re solving for.
Your Charge

• Validate near-term priorities
• Right projects, program, services
  – why or why not?
• Input on the BCT (Business Case Template)
• Propose other priorities IF they are good candidates
Reaction Questions For Afternoon Breakouts: Projects

Overall Project List and Filtering Methodology

- First reaction to the 4 filters and interview approach for obtaining near-term priorities?
- First reaction to the list of projects?
- Do these projects seem consistent with the new Mission and Goals?
- Manageable number of TIP projects in each of the 3 timeframes? Too big? Too small?

Specific Questions on Projects

- How do you attempt to start separating projects—which ones strongly stand out and why?
- Should there be balance across the type of improvements being made—new location, vs. modernization, vs. maintenance and preservation? Why or why not?
- Do these projects address statewide or regional type impact?
- Which ones might be more local in nature?

Business Case Templates

- Is the Business Case Template (BCT) a good tool to use for future prioritization efforts? If so are there any improvements you would suggest?
- If the BCT is not good tool what other methodologies would you suggest the DOT uses for profiling/highlighting projects, programs, and services?
Reaction Questions For Afternoon Breakouts: Programs And Services

Overall Program or Service List and Filtering Methodology

• First reaction to the 4 filters and interview approach for obtaining near-term priorities?
• First reaction to the list of programs or services?
• Do these programs or services seem consistent with the new Mission and Goals?

Specific Questions on Programs or Services

• How do you attempt to start separating programs or services—which ones strongly stand out and why?
• Do these programs or services address statewide or regional type impact?
• Which ones might be more local in nature?

Business Case Templates

• Is the Business Case Template (BCT) a good tool to use for future prioritization efforts? If so are there any improvements you would suggest?
• If the BCT is not good tool what other methodologies would you suggest the DOT uses for profiling/highlighting projects, programs, and services?
Synthesis of September 10, 2007 Prioritization Summit

North Carolina Department of Transportation

On September 10th, 2007 more than 50 leaders from across the North Carolina Department of Transportation (NCDOT) gathered in Raleigh to advise the Transformation Management Team (TMT) on the prioritization of projects, programs and services in the near and long terms. This note summarizes the workshop comments and facilitated breakout group discussions on, 1. criteria to use in setting long term priorities, and, 2. specific project, program, and service priorities for NCDOT piloting in the coming 15 months. This note is intended to provide a record of discussion from 10 breakout groups for the consideration of the TMT. It is not a recommendation.

I. LONG TERM CRITERIA

The first breakout discussion focused on three questions. The summary of feedback follows

1. What criteria should we use to prioritize long term programs, projects, and services?

Some of the groups attempted to rank the criteria but there was not consensus on this topic. Nor was there consensus on whether to adopt separate criteria (or weighting) across programs, projects and services, though some groups suggested this also. Suggested criteria included:

- Congestion
- Safety and risk to the public
- Economic impact (e.g., economic development)
- Regional equity considerations
- Environmental impact, compatibility with land use
- A host of relative value for investment-oriented criteria including
  - Efficient use of funds
  - Cost/Benefit comparison of projects to gain greatest impact on objectives
  - ROI
  - Lifecycle cost estimates
  - Impact for investment weighting in VMT terms
- Budget/resource constraints - demand vs. capacity tradeoffs
- Consistency with the mission and goals of NCDOT - results that support the mission and goals
- Execution risk (e.g., with a bias toward mitigating and lowering risk to avoid public mistakes)
- System sustainability for projects - a system view
- Degree of process simplification (e.g., for a program or service)
- Public demand and customer satisfaction (e.g., for services)
- Forward-looking population growth factored into demand
- Regulatory requirements and state and federal law
- Reinforcement of proactive vs. reactive culture - a bias to ward sending the right signals
- Opportunities to develop people - professional and technical
- Communications value with internal and external audiences
- Degree of consistency with the Strategic Highway Corridor
- Political factors - as appropriate

2. **What are the critical elements of a process to set priorities for the department (e.g., important phases, stakeholders to include)?**

On the question of who is involved, a few common themes emerged regarding designing a process to involve more input from employees and the public (including
local governments) earlier in the planning and choosing stages. Beyond that, the dozens of stakeholders involved today should continue to remain involved. One group underscored the importance of prioritizing at the “point of delivery.” That is, regardless of the project or service nature of the priorities, the people closest to the front line are in the best position to inform the prioritization.

At least two groups debated the degree of emphasis on formula-driven choices vs. judgment calls. The consensus favored “informed” judgment calls with right stakeholders represented at the right points in the fact-gathering.

Other suggestions included

- Prioritize according to a variety of funding scenarios
- Revisit prioritization (especially for programs and services) on an annual or semi-annual basis. Start with a greater frequency and possibly reduce the frequency to every two years as the learning grows and as improvement on key indicators stabilizes. One group suggested updating every 1 to 2 years for projects and every 2 to 4 years for programs
- Reflect the (sunk and variable) cost of changing priorities where possible
- Allow new BUs to set local priorities
- Significantly increase the degree of public communication and expectations management
- Criteria should be applied differently to reflect metropolitan, and rural needs, along with state-wide project needs
- Incorporate results of earlier projects with similar assumptions regarding cost and impact need to be reflected in the new project decision-making
- More than a dozen stakeholder bodies continue to be represented across the groups
- Develop multiple funding and packaged scenarios to reflect different packages and compare them on overall impact
- Revisit priorities in the election cycle
- Make results and choices transparent to our employees and to the public
Include all modes in packaging of alternatives as all impact the transportation system.

3. What resources will be required to improve the decision-making and execution on NCDOT initiatives

Most groups cited the need for better collection and analysis of data. There is a great deal of data being used today but that some is flawed or incomplete. It doesn’t get analyzed in a way that recognizes the interdependencies that exist between units of NCDOT and with other state agencies. NCDOT doesn’t use the full power of SAP in data gathering and analysis. In summary, the group agreed on the need for a significantly more reliable, more useful, and strategic approach to data collection and analysis. Several suggested new organizational roles in this regard, possibly through the strategic planning group. Or a “database detective squad.” Others suggested the need for new sources of data (e.g., crash data with GPS locations) Other ideas included:

- Reaching beyond in-house or intra-agency data to analyze and report on externally published reports
- Collecting socio-economic data to inform equity decision-making
- Providing more IT and training support to improve customer service
- Chartering new organizations to improve the degree and quality of public perspective (e.g., local government groups, citizens groups)
- Increasing investment in education to help BOT and MPOs play a more effective role in prioritization
- Testing and deploying new decision-making software
- Creating a new communication office with an objective to solicit pro-active public advice on needs and preferences
- Analyzing and communicating project, program, and service impact on performance metrics
- Increasing training and recruitment for skilled program managers
II. NEAR TERM PRIORITIZATION

The afternoon sessions focused on specific near term priorities. Working from documentation on roughly 50 suggested priorities drawn from an exhaustive scan from across the DOT, separate breakout groups assigned to consider projects, programs, and services commented on the filtering criteria used, and offered suggestions for improving the business case templates. Each group provided specific guidance on the four filters used to do the initial prioritization, on the business case templates, and on specific projects, programs and services to be elevated to “pilot” status for quick and highly visible action (including new projects)

1. Improvements to the filters

Both project groups had little interest in the PBS&J report as a filter. They called for greater representation of

- Safety data and expected impact on crash rates as the highest among the priorities
- Specific geographic/local knowledge
- Cost/benefit rating
- “Buildablity” - feasibility and permitting
- SAFETEA-LU limits
- Importance to local areas
- Support/benefit to other units and other entities/agencies (services)
- Impact on performance targets (services)
- Greater recognition of multi-modal/system impact

2. Improvements to the Business Case Templates

Teams surfaced several recommendations primarily regarding the content, but also the design of the templates. In particular, the one size fits all approach to projects, programs and services felt clunky for the programs and services initiatives. Suggestions included

- Better clarifying guidance regarding the qualitative factors. Otherwise many have elements of all. Particularly for programs and services - -
which are quite broad. Perhaps room for an open-ended list of qualitative benefits would suffice

- Clarity on environmental risks and issues (instead of current wording highlighting the benefits)
- Weighting the value of criteria and having those weights then reflected on the summary value of the project
- Greater reflection of whole network impact
- Some way to bring better clarity to cost/benefit tradeoff and ROI
- Space to show whether the equity formula supports the project (and funding supports in general)
- Include templates for months 60 to 72
- Offer space for secondary benefits (e.g., with a bias toward widening)
- Change wording so that “wise use of funds” falls under “place that works well”
- Cleaner layout (e.g., more lines!)
- Distinguish between internal services and external services
- Reflect WMT increases on roads, or decreases due to alternative modes
- Add a budget filter
- What legal and regulatory requirements does this address (and therefore adds to its significance)
- Alignment with LRTP goals

*September 11, 2007*
CONFIDENTIAL

Perspective on Funding Sources for NCDOT

Document for Discussion
August 22, 2007
**SUMMARY**

- **NCDOT needs more funding** to maintain its transportation network, meet its long-term transportation priorities, and support North Carolina’s rapid growth.

- **There are 7 new sources of funding NCDOT should explore:**
  - Hotel-Occupancy Taxes
  - Car Rental Taxes
  - Mileage-Based Tolling on Urban Loops
  - Local Taxes on Real Property
  - Local Taxes on Vehicle Property
  - General Fund Transfers
  - Utility Encroachment Fees

- **NCDOT should consider increasing 5 of its current sources of funding:**
  - Highway Use Tax
  - Vehicle Registration Fees
  - Motor Vehicle Record Fees for Bulk Purchasers
  - Federal Highway Trust Fund Returns
  - Debt Financing

- **From these sources of funds, there are three combinations which could bear major returns for NCDOT:**
  - **Going for a shot-in-the arm win** with across-the-board increases in local property taxes
  - **Tapping sources of funding most directly related to transportation**, such as tolling urban loops and raising the Highway Use Tax
  - **Focusing tax and fee increases on businesses and out-of-state citizens**, by beginning statewide hotel-occupancy taxes and car rental taxes, increasing motor vehicle record fees for bulk purchasers, and instituting encroachment fees

*Two additional sources of funding were examined: transit advertising and “goldplating” fees, where localities would pay NCDOT for service improvements above a certain baseline level (e.g., requesting iron lampposts instead of fiberglass lampposts). Transit advertising was judged to be too small a source of revenue for North Carolina. It was found that localities already pay for most goldplating activities.*
GIVEN CURRENT TRENDS, NORTH CAROLINA MUST SEEK NEW SOURCES OF FUNDING FOR ITS TRANSPORTATION NETWORK

Strain of external trends

Growing Demand on System
- Doubling of VMT by 2030
- NC population projected to grow by 50% between 2000 and 2030, “7th most populous state by 2030”

Increasing Cost of Supplies
- 80% construction supplies inflation since 2002
- Spike in global asphalt, cement, and steel prices expected to continue

Declining Funding from Current Sources
- State gas tax purchasing power has declined (inflation and mpg)
- Federal Highway Trust Fund program projected to run out of funding by 2009
- Transportation funding flat/declining for FY2008/09*

ASCE Report Card

NC current state:
- Bridges C-
- Roads D

<table>
<thead>
<tr>
<th>Category</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airports</td>
<td>D+</td>
</tr>
<tr>
<td>Bridges</td>
<td>C-</td>
</tr>
<tr>
<td>Dams</td>
<td>D</td>
</tr>
<tr>
<td>Drinking Water</td>
<td>C+</td>
</tr>
<tr>
<td>Rail</td>
<td>B-</td>
</tr>
<tr>
<td>Roads</td>
<td>D</td>
</tr>
<tr>
<td>Schools</td>
<td>C-</td>
</tr>
<tr>
<td>Storm Water</td>
<td>C-</td>
</tr>
<tr>
<td>Waste Water</td>
<td>C-</td>
</tr>
</tbody>
</table>

NC GPA C-

On current course, overall grade will drop to a D in 6 years

* Gas tax cap and increased other agency support
Source: ASCE Report Card; NCDOT internal data
REVENUE POSSIBILITIES FOR NCDOT
$ Millions, Year 1 additional revenues*

For discussion with LT. See page 14

* Except Leveraging Debt, which measures additional revenues every other year over an 8-year period; and General Fund transfers, which measures average annual return over an 8-year period
THREE POSSIBLE FUNDING SCENARIOS COULD BEAR SIGNIFICANT FINANCIAL RETURNS FOR NCDOT

<table>
<thead>
<tr>
<th>Funding Sources Tapped</th>
<th>Year 1 Additional Funding</th>
<th>Implications</th>
</tr>
</thead>
</table>
| **NCDOT goes for the biggest single win** | • Local taxes on real property | $307 million-$1.2 billion | • Will require probable concessions to localities  
• Will cost North Carolina homeowners an additional $54-$216 per year |
| **NCDOT increases funding from sources most directly related to transportation** | • Car-Rental Taxes  
• Tolling Urban Loops  
• Vehicle Property Taxes  
• Encroachment Fees  
• Highway Use Tax  
• Vehicle Registration Fees  
• Motor Vehicle Record Fees | $424 million-$1.3 billion* | • All tax increases not likely to be approved simultaneously  
• Tolling urban loops will require partnership with NCTA  
• Potential impacts on telecom and utility investment in NC |
| **NCDOT focuses tax and fee increases on out-of-staters and businesses** | • Hotel Occupancy Taxes  
• Car-Rental Taxes  
• Encroachment Fees  
• Motor Vehicle Record Fees | $8.5 million-$286 million* | • Potential impacts on state tourism  
• Potential impacts on telecom and utility investment in NC |

* Range assumes all tax and fee increases will be approved.
### CAPTURING REVENUE FROM HOTEL-OCCUPANCY TAXES

**$ Millions**

<table>
<thead>
<tr>
<th></th>
<th>Year 1 additional revenue**</th>
<th>Explanation</th>
<th>Average additional cost for one night’s stay</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High</strong>*</td>
<td>$195.1m</td>
<td>• NC’s hotel-occupancy taxes match the nation’s highest, DC’s, at 8.75%</td>
<td>• $6.62</td>
</tr>
<tr>
<td><strong>Average</strong>*</td>
<td>$95.7m</td>
<td>• NC’s hotel-occupancy taxes match average U.S. hotel-occupancy tax, at 4.294%</td>
<td>• $2.22</td>
</tr>
<tr>
<td><strong>Base</strong>*</td>
<td>$0.2m</td>
<td>• NC’s hotel taxes match the nation’s lowest, OK’s, at 0.1%</td>
<td>• $0.75</td>
</tr>
</tbody>
</table>

* Benchmarking based on all U.S. states which charge hotel-occupancy taxes. For comparison purposes, amount of hotel-occupancy tax adjusted based on whether states charge hotel-occupancy tax in addition to or instead of state sales tax. For example, DC’s official hotel-occupancy tax is 14%, but this is levied in place of DC sales tax of 5.25%, making effective hotel-occupancy tax 8.75%. Hawaii’s official hotel-occupancy tax is 7.25% and is charged in addition to 4.712% on checkout, making effective hotel-occupancy tax 7.25%.

**NC revenue estimates based on total hotel rooms in 2006 (134,390), average occupancy (60.1%), and average room price ($75.63).**

Source: McKinsey research; Commerce Clearinghouse Tax Research Network.
CAPTURING REVENUE FROM CAR RENTAL TAXES

$ Millions

<table>
<thead>
<tr>
<th>Year 1 additional revenue**</th>
<th>Explanation</th>
<th>Additional cost for a one-day $100 car rental</th>
</tr>
</thead>
<tbody>
<tr>
<td>High*</td>
<td>$51.7m</td>
<td>• NC’s car rental taxes match the nation’s highest, AK’s, at 10%</td>
</tr>
<tr>
<td>Average*</td>
<td>$24.0m</td>
<td>• NC’s car rental taxes match the national average, at 4.6361%</td>
</tr>
<tr>
<td>Base*</td>
<td>$0.5m</td>
<td>• NC’s car rental tax matches the nation’s lowest, OK’s, at 0.1%</td>
</tr>
</tbody>
</table>

* Benchmarking based on all U.S. states which impose car-rental taxes. For comparison purposes, amount of car-rental tax adjusted based on whether states charge car-rental tax in addition to or instead of state sales tax. For example, Maine’s official car-rental tax is 10%, but this is levied in place of Maine sales tax of 5% at the time of transaction, making effective car-rental tax 5%. Minnesota’s official car-rental tax is 9.2% and is charged in addition to state sales tax of 6.5% at the time of transaction, making effective car-rental tax 9.2%. Note that the states which charge flat-fee car-rental taxes, FL and NM, were not included in the calculation. Florida charges a $2/day fee; NM charges a 5% tax and a $2/day fee.

**2007 NC car-rental industry revenue estimated at $517.4 million. Projection based on 1997 and 2002 National Economic Censuses, which list total U.S. revenue from the U.S. car-rental industry and NC’s share of total U.S. revenue. In 2002, total U.S. car-industry revenue was $18.6 billion; NC’s share was 2.29%.

## INSTITUTING MILEAGE-BASED TOLLING ON URBAN LOOPS:
### TOLLING ALL VEHICLES***

<table>
<thead>
<tr>
<th>Year 1 profit**</th>
<th>Explanation</th>
<th>Average additional cost for a single 10-mile trip (by passenger car)****</th>
</tr>
</thead>
<tbody>
<tr>
<td>High*</td>
<td>$314.5m</td>
<td>Toll rates match the national high: CA-73, 23¢ per mile for cars; the CA Transportation Corridor, 68¢ per mile for trucks</td>
</tr>
<tr>
<td>Average*</td>
<td>$166.2m</td>
<td>Toll rates match the national urban average: 9¢ per mile for cars; 38¢ per mile for trucks</td>
</tr>
<tr>
<td>Low*</td>
<td>$30.1m</td>
<td>Toll rates match the national low: NJ’s Garden State Parkway, 2.2¢ per mile for cars; the Indiana Toll Road, 9¢ per mile for trucks</td>
</tr>
</tbody>
</table>

* Benchmarking of toll rates per mile based on a selection of most toll roads in the U.S.
** NC revenue estimates based on 2005 traffic counts (the last year for which data is available), expected diversion to free routes, and toll evasion rates in other states. Diversion rates are extrapolated from a scientific study in a neighboring state (effects of tolling I-81 in VA). Cost estimates based on the median operating expenses per mile of several U.S. tolling authorities, excluding initial capital expenses.
*** Future expected yearly revenue will far exceed these figures because diversion rates erode over time, highway traffic can be expected to follow past upward trends, and only 72.43 miles of a total 297.43 miles of interstate loops have been built to date.
**** The average additional cost over a year for a 10-mile daily commute (by car) would be $1,150 with the high toll, $450 with the average toll, or $110 with the low toll.

Source: McKinsey research; GIS data; Virginia DOT toll impact study; news reports and academic studies on tolling rates; tolling authority websites
### INSTITUTING MILEAGE-BASED TOLLING ON URBAN LOOPS: TOLLING COMMERCIAL TRUCKS ONLY***

$ Millions

<table>
<thead>
<tr>
<th>Year 1 profit**</th>
<th>Explanation</th>
<th>Average additional cost for a single 10-mile trip</th>
</tr>
</thead>
<tbody>
<tr>
<td>High*</td>
<td>Toll rates match the national high: the CA Transportation Corridor, at 68¢ per mile for trucks</td>
<td>• $6.80</td>
</tr>
<tr>
<td>Average*</td>
<td>Toll rates match the national urban average: 38¢ per mile for trucks</td>
<td>• $3.80</td>
</tr>
<tr>
<td>Low*</td>
<td>Toll rates match the national low: the Indiana Toll Road, at 9¢ per mile for trucks</td>
<td>• $0.90</td>
</tr>
<tr>
<td></td>
<td>$100.6m</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$63.3m</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$2.7m</td>
<td></td>
</tr>
</tbody>
</table>

* Benchmarking of toll rates per mile based on a selection of most toll roads in the U.S.

**NC revenue estimates based on 2005 traffic counts (the last year for which data is available), expected diversion to free routes, and toll evasion rates in other states. Diversion rates are extrapolated from a scientific study in a neighboring state (effects of tolling I-81 in VA). Cost estimates based on the median operating expenses per mile of several U.S. tolling authorities, excluding initial capital expenses.

***Future expected yearly revenue will far exceed these figures because diversion rates erode over time, highway traffic can be expected to follow past upward trends, and only 72.43 miles of a total 297.43 miles of interstate loops have been built to date.

Source: McKinsey research; GIS data; Virginia DOT toll impact study; news reports and academic studies on tolling rates; tolling authority websites
## INCREASING LOCAL TAXES ON REAL PROPERTY

### $ Millions

<table>
<thead>
<tr>
<th>Year 1 additional revenue**</th>
<th>Explanation</th>
<th>Additional taxes for the average NC homeowner***</th>
</tr>
</thead>
<tbody>
<tr>
<td>High*</td>
<td>$1,229m</td>
<td>• Average local real property tax rate is raised by 0.2% (20¢ per $100)</td>
</tr>
<tr>
<td>Average*</td>
<td>$614.7m</td>
<td>• Average local real property tax rate is raised by 0.1% (10¢ per $100)</td>
</tr>
<tr>
<td>Base*</td>
<td>$307.3m</td>
<td>• Average local real property tax rate is raised by 0.05% (5¢ per $100)</td>
</tr>
</tbody>
</table>

* No localities in neighboring Southeastern states were found to have increased property taxes to fund transportation projects. Benchmarking based on sales taxes localities in neighboring Southeastern states have added to fund transportation projects. High case is Beaufort County, SC, which charges an additional 1% sales tax to fund transportation projects. 1% was discounted to 0.2%, given recent statewide sales tax decreases.  
**Total valuation of real property in NC in FY2007: $614,693,874,746.  
Source: NC 2007 Taxable Real Property by County; 2006-07 Tax Rates Per $100 Assessed Valuation; U.S. Census 2000; McKinsey research
### INCREASING LOCAL VEHICLE PROPERTY TAXES

$ Millions

<table>
<thead>
<tr>
<th>Year 1 additional revenue**</th>
<th>Explanation</th>
<th>Additional taxes for the average NC car-owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>High* $80.5m</td>
<td>• Vehicle property taxes are raised 5%, and NCDOT collects 95% of tax revenues.</td>
<td>• $5.90***</td>
</tr>
<tr>
<td>Average* $76.7m</td>
<td>• NCDOT collects 95% of current vehicle property tax revenues, up from 85%.</td>
<td>• None</td>
</tr>
<tr>
<td>Base* $38.3m</td>
<td>• NCDOT collects 90% of current vehicle property tax revenues, up from 85%.</td>
<td>• None</td>
</tr>
</tbody>
</table>

*Based on the following assumptions: (1) Localities currently collect 85% of local vehicle property tax revenue, (2) NCDOT will have better enforcement once collection authority is transferred to it, and (3) NCDOT will be able to retain the revenues it collects over the 85% baseline.

**Valuation of classified registered motor vehicles in NC in FY2007 was $70,853,483,504. Given 1.082% average jurisdictional property tax rate, and assuming 100% collection, total NC vehicle property tax revenue for FY2007 should have been $766,634,692. Assuming 85% collection rate, total NC vehicle property tax revenue for FY2007 was $651,639,488.

*** A 5% increase in vehicle property taxes equals $38.3 million in additional revenues. Total number of vehicle registrations in FY2007 was 6,493,642. $38.3 million divided by 6,493,642 registrations equals ~$5.90.

Source: NCDOT, Edmunds
FADING OUT HTF TRANSFERS TO THE GENERAL FUND

$ Millions

<table>
<thead>
<tr>
<th></th>
<th>Average additional revenue per year over 8 years*</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>$175.3m</td>
<td>• Stop General Fund transfers immediately in 2008, mimicking Governor Mark Warner’s actions in VA in 2004</td>
</tr>
<tr>
<td>Average</td>
<td>$142.9m</td>
<td>• Fade out transfers incrementally over 4 years, at 25% per year</td>
</tr>
<tr>
<td>Base</td>
<td>$99.2m</td>
<td>• Fade out incrementally over 8 years, at 12.5% per year</td>
</tr>
</tbody>
</table>

*8-year time period chosen to correspond with proposed Strategic Planning cycles. Growth rate in General Fund transfers from 2007 through 2015 metered at .1159%, based on known growth rate in transfers between 2008 and 2009.

Source: Conference Report on the Continuation, Capital, and Expansion Budget; McKinsey research
### Instituting Utility Encroachment Fees

**$ Millions**

<table>
<thead>
<tr>
<th>Year 1 additional revenue**</th>
<th>Explanation</th>
<th>Average additional cost per mile of encroachment</th>
</tr>
</thead>
<tbody>
<tr>
<td>High*</td>
<td>$5.9m</td>
<td>• NC’s encroachment fees are 10% above fees to recoup total inspection and review costs</td>
</tr>
<tr>
<td>Average*</td>
<td>$5.3m</td>
<td>• NC’s encroachment fees recoup total inspection and review costs</td>
</tr>
<tr>
<td>Base*</td>
<td>$1.1m</td>
<td>• NC’s encroachment fees match Virginia’s proposed fees, at $250/mile</td>
</tr>
</tbody>
</table>

* Benchmarking based on surrounding states. Only Virginia has proposed a system for charging for encroachments. This July, the Transportation Board proposed charging $250 per mile of encroachment.

** Division managers provided estimates for number of linear feet of encroachments reviewed per year in their divisions and estimates for the number and type of employees who review encroachments. Multiplying total employees per each type by pay level, we computed the total dollars spent in 2006 on reviewing and inspecting encroachments. We divided total miles of encroachments by total amount spent reviewing and inspecting to arrive at total amount spent per mile, ~$1,205.

Encroachments examined include telecommunications lines and gas and water pipes.

