



Five Key Principles of corporate performance management

How Balanced Scorecard Hall of Fame, Baldrige, Sterling, Fortune 100, APQC, and Forbes award winners drive value

By Bob Paladino, CPA

What do award-winning commercial, public and non-profit enterprises know that eludes most of today's executives? How do they organize and conduct themselves to accelerate and achieve outsized results? What unique processes and best practices do they leverage? Key principles of executing strategy are described in a new book entitled *Five Key Principles of Corporate Performance Management* (Five Key Principles). This article, the first in a series, focuses on Principle 1: Establish and Deploy a CPM Office and Officer. Leading CPM offices apply many of the same methods and skills described in the CMA Competency Map, including strategic management, performance measurement, performance management and risk management.

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Greater pressures to perform

Executives are expected to demonstrate results faster than ever before. CEO, CFO, COO, and CIO turnover has accelerated rapidly in the past few 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. Booz Allen Hamilton recently reported 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 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."² The turnover of Fortune 500 companies between 1998 and 2004 is staggering.

A prior strategic finance article titled "Balanced Forecasts Drive Value" looked at the four barriers to success and why 9 out of 10 companies fail to implement their business strategies,³ popularized by Robert Kaplan and David Norton, and encountered by companies failing to realize their strategic objectives and results. *Five Key Principles* expands this thinking and cites MIT professor Dr. Charles Fine's research on industry rate of change or "clock speed" and its impact on companies brought about by failing to understand and develop strategic and management processes to address. Clock speed provides concrete examples of how industries exhibit different rates of evolution. Strategically minded CPM executives and programs must understand and integrate CPM processes to not only deal with today's challenges but also enterprise preparedness for evolutionary changes. Clock speed provides a template to understand evolutionary dynamics of industries. Fine states, "The faster the industry clock speed the shorter the half life of your competitive advantage."⁴ As a result, the strategic management processes should identify and leverage a company's competitive advantages. Further, in reactionary efforts to address the four barriers and clock speed, enterprises often commence corporate performance management (CPM) projects, many of which fail. Clearly, the allowable time for effectively implementing strategies to achieve results has been compressing and new solutions are desired.

Research on winning organizations

Research was conducted with executives and leaders from more than 40 leading organizations, including Balanced Scorecard Hall of Fame, Baldrige, Sterling, and APQC Best Practice Partner Award winners. Research projects included:

- Performance Management Consortia Best Practice Project

- Kaplan and Norton's Office of Strategic Management Study (OSM) Group
- Customer Relationship Management (CRM) Consortia Best Practice Study Project
- Knowledge Management (KM) Consortia Best Practice Study Project
- Best Practice Sharing Consortia Study Project
- Performance Management Consortia Best Practice Study Project

Organizations that won just one of the noted awards would present a rich source of best practices for developing a CPM program. However, enterprise executives who have won multiple awards present a unique opportunity to learn from all their contributions. For example, as described in the book case study, Bronson Methodist Hospital has won six top awards and dozens of others. The 14 finalist case study organizations represent corporate, government and non-profit sectors (see chart on p. 20).

Using the five principles of CPM

During the course of the research, study, and many successive client projects, a winning company DNA started to emerge — true winners follow a discernable pattern. These organizations follow a pattern referred to as the Five Key Principles of CPM. These include:

- 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

Principle 1: Establish and Deploy a CPM Office and Officer

A case study on the City of Coral Springs will be used as an example. In the book CPM Officer is adopted as a normative position title.

City of Coral Springs (book case)

City of Coral Springs has earned several notable awards:

- Recipient of Florida Governor Sterling Award for Organizational Excellence (based on Malcolm Baldrige Award)
- Recipient of APQC Best Practice Partner Award

Background: The City of Coral Springs, Florida, is a high-performing municipal corporation — a city government following a corporate management model. Since 1994, that model has been driven by the Sterling Criteria. Coral Springs is a centrally planned community, incorporated in July 1963. The City is 23 square miles and has 132,611 residents. It is one of only two centrally planned communities in the nation that has achieved residential build-out. There are a wide range of housing types, as well as retail and commercial properties, and a corporate park. Unlike most southern Florida cities, Coral Springs is a city of young families — 48 per cent of households have children under the age of 18. Families are moving to Coral Springs because of the reputation of the city's public schools,



low crime rate, diverse recreational facilities and opportunities.

