



Introduction

FIVE KEY PRINCIPLES OF CORPORATE PERFORMANCE MANAGEMENT

Man's mind, stretched to a new idea, never goes back to its original dimensions.

—OLIVER WENDELL HOLMES

What do award-winning companies know that eludes most of today's executives? How do they organize and conduct themselves to achieve outsized results? What core processes and best practices do they leverage? Winning executives unselfishly and gladly share their best practices with you. Will you invest your time to understand these key differentiators? If so, then welcome to the pathway of change and join me in a stimulating journey.

There is an exciting new role—the corporate performance management (CPM) executive—that is emerging in companies, government agencies, and nonprofit organizations. The CPM executive is more savvy and able to execute strategy and accelerate results by leveraging and integrating CPM best practice processes. This book is an implementation guide that offers a fresh perspective based on new award-winning CPM executives' reflections, experiences, and best practices organized around Five Key Principles in CPM. My hope is that you will rapidly adapt their best practices to realize further success in your enterprise. If executing strategy effectively is of interest to you, then welcome to the winners' circle and read on.

BEST PRACTICE AWARD-WINNING ENTERPRISE CASES

This book encapsulates best practice research from globally recognized enterprises and provides guidance to enable you to rapidly implement your strategy through integrated CPM efforts. It also draws from my direct experience as

vice president leading one of Kaplan and Norton's Balanced Scorecard consulting divisions; senior vice president of global performance at Crown Castle International (Crown); and client, research, study group and advisory experiences with award-winning and high-performing organizations. Case studies include winners of these awards:

- Kaplan and Norton Global Balanced Scorecard Hall of Fame Award
- U.S. President's National Malcolm Baldrige Quality Award
- Deming Quality Award
- American Quality and Productivity Center (APQC) Best Practice Partner Award
- Governor's Sterling Award (based on Baldrige Criteria)
- *Wall Street Journal* "Top 20 Most Improved Companies in Shareholder Value Creation"
- *Fortune* "100 Best Companies to Work For"
- *Forbes* Best Managed Companies

I'm against a homogenized society, because I want the cream to rise.

—ROBERT FROST

Award recipients and high performers present a rich source of strategy management best practices for your CPM program and offer a leading edge perspective. I am grateful to the Crown executive team and employees. While my team facilitated CPM processes, *Crown employees* brought them to life. They earned Kaplan and Norton's coveted Balanced Scorecard Hall of Fame Award, the globally recognized APQC Best Practice Partner Award, and contributed to Crown being ranked on *The Wall Street Journal's* list of "Top 20 Most Improved Companies in Shareholder Value Creation" (out of over 1,000 listed companies).

Chapter 2 explores reasons why companies fail to implement their strategies, including Kaplan and Norton's "four barriers," MIT Dr. Fine's research on Clock Speed, and five project blockers learned from years in the field. Chapter 3 provides a summary of over two dozen *Five Key Principles* best practices as a handy reference tool. Chapters 4 through 8 are devoted to in-depth case studies, one chapter for each of the *Five Key Principles*, developed in collaboration with leading award-winning enterprises and their CPM leaders. Chapter 9 provides a self-scoring CPM program diagnostic and a resource section on leading edge CPM research, a lifelong pursuit.

WHY READ THIS BOOK?

Optimum performance will be the only option for the business managers of tomorrow. The Five Key Principles in Bob Paladino's book and his method of

molding them into daily effort will be the blueprint for highly successful leaders to deliver the expected positive results.

—PRESTON ATKINSON, CHIEF OPERATING OFFICER,
WHATABURGER, INC.

