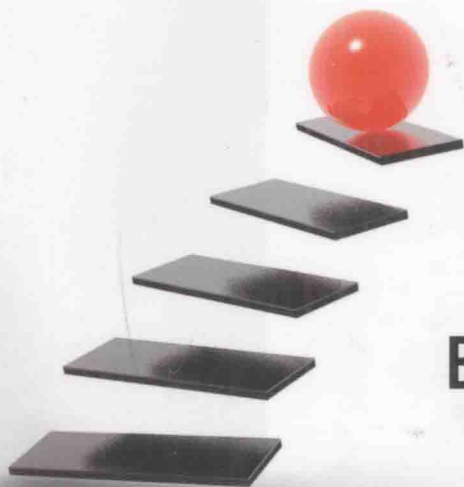


INNOVATIVE CORPORATE PERFORMANCE MANAGEMENT

Five Key Principles to Accelerate Results



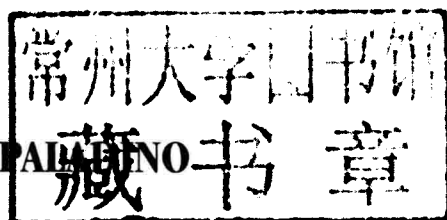
Bob Paladino

*Best Practices from Malcolm Baldrige, Balanced Scorecard Hall of Fame,
Sterling, Fortune 100 Best, APQC, and Forbes Award Winners*

Innovative Corporate Performance Management

*Five Key Principles to
Accelerate Results*

BOB PALENO



WILEY

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Praise for *Innovative Corporate Performance Management*

"This book further expands the Strategy Focused Organization/Balanced Scorecard (SFO/BSC) methodologies of systematically operating and strategically growing an organization by utilizing a comprehensive Corporate Performance Management (CPM) process to continuously innovate any given business platform. The CPM process is "scientific" yet elevates strategy and results to a naturally evolving and innovative state.

Earlier in his career, I hired Bob as a consultant to help implement the SFO/BSC approach at Crown Castle International (NYSE:CCI) and have continued to utilize Bob's considerable skills in two other business platforms (M7 Aerospace and Intercomp Global Services) which are both multinational companies. His insight and direction have been invaluable."

—**Ted B. Miller, Jr., President, 4M Investments, LLC**

"Any executive looking for tangible strategies to improve their organizations results should read this book. Bob Paladino's experience and knowledge provide a practical process to help you succeed in today's challenging business environment."

—**Tara Shuert, Executive Director, The American Strategic Management Institute**

"Read this book if you want a practical guide—based on real experience—to take your organization to higher levels of performance. This is the best book out there on CPM."

—**Carla O'Dell, President American Productivity & Quality Center (APQC)**

"As the economy recovers from the Great Recession, the 'new normal' business environment requires that executive management rethink their organization's business model and how it will "Bob's follow-up book builds on the success from his previous best seller by providing excellent guidance on performance management based on extensive practical experience. Bob's writing style provides an easy read to a complicated subject."

—**Todd Scaletta, Director Certified Management Accountants (CMA) Canada**

"Bob Paladino has a wealth of experience and knowledge. He is very practical and his book reflects a practitioner who is a CPM

expert. Read and apply the best practices and his insights to realize significant benefits at your company."

—Bob Howard, Vice President HR, Koppers Industries

"CPM has literally transformed M7 from a start-up organization that was operating in business unit silos with limited communication amongst the management team into an integrated company with a full understanding of cause of effect across the entire organization. Aiding the management team in fully understanding and reviewing the key aspects of its business on a continual basis is essential for any high performance organization."

**—Kevin Brown, President and Chief Executive Officer,
M7 Aerospace**

"Paladino's books outline how others have achieved corporate performance excellence by creating the office of CPM. We've learned how to grow competence within our company for applying strategic planning, balanced scorecards, KPI's, innovation, Six sigma, benchmarking, Malcolm Baldrige, knowledge management and more by following the corporate performance management leadership process that company's in Bob's examples have perfected. Bob lays it all out in easy to read fascinating examples of company after company that created the office of CPM."

