



Book Driving Excellence

Transform Your Organization's Culture - And Achieve Revolutionary Results

Mark Aesch
Hyperion, 2011
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Recommendation

Executive Mark Aesch faced a huge challenge in 2004 when he became CEO of Rochester, New York’s nearly bankrupt and dysfunctional public bus service, the Rochester Genesee Regional Transportation Authority (RGRTA). Employing best practices from the world of business and demonstrating strong leadership, Aesch turned RGRTA around, providing superior service while making the company profitable. Aesch describes how he worked this miracle with common sense, moral courage, clear purpose and strategies applicable to many business and leadership situations. *BooksInShort* recommends Aesch’s savvy management road map to anyone who needs to kick-start an underperforming organization.

Take-Aways

- In 2004, Mark Aesch became CEO of the Rochester Genesee Regional Transportation Authority (RGRTA) of Rochester, New York.
- RGRTA, near bankruptcy, suffered from a perverse corporate culture that was inefficient and unproductive.
- Ignoring advice from entrenched interests, Aesch refused to raise fares and cut service.
- He solicited and followed suggestions from front-line employees who dealt with customers daily.
- As new CEO, Aesch introduced best practices, including using hard data, strong leadership and superior execution.
- He took back power from a dominant, recalcitrant finance department.
- Aesch instituted key achievement metrics.
- Under his leadership, the RGRTA lowered the basic fare to \$1.
- RGRTA, now successful, operates with a huge surplus rather than its former deficit.
- Aesch’s methods demonstrate how to turn around failing public agencies.

Summary

Farm Boy Makes Good

Mark Aesch, now CEO of the Rochester Genesee Regional Transportation Authority (RGRTA) in New York, grew up on a farm. The lessons of hard work and sacrifice he learned as a youngster – as well as the practice he gained in setting priorities (for example, feed the cows before you eat) – proved instrumental in his success at RGRTA. When he took over the public agency, it was dysfunctional, sloppily run and grossly inefficient, with a \$27.7 million deficit.

“Many government agencies fail today because they serve neither taxpayers nor customers, but themselves.”

On his first days on the job, advisers told Aesch that RGRTA's survival depended on increasing overall bus fares by 40% (and by 200% for disabled riders), scaling back passenger service by 65%, and cutting the workforce by approximately 25%. Aesch would have none of it. Instead, he boldly revamped the bus company's perverse, self-defeating culture, and made superior execution and top-flight service its primary goals. RGRTA eliminated wasteful bus routes, increased the average number of passengers and cut back overtime pay. Aesch made the tough decisions necessary to save the agency.

Dramatic Turnaround

RGRTA dramatically changed its approach. Today, it operates with a \$19.7 million surplus instead of a huge deficit. RGRTA cut its bus fleet by 12% while increasing the number of riders and the customer satisfaction ratings. The agency raised its productivity "by more than 90%" and its passenger count by more than 20%. Its buses carry 50% more passengers per mile than when Aesch took charge. At a time when mass transit systems across the United States experienced multiple fare increases, RGRTA lowered its fare to \$1, a tariff last seen two decades ago. The company focuses on its passengers, which the agency refers to as "customers." RGRTA envisions its buses as "movable stores" and its drivers as "greeters."

"When your goal is to radically transform a company, changing the culture is as important as changing the balance sheet."

Aesch remade RGRTA with strong leadership and a commitment to combine "the best practices from private sector companies" with a "dedication to public stewardship." The agency's turnaround, implemented through its "Driving Excellence" program, proves that public agencies – "hospitals, subway systems, schools and police forces" – can be productive, efficient and cost-effective. If the terribly flawed RGRTA can learn to perform, any organization can do the same.

A Bus Company Riding on Four Flats

Before Aesch, the Rochester bus company was a joke. Its dirty buses constantly ran behind schedule. Because of poor routing, some buses carried few or even no passengers as they rambled back and forth through the greater Rochester area, burning up expensive diesel fuel. Many drivers and other employees selfishly exploited RGRTA's archaic work rules to the detriment of the agency's shaky finances.