Executives today are expected to demonstrate results faster than ever before; chief executive officer (CEO), chief financial officer (CFO), chief operating officer (COO), and chief information officer (CIO) turnover has accelerated rapidly in the past 10 years. *HR Magazine* reports CEO churn is at an all-time high. Increasingly, new CEOs enter a company, fail to deliver, and are sent packing. Sometimes, if they do produce results, other companies snatch them up. Either way, the process starts all over again. Turnover among chief executives soared 53 percent between 1995 and 2001, according to the 2002 study “Why CEOs Fall: The Causes and Consequences of Turnover at the Top,” conducted by Booz Allen Hamilton of McLean, Virginia. 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. More recently, Booz Allen Hamilton reported the rate of departure for underperformers quadrupled since 1995, with European and North American CEOs topping the list of involuntary exits in 2005. Global CEO departures reached record levels for the second year in a row, and may be peaking, according to the fifth annual survey of CEO turnover at the world’s 2,500 largest publicly traded corporations. The study also found that performance-related turnover set a new record in North America.¹

A different study—“CEO Turnover and Job Security”—released by Drake Beam Morn (DBM) estimates that two-thirds of the world’s companies have changed CEOs at least once in the last five years.² Clearly, the amount of time allotted to implementing strategies to achieve results has been compressing. This book provides reasons why companies fail to implement their strategies and offers a blueprint for change.

The measure of success is not whether you have a problem to deal with, but whether it’s the same problem you had last year.

—J. F. DULLES

Fortune magazine reports, “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.”³ Between 1998 and 2004, the turnover of Fortune 500 companies has been staggering.

Research shows that CEOs and enterprises benefit from a CPM Office,

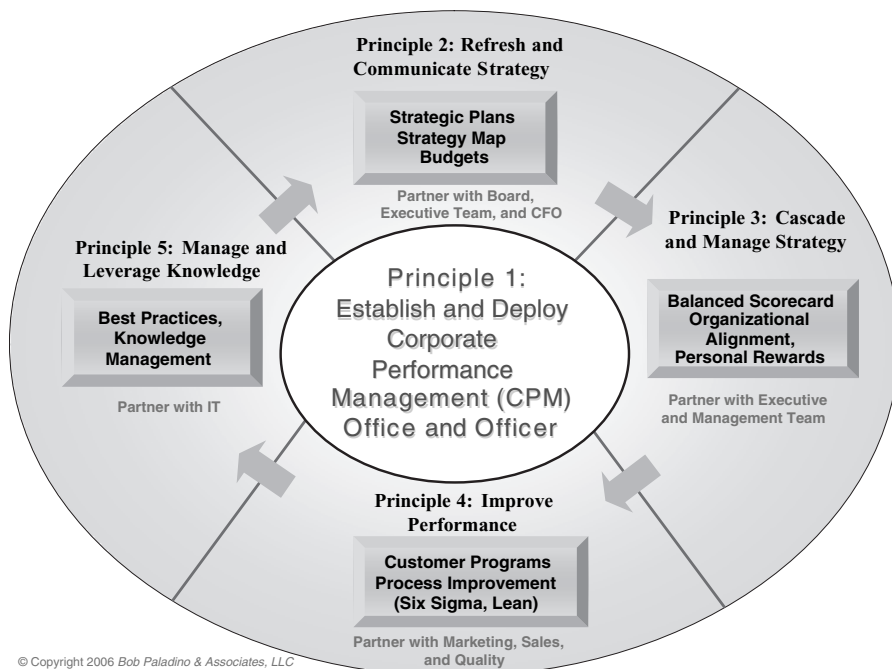


EXHIBIT 1.1 Five Key Principles of CPM

Officer, and integrated processes based on the Five Key Principles more than ever to enable higher organizational performance. High-performing enterprises practice these 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.

Exhibit 1.1 shows the CPM Office at the center of the *Five Key Principles*. The Office integrates and facilitates the *Five Key Principles* concurrently throughout the enterprise; dozens of best practices and case studies are discussed throughout the book.

PRINCIPLE 1: ESTABLISH AND DEPLOY A CPM OFFICE AND OFFICER

By three methods we may learn wisdom. First, by reflection, which is noblest; second, by imitation, which is easiest; and third, by experience, which is bitterest.

