



Process Industry Strategic Measurement and Management

***Best Selling Author and Former Executive Shares Cases
Balanced Scorecard Hall of Fame Case Studies
Bob Paladino, CPA, MBA***

Bob Paladino & Associates, LLC
Box 62335, Pittsburgh, PA 15241
Office: 1-412-833-9317, Fax 1-412-833-9318,
Contact: bobpaladino@paladinoassociates.com
Visit our website: www.paladinoassociates.com



© Copyright 2011 www.paladinoassociates.com

**Bob Paladino &
Associates, LLC**



Agenda

- Introductions
- Review CPM and 25 Balanced Scorecard Hall of Fame Best Practices (exercise)
- Understand Strategy Maps, themes and objectives (exercise)
- Understand Balanced Scorecards, measure design, measure types and target setting (exercise)
- Understand application of Strategy Maps and Balanced Scorecards in Process Industry (exercise)

2

© Copyright 2011 www.paladinoassociates.com

**Bob Paladino &
Associates, LLC**



Introductions and Your Goals

Meet Your Fellow Delegates/Practitioners:

- What is your name?
- What is your organization and position?
- Where are you in your Balanced Scorecard Journey? (fact finding, deployment, re-launch)
- What challenges/ topics would you want to discuss?

© Copyright 2011 www.paladinoassociates.com

Bob Paladino &
Associates, LLC



Bob Paladino, CPA



- PricewaterhouseCoopers and Towers Perrin Global Consultant, E&Y Auditor
 - Boston, New York and London
- Led a Kaplan & Norton CPM /Balanced Scorecard Global Consulting Practice
 - Advised over a dozen Balanced Scorecard Hall of Fame Winners
- Directed Crown Castle International's CPM program as SVP Global Performance in the CEO Office; Crown earned a few awards
 - WSJ Ranked Crown Top 20 Most Improved in Shareholder Value (out of 4,000)
 - Kaplan & Norton's Global Balanced Scorecard Hall of Fame Award
 - APQC's Best Practice Partner Award
- Bob Paladino & Associates, LLC:
 - Tennessee Center Performance Excellence (TNCPE), State Baldrige Examiner
 - Research / Publications – #1 Global Selling Book "Five Key Principles of CPM"
 - Consulting - "*Implementing for Results*" We provide results, not methodologies
 - Executive Education – Colleges, Companies and Governments Globally
 - Corporate Speaking – Globally

4

© Copyright 2011 www.paladinoassociates.com

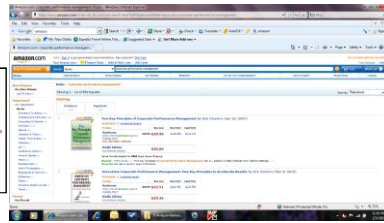
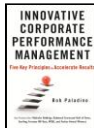
Bob Paladino &
Associates, LLC



Royalties From Both Books Donated to Flight 93 Memorial, Founding Sponsor.



Ranked #1 and #2 CPM Books on Amazon



5

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



How Can We Help You Achieve Results? Knowledge & Experience to Help Close the Strategy Gap



Since release of his #1 best selling book, Bob has been receiving requests for article reprints. Fill out and fax to 412.220.2454 to receive yours.

1. ___ APQC (American Productivity Quality Center) Magazine, Crown Castle International's Corporate Performance Management System
2. ___ APQC Magazine, Integrating Balanced Scorecard, Six Sigma, and Knowledge Management to Drive Value at Crown Castle
3. ___ APQC Magazine, Integrating Balanced Scorecard, Sarbanes Oxley and Knowledge Management (Nadia Upley)
4. ___ APQC Research Reports: Enterprise Risk Management Reports I & II Executive Summaries only (Best Practice Company Cases)
5. ___ ASMI (American Strategic Management Institute), Realizing Strategies Through Balanced Scorecard Based Budgeting
6. ___ Better Management, Integrating the Balanced Scorecard and Total Rewards to Drive Value
7. ___ Business Finance Magazine, Fitting the Balanced Scorecard into BPM
8. ___ Business Finance Magazine, Retaining Knowledge Capital
9. ___ Business Performance Magazine, Moving Strategy Forward: Merging the Balanced Scorecard and Business Intelligence To Drive Value,
10. ___ Business Performance Magazine, Performance Promotion: Why CPM needs it Own Office, (with Gary Cokins)
11. ___ Business Week Research, The Payoff of Pervasive Performance Management, (Joe Mullich)
12. ___ Certified Management Accountant Magazine (CMA Institute), 5 Key Principles of Corporate Performance Management – 3 Articles
13. ___ Coach (Russia), Excellence in Corporate Performance Management
14. ___ CFO Magazine Research, What CEOs want from Their CFOs Today
15. ___ CIO Insights, Corporate Performance Management and Metrics that Matter
16. ___ CorVu, Crown Castle International Case Summary
17. ___ Harvard Business School Publishing, Balanced Scorecard Hall of Fame Case Crown Castle International #1 selling case for HBS
18. ___ Harvard Business School Publishing, How to Conduct a Balanced Scorecard Review to Create Alignment
19. ___ Harvard Business School Publishing, Survival Strategies for Unmerciful Markets: The Telecom Experience
20. ___ Harvard Business School Publishing, The Challenge of Global Alignment, Crown CEO Shares his Perspectives
21. ___ Harvard Business School Publishing, Global Alignment: A Telecom's Tale Crown Castle International
22. ___ Industrial Management Magazine (IIE), Principles of Corporate Performance Management, Medrad New Product Case Study
23. ___ Journal of Corporate Accounting & Finance (Wiley), What is Strategic-Operational Misalignment Costing your Firm Each Year?
24. ___ Journal of Corporate Accounting & Finance (Wiley), Enterprise Risk Management, a Best Practice Approach, (with Sebastian Francis)
25. ___ Journal of Corporate Accounting & Finance, Missed Opportunities in Strategy and Enterprise Risk Management, (with Dr. Frigo, L. Cuy)
26. ___ Journal of Corporate Accounting & Finance, Strategic Financial Information: What Does the CFO Need in the Rapidly Changing Utility Market?
27. ___ Knowledge Management Review, Taking its Knowledge Management Portal to the Next Level at Crown Castle
28. ___ Strategic Finance Magazine (Institute Management Accountants), Balanced Forecasts Drive Value
29. ___ Strategic Finance Magazine, (Institute Management Accountants), Strategically Managing Risk in Today's Perilous Markets
30. ___ Strategic Finance Magazine (Institute Management Accountants), 5 Key Principles of Corporate Performance Management- 3 Articles



YOUR NAME/TITLE: _____
 ORGANIZATION _____
 ADDRESS/CITY/STATE _____
 PHONE (O) _____ (M) _____ (F) _____
 EMAIL _____

Or Simply Peel Tape and Attach a Business Card Here

Consulting, Training, Speaking

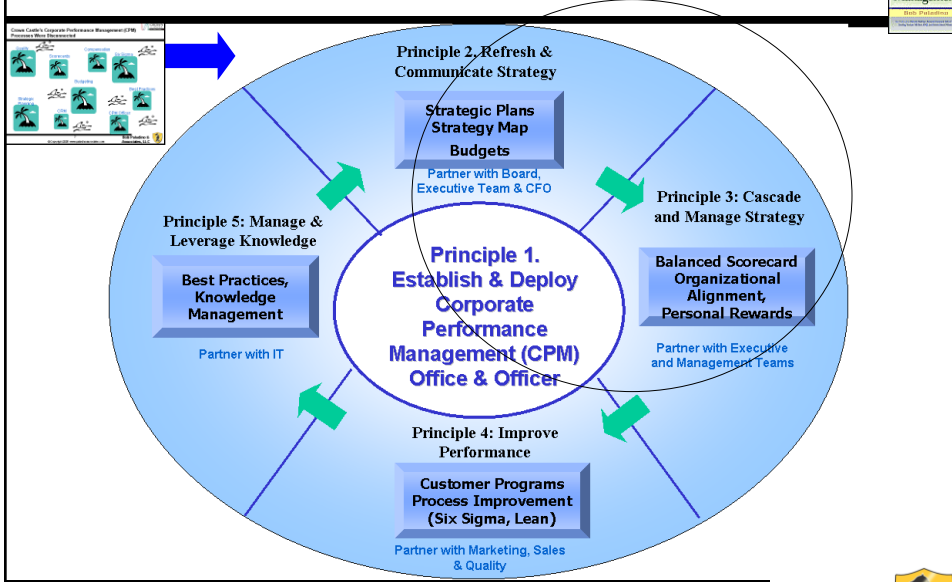
Contact: Bob Paladino, CPA, Managing Partner, Box 62335, Pittsburgh, PA USA 15241
 O: 412-833-9317, F: 412-220-2454; bobpaladino@paladinoassociates.com, www.paladinoassociates.com

Introductions: Five Key Principles CPM Executive Education courses
 Provided to Colleges, Corporations and Governments (Globally)

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC

“Five Key Principles” Incorporates the Balanced Scorecard in Principle 3 to Accelerate Performance



For Example, Thank you to the Crown Castle and Ricoh Teams



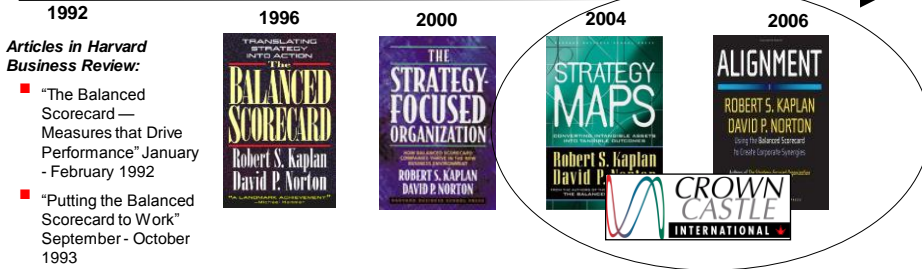
- | | |
|---|---|
| <ul style="list-style-type: none"> ➤ Earned Balanced Scorecard Hall of Fame Award ➤ Earned APQC Best Practice Partner Awards ➤ Stock price increased from \$1 to \$40 on the NYSE, beating all market indexes ➤ Wall Street Journal "Top 20 Most Improved in Shareholder Value" (out of 4,000 companies) ➤ Improved cash flow over \$500 million in one year ➤ Increased employee satisfaction over 20 absolute points ➤ Increased customer satisfaction by over 25% ➤ Reduced order to cash cycle time by over 75% ➤ Knowledge management (KM) provided global library of best practices ➤ Six Sigma black and green belt programs brought in over \$300 million in cash | <ul style="list-style-type: none"> ➤ Earned Kaplan & Norton Global Balanced Scorecard Hall of Fame ➤ Earned Deming Quality Awards ➤ Increased Same Day Ship Rate to 98% ➤ Increased Recovery Ratio to 95%, diverted 20 million pounds of Material from Landfills ➤ Reduced Customer Backorders 82% ➤ Reduced Month On Hand Inventory by 26% ➤ Increased Customer Brand Awareness by 37% ➤ Solutions Marketing Increased Sales 161% ➤ First Call Resolution 81% |
|---|---|

Adapted from "Five Key Principles of Corporate Performance Management" Bob Paladino, Wiley Publishing 2007, All Rights Reserved



Crown Has Applied the Balanced Scorecard to Become a Best Practice Case Study

Measurement and Reporting	Enterprise-Wide Strategy-Focused Organization (SFO)	Focus On Mapping Strategy and Hall of Fame Achievement	Alignment and Communication
---------------------------	---	--	-----------------------------



Articles in Harvard Business Review:

- "The Balanced Scorecard — Measures that Drive Performance" January - February 1992
- "Putting the Balanced Scorecard to Work" September - October 1993
- "Using the Balanced Scorecard as a Strategic Management System" January - February 1996