Source: NCDOT Division Managers; McKinsey research.
<table>
<thead>
<tr>
<th>Year 1 additional revenue**</th>
<th>Explanation</th>
<th>Average additional amount paid per car purchase***</th>
</tr>
</thead>
<tbody>
<tr>
<td>High* 800m</td>
<td>• NC raises highway use tax by 4%, to equal TN’s state vehicle sales tax of 7%</td>
<td>• $510</td>
</tr>
<tr>
<td>Average* 350m</td>
<td>• NC raises highway use tax by 1.75%, to equal the average vehicle sales tax of its neighboring states**</td>
<td>• $223</td>
</tr>
</tbody>
</table>

* Benchmarking based on vehicle sales taxes in neighboring states: VA = 3%; SC = 5%; TN = 7%; GA = 4%. Average of VA, SC, TN, and GA=4.75%. Note that if Florida and Texas, whose respective state vehicle sales taxes are 6% and 6.25%, were included in the calculation of the average case, the average tax would be 5%, yielding an additional $50 million for NC under the average-case scenario.
** Based on assumption that every one percent of the Highway Use Tax yields $200 million in revenue for the state.
*** Average price of a car in the United States in 2005 was $12,752.

Source: McKinsey research; Bureau of Transportation Statistics
### RAISING VEHICLE REGISTRATION FEES

<table>
<thead>
<tr>
<th>Year 1 additional revenue**</th>
<th>Explanation</th>
<th>Average additional amount paid by NC citizens</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High</strong>* $74.7m</td>
<td>• NC raises its vehicle registration fees by $11.50 to match VA’s*</td>
<td>• $11.50</td>
</tr>
<tr>
<td><em>Average</em> $-7.3</td>
<td>• Average registration fees for cars in surrounding states is $26.88, less than NC’s.**</td>
<td>• None</td>
</tr>
</tbody>
</table>

* Benchmarking based on vehicle registration fees for private automobiles and trucks in NC’s neighboring states: VA=$39.50, SC=$24, TN=$24, GA=$20

** Total vehicle registrations in NC in FY2007 was 6,493,642. Note that Texas’ vehicle registration fee is $50.80. If this were considered the high case, NC’s revenues would rise by $148.1 million. Note that if Florida and Texas were included in the calculation of the average case, their vehicle registration fees, respectively at $35.10 and $50.80, would push the average-case rate to $32.23. Were NC to raise its registration fees to $32.33, it would yield an additional $27.5 million for the state.

Source: McKinsey research
RAISING MOTOR VEHICLE RECORD FEES FOR BULK PURCHASERS

$ Millions

<table>
<thead>
<tr>
<th>Year 1 additional revenue**</th>
<th>Explanation</th>
<th>Additional fees for bulk purchasers</th>
</tr>
</thead>
<tbody>
<tr>
<td>High*</td>
<td>• Bulk MVR fees are increased 50%</td>
<td>• $4</td>
</tr>
<tr>
<td>$33.6m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average*</td>
<td>• Bulk MVR fees are increased 25%</td>
<td>• $2</td>
</tr>
<tr>
<td>$16.8m</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base*</td>
<td>• Bulk MVR fees are increased 10%</td>
<td>• $0.80</td>
</tr>
<tr>
<td>$6.7m</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*No benchmarking data was found on what neighboring states charge for bulk MVR requests. Average individual requests for neighboring states (VA, SC, TN, GA) are $6.50 for limited MVRs and $7.75 for certified MVRs. Highest-case in the United States is Rhode Island, which charges a $19.50 flat fee for all record requests.

**Number of bulk MVR requests in 2006 in NC was 8,393,623, at $8 each. Total revenue from bulk requests, based on these numbers, was $67,148,984.

Source: NC DMV.
GETTING NC’S FAIR SHARE OF RETURNS FROM CONTRIBUTIONS TO THE FEDERAL HIGHWAY TRUST FUND*

$ Millions

<table>
<thead>
<tr>
<th>Year 1 additional revenue</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>• NC’s return is equal to the median state return**</td>
</tr>
<tr>
<td>$82.3m</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>• NC gets dollar-for-dollar return</td>
</tr>
<tr>
<td>$35.0m</td>
<td></td>
</tr>
<tr>
<td>Base</td>
<td>• NC’s return is equal to the average donor state’s return</td>
</tr>
<tr>
<td>$13.1m</td>
<td></td>
</tr>
</tbody>
</table>

* Based on historical transfers between 1957 and 2005, North Carolina’s return ratio is 0.9. Average amount contributed per year between 1957 and 2005 was ~$364 million.

** Median state ratio=1.13. Median state ratio taken instead of mean state ratio to discount outlying states, e.g. Alaska, Hawaii, and the District of Columbia, whose return ratios are well above the national average. Average donor state ratio=0.94.

Source: Federal Highway Administration
INCREASING NCDOT’S ABILITY TO LEVERAGE DEBT

$ Millions

<table>
<thead>
<tr>
<th>Average additional revenue every other year, over 8 years*</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>High*</td>
<td>• New bonds issued every 2 years. Debt service ratio does not exceed SC’s, at 10.8%</td>
</tr>
<tr>
<td>Average*</td>
<td>• New bonds issued every 2 years. Debt service ratio does not exceed average of surrounding states, which is 7.05%.</td>
</tr>
<tr>
<td>Base*</td>
<td>• No new bonds issued. Debt service ratio does not exceed 3.1%.</td>
</tr>
</tbody>
</table>

Since debt leverage is a timing instrument, rather than a source of sustainable, long-term revenue, it is included as the final source of funding in this document.

*Benchmarking of debt/service ratios done on states surrounding NC: SC=10.80; VA=3.30. Note: Still waiting on data from GA and TN.
**8 year time period chosen to correspond with projects programmed in TIP.
Source: NCDOT Cash Management Unit; North Carolina State Treasurer's Office, “Debt Affordability Study 2007”
<table>
<thead>
<tr>
<th>Precision of Inputs</th>
<th>Explanation</th>
<th>Suggested next steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Taxes</td>
<td>Good data on number of hotel rooms in NC, average occupancy in 2006, and average room price</td>
<td>Gather 2007 data in January 2008</td>
</tr>
<tr>
<td>Car Rental Taxes</td>
<td>Revenue projections for NC car-rental industry based on 1997 and 2002 National Economic Census</td>
<td>Cross-check with 2007 National Economic Census; contact Alaska and Minnesota Departments of Revenue to check profitability of tax</td>
</tr>
<tr>
<td>Tolling Urban Loops</td>
<td>Average distance traveled by cars estimated; diversion rates projected based on data from other U.S. roads</td>
<td>Get more exact measures of distance traveled on loops; pilot toll program on one section of one loop to assess diversion rates</td>
</tr>
<tr>
<td>Real Property Taxes</td>
<td>Good data on valuation of real property in NC, but unknown what proportion of taxes are actually collected</td>
<td>Identify what proportion of real property taxes are actually collected</td>
</tr>
<tr>
<td>Vehicle Property Taxes</td>
<td>Good data on valuation of vehicle property in NC, but unknown what proportion of taxes are actually collected</td>
<td>Identify what proportion of vehicle property taxes are actually collected</td>
</tr>
<tr>
<td>HTF General Fund Transfers</td>
<td>General Fund transfers can change significantly from year to year</td>
<td>Monitor OSBM revenue projections</td>
</tr>
</tbody>
</table>

=precise data for inputs; =very good data, but some lack of clarity; =good data, but variability year to year; =data based on estimates
### EVALUATION OF OUR ESTIMATES (2 of 2)

<table>
<thead>
<tr>
<th>Precision of Inputs</th>
<th>Explanation</th>
<th>Suggested next steps</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Encroachment Fees</strong></td>
<td>Very rough estimates of number and length of encroachments, as well as time spent in review and inspection, made by division managers</td>
<td>For one year, conduct exact record-keeping of number and length of encroachments per division, and hours spent reviewing encroachments</td>
</tr>
<tr>
<td><strong>Highway Use Tax</strong></td>
<td>Estimates based on rule of thumb that every one percent of the Highway Use Tax produces $200 million in revenue</td>
<td>Get exact numbers on number of vehicles sold per year in North Carolina and average vehicle price</td>
</tr>
<tr>
<td><strong>Registration Fees</strong></td>
<td>Good data on numbers of automobiles and light trucks sold in North Carolina in 2006</td>
<td>Benchmark other states around the U.S. to see what the highest-case registration fees are</td>
</tr>
<tr>
<td><strong>MVR Fees</strong></td>
<td>Good data on number of bulk MVRs sold last year</td>
<td>Assess growth rates from year to year</td>
</tr>
<tr>
<td><strong>Fair Share of Returns</strong></td>
<td>Good data on historical payments to and allocations and apportionments from Federal Highway Trust Fund, 1957-2005, but variability year to year</td>
<td>Assess on a year-by-year basis</td>
</tr>
<tr>
<td><strong>Leveraging Debt</strong></td>
<td>Good debt affordability assumptions from Treasury Dept. study, but minor adjustments due to bond market fluctuations may be needed.</td>
<td>Request that State Treasurer’s office review calculations</td>
</tr>
</tbody>
</table>

[268]
## STATE TAX PROFILES

<table>
<thead>
<tr>
<th>State</th>
<th>Sales</th>
<th>Income (Low-High)</th>
<th>Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Carolina</td>
<td>4.25</td>
<td>6-8</td>
<td>Local</td>
</tr>
<tr>
<td>Virginia</td>
<td>4</td>
<td>2-5.75</td>
<td>Local</td>
</tr>
<tr>
<td>South Carolina</td>
<td>6</td>
<td>2.5-7</td>
<td>Local</td>
</tr>
<tr>
<td>Georgia</td>
<td>4</td>
<td>1-6</td>
<td>Local</td>
</tr>
<tr>
<td>Tennessee</td>
<td>7</td>
<td>Limited to Dividends and Interest</td>
<td>Local</td>
</tr>
</tbody>
</table>

Source: FTA
## DETAILED DATA FOR TOLLING URBAN LOOPS

### Revenue Summary

<table>
<thead>
<tr>
<th>Loop</th>
<th>Low toll yearly revenue (includes cars and trucks)</th>
<th>Average toll yearly revenue (includes cars and trucks)</th>
<th>High toll yearly revenue (includes cars and trucks)</th>
<th>Low toll on trucks only yearly revenue (includes trucks only)</th>
<th>Avg toll on trucks only yearly revenue (includes trucks only)</th>
<th>High toll on trucks only yearly revenue (includes trucks only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charlotte</td>
<td>33,468,147.41</td>
<td>127,315,190.47</td>
<td>229,644,632.80</td>
<td>14,559,183.35</td>
<td>56,374,734.76</td>
<td>82,101,310.04</td>
</tr>
<tr>
<td>Raleigh</td>
<td>9,538,916.96</td>
<td>36,286,712.10</td>
<td>65,452,116.47</td>
<td>4,149,582.57</td>
<td>16,067,633.11</td>
<td>23,400,067.52</td>
</tr>
<tr>
<td>Greensboro</td>
<td>5,513,767.28</td>
<td>20,974,759.17</td>
<td>37,833,198.45</td>
<td>2,398,577.60</td>
<td>9,287,552.26</td>
<td>13,525,920.98</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$48,520,831.66</td>
<td>$184,576,661.74</td>
<td>$332,929,947.72</td>
<td>$21,107,343.52</td>
<td>$81,729,920.13</td>
<td>$119,027,318.54</td>
</tr>
</tbody>
</table>

### Cost Summary

<table>
<thead>
<tr>
<th>Loop</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charlotte</td>
<td>11,705,713.82</td>
</tr>
<tr>
<td>Raleigh</td>
<td>3,401,244.20</td>
</tr>
<tr>
<td>Greensboro</td>
<td>3,283,341.23</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$18,390,299.25</td>
</tr>
</tbody>
</table>

### Profit Summary

<table>
<thead>
<tr>
<th>Loop</th>
<th>Low toll yearly profit</th>
<th>Average toll yearly profit</th>
<th>High toll yearly profit</th>
<th>Low toll on trucks profit</th>
<th>Avg toll on trucks only profit</th>
<th>High toll on trucks profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charlotte</td>
<td>21,762,433.59</td>
<td>115,609,476.65</td>
<td>217,938,918.98</td>
<td>2,853,469.53</td>
<td>44,669,020.94</td>
<td>70,395,596.22</td>
</tr>
<tr>
<td>Raleigh</td>
<td>6,137,672.76</td>
<td>32,885,467.90</td>
<td>62,050,872.28</td>
<td>748,338.37</td>
<td>12,666,388.92</td>
<td>19,998,843.33</td>
</tr>
<tr>
<td>Greensboro</td>
<td>2,230,426.05</td>
<td>17,691,417.93</td>
<td>34,549,857.22</td>
<td>-884,763.63</td>
<td>6,004,211.03</td>
<td>10,242,579.74</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$30,130,532.41</td>
<td>$166,186,362.49</td>
<td>$314,539,648.47</td>
<td>$2,717,044.27</td>
<td>$83,339,620.88</td>
<td>$100,837,019.20</td>
</tr>
</tbody>
</table>

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## DETAILED DATA FOR TRANSPORTATION TAXES AND FEES

*Bringing North Carolina’s Taxes and Fees Up to Par with Other States*

| Source                      | NC   | VA   | SC   | TN   | GA   | Average | NC Volume** | FY 2007 Revenue | Average Case ($) | Change ($)      | High Case ($)   | Change ($)      |
|-----------------------------|------|------|------|------|------|---------|-------------|-----------------|------------------|----------------|----------------|----------------|----------------|
| **TRANSPORTATION TAXES**   |      |      |      |      |      |         |             |                 |                  |                 |                 |                 |                 |
| State Motor Fuel Tax (c/g)  | 0.297| 0.175| 0.16 | 0.2  | 0.213| 0.187   | 5,326,948,532 | $1,582,103,714.00 | $996,139,375.48 | ($585,964,338.52) | $1,582,103,714.00 | $0.00          |
| State Vehicle Sales Tax (%) | 0.03 | 0.03 | 0.05 | 0.07 | 0.04 | 0.0475  | N/A         | $605,047,356.00 | $1,005,047,356.00 | $350,000,000.00 | $1,405,047,356.00 | $800,000,000.00 |
| **TRANSPORTATION FEES**     |      |      |      |      |      |         |             |                 |                  |                 |                 |                 |                 |
| Registration Fees           | 28   | 39.5 | 24   | 24   | 26.875| 26.45   | 6,493,642   | $181,821,976.00 | $174,516,628.75 | ($7,305,347.25) | $256,498,859.00 | $74,676,883.00 |
| Drivers Licenses ($/year)   | 4    | 4    | 2.5  | 4    | 3.6   | 3.6     | 6,900,000   | $27,600,000.00 | $24,840,000.00 | ($2,760,000.00) | $27,600,000.00 | $0.00           |
| Certificates of Title ($)   | 40   | 10   | 15   | 10.5 | 18    | 13.38   | 2,455,482   | $98,219,280.00 | $32,842,071.75 | ($65,377,208.25) | $98,219,280.00 | $0.00           |

*Highway Use Tax in NC*  
**Volume in (1) Gallons, (2)%, (3) Number of automobiles and light trucks sold, (4) Number of driver's licenses, (5) Number of title transactions*
**DETAILED DATA FOR LEVERAGING DEBT**

**Debt Structuring Assumptions**
- 4% rate
- 15 year maturity
- Annual Principal payment (approximately 1/15 of bond amount)
- Semi-annual interest payment

**Revenue Projections**
- From NCDOT Long-Range (25 revenue projections)
  - Motor Fuel Gas Tax capped at 29.9 cents
  - Highway Fund* average annual growth 1.33%
  - Highway Trust Fund* average annual growth 1.83%

* Gross revenues (does not include transfers to other agencies or GF)
Organizational Effectiveness Options
TODAY’S DISCUSSION

Objectives

Agree on next steps for the effectiveness workstream:
• Which options for structural change deserve further investigation
• Timeline for implementation

Agenda

• Review team’s analysis of the most significant structural challenges facing NCDOT
• Review the spectrum of options for overcoming each challenge:
  – Low-touch options, requiring new linkages or additions to NCDOT’s current structure, but no major reorganization
  – Medium-touch options, requiring some structural change
  – High-touch options, requiring major structural shifts
• Review and discuss pros and cons of each option
• Decide which options deserve further investigation
• Decide timeline and other next steps
THE EFFECTIVENESS WORKSTREAM HAS IDENTIFIED 4 MAJOR STRUCTURAL CHALLENGES AT NCDOT

- A silo culture across the Department, leading to limited coordination among business units
- Insufficient accountability for project delivery
- Inconsistent coordination across geographies in planning, designing, delivering, and maintaining projects
- A slow, sometimes bureaucratic decision-making process across the organization
## THE 4 CHALLENGES HAVE SIGNIFICANT IMPLICATIONS ACROSS THE DEPARTMENT

<table>
<thead>
<tr>
<th>#</th>
<th>Challenges</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Coordination among BUs</strong></td>
<td>• Siloed knowledge makes “operating the system” difficult, e.g.:</td>
</tr>
<tr>
<td></td>
<td>• Because employees tend to focus on meeting unit-specific goals, as opposed to organization-wide goals, there is insufficient coordination between business units</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Within DOH, information collected by Traffic Congestion may not be regularly shared with planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Information on a project site collected by DOH may not be adequately shared with Rail Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Best practices may be insufficiently shared across the Department</td>
</tr>
<tr>
<td>2</td>
<td><strong>Project accountability</strong></td>
<td>• Project delivery is often slow and inefficient</td>
</tr>
<tr>
<td></td>
<td>• Accountability for successful project delivery is often unclear</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td><strong>Coordination across geographies</strong></td>
<td>• Division managers coordinate some processes (e.g., planning) with staff familiar with their regions; they coordinate others (e.g., roadway) with whomever is available</td>
</tr>
<tr>
<td></td>
<td>• There is limited geographical continuity in the planning, design, delivery, and maintenance process</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td><strong>Bureaucracy</strong></td>
<td>• Decision-making processes can be extended and inefficient, reducing the Department’s productivity</td>
</tr>
<tr>
<td></td>
<td>• In some parts of the organization, too many decision-making layers exist between senior, middle, and lower management</td>
<td>• Unit heads are often given limited independent decision-making power</td>
</tr>
</tbody>
</table>
A SPECTRUM OF OPTIONS EXIST TO OVERCOME EACH CHALLENGE

<table>
<thead>
<tr>
<th>Lowest touch</th>
<th>Highest touch</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Coordination among BUs</strong></td>
<td>Create wider and more formal linkages within DOH, and between DOH and other branches</td>
</tr>
<tr>
<td><strong>2. Project Accountability</strong></td>
<td>Designate single project managers with end-to-end accountability for a project’s success</td>
</tr>
<tr>
<td><strong>3. Coordination across geographies</strong></td>
<td>Assign employees in preconstruction and asset management units to develop expertise on specific regions</td>
</tr>
<tr>
<td><strong>4. Bureaucracy</strong></td>
<td>Streamline decision-making at NCDOT by reducing the length of decision-making chains</td>
</tr>
</tbody>
</table>
## COORDINATION AMONG BUSINESS UNITS

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create wider and more formal</td>
<td>Arrange more regular meetings between all business units relevant to the project delivery process</td>
<td>• Allows NCDOT to better “operate the system”&lt;br&gt;• Enables more collaborative decision-making&lt;br&gt;• Allows more employees to take on leadership roles</td>
<td>• May provide relatively sporadic coordination between BUs&lt;br&gt;• Meetings can turn into social events if clear objectives are not set beforehand</td>
</tr>
<tr>
<td>formality of linkages within</td>
<td></td>
<td>• Allows NCDOT to better “operate the system”&lt;br&gt;• Creates a hub for project coordination—a “center of excellence” where NCDOT’s best engineers can advise other BUs</td>
<td></td>
</tr>
<tr>
<td>DOH, and between DOH and other</td>
<td></td>
<td>• Allows NCDOT to fully “operate the system”: planning, design, and other processes are viewed in terms of the whole network&lt;br&gt;• Orients NCDOT strongly around efficiency&lt;br&gt;• Centralizes functional expertise</td>
<td></td>
</tr>
<tr>
<td>branches</td>
<td></td>
<td>• Creates potential bottleneck for decision-making in the middle of the organizational structure</td>
<td></td>
</tr>
<tr>
<td>Centralize project coordination in Chief Engineer’s Office</td>
<td>Turn Chief Engineer’s Office into a “control center” for project coordination, enforcing links within DOH and between DOH and other branches</td>
<td>• Allows NCDOT to fully “operate the system”: planning, design, and other processes are viewed in terms of the whole network&lt;br&gt;• Orients NCDOT strongly around efficiency&lt;br&gt;• Centralizes functional expertise</td>
<td></td>
</tr>
<tr>
<td>Completely reorganize NCDOT around functions and processes</td>
<td>Draft a new organizational chart for NCDOT based on process flows (<em>how</em> things get done, not just <em>who</em> gets things done)</td>
<td>• Allows NCDOT to fully “operate the system”: planning, design, and other processes are viewed in terms of the whole network&lt;br&gt;• Orients NCDOT strongly around efficiency&lt;br&gt;• Centralizes functional expertise</td>
<td></td>
</tr>
</tbody>
</table>
CREATING WIDER AND MORE FORMAL LINKAGES BETWEEN BUSINESS UNITS CAN ENHANCE INFORMATION-SHARING

- These linkages provide a designed set of interactions connecting individuals across organizational silos, helping NCDOT to better “operate the system”
- The primary goal of these linkages is to increase the volume and value of the exchange of intangibles across the enterprise (i.e., productive interactions), and to:
  - Build and disseminate knowledge
  - Develop and mobilize talent
  - Build collective capabilities that transcend individual members

EXAMPLE

Peer group of upper-level managers
- Share operating practices

Formal meetings between unit managers
- Review needs; discuss issues with particular projects; agree on standards

Community of practice for engineers
- Share technical tips
AN EXPANDED CHIEF ENGINEER’S OFFICE WOULD CENTRALIZE COORDINATION

- **Within DOH:**
  - A new reporting line would be drawn between the Chief Engineer’s Office and preconstruction
  - An expanded Chief Engineer’s Office would directly coordinate strategy between the planning, design, delivery, and maintenance processes

- **Across NCDOT,** the Chief Engineer’s office would:
  - Ensure collaboration between DOH and other modes, so expertise is shared across the Department
  - Foster better information-sharing between units in DOH and units relevant to the project delivery process (e.g., engineering traffic systems)

How would expanding the role of the Chief Engineer’s Office change the roles immediately above and below it?
PROCESS-BASED ORGANIZATIONAL STRUCTURES CAN ENHANCE OPERATIONAL EFFICIENCY…

Key characteristics

- One form of matrix organized around core processes as primary dimension
- The other dimension typically organized by geography or product
- Core processes identified based on customer needs or key performance objectives
- Different personnel with functional skills form core process team on permanent basis
- Emphasis moved from functional depth to cross-functional skills
- Increased use of IT to integrate across functions, streamline process and meet performance objective
...AND CAPTURE THE ‘PROCESS FLOW’ CHART THE TEAM CREATED SEVERAL WEEKS AGO

In the team’s “process flow” chart, NCDOT would be:
• **Primarily** organized by *how things get done*
• **Secondarily** organized by *who is responsible for doing it*

* This function may fall outside the control of the group directly responsible for the plan to ensure proper checks and balances within the organization
## PROJECT ACCOUNTABILITY

<table>
<thead>
<tr>
<th>Option</th>
<th>Designate single project management teams with end-to-end accountability for a project’s success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>At the beginning of a project’s planning phases, a team of three people, from planning, design, and delivery, are placed in charge of overseeing every aspect of the project’s progress until delivery is complete</td>
</tr>
<tr>
<td>Pros</td>
<td>• Creates single-point accountability for the successful planning, design, and delivery of projects</td>
</tr>
<tr>
<td>Cons</td>
<td>• May require adding capacity to certain units, as employees focus on single projects for extended periods</td>
</tr>
</tbody>
</table>

Other options being developed as part of the pilot delivery process
Assign employees in preconstruction and asset management to develop expertise on specific regions

Organize the entire delivery process, beginning to end, around North Carolina’s 3 regions

Decentralize preconstruction and asset management units and have them report to the 14 division heads

### Option

**Assign employees in preconstruction and asset management to develop expertise on specific regions**

- Employees in each preconstruction and asset management unit are required to develop an expertise in one of the 3 regions of the state

### Description

- Divide precon and asset mgmt into eastern, central, and western branches
- Group divisions by region
- Create three new regional heads—replacing the directors of precon, asset mgmt, and field ops—and make them responsible for all planning, design, delivery, and maintenance activities in their respective regions

### Pros

- Improves geographic continuity in the project delivery process

### Cons

- Creates a potential imbalance in workload, e.g. if the eastern region has a spike in projects and the western region has a lull

### Organize the entire delivery process, beginning to end, around North Carolina’s 3 regions

- Divide precon and asset mgmt into eastern, central, and western branches
- Group divisions by region
- Create three new regional heads—replacing the directors of precon, asset mgmt, and field ops—and make them responsible for all planning, design, delivery, and maintenance activities in their respective regions

### Decentralize preconstruction and asset management units and have them report to the 14 division heads

- All preconstruction and asset management branches are divided into 14 divisional units
- These units report to each of the 14 division heads, who are responsible for all planning, design, delivery, and maintenance activities in their respective regions

### Pros

- Formalizes geographic continuity in the project delivery process

### Cons

- May create significant operational disruptions
- May be better to keep expertise centralized
WHAT EACH OF THE THREE GEOGRAPHICAL OPTIONS MIGHT LOOK LIKE

Lowest touch

- No major change to structure; regional expertise is assigned to units where regional divisions of labor do not now exist (as identified above with shading)

Medium touch

- Partial decentralization, with reorganization around the three regions of North Carolina

Highest touch

- Complete decentralization, with reorganization around the 14 NCDOT divisions
### BUREAUCRACY