"Employees in the trenches know what customers want even more than the customers themselves."

RGRTA's flawed fare structure made getting low-income passengers from their homes in Rochester's inner-city area to jobs in the city's burgeoning suburbs a prohibitively expensive proposition. Despite RGRTA's deficiencies and shabby service, the agency's budget-setting philosophy could be summed up in four words: "four percent on top." Each year RGRTA requested a 4% increase in its public subsidy from Rochester's city government. That RGRTA had hardly earned such an increase was immaterial to its managers. RGRTA was a huge mess.

Walking Out on the New Boss

Nothing about changing the culture of RGRTA came easily. When Aesch, then 37, announced his turnaround plan at his first meeting with RGRTA employees, many were openly hostile. Union members swore and hissed as Aesch spoke. They rejected his message that RGRTA "didn't run buses in an effort to employ drivers," mechanics and other workers. "'You people don't give a damn about us!' one driver shouted" at Aesch, before storming out of the meeting along with other RGRTA union employees. Aesch was not intimidated.

"Government has underperformed for so long that people doubt any agency can achieve breakthrough success."

Aesch learned that RGRTA was a patriarchal, paternalistic organization, with senior managers arbitrarily making decisions without supportive data. The previous CEO had been directly involved in every salary raise for each of RGRTA's 750 employees. Managers spent more time making decisions about bus drivers' uniforms and the color of bus sign poles than about schedules and fares. Some decisions were downright silly. For example, one executive ruled that drivers could refuse to drive a bus off RGRTA's lot if the vehicle was, in the driver's opinion, dirty. This decision did not involve any steps to make the buses cleaner.

"We can't fix organizations without people [being willing] to set aside their status quo, take risks and do things differently."

Before Aesch arrived, another executive ordered that RGRTA henceforth should buy only smaller buses. He assigned his staff to research options. They spent many hours checking out smaller buses. Later, at a meeting to showcase the various options, the executive brusquely ruled out all the staff's carefully researched choices. "Bring me the catalogs!" the executive yelled. He leafed through the bus model sales literature. "Buy those!" he barked. This executive's arbitrary management style was typical of RGRTA senior leaders.

"The less information you have, the more open you are to attacks and criticism."

Things were every bit as problematic on the workers' side. Despite RGRTA's serious financial problems, "We ain't giving nothing back!" was the antagonistic attitude of most union workers. Employees hated RGRTA so much that one of them set off a pipe bomb in a senior manager's workspace. No one seemed to care if buses ran late, if they were traveling garbage cans or if drivers were surly. The prevailing ethos at RGRTA was "take it or leave it."

A Solid Mission and Vision

Aesch organized a Front-Line Advisory Group (FLAG) of employees who dealt with the public every day. The group met quarterly to develop initiatives for RGRTA to serve its passengers better. RGRTA instituted many of FLAG's ideas, including a "one fare, one zone" system that became a hit with RGRTA's passengers. Aesch and his team developed the Trip Scoring Index (TSI), a reliable method to measure the effectiveness of individual bus schedules. TSI has saved RGRTA "more than \$25 million."

"Employees will not all jump on board with a strategy overnight."

Aesch understood that RGRTA needed a solid mission and vision that everyone could support. He and his management team developed the mission theme: “Putting buses where people want to go, when they want to go there.” Other goals included: “achieve financial stability,” provide “excellence in customer service” and promote “employee participation.”

“Be sure to lead. Finance will fill a vacuum of control if there is no vision coming from the top.”

With these objectives in mind, Aesch and his senior executives presented a new strategic plan to RGRTA’s board. As chairman John Doyle stated, “This is fantastic stuff.” Aesch personally communicated the strategy to RGRTA’s employees. At the same time, he and his management team renamed common aspects of the RGRTA experience: for example, “cash registers” for fare boxes and “stores” for buses. Aesch sought to rebrand RGRTA as a business that delivers valuable services to its “customers” (not passengers). The company also began to refer to employees as “team members.”

