Fact-Based Performance Management & Business Analytics

Business Strategy Mapping & Analysis

Integrate a comprehensive strategic planning and mapping framework to improve organizational decision making

February 9, 2014 1:00-2:15

Bob Paladino, CPA, MBA
Former Senior Vice President Crown Castle International







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Have you heard any of these comments?

I need leading indicators to

predict results



We have too many measures.

Our BU's operate in silos, how do we integrate our customer approaches?

What are most of my measures lagging or financial?

Why do we have different definitions for the same measures?

Why do all the business units have different reports?

How do I link measures to recognition?

Sometimes we confuse data with useable information..

> I am not sure leaders are using our reports to make decisions

How do I measure our cross selling strategy?

Why do all the business units have different reports?

Sometimes we are not sure BU's strategies and measures align with Corporate

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Understanding your Current Situation (1)



- Where are you in your Integrated Analytics / Performance Management (PM) journey?
 - 1. We are still fact finding
 - 2. We are in the early stages of use and are still learning
 - 3. We are deriving some value
 - 4. We are optimizing our analytics to maximize value
- What best describes the scope of your analytics program?
 - 1. We use them in our Department only
 - 2. We have facilitated analytics in other corporate departments
 - 3. We have facilitated analytics in line organizations
 - 4. We have facilitated analytics enterprise wide

Bob's Summary Biography

- Ernst &Young, LLC Financial Auditor, CPA
- Wharton Finance and Management MBA; Harvard and MIT Exec Ed
- PricewaterhouseCoopers and Towers Perrin Global Consultant
- Led Global Consulting Practice for Drs. Kaplan & Norton CPM /Balanced Scorecard
 - Advised over a dozen Balanced Scorecard Hall of Fame Winners.
- SVP Global Performance in the Office of CEO Crown Castle International, earned several 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
- Founder Bob Paladino & Associates, LLC
 - Trainer, AICPA and CFO Magazine
 - Faculty, American Productivity & Quality
 - Baldrige Examiner for State of Tennessee
 - Consulting Services "Implementing for Results"
 - Executive Education providing services to Colleges, Companies and Governments Globally
 - > Author, Research / Publications (3 of top 5 CPM books ranked by Amazon)
 - Principled Living- Founding Sponsor, United Flight 93 Memorial in PA (near my home), book royalties go to memorial.



Bob Paladino &

Article Request Form By Topic

How Can We Assist You to Accelerate Results? 10+ Years of Award Winning Company Case Studies



Please send me complimentary e-PDF copies of the following articles; pick your top 5-10 (circle numbers)

All "5 Key Principles of Corporate Performance Management" (Holistic /Integrated CPM cases)

- 1. 5 Key Principles of Corporate Performance Management at Bronson Methodist Hospital: Institute of Management Accountants (IMA) Strategic Finance Journal
- 2. 5 Key Principles of CPM at City of Coral Springs: Certified Management Accountant Magazine (CMA Institute Canada)
- 3. Innovative Corporate Performance Management at Sharp Healthcare System: Institute of Management Accountants (IMA) Strategic Finance Journal
- 4. Integrating Balanced Scorecard, Six Sigma, and Knowledge Management to Drive Value at Crown Castle: American Productivity Quality Center (APQC) Magazine
- 5. Crown Castle International's Corporate Performance Management System: American Productivity Quality Center (APQC) Magazine

Principle 1: Establish the CPM Office/Function (Roles & Responsibilities)

- 6. Changing Finance Role from Scorekeeper to Strategist at Blue Cross (with Rand Greenblatt): American Institute of Certified Public Accountants (AICPA) Journal
- 7. Performance Promotion- Why CPM needs it Own Office (with Gary Cokins): Business Performance Magazine
- 8. Finance Strategies & CPM for the New Normal (with Francine Padgett CFO: MidMichigan Health) Executive Insight Journal
- 9. Innovative Corporate Performance Management (Office) at Omaha Public Power District: Journal of Corporate Accounting & Finance (JCAF)
- 10. The Role of the Chief Performance Officer During these Perilous Times: Institute of Management Accountants (IMA) Strategic Finance Journal

Principle 2: Refresh & Communicate Strategy (Strategic Planning, Risk Management, Planning & Budgeting)