Acceptance and Acclaim:

- "The Balanced Scorecard" is translated into 18 languages
- Selected by Harvard Business Review as one of the "most important management practices of the past 75 years."
- Bain Consulting Reports 50% of US Companies Use the Balanced Scorecard



The Scorecard Hall of Fame Winners Represent Process Industry Organizations

11

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC

The number #1 Most Popular Balanced Scorecard Hall of Fame Case Study is Crown Castle International – Harvard Business School Website

Harvard Business School® 0-000-000

Crown Castle International

A Case Study

Using the Balanced Scorecard as a Strategic Management System

Request your Complimentary Copy on the Next Page (item #18)

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC

Our Training Curriculum Incorporates Inputs from 37 Balanced Scorecard Hall of Fame Award Winning Organizations



- | | |
|--------------------------------------|---|
| 1. Aktiva (Amsterdam) | 19. Pliva (Croatia) |
| 2. Acquafin (Belgium) | 20. Public Service Electric & Gas (PSE&G) |
| 3. City Charlotte (NC) | 21. Reuters |
| 4. City of Brisbane (Australia) | 22. Ricoh Americas |
| 5. City of Fulton County (GA) | 23. Royal Canadian Mounted Police (RCMP) |
| 6. Crown Castle International | 24. Royal Norwegian Airforce (Norway) |
| 7. Duke Children's Hospital | 25. Saatchi & Saatchi |
| 8. Du Pont | 26. Serono (Switzerland) |
| 9. Hilton Hotels | 27. Southern Gardens |
| 10. KeyCorp | 28. St Mary Duluth Clinic |
| 11. Korea Telecom (Korea) | 29. Sprint/Nextel |
| 12. Kinnarps (Sweden) | 30. Swiss Re (Switzerland) |
| 13. Media General | 31. Tata Motors (India) |
| 14. Lockheed Martin EIS | 32. Tennessee Valley Authority (TVA) |
| 15. Mobil | 33. UBS |
| 16. Mobistar (Belgium) | 34. Unico (Brazil) |
| 17. Montefiore Medical | 35. United Parcel Service (UPS) |
| 18. Nova Scotia Power Company (NSPC) | 36. US Army |
| | 37. Volvo Financial |

"I'm against a homogenized society, because I want the cream to rise." - Robert Frost

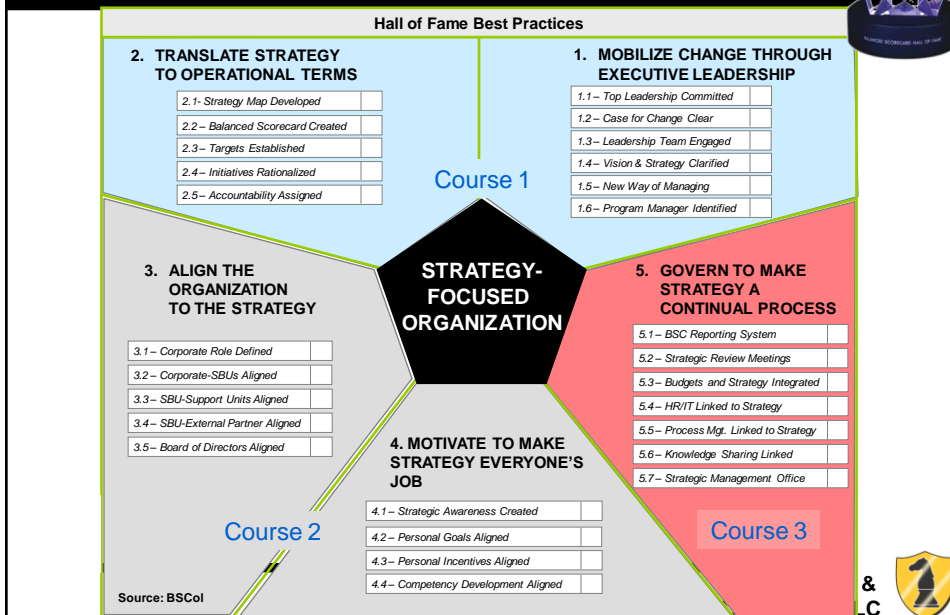
13

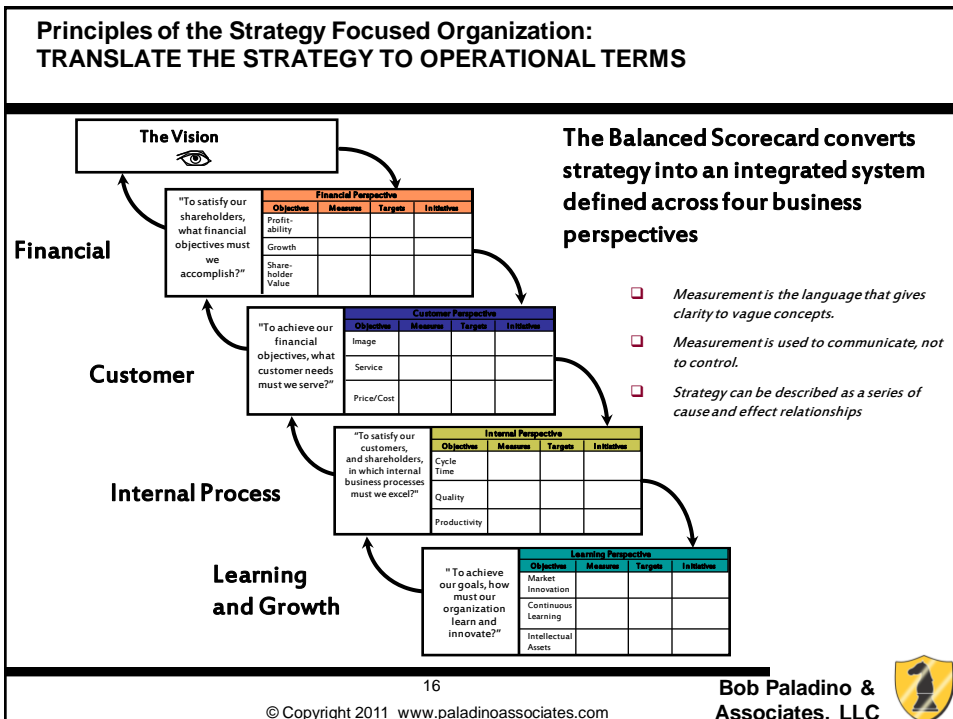
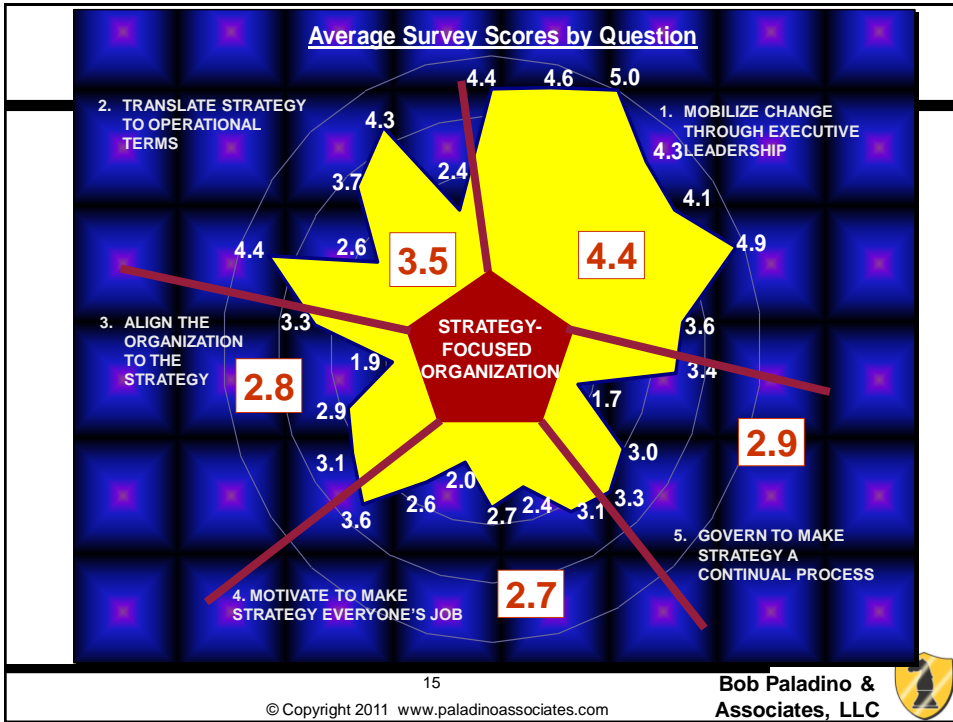
© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC

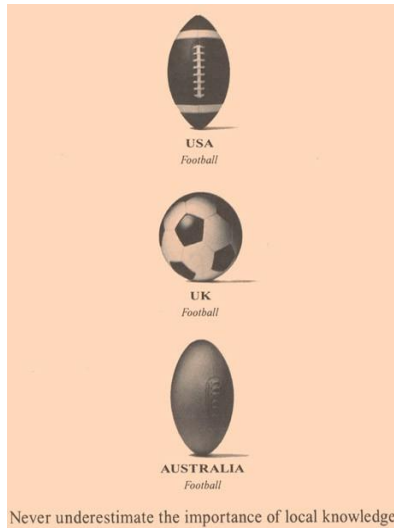


Hall of Fame Best Practices- Diagnostic





What About Common Terms?



17

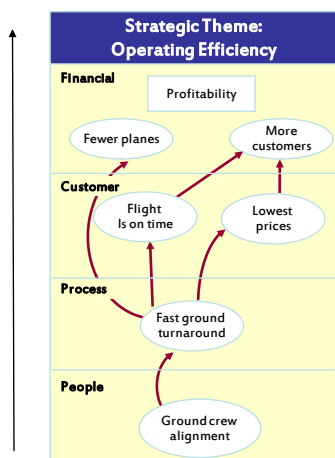
© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



The Strategy Map provides the Cause and Effect Linkages Across the Four Perspectives

Strategy Map



Lagging (Outputs)
Leading (inputs)

Key Attributes/ Design Elements

- A Strategy Map is a pictorial representation of your company's strategy
- Should serve as a communications tool internally
- Read from Bottom to Top in a Linked and Causal Manner
 - Process & People perspectives provide "leading" objectives
 - Financial & Customer perspectives have "lagging" objectives
- Does it pass the "new employee" test?
- Recognize the balance between science and art

18

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



A Good Balanced Scorecard Provides a Prescription for Action Including Measures, Targets, and Initiatives Aligned to Each Objective

Balanced Scorecard				
	Objectives	Measurement	Target	Initiative
Financial	• Profitability	• Market Value	• 30% CAGR	
	• More Customers	• Seat Revenue	• 20% CAGR	
Customer	• Fewer planes	• Plane Lease Cost	• 5% CAGR	
	• Flight is on -time	• FAA On Time Arrival Rating	• #1	• Quality management
Process	• Lowest prices	• Customer Ranking (Market Survey)	• #1	• Customer loyalty program
	• Fast ground turnaround	• On Ground Time	• 30 Minutes	• Cycle time optimization
People	• On-Time Departure	• 90%		
	• Ground crew alignment	• % Ground crew trained	• yr. 1 70% yr. 3 90% yr. 5 100%	• ESOP
	• % Ground crew stockholders			• Ground crew training

Key Attributes Design Elements

- Establish clear links to strategic objectives
- Recognize Leading and Lagging Measures
 - Leading measure form your "early warning system"
 - Leading indicators highlight investment or input opportunities
 - Lagging indicators are in the rear view mirror
- Operating Companies have of 20-25 measures with an balance by dimension
 - Holding Companies have a total of 8-12 measures
 - Use 1-2 measures per objective
- Adopt the best practice of selecting "surrogate" measures to satisfy the 60 day rule
 - Recognize data sources and accountability for collection and reporting
- Ensure Measures are useful for target setting

19

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Together Strategy Maps and Balanced Scorecards Form a Strategic Management System and Support a Strategy Focused Organization

	Strategy Map	Balanced Scorecard			
	Strategic Theme: Operating Efficiency	Objectives	Measurement	Target	Initiative
Lagging (Outputs)		<ul style="list-style-type: none"> • Profitability • More Customers • Fewer planes 	<ul style="list-style-type: none"> • Market Value • Seat Revenue • Plane Lease Cost 	<ul style="list-style-type: none"> • 30% CAGR • 20% CAGR • 5% CAGR 	
	Leading (Inputs)		<ul style="list-style-type: none"> • Flight is on -time • Lowest prices 	<ul style="list-style-type: none"> • FAA On Time Arrival Rating • Customer Ranking (Market Survey) 	<ul style="list-style-type: none"> • #1 • #1
			<ul style="list-style-type: none"> • Fast ground turnaround 	<ul style="list-style-type: none"> • On Ground Time • On-Time Departure 	<ul style="list-style-type: none"> • 30 Minutes • 90%
		<ul style="list-style-type: none"> • Ground crew alignment 	<ul style="list-style-type: none"> • % Ground crew trained • % Ground crew stockholders 	<ul style="list-style-type: none"> • yr. 1 70% • yr. 3 90% • yr. 5 100% 	<ul style="list-style-type: none"> • ESOP • Ground crew training


20

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Southwest Airlines Awards



THE BELLIES OF OUR PLANES ARE RED.
THAT'S BECAUSE WE'RE BLUSHING.
WE COULDN'T BE MORE PROUD OF OUR EMPLOYEES' ACCOMPLISHMENTS.