Reining in Finance

Aesch learned that RGRTA’s finance department, which controlled “annual budgeting and capital planning,” exercised an outsized influence on every aspect of the agency. Every dollar for operations came through the finance department. Without approval from “Finance,” no department got a penny. Aesch took steps to change this paralyzing arrangement. As he put it, “When I became CEO, there was going to be no doubt at the Authority who was in charge. It was going to be me and our vision, not Finance.”

“If employees are consulted, they’ll feel more convinced that management takes them seriously.”

Aesch insisted that the company’s finance executives meet with individual departments and present a summary of their financial requests without rendering any judgment on them. The executive committee – not the finance department – became responsible for determining whether the suggested allocation of financial resources most effectively supported RGRTA’s “Strategic Plan and Operating Plan.”

“The forces of change must stand their ground...Leadership isn’t a popularity contest.”

To instill accountability, Aesch revamped RGRTA’s compensation system to prioritize performance. RGRTA provides strict definitions in its motivational programs, and its incentives match goals that directly relate to critical strategic objectives. RGRTA uses reliable data to measure performance and is diligent about workers’ compensation. All employees at RGRTA – executives, managers and workers – know exactly what they must do and how they must do it to earn more money.

Monitoring and Measurement

RGRTA stays on top of its overall performance through its Transit Organization Performance Scorecard (TOPS) program. This “performance-based management approach” measures crucial RGRTA strategic areas: “Excellence in Customer Service, Long-Term Financial Success and Employee Success.” Another RGRTA measurement system is the “Customer Satisfaction Index” (CSI). But accurate performance data makes no difference if individual employees aren’t motivated to improve operations. To ensure that RGRTA hires the best workers, Aesch authorized a total revamping of RGRTA’s employment practices, including the introduction of a new advertising program entitled “RGRTA is a Great Place to Work.”

Creating Change

To turn around an underperforming agency, you must make the organization’s culture proud, self-vitalizing and success-oriented. You must operate strategically, monitor and measure the important things, and insist on accountability from all corners. Developing a public-private ethos, in which the people you serve become customers, is crucial. Your organization’s problems will not fix themselves. You must demonstrate strong and steady leadership at all times, and that requires courage. At RGRTA, Aesch helped to foment a “culture of humility, objective information and accountability.” He ensured that his daily decisions supported RGRTA’s core principles.

“Open yourself to change. Dramatic and sustained improvement won’t come from doing things the same way.”

Aesch tries to “take a stand” and “do the right thing.” He knows he has to take on not only tough decisions, but also what he calls “sad decisions,” that is, choices that while right, “tear our guts when we make them.” None of this is easy. Leaders must stick to their guns – and dedicate themselves to improving their organizations – no matter the obstacles encountered. You should insist on “performance-based aid” from the government your agency serves, not just for your organization, but also for all other publicly subsidized agencies.

“The world has a lot of survivors. Be a succeder instead.”

Other important “rules of the road” include:

- Everything a CEO says and does sends a message – positive or negative – to employees.
- Teach employees that serving their customers is more important than serving themselves.
- Rely on front-line employees for information about what’s important to your customers.
- Directly tie compensation to performance and “spending to strategy.”
- Embrace data. Make data available throughout your organization.
- Make sure every agency employee understands his or her performance in terms of the agency’s vital metrics.
- Financial management does not necessarily translate to financial success.
- Budget collaboratively.
- Ensure that all employees understand what success means for the organization.
- Benchmark how your agency performs against similar agencies.
- Focus on what counts most.
- Do not be afraid of change.

- Do not be afraid to lead.

About the Author

Mark Aesch is CEO of the Rochester Genesee Regional Transportation Authority (RGRTA), Rochester, New York.