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the length of decision-making chains at NCDOT</td>
<td>Use decision grids (a tool developed by McKinsey) to better clarify decision-making roles at NCDOT and potentially reduce the number of people involved in decision-making</td>
<td>• Reducing the number of hands involved in decision-making allows conclusions to be reached faster</td>
<td>• Can be difficult and time-consuming to identify every decision-making process in the organization • Change may be incremental in nature</td>
</tr>
<tr>
<td>Clearly define decision-making rights for managers</td>
<td>Develop guidelines for decisions that do not need upper-management approval (i.e., all purchases under $500 do not need approval)</td>
<td>• Empowers managers with more decision-making authority than they currently have</td>
<td>• “Halfway” cultural change • Drawing boundaries around which decisions can and cannot be made by managers may seem authoritative</td>
</tr>
<tr>
<td>Change NCDOT’s culture to give managers wide decision-making leeway</td>
<td>Allow managers to make decisions on a wide range of issues, from small purchases to hiring decisions to new ways of tackling problems</td>
<td>• Builds trust throughout the organization • Encourages innovation • Rewards risk-taking</td>
<td>• Dilutes reporting relationships • Upper-level managers lose some control</td>
</tr>
</tbody>
</table>
Decision grids are tools that reveal how particular decisions get made in the organization and develop recommendations to improve decision-making; they can be used

As a design tool to
- Design more efficient decision-making processes and create sound routines for making important decisions
- Define implications of structure for processes, highlighting areas that need fixing
- Define operating relationships
- Define managerial accountability and formalize informal processes to keep it
- Fill out real job descriptions

As a diagnostic tool to
- Analyze aspects of informal organization, distribution of power, social networks and leadership
- Create a common understanding of decision making processes
- Evaluate efficiency and effectiveness of decision making processes
- Understand allocation of accountabilities and responsibilities and measure its fairness
- Identify blockers and enablers of decision-making
- Define management information needs and information flows within the organization
## DECISION GRID TEMPLATE

<table>
<thead>
<tr>
<th>Operating units</th>
<th>Corporate staff units</th>
<th>Executive management</th>
<th>Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgeting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top management performance review</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational planning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand forecasting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Product development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pricing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Branding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charitable giving</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotions</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

C = Concurs  
D = decides  
R = Recommends  
BC = business concurrence  
TC = technical concurrence  
A = Approves  
I = Initiates  
IP = inputs
WORKSHOPS CAN ELICIT UNIT-LEVEL INPUT ON AREAS WHERE DECISION RIGHTS SHOULD BE DEFINED

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Workshop format</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Today's brainstorming session has a dual purpose</strong></td>
<td><strong>Goal</strong></td>
</tr>
<tr>
<td><strong>1</strong> Generate an initial list of decision rights issues for each BU/Function</td>
<td>• Generate a list of decision rights issues for Business Units, Functions or entities (e.g., ExCom)</td>
</tr>
<tr>
<td><strong>2</strong> Make the team aware of a focus group format that can be used going forward</td>
<td>• For each BU/Function/entity there will be a brainstorming session where</td>
</tr>
<tr>
<td></td>
<td>– Each team member will generate a list of decision rights issues with his/her group and assess its frequency and business importance</td>
</tr>
<tr>
<td></td>
<td>– Decision rights issues will be written on post-it notes and classified for each BU/Function/entity by business and cultural importance</td>
</tr>
<tr>
<td></td>
<td>• Then there will be a clarifying session where</td>
</tr>
<tr>
<td></td>
<td>– Decision rights (or handwriting) that are unclear will be discussed</td>
</tr>
<tr>
<td></td>
<td>– Overall importance levels will be agreed upon</td>
</tr>
<tr>
<td></td>
<td>• For each BU/Function/entity</td>
</tr>
<tr>
<td></td>
<td>– 5 min generation time</td>
</tr>
<tr>
<td></td>
<td>– 5 min clarification time</td>
</tr>
</tbody>
</table>

**Process**

**Description**

- Generate a list of decision rights issues for Business Units, Functions or entities (e.g., ExCom)
- For each BU/Function/entity there will be a brainstorming session where
  - Each team member will generate a list of decision rights issues with his/her group and assess its frequency and business importance
  - Decision rights issues will be written on post-it notes and classified for each BU/Function/entity by business and cultural importance
- Then there will be a clarifying session where
  - Decision rights (or handwriting) that are unclear will be discussed
  - Overall importance levels will be agreed upon
- For each BU/Function/entity
  - 5 min generation time
  - 5 min clarification time
### GO-FORWARD DECISIONS FOR POTENTIAL ORGANIZATION CHANGES

<table>
<thead>
<tr>
<th>Organization challenges and spectrum of possible solutions</th>
<th>Preferred Option(s)</th>
<th>Next Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Coordination across business units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Lowest touch: Functional linkages</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Medium touch: Strengthened role of the Chief Engineering Officer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Highest touch: Reorganization around process flows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Project accountability: Options being developed by the delivery pilots workstream</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Coordination across geographies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Lowest touch: Assign regional expertise to employees in project planning, design, and maintenance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Medium touch: Organize entire project delivery process, from beginning to end, around 3 regions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Highest touch: Decentralize project planning, design, delivery, and maintenance units and reorganize around 14 divisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Bureaucracy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Lowest touch: Reduce the length of decision-making chains</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Medium touch: Define decision-rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Highest touch: Culture shift</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Building Efficiencies and Productivity at NCDOT: TMT Training
## AGENDA

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction to the Building Efficiencies and Productivity (BEP) process</td>
<td>1:00 – 1:15 pm</td>
</tr>
<tr>
<td>Step 1: Build the MEA Database</td>
<td>1:15 – 2:30 pm</td>
</tr>
<tr>
<td>– Branch/unit baseline structure</td>
<td></td>
</tr>
<tr>
<td>– Missions, End Products and Activities</td>
<td></td>
</tr>
<tr>
<td>– Allocating Costs to MEAs</td>
<td></td>
</tr>
<tr>
<td>Step 2: Generate and Evaluate Ideas</td>
<td>2:30 – 3:30 pm</td>
</tr>
<tr>
<td>– Generating Ideas</td>
<td></td>
</tr>
<tr>
<td>– Prioritizing and Evaluating Ideas</td>
<td></td>
</tr>
<tr>
<td>Steps 3 &amp; 4: Implementation Planning and Execution</td>
<td>3:30 – 3:35 pm</td>
</tr>
<tr>
<td>Communications</td>
<td>3:35 – 4:00 pm</td>
</tr>
</tbody>
</table>
BUILDING EFFICIENCIES AND PRODUCTIVITY (BEP) SHOULD BE A DISCIPLINED, STRUCTURED PROCESS

What the BEP should be . . .

• Finding more productive ways to perform necessary activities
• Questioning what, where, why, and how products and services should be delivered
• Potentially eliminating nonvalued activities and end products

The focus of the process is on activities and end products, not people

Achieve lasting productivity improvements

What the BEP should not be. . .

• Making people work harder
• Getting the same workload done with fewer people
• Reducing the quality of the work to the detriment of the business

Embed continuous improvement and willingness to challenge status quo
WHEN IS A BEP EFFECTIVE?

**Participative/bottom-up**
The process provides department managers, in concert with their employees, the opportunity to fundamentally change the way work is done.

**Creative**
The process challenges units to generate ideas to increase efficiency and productivity, which forces unit leaders to “think outside of the box” and seek innovative solutions.

**Collaborative**
A shared decision-making process is the hallmark of this process. All decisions are reviewed by the unit leader, the PMO, and senior leadership for approval, balancing the need for near-term efficiencies gains against the long-term strategy of the Department.

**Improves cost consciousness**
Improves planning, budgeting and evaluative skills, while reinforcing cost control and a value-added mindset.

**Provides lasting productivity gains**
Changes—and sometimes eliminates—activities, resulting in an organization correctly configured for the remaining workload.
### THE BEP SHOULD FOLLOW A RIGOROUS APPROACH AND TIMELINE

<table>
<thead>
<tr>
<th>Step</th>
<th>Structure</th>
<th>Ideas</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Build the process foundation</td>
<td>Develop the database</td>
<td>Plan implementation</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>Generate and evaluate ideas</td>
<td>Implement ideas</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td>Roll out across other functions</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Timing
- TBD

#### Objectives
- Determine pilot units
- Gather baseline data
- Finalize project management team
- Define missions, end products, and activities
- Allocate costs to MEAs
- Generate and evaluate efficiency-boosting ideas

#### Design for success
- Plan implementation
- Implement ideas
- Roll out across other functions
STEP 0: BUILD THE PROCESS FOUNDATION

- Definition of **pilot units** ✓
- Identification of **BEP team members** ✓
- Identification of **BEP team leader** ✓
- Collection of top-line **facts** for pilot units (e.g. unit structures, budgets, activities, FTEs, etc.)

**Structure**

- Build the process foundation
- Develop the database
- Generate and evaluate ideas

**Ideas**

**Results**

- Plan implementation
- Implement
  - Roll out across other functions
BEP TEAM STRUCTURE

Leadership Team

Project Lead (Priscilla)

Team Lead (Alpesh)

Pilot Unit 1

Team Lead (Don)

Pilot Unit 3

Another Team Lead?

Pilot Unit 6

Pilot Unit 10

Pilot Unit 2

Pilot Unit 4

Pilot Unit 7

Pilot Unit 11

Pilot Unit 5

Pilot Unit 8

Pilot Unit 12
AGENDA

• Introduction to the BEP 1:00 – 1:15 pm

• Step 1: Build the MEA Database 1:15 – 2:30 pm
  – Branch/unit baseline structure
  – Missions, End Products and Activities
  – Allocating Costs to MEAs

• Step 2: Generate and Evaluate Ideas 2:30 – 3:30 pm
  – Generating Ideas
  – Prioritizing and Evaluating Ideas

• Steps 3 & 4: Implementation Planning and Execution 3:30 – 3:35 pm

• Communications 3:35 – 4:00 pm
STEP 1: DEVELOP THE DATABASE

- Design for success

**Step 0**
- Build the process foundation

**Step 1**
- Develop the database

**Step 2**
- Generate and evaluate ideas

**Step 3**
- Plan implementation

**Step 4**
- Implement

- Roll out across other functions

**Structure**
- Missions
- End Products
- Activities

**Ideas**
- Define branch/unit baseline structure
- Develop each unit’s missions, end products, and activities
- Allocate costs to each activity

**Results**
- End products
  - $$
  - $$$
  - $$
DEFINING THE BRANCH/UNIT BASELINE STRUCTURE

1. Enter position title
2. Enter function name
3. Insert number of direct reports
4. Enter sub-function's FTE count
## DEFINING THE BRANCH/UNIT BASELINE STRUCTURE

<table>
<thead>
<tr>
<th>#</th>
<th>Position:</th>
<th>Count</th>
<th>FTEs</th>
<th>Count</th>
<th>FTEs</th>
<th>FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Position 1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Position 2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Position 3</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>Position 4</td>
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<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Position 5</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>Position 6</td>
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<td>1</td>
<td>2</td>
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<tr>
<td>7</td>
<td>Position 7</td>
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<td>1</td>
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<td>2</td>
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<tr>
<td>8</td>
<td>Position 8</td>
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<td>2</td>
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<tr>
<td>9</td>
<td>Position 9</td>
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<td>1</td>
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<td>10</td>
<td>Position 10</td>
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<td>1</td>
<td>2</td>
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<tr>
<td>11</td>
<td>Position 11</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>12</td>
<td>Position 12</td>
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<td>1</td>
<td>1</td>
<td>2</td>
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<tr>
<td>13</td>
<td>Position 13</td>
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<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>14</td>
<td>Position 14</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

**Total:** 18 14 18 14 28

1. Enter position title
2. Enter employee count for each position
3. Enter FTE count for each position
4. Enter contract/temp count for each position
5. Enter contract/temp FTE for each position
AGENDA

• Introduction to the BEP 1:00 – 1:15 pm

• Step 1: Build the MEA Database 1:15 – 2:30 pm
  – Branch/unit baseline structure
  – Missions, End Products and Activities
  – Allocating Costs to MEAs

• Step 2: Generate and Evaluate Ideas 2:30 – 3:30 pm
  – Generating Ideas
  – Prioritizing and Evaluating Ideas

• Steps 3 & 4: Implementation Planning and Execution 3:30 – 3:35 pm

• Communications 3:35 – 4:00 pm
# MISSIONS, END PRODUCTS, AND ACTIVITIES (MEAs)

## Describe a Unit’s Work

<table>
<thead>
<tr>
<th>Mission</th>
<th>End product</th>
<th>Activity</th>
</tr>
</thead>
</table>

### Definition
- **Why?** A mission answers the question "why does the business unit exist?"
- **What and how often?** An end product is either a tangible or intangible product or service that fulfills the unit’s mission
- **How?** An activity is a step or action taken toward the production of specific end-product or service

### Example
- **To provide adequate training to new hires**
- **New employee training guide**
- **Interview supervisors to understand new-hire training needs**

### Guidelines
- **Typically, 3-5 per business unit**
- **Typically, 1-5 end products per mission**
- **Typically, 3-10 activities per end product**
- **Missions organize the activities into logical groupings**
- **End products often are delivered to other business units**
- **Activities describe the work required to produce the end products**

### Overall guidelines
- Keep in mind that the purpose of developing the MEA database is to facilitate idea generation and analysis
- Seek a level of detail that will be meaningful in the idea-generation phase
- Recognize that iterations are normally required to develop the MEAs—it is often useful to brainstorm and capture MEAs on paper first and then enter into the database
DEVELOPING MEAs IS A COLLABORATIVE PROCESS, DONE WITH UNIT LEADERS AND UNIT MEMBERS

Unit leader:
• List unit’s missions (and activities, if possible); involve team leaders or other unit members as needed

Unit members:
• Categorize own end products with time allocations by mission
• Add additional end products that do not fit under given missions

Unit members:
• Reorganize end products and use activities as subgroupings under each mission
• Group allocations of different unit members against the same end product
• Create additional missions to incorporate end products that do not fit in original list of missions
### GUIDELINES FOR DEVELOPING UNIT MISSIONS

| Definition | Missions are the unit’s basic purposes  
|           | They answer the question, "Why does the unit exist?"
| Purpose   | Frame end products and activities of the unit into organized, manageable groupings  
|           | Tie activities to the basic purposes(s) of the division
| Guidelines| Do not use general verbs like "manage" and "administer"  
|           | Use infinitives for all mission statements – e.g., "to establish," "to send"
|           | Typically, there are 3-5 missions per division
| Example   | "To provide adequate training to new hires"
## GUIDELINES FOR DEVELOPING UNIT MISSIONS

<table>
<thead>
<tr>
<th>Common pitfall</th>
<th>Examples</th>
<th>&quot;Acid tests&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission is too generic</td>
<td>• &quot;Attend meetings and conferences&quot;</td>
<td>• Is the mission consistent with the purpose of your business unit?</td>
</tr>
<tr>
<td></td>
<td>• &quot;Maintain databases&quot;</td>
<td>• Would you feel comfortable telling the CEO that your business unit exists to perform that mission?</td>
</tr>
<tr>
<td>Mission is unclear</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Too wordy</td>
<td>• &quot;To assess and identify optimum methods of accurately quantifying ...&quot;</td>
<td>• Is there more than one verb? If so, how can they be combined?</td>
</tr>
<tr>
<td>• Too technical</td>
<td>• &quot;To produce formatted text output with optimal generation techniques&quot;</td>
<td>• Are there objectives that can be eliminated?</td>
</tr>
<tr>
<td>Mission is really the end product</td>
<td>• &quot;Provide telephones &quot;</td>
<td>• Could a senior manager, who is not intimately familiar with your organization, understand the mission?</td>
</tr>
<tr>
<td>Mission limits ideas by being overly specific</td>
<td>• &quot;Provide for microwave communications&quot;</td>
<td>• Does more than one end-product exist for the mission? Is the mission part of a broader mission?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Are ideas excluded based on the wording of the mission?</td>
</tr>
</tbody>
</table>
## GUIDELINES FOR DEVELOPING END PRODUCTS

| Definition | • End products are the tangible or intangible products or services (hard copy, advice, etc.) created by the unit  
  • They answer the questions what does the unit produce and how often does it produce it |
| Purpose | • Provide the focus for generating efficiency ideas |
| Guidelines | • Nouns should be used to describe end products  
  • Generally, end products flow outside the unit to support other unit's missions, although…  
  • …Internal end products may result from intermediate steps in a process  
  • An end product is effectively the sum total of all the activities contributing to that end product |
| Example | • "New employee training guide" |
### GUIDELINES FOR DEVELOPING END PRODUCTS

<table>
<thead>
<tr>
<th>Common pitfall</th>
<th>Examples</th>
<th>&quot;Acid tests&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>End product is really an activity</td>
<td>• &quot;Attend meetings&quot;</td>
<td>• Is the end product a noun? If not, it may be an activity</td>
</tr>
<tr>
<td>End product is part of other end products</td>
<td>• &quot;Advice&quot;</td>
<td>• Is this end product used by others in your area to produce other end products? If so, it is an activity that is a part of these other end products</td>
</tr>
<tr>
<td>End product is not useful for idea generation</td>
<td>• &quot;Reports&quot;</td>
<td>• Can you think of actionable ideas that will be generated by asking the question, &quot;How can we produce (end-product) better?&quot;</td>
</tr>
<tr>
<td></td>
<td>• &quot;Meetings&quot;</td>
<td></td>
</tr>
</tbody>
</table>
GUIDELINES FOR DEVELOPING ACTIVITIES

Definition
• An activity is a step or action taken toward the production of specific end product or service
• They answer the question, “How do we create end products?”

Purpose
• Provide the focus for generating efficiency ideas

Guidelines
• Verbs should be used to introduce all activity descriptions
• Activities should logically support an end product
• Focus on activities that take at least 5% of an FTE
• Is not a one-time event
• Activities must be mutually exclusive and collectively exhaustive

Example
• "Interview supervisors to understand new-hire training needs"
### GUIDELINES FOR DEVELOPING ACTIVITIES

<table>
<thead>
<tr>
<th>Common pitfall</th>
<th>Examples</th>
<th>&quot;Acid tests&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity is too specific</td>
<td>• &quot;Obtain report from filing cabinet&quot;</td>
<td>• Could the unit realistically brainstorm about this level of activity/end products?</td>
</tr>
<tr>
<td></td>
<td>• &quot;Make a list of key customers&quot;</td>
<td></td>
</tr>
<tr>
<td>Activity is too general</td>
<td>• “Assist business unit with analysis”</td>
<td>• Will valuable ideas for saving result from further division of the activities?</td>
</tr>
<tr>
<td>Activity is really an end product</td>
<td>• &quot;Create monthly employee magazine&quot;</td>
<td>• Do the results of the activity flow outside the unit or serve multiple end-users or customers?</td>
</tr>
<tr>
<td></td>
<td>• &quot;Develop quarterly sales forecasts&quot;</td>
<td>• Can several end products result from the activity?</td>
</tr>
</tbody>
</table>
### Developing MEAs

#### MISSION | END PRODUCTS | ACTIVITIES
--- | --- | ---
mission 1 | end product 1.1 | [ADM] Attend Administrative Meetings
mission 2 | end product 1.2 | [P&P] Develop/Implement Strategy
mission 3 | end product 1.3 | [IT] Administer Systems
d | end product 1.4 | [IT] Define Business/CARD Requirements
d | end product 2.1 | [IT] Develop Operational IT Systems
d | end product 2.2 | [IT] Develop Reporting System
d | end product 2.3 | [IT] Escalate System Issues
d | end product 2.4 | [IT] Maintain Information Repository
d | end product 3.1 | [IT] Troubleshoot/Resolve System Issues
d | end product 3.2 | [MTS] Code and Approve Vendor Payments
d | end product 3.3 | [MTS] Develop Reports
d | end product 3.4 | [MTS] Perform Month-End Close/Accruals
d

1. Complete list of missions for the unit. The missions describe why the business unit exists and typically each business unit has 3-5 missions (e.g. “To provide adequate training to new hires”)
2. Describe the end products associated with each of the missions. An end product is a tangible or intangible product or service that results from a set of activities (e.g. “New employee training guide”)
3. Describe the activities performed by the unit. Activities are steps or actions taken towards the production of end products or services (e.g. “Interview supervisors to understand new hire training needs”)

- Filling in the MEA Data list is an iterative process
- MEAs can be added to the list at any time during the process
AGENDA

• Introduction to the BEP 1:00 – 1:15 pm

• Step 1: Build the MEA Database 1:15 – 2:30 pm
  – Branch/unit baseline structure
  – Missions, End Products and Activities
  – Allocating Costs to MEAs

• Step 2: Generate and Evaluate Ideas 2:30 – 3:30 pm
  – Generating Ideas
  – Prioritizing and Evaluating Ideas

• Steps 3 & 4: Implementation Planning and Execution 3:30 – 3:35 pm

• Communications 3:35 – 4:00 pm
## Allocating Costs to MEAs

Three categories are used to allocate costs across MEAs.

<table>
<thead>
<tr>
<th>Cost categories included</th>
<th>How to distribute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>By FTEs, using salary bands</td>
</tr>
<tr>
<td>including salary, N.I., bonus and pension, full-time contractors</td>
<td></td>
</tr>
<tr>
<td>Rent expenses</td>
<td>Allocated proportionately to FTE time utilization</td>
</tr>
<tr>
<td>Communication expenses</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td></td>
</tr>
<tr>
<td>Travel expenses</td>
<td>Allocated directly to activities for which direct costs are incurred</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

### Cost Categories

- **Remuneration cost**
  - Personnel expenses including salary, N.I., bonus and pension, full-time contractors

- **Non-personnel indirect costs**
  - Rent expenses
  - Communication expenses
  - Supplies

- **Non-personnel direct costs**
  - Travel expenses
  - Other

### Total Baseline Costs
AGENDA

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  – Prioritizing and Evaluating Ideas
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• Communications 3:35 – 4:00 pm
Brainstorm ideas for improved efficiency

Refine and evaluate each idea to determine costs and benefits

Review each idea with key managers and end users

Submit ideas for approval
IDEA GENERATION OBJECTIVES AND TOOLS

Objectives and Expectations

- 50-250 ideas typically expected from a unit after brainstorming
- Ideas will receive an initial prioritization as a part of the brainstorming session

Tools

- Brainstorming workshops
  - Generally 2-3 hours in length
  - Approximately 10 people max per group
  - 3-6 sessions typical per unit (depending on topics to be covered)
- Idea tracking catalogue (electronic templates)
- Risk assessment/prioritization process
- Evaluation templates
IDEAS MUST BE ACTIONABLE

Idea guidelines

• **Simple** – can be summarized in 1-2 sentences (“back of the envelope”)

• **Tangible, concrete, and concise** – not abstract principles, aspirations, and adjectives only

• **Actionable** – indicate clearly who does what and when, with what effect

• **Able to implement within reasonable timeframe** – (e.g., within 6 months)

• **Reasonable payback time** – (e.g., under 2 years)

**Right example**

• HR publishes “Management Report X” only 2 times a year instead of 4, thus creating savings of $XXXX

**Wrong example**

• Create a new interactive IT application that cuts processing time significantly from 2006 onward
**SCHEDULE WORKSHOPS**

- **Who should attend the workshops?**
  - 10 people max
  - Choose people
    - From different levels in the organization
    - With different work tasks/ functions
    - From different locations in the organization

- **How many workshops should we arrange?**
  - 1-3 unit workshops depending on the business unit size and complexity
  - 1-3 cross functional workshops depending relevancy

- **Where should the workshops be arranged?**
  - If possible, organize location away from working area to minimize disruptions

- **For how long should the workshops last?**
  - Target 2-3 hours
RECOMMENDATIONS FOR IDEA GENERATION

Create a risk free environment
- Establish a risk free environment
- No criticism

Encourage creativity
- Encourage participants to be open and direct
- To take chances
- To think alternatively

Summarize periodically
- Categorize ideas according to topics (4-5 main topics)
- Test the importance of each topic

Prioritize
- Evaluate the overall risk and resources demanded by each idea
- Focus on the ideas that seem to have the largest potential

Document and follow-up
- Once prioritized, enter ideas into idea catalogue immediately after the meeting
- Remind people to think through key aspects of high priority ideas before next meeting
Why do we have to do it that way?
Why does it take so much effort? Time?
Is there another group who could do this better?
What happens if we stop supporting or entirely eliminate that Mission, End Product or Activity?
Do we need that deliverable?
Can we change the frequency at which we deliver?
What does the user/internal customer want from the end-product?
This end product is so much more expensive than the other one - is it justified?
How can this be accomplished more efficiently? Can some work phases be skipped or modified?
BRAINSTORMING TECHNIQUES: POST-IT

• Generate anonymous ideas independently on Post-it notes
• Stick ideas on a board
• As a team group ideas by category
How can we improve efficiency and productivity?