**—Jon Yarbrough, CEO, Video Gaming Technologies, Inc.;
2005 Ernst & Young National Entrepreneur of the year**

"Bob's teachings on CPM have become the cornerstones of how we communicate strategy and run the day-to-day business. His real world examples born from his relationships with top performing companies offer unique insight and guidance. This book brings Bob's expertise directly to the reader in a way that should benefit any business leader today."

—Michael Ramke, CEO of Intercomp Global Services

"When we recently launched an intensive CPM process throughout all of our global distribution centers, CPM (and Bob Paladino) was a tremendous reference for our leaders. Our biggest win after reading the book was addressing cross-functional cooperation. The book's tips, methods and examples put our team on the same page for implementing what was a "new" process for many of our employees. Using the Five Key Principles of Corporate Performance Management, we were able to simplify our

operations while delivering even greater value to our valued customers.”

**—Greg Nickele, President and Chief Executive Officer,
The Martin-Brower Company**

“Our strategy management efforts in Lockheed Martin IS&GS-Civil are based on the simple yet powerful notion that when leaders engage employees in the organization’s strategy - performance will improve.”

**—Josh Stalker, Sr. Manager, Lockheed Martin, IS&GS-Civil,
Strategy Management**

“The corporate performance review has encouraged the senior management team to take a long view. As an electric utility we have always been very adept in addressing immediate operational issues. By having performance measures that inform longer-term objectives, such as culture change, we are able to keep our focus on a sustained change initiative.”

**—Gary Gates, President and CEO, Omaha Public Power
District**

“In the current business climate, the challenges presented to leaders are immense. Add in Health Care Reform dictating change, and the standard way of doing business is immediately obsolete. The need not only for change, but for rapid change is staggering. Bob’s approach to CPM and his ability to tailor it to an ever changing environment, along with navigating multiple industries, is what leads executives through the challenging times. Having worked with him in a variety of industries, he continually proves his ability to bring the required change and the associated success to businesses of all shapes and sizes, often where others have failed. Any executive who stared into the mirror this morning wondering how to steer their company through the financial, political and people changes that are more prevalent than ever, will benefit from *“Innovative Corporate Performance Management.”*

**—Dev Warren, Director of Process Improvement, Blue Cross
and Blue Shield of Montana**

“Being accelerated change a constant for most organizations, Bob keeps bringing innovative approaches with plenty of examples on how top organizations have moved to make change work for them. This book will definitely be a help for those executives that have a good insight of the implications of change for their organization, but

are seeking for solid approaches to manage innovation and change successfully.”

—**Imelda Borunda Carrillo, Director, Tecnológico de Monterrey, ITESM**

“Bob Paladino is in a special category of individuals who can explain the issues and benefits associated with corporate performance management. He not only draws on his deep experiences as an implementer, but he combines this with research of organizations that have been successful with deploying and integrating the suite of performance management methodologies. This book takes real-life experiences of organizations and synthesizes them into the key lessons and principles that others can follow.”

—**Gary Cokins, author, *Performance Management: Integrating Strategy Execution, Methodologies, Risk, and Analytics* (Wiley)**

“Corporate Performance Management has provided the City of Coral springs with a mechanism to improve our processes and thereby the results that we provide to our residents and business community.”

—**Susan Grant, Director of Human Resources, City of Coral Springs**

My Family

I dedicate this to my wife, Ellen, for her positive attitude,
and to my children, for keeping me inspired.

Our Freedom

I am grateful for my freedom of speech
and have enormous respect for those who have preserved it.

“Be on your guard; stand firm in the faith;
be men of courage; be strong.” 1 Corinthians 16:13

Consistent with my first book, I will continue to donate royalties to fund injured soldiers returning home and the United Flight 93 Tower of Voices Memorial near my home. It contains 40 wind chimes; sounds in the wind are a living memory of the 40 persons honored, many of whom’s last contact was through their voices. To express your appreciation, please go to www.honorflight93.org and www.saluteheroes.org, both IRS Section 501(c)(3) nonprofit organizations.