7TH MOST ADMIRABLE COMPANY IN THE WORLD
FORTUNE MAGAZINE - THE WORLD'S MOST ADMIRABLE COMPANIES - FORTUNE MAGAZINE, MARCH 16, 2009 ISSUE

#1 IN ON-TIME PERFORMANCE
DEPARTMENT OF TRANSPORTATION - 2008 YEAR-END AIR TRAVEL CONSUMER REPORT OF ALL MAJOR AIRLINES

#1 IN CUSTOMER SERVICE
DEPARTMENT OF TRANSPORTATION - 2008 AIR TRAVEL CONSUMER REPORT

MOST RELIABLE AIRLINE
TRAVELER'S CHOICE - 2008


ONE OF BUSINESSWEEK'S MOST INNOVATIVE COMPANIES IN THE WORLD
BUSINESSWEEK - APRIL 28, 2008

BEST ROUTES AND AVAILABILITY
SMARTTRAVELER™ - OCTOBER 23, 2008

Our Employees really kicked tail this year. Thanks to their hard work, positive spirit, and dedication to our Customers, Southwest Airlines® won more awards than can fit inside a carry-on bag. So if you see one of our Employees today, give them a pat on the back.

SOUTHWEST.COM

Bob Paladino & Associates, LLC



Exercise: Review BSC Elements

Class Discussion

- What is the value of having the Hall of Fame Best Practices?
- What is a Strategy Map?
- What are the four perspectives?
- Why is a Strategy Map also called a “linkage diagram”?
- What is a Balanced Scorecard? Why is it Balanced?



But What Goes into Building a Map and Scorecard? Breaking it Down

The following slides provide design concepts and case examples for the four perspectives

- Financial
- Customer / Constituent
- Business Process/ Internal Process
- Learning & Growth / People

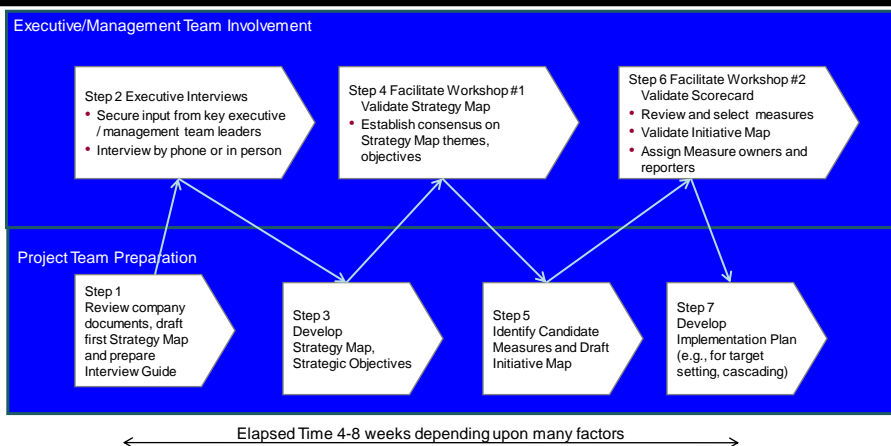
23

© Copyright 2011 www.paladinoassociates.com

Bob Paladino &
Associates, LLC



Leverage a Proven Approach to Design/Refresh Strategy Maps and Balanced Scorecard Measures, Targets and Initiatives



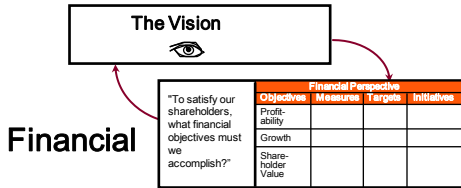
24

© Copyright 2011 www.paladinoassociates.com

Bob Paladino &
Associates, LLC



Four Perspectives - Financial



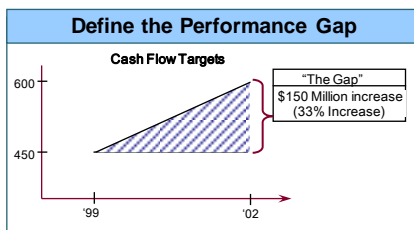
The Balanced Scorecard converts strategy into an integrated system defined across four business perspectives

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC

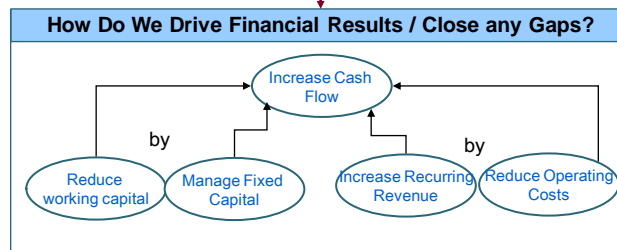


Strategy Map Financial Perspective Objectives A Simple Model



Translate shelf documents into a straw model (draft) strategy map

Strategy Map
Financial Perspective

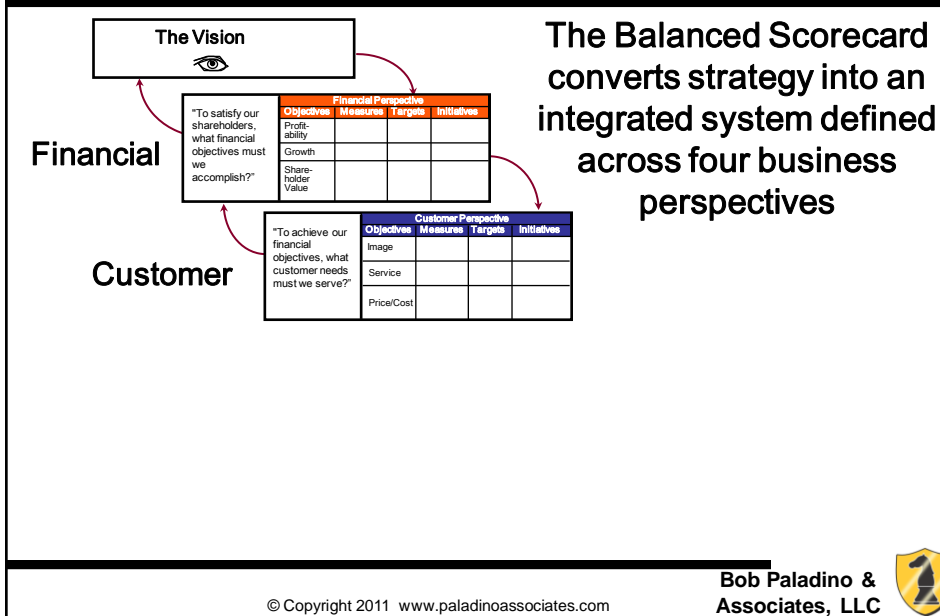


© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Four Perspectives - Customer



Research Show Winning Companies Focus on one of the Three Themes or Value Propositions

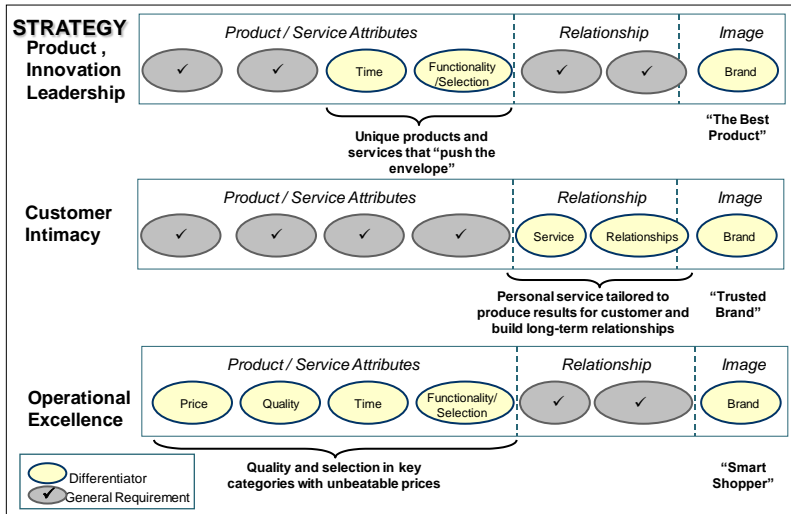
Different strategies require different value propositions that will attract and retain target customers.

- Treacy & Wiersema ⁽¹⁾ identify three customer-focused strategies
- Excel at one dimension of value, maintain threshold standards on others

Product Innovation	Customer Intimacy	Operational Excellence
<p>"A Product leadership companies pushes its products into the realm of the unknown, the untried, or the highly desirable"</p> <p>Intel Sony Mercedes, Porsche Merck, Johnson & Johnson</p> <hr/> <p>Best Product</p>	<p>"A Customer Intimate company builds bonds with customers; it knows the people it sells to and the products and services they need"</p> <p>Home Depot IBM Airborne Express Mobil</p> <hr/> <p>Best Total Solution</p>	<p>"Operationally excellent companies deliver a combination of quality, price, and ease of purchase that no one else can match"</p> <p>Costco Toyota McDonalds Dell Computer</p> <hr/> <p>Best Total Cost</p>

(1) Treacy & Wiersema, *The Discipline of Market Leaders*, Addison Wesley

Each Dominant Strategy Contains Key Differentiators – Valued by Customers



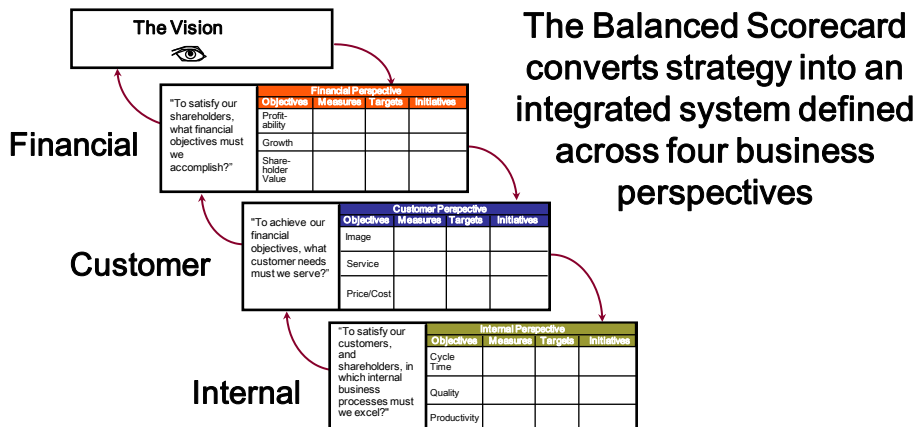
29

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Four Perspectives – Internal Process