Reduce demand

- Eliminate
- Balance req’s and quality
- Reduce scope
- Reduce frequency
- Lengthen response time

Make org. more efficient

- Centralize/decentralize
- Transfer out
- Contract out

Make processes more efficient

- Streamline
- Standardize
- Balance workload, combine activities
- Provide IT support
- Change organization
- Change skill level

Examples

- Does this activity need to be done?
- Will an 80/20 solution suffice?
- Does the report need to be so detailed?
- Can the report be produced less frequently?
- Can call response time be extended?
- Can the 2 areas be merged?
- Can the area be transferred out?
- Can the area be contracted out?
- Can a step be taken out of the process?
- Can we reduce the # of tailored components?
- Can we combine activities to reduce down time?
- Are there IT solutions that would help?
- Are there unnecessary layers of reporting?
- Could this be done by a lower tenure person?
AGENDA

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• Communications 3:35 – 4:00 pm
PRIORITIZING AND EVALUATING IDEAS

1. Prioritization
   - Group prioritizes ideas based on potential impact and ease of implementation during brainstorming session
   - Ideas are then coded and entered in idea catalogue

2. Initial Evaluation
   - Select high potential ideas
   - Make a rough estimate of potential savings
   - Identify potential risks
   - Incorporate group's input
   - Identify the most important interfaces and stakeholders
   - Reiterate prioritization

3. Detailed Evaluation
   - Select top priority ideas within high potential group
   - Thoroughly describe change proposed
   - Detailed risk assessment
   - Conduct work meetings with key stakeholders to share proposal and incorporate their input
   - Postpone less important details to implementation phase

Evaluation Guidelines:
- Scope the analysis adequately, analyze ideas in sufficient depth for a "Go/No Go" decision. Detailed analysis will be carried out during implementation
- Leverage input from stakeholders, brainstorming session participants and idea "owners" while conducting the evaluation
- Use templates and other tools provided by the PMO
- Document analysis for future reference
1. PRIORITIZE IDEAS BASED ON POTENTIAL PRODUCTIVITY GAINS AND EASE OF IMPLEMENTATION
### UNIT INFORMATION

<table>
<thead>
<tr>
<th>Field</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Unit</td>
<td></td>
</tr>
<tr>
<td>Unit Leader(s)</td>
<td></td>
</tr>
<tr>
<td>Team Leader</td>
<td></td>
</tr>
<tr>
<td>Unit Baseline Budget</td>
<td></td>
</tr>
<tr>
<td>Unit Baseline FTE</td>
<td></td>
</tr>
</tbody>
</table>

### IDEA INFORMATION

<table>
<thead>
<tr>
<th>Field</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idea number</td>
<td>1</td>
</tr>
<tr>
<td>Title (name of idea)</td>
<td></td>
</tr>
<tr>
<td>Description of the current situation</td>
<td></td>
</tr>
<tr>
<td>Detailed description of improvement idea</td>
<td></td>
</tr>
<tr>
<td>Advantages/benefits</td>
<td></td>
</tr>
<tr>
<td>Disadvantages/risks</td>
<td></td>
</tr>
<tr>
<td>Key stakeholders (relevant parties)</td>
<td></td>
</tr>
<tr>
<td>Other comments</td>
<td></td>
</tr>
<tr>
<td>Source of Idea</td>
<td></td>
</tr>
<tr>
<td>Affected MAE(s)</td>
<td></td>
</tr>
<tr>
<td>Estimated Time of Implementation</td>
<td></td>
</tr>
</tbody>
</table>

**Date:** 9/27/2007
### 3. MAKE A DETAILED EVALUATION OF SELECTED HIGH POTENTIAL IDEAS

#### Idea evaluation with stakeholders (Results of Stress testing Session)

<table>
<thead>
<tr>
<th>Position and name of evaluator</th>
<th>Comments</th>
<th>Evaluation</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit Leader</td>
<td></td>
<td>No Go</td>
<td>High</td>
</tr>
<tr>
<td>Branch Manager</td>
<td></td>
<td>Go</td>
<td>Low</td>
</tr>
<tr>
<td>PMO Member</td>
<td></td>
<td>Go</td>
<td>Low</td>
</tr>
<tr>
<td>PMO Leader</td>
<td></td>
<td>Go</td>
<td>Low</td>
</tr>
<tr>
<td>Leadership Team</td>
<td></td>
<td>Go</td>
<td>Low</td>
</tr>
<tr>
<td>Over evaluators (define)</td>
<td></td>
<td>Go</td>
<td>Low</td>
</tr>
</tbody>
</table>

**Recommendation after evaluation**

**Idea scope**

---

4. Stakeholders Evaluation and risk assessment

5. Project team recommendation
CLASSIFY IDEAS AND SUBMIT TO LEADERSHIP TEAM FOR FINAL APPROVAL

After the presentation of ideas proposals, decide whether to:

- Start planning implementation of valid ideas
- Require preparation of additional ideas

Possible decisions:

- “Go”
- “Further study”
- “No go”

Next step:

- Plan implementation
- Carry out further analysis
- Nothing

After the presentation of ideas proposals, decide whether to:

- Start planning implementation of valid ideas
- Require preparation of additional ideas

Portfolio of efficiency proposals

Final catalog of efficiency ideas
AGENDA

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  – Generating Ideas
  – Prioritizing and Evaluating Ideas
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• Communications 3:35 – 4:00 pm
Design for success

Develop 30, 60 & 90 day implementation plan
Ensure maximum capturability
Coordinate action plans across functions
Revise budgets
Submit and approve plans

PHASES 3 AND 4: PLAN IMPLEMENTATION AND IMPLEMENT

Incorporate changes into ongoing management systems (i.e., budgets and business plans)
Communicate commitment to change effectively
Establish monitoring and reporting mechanism
Take corrective measures when deviations from schedule and objectives occur

Step 0
Design for success

Structure:
- Build the process foundation
- Develop the database

Ideas:
- Generate and evaluate ideas

Results:
- Plan implementation
- Implement

Plan implementation
Implement
AGENDA

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  – Prioritizing and Evaluating Ideas

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• Communications 3:35 – 4:00 pm
WHAT FACTORS SHOULD GUIDE NCDOT’S INTERNAL COMMUNICATION STRATEGY ON THE BEP EFFORT?

Why and who

- What people or groups are pivotal (internal, external)?
- How will stakeholders change over time?

What

- Communication a strategic or supporting tool for change?
- Communicate broadly and often or on "need-to-know" basis?
- Overarching themes, messages?
- Actions and words to influence, engage?
- Formal or informal?
- Face to face or one way?
- Leaders high or low profile?

How

- Credible communication messengers, channels?
- Feedback, delivery, planning, measurement processes in place?
- Do BEP team leaders "own" communication or delegate responsibility?
- If delegate, what are the links between BEP team and communications team?
- Capable communicators?
- Strong strategists?
- Excellent implementors?
- Analytical resources?

Business goals and context

- Financial, strategic, organizational, operational goals?
- Rationale? The path forward?
- Enablers? Constraints?

Strategic communication objectives

- Change mind-sets? Move people to act?
- Inform? Engage? Get compliance or commitment?
- Linked to Department goals?
COMMUNICATIONS PLANNING

• The following four slides show templates and examples of communications strategies and plans.

• The examples were written for an international transportation company reorganizing to support new strategic direction.

• Communication was credited with engaging and securing the commitment of the top 300 leaders and maintaining the confidence of employees, customers, and financial analysts during the transition

  – Transportation company communication strategy (next two pages)

  – Transportation company communication plan – "slice" on bringing the leaders on board (subsequent two pages)
CLARIFYING A COMMUNICATION STRATEGY

- Business/project goals and context
- Key stakeholders and communications objectives
- Shared values about communication
- Substance/key messages
- Style of communication
- Skills required: Systems, channels, timing, feedback, appraisal
- Structure
### SAMPLE COMMUNICATIONS STRATEGY

<table>
<thead>
<tr>
<th><strong>Business objectives</strong></th>
<th>Organize to drive company in new direction and achieve stretch performance targets. New organization characterized by business unit rather than functional structure, clear decision rights, performance-oriented human resource strategy, and improved business processes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stakeholders, communication objectives</strong></td>
<td>Get commitment to and behavior change consistent with new direction from Top 300 leadership team, employees; reassure and retain customers; get and keep positive perceptions among shareholders, financial analysts</td>
</tr>
<tr>
<td><strong>Shared values</strong></td>
<td>Manager communication (words and actions) essential to buy-in and behavior change; essential to maintain confidentiality except on need-to-know basis until announcement so can increase buy-in and manage sensitivities around appointments</td>
</tr>
<tr>
<td><strong>Substance</strong></td>
<td>Vision; economic rationale; new organization as engine for performance; specifics (on structure, roles, processes, human resource strategy) tailored to target people and groups</td>
</tr>
<tr>
<td><strong>Style</strong></td>
<td>Cascade of phone calls and briefings prior to announcement; big burst of internal and external communication on announcement day and 2-3 weeks after announcement; emphasis on face-to-face, two-way communication; lead-from-the-front Top 7 and Transition Team</td>
</tr>
<tr>
<td><strong>Skills</strong></td>
<td>Tap skills of company's communication professionals (once could bring on board); build communication skills of Top 20-25</td>
</tr>
<tr>
<td><strong>Systems</strong></td>
<td>Emphasis on one-on-one and small group interactions; well-defined review and approval system among Transition Team and Top 7; real-time feedback on reactions, issues during briefings, and subsequent meetings</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td>Transition team leaders or Communication Consultant as strategist and executors prior to announcement, then assumed by Corporate Communication VP and staff; Top 7 and Transition Team leader as decision makers and pivotal communicators</td>
</tr>
<tr>
<td>Action/Activities</td>
<td>Objective</td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

COMMUNICATIONS PLAN TEMPLATE
### SAMPLE COMMUNICATIONS PLAN

<table>
<thead>
<tr>
<th>Action/Activities</th>
<th>Objective</th>
<th>Stakeholders</th>
<th>Vehicles</th>
<th>Timing</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Brief Top 7 executives</td>
<td>• Final clarification of changes, their role in rollout</td>
<td>• Top 7 executives</td>
<td>• One-on-one conversations; pack</td>
<td>• June 1 (Thursday a.m.)</td>
<td>• Transition Team leader (CF), with McK support</td>
</tr>
<tr>
<td>• Invite corporate support function leaders to Top 20-25 briefing</td>
<td>• Give preview of change, explain role/no role; if role, invite to briefing</td>
<td>• Support function leaders</td>
<td>• Phone calls; talking points</td>
<td>• June 1 (Thursday p.m.)</td>
<td>• CEO, with back-office support from McK and Transition Team leader</td>
</tr>
<tr>
<td>• Invite Top 20-25 to briefing and rehearsal session</td>
<td>• Give preview of change; explain role/no role; if leader role, get commitment</td>
<td>• Top 20-25 leaders in new organization</td>
<td>• Phone calls; talking points</td>
<td>• June 1 (Thursday p.m.)</td>
<td>• Top 7, with back-office support as above</td>
</tr>
<tr>
<td>• Brief Top 20-25</td>
<td>• Understand all changes, their role</td>
<td>• Top 20-25 (plus support function leaders)</td>
<td>• Off-site meeting; presentation, discussion; rehearsal</td>
<td>• June 2 (Friday p.m.)</td>
<td>• Top 7, Transition Team, with McK support</td>
</tr>
<tr>
<td>• Contact Top 50-75 (and those in Top 300 who must book travel)</td>
<td>• Alert to changes; explain role/no role for them; if on team, invite to off site</td>
<td>• To 50-75</td>
<td>• Phone calls; talking points</td>
<td>• June 2 (Friday p.m.)</td>
<td>• Top 25, with Transition Team and McK support</td>
</tr>
<tr>
<td>• Brief Top 50-75</td>
<td>• Begin getting understanding and buy-in; rehearse for phone calls</td>
<td>• Top 50-75; (plus support function leaders)</td>
<td>• Off-site; presentation, discussion; rehearsal</td>
<td>• June 3-4 (Saturday and Sunday)</td>
<td>• CEO, Top 7, Transition Team, with McK support</td>
</tr>
<tr>
<td>• Contact Top 300</td>
<td>• Alert to changes; explain role/no role; if role, invite to briefing</td>
<td>• Top 300</td>
<td>• Phone calls; talking points</td>
<td>• June 4 (Sunday p.m.)</td>
<td>• Top 50-75</td>
</tr>
</tbody>
</table>
A CHECKLIST FOR MANAGING COMMUNICATION

- If the news is bad, say so
- Tell the unvarnished truth
- Don't delay – people want to be told about restructuring before it happens to them
- Do not let employees think external consultants are behind change
- Always use the most credible communicator
- Ground messages in reality
- Enlist the support of employees in solving problems
- Tell a consistent story throughout the organization
- Let people express frustration and anger
- Coordinate BEP communication with rest of transformation communication
Strategic Prioritization Process & Planning Cycles

Discussion document
September 11, 2007
## NCDOT’s Strategic Planning Design Principles

### Monitor, evaluate and adjust using performance metrics

<table>
<thead>
<tr>
<th>Process</th>
<th>Set Strategic Direction</th>
<th>Develop Strategic Prioritization</th>
<th>Create Action Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target</strong></td>
<td>• Department-wide</td>
<td>• Department &amp; BU-wide</td>
<td>• Business Unit-wide &amp; individual employee</td>
</tr>
<tr>
<td><strong>Activities</strong></td>
<td>• Collect a credible, robust fact base to guide decision-making</td>
<td>• Develop a compelling set of strategic options (i.e., articulating where and how to operate)</td>
<td>• Identify action items &amp; owners</td>
</tr>
<tr>
<td></td>
<td>• Set aspirations and goals</td>
<td>• Prioritize those strategic options (e.g., by quantifying impact, estimating timing and assessing risks)</td>
<td>• Build linkages with the budgeting cycle and talent review cycle to deploy appropriate resources and the best people against priority initiatives</td>
</tr>
<tr>
<td></td>
<td>• Refresh strategy to reflect new assumptions and changes to context</td>
<td>• STIP/Budget request</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Statewide plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Frequency</strong></td>
<td>• Every 8 years</td>
<td>• Every 2 years</td>
<td>• Every year</td>
</tr>
<tr>
<td><strong>Outlook</strong></td>
<td>• 20-25 years</td>
<td>• 2-7 years</td>
<td>• 1-2 years</td>
</tr>
<tr>
<td><strong>Duration</strong></td>
<td>• ~8 months</td>
<td>• ~6 months</td>
<td>• ~2 months</td>
</tr>
<tr>
<td><strong>Starts</strong></td>
<td>• At change of administration</td>
<td>• Summer of odd years</td>
<td>• Spring of every year</td>
</tr>
<tr>
<td><strong>Overarching principles</strong></td>
<td>• Forward looking, long-term</td>
<td>• Bottom Up in response to aspirations &amp; objectives from above, medium term</td>
<td>• Bottom Up, short term</td>
</tr>
<tr>
<td></td>
<td>• Top down</td>
<td>• Opportunity to define performance challenges</td>
<td>• Plans defined</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Metrics used to assess performance</td>
</tr>
</tbody>
</table>

**Overarching principles**

- Forward looking, long-term
- Top down


<table>
<thead>
<tr>
<th>Activity</th>
<th>Owner/participants</th>
<th>Apr/May/Jun (Odd Year)</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Overview and pre-work requests</td>
<td>SPOT (lead)</td>
<td>SMC (2 hr mtg)</td>
<td>Fact pack for goal-setting</td>
<td>Major initiatives identified; guidance issued (1 day offsite)</td>
<td>Board approves vision, goals, &amp; targets</td>
<td>Output to Priorities Calendar</td>
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<td>1. Pre-work</td>
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<td>• Strategic planning k/o meeting</td>
<td>SPOT (lead)</td>
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<td>• External view on demographics, trends, customer insights</td>
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<td>• Internal view on performance &amp; capabilities (include gap analysis)</td>
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<td>2. Aspirations &amp; goal setting</td>
<td>SMC</td>
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<td>• Develop aspirations</td>
<td>SPOT (lead)</td>
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<td>• Major initiatives identified</td>
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<td>3. Consult with stakeholders</td>
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<td>• Internal/external focus groups</td>
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<td>4. Create high level strategic objectives and targets</td>
<td>Board/SMC</td>
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<td>• Revise/reconfirm vision &amp; goals</td>
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<td>5. Develop Statewide Plan (18 mos.)</td>
<td>SPOT (lead)</td>
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Activities 6-10 below match activities 2-6 on 2 year calendar

6. BU Develop Draft Strategic Plan
7. BU & MPOs/RPOs prioritize ppsi
8. SPOT Reviews, Consolidates, and Evaluates
9. Priorities Finalized
10. Funding Balance and Feedback to SMC

11. Plan communications & execution
• Internal/External communication
• BU level execution on plan

© 2023 Sveriges Kort och samtidsförhållanden (SKSF)
1. SPOT Reassesses of Context, Mission, & Goals
   - Progress Report on achieving and effectiveness of Goals
   - Review performance metrics
   - Scan external environment for major changes or challenges
   - Set 2 yr direction (emphasis areas) to achieve goals

2. BU Develop Draft Strategic Plan
   - Develops BU objectives that incorporate DOT Overall Goals & Direction
   - Identifies Systemwide and BU Needs w/ approach for resolving
   - Generates list of projects, programs, services, & initiatives (ppsi), where applicable

3. BU & MPOs/RPOs prioritize PPSI
   - BU and MPOs/RPOs use quantitative analysis to evaluate ppsi (BU incorporate emphasis areas) and submit to SPOT

4. SPOT Reviews, Consolidates, and Evaluates
   - SPOT reviews, consolidates, and evaluates ppsi, and tweaks rankings (if necessary).
   - Makes recommendations on investment goals (% of total funds) and strategic priorities (fiscally unconstrained)

5. Priorities Finalized
   - SMC reviews SPOT recommendations and sets investment goals (% of total investment) and strategic priorities (fiscally unconstrained)
   - SPOT Develops NCDOT Strategic Plan; BU finalized their Strategic Plan

6. Funding Balance and Feedback to SMC
   - Fiscal and TIP Unit balances strategic priorities with funding constraints
   - BOT Member 1 on 1 Meetings
   - SMC revises strategic priorities based on funding constraints (if nec.)
STRATEGIC PRIORITIZATION PROCESS OVERARCHING THEME

Operating the 21st Century Transportation System

Performance targets, based on the new mission and goals, and needs will determine the correct mix of projects, programs, services, and initiatives to fund.
PROPOSED FUTURE STRATEGIC PRIORITIZATION PROCESS

• SPOT Reassesses Context, Mission, and Goals
• Business Units Develop Draft Strategic Plan
• Business Units Prioritize Projects, Programs, Services, and Initiatives by Category
• SPOT Consolidates and Evaluates Priorities
• SMC Finalizes Priorities
• SMC/TIP/Fiscal Balance Funding with Priorities
RECOMMENDED PRIORITIZATION PROCESS

**High-level summary of prioritization process**

1. **Reassessment of context, mission, and goals**
   - Review Performance Metrics and status on achieving Goals
   - SPOT/SMC sets 2 yr direction (emphasis areas) to achieve goals

2. **Development of unit and division draft strategic plans**
   - Incorporating, NCDOT goals and direction, units and divisions identify systemwide issues w/approach for resolving
   - Generate needs list of projects, programs, services and initiatives (PPSI)

3. **Prioritization of needs by category using data and criteria**
   - Divisions and units compare projects using a formal process informed by data and quantitative analysis (e.g., benefit/cost) as well as local judgment
   - Divisions and units develop ranking/priority of needs in consultation with Board of Transportation and MPOs/RPOs

4. **Evaluation and consolidation of prioritized needs**
   - Present various investment scenarios for achieving goals with associated tradeoffs – primarily options for funding different categories
   - Make recommendations on investment goals (% of total investment/ proportionally how much should be invested in each category)

5. **Balancing funding with prioritized needs**
   - In consultation with Board of Transportation, review investment recommendations and set investment goals (% of total investment)
   - Finalize fiscally unrestricted prioritized needs

6. **Finalizing prioritized projects and programs**
   - Fiscally restricted scenarios evaluated and discussed with BUs
   - In consultation with Board of Transportation, make project recommendations based on prioritized needs balanced with funding restrictions
## PROPOSED PRIORITIZATION CATEGORIES

<table>
<thead>
<tr>
<th>Program/Activity*</th>
<th>Program/Activity*</th>
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<tbody>
<tr>
<td>Bridge Program</td>
<td>Rail Program</td>
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<tr>
<td>Statewide Tier Highway Safety Program</td>
<td>Rail Safety Program</td>
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<tr>
<td>Regional Tier Highway Safety Program</td>
<td>CMAQ Program</td>
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<tr>
<td>Subregional Tier Highway Safety Program</td>
<td>Rest Area Program</td>
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<tr>
<td>Statewide Tier Highway Mobility Program</td>
<td>Aviation Program</td>
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<tr>
<td>Regional Tier Highway Mobility Program</td>
<td>Ferry Program</td>
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<tr>
<td>Subregional Tier Highway Mobility Program</td>
<td>Public Transportation Program</td>
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<tr>
<td>Statewide Tier Highway Preservation Program</td>
<td>Weigh Station Program</td>
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<tr>
<td>Regional Tier Highway Preservation Program</td>
<td>Economic Development/Enhancement/etc</td>
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<tr>
<td>Subregional Tier Highway Preservation Program</td>
<td>Other Programs/Services/Initiatives (DMV Customer Service Initiatives, SHC Corridor Studies, Comprehensive Transportation Plans, IT Upgrades, GHSP, etc.)</td>
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<tr>
<td>Bicycle/Pedestrian Program</td>
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</tbody>
</table>

*All programs/activities tie back to the goals*
**DRAFT Strategic Prioritization Calendar (2 year)**

<table>
<thead>
<tr>
<th>Activity</th>
<th>July</th>
<th>August</th>
<th>Odd Year</th>
<th>Even Year</th>
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<tbody>
<tr>
<td>1. <strong>SPOT Reassesses of Context, Mission, &amp; Goals</strong></td>
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<tr>
<td>- Progress Report on achieving and effectiveness of Goals</td>
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<td>- Review performance metrics</td>
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<td>- Scan external environment for major changes or challenges</td>
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<td>- Set 2 yr direction (emphasis areas) to achieve goals</td>
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<tr>
<td>2. <strong>BU Develop Draft Strategic Plan</strong></td>
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<tr>
<td>- Develops BU objectives that incorporate DOT Overall Goals &amp; Direction</td>
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<tr>
<td>- Identifies Systemwide and BU Needs w/ approach for resolving</td>
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<tr>
<td>- Generates list of projects, programs, services, &amp; initiatives (ppsi), where applicable</td>
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<td>3. <strong>BU &amp; MPOs/RPOs prioritize PPSI</strong></td>
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<tr>
<td>- BU and MPOs/RPOs use quantitative analysis to evaluate ppsi (BU incorporate emphasis areas) and submit to SPOT</td>
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<tr>
<td>4. <strong>SPOT Reviews, Consolidates, and Evaluates</strong></td>
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<tr>
<td>- SPOT reviews, consolidates, and evaluates ppsi, and tweaks rankings (if necessary).</td>
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<tr>
<td>- Makes recommendations on investment goals (% of total funds) and strategic priorities (fiscally unconstrained)</td>
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<tr>
<td>5. <strong>Priorities Finalized</strong></td>
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<tr>
<td>- SMC reviews SPOT recommendations and sets investment goals (% of total investment) and strategic priorities (fiscally unconstrained)</td>
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<tr>
<td>- SPOT Develops NCDOT Strategic Plan; BU finalized their Strategic Plan</td>
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<tr>
<td>6. <strong>Funding Balance and Feedback to SMC</strong></td>
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<tr>
<td>- Fiscal and TIP Unit balances strategic priorities with funding constraints</td>
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<td>- BOT Member 1 on 1 Meetings</td>
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<tr>
<td>- SMC revises strategic priorities based on funding constraints (if nec.)</td>
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**Note:** This calendar is directly tied to modified STIP calendar and dates may change if new STIP calendar is not approved.
# Draft ANNUAL PLANNING CALENDAR

## Business Unit Action Plan

### Activity

<table>
<thead>
<tr>
<th>Activity</th>
<th>Owner/participants</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
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<tbody>
<tr>
<td>1. Perform Gap Analysis*</td>
<td>BU heads</td>
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<td>- Recognize current strategic objectives</td>
<td>BU heads</td>
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<tr>
<td>- Review last year’s performance and objectives</td>
<td>BU heads</td>
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<tr>
<td>- Identify gaps &amp; opportunities</td>
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<td>2. Develop new action plans*</td>
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<td>- Identify activities to meet strategy objectives &amp; fill gaps</td>
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<td>- Who is responsible for each activity</td>
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<td>- Schedule for each activity</td>
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<td>- Budget for each activity</td>
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<td>- Quality criteria for each activity</td>
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<td>- Decide how to trickle down through ranks</td>
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<td>3. Communicate expectations &amp; launch</td>
<td>BU heads</td>
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<td>4. Monitor performance</td>
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<td>- Review progress towards objectives</td>
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<td>- Review schedule, budget, quality</td>
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<td>- Identify ways to get errant back on track</td>
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<td>- Realign resources as necessary</td>
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<td>- Report to SPO</td>
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<td>5. Review &amp; Evaluate</td>
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<td>- Identify gaps &amp; opportunities for next year</td>
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* Greater level of activity in strategy refresh years

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* 1 yr inputs into 2 yr
* 2 yr inputs into 1 yr

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**Iterative process within Unit with regular reporting (up, down, and across organization)**
Staffing the Strategic Planning Process
KEY PERSONNEL & DUTIES

A successful and meaningful strategic planning process will require the participation and enthusiasm of many within NCDOT.