- 11. How Can the CFO Contribute to the Top Line (M7 Aerospace strategic planning)?: American Institute of Certified Public Accountants (AICPA) Journal
- 12. Some CFOs say employees don't understand company's strategic goals (Neil Amato): Chartered Global Management Accountant (CMGA) Journal
- 13. Innovative Corporate Performance Management at Delta Dental of Kansas: Journal of Corporate Accounting & Finance (JCAF)
- 14. Realizing Strategies Through Balanced Scorecard Based Budgeting: American Strategic Management Institute (ASMI) Journal
- 15.Balanced Forecasts Drive Value: Institute of Management Accountants (IMA) Strategic Finance Journal
- 16.5 Key Principles of CPM- Strategic Product Development at Bayer/Medrad: IIE Journal (Institute of Industrial Engineering)
- 17. Strategically Managing Risk in Today's Perilous Markets at United Illuminating: Institute of Management Accountants (IMA) Strategic Finance Journal
- 18. Enterprise Risk Management: a Best Practice Approach (with Sebastian Francis): Journal of Corporate Accounting & Finance (JCAF)
- 19.Missed Opportunities in Strategy and Enterprise Risk Management (with Dr. Frigo & Federal Reserve Bank): Journal of Corporate Accounting & Finance (JCAF)
- 20.Strategic Financials; What Does the CFO Need in the Rapidly Changing Utility Market?: Journal of Corporate Accounting & Finance (JCAF)
- 21.Research Reports: Enterprise Risk Management Reports I & II Executive Summaries only: American Productivity Quality Center (APQC) Research Report

Principle 3: Cascade & Manage Strategy (KPI's, Balanced Scorecards, Cascading Measures)

- 22. Why tracking too many metrics is bad for business (Neil Amato): American Institute of Certified Public Accountants (AICPA) Journal
- 23.AWARE Inc. Corporate Performance Management Corporate Newsletter
- 24.Balanced Scorecard Hall of Fame Case Crown Castle International #1 HBS case: Harvard Business School (HBS) Publishing
- 25.Crown Castle International Case Balanced Scorecard Hall of Fame case: CorVu
- 26.Innovative Corporate Performance Management: Boy Scout of America's Journey to Excellence: American Strategic Management Institute (ASMI) Journal
- 27. Fitting the Balanced Scorecard into BPM: Business Finance Magazine
- 28.Integrating Balanced Scorecard, Sarbanes Oxley and Knowledge Management (Nadia Upley): American Productivity Quality Center (APQC) Magazine
- 29. Moving Strategy Forward: Merging the Balanced Scorecard and Business Intelligence To Drive Value: Business Performance Magazine
- 30.The Payoff of Pervasive Performance Management: (Joe Mullich): Business Week Research
- 31.Excellence in Performance Management at Intercomp Global Solutions: Coach Business Journal Russia
- 32. Corporate Performance Management and Metrics that Matter: CIO Insights Magazine
- 33. What CEOs want from Their CFOs Today: CFO Magazine Research

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Article Request Form By Topic

How Can We Assist You to Accelerate Results? 10+ Years of Award Winning Company Case Studies



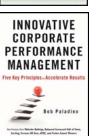
Principle 4: Improve Performance (Methods for Driving Improvements)

- 34. Improve Earnings by Shifting Finance Dept. Resources to CPM Services at MidMichigan Health: Journal of Corporate Accounting & Finance (JCAF)
- 35. What is Strategic-Operational Misalignment Costing your Firm Each Year?: Journal of Corporate Accounting & Finance (JCAF)
- 36. How to Conduct a Balanced Scorecard Review to Create Alignment: Harvard Business School (HBS) Publishing
- 37. Survival Strategies for Unmerciful Markets: The Telecom Experience: Harvard Business School (HBS) Publishing
- 38. The Challenge of Global Alignment: Crown CEO Shares his Perspectives: Harvard Business School (HBS) Publishing
- 39. Global Alignment: A Telecom's Tale Crown Castle International: Harvard Business School (HBS) Publishing

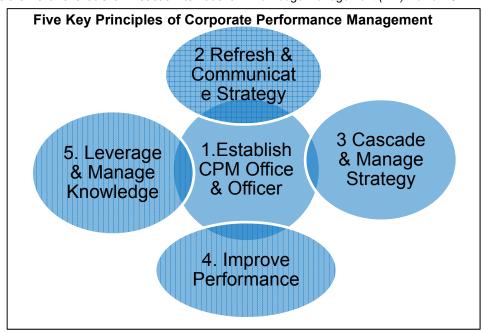
Principle 5:Leverage & Manage Knowledge (Intellectual Property, Accelerate Knowledge)

- 40.Retaining Knowledge Capital (TVA's response to an Aging Technical Workforce); Business Finance Magazine
- 41.A New Brand Value, Integrating Branding in Corporate Performance Management: Business Performance Magazine
- 42.Integrating the Balanced Scorecard and Total Rewards to Drive Value: Better Management Magazine
- 43. Taking its Knowledge Mgt Portal to the Next Level at Crown Castle International: Knowledge Management (KM) Review U.K.