The city employs 789 full-time and part-time workers and operates on a net budget of \$122 million for fiscal year 2006. The city's core services include public safety, streets and utilities, building safety, parks, aesthetics, support services, charter schools, and a centre for the arts.

CPM office and executive oversight: Four city commissioners and a mayor, elected at large by the residents, establish City priorities and policies. They are the City's "board of directors." The city manager, with the senior management team, directs staff in the implementation of commission policies and manages City operations. The city manager functions as the CEO of the city. The directors of 13 City departments form the senior management team. There are 26 citizen advisory

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committees that are highly involved in city government, providing input on customer priorities and requirements and playing a significant role in decision making and operations. The City delivers direct services through seven departments and two "wholly-owned" subsidiaries. Another six departments provide specialized support. All Coral Springs service delivery systems have three distinguishing characteristics. First, departments are very flat; there is a short chain of command. This promotes short-cycle times and employee empowerment. Second, is the focus on the customer, which means accessible services provided by pleasant, helpful staff. Third,

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customers are part of delivery systems, as partners, as volunteers, on advisory committees, even running sports leagues and special events.

The APQC project was hosted by the

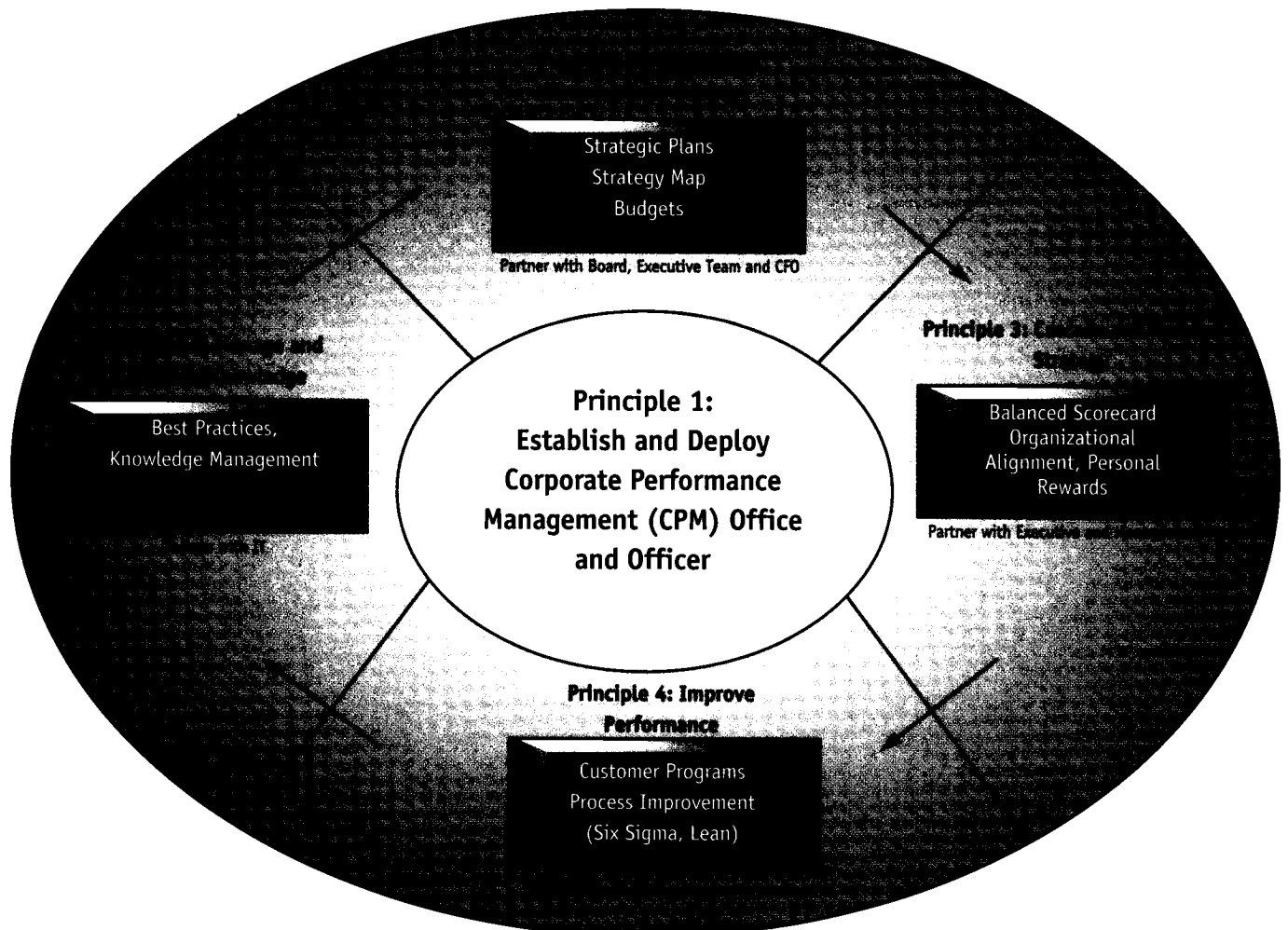
In summary, 9 out of 10 companies today fail to implement their strategies due to four barriers and failing to adapt to their industry clock speeds.