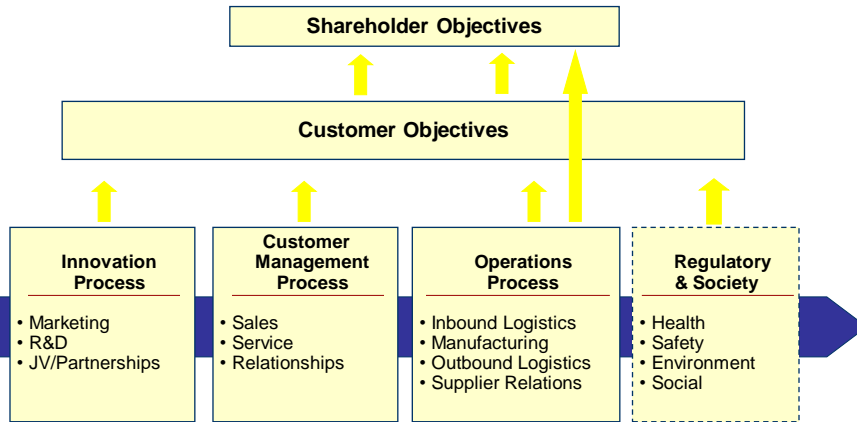


© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Organizations Execute Strategy Through Internal Business Processes



Our experience shows that strategic activities are most productively grouped in 3 or 4 sets of processes.

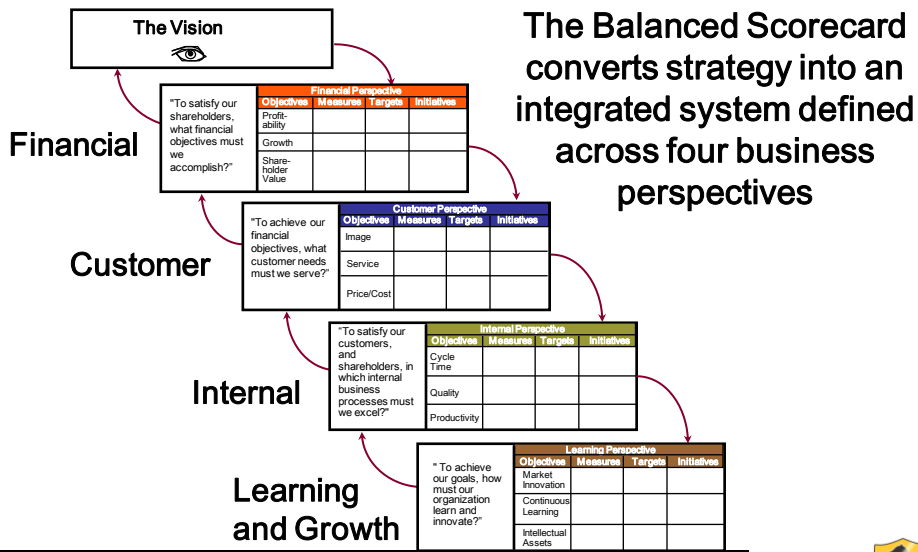
31

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Four Perspectives – Learning & Growth

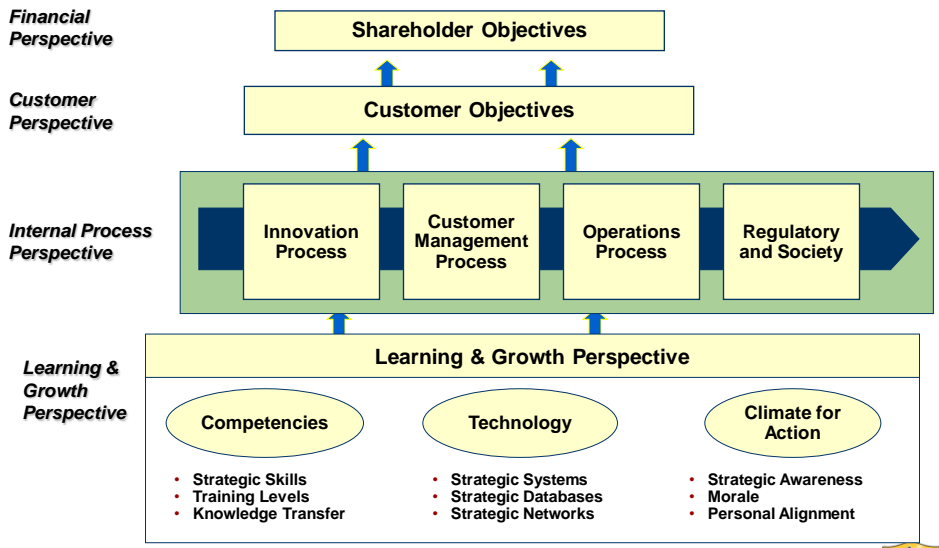


© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



The Learning and Growth Perspective Provides the Foundation for the Strategy



33

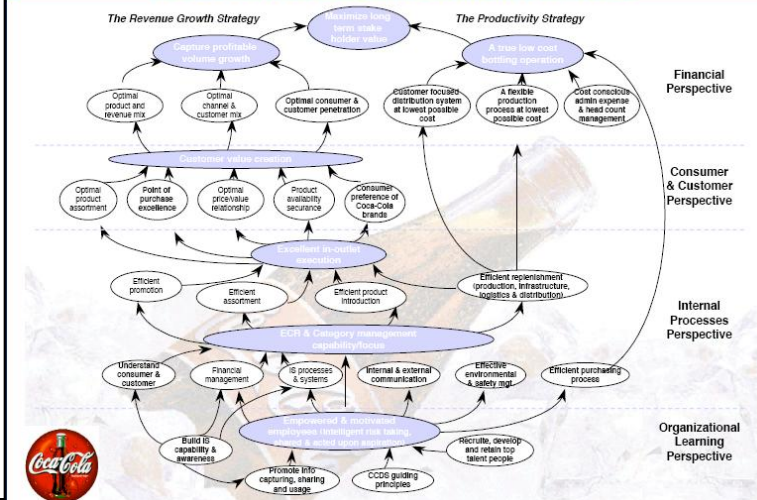
© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Coca Cola Strategy Map: Two Primary Themes Revenue Growth and Productivity

The Balanced Scorecard Process Enabled Us To Get To A Strategic Framework For CCBS



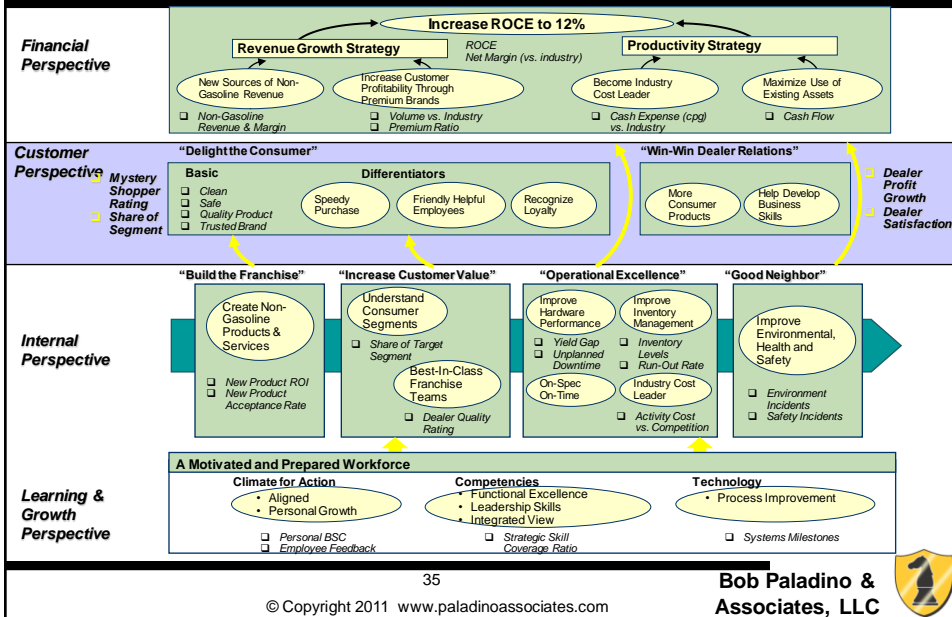
34

© Copyright 2011 www.paladinoassociates.com

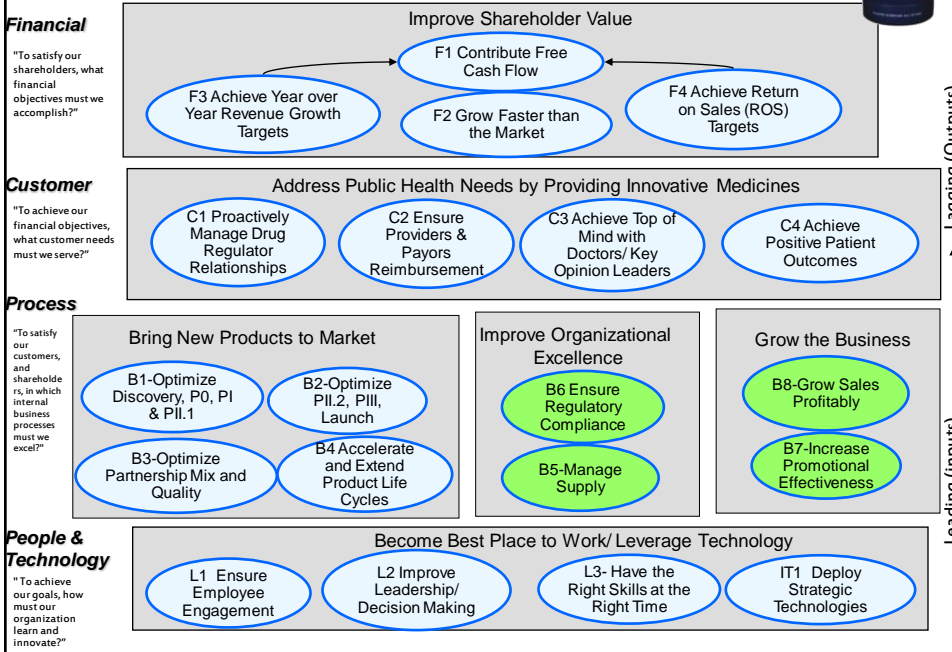
Bob Paladino & Associates, LLC



Mobil Hall of Fame Winner: Marketing & Refining Strategy Map Shift to a Customer Intimacy Model



Pharmaceutical Company Level 1 Strategy Map



Pharmaceutical Level 1 Company Scorecard Business Process Perspective



Objective	Objective Description	Measures	Freq	Owner	Reporter	Initiatives
Theme: Improve Organizational Effectiveness						
B5 Manage Supply	"House of Operations" Manage capacity, inventory, and suppliers to provide high service levels to customers	Service Levels - Order Fill Rate (%) OEE Indicator Rating all sites (%) External Returns Rate (%) Days Sales Inventory (DSI) #				
B6 Ensure Regulatory Compliance	Ensure that all regulations and standards are complied with	Days outstanding open issues (from Audits) Corporate Audit Results Citations (#)				
Theme: Grow the Business						
B7 Increase Promotional Effectiveness	Marketing provides strategic leadership and drives global brands. New product sales in first six months is key lead indicator of future revenue.	Unit volumes in First Six Months of Launch New product acceptance rate with key accounts				
B8 Grow Sales Profitability	Deploy effective sales force to expand prescriber, doctor base and formularies listed in health plans all to increase overall sales profitably	Field Selling Days (#) % Reps in Field above target (%) Sales Force Effectiveness Rating (#)				

© Copyright 2011 www.paladinoassociates.com

Associates, LLC



Exercise: Review Strategy Maps

Class Discussion

- What are strategic themes?
- What are some key design considerations for your Financial Perspective?
- What are the three most commonly used strategic customer value propositions?
- How should you organize your process perspective?