• Strategic Management Committee-
  – Establish top-down guidance
  – Make decisions on key issues (aspirations, goals, scorecard, priorities, strategy)
  – Enforce discipline during planning process

• Strategic Planning Office for Transportation-
  – Drive planning process
  – Provide analysis of external environment and internal capabilities
  – Work with business units to develop “business case”
  – Develop strategic planning “skills training” for NCDOT organization

• Strategic Planning Liaisons-
  – One person within the larger BUs who will spend 25%-50% of their time driving strategic planning and implementation at the BU level
Definitions

**Strategic Management Committee**-
- Make decisions on key issues (aspirations, goals, scorecard, priorities, strategy)
- Enforce discipline during planning process
- Provide checks and balances guiding the planning process
- Provide a “One department” focus
- A place to challenge assumptions

**Strategic Planning Office for Transportation**-
- Drive planning process
- Provide analysis of external environment and internal capabilities
- Develop strategic planning “skills training” for NCDOT organization
- Assess demographics
- Provide information and recommendations on DOT priorities
- Collecting, maintaining, updating and benchmarking external environment data and best practices
1. STRATEGIC MANAGEMENT COMMITTEE

Principles
• A critical set of checks and balances guiding the planning process
• “One department” focus
• Priority on utilizing the most senior and most talented
• SMC must be expansive enough to get department-wide buy-in, but not so large that decision making becomes inefficient and slow
• A place to challenge assumptions

People
Selecting the membership of the SMC is a pivotal, challenging, and possibly political decision. Possible membership options include:
• Leadership Team
• Mix of permanent members (LT) slots with rotating member slots from further down organizational chart – i.e., TEM I and above
• Include key external partner (i.e. Federal Highway Administration)
• Include a rotating position for other key external partners (i.e., SHP, MPO, Commerce)

Process
• Committee chaired by Secretary, managed by Director of Strategic Planning
• Supermajority (>66%) required to approve decisions
• Does anyone have veto power?
1. STRATEGIC MANAGEMENT COMMITTEE - Roles & Responsibilities

• Establish top-down guidance
  • Input into aspirations & initiatives
  • Revisit mission & goals
• Adjust scorecard or filter
• Review and provide input toward final priorities
• Enforce discipline during planning process
• Review BU performance (Dashboard)
• Manage and direct SPOT activities
• Provide “one department” focus
• Provide statewide perspective
• Communicate strategy internally & externally
• Stay involved in process
• Meet at least quarterly
### 2. STRATEGIC PLANNING OFFICE (1/2)

Key “role and scope” issues

<table>
<thead>
<tr>
<th>Key issue</th>
<th>Suggested outcomes</th>
</tr>
</thead>
</table>
| 1. What is the charter and purpose of the organization? | • Catalysts for strategic thinking and planning  
• Mechanism to formally examine Department-wide “big picture”  
• Training ground for high-potential candidates  
• Internal source of advisory and execution services for division/unit leadership |
| 2. What key tasks will the organization be primarily responsible for? | • Communicating the organization’s direction and intentions both internally and externally “ambassadors”  
• Producing strategic planning materials for Board and external stakeholders  
• Working with BU staff to develop “business cases” for projects and initiatives in ongoing, iterative process  
• Shepherd pipeline of certain high-priority cross-department projects and initiatives that go beyond scope of individual units/divisions  
• Collecting, maintaining, updating and benchmarking external environment data and best practices  
• Collecting and analyzing internal performance metrics |
## 2. STRATEGIC PLANNING OFFICE (2/2)
### Key “talent and skills” issues

<table>
<thead>
<tr>
<th>Key Issue</th>
<th>Suggested outcomes</th>
</tr>
</thead>
</table>
| 1. What skills and capabilities are required for success?                | • Strong analytical and problem-solving skills  
• Personal presence and ability to clearly communicate compelling messages to SMC, Board, etc.  
• Demonstrated ability to develop, produce, collate, analyze, interpret, and present quantitative and qualitative management information and external data |
| 2. How will assignment to the organization contribute to an energizing career path? | • Broader set of experiences/skills  
• Greater exposure to leadership in the organization  
• Top performers doing 2-year rotations in strategic planning before being promoted up to higher line positions  
  – Key way to cross-train, develop talent for succession, create buy-in amongst talented staff, and build holistic organizational perspective  
  – To make this appealing, must connect to a robust career path – (i.e., consider adding strat planning experience as recommended experience for high-ranking, desired jobs)  
• Create opportunities – possibly “planning fellowships” for exceptional straight-out-of-graduate school hires who will perform external or internal data analyst-type work |
| 3. What is the optimal mix of talent profiles in the organization?        | • Mix of rotating positions and permanent, high-quality senior management with previous experience in strategic planning, finance and project management  
• Recommend external hire for first Director of Strategic Planning |
**Strategic Planning**
Office for **Transportation**

**Director of Strategy & Systems**

**HIGH-LEVEL RESPONSIBILITIES**
- Develop Strategic Direction (8 year)
  - Set Level of Investment to Meet Goals
- Develop Strategic Policy
- Develop Strategic Plan (2 year)
  - Develop Prioritization Processes
- Marketing/Stakeholder Involvement
- Analyze Transportation Data

**SPOT Organization Chart - Near Term Option**
BU Self Manages Performance

**Immediate Staffing Needs**
- Manager
- Communications Specialist
- Analyst
- Administration

**Is there a need for these interactions?**
- Does SPOT assist with BU level strategic plan development?
- Does SPOT provide regular reporting, feedback & end of year wrap-up to BU?
- Does SPOT monitor and report performance to leadership?

**Who owns performance reporting process?**
- “Graybook”
- Dashboards
Questions?
Leadership Team –
Strategic Prioritization Process

Discussion Document

September 18, 2007
Discussion with Leadership Team on 9-18-07

**Purpose:** To discuss and receive approval to move forward on:

- Revised prioritization process which includes scenario evaluation (process validated at Summit and revised per Exec Comm comments – revisions shown in blue)
- Revised “RACIN” chart detailing responsibilities
- Groups responsible for prioritizing programs
- Terminology and what to prioritize
- How “High Priorities” are determined (recap of meeting on 8-29-07)
STRATEGIC PRIORITIZATION: DEVELOPING PROGRAMS, SERVICES, & INITIATIVES

Operating the 21st Century Transportation System

Overarching theme: Performance targets, based on the new mission and goals, and needs will determine the correct mix of programs, services, and initiatives to fund

TWO separate but related processes:

Prioritizing ALL Projects, Programs, Services and Initiatives

Determining “High Priority” Projects, Programs, Services, & Initiatives
1. Context, Mission, and Goals Reassessment
2. Business Unit Draft Strategic Plan Development
3. Prioritization of Needs by Category
4. Evaluation and Consolidation of Prioritized Needs
5. Finalizing Prioritized Needs
6. Balancing Funding with Prioritized Needs
1. SPOT Reassesses Context, Mission, & Goals
   - Progress Report on achieving and effectiveness of Goals
   - Review performance metrics
   - Scan external environment for major changes or challenges
   - Set 2 yr direction (emphasis areas) to achieve goals

2. BU Develop Draft Strategic Plan
   - Develops BU objectives that incorporate DOT Overall Goals & Direction
   - Identifies Systemwide and BU issues w/ approach for resolving
   - Generates list of projects, programs, services, & initiatives (ppsi), where applicable

3. BU & Local Govts Prioritize Needs
   - BU and Local Govts use quantitative analysis to evaluate PPSI (BU incorporate emphasis areas) and submit to SPOT

4. SPOT Evaluates and Consolidates Prioritized Needs
   - Reviews, consolidates, and evaluates PPSI, and tweaks rankings (if necessary).
   - Evaluates investment scenarios for achieving goals (w/ associated tradeoffs)
   - Makes recommendations on investment goals (% of total funds) and prioritized needs (fiscally unconstrained)

5. SMC Finalizes Prioritized Needs
   - SMC reviews SPOT recommendations and sets investment goals (% of total investment) and prioritized needs (fiscally unrestricted)
   - SPOT develops NCDOT Strategic Plan; BU finalize their Strategic Plan

6. Funding Balanced with Prioritized Needs
   - SPOT/SMC/TIP/Fiscal evaluates fiscally restricted scenarios and discusses with BUs
   - SPOT/SMC selects PPSI based on prioritized needs balanced with funding restrictions
   - BOT Approves PPSI

DRAFT Strategic Prioritization Calendar (2 year)

<table>
<thead>
<tr>
<th>Activity</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
<th>January</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SPOT Reassesses Context, Mission, &amp; Goals</td>
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<td></td>
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<tr>
<td>2. BU Develop Draft Strategic Plan</td>
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<td></td>
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<tr>
<td>3. BU &amp; Local Govts Prioritize Needs</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>4. SPOT Evaluates and Consolidates Prioritized Needs</td>
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<td></td>
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<tr>
<td>5. SMC Finalizes Prioritized Needs</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>6. Funding Balanced with Prioritized Needs</td>
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</tr>
</tbody>
</table>

Note: This calendar is directly tied to modified STIP calendar and dates may change if new STIP calendar is not approved
1. **SPOT reassesses Context, Mission, & Goals**
   - Review Performance Metrics and status on achieving Goals
   - SPOT/SMC sets 2 yr direction (emphasis areas) to achieve goals

2. **BUs Develop Draft Strategic Plan**
   - Incorporates DOT Goals & Direction
   - BUs identify systemwide issues w/approach for resolving
   - Generates Needs list of projects, programs, services and initiatives (PPSI)

3. **BUs Evaluate and Prioritize Needs**
   - BUs compare like projects using a formal process or a quantitative analysis/data driven if applicable (PV Model, B/C Analysis, etc), and/or programs, services, and initiatives using business case templates. Coordination with other BUs as nec.
   - BUs develop ranking/priority of Needs and submit to SPOT
4. **SPOT Evaluates and Consolidates Prioritized Needs**
   - Presents various investment scenarios for achieving goals (w/ associated tradeoffs) – primarily options for funding different categories
   - Makes recommendations on investment goals (% of total funds) and prioritized needs (fiscally unrestricted)

5. **SMC Finalizes Prioritized Needs (Unrestricted)**
   - SMC reviews SPOT recommendations and sets investment goals (% of total investment/ proportionally how much should be invested in each category) and finalizes prioritized needs (fiscally unrestricted)

6. **SPOT/SMC/TIP/Fiscal Balance Funding with Prioritized Needs (Restricted)**
   - Fiscally restricted scenarios evaluated and discussed with BUs
   - SPOT/SMC selects PPSI based on prioritized needs balanced with funding restrictions

**Outcome**
- Strategically chosen and funded PPSI
- NCDOT Strategic Plan (developed by SPOT)
- BU level Strategic Plan
# STRATEGIC PRIORITIZATION: ROLES AND RESPONSIBILITIES

## RACIN’ framework

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible</td>
<td>for completing the work</td>
</tr>
<tr>
<td>Accountable</td>
<td>for the decisions and for granting approval</td>
</tr>
<tr>
<td>Consulted</td>
<td>before decisions are made or action is taken</td>
</tr>
<tr>
<td>Informed</td>
<td>of decisions</td>
</tr>
<tr>
<td>Input</td>
<td>put into the process…</td>
</tr>
</tbody>
</table>

## Activity Table

<table>
<thead>
<tr>
<th>Activity</th>
<th>SPO</th>
<th>SMC</th>
<th>BUs</th>
<th>BOT</th>
<th>Sec.</th>
<th>MPOs</th>
<th>RPOs</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reassessment of Context, Vision, &amp; Goals</td>
<td>R</td>
<td>A</td>
<td>N</td>
<td>I</td>
<td>C</td>
<td>I</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Development of Business Unit Draft Strategic Plans</td>
<td>C</td>
<td>I</td>
<td>R/A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prioritization of Projects, Programs, Services, and Initiatives by Category</td>
<td>I</td>
<td>R/A</td>
<td>C</td>
<td>N</td>
<td>R/A</td>
<td>R/A</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>Review, Consolidation, and Evaluation of Needs</td>
<td>R/A</td>
<td></td>
<td>C</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finalizing Prioritized Needs and Strategic Plan (Unrestricted)</td>
<td>R</td>
<td>A</td>
<td>I</td>
<td>C</td>
<td>C</td>
<td>I</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Balancing Funding with Prioritized Needs (Restricted)</td>
<td>R</td>
<td>R</td>
<td>C</td>
<td>A</td>
<td>C</td>
<td>I</td>
<td>I</td>
<td>I</td>
</tr>
</tbody>
</table>
# Strategic Prioritization: Groups Responsible for Prioritizing Programs

*All programs/activities tie back to the goals

**BOT will provide input through the Divisions & Local Govts

<table>
<thead>
<tr>
<th>Program/Activity*</th>
<th>Responsible/Accountable</th>
<th>Consulted**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridge Program</td>
<td>Bridge Team (tbd)</td>
<td>Divisions</td>
</tr>
<tr>
<td>Statewide Tier Highway Safety Program</td>
<td>Safety Team/Divisions (tbd)</td>
<td></td>
</tr>
<tr>
<td>Regional Tier Highway Safety Program</td>
<td>Safety Team/Divisions (tbd)</td>
<td></td>
</tr>
<tr>
<td>Subregional Tier Highway Safety Program</td>
<td>Safety Team/Divisions (tbd)</td>
<td></td>
</tr>
<tr>
<td>Statewide Tier Highway Preservation Program</td>
<td>Pavement Management Unit</td>
<td>Divisions</td>
</tr>
<tr>
<td>Regional Tier Highway Preservation Program</td>
<td>Divisions</td>
<td></td>
</tr>
<tr>
<td>Subregional Tier Highway Preservation Program</td>
<td>Divisions</td>
<td></td>
</tr>
<tr>
<td>Statewide Tier Highway Mobility Program</td>
<td>Systems Mgmt Team (tbd)</td>
<td>Divisions</td>
</tr>
<tr>
<td>Regional Tier Highway Mobility Program</td>
<td>Divisions</td>
<td>Local Govts</td>
</tr>
<tr>
<td>Subregional Tier Highway Mobility Program</td>
<td>Local Govts</td>
<td>Divisions</td>
</tr>
<tr>
<td>Bicycle/Pedestrian Program</td>
<td>Bicycle &amp; Pedestrian Division</td>
<td>Divisions</td>
</tr>
<tr>
<td>Rail Program</td>
<td>Rail Division</td>
<td></td>
</tr>
<tr>
<td>Rail Safety Program</td>
<td>Rail Division</td>
<td></td>
</tr>
<tr>
<td>CMAQ Program</td>
<td>Local Govts</td>
<td>Transportation Planning/Divisions</td>
</tr>
<tr>
<td>Rest Area Program</td>
<td>Roadside Environmental Unit</td>
<td>Divisions</td>
</tr>
<tr>
<td>Aviation Program</td>
<td>Aviation Division</td>
<td>Divisions</td>
</tr>
<tr>
<td>Ferry Program</td>
<td>Ferry Division</td>
<td>Divisions</td>
</tr>
<tr>
<td>Public Transportation Program</td>
<td>Public Transportation Division</td>
<td></td>
</tr>
<tr>
<td>Weigh Station Program</td>
<td>SHP/DOH</td>
<td>Divisions</td>
</tr>
<tr>
<td>Economic Development/Enhancement/etc</td>
<td>Appropriate Committee/Council</td>
<td></td>
</tr>
<tr>
<td>Other Programs/Services/Initiatives (DMV Customer Service Initiatives, SHC Corridor Studies, Comprehensive Transportation Plans, IT Upgrades, GHSP, etc.)</td>
<td>Individual Business Units</td>
<td>Others as needed</td>
</tr>
</tbody>
</table>
STRATEGIC PRIORITIZATION: QUESTIONS

Terminology??

Safety, Mobility, and Preservation (Based on Goals) vs.

Modernization, Expansion, and Preservation (Statewide Plan)

What is prioritized?

• New and/or modified programs, services, and initiatives
• Projects not “locked down”
STRATEGIC PRIORITIZATION: DEVELOPING PROGRAMS, SERVICES, & INITIATIVES

Operating the 21st Century Transportation System

Overarching theme: Performance targets, based on the new mission and goals, and needs will determine the correct mix of programs, services, and initiatives to fund

**TWO** separate but related processes:

- Prioritizing ALL Projects, Programs, Services and Initiatives
- Determining “High Priority” Projects, Programs, Services, & Initiatives
STRATEGIC PRIORITIZATION: DETERMINING HIGH PRIORITIES

Purpose: To determine the Department’s top cross-cutting priorities which can be used:

• As a communication and marketing tool
• To set high priorities (i.e., that have scheduling priority)
• To expose the need to increase funding and/or flexibility.

Options (discussed at LT meeting on 8-29-07)

1. Strategic Management Committee Decides – Preferred by the LT for Short-term
2. No High Priorities – Preferred by the LT for Long-term
Implementation Plans for Pilot Projects
## TIP PROJECT PILOTS

### Activity

<table>
<thead>
<tr>
<th>Activity</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIP project pilot team kickoff</td>
<td>10 17 24 1</td>
<td>8 15 22 29 05 12 19 26 3</td>
<td>10 17 24 31</td>
<td></td>
</tr>
<tr>
<td>Identification of projects to be piloted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brainstorming workshop with PDEA, Design, and DCEs</td>
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<td></td>
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<tr>
<td>Brainstorming meeting with PEFs (planning and design)</td>
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<tr>
<td>Brainstorming meeting with FHWA</td>
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<tr>
<td>Brainstorming meeting with PEFs (design-build)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Brainstorming meeting with DCEs</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Present catalogue of ideas to Leadership Team for approval</td>
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</tr>
<tr>
<td>Final project delivery list finalized and pilot concepts assigned to projects</td>
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<tr>
<td>Brainstorm implementation approaches</td>
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</tr>
</tbody>
</table>

### Pilots in progress:
- Formal team with identified lead
- Tri-party team
- PEF turn-key delivery
- PEF turn-key delivery, DOT with ADA as manager
- DOT project manager

Launch parallel study committees to address process issues, communication, documentation
## BRIDGE PROGRAM PILOTS

<table>
<thead>
<tr>
<th>Activity</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridge program pilot team kickoff</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Brainstorming workshop with heads from design, construction, maintenance, and FHWA</td>
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<tr>
<td>Brainstorming workshop with consultants</td>
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<td></td>
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<tr>
<td>Brainstorming workshop with contractors</td>
<td></td>
<td>▲</td>
<td></td>
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<tr>
<td>Present catalogue of ideas to TMT</td>
<td></td>
<td>▲</td>
<td>▲</td>
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<tr>
<td>Present catalogue of ideas to Leadership Team for approval</td>
<td></td>
<td>▲</td>
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</tr>
<tr>
<td>Pilots in progress:</td>
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<td>▲</td>
<td>▲</td>
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</tr>
<tr>
<td>• Tiered design approach</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>• Standardized bridge design on subregional tier</td>
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<tr>
<td>• Budget-based bridge program</td>
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<tr>
<td>• Group, scope, and let</td>
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<td></td>
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<tr>
<td>• Additional pilots, TBD</td>
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<td>▲</td>
<td>▲</td>
<td>▲</td>
</tr>
<tr>
<td>Evaluate success of pilots</td>
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</tbody>
</table>

**PRELIMINARY**
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## PERFORMANCE METRICS AND MANAGEMENT

<table>
<thead>
<tr>
<th>Core questions</th>
<th>Deliverable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What work will the performance metrics and management team complete?</td>
<td>1. Context and initiatives</td>
</tr>
<tr>
<td>2. How will NCDOT gauge its performance over time?</td>
<td>2a. Value tree describing core value drivers for NCDOT, linked to vision and goals</td>
</tr>
<tr>
<td></td>
<td>2b. High-level performance dashboard containing metrics based on prioritized value drivers</td>
</tr>
<tr>
<td></td>
<td>2c. Division and branch/unit-level dashboards generated by cascading the high-level dashboard metrics through NCDOT</td>
</tr>
<tr>
<td>3. How will NCDOT manage its performance metrics?</td>
<td>3a. Performance targets for NCDOT high-level dashboard metrics</td>
</tr>
<tr>
<td></td>
<td>3b. List/schedule for multi-level performance reviews with associated agendas</td>
</tr>
<tr>
<td></td>
<td>3c. Guidelines for shifting mind-sets toward metrics-based management</td>
</tr>
<tr>
<td>4. How will the new performance management scheme be rolled out through the organization?</td>
<td>4a. List of key stakeholders needed to facilitate introduction of metrics-based management</td>
</tr>
<tr>
<td></td>
<td>4b. Task/engagement checklist to enable performance metric planning</td>
</tr>
<tr>
<td></td>
<td>4c. Plan to launch performance management pilot</td>
</tr>
</tbody>
</table>
PERFORMANCE METRICS AND MANAGEMENT-
CONTEXT AND INITIATIVES

Context

• There has been some implementation of performance management measures within business units, but those efforts are not explicitly linked to NCDOT nor other business unit priorities
  – Only 36% of employees agree/strongly agree that “employees day-to-day behavior is guided by the NCDOT’s strategy.”
  – Only 44% of employees observe always/often that “operating measures are clearly defined in each area of the organization.”

• NCDOT’s ad hoc nature of performance indicator generation sometimes led to conflicting needs between units
  – Diagnostic found that different parts of organization have different levels of focus on metrics like cost, quality, and timing
  – Only 37% of employees observe always/often that “NCDOT holds challenging reviews to evaluate performance against the operational plan/key performance indicators.”

Initiatives

• Develop performance metrics
  – Determine NCDOT value drivers linked to vision and goals
  – Prioritize value drivers and generate high-level performance metrics
  – Cascade metrics downward through NCDOT

• Develop metrics management methodology
  – Establish performance targets
  – Introduce multi-level quarterly performance review process
  – Create methodology to link metrics with individual performance reviews

• Develop rollout plan
  – Conduct training sessions to adjust mindsets toward metrics-based management
  – Launch process for adjusting information systems to track and post metrics internally and externally
  – Create rollout plan for introduction of quarterly business reviews
BEFORE PERFORMANCE METRICS CAN BE DEVELOPED, THE MAJOR DRIVERS OF VALUE FOR NCDOT MUST BE DETERMINED

The intention of this value tree is to provide a holistic view of what is valuable to NCDOT for use in developing NCDOT’s high-level dashboard.

The ultimate goal is to iteratively improve upon the tree over time and have it become a useful tool for performance measurement and planning within NCDOT.

Source: NCDOT TMT analysis
MAKE OUR TRANSPORTATION NETWORK SAFER

Make our transportation network safer

Key metrics
• Incidents
  – Fatalities
  – Injuries
  – Severity

Transportation system and facilities

Facilities

Tiers/system

NCDOT work zones

External work zones

Vehicle operation

Operator practice

Vehicle condition

Maintenance
• Building design
• Security
• Condition

Design
• Features
• Condition
• Maintenance

Traffic control devices
• Safe work practices
• and standard operating procedures

Design
• Traffic control devices
• Safe work practices
• and standard operating procedures

Inspection
• Enforcement
• Training
• Enforcement

Source: NCDOT TMT and McKinsey analysis
MAKE OUR TRANSPORTATION NETWORK MOVE PEOPLE AND GOODS MORE EFFICIENTLY

Key metrics
- Time/rates
  - Volume to capacity
  - Customer satisfaction index
  - Incident clearance time
- Manage incidents (clearance time)
- Additional capacity
- Flow/design
- Information and communication
  - Information “push”
  - Information “pull”
- Ease congestion (time/rates)
- Alternatives
  - Turn lanes
  - Storage
  - Ramp metering
  - Work zones
  - HOV
  - Signal
  - Tolling
  - Access management
  - Bike path
  - Mass Transit
  - Car pool

Source: NCDOT TMT and McKinsey analysis
MAKE OUR INFRASTRUCTURE LAST LONGER

- Make our infrastructure last longer

**Key metrics**
- Road condition scores
- Bridge condition scores
- Maintenance scores

**Infrastructure life** (infrastructure assessment)
- Maintenance and preservation
  (Percent of scheduled maintenance, useful lifespan, age, wear)
- Usage
  (traffic, passengers)
- Design to conditions
- Quality of construction
  (observation)

**Planning**
- Material Practices

**NCDOT owned**
- DOT facilities
- Rented

**NCDOT and contractors**
- NCDOT owned
- Rented

Source: NCDOT TMT and McKinsey analysis
MAKE OUR ORGANIZATION A PLACE THAT WORKS WELL

Key metrics
- Percent delivered on budget
- Percent delivered on time
- Incidents of rework

Source: NCDOT TMT and McKinsey analysis
# Make Our Organization a Great Place to Work

**Key metrics**
- Unplanned attrition
- Employee satisfaction index

## Attractive to people
- Job satisfaction
- Development opportunities (mobility metric, % moved)
- Employee safety
- Great people (percent yield on offers)
- Compensation (mark to market, % yield on offers)
- Reputation and prestige

## Mind-sets
- Performance mindset (differentiation of performance rating)
- Accountability
- Empowerment
- Clear expectations
- Differentiation

## Cash

## Other
- Benefits
- Perks
- Job security

---

Source: NCDOT TMT and McKinsey analysis
WHAT ARE PERFORMANCE DASHBOARDS AND WHY ARE THEY USED?

What is a performance dashboard?

• A performance dashboard is a visual representation of the overall health of an organization*

How is a performance dashboard developed and readied for use?

• Build a value tree to determine key drivers of value for organization
• Develop high-level organization-wide metrics from the identified value drivers
• Establish targets for the high-level metrics
• Develop metrics and associated targets for divisions, branches, and units

Why use a performance dashboard?