management and budget office. This office functions as the CPM office by facilitating the annual strategic planning processes and ongoing performance management.

Principle 1: Establish and Deploy CPM Office and Officer Best Practices

- **Executive sponsorship.** Established CPM central oversight by the management and budget office for CPM efforts.
- **Organizational level and reporting relationship.** The process was also supported by the senior assistant city manager and organizational development manager. It would be fair to say that it is a permanent cross-functional task team that implements CPM, of which the budget and strategic planning manager was the team leader.

Enterprise (alphabetical order)	Balanced Scorecard Global Hall of Fame Award (Kaplan & Norton)	APQC Best Practice Award	U.S. President Malcolm Baldrige National Quality Award	Governor Sterling Quality Award	Deming Award	Fortune 100 Best Companies to Work For Award
American Red Cross						
Bronson Methodist Hospital				2 times		1 time
City of Coral Springs						
Crown Castle International						
Florida Dept of Health				2 times		
Hearst Publications (Houston Chronicle)						
KeyCorp						
LB Foster Company						
Medrad						
Raytheon						
Ricoh					2 times	
Serono International						
Sprint Nextel						
Tennessee Valley Authority						



- **CPM office staff.** Department staffed with experienced personnel with deep understanding of government and community.
- **CPM, industry, and company knowledge.** Team members have deep CPM knowledge to help guide resolution of project issues.
- **Leadership and ability to influence.** Department displayed a mature, collaborative approach and partnered across the organization.
- **Ownership of CPM methods.** The office owns and substantially influences the portfolio of CPM processes enterprise-wide.
- **Collaborative maturity.** CPM leader very experienced in working horizontally and vertically through the organization.
- **Ability to learn.** CPM employees demonstrated a willingness and ability to learn continuously.

In summary, 9 out of 10 companies today fail to implement their strategies due to 4 barriers and failing to adapt to their industry clock speeds. Research into award-winning companies reveals they observe five key principles of CPM. ■

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Author's note: Content has been adapted in part from the recently published book "Five Key Principles of Corporate Performance Management" from Wiley Publishing 2007. This first article of the trilogy focuses on Principle 1; the second article will focus on Principles 2 and 3; and the final article will focus on Principles 4 and 5.

- 1 Chuck Lucier, Paul Kocourek, and Rolf Habel, Strategy+Business, "CEO Succession 2005: The Crest of the Wave" Summer 2006, www.boozallen.com.
- 2 "Blue Ribbon Companies 2004," www.fortune.com website, November 4, 2005.
- 3 Bob Paladino, CPA, Strategic Finance, IMA, "Balanced Forecasts Drive Value," January 2005.
- 4 Charles H. Fine, Clock Speed: Winning industry control in the age of temporary advantage, Perseus Books, 1998, p. 3.