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Five Key Principles of CPM: Award Winning Public, Private & Government **Organizations**











































△ DELTA DENTAL

LBFoster









Raytheon

Royalties Donated to Flight 93 Memorial near his PA home

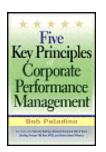
Bob Paladino & Associates: LLC

Fact-Based Performance Management

A <u>comprehensive framework</u> to performance measurement, strategic execution and business insight



"Five Key Principles" Consists of Over 30 Best Practices



INNOVATIVE
CORPORATE
PERFORMANCE
MANAGEMENT
Five Key Principles - Accelerate Results
Bob Paladino

B



2 Refresh & Communicate Strategy

5. Leverage& ManageKnowledge

1.Establish CPM Office & Officer 3 Cascade & Manage Strategy

4. Improve Performance

5 Key Principles of Corporate Performance Management: Best Practices Pentagon



5 Key Principles of CPM Core Best Practices

PRINCIPLE 1. ESTABLISH CPM OFFICE & CPM OFFICER

- 1.1 Executive Sponsorship
- 1.2 Organization Reporting Level
- 1.3 CPM Office Staff
- 1.4 Leadership, Ability to Influence
- 1.5 CPM Process Ownership
- 1.6 CPM, Industry & Co Knowledge
- 1.7 Collaborative Maturity
- 1.8 Ability to Learn

PRINCIPLE 2. REFRESH & **COMMUNICATE STRATEGY**

- 2.1 Strategic Planning
- 2.2 Core & Adjacent Products/Svcs
- 2.3 Strategic Plan
- 2.4 Map Strategy
- 2.5 Link Strategy & Budget
- 2.6 Communication Plan

CPM

PRINCIPLE 5. MANAGE & LEVERAGE KNOWLEDGE

- 5.1 Develop KM Processes
- 5.2 Leverage Technology
- 5.3 Develop Expert Locator System
- 5.4 Link KM to Improve Performance
- 5.5 Link KM to Strategic Planning
- 5.6 Maintain Virtual KM Network

AWARD WINNING

BEST

PRACTICES

PRINCIPLE 3. CASCADE &

- MANAGE STRATEGY
- 3.1 Partner with Business Owners
- 3.2 Level 1 Balanced Scorecard 3.3 Leverage Scorecard Design
- 3.4 Cascade to Lower Levels
- 3.5 Align Support Services
- 3.6 Align Teams & Individuals
- 3.7 Link Rewards & Recognition
- 3.8 Manage Using Measures

PRINCIPLE 4. IMPROVE PERFORMANCE

- 4.1 Prioritize Improvement Projects
- 4.2 Leverage Customer Processes
- 4.3 Leverage Process Improvement
- 4.4 Benefit from Benchmarking
- 4.5 Create a Performance Improvement Culture





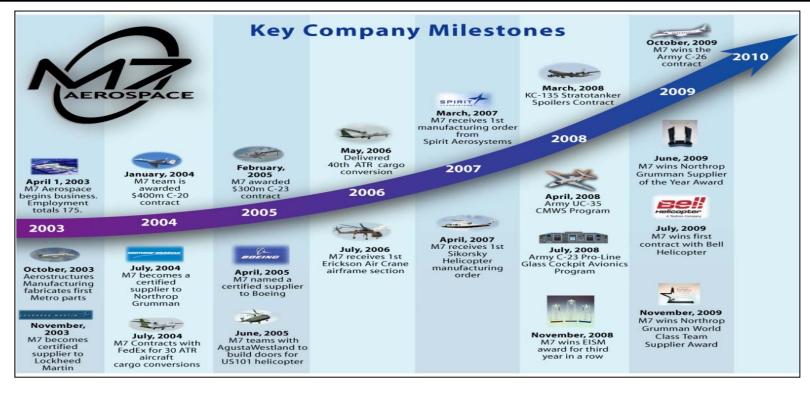
Fact-Based Performance Management at M7 Aerospace

CHANGING THE WAY HIGH TECH AEROSPACE INTELLIGENCE INDUSTRY OPERATES

M7 Aerospace Strategic Growth From Bankruptcy to \$150 million in revenue in 7 years







San Antonio Business Journal

M7 Aerospace LP has been bought out by Israeli defense electronics company Elbit Systems Ltd. for \$85 million in cash.