Dashboards allow organizations to:

• Monitor critical business processes and activities using metrics of business performance that trigger alerts when potential problems arise*
• Analyze the root cause of problems by exploring relevant and timely information from multiple perspectives and at various levels of detail*
• Manage people and processes to improve decisions, optimize performance and steer the organization in the right direction*

# NCDOT’s Executive Dashboard Provides a Means for Gauging Overall Organizational Performance

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Comments</th>
</tr>
</thead>
</table>
| “Make our transportation network safer” | • Fatal accident (incident) rates on NCDOT transportation network  
• “Hard” numerical data for measuring performance of systems - i.e. various transit modes, safety operating procedures for employees  
• Most state DOTs track traffic fatalities |
| “Make our transportation network move people and goods more efficiently” | • Travel time  
• Congestion (level of service)  
• Indicator of system performance - actual vs. ideal travel time on transportation system  
• Use average speed (operating) on representative sample sites for different tiers  
• Ratings exists for reporting. Can compare NC vs. National congestion and then set goals  
• On representative sample sites, determine when the peak congestion time is and how long it lasts |
| “Make our infrastructure last longer” | • Existing system conditions  
  – Road  
  – Bridge  
  – Other  
• Book value of transportation network  
• Infrastructure currently being measured by Operations  
• Provides a view of how maintenance activities and new construction affect the value of the network over time |
| “Make our organization a place that works well” | • Delivery on schedule  
• Delivery on budget  
• Ideal metric for future measure is “% of projects, programs, and services completed on schedule and on budget for a given year”, but it would require coordination between NCDOT divisions/departments  
• Current measures are highways-focused, but should serve as guides for what could be tracked for alternative modes |
| “Make our organization a great place to work” | • Employee satisfaction index  
• Employee safety incidents  
• Employee satisfaction can be gauged based on survey results. Easily tracked and shows trends.  
• Currently being measured Department-wide and shows we care about the employees |
MORE SPECIFICALLY, THE DASHBOARD METRICS WILL MEASURE QUANTITATIVE DATA THAT CAN BE LINKED TO PERFORMANCE (1/3)

<table>
<thead>
<tr>
<th>Dashboard metric</th>
<th>Definition of measure</th>
<th>Source of data</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatal accident rates on NCDOT transportation network</td>
<td>• Number of fatal accidents on the NCDOT transportation system per X miles traveled</td>
<td>• Kevin Lacey</td>
<td>• Federal standards exist for highways</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Allows for direct comparisons to other states</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Intended to gauge the effectiveness of travel on the transportation system</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Based on NCHRP guidelines and/or sensor read-outs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Intended to gauge ability to handle load on the system</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Need to meet with Kevin Lacey for available data</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• How should alternative modes be handled?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Need to performing mapping of levels of service to numerical values</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel time</td>
<td>• Avg. speed limit per mile</td>
<td>• Kevin Lacey</td>
<td>• Intended to gauge the effectiveness of travel on the transportation system</td>
</tr>
<tr>
<td></td>
<td>• Frequency of service for buses, ferries, etc</td>
<td>• Kelly Damron</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Congestion</td>
<td>• Numerical indicator of level of service experienced at peak travel times</td>
<td>• Kevin Lacey</td>
<td>• Based on NCHRP guidelines and/or sensor read-outs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Kelly Damron</td>
<td>• Intended to gauge ability to handle load on the system</td>
</tr>
<tr>
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<td>• Need to meet with Kevin Lacey for available data</td>
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<td></td>
<td>• Need to performing mapping of levels of service to numerical values</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing system conditions</td>
<td>• Numerical indicator of level of service for roads</td>
<td>• Terry Canales</td>
<td>• Need to incorporate ratings for non-core portions of system</td>
</tr>
<tr>
<td></td>
<td>• Bridge sufficiency ratings</td>
<td></td>
<td>• Is there a way to use some sort of blended metric?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Need to performing mapping of levels of service to numerical values</td>
</tr>
</tbody>
</table>
MORE SPECIFICALLY, THE DASHBOARD METRICS WILL MEASURE QUANTITATIVE DATA THAT CAN BE LINKED TO PERFORMANCE (2/3)

<table>
<thead>
<tr>
<th>Dashboard metric</th>
<th>Definition of measure</th>
<th>Source of data</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value of transportation network</td>
<td>• Dollar value of assets in the NCDOT transportation network</td>
<td>• NCDOT Fiscal</td>
<td>• Need to find out who is responsible for the calculation of the book value of transportation network</td>
</tr>
</tbody>
</table>
| Delivery on schedule                      | • % of projects constructed on schedule in a given year  
  ‒ Calculated as [Projects completed by scheduled date] divided by [Total projects scheduled to be completed] | • STaRS  
  • HiCAMS | • Ideal metric for future measure is “% of projects, programs, and services completed on schedule for a given year”, but it would require coordination between NCDOT divisions/departments  
• Current measures are highways-focused, but should serve as guides for what could be tracked for alternative modes |
| Employee safety incidents                 | • Number of safety incidents involving NCDOT staff while on duty | • Safety and Loss Control (Bob Andrews) | • The given measure is only preliminary, pending a discussion with Bob Andrews about what data he tracks about employee safety incidents |
MORE SPECIFICALLY, THE DASHBOARD METRICS WILL MEASURE QUANTITATIVE DATA THAT CAN BE LINKED TO PERFORMANCE (3/3)

<table>
<thead>
<tr>
<th>Dashboard metric</th>
<th>Definition of measure</th>
<th>Source of data</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery on budget</td>
<td>• % of projects completed on budget in a given year</td>
<td>STaRS, HiCAMS</td>
<td>• Ideal metric for future measure is “% of projects, programs, and services completed on budget for a given year”, but it would require coordination between NCDOT divisions/departments</td>
</tr>
<tr>
<td></td>
<td>– Calculated as [Projects completed on budget set in TIP] divided by [Total projects completed]</td>
<td></td>
<td>• Current measures are highways-focused, but should serve as guides for what could be tracked for alternative modes</td>
</tr>
<tr>
<td></td>
<td>• % of projects let on budget in a given year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>– Calculated as [Projects let on budget set in TIP] divided by [Total projects let]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee engagement</td>
<td>• Numerical index of employee engagement, as determined by survey results</td>
<td>NCDOT employee survey (to be developed and issued later)</td>
<td>• Survey to be issued at the same time each year to account for seasonal changes in employee moods</td>
</tr>
<tr>
<td>index</td>
<td></td>
<td></td>
<td>• Survey questions must be general enough to include all DOT employees, but specific enough to provide productive insights</td>
</tr>
</tbody>
</table>
METRICS WILL CASCADE DOWNWARD FROM THE EXECUTIVE DASHBOARD TO THE DIVISIONS, BRANCHES, AND UNITS OF NCDOT

- Each cascaded dashboard should be both relevant to the level measured and build upward toward the level above it.

- All metrics on the Executive dashboard and the division, branch, and unit dashboards will be linked to the NCDOT vision and goals.
ADDITIONAL DASHBOARDS WILL BE DEVELOPED FOR ALL BRANCHES AND UNITS

PERFORMANCE METRICS FOR DIVISION ENGINEERS

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Definition of measure/Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Make our transportation network safer”</td>
<td></td>
</tr>
<tr>
<td>• Implementation of Division Work Zone Safety Program</td>
<td>• # of issues identified per Work Zone Safety Audit report</td>
</tr>
<tr>
<td>• Improve Level of Service of Safety Features throughout Division</td>
<td>• Avg level of service (A-F) on MCAP items related to safety such as shoulder drop-offs, guardrail, sight distance, brush &amp; tree control, clogged drains (spread), etc.</td>
</tr>
<tr>
<td>• Enhance mobility on Strategic Highway Corridor</td>
<td>• Average operating speed on portions of Strategic Highway Corridor that run through Division</td>
</tr>
<tr>
<td>• Maintain operational efficiency on traffic control devices throughout Division, institute information sharing systems that reduce congestion and efficiently manage incidents throughout Division</td>
<td>• Travel time reliability - standard deviation of avg. commuter time in selected urban areas; Avg. # of minutes from incident to all lanes open; Avg. # of minutes from incident to TIMS data input</td>
</tr>
<tr>
<td>• Access mgmt throughout the Division</td>
<td>• Number of driveway permits issued in compliance with Policy on Street &amp; Driveway Access Policy</td>
</tr>
<tr>
<td>“Make our transportation network move people and goods more efficiently”</td>
<td></td>
</tr>
<tr>
<td>• Level of service of Division-wide infrastructure</td>
<td>• Level of service (A-F) of Division-wide infrastructure</td>
</tr>
<tr>
<td>• Maintenance Condition Survey score</td>
<td>• Maintenance Condition Survey score</td>
</tr>
<tr>
<td>• Bridge Condition Survey Score</td>
<td>• Pavement Condition Survey Score</td>
</tr>
<tr>
<td>• MCAP Construction Quality Index</td>
<td></td>
</tr>
<tr>
<td>“Make our infrastructure last longer”</td>
<td></td>
</tr>
<tr>
<td>• Quality assurance and control during construction</td>
<td></td>
</tr>
<tr>
<td>“Make our organization a place that works well”</td>
<td></td>
</tr>
<tr>
<td>• Projects managed/administered, and constructed on schedule and on budget</td>
<td>• % of projects managed/administered by Divisions constructed on schedule and on budget</td>
</tr>
<tr>
<td>• Place roads efficiently</td>
<td>• % of DLL projects (&amp; other programs) let on schedule and on budget</td>
</tr>
<tr>
<td>• HUBS/BEAV/BE/MBE/DBE participation/ops</td>
<td>• Miles paved per dollar spent on paving</td>
</tr>
<tr>
<td>• Stakeholder interaction</td>
<td>• % of solicitations sent to DBEs, etc.</td>
</tr>
<tr>
<td>• Employee Safety</td>
<td>• % of bids received from DBEs, etc.</td>
</tr>
<tr>
<td>• Employee Satisfaction</td>
<td>• % of contract dollars awarded to DBEs, etc.</td>
</tr>
<tr>
<td>• Recruiting, developing and retaining employees</td>
<td>• Customer survey scores (public, partners, etc.)</td>
</tr>
<tr>
<td>“Make our organization a great place to work”</td>
<td></td>
</tr>
<tr>
<td>• Employee Safety</td>
<td>• Number of incidents, lost work days, worker’s comp claims</td>
</tr>
<tr>
<td>• Employee Satisfaction</td>
<td>• Employee satisfaction survey composite score</td>
</tr>
<tr>
<td>• Recruiting, developing and retaining employees</td>
<td>• % vacancy rate</td>
</tr>
</tbody>
</table>
EXAMPLE: PERFORMANCE METRICS FOR DIVISION ENGINEERS

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Definition of measure/Comments</th>
</tr>
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</table>
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• Improve Level of Service of Safety Features throughout Division | • # of issues identified per Work Zone Safety Audit report  
• Avg level of service (A-F) on MCAP items related to safety such as shoulder drop-offs, guardrail, sight distance, brush & tree control, clogged drains (spread), etc. |
| “Make our transportation network move people and goods more efficiently” | • Enhance mobility on Strategic Highway Corridor  
• Maintain operational efficiency on traffic control devices throughout Division, institute information sharing systems that reduce congestion and efficiently manage incidents throughout Division  
• Access mgmt throughout the Division | • Average operating speed on portions of Strategic Highway Corridor that run through Division  
• Travel time reliability- standard deviation of avg. commuter time in selected urban areas; Avg. # of minutes from incident to all lanes open; Avg. # of minutes from incident to TIMS data input  
• Number of driveway permits issued in compliance with Policy on Street & Driveway Access Policy |
| “Make our infrastructure last longer” | • Level of service of Division-wide infrastructure  
• Quality assurance and control during construction | • Level of service (A-F) of Division-wide infrastructure  
– Maintenance Condition Survey score  
– Bridge Condition Survey Score  
– Pavement Condition Survey Score  
• MCAP Construction Quality Index |
| “Make our organization a place that works well” | • Projects managed, administered, and constructed on schedule and on budget  
• Pave roads efficiently  
• HUB/SBE/WBE/MBE/DBE participation/opps  
• Stakeholder interaction | • % of projects managed/administered by Divisions constructed on schedule and on budget  
• % of DDL projects (& other programs) let on schedule and on budget  
• Miles paved per dollar spent on paving  
• % of solicitations sent to DBEs, etc.  
• % of bids received from DBEs, etc.  
• % of contract dollars awarded to DBEs, etc.  
• Customer survey scores (public, partners, etc.) |
| “Make our organization a great place to work” | • Employee Safety  
• Employee Satisfaction  
• Recruiting, developing and retaining employees | • Number of incidents, lost work days, worker’s comp claims  
• Employee satisfaction survey composite score  
• % vacancy rate |
EACH HIGH-LEVEL DASHBOARD METRIC WILL BE TRACKED OVER TIME TO OBSERVE TRENDS IN PERFORMANCE

Examples of metric tracking methods

"Stoplight" visual ratings of performance as compared to established targets
- Underperformed according to target
- Met target
- Overperformed according to target

Year-over-year comparisons of actual performance versus targets

Comparisons between current year and historical performance

Comparison between North Carolina performance and US national averages
TO GET FULL VALUE FROM ITS NEW PERFORMANCE MANAGEMENT SCHEME, NCDOT WILL HOLD A SERIES OF PERFORMANCE REVIEWS AT SEVERAL LEVELS THROUGHOUT THE ORGANIZATION

Nature of review | Timing | Participants | Duration | Objectives
--- | --- | --- | --- | ---
1. NCDOT organizational review | Quarterly | NCDOT leadership (lead) Division directors | 60-90 minutes | Review status across NCDOT divisions Ensure overall alignment with NCDOT mission and goals
2. Division review | Monthly | Division director (lead) Branch heads | 90-120 minutes | Review performance of branches within the division Idea sharing across branches Alignment with division goals
3. Branch review | Monthly (staggered with division review) | Branch head (lead) Unit heads | 120-150 minutes | Review performance of units within the branch Idea sharing across units Alignment with branch goals
4. Unit review | Bi-weekly or weekly (as needed) | Unit head (lead) Project leads Frontline staff | Varies | Review on the ground performance and progress Inform frontline staff on NCDOT direction

Source: TMT and McKinsey team analysis
NCDOT ORGANIZATIONAL PERFORMANCE REVIEW MEETING

AGENDA

Proposed frequency: Quarterly
Participants: NCDOT leadership, Divisional directors
Duration: 60-90 minutes

Objective
• Review performance of NCDOT and across its divisions
• Ensure overall alignment with NCDOT mission and goals

Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Details</th>
</tr>
</thead>
</table>
| 0:00-0:10| Introduction                  | • Review NCDOT vision and goals
|          |                               | • Express importance of open, two-way communication                     |
|          |                               | • Maintain focus on drivers of value for organization                  |
|          |                               | (i.e., personal agendas set aside)                                     |
| 0:10-0:20| Review NCDOT performance      | • Review overall performance against metrics for NCDOT organization    |
|          |                               | • Discuss any trends in overall performance                            |
|          |                               | • Discuss progress on performance since previous review                |
| 0:20-0:50| Review performance of divisions| • Perform a division-by-division review of performance to metrics      |
|          |                               | • Discuss progress on performance since previous review                |
|          |                               | • Understand causes of underperformance                               |
|          |                               | • Solicit feedback or advice on particular areas of need               |
| 0:50-1:15| Discuss action plans          | • Problem solve as a group on specific action plans for each division  |
| 1:15-1:25| Review dashboard             | • Review dashboard metrics and targets to determine whether either should|
|          |                               | be modified                                                            |
| 1:25-1:30| Wrap-up                      | • Review any action items                                              |

Source: TMT and McKinsey team analysis
# DIVISION-LEVEL PERFORMANCE REVIEW MEETING AGENDA

**Proposed frequency:** Monthly  
**Participants:** Divisional directors, Branch heads  
**Duration:** 90-120 minutes  

**Objective**  
- Review performance of division and across its branches  
- Ensure overall alignment with NCDOT mission and goals

## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Details</th>
</tr>
</thead>
</table>
| 0:00-0:10     | Introduction                       | • Review NCDOT vision and goals  
• Express importance of open, two-way communication  
• Maintain focus on drivers of value for organization  
  (i.e., personal agendas set aside)          |
| 0:10-0:25     | Review division performance        | • Review overall performance against metrics for division and NCDOT  
• Discuss any trends in overall performance  
• Discuss progress on performance since previous review |
| 0:25-1:15     | Review performance of branches     | • Perform a branch-by-branch review of performance to metrics  
• Discuss progress on performance since previous review  
• Understand causes of underperformance  
• Solicit feedback or advice on particular areas of need |
| 1:15-1:45     | Discuss action plans               | • Problem solve as a group on specific action plans for each branch |
| 1:45-1:55     | Review divisional dashboard        | • Review divisional dashboard metrics and targets to determine whether either should be modified |
| 1:55-2:00     | Wrap-up                            | • Review any action items |

**Source:** TMT and McKinsey team analysis
BRANCH PERFORMANCE REVIEW MEETING AGENDA

Proposed frequency: Monthly
Participants Branch lead, Unit heads
Duration 120-150 minutes

Objective
• Review performance of branch and across its units
• Ensure overall alignment with NCDOT mission and goals

Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>0:00-0:10</td>
<td>Introduction</td>
<td>• Review NCDOT vision and goals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Express importance of open, two-way communication</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Maintain focus on drivers of value for organization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(i.e., personal agendas set aside)</td>
</tr>
<tr>
<td>0:10-0:25</td>
<td>Review branch performance</td>
<td>• Review overall performance against metrics for branch</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Discuss any trends in overall performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Discuss progress on performance since previous review</td>
</tr>
<tr>
<td>0:25-1:25</td>
<td>Review performance of units</td>
<td>• Perform a unit-by-unit review of performance to metrics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Discuss progress on performance since previous review</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Understand causes of underperformance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Solicit feedback or advice on particular areas of need</td>
</tr>
<tr>
<td>1:25-1:55</td>
<td>Discuss action plans</td>
<td>• Problem solve as a group on specific action plans for each unit</td>
</tr>
<tr>
<td>1:55-2:05</td>
<td>Review branch-level dashboard</td>
<td>• Review branch-level dashboard metrics and targets to determine whether</td>
</tr>
<tr>
<td></td>
<td></td>
<td>either should be modified</td>
</tr>
<tr>
<td>2:05-2:10</td>
<td>Wrap-up</td>
<td>• Review any action items</td>
</tr>
</tbody>
</table>

Source: TMT and McKinsey team analysis
## UNIT PERFORMANCE REVIEW MEETING AGENDA

**Proposed frequency:** Bi-weekly or weekly (as needed)

**Participants**
Unit head, direct reports (and other lower level staff, as needed)

**Duration**
Varies (agenda below is an illustrative example)

**Objective**
- Review performance of unit and its individual lower level operations
- Ensure overall alignment with NCDOT mission and goals

### Agenda

<table>
<thead>
<tr>
<th>Time</th>
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<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>0:00-0:10</td>
<td>Introduction</td>
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<td></td>
<td></td>
<td>• Express importance of open, two-way communication</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Maintain focus on drivers of value for organization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(i.e., personal agendas set aside)</td>
</tr>
<tr>
<td>0:10-0:25</td>
<td>Review unit performance</td>
<td>• Review overall performance against metrics for unit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Discuss any trends in overall performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Discuss progress on performance since previous review</td>
</tr>
<tr>
<td>0:25-1:45</td>
<td>Review performance of project/lower-level staff</td>
<td>• Perform a review of performance to metrics for direct reports</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Discuss progress on performance since previous review</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Understand causes of underperformance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Solicit feedback or advice on particular areas of need</td>
</tr>
<tr>
<td>1:45-2:15</td>
<td>Discuss action plans</td>
<td>• Problem solve as a group on specific action plans for direct reports</td>
</tr>
<tr>
<td>2:15-2:25</td>
<td>Review unit-level dashboard</td>
<td>• Review unit-level dashboard metrics and targets to determine whether</td>
</tr>
<tr>
<td></td>
<td></td>
<td>either should be modified</td>
</tr>
<tr>
<td>2:25-2:30</td>
<td>Wrap-up</td>
<td>• Review any action items</td>
</tr>
</tbody>
</table>

**Source:** TMT and McKinsey team analysis
**Daily start of shift meeting**

**Purpose:** To review the last shift’s performance and plan for the coming shift

<table>
<thead>
<tr>
<th>Agenda</th>
<th>Attendees</th>
<th>Input</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Establish manning</strong></td>
<td>Construction Team Manager</td>
<td>• Line metric data</td>
</tr>
<tr>
<td>– Check absence and need for cover</td>
<td>All Team Members</td>
<td>• Safety data – details of any incidents and relevant bulletins</td>
</tr>
<tr>
<td>– Assign jobs/line locations for the shift</td>
<td>Maintenance Support</td>
<td>• Priorities from previous evening area meeting</td>
</tr>
<tr>
<td><strong>2. Review team metrics</strong></td>
<td></td>
<td>• Information about special activities scheduled for the shift</td>
</tr>
<tr>
<td>– Identify performance gaps &amp; discuss root causes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Highlight any special actions needed during shift to correct or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>contain gaps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Raise issues where necessary for problem resolution or improvement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>actions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3. Summarize expectations for the shift</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Highlight priorities for the shift</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Ensure everyone is clear on any activities they have been assigned</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Ensure everyone is informed about any special activities (e.g.,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>training)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Meeting rules**

• Update board with metrics prior to meeting

• This is not a problem solving meeting – agree to take problems/improvement ideas off line

**Timing:** Daily at start of shift
### “CONSTRUCTIVE TENSION” IN PERFORMANCE INTERACTIONS

<table>
<thead>
<tr>
<th>Dynamics</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Intense working session</td>
<td>• Disciplined review of specific, actionable performance improvement plans</td>
</tr>
<tr>
<td>• Scrutinizing; evaluative posture</td>
<td>• Focus on root causes and on what the unit can control/influence</td>
</tr>
<tr>
<td>• Forward-looking orientation</td>
<td>• Implications of planned actions on other units’ performance</td>
</tr>
<tr>
<td></td>
<td>• Evaluation of unit’s performance linked to individuals’ actions and responsibility</td>
</tr>
<tr>
<td></td>
<td>• Formal, rubber-stamping presentation</td>
</tr>
<tr>
<td></td>
<td>• Judgmental; critical, defensive attitude</td>
</tr>
<tr>
<td></td>
<td>• Focus on past activities</td>
</tr>
<tr>
<td></td>
<td>• Unclear relationship between items discussed and performance</td>
</tr>
<tr>
<td></td>
<td>• Focus on externalities and items irrelevant to performance</td>
</tr>
<tr>
<td></td>
<td>• Focus strictly on own unit’s performance</td>
</tr>
<tr>
<td></td>
<td>• Limited accountability for performance results</td>
</tr>
</tbody>
</table>
ONCE THE METRICS HAVE BEEN FINALIZED AND MANAGEMENT METHODOLOGY ESTABLISHED, NCDOT MUST ROLL OUT ITS NEW PERFORMANCE MANAGEMENT SCHEME

<table>
<thead>
<tr>
<th>Engage key stakeholders</th>
<th>Enable performance metric tracking</th>
<th>Launch performance management pilot</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Circulate draft metrics to organizational owners of those metrics</td>
<td>• Catalog all available data sources in Department that might be used for metrics</td>
<td>• Finalize metrics down to the unit level</td>
</tr>
<tr>
<td>• Incorporate feedback from organizational owners of metrics</td>
<td>• Identify those metrics for which data is not currently available and recommend ways to track the necessary metrics</td>
<td>• Link employee Performance Management review forms (PMs) to metrics</td>
</tr>
<tr>
<td>• Develop training materials for managers to cascade metrics throughout organization</td>
<td>• Set targets first for Executive Dashboard metrics, then for individual metrics</td>
<td>• Schedule and finalize agendas for quarterly business reviews</td>
</tr>
</tbody>
</table>
## PERFORMANCE METRICS AND MANAGEMENT IMPLEMENTATION PLAN

<table>
<thead>
<tr>
<th>Activity</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finalize full metrics to unit level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Finalize full list of metrics for top ~100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Draft metrics for top ~100 presented to LT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Metrics for top ~100 approved for cascading</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cascade metrics throughout organization</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Training session on cascading with unit heads and above</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Cascading of metrics</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Link employee PMs to performance against metrics</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Metrics incorporated into PMs for top ~30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Metrics incorporated into PMs for top ~100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Metrics incorporated into PMs for other staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Target setting</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Target setting for dashboard metrics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Target setting for metrics of top ~100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Target setting for entire organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business reviews</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• First set of quarterly business reviews- pilot/training with branch managers/directors and up</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Second set of business reviews</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Third set of business review</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Fourth set of business reviews (includes review of 6/30 FY results)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Fifth set of business reviews (same pattern in steady state)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Create external public-facing executive dashboard</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**PRELIMINARY**
## PERFORMANCE METRICS AND MANAGEMENT OPEN ISSUES

<table>
<thead>
<tr>
<th>Issue</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full set of division, branch, and unit metrics must be drafted and finalized</td>
<td>Timing and stakeholder availability issues that have served as bottlenecks must be resolved to meet milestone dates</td>
</tr>
<tr>
<td>Targets must be set and data sources must be determined for performance metrics</td>
<td>These activities are core to metrics-based management, but cannot be addressed until metrics are finalized</td>
</tr>
<tr>
<td>Process for reviewing and revising metrics and targets must be developed</td>
<td>Performance Metrics and Strategic Planning teams must incorporate a metrics review process into new strategic planning cycle</td>
</tr>
<tr>
<td>Management reviews must be organized, scheduled, and held routinely</td>
<td>Without a structured set of reviews, the metrics and associated targets will yield little benefit for NCDOT</td>
</tr>
<tr>
<td>Constructive tension should be a part of performance management reviews, but are not a feature of current NCDOT culture</td>
<td>Work must be done in advance of roll-out to ensure adoption of this mindset across NCDOT</td>
</tr>
<tr>
<td>OSP will play a major role in plan for roll-out of new performance management scheme</td>
<td>Dependence on OSP capability and availability may slow the development and implementation of roll-out plan</td>
</tr>
<tr>
<td>New IT system will likely be needed to facilitate performance metric tracking</td>
<td>Potential for confusion/conflicts around roles and responsibilities for design and implementation of new IT system</td>
</tr>
</tbody>
</table>

- **Develop performance metrics**
- **Develop metrics management methodology**
- **Develop roll-out plan**
‘STORY’ PYRAMID FOR PERFORMANCE METRICS AND MANAGEMENT TEAM:

- Report on good things we do - “brag”
- Show employees how their efforts link to overall goals and objectives
- Set goals and clarify accountability
- Understand and improve overall organizational performance.