38

© Copyright 2011 www.paladinoassociates.com

**Bob Paladino &
Associates, LLC**



**Key Concepts:
Measure Dictionary**



Defines Objectives, Measure Definitions, Measure Owners, Measure Reporters.....

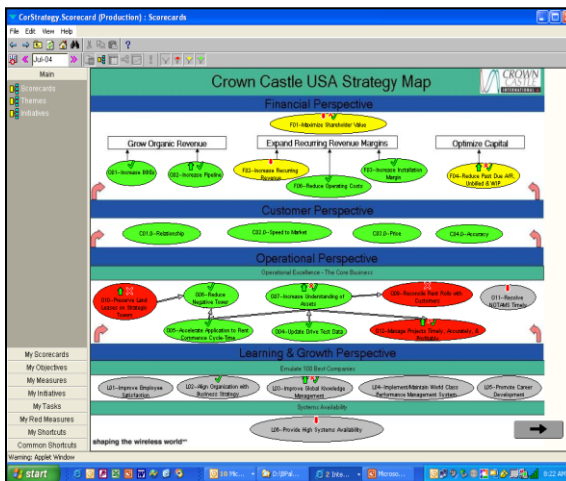
Objective	Measure	Calculation	Reports	Report Links	Southpointe Service Partner Subject Matter Expert (SME)	Suggested Area Ownership
Maximize Shareholder Value	EBITDA	$(\text{Tower Revenue} + \text{Service Revenue}) - (\text{Tower DTO} + \text{Tower Indirect} + \text{Service COS} + \text{Service Indirect} + \text{G\&A})$	Web Reports; Blue Book; Twin P&L	Finance Web Reports	JK	VP Finance
	EBITDA \$ Per FTE	$\frac{((\text{Tower Revenue} + \text{Service Revenue}) - (\text{Tower DTO} + \text{Tower Indirect} + \text{Service COS} + \text{Service Indirect} + \text{G\&A}))}{\text{Total Employee FTE}}$	Web Reports; Blue Book; Twin P&L; FTE Report	Finance Web Reports	JK	VP Finance
	% Pure Tower Gross Margin	$\frac{(\text{Tower Revenue} - \text{Tower DTO})}{\text{Tower Revenue}}$	Web Reports; Blue Book; Twin P&L	Finance Web Reports	JK	VP Finance



**Crown Castle International
Measure Design is Critical**

20-25 Measures

Lead and Lag
Measure Focus



5-6 Lag, prior period results

1-4 Lag, but frequent customer inputs

10-12 Lead, early warning system

5-6 Lead and Lag mix



Key Concepts:
Types of Measures

- Lagging Measures or rear view mirror based measures are most prevalent in the financial perspective. Free Cash Flow for instance records the history of what took place last month, last quarter or last year.
- Leading measures are often referred to as “early warning” measures. For instance, your front-log of orders could be a predictor of next quarter’s results.
- Efficiency (Process) measures provide visibility into how well a given process or set of processes is functioning. For instance, the order to cash cycle time informs us on the revenue cycle. Process measures are closely linked to quality efforts such as ISO, Baldrige or Six Sigma disciplines.
- Effectiveness (Output) Output measures compliment efficiency measures and provide instruction on the quality of process outputs.

41

© Copyright 2011 www.paladinoassociates.com

**Bob Paladino &
Associates, LLC**



Key Concepts:
Categories of Measures

- Absolute Percentages: Free cash flow % growth rate, repairs and maintenance % reduction rates, customer % retention rate, or process sales % closure rate.
- Absolute Dollars: New product revenue, payroll expenses or ground lease expense.
- Ordinal Numbers: Sulfur Dioxide (SO₂) or Nitrogen Dioxide (NO₂) emissions in thousands of tons.
- Survey Ratings: Customer satisfaction on a seven point scale.
- Time: Cycle time expressed in seconds, minutes, hours, days, weeks, etc
- Ratios: Safety loss worker days per thousand hours worked.
- Relative Indices: Change in our stock price versus change in the S&P 500 index.
- Indices: Composites of several dissimilar measures such as “system average interruption duration index (SAIDI)” or “customer average interruption duration index” (CAIDI).
- Rankings: Top 10 in size, assets, market capitalization, or customer satisfaction.

42

© Copyright 2011 www.paladinoassociates.com

**Bob Paladino &
Associates, LLC**



The Strategy Map, Balanced Scorecard and BI Describe and Enable Strategy Execution - Leading Indicators Provide Predictive Value

		Strategic Theme: Product Development				
		Strategy Map (Objectives)	Objective Description	Measure	Target	Leading/Lagging
Four Perspectives	Financial	F1-Grow New Product Revenue	Grow Revenue from new products as an indication of the health of our revenue mix.	<ul style="list-style-type: none"> Annual Revenue Growth Percent Revenues from New Products 	+25% 30%	<ul style="list-style-type: none"> Lagging Lagging
	Customer	C1-Provide Innovative Products	Satisfy customer needs for state-of-art capabilities to improve customer retention and increase market share	<ul style="list-style-type: none"> Customer Retention Share of Account 	80% 40%	<ul style="list-style-type: none"> Lagging Lagging
	Internal Process	P1-Execute World Class Internal Product Development	Accelerate New Product Development to bring new functionality to market before the competition	<ul style="list-style-type: none"> (P1.1) Product Functionality (P1.2) Time to Market 	#1 or #2 in product rankings 9 months	<ul style="list-style-type: none"> Leading Leading
	Learning & Growth	L1-Employ Stable, High-Talent Workforce	Acquire, Develop and Retain Strategic Skills that enable strategic objectives	<ul style="list-style-type: none"> Specialized Skills Availability Succession Planning for High Potential Employees 	90% 95%	<ul style="list-style-type: none"> Leading Leading

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Candidate "Time to Market" Leading Process Measures Three categories

- 1. Product development success rates
 - Ratio of products completing phases 1-3
 - Ratio of products entering/completing phase 1 "design and develop product"
 - Ratio of products entering/completing phase 2 "test market product"
 - Ratio of products entering phase 3 "full commercialization"
- 2. Product development cycle times
 - Cycle time (days) products going from phase 0 "product concept design" to completing phase 3 "full commercialization"
 - Cycle time (days) products going from phase 0 "product concept design" to completing phase 1 "design and develop product"
 - Cycle time (days) products going from phase 1 to completing phase 2 "test market product"
 - Cycle time (days) products going from phase 2 to phase 3 "full commercialization"
- 3. Product development success rates on time
 - Ratio of products completing phases 1-3 on time
 - Ratio of products phase 0 "product concept design" to completing phase 1 "design and develop product" on time
 - Ratio of products going from phase 1 to completing phase 2 "test market product" on time
 - Ratio of products going from phase 2 to phase 3 "full commercialization on time"

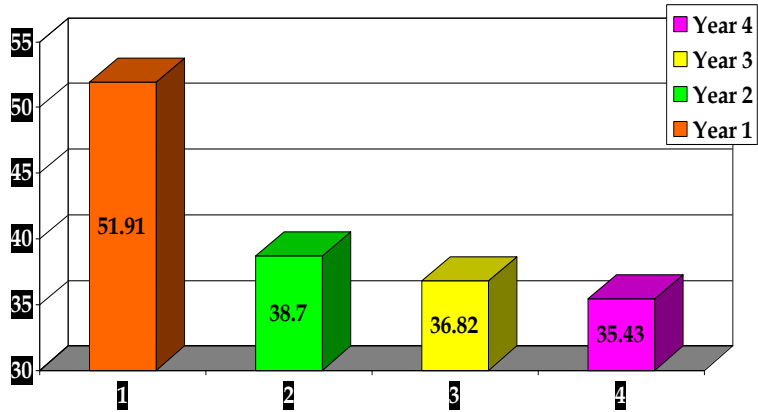
44

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Southern Gardens (Juice Processing)
 Therms per ton, Declining Usage Year over Year



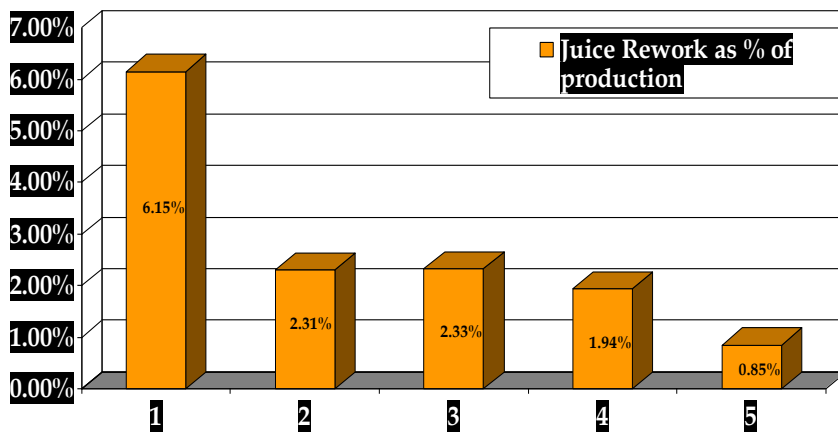
45

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Southern Gardens (Juice Processing)
 Juice Rework Reduction Year over Year



46

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Exercise: Review BSC Measures

Class Discussion:

- Why publish a measure dictionary?
- What is a best practice number of measures to have on a BSC?
- Why have both leading and lagging measures?
- What is the value of leading measures?
- What are the categories of measures, why use a mix?

47

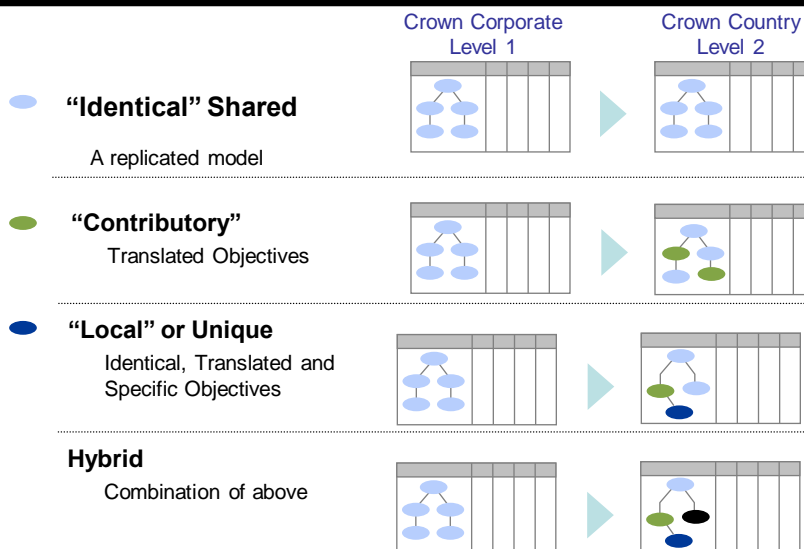
© Copyright 2011 www.paladinoassociates.com

Bob Paladino &
Associates, LLC



Key Concept:

Vertical (and horizontal) Cascading Focuses on One or More of the following methods