Haifa, Israel-based Elbit (NASDAQ: ESLT) specializes in developing aerospace, land and naval systems; communications; computers; intelligence surveillance and reconnaissance; unmanned aircraft systems and airborne warning systems





Executive Views on Corporate Performance Management

CPM has literally transformed M7 from a start-up organization that was operating in business unit silos with limited communication among the management team into an integrated company with a full understanding of cause and 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, (CFO Promoted to) President and Chief Executive Officer

➤ The whole strategic evaluation process has been a great opportunity to get some of our new personnel's ideas and strategies on the table as well as rekindle our legacy employees' thoughts and perspectives. The BSC has given us a consistent perspective of how other departments are doing and how their capabilities could potentially assist upcoming ventures.

Steve Leland, Vice President, General Manager, Government Programs

The BSC has allowed us to do the analysis necessary to put the proper resources in place to improve our business.

Mark Provost, Director, Engineering

➤ The Balanced Scorecard has been instrumental in driving M7 Aerospace toward best in class processes and procedures.

Brian Dannewitz, VP Supply Chain Management and Spares Sales



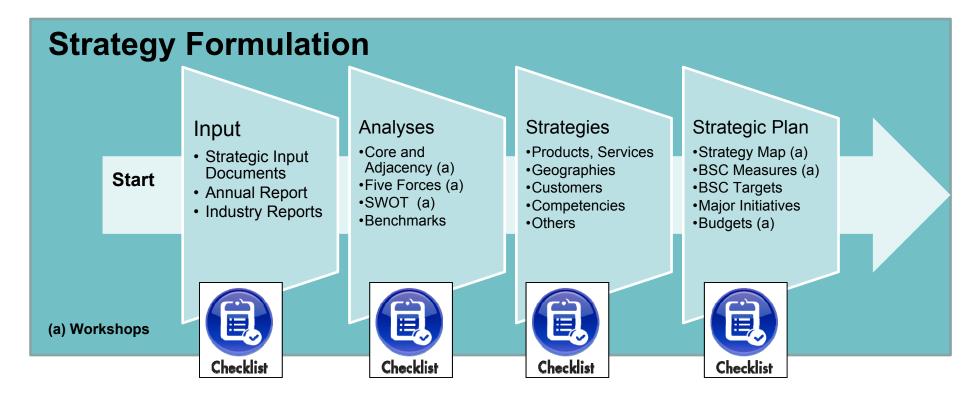




Awards & Honors

- Northrop Grumman World Class Team Supplier.
 - For the third consecutive year M7 Aerospace was awarded a supplier award from Northrop Grumman Corporation. M7 Aerospace was selected to receive a World Class Team Supplier award for its consistently demonstrated outstanding achievements and support of Northrop Grumman programs.
- Institute of Supply Management (ISM) Excellence in Innovative Supply Management (EISM) Award.
 - For the third year in a row M7 was one of just six companies to win this award which is given annually to recognize and reward organizational excellence in the purchasing and supply management field.
- > The Boeing Company Supplier Quality Award.
 - The Boeing Company honored M7 Aerospace for its manufacturing support of Boeing's C-130 Avionics Modernization Program (AMP). Work performed by M7 includes fabricating sheet metal parts, building hydro form parts; painting and priming; building cable assemblies and bending tubes for precise applications.