—CONFUCIUS

This book short draws from all three learning methods above. *Principle 1, Establish and Deploy a CPM Office and Officer*, is at the center of the CPM efforts and is responsible for implementing strategy through a portfolio of CPM methods, processes, and frameworks collectively referred to as the *Five Key Principles*. This Office reports to the CEO or a CEO direct report to integrate a defined set of CPM processes to drive global and local performance. Basically, they aid contemporary CEOs and their teams to deliver results faster. This book devotes significant attention to better understanding and providing in-depth case studies to define the new, vital role in enterprises. As a former executive in the Office of the CEO and currently a practitioner assisting enterprises to establish and execute the duties of the CPM Executive, I provide a road map to key roles and responsibilities. Crown will serve as a reference point for each CPM principle, complemented by numerous case studies as told by the executives from award-winning enterprises and last valuable experiences from the field. Although my title at Crown was Senior Vice President Global Performance, for purposes of establishing common terminology for this book I shall refer to this role as the CPM Officer and the department as the CPM Office.

Five Key Principles provides a lean best practice case study approach to strategy management to simplify and bring together disparate methods into an integrated, simplified CPM framework. Many public and private enterprises create islands of CPM expertise but fail to provide for an integrated CPM framework to drive results. Have you heard these comments in your organization? Are there some disconnects in implementing strategy?

- “We complete our strategic plan each year but it sits on the shelf until next year.”
- “The executives always roll out the initiative du jour.”
- “The folks in quality know about quality, we don’t, it is too complicated.”
- “The sales team deals with the customer, we only focus on operations.”
- “They never communicate the strategy, I am not high enough in the company.”
- “We are too busy fighting fires to deal with strategic issues.”
- “Our dashboard has hundreds of measures, but which ones are important?”

Five Key Principles cases are told by experienced executives. The cases have been selected to enable you to understand how to rapidly integrate and leverage proven methods and processes to manage strategy. This book is based on my direct experience as a CPM Officer, on best practices research with enterprises that have won numerous awards, and direct consulting experience to high performing enterprises.

We learn from pattern recognition, repeating steps and processes that enable us to build and achieve. Over many years, I have studied strategy management patterns of success, both as a Crown executive and as a global consultant providing professional services on behalf of Towers Perrin, PricewaterhouseCoopers, and Kaplan and Norton's firm The Balanced Scorecard Collaborative (a Palladium company). I have had the good fortune and privilege of collaborating with globally known experts and thought leaders in the CPM field who have provided validation for establishment of a dedicated CPM executive role in enterprises to drive meaningful change.

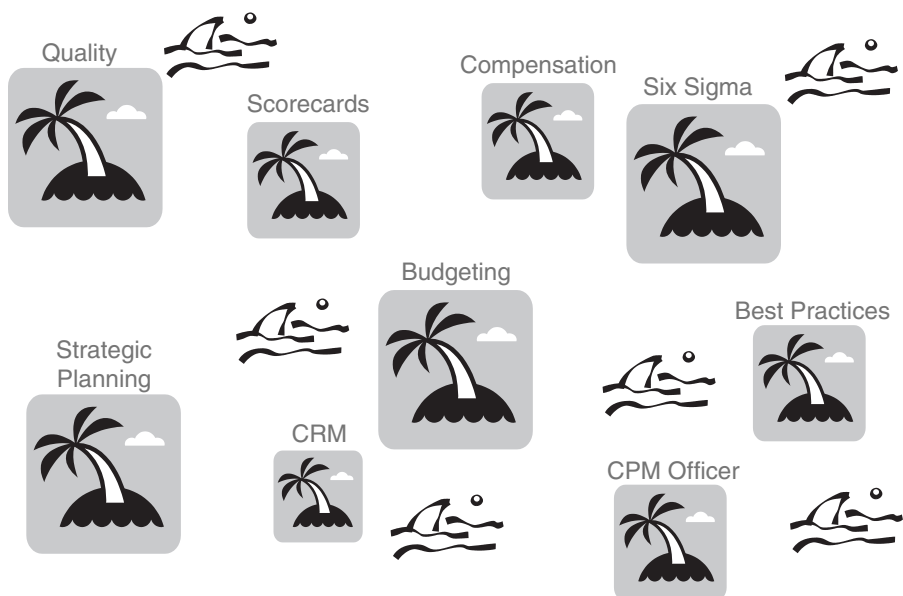
INTEGRATING PRINCIPLES 2 THROUGH 5 CPM PROCESSES AND METHODS

Measurement without the opportunity to improve is harassment!

