

The Balanced Scorecard

*Measuring
Results/
Paying for
Performance*



Setting the Context

- The regulatory environment
- If your subsidy ended tomorrow, would your company survive?
- What is the cost of lost opportunity from capex delays & missed cell phone sales?
- Competition
- Cultural transformation

Getting Started

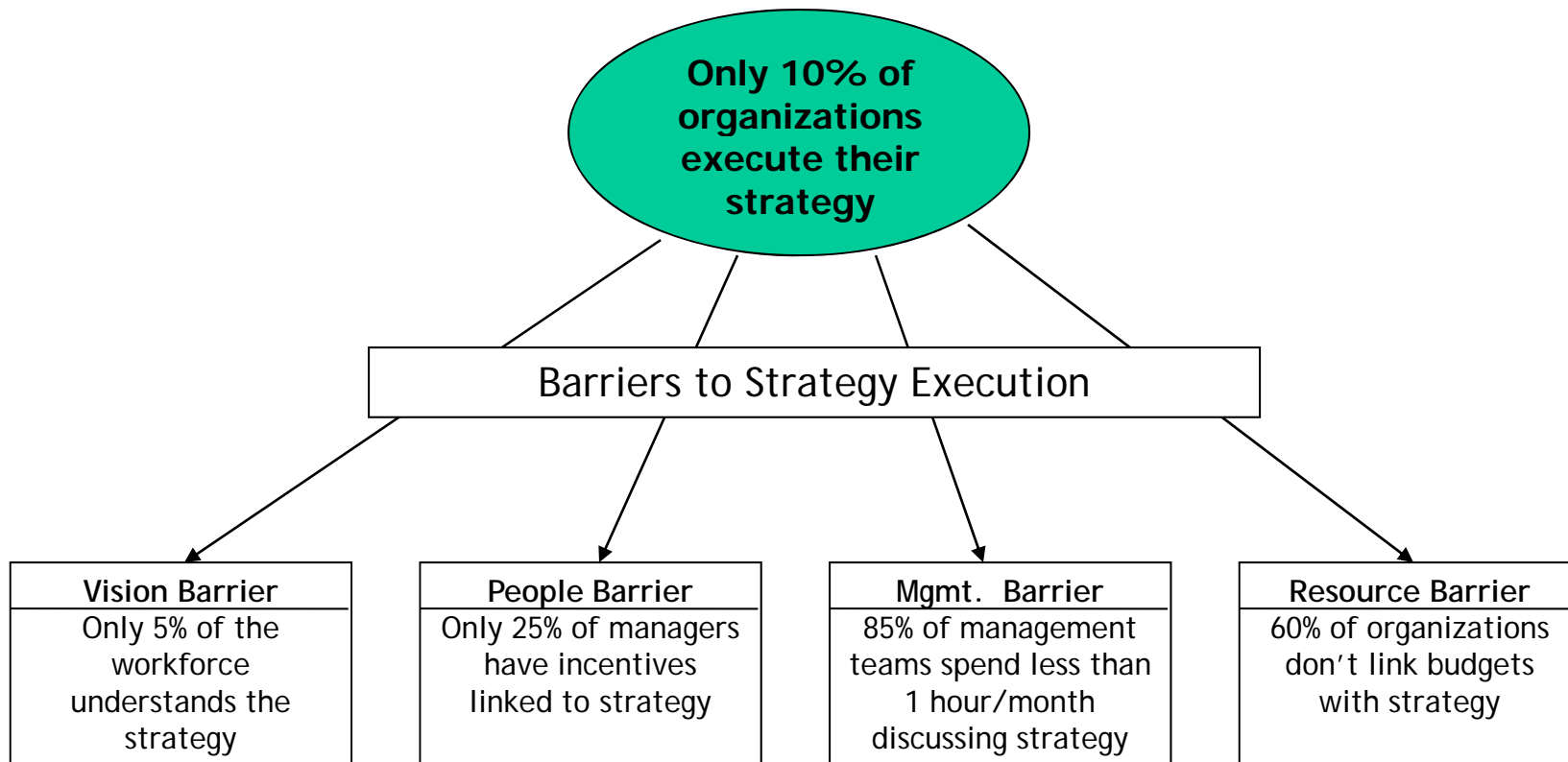
First, you need a **strategy**.
Company Vision. Company Mission.

But Vision and Strategy alone are not enough

Barriers exist...

The Business Plan

Strategy



Why BSC?