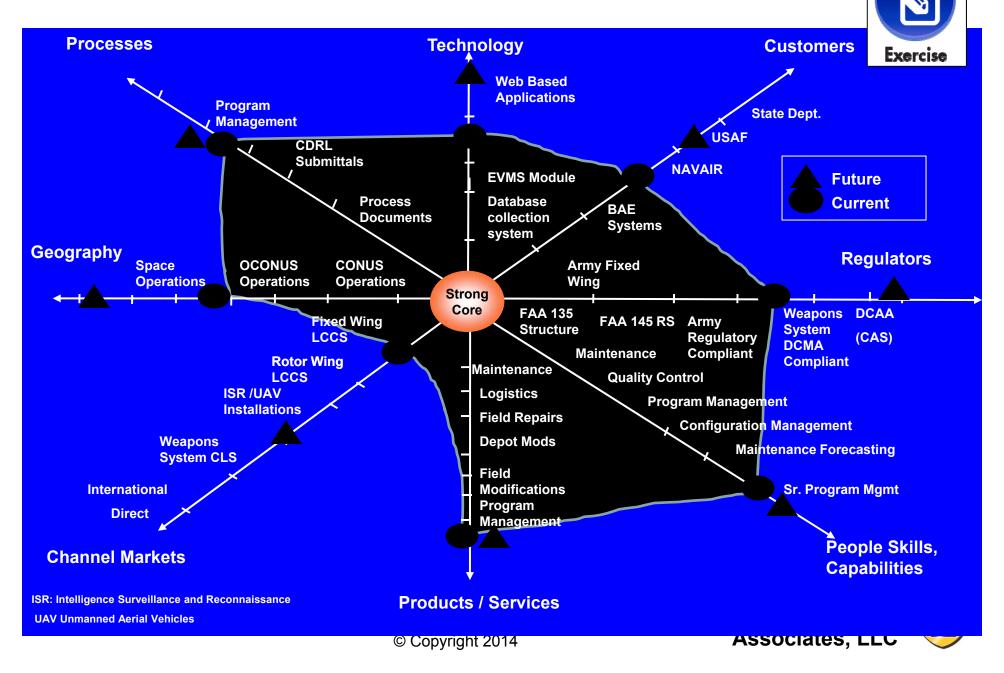


Strategic Input Document Data Sets



Strategic Plan Element	Data Source	Primary & Secondary Contacts
Executive Summary		
History		
Markets- Regulatory		
Markets- Competitors		
Markets - Customers		
Products/Services		
Strategic Processes		
Suppliers / Providers		
Strategic Technologies		
Facilitates		
People & Competencies		
Financial Condition		

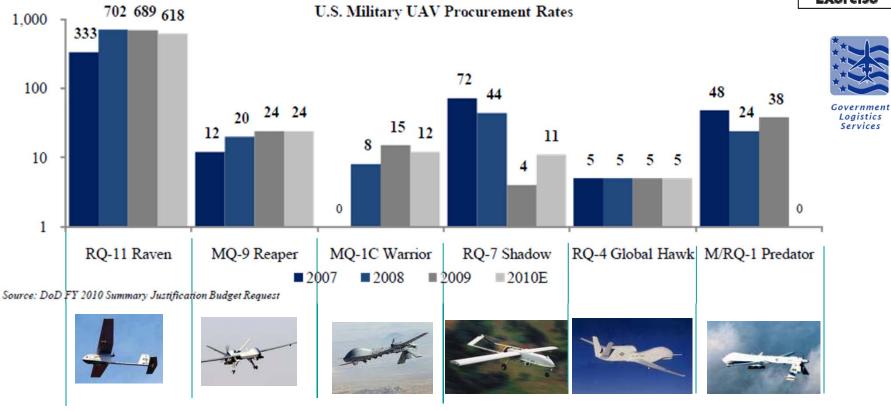
Government Logistics Services <u>Core and Adjacency Map</u> to Determine Current & Future Growth



Data Set: Markets /Customers U.S. Military UAV / ISR Spending

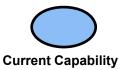
UAV (Unmanned Aerial Vehicle) and ISR (Intelligence, Surveillance and Reconnaissance vehicle)





The Teal Group estimates that UAV spending will double in the next ten years. That amounts to a spend of \$62 billion over the next decade. Over that same Timeframe, the United States will account for 72% of Research, Development, Testing and Evaluation (RDT&E) and 61% of all procurement expenses.

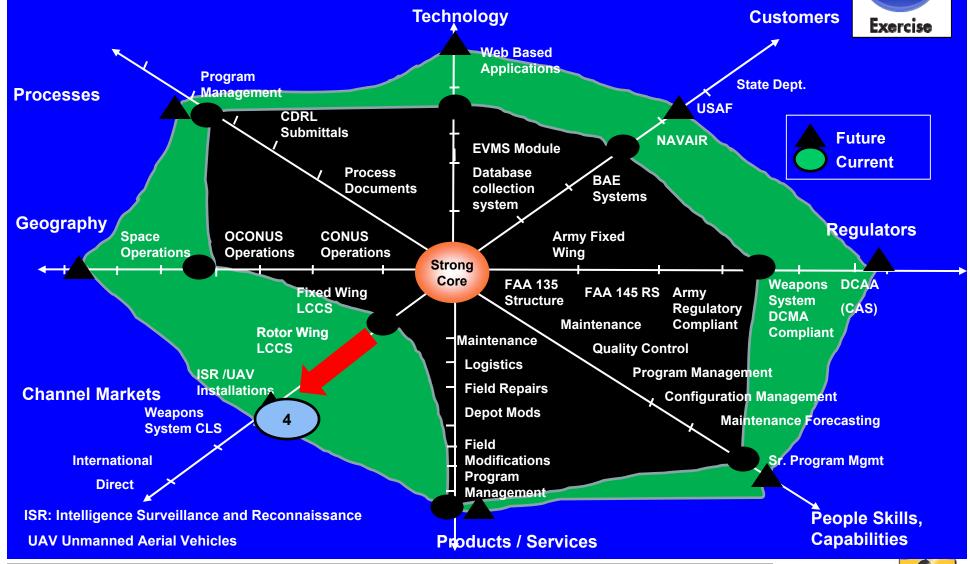
Vector Map to Determine Future Growth: New Market for UAV and ISR