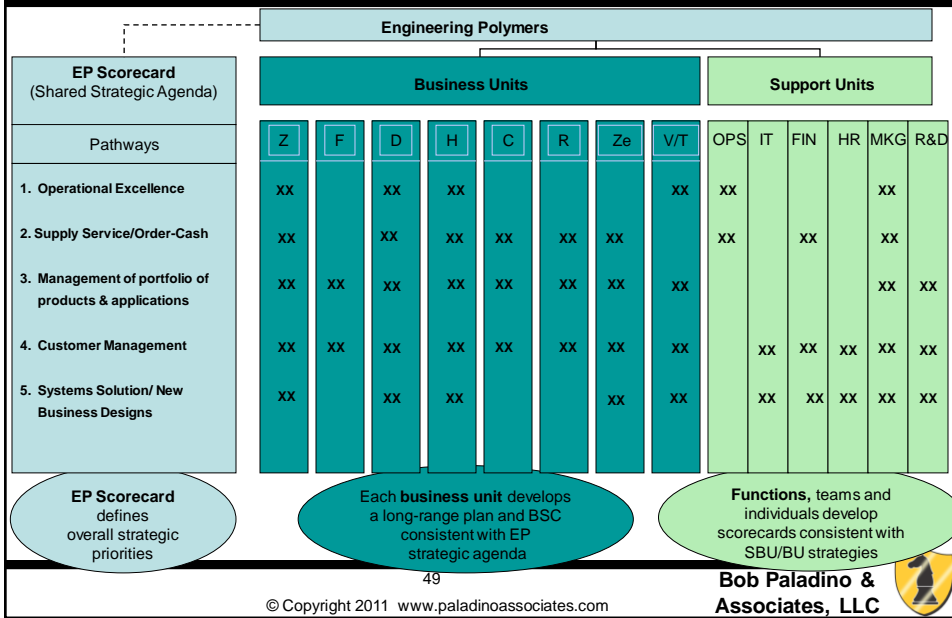
48

© Copyright 2011 www.paladinoassociates.com

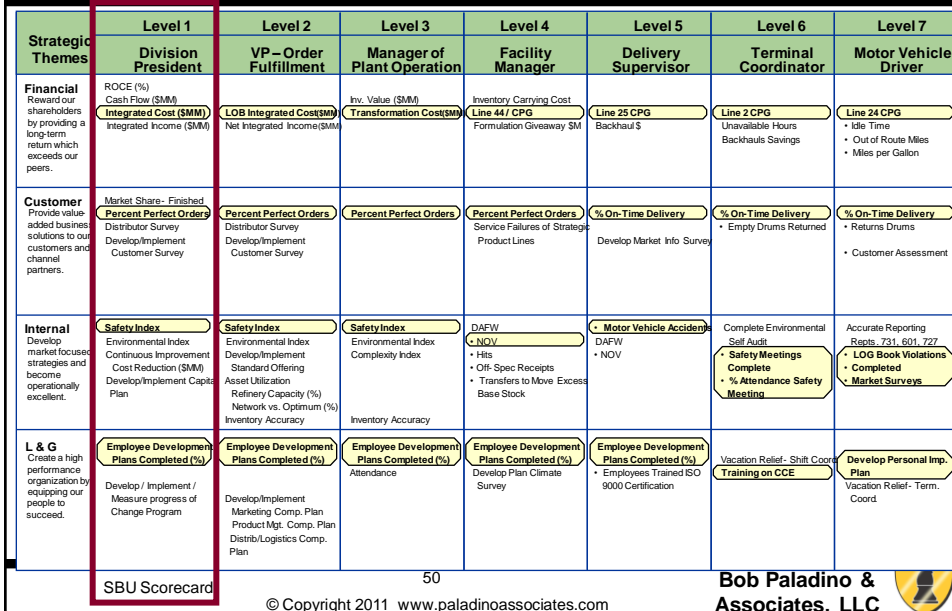
Bob Paladino &
Associates, LLC



Engineering Polymers Complex Organization Makes Aligning Businesses, Regions, and Functions Critically Important

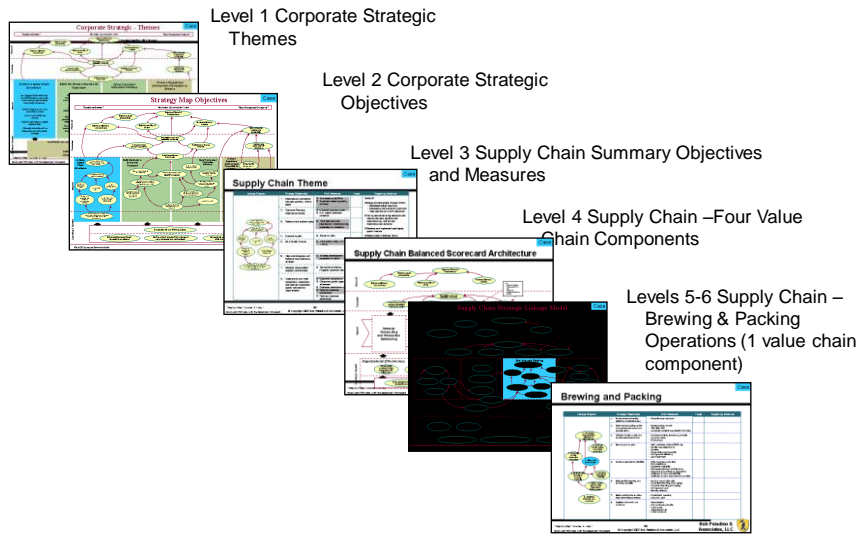


Mobil Cascading 7 Levels to Teams and Individuals



Brewing Company- Corporate Strategy Map Objectives Cascaded Six Levels Deep

6 Level Cascade



51

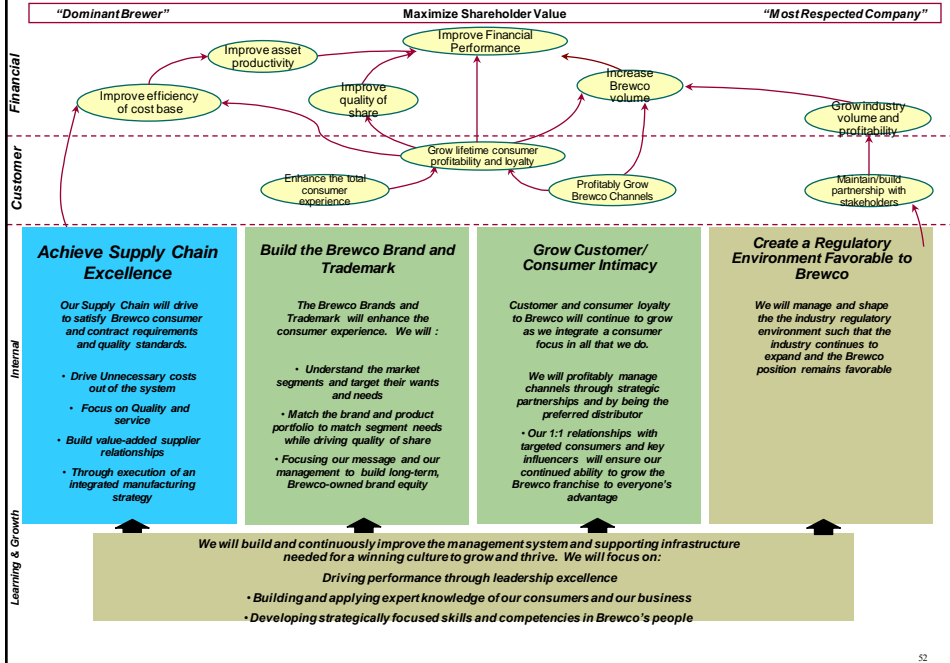
© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Corporate Strategic - Themes