- Two key issues:
 - Effectively measuring Company's performance
 - Successfully implementing Company's strategy

Cultural Transformation

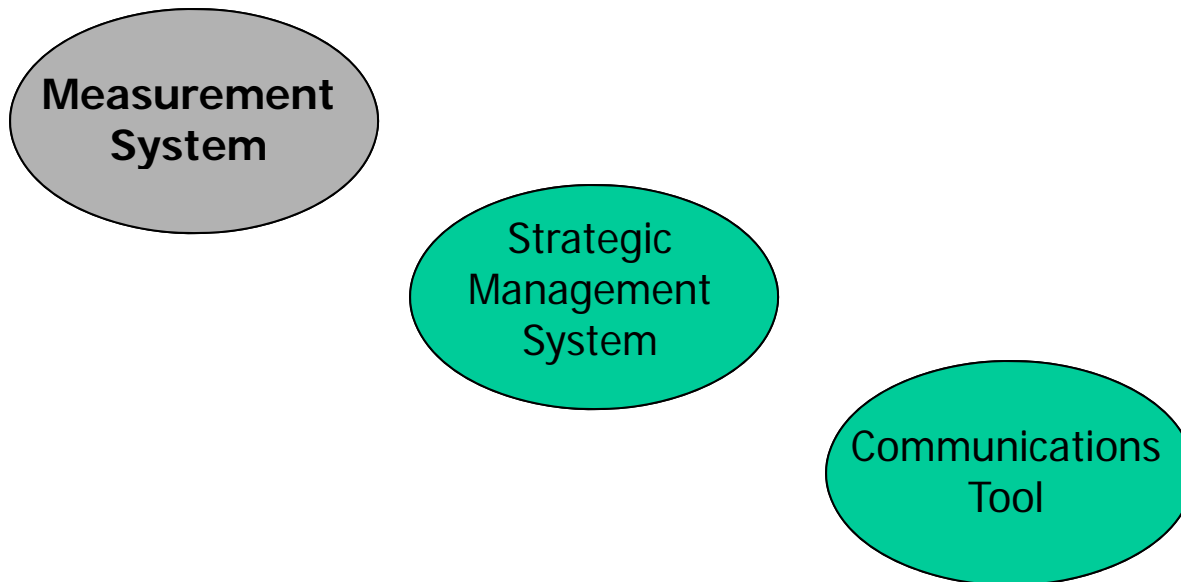
- Accountability
- Pay for performance
- Defined roles and responsibilities
- Shared ownership in results
- Getting personal
- Competitive mindset

The Balanced Scorecard

- Developed in 1990's by Robert Kaplan and David Norton, Harvard Business School
- Adopted by almost 50% of Fortune 1000, widely-used by many firms