Principled Living

I believe in “Principled Living,” giving back to the community,
and his firm tithes donations to numerous nonprofit
organizations dedicated to educating, honoring, defending,
and helping fellow Americans. “We live by faith, not by sight.”
2 Corinthians 5:7

*Waste no more time talking about great souls and how they should be.
Become one yourself!*

—Marcus Aurelius Antoninus

Preface

What do award-winning companies know that eludes most of today's executives? How do they organize and innovate to achieve outstanding results in their fields of endeavor? What core and innovative processes and best practices do they have in common to leverage in challenging times to succeed? How have they overcome what a recent CEO study calls the "Change Gap," or the ability to innovate and change in a challenging market?

In good times, strengths and weaknesses of a business model are often overlooked. In bad times, as with the global recession, weaknesses often come to the forefront. Market forces and prolonged recession have caused organizations to rethink their business models and innovate through best practices. I was intrigued how several companies have thrived and innovated.

Since my first book, *Five Key Principles of Corporate Performance Management*, I have researched a new class of winning organizations.

The case companies in this book have amassed over 175 noteworthy awards. Research with brand-new award winners over the past two years revealed over 130 new, innovative corporate performance management (CPM) best practices for this book; hence I selected the title *Innovative Corporate Performance Management: Five Key Principles to Accelerate Results*.

As for the roadmap, Chapter 1 reveals survey results from over 1,000 global CEOs on their expectations for continued change and moreover their ability to manage change, the "Change Gap." Chapter 2 includes case companies' over 175 awards, honors, and notable performance results, essentially how they have thrived in the most challenging economic climate since the 1930s.

Chapter 3 contains the proven set of CPM processes we call the CPM process blueprint that captures how award-winning organizations earned their coveted awards and to help you establish your CPM capabilities. This chapter discusses CPM roles for each process and explores the 30-plus common core best practices exhibited by all 25 companies in both books. The over 130 new, innovative best practices are shared in Chapters 4 through 8, in each case for appropriate context and for better understanding.

Five Key Principles of Corporate Performance Management	Core Common Best CPM Practices	New Innovative, Company Specific Best Practices	Total CPM Best Practices
Principle 1: Establish and deploy a CPM office and officer	8	8	16
Principle 2: Refresh and communicate strategy	6	39	45
Principle 3: Cascade and manage strategy	9	31	40
Principle 4: Improve performance	5	30	35
Principle 5: Manage and leverage knowledge	6	24	30
Totals	34	132	166

Chapters 4 through 8 are each dedicated to one of the Five Key Principles of CPM. This approach will enable you to review a principle and actively learn how 11 award winners apply best practices to optimize it. For instance, if you consult Chapter 5, Principle 2: Refresh and Communicate Strategy, to learn about strategic planning, you would read 11 cases on how they deployed strategic planning including their unique best practices. Throughout the book you will also see key strategic frameworks, managerial models, strategy maps, balanced scorecards, process models, communications plans, quality improvement tools, screenshots, charts, graphs, and more. My hope is to accelerate your organization's results.

Chapter 9 reviews CPM research resources to continue your journey and expand your knowledge base, and conduct a self-scoring diagnostic to conduct monthly, to trace your journey toward excellence.

This book encapsulates comparisons among and between numerous organizations that are thriving in spite of the most challenging economic conditions by almost every measure since the Great Depression. Award recipients therefore provide guidance to enable you to rapidly implement your strategy through integrated CPM efforts. In short, they have unselfishly shared their "Coca-Cola" formulas with you.

My Continuing Promise

This book provides practical executive and practitioner best practice examples on how to establish the new CPM office to manage strategy using

integrated CPM processes. I am fortunate to have experienced hundreds of improvement programs and projects at Fortune 500 companies, government agencies, and nonprofit organizations over the past 20-plus years. I am glad to report that most were successful. In this book, I am not evangelizing theory but rather providing proven, real-world implementation insights from award-winning organizations.

Acknowledgments

This book could not have been possible without the special contributions from a number of organizations, clients, executives, and practitioners. More important than contributions to this book is the recognition they deserve for efforts to advance the field of corporate performance management, the results they helped achieve for their organizations, and their value-centric approach to performance.