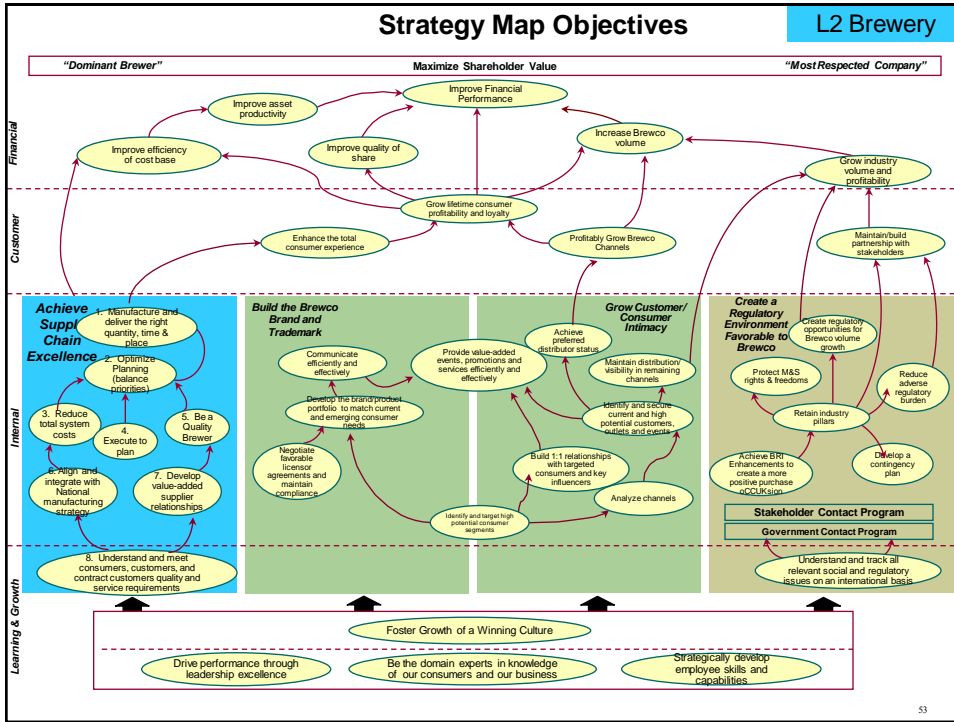
L1 Brewery



52

Strategy Map Objectives

L2 Brewery



53

Supply Chain Theme – Detail View

L3 Brewery

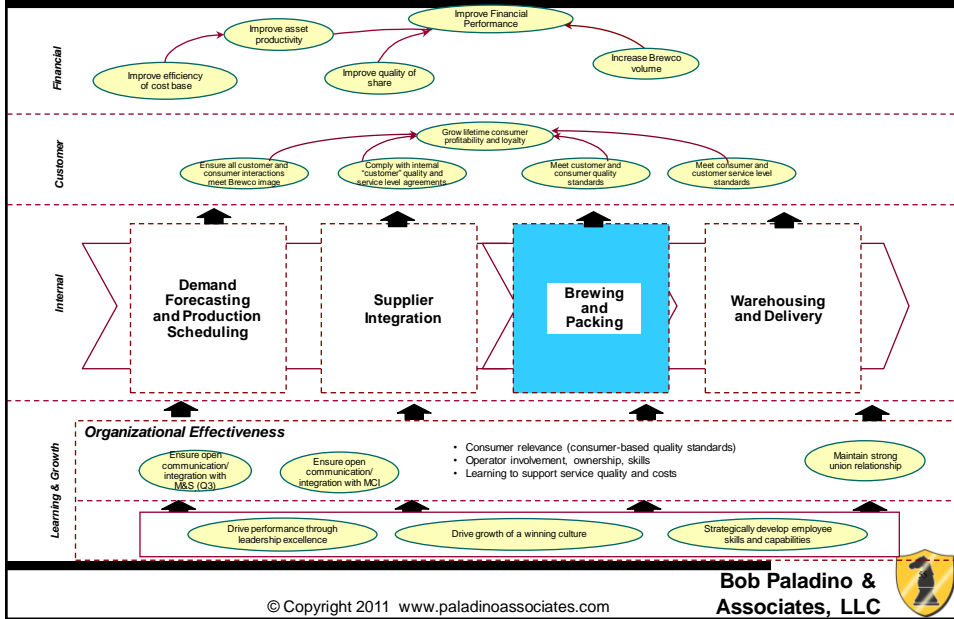
Linkage Diagram	Strategic Objective(s)	Draft Measures	Target	Supporting Initiatives
	1. Manufacture and deliver the right quantity, time & place	<input type="checkbox"/> % in stock at all BRI's <input type="checkbox"/> % perfect orders (quantity, on-time)		<input type="checkbox"/> Margin Enhancement Project - Reassess/realign sourcing - Rationalize the brand/SKU portfolio - Align distribution to BRI demands
	2. Optimize Planning (balance priorities)	<input type="checkbox"/> Forecast accuracy index <input type="checkbox"/> # of weekly schedule revisions		<input type="checkbox"/> Set up service level agreements and metrics between logistics and manufacturing, and across manufacturing functions <input type="checkbox"/> Develop and implement packaging quality metrics
	3. Reduce total system costs	<input type="checkbox"/> Total delivered cost (distribution, manufacturing, materials) vs. standard		<input type="checkbox"/> Reduce beer hold/beer dump
	4. Execute to plan	<input type="checkbox"/> Actual vs. plan		<input type="checkbox"/> Rationalize and prioritize manufacturing and distribution initiatives to the six national themes
	5. Be a Quality Brewer	<input type="checkbox"/> Total quality index (TQI=PQI + BQI)		<input type="checkbox"/> Align efforts to National efforts -- focus on glass and cartons to avoid problems encountered last summer
	6. Align and integrate with National manufacturing strategy	<input type="checkbox"/> Strategy development (progress vs. plan)		<input type="checkbox"/> Institute the business charter of the National Ops Council to establish consumer relevant quality factors and metrics
	7. Develop value-added supplier relationships	<input type="checkbox"/> Service level metrics (Supplier customer service)		
	8. Understand and meet consumers, customers, and contract customers quality and service requirements	<input type="checkbox"/> Customer complaints <input type="checkbox"/> Consumer quality spec attainment <input type="checkbox"/> Customer satisfaction survey <input type="checkbox"/> Contract customer compliance <input type="checkbox"/> Contract customer satisfaction		

© Copyright 2011 www.paladinoassociates.com

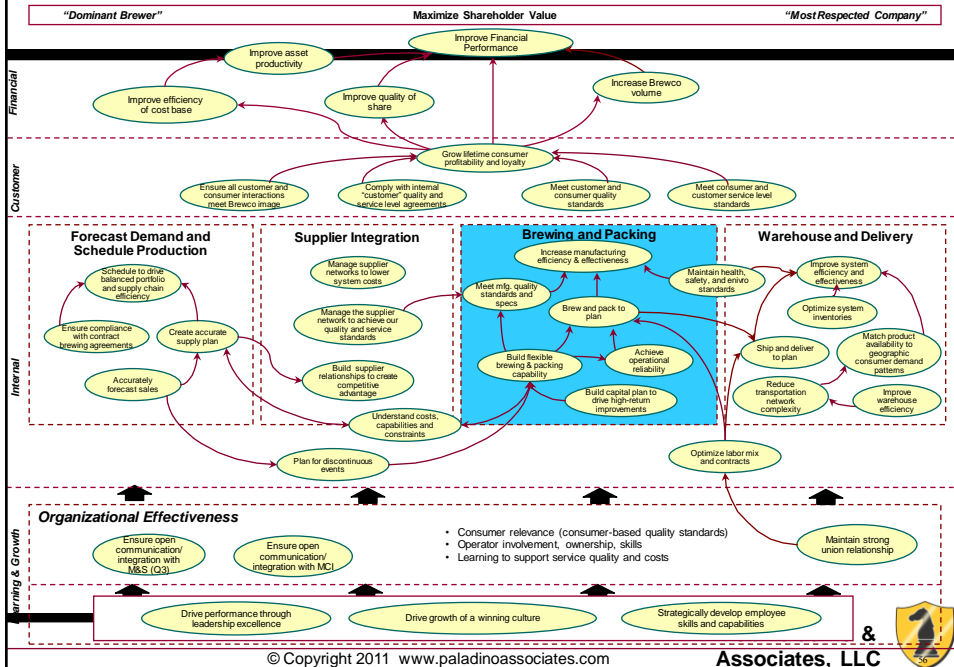
Bob Paladino & Associates, LLC



Supply Chain Balanced Scorecard Architecture



Supply Chain Strategic Linkage Model



Brewing and Packing

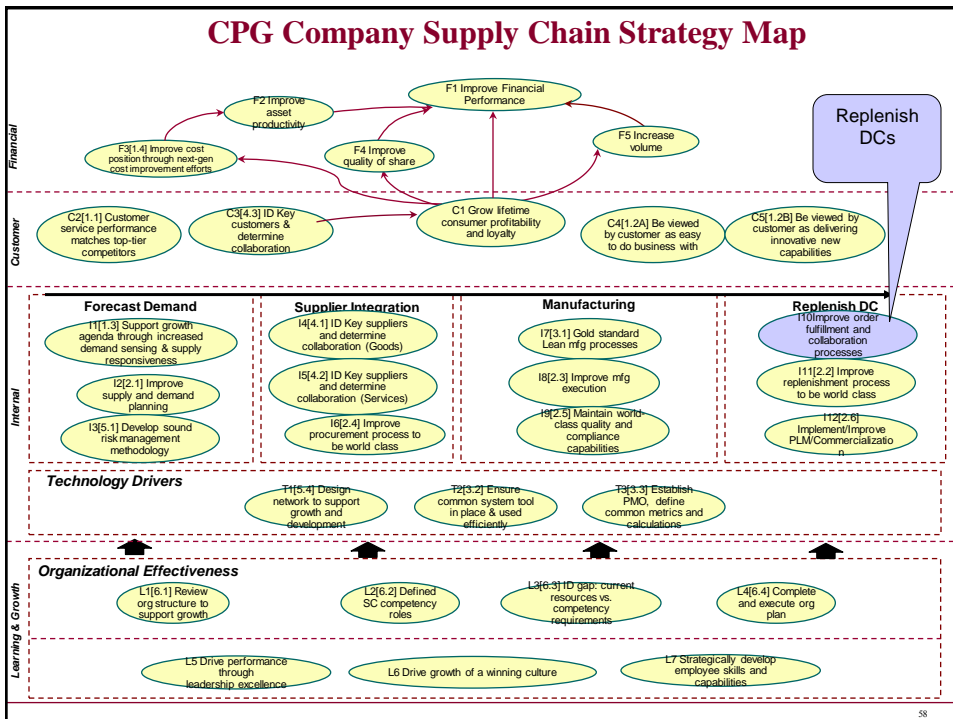
Linkage Diagram	Strategic Objective(s)	Measures	Target	Supporting Initiatives
	1. Increase manufacturing efficiency & effectiveness	<ul style="list-style-type: none"> Overall cost to standard 		
	2. Meet manufacturing quality and service standards and specifications	<ul style="list-style-type: none"> Dumps, holds, rework TQI, BCI, POI Customer complaints/complaint handling 		
	3. Maintain health, safety and environmental standards	<ul style="list-style-type: none"> Accident number, frequency, severity \$ cost of safety Environmental Audit 		
	4. Brew & pack to plan	<ul style="list-style-type: none"> SKU attainment (Order Fill Rate) Quality (see objective 2) On-time Productivity (man hours/hi) Changeover efficiency SLA Attainment 		
	5. Achieve operational reliability	<ul style="list-style-type: none"> PM's backlog, cycle time PM compliance Equipment reliability Planned/unplanned maintenance Mechanical downtime vs operational Attributed \$ cost of unreliability Attributed \$ cost of unplanned downtime 		
	6. Build flexible brewing and packing capability	<ul style="list-style-type: none"> Ideal vs actual SKU split Cycle time (brewing, packaging) Capacity (brewing, packaging) Changeover cost Brewing time/day 		
	7. Build capital plans to drive high-return improvements	<ul style="list-style-type: none"> Capital plan (yes/no) Actual vs. plan 		
	8. Optimize labor mix and contracts	<ul style="list-style-type: none"> Absenteeism # of accidents, severity Labor costs Temp/Perm ratio Labor contracts 		

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC

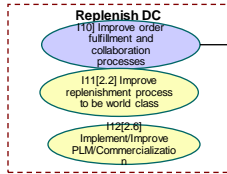


CPG Company Supply Chain Strategy Map



CPG Company
Linking SCM Strategic Objective to Balanced Scorecard Measures

Objective I-10 Improve Order Fulfillment and Collaboration Process



I10- Improve order fulfillment and collaboration processes	On-time delivery/shipment
	Case fill rate (to DCs)
	Invoice accuracy
	Distribution costs
	Trade Promotion Management effectiveness

59

© Copyright 2011 www.paladinoassociates.com

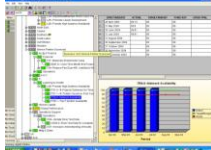
Bob Paladino & Associates, LLC



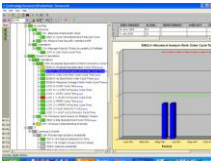
Crown Castle - Strategic Service Partner BSC Supports Overall Company Strategy



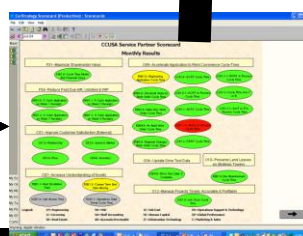
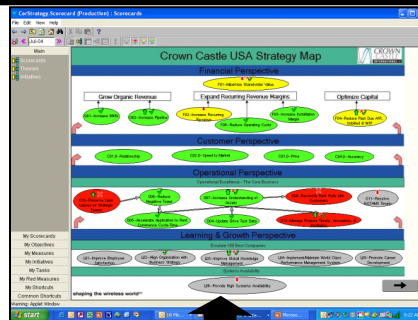
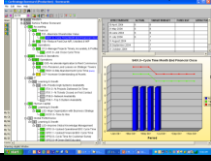
IT: Network Availability



Engineering: Structurals Cycle Time



Finance: Fin Statement Close Cycle Time



60

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Exercise: Vertical and Horizontal Alignment

Class Discussion:

- What are the three types of cascaded objectives? Why?
- What is vertical versus horizontal alignment?
- What is the value of a vertical BSC hierarchy?
- What is meant by “line of sight” in BSC terms?
- How do support function objectives align with Corporate objectives?
- What is the “hidden value” of support functions?

61

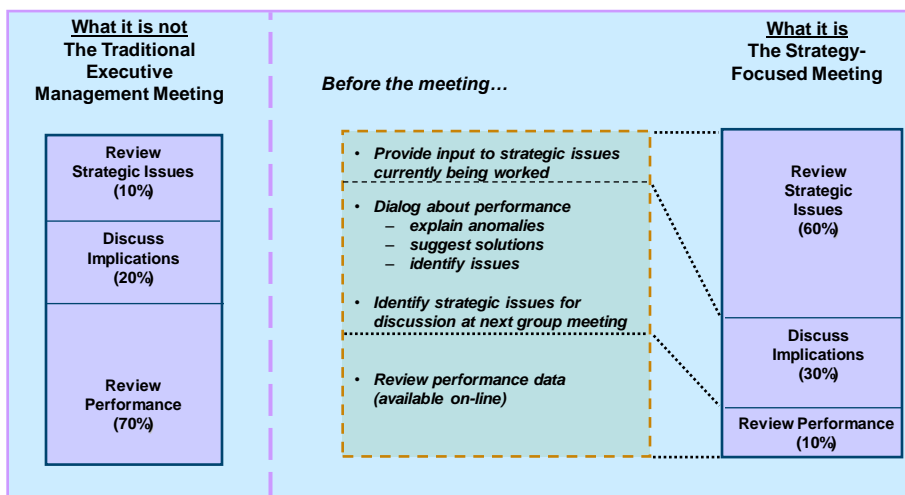
© Copyright 2011 www.paladinoassociates.com

Bob Paladino &
Associates, LLC



Once the BSC is Fully Developed, Meeting Content is More Strategic and Solutions Oriented

The BSC opens the door to a new strategy review process – the “Strategy Focused Meeting.”