- Response to NCDOT diagnostic
- Inspired by leading practices and shaped by NCDOT
- Building on NCDOT and statewide efforts
- Every job is important
- High level dashboard visible to everyone

Level of tailoring and specificity

Integrating Theme

Supporting Themes

Stakeholder Themes (Examples)

Employees
Citizens
Political

Vendors/Contractors
Other Agencies (State, Fed, Local)
## STAKEHOLDER IMPACT TIMELINE

<table>
<thead>
<tr>
<th>Date</th>
<th>Stakeholder</th>
<th>Objective</th>
<th>Basic Message</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 07</td>
<td>Employees</td>
<td>Gather Input</td>
<td>What metrics are relative to your Division/Branch/Unit?</td>
</tr>
<tr>
<td>Nov 07</td>
<td>Employees</td>
<td>Disseminate</td>
<td>These are your metrics - Now they must be cascaded down through your division/branch/unit</td>
</tr>
<tr>
<td>Mar 08</td>
<td>Employees</td>
<td>Gather Input</td>
<td>Receive metrics from div/brnch/units</td>
</tr>
<tr>
<td>June 08</td>
<td>Contractors/Vendors</td>
<td>Gather Input</td>
<td>Here are DOT metrics. What metrics are relative to your business with DOT.</td>
</tr>
<tr>
<td>Aug 08</td>
<td>Contractors/Vendors</td>
<td>Gather Input</td>
<td>Receive input from contractors</td>
</tr>
<tr>
<td>Sept 08</td>
<td>Contractors/Vendors</td>
<td>Disseminate</td>
<td>Here are your metrics relative to business with DOT.</td>
</tr>
<tr>
<td>Jan 08</td>
<td>Political, Agencies, Citizens</td>
<td>Disseminate</td>
<td>Here are DOT and contractor performance metrics</td>
</tr>
</tbody>
</table>
TODAY’S DISCUSSION

Objectives

• Review talent implementation approach
• Gain consensus on proposed talent policy change objectives
• Introduce next steps

Agenda

• Discuss talent approach
• Discuss proposed talent policy changes
  – Hiring practices
  – EVP
  – Training
  – Quick wins
• Next Steps
THE TALENT TEAM HAS PRIORITIZED 8 RECOMMENDATIONS FOR NEAR-TERM IMPLEMENTATION

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Key Elements</th>
</tr>
</thead>
</table>
| 1. Define talent strategy | • Identify and plan for talent and capability needs in organization  
• Focus resources on top 100-250 leadership positions and assets |
| 2. Revise hiring practices | • Define alternatives to posting process  
• Streamline qualification and approval process to allow greater hiring manager discretion |
| 3. Define and improve employee value proposition | • Define and communicate new and existing development programs (e.g. career tracks, training, mobility planning)  
• Modifying salary policies |
| 4. Revamp performance review | • Develop performance review system and tool with two levers of evaluation (metrics and potential/leadership assessment/competencies)  
• Improve ability to manage rewards and consequences (non-financial rewards, performance pay, consequences for underperformance, feed into goal setting)  
• Train managers on performance feedback |
| 5. Revamp training program to strategically deploy resources | • Continually assess organizational training needs based on vision, goals, and strategy  
• Deploy training resources based on org needs and most effective training formats for development segments |
| 6. Develop employee career tracks | • Develop system to define goals for role and career  
• Define technical, functional, and managerial career tracks  
• Develop assessment and dev’t tools to enable process |
| 7. Develop system for leadership planning | • Define key 100-250 roles in organization that drive vision/goals  
• Develop system to identify high potential employees and build their capabilities to fill these positions (heavy mobility) |
| 8. Institute priority quick wins | • Wave 1: eliminate mandated vacancy rate, increase funding for out of state recruiting, modify qualification process, reduce approval steps for personnel packages, modify 10% rule, reinstate PE Bonus, implement clerical equity study |

Source: Talent Management Team Analysis
**PROPOSED AREAS FOR OSP AND NCDOT COLLABORATION**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Approach</th>
<th>Proposed team launch</th>
<th>TMT lead</th>
<th>NCDOT HR lead</th>
<th>Lead OSP advisor</th>
<th>Ideal number of additional OSP team members*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Define talent strategy framework</td>
<td>Outline of framework and resources needed</td>
<td>September</td>
<td>Stephanie King</td>
<td>Herb Henderson</td>
<td>TBD per OSP</td>
<td>~1</td>
</tr>
<tr>
<td>2 Revise hiring practices</td>
<td>High-level policy rec and implementation oversight</td>
<td>September</td>
<td>Teresa Pergerson</td>
<td>Angela Faulk</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>3 Define and improve EVP</td>
<td>High-level policy rec and implementation oversight</td>
<td>September</td>
<td>Stephanie King</td>
<td>Helen Dickens</td>
<td>TBD per OSP</td>
<td>~1</td>
</tr>
<tr>
<td>4 Revamp performance review</td>
<td>Design and implement in collaboration with OSP</td>
<td>August</td>
<td>T. Pergerson V. Barbour</td>
<td>H. Dickens</td>
<td>Lynn Summers</td>
<td>~2-4</td>
</tr>
<tr>
<td>5 Revamp training program</td>
<td>High-level policy rec and implementation oversight</td>
<td>January</td>
<td>Anthony Roper</td>
<td>Steve Shepherd</td>
<td>TBD per OSP</td>
<td>~1</td>
</tr>
<tr>
<td>6 Develop employee career tracks</td>
<td>Policy recommendation; design in collaboration</td>
<td>September</td>
<td>Anthony Roper</td>
<td>A. Faulk; A. Olive</td>
<td>TBD per OSP</td>
<td>~1</td>
</tr>
<tr>
<td>7 Develop leadership/succession planning</td>
<td>Design and implement in collaboration</td>
<td>September</td>
<td>Anthony Roper</td>
<td>Herb Henderson</td>
<td>TBD per OSP</td>
<td>~1</td>
</tr>
<tr>
<td>8 Institute priority quick wins</td>
<td>Develop and implement policy recommendations</td>
<td>August</td>
<td>Stephanie King</td>
<td>Herb Henderson</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Pending availability
TODAY’S DISCUSSION

Objectives

• Review talent implementation approach
• Gain consensus on proposed talent policy change objectives
• Introduce next steps

Agenda

• Discuss talent approach
• Discuss proposed talent policy changes
  – Hiring practices
  – EVP
  – Training
  – Quick wins
• Next steps
# OVERVIEW – OBJECTIVES AND METHODS FOR POLICY CHANGES

<table>
<thead>
<tr>
<th>Objective(s)</th>
<th>Specific Proposed Changes</th>
</tr>
</thead>
</table>
| **1 Hiring**  
To enable NCDOT to onboard high quality talent efficiently, effectively, and in compliance with all applicable regulations | • Expand advertising for open positions  
• Simplify application process  
• Streamline qualification review  
• Restructure process |
| **3 EVP**  
To allow NCDOT to recruit and retain the talent necessary to fulfill its vision and goals | Evaluate EVP on a continual basis:  
• Define EVP levers for key groups  
• Define what we currently offer  
• Improve what’s missing  
• Develop method to communicate |
| **5 Training**  
To effectively build organizational capabilities in priority areas | Evaluate training on periodic basis  
• Identify key capabilities and gaps  
• Design training programs  
• Develop clear metrics  
• Review and evaluate  
• Remove mandatory vacancy rate  
• Reinstatement PE bonus  
• Remove 10% salary limitation  
• Reduce multi-level hiring  
• Implement mentorship program  
• Create plan to reinstate career planning |
| **8 Quick wins**  
To communicate with stakeholders that the talent transformation is serious and beneficial; to improve employee morale and gain buy-in; to remove explicit barriers to new talent processes and mind-sets | Source: Talent Management Team Analysis |


<table>
<thead>
<tr>
<th>What is our future vision?</th>
<th>What should we do?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Now vs. Future/Best practice</strong></td>
<td><strong>1</strong> Expand advertising opportunities for vacant positions</td>
</tr>
<tr>
<td>- Hires for open positions</td>
<td><strong>2</strong> Simplify application process</td>
</tr>
<tr>
<td>- Looks for talent in a few traditional sources</td>
<td>- Develop online application process</td>
</tr>
<tr>
<td>- Uses recruiting as a screening tool</td>
<td>- Require signatures only for applicants who are interviewed</td>
</tr>
<tr>
<td>- Uses multiple layers of approval to adequately comply with State regulations and mitigate risk</td>
<td><strong>3</strong> Streamline qualification review</td>
</tr>
<tr>
<td>- Hire based on “most qualified” classification</td>
<td>- Only require applicant post to be divided into 2 categories: qualified and not qualified</td>
</tr>
<tr>
<td></td>
<td>- Allow manager discretion to designate qualified applicants</td>
</tr>
<tr>
<td></td>
<td><strong>4</strong> Restructure process – 3 options</td>
</tr>
<tr>
<td></td>
<td>- Hiring managers has full responsibilities</td>
</tr>
<tr>
<td></td>
<td>- Decentralized HR representative</td>
</tr>
<tr>
<td></td>
<td>- HR administration</td>
</tr>
</tbody>
</table>

Source: Talent Management Team Analysis
## 3. Define and Improve EVP – Overview

### What is our future vision?

<table>
<thead>
<tr>
<th><strong>Now</strong></th>
<th><strong>Future/Best Practice</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Deemed a “back-up employer” to new engineering hires</td>
<td>• Aim to become “employer of choice” for critical talent</td>
</tr>
<tr>
<td>• High attrition in critical areas of talent need (engineers in organization fewer than 5 years)</td>
<td>• Identify talent segments organization needs to better recruit and retain now and in future</td>
</tr>
<tr>
<td>• Only 30% of employees agree NCDOT attracts highly talented people to join the organization</td>
<td>• Develop unique and compelling “value propositions” for individual talent segments</td>
</tr>
<tr>
<td>• Significant instances of missed hiring opportunities due to salary limitations</td>
<td>• Market value propositions effectively to recruit and retain high quality talent</td>
</tr>
</tbody>
</table>

### What should we do?

1. Evaluate EVP on a periodic basis:
   - Define EVP levers for key talent groups
     - Define primary recruiting groups
     - Conduct focus groups and interviews of internal and external employees in each group to determine key EVP levers

2. Define what we currently offer to each group
   - Strength of benefits
   - Lifestyle profile
   - Connectivity with other employees

3. Improve what is missing
   - Evaluate salary levels and policies
   - Analysis of development opportunities

4. Develop method to communicate
   - Internally
   - Externally

Source: Talent Management Team Analysis
### REVAMP TRAINING – OVERVIEW

<table>
<thead>
<tr>
<th>What is our future vision?</th>
<th>What should we do?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Now</strong> vs. <strong>Future/Best practice</strong></td>
<td><strong>Evaluate deployment of training resources on periodic basis:</strong></td>
</tr>
</tbody>
</table>

**Now**
- Over-reliance on on-the-job management training
- Limited commitment of resources to managerial training
- Training resources deployed based on departmental budgets and requests rather than quantitative capabilities analyses
- Training can be poorly timed or irrelevant

**Future/Best practice**
- Targeted training programs at based on organization’s critical tasks
- Training is evaluated based on standard metrics of effectiveness
- Content is delivered in parts and related specifically to existing knowledge
- Training delivered just in time for development needs
- Training is used as one lever in development process

**What should we do?**

1. Identify key capabilities and gaps by segment
   - Map organization’s critical tasks
   - Assess organizational capabilities to perform critical tasks
   - Determine gaps

2. Design training strategy and programs to fill gaps
   - Assess audiences, timing, and delivery options for programs
   - Design/outsource programs

3. Develop clear metrics for training evaluation

4. Implement and review
   - New programs in place/running
   - Programs evaluated based on metrics

---

Source: Talent Management Team Analysis
INSTITUTE PRIORITY QUICK WINS – SELECTED PRIORITIES

Provides signal value and improves employee morale
• Reinstate PE bonus
• Consider certification bonuses
• Implement clerical study
• Remove mandatory vacancy rate
• Implement TES/TEM equity study
• Provide employee appreciation funds
• Allow more flexible work schedules

Enables progress by building capacity
• Remove 10% salary limitation
• Remove mandatory vacancy rate
• Remove restrictions on out-of-state travel
• Reduce or eliminate multi-level hiring
• Improve orientation process
• Improve qualified/not qualified

Informs future transformation decisions
• Re-instate career banding
• Implement mentoring program
• Implement process to use exit interviews

1. Remove mandatory vacancy rate
2. Reinstate PE bonus

1. Remove 10% salary limitation
2. Reduce multi-level hiring

1. Implement mentoring
2. Create plan to re-instate career banding

Source: Talent Management Team Analysis
## TODAY’S DISCUSSION

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Review talent implementation approach</td>
<td>• Discuss talent approach</td>
</tr>
<tr>
<td>• Gain consensus on proposed talent policy change objectives</td>
<td>• Discuss proposed talent policy changes</td>
</tr>
<tr>
<td>• Introduce next steps</td>
<td>– Hiring practices</td>
</tr>
<tr>
<td></td>
<td>– EVP</td>
</tr>
<tr>
<td></td>
<td>– Training</td>
</tr>
<tr>
<td></td>
<td>– Quick wins</td>
</tr>
<tr>
<td></td>
<td>• Next steps</td>
</tr>
</tbody>
</table>
TALENT MANAGEMENT NEXT STEPS

• Continue to get feedback on recommendations, especially from Leadership Team

• Design roll-out plans for recommendations including ownership and responsibility (e.g. collaborations with HR, OSP, etc.)

• Create specific plans for hypothesis testing, piloting, and implementation schedules with deliverable and milestone dates

• Begin process designs for performance evaluations, leadership planning, and career tracks
Talent Management Team

High Level Approach
Performance Management Review Process

September 4, 2007
Performance Management for NCDOT Top 100+

- **Objective**
  - Revamp performance management process to better achieve department goals (in support of transformation effort)

- **Performance management**
  - More than just “doing appraisals”
  - A core management function – orchestrating talent and directing the work to deliver results required to achieve NCDOT goals

- **Where it fits**
  - Performance Management bridges Performance Metrics and Talent Management projects
Deliverables

• **Initially** by January, 2008 for top 100:
  – Defined process - (results based approach)
  – Forms/tools
  – Communication to users
  – Implement pilot program (with preliminary metrics)

• **Ultimately** by October, 2008 for entire organization:
  – Multiple processes defined for different job clusters
  – Forms / tools
  – Implementation plan (including training plan and resources)
  – Kick off implementation (with metrics)
NCDOT Performance Management Model for Top 100+

Performance Metrics
- Dashboard
- Track dashboard metrics
- End-of-cycle metrics data

Performance Management
- Key metrics
- Track results
- Results achieved
- Coaching, counseling, development activities
- Leadership competencies displayed
- Developmental history / progress

Compensation
- Competency assessment
- Base pay
- Performance-based award

Succession Planning
- Assessment of potential

Feedback
- Causal link
- Leadership competencies
- Development plan(s)

NCDOT Goals

NCDOT Mission

NCDOT Values

Performance Planning

Ongoing Management of Performance

Performance Appraisal

Consequence Management
Performance Planning

• **Create work plan**
  – Select the 5-9 most critical performance metrics for job
  – For each metric, set goal to achieve during year
  – Metric = an important, measurable outcome. Metrics have 2 components:
    – Measure: how the outcome will be measured (# of widgets produced per month)
    – Goal: value of measure that is our target (2500-2800)

• **Review leadership competencies**
  – Initiate development plan to leverage strengths, address weaknesses

• **Note cause-effect chain**
  – Development builds individual’s competencies, competencies enable individual to achieve goals
Ongoing Management of Performance

• **At business level:**
  – Dashboards are periodically updated with fresh data

• **At individual level:**
  – Managers keep track of measures they “own”
  – Troubleshoot, correct course
  – Execute development plans
  – Boss coaches to facilitate development, counsels re: adherence to values
  – Note: This is MGMT 101
Performance Appraisal

• **Results:**
  – Collect year-end metrics data
  – Assess results achieved relative to goals defined in work plan
  – Determine overall appraisal rating
  – Values - Adjust appraisal downward in case of non-adherence to values

• **Competencies:**
  – Review leadership strengths and weaknesses
Consequence Management

• You met, exceeded, or did not meet your goals. In doing so, you adhered to or did not adhere to NCDOT values. You displayed or did not display leadership competencies. So what?

• Two sets of consequences:
  – Compensation – tying pay to performance
  – Succession – developing skills needed for future roles
Compensation

• **Appraisal (performance management process)**
  – Determines performance-based award (if permitted)
  – Appraisal driven solely by results achieved (adjusted downward for non-adherence to values)

• **Competency assessment (career banding process)**
  – Determines base salary

• Appraisal and competency assessment are separate (but parallel) processes conducted at same time
Succession Planning

- Talent review uses information from appraisal:
  - Performance in current role – results achieved
  - Leadership competencies displayed
  - Developmental history

- Bases assessment of potential on data, from leadership team’s (broader) perspective
## Work Plan and Appraisal Form (1)

**April 1, 2008 - March 31, 2009**

**Owner:** R Employee  
**Position:** Division Engineer

### Performance Metrics

<table>
<thead>
<tr>
<th>Measure</th>
<th>Expectation</th>
<th>Weight</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>Result</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 % of projects managed / administered by Division constructed on schedule and on budget (year to date)</td>
<td>75 to 85</td>
<td>20%</td>
<td>70%</td>
<td>73%</td>
<td>77%</td>
<td>80%</td>
<td>80%</td>
<td>ME</td>
</tr>
<tr>
<td>2 # of issues identified per Work Zone Safety Audit report (quarterly totals)</td>
<td>5 to 3</td>
<td>15%</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>EE</td>
</tr>
<tr>
<td>3 Maintenance condition survey score (quarterly scores; year end result is final quarter score)</td>
<td>70 to 85</td>
<td>15%</td>
<td>83</td>
<td>96</td>
<td>87</td>
<td>92</td>
<td>92</td>
<td>EE</td>
</tr>
<tr>
<td>4 Bridge condition survey score (semi-annual scores; year end is final semi-annual score)</td>
<td>80 to 90</td>
<td>10%</td>
<td>X</td>
<td>70</td>
<td>X</td>
<td>78</td>
<td>78</td>
<td>DNME</td>
</tr>
<tr>
<td>5 Average operating speed in mph on portions of Strategic Highway Corridor that run through Division (semi-annual scores; year end result is final semi-annual score)</td>
<td>45 to 50</td>
<td>10%</td>
<td>43</td>
<td>X</td>
<td>53</td>
<td>X</td>
<td>53</td>
<td>EE</td>
</tr>
<tr>
<td>6 Miles paved per dollar spent on paving (year to date)</td>
<td>0.003 to 0.005</td>
<td>10%</td>
<td>0.0053</td>
<td>0.0055</td>
<td>0.0054</td>
<td>0.0055</td>
<td>0.0055</td>
<td>EE</td>
</tr>
<tr>
<td>7 Employee satisfaction survey composite score (annual survey)</td>
<td>70 to 80</td>
<td>10%</td>
<td>X</td>
<td>X</td>
<td>60</td>
<td>X</td>
<td>60</td>
<td>DNME</td>
</tr>
<tr>
<td>8 MCAP Construction Quality Index (annual assessment)</td>
<td>85 to 90</td>
<td>5%</td>
<td>X</td>
<td>87</td>
<td>X</td>
<td>X</td>
<td>87</td>
<td>EE</td>
</tr>
<tr>
<td>9 Avg # of minutes from incident to all lanes open (year to date)</td>
<td>30 to 20</td>
<td>5%</td>
<td>18.5</td>
<td>18.2</td>
<td>17.9</td>
<td>18.1</td>
<td>18.1</td>
<td>EE</td>
</tr>
</tbody>
</table>

**Overall Weighted Rating:** 100%  
**Interpretation of weighted rating:**
- **EE** = exceeds expectations  
  - >2.7 = exceeds expectations = E  
- **ME** = meets expectations  
  - 2.0-2.7 = meets expectations = M  
- **DNME** = does not meet expectations  
  - <2.0 = does not meet expectations = B
# Work Plan and Appraisal Form (2)

**Rating key:**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Interpretation of weighted rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE</td>
<td>&gt;2.7 = exceeds expectations = O</td>
</tr>
<tr>
<td>ME</td>
<td>2.0-2.7 = meets expectations = G</td>
</tr>
<tr>
<td>DNME</td>
<td>&lt;2.0 = does not meet expectations = BG</td>
</tr>
</tbody>
</table>

## Overall Weighted Rating

<table>
<thead>
<tr>
<th>Overall Weighted Rating</th>
<th>2.40</th>
</tr>
</thead>
</table>

## NCDOT Values

<table>
<thead>
<tr>
<th>NCDOT Values</th>
<th>Yes/No</th>
<th>Comments (required if &quot;No&quot;)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Customer Service</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Efficiency</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Integrity</td>
<td>Yes</td>
<td>Opens every staff meeting with a brief review of ethical standards and discussion of a hypothetical case.</td>
</tr>
<tr>
<td>Growth and Development</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

## Overall State Rating

<table>
<thead>
<tr>
<th>Overall State Rating</th>
<th>G</th>
</tr>
</thead>
</table>

Use "Interpretation of weighted rating" key above to assign Overall State Rating. Rating may be downgraded due to employee actions that were inconsistent with NCDOT Values.
# Work Plan and Appraisal Form (3)

**April 1, 2008 - March 31, 2009**

**Owner:** R Employee  
**Position:** District Engineer

**Note:** This information will be used for developmental purposes.

- In the "S" column, enter an X next to the 5 to 7 behaviors that represent this individual's strengths.
- In the "DN" column, enter an X next to at least 3 behaviors on which this individual is least effective relative to all the other behaviors.

<table>
<thead>
<tr>
<th>Competency</th>
<th>Indicators</th>
<th>S</th>
<th>DN</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Integrity / Honesty</strong></td>
<td>Models and encourages high standards of honesty and integrity.</td>
<td></td>
<td>X</td>
<td>X .. Opens staff meetings with discussion of case involving ethics. This idea now being tried out by other Div Engineers.</td>
</tr>
<tr>
<td></td>
<td>Promotes ethical practices in all organizational activities.</td>
<td></td>
<td></td>
<td>X .. This idea now being tried out by other Div Engineers.</td>
</tr>
<tr>
<td></td>
<td>Applies department / office policies in a consistent manner.</td>
<td></td>
<td></td>
<td>X .. This idea now being tried out by other Div Engineers.</td>
</tr>
<tr>
<td></td>
<td>Demonstrates consistency between words and actions.</td>
<td></td>
<td></td>
<td>X .. This idea now being tried out by other Div Engineers.</td>
</tr>
<tr>
<td></td>
<td>Exercises power, authority, and influence appropriately to achieve department / office goals.</td>
<td></td>
<td></td>
<td>X .. This idea now being tried out by other Div Engineers.</td>
</tr>
<tr>
<td><strong>Accountability</strong></td>
<td>Takes personal responsibility for work products and services of his/her group.</td>
<td></td>
<td></td>
<td>X .. This idea now being tried out by other Div Engineers.</td>
</tr>
<tr>
<td></td>
<td>Assures that his/her workgroups results are measured.</td>
<td></td>
<td></td>
<td>X .. This idea now being tried out by other Div Engineers.</td>
</tr>
<tr>
<td></td>
<td>Tracks results of programs or activities and takes corrective action when necessary.</td>
<td></td>
<td></td>
<td>X .. This idea now being tried out by other Div Engineers.</td>
</tr>
<tr>
<td></td>
<td>Encourages subordinates to take responsibility for work products and services.</td>
<td></td>
<td></td>
<td>X .. This idea now being tried out by other Div Engineers.</td>
</tr>
<tr>
<td><strong>Problem Solving</strong></td>
<td>Recognizes and defines problems and issues.</td>
<td></td>
<td></td>
<td>X .. Excellent at catching problems in early stages. Examples: US 1 shoulder deterioration, dissatisfaction of homeowners on test corridor.</td>
</tr>
<tr>
<td></td>
<td>Gathers enough relevant data about problems and issues to conduct a complete analysis.</td>
<td></td>
<td></td>
<td>X .. Excellent at catching problems in early stages. Examples: US 1 shoulder deterioration, dissatisfaction of homeowners on test corridor.</td>
</tr>
<tr>
<td></td>
<td>Uses a variety of methods to analyze and interpret data.</td>
<td></td>
<td></td>
<td>X .. Excellent at catching problems in early stages. Examples: US 1 shoulder deterioration, dissatisfaction of homeowners on test corridor.</td>
</tr>
<tr>
<td></td>
<td>Generates multiple solutions based on data analysis.</td>
<td></td>
<td></td>
<td>X .. Excellent at catching problems in early stages. Examples: US 1 shoulder deterioration, dissatisfaction of homeowners on test corridor.</td>
</tr>
<tr>
<td></td>
<td>Recommends appropriate solutions to problems.</td>
<td></td>
<td></td>
<td>X .. Excellent at catching problems in early stages. Examples: US 1 shoulder deterioration, dissatisfaction of homeowners on test corridor.</td>
</tr>
<tr>
<td><strong>Financial Management</strong></td>
<td>Prepares budget or provides budget input for own area of responsibility.</td>
<td></td>
<td></td>
<td>X .. Uses a very effective tickler system to keep tabs on contractor progress. Always follows up on exceptions with contractor.</td>
</tr>
<tr>
<td></td>
<td>Demonstrates an understanding of the roles of the department / office, Division of Administration, and the legislature in the budget process.</td>
<td></td>
<td></td>
<td>X .. Uses a very effective tickler system to keep tabs on contractor progress. Always follows up on exceptions with contractor.</td>
</tr>
<tr>
<td></td>
<td>Explains or justifies budget requests.</td>
<td></td>
<td></td>
<td>X .. Uses a very effective tickler system to keep tabs on contractor progress. Always follows up on exceptions with contractor.</td>
</tr>
<tr>
<td></td>
<td>Monitors budgets to ensure cost-effective resource use.</td>
<td></td>
<td></td>
<td>X .. Uses a very effective tickler system to keep tabs on contractor progress. Always follows up on exceptions with contractor.</td>
</tr>
</tbody>
</table>
Work Plan – Key Points

• Manager and boss mutually agree upon:
  – Metrics to include on work plan (from 5 to 9 measures; accountability)
  – Goals for each metric (expressed as a range)
  – Relative importance of each metric (expressed as a % weight)

• Consistency?
  – One size does not necessarily fit all (e.g., Division Engineers will have goals specific to their Divisions; not all Division Engineers’ metrics will have same weights and some metrics may appear on some Division Engineers’ work plans but not on others’)
  – Boss, next-level boss, and HR to oversee – to assure appropriateness, fairness
Performance Appraisal – Key Points

• **Results**
  – Fill in data from dashboard
  – Determine meet, exceed, did not meet each metric
  – Review adherence to NCDOT values. If non-adherent ➔ penalty; adherent ➔ no effect on rating
  – Assign overall rating – Exceeds Expectations (Outstanding), Meets Expectations (Good), Does Not Meet Expectations (Below Good)

• **Competencies**
  – Force rank behavioral indicators – top 5, bottom 3
  – Discuss area to develop
  – More fully use a strength, shore up a weakness
  – Choose based on NCDOT needs, succession considerations

• Appraisal reviewed by next-level boss for appropriateness and consistency

• Boss discusses appraisal with manager
Ongoing Mgmt of Performance – Key Points

• Avoid duplication of effort
• Boss meets with managers quarterly to review actual results on work plan metrics

Development Planning

• To raise performance level in current job or prepare to take on new role
• Focuses on behavior change, not activity completion
• Emphasizes challenging assignments to develop designated skills
• Provides structure (the plan) and defines support needed (from boss, mentor)
Development Plan

Employee Name: ___________________  Date: ____________

Supervisor or Development Partner: ____________________________

1. Title

2. Purpose

3. Measures

4. Actions and Due Dates

5. Support

6. Follow up
Definitions

• **Individual Development Plan** – Written by or for employees who wish to develop their skills in order to take their performance to a higher level in their current job, get ready to take on greater responsibilities, or prepare to move into another position. The plan should focus on a specific competency or skill to be enhanced or area of knowledge to be acquired.