APQC: Carla O'Dell, President; Cindy Hubert, Executive Director; the APQC team; and numerous member company research project participants.

ASMI: Tara Shuert, Executive Director, Amanda Ward, Brynn Bradbury, and the ASMI team.

Cargill Corn Milling (CCM): Nicole Reichert for co-authoring this case. Materials and content adapted from company documents.

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Delta Dental of Kansas, Inc: Linda Brantner, President and CEO; and Amy Ellison, VP Human Resources for their substantial contributions to this case; without them it would not have been possible.

John Wiley & Sons: Sheck Cho, Executive Editor, and the Wiley publishing team.

Lockheed Martin, IS&GS: Ken Asbury, President, Lockheed Martin (LM) Information Systems & Global Services (IS&GS)-Civil, Ken Carlsen, Director, LM IS&GS-Civil, Strategy Management, Josh Stalker, Senior Manager, LM IS&GS-Civil, Strategy Management for their substantial contributions to this case; without them it would not have been possible. Josh Stalker deserves special mention for having provided the majority of the information for this case.

M7 Aerospace: Ted Miller (Chairman of the Board), Kevin Brown (President and Chief Executive Officer), Philip O'Connor (Vice President Human Resources & Organizational Development), Rebekkah Gurkin Marketing/Sales/Communications Graphics Design Specialist), Andy Plyler (Vice President Business Development), Todd Lazar (Vice President Quality Assurance), Emory (Buck) Kilgore (Vice President Manufacturing), Joseph F. Furnish (Vice President Engineering), Brian Dannewitz (Vice President Supply Chain Management & Spare Sales), Charles Miller (Vice President

Government Business Development), Steven Leland (Vice President Government Programs), Mark Provost (Director, Engineering), Mark Weiler (Controller), and Peter Kastis (Manager Financial Planning and Corporate Development)

Mueller, Inc.: Mark Lack, Planning & Financial Analysis Manager, for his substantial contributions to this case; without him it would not have been possible.

NSTAR: Susan Johnson, Director Corporate Performance Management, and Kathryn Leonard, Communications Specialist, for her substantial contributions to this case; without her it would not have been possible.

OPPD: Deeno Boosalis, Manager Business Strategy, and Cherie Carlson, Manager Corporate Performance Management for their substantial contributions to this case, without which it would not have been possible. Tad Leeper, Manager Talent & Performance, provided knowledge and guidance on how corporate performance management ultimately motivates its employees on a personal level. He provided invaluable insights into the role of talent development and corporate culture in implementing corporate performance management.

Poudre Valley Health System: Pam Brock, Vice President, Marketing and Strategic Planning, for her substantial contributions to this case; without her it would not have been possible. Selected content adapted from company documents.

Public Service Electric and Gas (PSE&G): I acknowledge Joe Martucci, Performance Leader, for his co-authoring of the PSE&G case.

Sharp HealthCare (SHC): Nancy G. Pratt, RN, MS; Senior Vice President Clinical Effectiveness, for her substantial contributions to this case; without her it would not have been possible.

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Introduction

What do award-winning companies know that eludes many of today's executives? How do they organize and innovate to achieve outstanding results in their fields of endeavor? What core and innovative processes and best practices do they have in common that they can leverage in challenging times to achieve success? How have they overcome what a recent CEO study calls the "change gap," or the ability to innovate and change in a challenging market?

In good times, strengths and weaknesses of a business model are often overlooked. In bad times, as with the global recession, weaknesses often come to the forefront. Market forces and prolonged recession have caused organizations to rethink their business models and innovate through best practices. I was intrigued by how several companies have thrived and innovated, particularly in one of the worst recessions since the Great Depression. Leaders were kind enough to share their stories with me. Research in this book focuses on core best practices from my first book¹ and on how award-winning organizations have developed dozens of new, innovative best practices not only to survive but also to lead their sectors.

That some should be rich shows that others may become rich, and, hence, is just encouragement to industry and enterprise.

—Abraham Lincoln

What about the First Book?