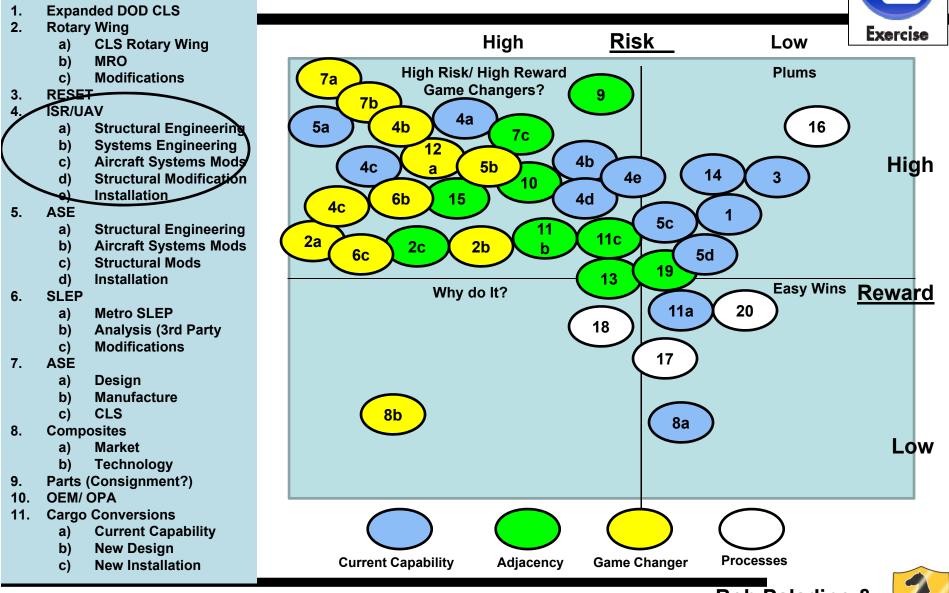






Opportunities Risk and Reward Matrix:

Opportunity #4 has five several key sub opportunities (a-e)

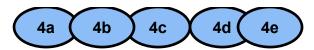


Opportunity Evaluation





Growth Vector	Core Business (current business)	Potential Adjacencies (potential growth opportunities)	Implications for IT (For IT Portion of Strategy Map)	Comments
Expand Channel and Markets	existing customer base and service backlog	Expansion into Rotary Wing, ISR and UAV Likely enter these opportunities through JV tier 1 customer as JV partner	accounts Adjacencies: Expand engineering systems	Create new objectives on Strategy Map for the implications on IT



Opportunity KPI's & Pro Formas



Strategic Objective (What we are trying to accomplish)	Executive Leaders (BD & Operations)	Exercise					
4a-4e Grow Current Core Products/Services to new markets	CTO/Chief Engineering						
Strategic Objective Purpose and Description (What)	Other Team Members						
Grow Current Core Products/Services in IUAV/SR market for engineering services / structural design.	Buck Kilgore, Mark Provost, John Bubbas						
Balanced Scorecard (candidate/final measures)	Balanced Scorecard (candidate/final measures)						
 Annual Revenue generated \$ Amount of programs awarded per year (annualized) Win/Loss percentage Margin percentage generated from new business 	 Annual Revenue generated \$ Amount of programs awarded per year (annualized) Win/Loss percentage Margin percentage generated from new business 						

Balanced Scorecard Final Measures	Actual	Forecast	Strategic Plan Targets			
	2009	2010	2011	2012	2013	
Annual Revenue Generated \$						
Amount of new programs awarded per year (annual) \$						
Program Backlog \$ (unearned revenue) include % as well						
Win/Loss Percentage						
Margin Percentage generated from new business						