• **Career Development Plan** – Long-range plan that identifies employees’ career interests and goals, in light of organization’s needs, and their strategy for acquiring the necessary knowledge, skills, and experience to achieve their goals. The career plan periodically spawns Individual Development Plans for developing specific skills that contribute to their achieving their longer-term goal.

• **Corrective Action Plan** – Drafted by supervisor for employees whose performance is deficient – that is, does not come up to standard. It consists of short-term measures an employee can take to raise the level of performance to meet expectations.
Next Steps....

• Develop NCDOT values
• Bring in metrics
• Bring in leadership competency model
• Set rollout schedule
• Document performance management process
• Finalize forms
• Communication to users
Sample Leadership Planning Process

October 1, 2007
The Leadership Planning process involves three discussions.

1. Understanding capabilities and resourcing
2. Reviewing people
3. Matching opportunities with people

Key existing process

Strategic planning/budgeting (cont.)  Individual performance management review process  Strategic planning/budgeting
These discussions cover a series of independent, yet related topics:

1. **Understanding capabilities and resourcing**
   - **When**: April every year
   - **Who**: SMC, SPOT
   - **Time required**: All day
   - **Items for discussion**:
     - Senior management capability gap
     - Senior management resourcing strategy
     - Fit of pivotal roles across senior management

2. **Reviewing people**
   - **When**: May every year
   - **Who**: Executive Team, HR support
   - **Time required**: All day
   - **Items for discussion**:
     - Development plans for top 40
     - Succession plans for top-40 posts
     - Emerging talent

3. **Matching people with opportunities**
   - **When**: Set sessions in August every year, other sessions throughout the year as required
   - **Who**: Executive Team, HR support
   - **Time required**: ~2 hours per session
   - **Items for discussion**:
     - Hiring/posting approach for top-40 vacancies and key parameters of recruitment process
     - Opportunity matching for selected roles
Several key inputs are required to enable the various discussions to proceed.

1. **Understanding capabilities and resourcing**
   - Inputs required for session: Due by December every year
   - Heat map of senior management capability gaps
   - Statement of resourcing strategy
   - Picture of fit of highly pivotal roles

2. **Reviewing people**
   - Inputs required for session: Due by June every year
   - Profiles for all top-40
   - Succession plans for Top-40 posts
   - Picture of emerging talent at PB1 and OB1

3. **Matching opportunities with people**
   - Inputs required for session: Due as needed
   - Profiles for candidates
   - Succession plans for top-40 level posts
   - Statement of resourcing strategy

- All data is gathered through previous processes
- Some minor updating may be required
The effort required and the ultimate responsibility for preparing these inputs varies

<table>
<thead>
<tr>
<th>Required input</th>
<th>Due date</th>
<th>HR</th>
<th>Line manager</th>
<th>Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note: Bulk of work falls to HR. LMs must keep job descriptions for all senior management team roles up-to-date. Individual capabilities come out of profiles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Required input</th>
<th>Due date</th>
<th>Group HR</th>
<th>Line manager</th>
<th>Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note: HR must coordinate gathering of data from multiple existing sources. Individual must validate and update personal data. LM has to validate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Required input</th>
<th>Due date</th>
<th>Group HR</th>
<th>Line manager</th>
<th>Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note: Group HR plays coordinating and synthesizing role. Onus is on board members to generate succession plans for top-40 within their areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Required input</th>
<th>Due date</th>
<th>Group HR</th>
<th>Line manager</th>
<th>Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note: Process still to be defined but will be part of the performance review system, so not particularly onerous for anyone</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Required input</th>
<th>Due date</th>
<th>Group HR</th>
<th>Line manager</th>
<th>Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note: Group HR plays coordinating role. Onus is on board members to produce job descriptions for all senior management team roles within their areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Significant time/effort required**

**Considerable time/effort required**

**Minimal effort required**
Discussion 1:
Understanding capabilities and resourcing
1. Attendees and agenda for the capabilities and resourcing discussion

<table>
<thead>
<tr>
<th>Capabilities and resourcing agenda</th>
<th>Lead</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Introductory remarks</td>
<td>Secretary</td>
<td>5 min.</td>
</tr>
<tr>
<td>• Update on actions agreed to at last meeting</td>
<td>Chief Deputy</td>
<td>10 min.</td>
</tr>
<tr>
<td>• Discussion of capabilities gaps</td>
<td>HR Dir.</td>
<td>90 min.</td>
</tr>
<tr>
<td>• Discussion of resourcing strategy</td>
<td>HR Dir.</td>
<td>90 min.</td>
</tr>
<tr>
<td>• Discussion of fit of pivotal roles</td>
<td>HR Dir.</td>
<td>120 min.</td>
</tr>
<tr>
<td>• Wrap-up (agreed upon actions)</td>
<td>HR Dir.</td>
<td>10 min.</td>
</tr>
<tr>
<td>• Debrief</td>
<td>HR Dir.</td>
<td>5 min.</td>
</tr>
</tbody>
</table>

**Attendees**
- Secretary
- HR Dir (Chair)
- HR top 40 (facilitator)
- Corporate support
  - HR
  - SPOT (if applicable)

**Timing**
- 5 min.
- 10 min.
- 90 min.
- 90 min.
- 120 min.
- 10 min.
- 5 min.

**Total** 5.5 hours
1. Tools required for the capabilities and resourcing discussion

1. **Capability gap analysis**

   - Snapshot of current and anticipated senior management capability gaps by business unit and access to the client group
   - Review of suggested/actual actions to plug gaps

2. **Statement of senior management resourcing strategy**

   - Draft resourcing strategy statement based on inputs from HR and business heads

3. **Organizational barometer**

   - Snapshot of whether most highly pivotal roles are occupied by highest-performing people
1. Preparing for the capabilities-gap session

Discussion of capabilities gaps

- Ensure that senior management updates the capabilities section of their profiles
- Get line manager sign-off on capabilities
- Aggregate current capability requirements
- Analyze results
- Analyze present and forecasted capabilities gap (heat map)
- Finalize documents for circulation

New changed pivotal roles – output of fit-of-pivotal-roles work

- Have full job descriptions for all senior management roles
- Assess future capability needs based on changed strategic priorities

Changed strategic priorities – output of fit-of-pivotal-roles work
1. Planning for the first capabilities-gap session

- Assemble project team and define responsibilities
- Build picture of senior management capabilities
- Hold workshops with senior HR personnel and business area heads to discuss current and future capability needs
- Have discussions with internal strategy team to understand the impact on capability needs when changing strategic priorities
- Build preliminary picture of capability gaps
- Workshops with senior HR personnel to discuss best strategy and how to fill gaps
- Pull together final documentation for session
- Circulate documentation
- Hold discussion

*Timing shown here assumes an April meeting*
1. The Capabilities Gap session is an excellent opportunity to improve talent placement.

Filling high leverage roles with high potential leaders means:
- Identifying key positions and the performance potential of managers
- Addressing mismatches through skill building and recruitment
- Accelerating the advancement of talented players by moving out poor performers

*Best practice is to add element of criticality
Source: McKinsey Organization Practice
Discussion 2: Reviewing People
2. Tools required for the people-review discussion

**Profiles**

<table>
<thead>
<tr>
<th>Background</th>
<th>360-degree feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>Capabilities</td>
</tr>
<tr>
<td>Leadership</td>
<td>Performance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interests/ambition</th>
<th>Development needs</th>
</tr>
</thead>
</table>

- Standard document that summarizes experience, performance, capabilities, and development needs

**Succession plan**

<table>
<thead>
<tr>
<th>Role</th>
<th>Urgency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Skills developed by position

<table>
<thead>
<tr>
<th>Career grouping</th>
<th>Leadership</th>
<th>Core skills</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

**Emerging-talent grid**

- Document that illustrates key features of top 40 roles, urgency and difficulty to replace, possible candidates, and their capabilities

- Document that illustrates emerging talent
2. Sources of data for the profiles

- Background completed and maintained by individual.
- 360-degree feedback: Data supplied by PMs and from annual performance review.
- Performance Leadership: From annual performance review/development plan.
- Capabilities: From annual performance review/development plan.
- Interests/ambition: Resumes to be completed by all senior management (could be phased in over a period of time).
- Development needs: From annual performance review/development plan.
2. Agenda and attendees for the people-review discussion

<table>
<thead>
<tr>
<th>People-review discussion agenda</th>
<th>Lead</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Introductory remarks</td>
<td>Secretary</td>
<td>5 min.</td>
</tr>
<tr>
<td>• Update on actions agreed to at last meeting</td>
<td>Chief Deputy</td>
<td>10 min.</td>
</tr>
<tr>
<td>• Discussion of top-40’s development plans</td>
<td>HR Dir.</td>
<td>240 min.</td>
</tr>
<tr>
<td>• Discussion of succession plan</td>
<td>HR Dir.</td>
<td>60 min.</td>
</tr>
<tr>
<td>• Discussion of emerging talent</td>
<td>HR Dir.</td>
<td>60 min.</td>
</tr>
<tr>
<td>• Wrap-up (actions agreed upon)</td>
<td>HR Dir</td>
<td>10 min.</td>
</tr>
<tr>
<td>• Debrief</td>
<td>HR Dir</td>
<td>5 min.</td>
</tr>
</tbody>
</table>

5.5 hours

Attendees
- Secretary
- HR Dir. (chair)
- HR top 40 (facilitator)
- Corporate support – HR
Discussion 3: Opportunity Matching
3. Inputs and outputs of the opportunity-matching discussion

**Inputs**
- Succession plan
- List of current and anticipated top-40 vacancies
- Profiles of potential candidates
- Job descriptions

**Outputs**
- Shared agreement and responsibility of posting/hiring strategy for vacant roles
- Suggestions of candidates who should apply to vacant roles
- Limited number of suggested moves
3. Papers required for the opportunity-matching discussion

1. Details on vacant roles
   - Vacant roles
   - Roles becoming vacant in next few months
   - Roles where poor fit has been identified

2. Succession plan
   - Document that summarizes which roles are becoming free when and reasons for the vacancy
   - Document that illustrates key features of top-40 roles, urgency and difficulty to replace, possible candidates and their capabilities

3. Profiles of candidates
   - Background
     - 360-degree feedback
   - Performance
     - Leadership
     - Performance
   - Interests/ambition
   - Development needs

4. Job descriptions
   - Summary
     - Required capabilities
     - Required core skills
     - Required leadership skills

Example:

- Standard document that summarizes experience, performance, capabilities, and development needs
- Standard document that details the description of each senior management post, describing the capabilities, core skills, and leadership skills needed and developed by the role
3. Timetable for opportunity matching

Capacities and resourcing

People review

Opportunity matching

One preset opportunity matching session every year. Other sessions to discuss Leadership Planning are held throughout the year as required.

Other leadership planning discussions
Opportunity matching session
Ad-hoc HR leadership planning discussions (timing is illustrative)
3. Agenda for the opportunity-matching discussion

<table>
<thead>
<tr>
<th>Opportunity-matching discussion agenda</th>
<th>Lead</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Introductory remarks</td>
<td>Secretary</td>
<td>5 min.</td>
</tr>
<tr>
<td>• Update on actions agreed to at last meeting</td>
<td>HR Dir.</td>
<td>10 min.</td>
</tr>
<tr>
<td>• Discussion of vacant opportunities and possible candidates</td>
<td>HR Dir.</td>
<td>90 min.</td>
</tr>
<tr>
<td>• Wrap-up (agreed upon actions)</td>
<td>HR Dir.</td>
<td>10 min.</td>
</tr>
<tr>
<td>• Debrief</td>
<td>HR Dir.</td>
<td>5 min.</td>
</tr>
</tbody>
</table>

2 hours
3. Transparency and the challenge of drawing together the succession plan

PUBLIC SECTOR–EXAMPLE

Nomination of successors for holders of pivotal roles
Line managers

HR version of succession plan, factoring in personal preferences outlined in development plans
HR

Output of individual development plan discussions between top 40 and their line managers and profiles that state type of roles for which people would like to be considered

During development-plan discussions with line managers, the top 40 can express the roles for which they would like to be named in the succession plan

Synthesizing workshop involving HR
HR

Outputs checked with individual to ensure interest in post
HR

List refined based on individual feedback
HR

Individual discussions with leaders about their areas
HR

List ratified at people-review discussion
HR+SPOT

Feedback to both those who made the shortlist and those who did not
HR

List ratified at people-review discussion
HR+SPOT

Agreed-upon plan circulated to line managers
HR

Individual has opportunity to challenge presence on the plan and reiterate the roles for which he would like to be considered

Individual has opportunity to appear on plan for desired position and, if not, to learn what steps he must take to be considered in the future

During development-plan discussions with line managers, the top 40 can express the roles for which they would like to be named in the succession plan
3. Preparing for the opportunity-matching session

- **Weeks before session**
  - 12: Finalize docs for circulation
  - 10: Job owner to interview suggested candidates
  - 8: Identification of vacancies for discussion based on succession plan, HR, and by asking BU heads
  - 6: Consult succession plan and ensure it is up to date with any changes
  - 4: Circulate profiles of possible candidates to job owners
  - 2: Group HR forms own view of best fit

**External recommendation**
- Job owners to interview suggested candidates
- Job owner and group HR to discuss options

**Internal recommendation**
APPENDIX:
What the process feels like for the potential candidate’s perspective

PUBLIC SECTOR–SPECIFIC

Discussion with HR

Name is not on succession plan for vacant role

Asked if happy to be considered for vacant role

HR

Already know that name is on succession plan for vacant role

Confirmation that name is on plan for the vacant role

HR

Receive job description

HR

Receive confirmation of:
• Opportunity Matching date
• Proposed hiring strategy for the role and reasons

HR

Learn outcome of Opportunity Matching session:
• Posting decision
• Feedback on reasons for decision
• Suggestion to apply for post if open competition

Job owner

Discussion with HR about role

Discussion with job owner

PUBLIC SECTOR–SPECIFIC EXAMPLE
APPENDIX:
What the process feels like for the job owner

PUBLIC SECTOR–SPECIFIC

- Learn of vacancy/told to create vacancy as result of “fit” discussions
- Inform HR
  - Job owner
- Confirm with HR:
  - Job description
  - Shortlist from succession plan
  - Hiring approach
- Discuss with HR about role
- Attend Opportunity Matching session and participate in discussion
- Provide feedback to all applicants
  - Job owner
- Staff role (if managed move)
- Initiate hiring process (if not a managed move)
TODAY’S DISCUSSION

- The talent team’s objectives and initiatives
- Ownership of talent initiatives
- Current HR resources and prioritization
- The look of a new strategic HR
THE TEAM HAS IDENTIFIED EIGHT PRIORITY INITIATIVES THAT ARE THE FIRST STEP TOWARDS TRANSFORMATION

<table>
<thead>
<tr>
<th>Key Elements</th>
<th>Initiatives</th>
</tr>
</thead>
</table>
| 1 Define talent strategy | • Identify and plan for talent and capability needs in organization  
  • Focus resources on top 100-250 leadership positions and assets |
| 2 Revise hiring practices | • Define alternatives to posting process  
  • Streamline qualification and approval process to allow greater hiring manager discretion |
| 3 Define and improve employee value proposition | • Define and communicate new and existing development programs (e.g. career tracks, training, mobility planning)  
  • Modifying salary policies |
| 4 Revamp performance review | • Develop performance review system and tool with two levers of evaluation (metrics and potential/leadership assessment/competencies)  
  • Improve ability to manage rewards and consequences (non-financial rewards, performance pay, consequences for underperformance, feed into goal setting)  
  • Train managers on performance feedback |
| 5 Revamp training program to strategically deploy resources | • Continually assess organizational training needs based on vision, goals, and strategy  
  • Deploy training resources based on org needs and most effective training formats for development segments |
| 6 Develop employee career tracks | • Develop system to define goals for role and career  
  • Define technical, functional, and managerial career tracks  
  • Develop assessment and dev’t tools to enable process |
| 7 Develop system for leadership planning | • Define key 100-250 roles in organization that drive vision/goals  
  • Develop system to identify high potential employees and build their capabilities to fill these positions (heavy mobility) |
| 8 Institute priority quick wins | • Wave 1: eliminate mandated vacancy rate, increase funding for out of state recruiting, modify qualification process, reduce approval steps for personnel packages, modify 10% rule, reinstate PE Bonus, implement clerical equity study |

Source: Talent Management Team Analysis
TO MAKE A LASTING IMPRESSION ON THE ORGANIZATION, THE INITIATIVES WILL NEED TO BE OWNED IN THE FUTURE BY HR

<table>
<thead>
<tr>
<th></th>
<th>Define talent strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Revise hiring practices</td>
</tr>
<tr>
<td>3</td>
<td>Define and improve employee value proposition</td>
</tr>
<tr>
<td>4</td>
<td>Revamp performance review</td>
</tr>
<tr>
<td>5</td>
<td>Revamp training program to strategically deploy resources</td>
</tr>
<tr>
<td>6</td>
<td>Develop employee career tracks</td>
</tr>
<tr>
<td>7</td>
<td>Develop system for leadership planning</td>
</tr>
<tr>
<td>8</td>
<td>Institute priority quick wins</td>
</tr>
</tbody>
</table>

Source: Talent Management Team Analysis

<table>
<thead>
<tr>
<th></th>
<th>A talent strategy office will annually review internal / external context to plan future initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Hiring practices will be evaluated periodically for efficiency and effectiveness</td>
</tr>
<tr>
<td>3</td>
<td>Employee value proposition will periodically undergo systematic review and revamp</td>
</tr>
<tr>
<td>4</td>
<td>The new performance review system will be run by HR</td>
</tr>
<tr>
<td>5</td>
<td>The strategic training program will be managed and updated by HR</td>
</tr>
<tr>
<td>6</td>
<td>HR will maintain and update employee career tracks</td>
</tr>
<tr>
<td>7</td>
<td>The leadership and succession planning programs will be planned and facilitated by HR</td>
</tr>
<tr>
<td>8</td>
<td>Employee morale and motivation will be analyzed and managed by HR</td>
</tr>
</tbody>
</table>
TODAY’S DISCUSSION

• The talent team’s objectives and initiatives
  • Ownership of talent initiatives
• Current HR resources and prioritization
• The look of a new strategic HR
POLICY INITIATIVES WILL BE EXECUTED BY HR WITH THE TALENT TEAM ACTING AS AN ADVISORY COMMITTEE

Advisory Committee will meet regularly with Talent Oversight and report results to TMT

TMT

Talent Initiative Oversight Committee

Herb Henderson
Angela Faulk
Stephanie King

Policy Initiative Advisory Committee

Stephanie King
Anthony Roper
Teresa Pergerson

Hiring

EVP

Training

Policy initiative ownership

• TBD by Talent Initiative Oversight Committee

Objective

• Make hiring process as efficient and effective as possible

• Define, develop, communicate EVP, and build in iterative process

• Revamp training to strategically deploy resources and imbed evaluation metrics

Deliverables

• Detailed process map with requirements, costs, and time at each step
• Bottleneck analysis
• Recommended design
• Implementation plans

• Definition of targeted recruitment groups
• Definition of EVP levers for each group
• EVP communications and recruitment plans
• Future EVP analysis plans

• Key capabilities map
• Key capabilities gap analysis
• Recommended training resource deployment
• New program designs
• Training metrics
• Future training analysis plans
PROCESS DESIGN INITIATIVES WILL BE LED BY TALENT MANAGEMENT TEAM WITH OSP AND NCDOT HR SUPPORT, AND THEN OWNED BY NCDOT HR

- **TMT**
  - Talent management team

  - **Talent Strategy Office**
    - Process design ownership
      - Stephanie King
      - HR representative
      - OSP representative
      - TBD
      - HR representative
      - OSP representative
      - Teresa Pergerson
      - Patricia Broadhurst
      - Lynn Summers
      - Anthony Roper
      - HR representative
      - OSP representative

    - Objective
      - To create an office and process to develop annual talent strategy
      - To create managerial, functional, and technical career tracks
      - To develop a rigorous and motivating performance review
      - To create a process to fill critical roles with exceptional talent

    - Deliverables
      - New office org chart, role descriptions, and funding requirements
      - Talent strategy planning inputs, analysis, and outputs
      - Definition of org role needs in each track
      - Definition of skill requirements by role
      - Career track map
      - Development map
      - Forms for goal setting, evaluation, and consequence mgt
      - Training program designs
      - Implementation plans
      - Process input templates
      - Meeting agendas
      - Leadership planning principles
      - Process output templates
TODAY’S DISCUSSION

• The talent team’s objectives and initiatives
• Ownership of talent initiatives
• Current HR resources and prioritization
• The look of a new strategic HR
CURRENTLY NCDOT HR DEPARTMENT OPERATES WITH FAR FEWER PROFESSIONALS THAN TOP PERFORMING HR FUNCTIONS.

Number of employees per HR professional*

*HR professionals exclude noncore functions including executive assistants, facilities management, and janitorial / food services. NCDOT number is based on 54 HR professional positions and 14,616 total head count as of 6/30/2006.

** Segmented using an index that measures the extent of which a company’s HR system is consistent with principles of high performance HR strategy (based on a 2000 survey of 429 firms and research conducted by Dr. Brian Becker, State University of New York at Buffalo)

Source: Talent Team Analysis
…AS WELL AS A MUCH SMALLER BUDGET FOR THE RELATIVE MAGNITUDE OF ITS MISSION

Per Capita Budgeted HR Expenditures for Organizations > 2,500 Employees

<table>
<thead>
<tr>
<th>Percentile</th>
<th>NCDOT</th>
<th>Median</th>
<th>75th Percentile</th>
</tr>
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<tbody>
<tr>
<td>25th</td>
<td>$125</td>
<td>$304</td>
<td>$709</td>
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<tr>
<td></td>
<td>$327</td>
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</table>

HR Budget as a Percentage of Total Operating Budget for Organizations > 2,500 Employees

<table>
<thead>
<tr>
<th>Percentile</th>
<th>NCDOT</th>
<th>25th Percentile</th>
<th>Median</th>
<th>75th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.3%</td>
<td>0.3%</td>
<td>0.5%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

NCDOT is under-allocating funding to the HR department compared to best practice. In order to build an effective and efficient talent program, HR budgets may need to be increased.

NCDOT is estimated based on 2008 HR budget of $4,252,657 and approximately $4 billion NCDOT total budget.
ALLOCATION OF THESE LIMITED RESOURCES IS ALSO UNDER-PRIORITYIZING RECRUITMENT AND STRATEGIC PLANNING

NCDOT percentage of HR positions allocated to core HR functions*

Percentage of average budget allocated to core HR functions

* Since 94% of NCDOT budget is allocated to personnel expenses, priorities are best judged by percentage of employees

TODAY’S DISCUSSION

• The talent team’s objectives and initiatives
• Ownership of talent initiatives
• Current HR resources and prioritization
• The look of a new strategic HR
A MORE STRATEGIC HR FUNCTION WILL HAVE ADDITIONAL ROLES AND OBJECTIVES

New objectives:
- Annually review internal / external contexts and employee engagement to plan future initiatives
- Plan and facilitate leadership planning process

Additional objectives:
- Manage and update strategic training program
- Maintain and update employee career tracks
- Periodically evaluate hiring practices for efficiency and effectiveness

Additional cost – approximately $110,000 (2 FTE + benefits)

FOR DISCUSSION
# NCDOT INVOLVEMENT OF INTERNAL AND EXTERNAL STATKEHOLDERS IN TRANSFORMATION

<table>
<thead>
<tr>
<th>Communication/Forum</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction of Transformation Management Team</td>
<td>June 2007</td>
</tr>
<tr>
<td>2. Overview of Transformation process</td>
<td>June 2007</td>
</tr>
<tr>
<td>3. “In the Loop” employee update</td>
<td>August 2007</td>
</tr>
<tr>
<td>4. “In the Loop” employee update</td>
<td>Sept 2007</td>
</tr>
<tr>
<td>5. Bi-weekly employee communications with payroll</td>
<td>Bi-weekly 2007</td>
</tr>
<tr>
<td>1. Email to all unit heads soliciting input on opportunities for improvement</td>
<td>May 22, 2007</td>
</tr>
<tr>
<td>2. 8 focus groups with employees at multiple levels, in multiple departments and in multiple geographies for input on talent management improvement</td>
<td>June 14, 2007</td>
</tr>
<tr>
<td>3. Division engineer discussions</td>
<td>June/July 2007</td>
</tr>
<tr>
<td>4. Operations staff meeting discussions</td>
<td>June/July 2007</td>
</tr>
<tr>
<td>5. Executive Committee vision and goals workshop</td>
<td>July 12, 2007</td>
</tr>
<tr>
<td>5. Executive Committee talent management workshop</td>
<td>July 17, 2007</td>
</tr>
<tr>
<td>7. Executive Committee strategic planning workshop</td>
<td>July 31, 2007</td>
</tr>
<tr>
<td>9. Executive Committee communications workshop</td>
<td>Oct 9, 2007</td>
</tr>
<tr>
<td>1. Small group board member discussions- talent management</td>
<td>July 2007</td>
</tr>
<tr>
<td>2. Small group board member discussions- strategic planning process</td>
<td>August 2007</td>
</tr>
<tr>
<td>3. Small group board member discussions- overall update and prioritization approach</td>
<td>Sept 2007</td>
</tr>
</tbody>
</table>

List of communications is non-exhaustive