My first book, *Five Key Principles of Corporate Performance Management*, was published in January 2007 and to my surprise was the number 1 release on the largest global Web channels, Amazon and Barnes & Noble. For three years it has continued to be the number 1 corporate performance management (CPM) title (from over 2,500 titles globally). All royalties are

donated to www.honorflight93.org to honor the families of Flight 93 and www.saluteamerica.org to assist wounded soldiers to rebuild their lives. Since this book builds on the first, I will share some of the strategic backdrop and research highlights from the first book that motivated its publication.

In 2001, I was fortunate to be invited by the CEO of Crown Castle International (a telecommunications company) to be the senior vice president of global performance (CPM office) and to form and deploy a new CPM office. Crown shortly thereafter experienced what is now referred to as the telecom meltdown. The economic backdrop and research showed conditions were very challenging, as demonstrated by the following:

- *Kaplan and Norton*, co-inventors of the Strategy Focused Organization and Balanced Scorecard, and my former employers and mentors, discovered that “9 out of 10 companies fail to implement their strategies” and that four barriers (vision, people, management, and resources) were responsible for these shortcomings.²
- *Fortune* magazine reported, “If making the Fortune 100 best lists is an enormous accomplishment, consider how tough it is to repeat the feat every single year. Just 22 companies have appeared on our list every year since its 1998 inception.” Between 1998 and 2004, the turnover of Fortune 500 companies has been staggering.³
- *Booz Allen Hamilton’s* study, “Why CEOs Fall: The Causes and Consequences of Turnover at the Top,” showed turnover among chief executives soared 53 percent between 1995 and 2001. The number of CEOs who left their jobs under pressure more than doubled during that period, and average CEO tenure plunged more than 23 percent, according to the study of 2,500 publicly traded companies.⁴
- *Drake Beam Morn’s (DBM)* study, “CEO Turnover and Job Security,” revealed that two-thirds of the world’s companies have changed CEOs at least once in the last five years.⁵

In response, my team and I relentlessly searched for methods and best practices from award-winning companies to share with the Crown organization to assist in improving our performance.

We researched, visited, and collaborated with over 40 award-winning organizations that encompassed all types of business models including government, quasi-government, publicly traded, privately owned, and non-profit; and that participated in numerous sectors including aerospace, financial services, telecommunications, consumer products, utility, pharmaceutical, entertainment, communications, and high technology hardware and software.

This research revealed a common DNA consisting of 30+ CPM best practices that were grouped by the Five Key Principles:

Principle 1: Establish and deploy a CPM office and officer.

Principle 2: Refresh and communicate strategy.

Principle 3: Cascade and manage strategy.

Principle 4: Improve performance.

Principle 5: Manage and leverage knowledge.

The companies of the executives who generously shared their methods with us have earned an impressive roster of awards and honors, including the following:

- U.S. President's Malcolm Baldrige National Quality Award (MBNQA)
- Kaplan and Norton Global Balanced Scorecard Hall of Fame Award
- Deming Quality Award
- American Productivity & Quality Center Best Practice Partner Award
- State Quality Awards (based on MBNQA criteria)
- *Fortune's* "100 Best Companies to Work For"
- Several other honors and awards in each case

In truth, I was thrilled to direct Crown's global improvement efforts with a very supportive and collegial executive team and employee base. The CPM best practices started to take hold, and Crown earned several notable, globally recognized awards and honors, including the following:

- The *Wall Street Journal* ranked Crown in the Top 20 Most Improved Companies in Shareholder Value (out of 4,000).
- The company's share price appreciated from \$1 to over \$30 during my tenure.
- The company won the Balanced Scorecard Hall of Fame Award from Kaplan and Norton.
- The company won the American Productivity & Quality Center Best Practice Partner Award.

This was the beginning of the Five Key Principles model (shown in Exhibit 1.1) that has since been used by dozens of organizations to emulate the winners, with striking results. This model has been updated based on the results of new research.

Innovation and Accumulated Knowledge

Since the Crown experience and the publication of my first book, I was often asked if I would follow up on the initial book and continue the research. I became intrigued by how several companies led their sectors prior to and