

Management Changes at Public Transport Organisations



The public transport sector is going through a phase of rapid and intensive change.¹ Public transport companies have put a much stronger focus on cost reduction as governments and municipal authorities have become unwilling to cover the increased subsidies required by these firms. Transport companies have also started to put more emphasis on improving passenger service and satisfaction as they realise that the customer is the key to their existence. Also, the public transport market has been opened up to competition in a number of countries and the awarding of public transport contracts now takes place through tenders instead of the previous monopoly situations. Furthermore, an increasing number of countries have turned to privatisation as a way of increasing efficiency and reducing their financial burdens, which also implies legal and institutional changes. A report sponsored by the Transportation Research Board outlines six factors which challenge the status quo and have prompted the need for change at public transport companies:

1. The quality of life and the economic vitality of urban areas is increasingly threatened by sprawling development, rising congestion, the increasing cost of public services (the performance of which is often in decline), and an increasing reluctance on the part of governments to commit funds to address these problems.
2. The relevance of traditional public transportation serv-

ices has been diminished to some extent by socioeconomic trends. These trends include single-parent working households, two-earner households, flexible work schedules and widely dispersed service-sector employment opportunities.

3. The “enabling environment” in surface transportation is replete with fragmented responsibilities, as well as regulatory constraints, conflicting policies and goals, and restrictive “stove-piped” funding mechanisms. These factors often limit the ability of organisations to adapt quickly and frustrate any efforts to enhance responsiveness to shifting travel markets and changing conditions.
4. The organisational culture and dynamics of local public transportation organisations have historically posed a barrier to change and are reinforced by long-standing policies, programs and regulatory frameworks, as well as deep-seated, change-resistant perspectives and attitudes on the part of many industry managers and those in the labour force.
5. The quality of the customer experience has not fully emerged as a dominant focus in the delivery of local public transportation services as it has in many other service and commercial enterprises. Performance measurement is dominated by operational, output-based measures.

6. Local public transportation organisations have historically been slow in the deployment of state-of-the-art information and other emerging technologies that have become commonplace and, in fact, are increasingly expected by customers in most other markets and industries.

To one degree or another, all local public transportation organisations are confronting pressures for change stemming from these forces and factors.

Typically, the concept of organisational change is in regard to organisation-wide change, as opposed to smaller changes such as adding a new person, modifying a program, etc. Examples of organisation-wide change might include a change in mission, restructuring operations, new technologies, mergers, major collaborations, "rightsizing", new programs such as Total Quality Management, re-engineering, etc. Some experts refer to organisational transformation. Often this term designates a fundamental and radical reorientation in the way the organisation operates.²

While the driving forces in engaging in any public transport restructuring are cited above, the changing process is difficult as it affects all stakeholders (i.e. the transport authority, the municipality, passengers, employees). Sometimes decisions are made which are unpopular and sometimes the effectiveness of these decisions is questionable. Stakeholders often have a natural aversion to change or reform. Change is hard; it is much easier to maintain the status quo. People are afraid of the unknown. Many people think things are fine as they are and do not understand the need for change. Many doubt there are effective means to accomplish major organisational change. Often there are conflicting goals within the organisation, e.g. increasing resources needed to accomplish the change while cutting costs to remain economically viable. Organisation-wide change often goes against the very values held dear by members in the organisation: the changes may run contrary to how members believe things should be done. This is why much of the literature on organisational change discusses the changes required in the culture of the organisation, including changes in members' values and beliefs and in the way they enact these values and beliefs.

Successful change must involve top management, including the board and chief executive. Usually there is a champion who initially instigates the change by being visionary, persuasive and consistent. A change 'agent' is usually responsible for translating the vision into a realistic plan and carrying out the plan. Change is usually best carried out as a broad team effort. Communications about the change should be frequent and reach all members in the organisation. To sustain change, the structures of the organisation itself should be modified, including strategic plans, policies and procedures. This change in the organisation's structure typically involves an unfreezing, followed by change and a re-freezing process.

The reform of a transport organisation should only be undertaken after a full and complete assessment of the objectives that public officials or management are trying to achieve. Institutional reform or even private sector involvement is not an end in itself but only a means to achieve specific and well-established objectives.