Cross Functional Department Collaboration

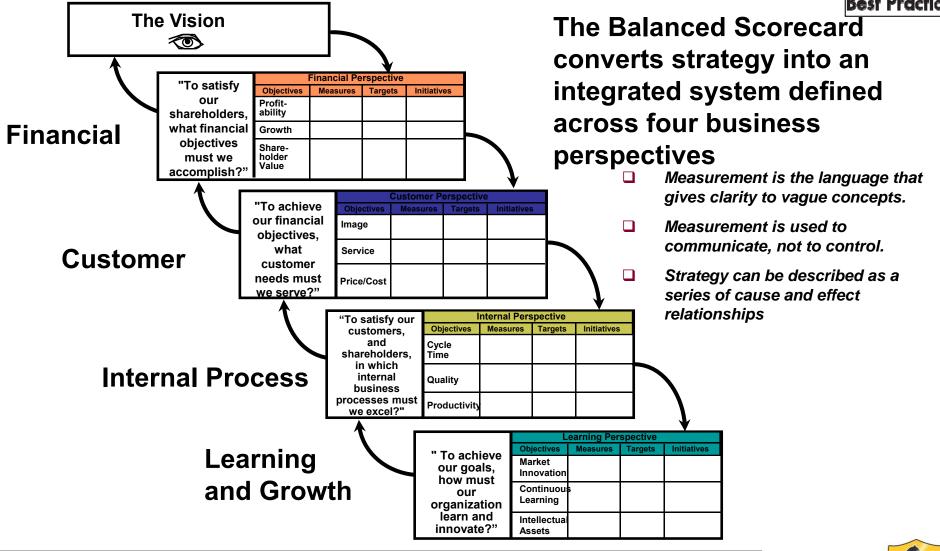


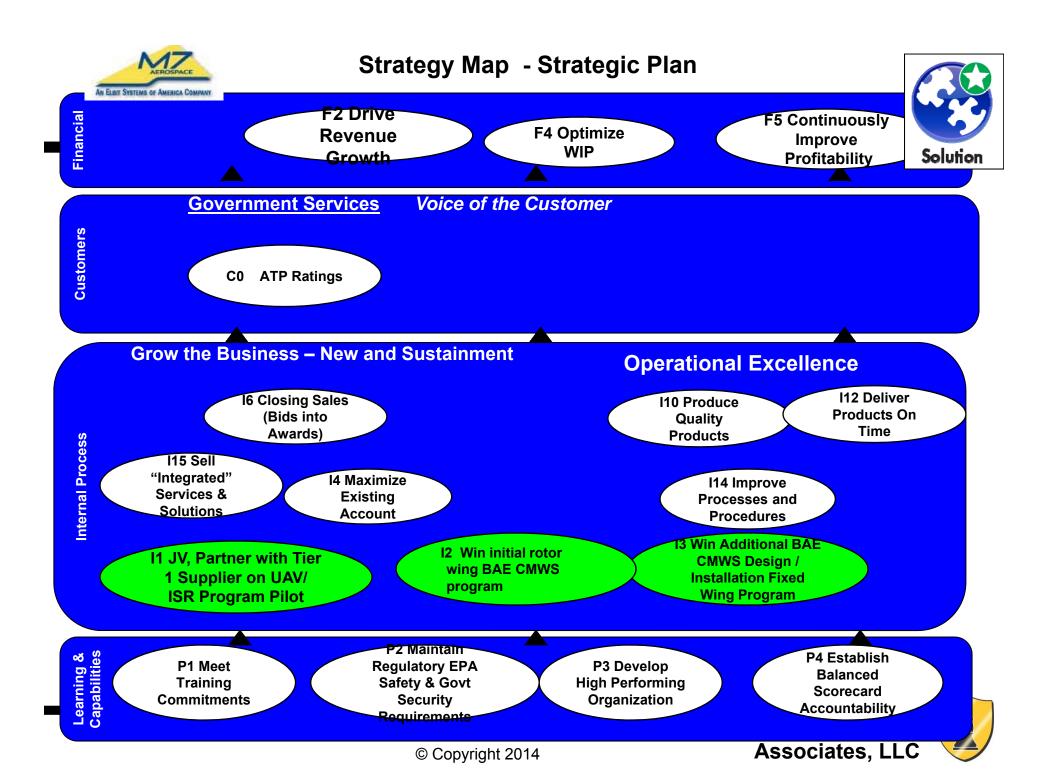


Activity	Lead	Departments	Work Product	J a n	F e b	M a r	A p r	M a y	J u n	J u I	A u g	S e p	O c t	N o v	D e c
Identify universe of airframes/ platforms to position M7 services	Ron C/ Mark P	Market Research	Market Research, Universe of Planes	x	х	х									
Prepare Branding, Sales Collateral (web, white paper, brochures) Metro	Tim L	Marketing & Branding	Web posting, white paper, sales collateral	х	х	х	х								
Identify ISR Structural Eng opportunities	Ron C/ Mark P	Engineering	Pipeline of opportunities		х	х	х								
Visit equipment OEMs to understand current and new offerings	Ron C	Procurement	Inventory of products & relationships relevant to ISR		x	x	x	x	х	x	х	х	x	x	x
Visit qualified, potential customers (trade shows, etc)	Ron C	Sales	Travel Plan and customer req's		x	x	x	х	x	х	x	х	х	x	x
Develop and submit a proposal	Ron C	Sales, Contracting	Proposal submission			x	x	x	х	x	х	Х	х	х	х
Win the contract	Ron C	Sales	Executed Contract										х	х	х