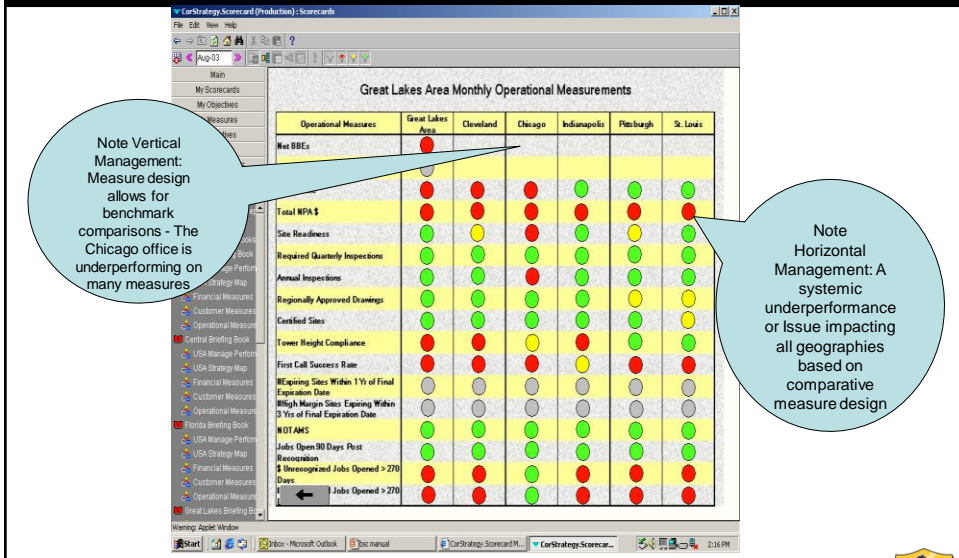
62

© Copyright 2011 www.paladinoassociates.com

Bob Paladino &
Associates, LLC



Cascaded Benchmarking Comparative Charts Used to Run Strategy Focused Management Meetings



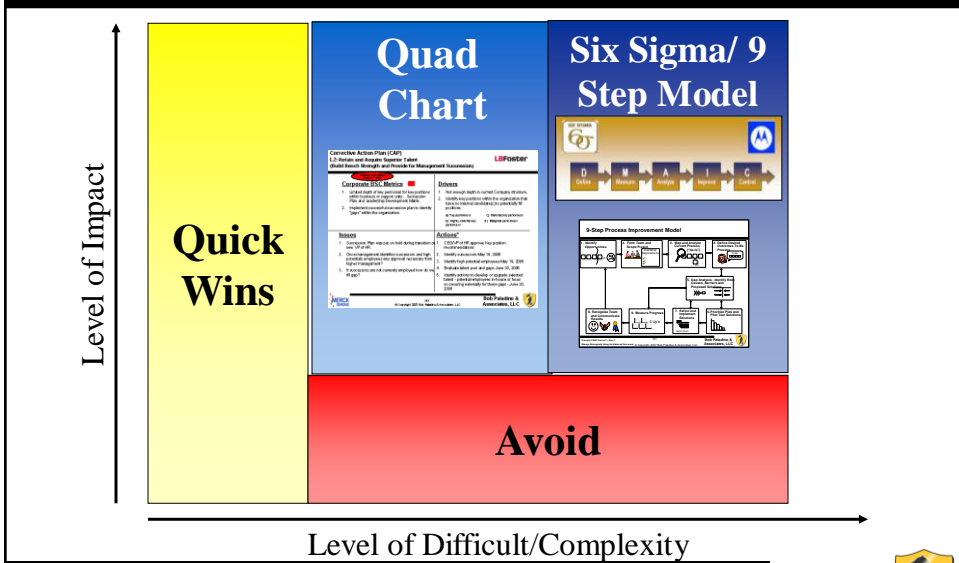
63

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



BSC Results are Evaluated for "Type" of Corrective Action



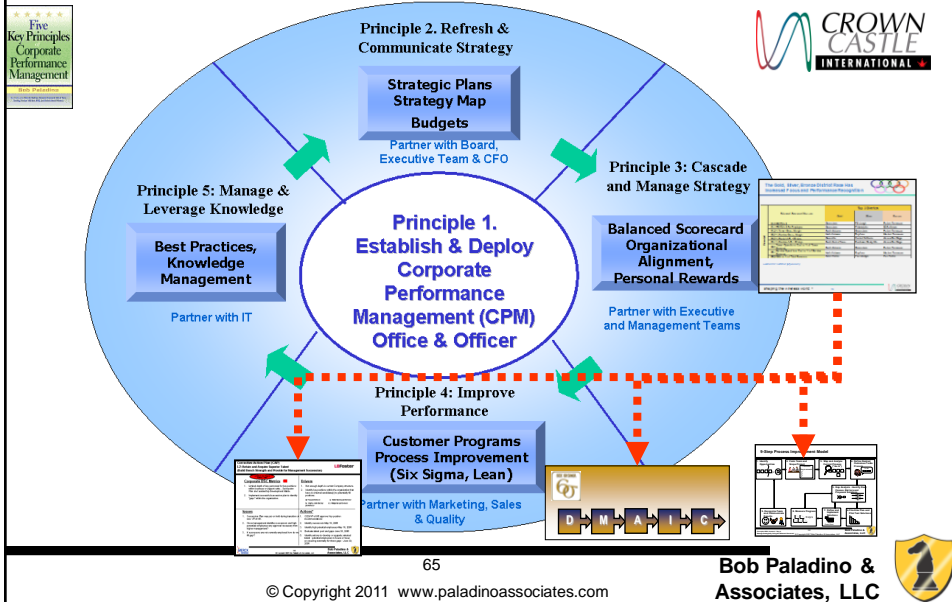
64

© Copyright 2011 www.paladinoassociates.com

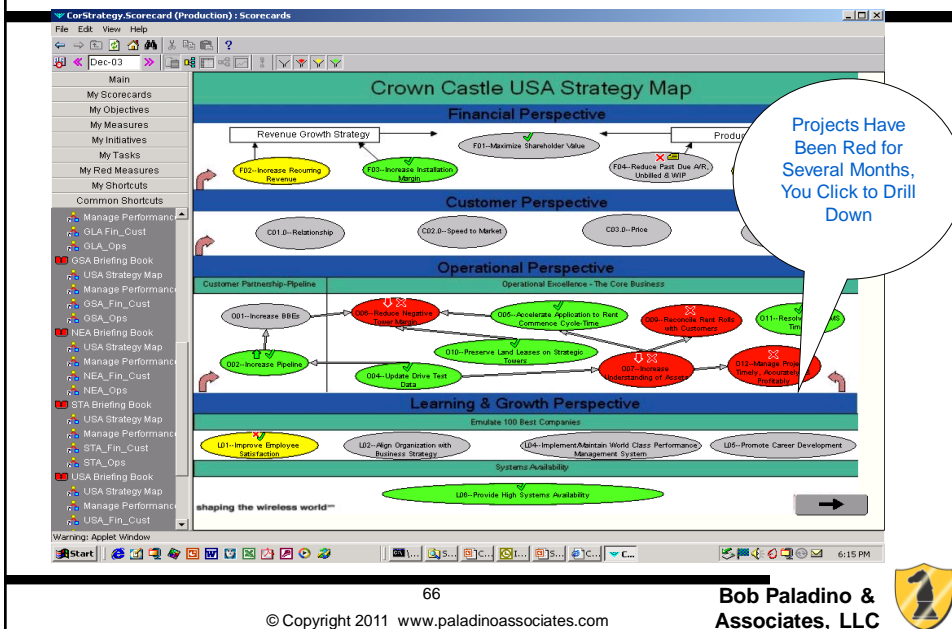
Bob Paladino & Associates, LLC



In Principle 3, if a Scorecard Measure is Red or Underperforming, Award Winners Used Principle 4 Tools to Improve Performance



Crown Strategy Map Displays Results Using Exception Based Management (from your budget targets)

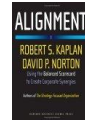
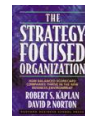
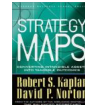
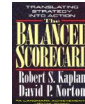




“Five Key Principles” Translates into Integrated Curriculums What Will you Learn?



- Principle 3: Cascade & Manage Strategy (three integrated courses)
 - Course 3.1 Build a Strategy Map and Balanced Scorecard (2 days)
 - Key concepts in team building and facilitation ([step by step exercise](#))
 - Understand Change management key concepts ([step by step exercise](#))
 - Key Concepts Strategy Maps and Balanced Scorecard ([step by step exercise](#))
 - Key Concepts in Measures ([step by step exercise](#))
 - Building an Effective Team ([step by step exercise](#))
 - Inventory and Prioritize Initiatives ([step by step exercise](#))
 - Build your first report
 - Course 3.2 Cascade and Align Balanced Scorecards (2 days)
 - Key Vertical and Horizontal Alignment Concepts ([step by step exercise](#))
 - Key Alignment with Support Services
 - Understand Communications Plans ([step by step exercise](#))
 - Cascade Organizational Scorecards to Personal Scorecards
 - Link Personal Scorecards to Compensation ([step by step exercise](#))
 - Course 3.3 Manage Strategically with Balanced Scorecards (2 days)
 - Define Office Strategy Management
 - Review BSC Reporting Systems and Reports
 - Understand SFO Review Meetings ([step by step exercise](#))
 - Link Planning & Budgeting, Initiative Mgt ([step by step exercise](#))
 - Link Process Improvement and Balanced Scorecard ([step by step exercise](#))
 - Review Knowledge Management concept and examples



Detail course agendas available upon request. Curriculums regularly enhanced with executive participant suggestions

67

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



A Model for Rolling out Integrated CPM Masters Executive Education Curriculums– 12 Two-Day Hands on Classes Cascaded Through Your Organization “Implementing for Results”



Principle, Course No., Name	Integrated CPM Executive Education Plan by Month																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1.1 Establish CPM Office													2					
2.1 Formulate Strategy														2				
2.2 Prepare Strategic Plan															2			
3.1 Build Strategy Map and BSC																		
3.2 Align and Motive with BSC									2			2			2			2
3.3 Manage Using BSC											2			2				2
4.2 Improve Using Six Sigma 1										1			1a, 2			1a, 2		
4.2 Improve Using Six Sigma 2												1			1a, 2			1a, 2
4.3 Improve using 9 Step Model 1										1			2			2		
4.4 Improve Using 9 Step Model 2												1			2			2
4.5 Improve Customer Focus													2		2			2
5.1 Leverage Knowledge															2			2

1. Companies start with either Six Sigma or 9 Step Model; 9 step users may later elect to adopt six sigma (1a)
2. Courses are taken by current and/or new participants for each principles (e.g., rolling out improvement teams Principle 4); the calendar above may vary by organization

68

© Copyright 2011 www.paladinoassociates.com

Bob Paladino & Associates, LLC



Exercise: Managing Using the Balanced Scorecard

Class Discussion:

- How are BSC meetings different from traditional operating reviews?
- How is the BSC used to benchmark? What are normative measures?
- Describe how the BSC is used with Six Sigma?
- What is the value of using both methods together versus separately?
- How does the BSC fit into an overall CPM framework at award winning companies?

69

© Copyright 2011 www.paladinoassociates.com

**Bob Paladino &
Associates, LLC**



Contact: Bob Paladino
Office 412-833-9317, Fax 412-220-2454
bobpaladino@paladinoassociates.com

70

© Copyright 2011 www.paladinoassociates.com

**Bob Paladino &
Associates, LLC**



Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.