—W. EDWARDS DEMING (FATHER OF QUALITY)

The current fragmented approach to strategy management has resulted in islands of competencies (see Exhibit 1.2) rarely optimized. Many programs fail, many companies fail.

Recall the turnover of companies in the Fortune 100 list. Further, with so many experts today marketing single tools, so-called silver bullets, how



do you know where to start? The “experts” would have you believe their wrench, hammer, or screwdriver is the panacea or single solution to your performance problems. However, is your organization one-dimensional? How do you simultaneously deal with global competition, accelerated outsourcing, shortened product and service life cycles, customers that are more sophisticated, fleeting intellectual property, a mobile labor force, and demanding investors? How could you expect one method to address all these challenges?

Only the fool learns from his own mistakes, the wise man learns from the mistakes of others.

—OTTO VON BISMARCK

The beauty of the hammer is that it can readily fix the problem of the nail. What about the problem of the crooked screw or loosely fitting bolt? Does your organization suffer from many tools or competencies that lack integration? Do process owners or department heads conflict at times? Nevertheless, when do you use which tool? At what speed do you introduce these tools to the organization? How will you optimize the many moving parts in your organization? By now this simple metaphor has highlighted the fact that one tool or process is not sufficient today; your organization has many interrelated issues and pressures and requires a CPM executive to facilitate an integrated toolbox and provide guidance and direction to vital CPM processes.

Five Principles provides a clear road map for executing enterprise strategy by drawing on and integrating multiple methods to optimize results. The book provides a lean, simplified approach to development and use of integrated CPM. How long will your CEO or boss remain patient? Experience in strategy implementation captured in book case studies is the best teacher and guide.

SUMMARY

The organizations selected for in-depth case studies have earned several notable awards, some multiple awards. Exhibit 1.3 displays a subset of awards, those reserved for truly distinguished performances and granted to a very limited group of recipients. For example, the U.S. President’s Malcolm Baldrige National Quality Award is reserved for just five organizations annually. The *Fortune* “100 Best Companies to Work For” is a broader group, but, as thousands of companies apply, recipients are a very distinguished group. Similarly, *Fortune* magazine reports thousands of enterprises use the Balanced Scorecard but approximately a dozen annually earn the coveted and globally renowned Balanced Scorecard Hall of Fame Award.

Case study enterprises offer unique insights to their CPM processes,

EXHIBIT 1.3 Award-Winning Case Study Companies

Enterprise	Balanced Scorecard Global Hall of Fame Award (Kaplan Norton)	APQC Best Practice Award	U.S. President's Malcolm Baldrige National Quality Award	Governor's Sterling Quality Award (Baldrige)	Deming Award	Fortune 100 Best Companies to Work For Award	Forbes Award
Crown Castle International							
City of Coral Springs							
Tennessee Valley Authority							
Medrad							
Serono International							
LB Foster Company					2 times		
Florida Dept of Health							
American Red Cross							
Bronson Methodist Hospital					2 times	3 times	
Ricoh					2 times		
KeyCorp							
Hearst Publications							
Sprint Nextel							
Raytheon							

methods, approaches, roles, responsibilities, organization, and results for your research and reuse to accelerate your CPM program.

MY PROMISE

Five Key Principles 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.

An honest tale speeds best, being plainly told.

—WILLIAM SHAKESPEARE

■ NOTES

1. Chuck Lucier, Paul Kocourek, and Rolf Habbel, Strategy+Business, “CEO Succession 2005: The Crest of the Wave” Summer 2006, www.boozallen.com.
2. Robert Grossman, “Forging a Partnership Executive Turnover,” *HR Magazine* (April 2003).
3. “Blue Ribbon Companies 2004,” www.fortune.com Web site, November 4, 2005.