Principles of the Strategy Focused Organization: TRANSLATE THE STRATEGY TO OPERATIONAL TERMS











Highlights, Notable Performance Results

- Financial (lagging indicators)
 - M7 Aerospace has increased consolidated revenue by over 500% during the past five years.
 - 2. M7 Aerospace has increased consolidated EBITDA by over 1,000% in the past two years.
 - 3. C23 BU maximized cash flow by reducing accounts receivable over 60 days past due from \$140,000 to zero.
 - 4. Engineering Services BU maximized cash flow by reducing accounts receivable over 60 days past due from \$160,000 to zero.

Customer (lagging indicators)

- 1. Customer: C23 BU achieved customer provided "Customer Performance Assessment Report" (CPAR) Card ratings of "very good" for most of year.
- 2. Customer: Engineering Services BU achieved Boeing customer Best Rating for Quality for most of year.
- 3. Customer: Engineering Services BU achieved Boeing customer Best on Schedule Rating for Quality for most of year.





Highlights, Notable Performance Results

- Process (leading indicators)
 - 1. Supply Chain: BU response time to provide parts to C23 BU program was green, under 30 minutes for the entire year.
 - 2. Process/Productivity: Government Business Development BU increased the number of new Programs Identified for Evaluation from four to 32 in one year, an increase of 800%.
 - 3. C26 Peru program inventory accuracy exceeded agreed target of 98%, a key customer requirement, for most of the year.
 - 4. Supply Chain Management BU response time to provide parts to C23 BU program was green, under 30 minutes for the entire year.
 - 5. MRO BU amount of backlog booked exceed target for six consecutive months.
 - 6. MRO BU on time delivery of services to internal customers or other M7 BU's was at or above target of 97% for the year.
 - 7. MRO BU on time delivery of services to external (outside M7 family of BU's) customers was at or above target of 97% for the year.





Highlights, Notable Performance Results

- Process (leading indicators)
 - 1. MRO BU amount of backlog booked exceed target for six consecutive months.
 - 2. MRO BU on time delivery of services to internal customers or other M7 BU's was at or above target of 97% for the year.
 - 3. MRO BU on time delivery of services to external (outside M7 family of BU's) customers was at or above target of 97% for the year.
 - 4. Parts/Spares BU secured more new customers than target for most of the year.
 - 5. Quality BU increased percentage of in-bound parts cleared in 24 hours from 78% to 90%.
 - 6. Finance Support provided necessary business analytics within 12 days after month end consistently throughout the year.
 - 7. Contracts SU maintained all contract terms as current over 90% of the time for the entire year.
 - 8. Corporate Development SU provided timely quotes and modeling services over 95% of the time for the whole year.
 - 9. Development SU provided delivered Consolidated Scorecards on time 100% of the time all year.





Highlights, Notable Performance Results

- People (leading indicators)
 - 1. People: HR SU improved selection and hiring process, the percentage of employees successfully completing hiring probationary period (30/60/90 day appraisals) increased to 90 percent.
 - Information Technology: IT SU completed 100% of targeted training and certifications for the entire year.
 - 3. Representative Lean Six Sigma team results: "Dock to Stock Span Time Reduction" project team successfully reduced work-in-progress from 206.1 jobs to 38.3 jobs, an 81% decrease; and reduced process Lead Time from 30 hours to 5.2 hours, an 82% decrease!

M7 Aerospace Experienced Strategic Transformation along Several Dimensions AN ELBIT SYSTEMS OF AMERICA COMPANY





	from	to			
Business Model	Go it Alone - Technical Think Networks, Innovation and Alliances				
Company Value Proposition	Compete on Price	Speed to Market/ Higher Pricing			
Customer Mindset	M7 is a Tactical" Supplier	M7 is a "Strategic" Partner			
Accountability	Silos / Not Invented Here	Cross Functional Shared Accountability			
Sourcing Emphasis	M7 as Primary Source	M7 as Solutions Broker			
Cost Emphasis	Leaders Present Costs	Leaders Demonstrate Business Value			
Culture	Problem Analysis and Discussion	Solution Identification and Execution			
Risk Management	D&O Insurance	Manage the Risk Pyramid			
Workload Management	Too Many Projects Strategic Priorities and Resource Allocation				
	39	Bob Paladino &			









Contact: Bob Paladino, CPA for Training, Consulting or Speaking

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Tower of Voices Wind Chimes

Author Donates Royalties to Flight 93 Memorial near his PA home