The process of reforming a public transport organisation

should begin with a clear definition of the intended objectives. The next step is to define all key institutional design and reform decisions needed to move the process towards a successful conclusion. Next, for each decision point along an ordered set of decisions, options and alternatives should be developed and assessed. In particular, all of the possible outcomes from the selection of any specific option need to be explicitly evaluated with respect to the stated objectives of reform.³

One school of thought suggests that changes only occur in response to a crisis in the performance of an organisation or in response to outside demands. There is evidence, however, that paradigm shifts can also be fostered by design, through the correct combination of leadership, insight, approach and resources. In either case, successful organisations manage and direct change through a continuous process involving the tasks, steps and activities highlighted below. No matter how large the contemplated change, a systematic approach is needed to guide, manage, and sustain fundamental change. According to the report cited, four phases of change are typical in any organisation, regardless of whether the company is experiencing minor or major changes in the surrounding environment or whether its approach is proactive or reactive. These four phases are:

- Phase I: Recognising the Need for Change
- Phase II: Leading and Planning Change
- Phase III: Making Change Happen
- Phase IV: Institutionalising New Approaches

Phase I: Recognising the Need for Change

During the initial phase of the change process, the need for change becomes apparent, broadly recognised and legitimised. For this to happen, the scope and breadth of change required needs to be recognised throughout the organisation. Regardless of conditions in the external environment, the organisation must have the structures in place and the resources committed to continually assessing the need for change, including: open lines of communication with the authorising and financing institutions (i.e. those who can alter the "enabling environment" for public transportation organisations); regular and timely feedback from stakeholders and constituents (i.e. customers); structures to scan and assess the environment (usually in the leadership); and support from subject matter experts and development communities.

Phase II: Leading and Planning Change

A great deal of progress has been made throughout the transit industry in identifying and engaging a broad spectrum of stakeholders, particularly in support of local transit projects and funding initiatives. Where stakeholder groups and local transit coalitions have been engaged, they tend to be well-informed and effective advocates. In addition, transit organisations are increasingly engaging in "visioning" exercises

directed at articulating an expanded future role for transit in their communities. The stakeholder engagement and visioning processes, however, are rarely directed internally to the organisation's mission, structure and business processes.

Leading and planning change requires some variation of the following activities:

- committed leadership at the highest levels;
- the formation of a powerful guiding coalition;
- creating a vision;
- communicating the vision; and
- planning for and creating short-term wins.

Phase III: Making Change Happen

The resistance to fundamental change in transit organisations may be stronger than in other businesses and industries since the agility of public institutions has been constrained over time by layers of legal, regulatory and administrative requirements. Because the extent of control of transit managers and even board members is limited, the mechanisms for making and sustaining fundamental change in organisational missions, institutional structures, and business processes require a commitment of leadership as well as resources. The next phase of change involves bringing the organisation's structure, processes, incentives and people into sync with an external environment that is increasingly dependent on rapid change; instant, in-depth information exchange; and attention to the needs of customers and consumers. This is a long and repetitive process that often requires several years of sustained effort.

Phase IV: Institutionalising New Approaches

The final phase of the change process focuses on ensuring that the organisation can continue to react and respond to changes in markets and the surrounding environment in which it operates. Institutionalising new approaches is not a static process of introducing and "freezing" successful practices. This phase of the change process requires transforming the organisation so that it can proactively anticipate and adjust to changing circumstances in the external environment and

in the organisation's evolving capability. The three major activities in this phase are:

- empowering others to act on the vision by removing obstacles to change;
- consolidating success and continuously learning and improving performance; and
- reinforcing the connection between behaviour and success while developing leadership.

These activities allow the organisation to embed the proactive elements of the change process in the organisation, take advantage of strategic opportunities, and establish an environment of trust.

Special note should be made of the fact that the process of public transport labour reform often requires the elimination of provisions from existing labour regulations that unduly constrain flexibility and productivity. Overstaffing, in particular, has been a pervasive feature of public transport systems in new EU member states. Achieving more cost-efficient operations usually requires reductions in the workforce. To achieve this result in a socially acceptable way should be a prominent concern of the authorities. One way to achieve this is to ensure that social protection programs exist to make this adjustment as smooth as possible and not to provoke undue labour unrest.

In addition it is essential that the broader workforce of the organisation is involved in the public transport reform process from its earliest conceptual phase. Experience in other fields indicates that the best way to build confidence in the reform process is to broaden the sphere of participation and responsibility to include all stakeholders.

Note: This document is based on both the cooperative desk research of Sputnik project partners and input from public transport practitioners/experts.

- 1 Incentive Agreements in Public Bus Transport, UITP, September 1998
- 2 Emerging New Paradigms: A Guide to Fundamental Change in Local Public Transportation Organisations, TCRP Report 97, Transportation Research Board, 2003
- 3 <http://www.managementhelp.org/mgmt/orgchnge.htm>
- 4 Adapted from Port Reform Toolkit, World Bank, 2003
- 5 New Paradigms for Local Public Transport Organisations, TCRP Report 58, TRB, 2000