Balanced Scorecard - Definition

- Carefully selected set of measures derived from a Company's Strategy

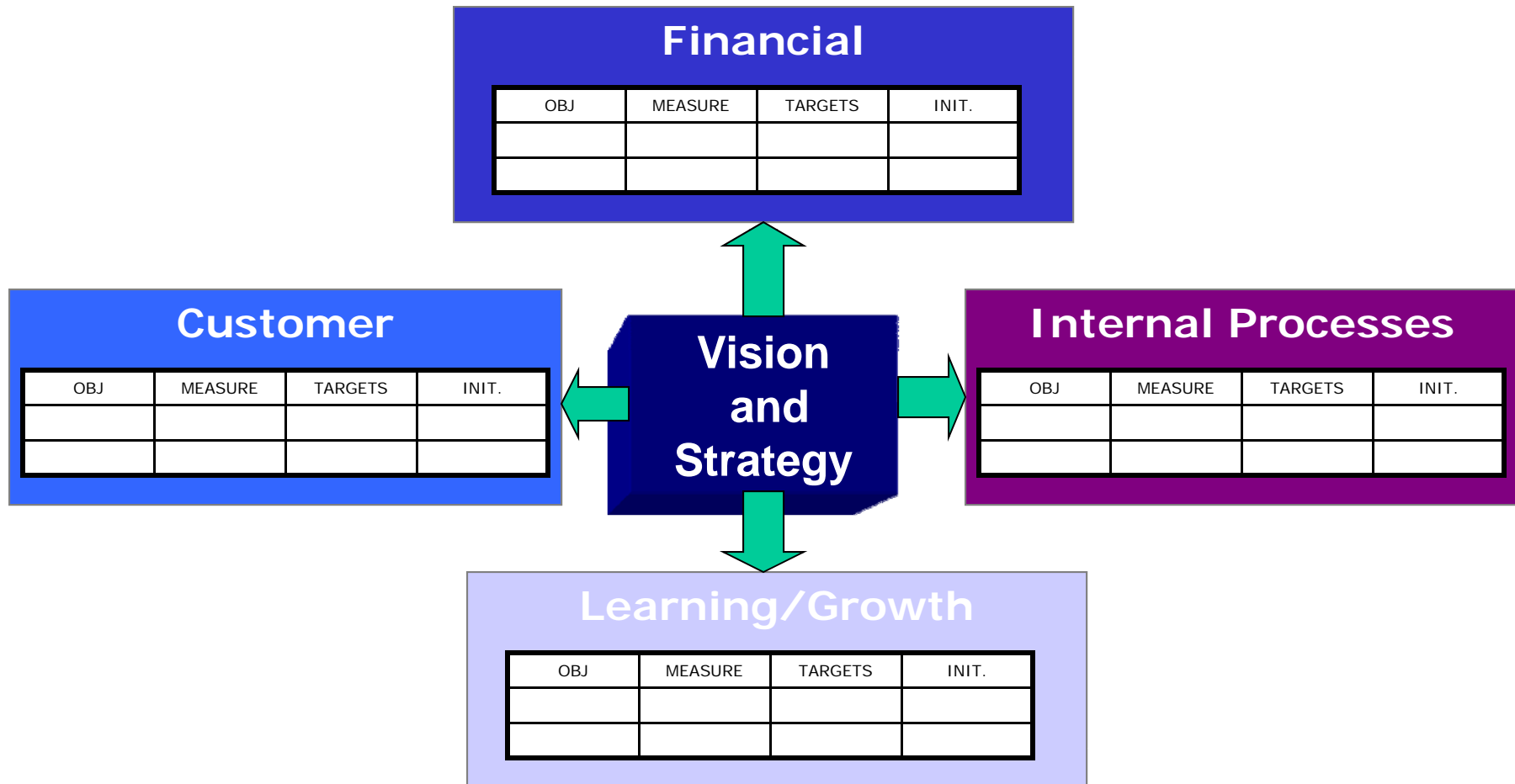


Balanced Scorecard

Measurement System

- Translate Vision & Strategies into Measurable Goals and Objectives
- 4 Perspectives

The Balanced Scorecard



Financial Perspective

- Tells if strategy execution is leading to improved bottom-line results.
- Typical measures are:
 - Profitability
 - Revenue Growth
 - Costs

Customer Perspectives

- Who are our target customers, and what is our value proposition?
- Customer expectations, needs, desires
- Measures used:
 - Customer satisfaction
 - Customer loyalty
 - Market share
 - Customer acquisition

Internal Process Perspectives

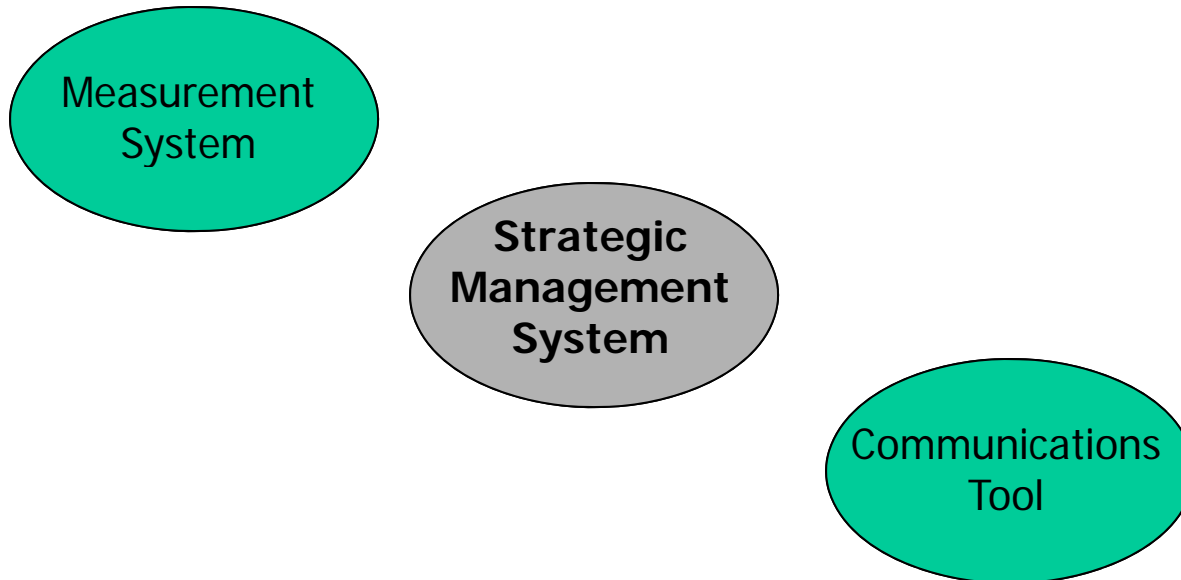
- Your daily business operations
- Product development, provisioning, new installs, maintenance, post sale service, billing
- Helps measure how your company does it's core business support functions

Learning & Growth Perspective

- Foundation for the Balanced Scorecard
- Human resource perspectives
 - Employee Skills
 - Employee Satisfaction
- Training and other resources
- Knowledge sharing across the company

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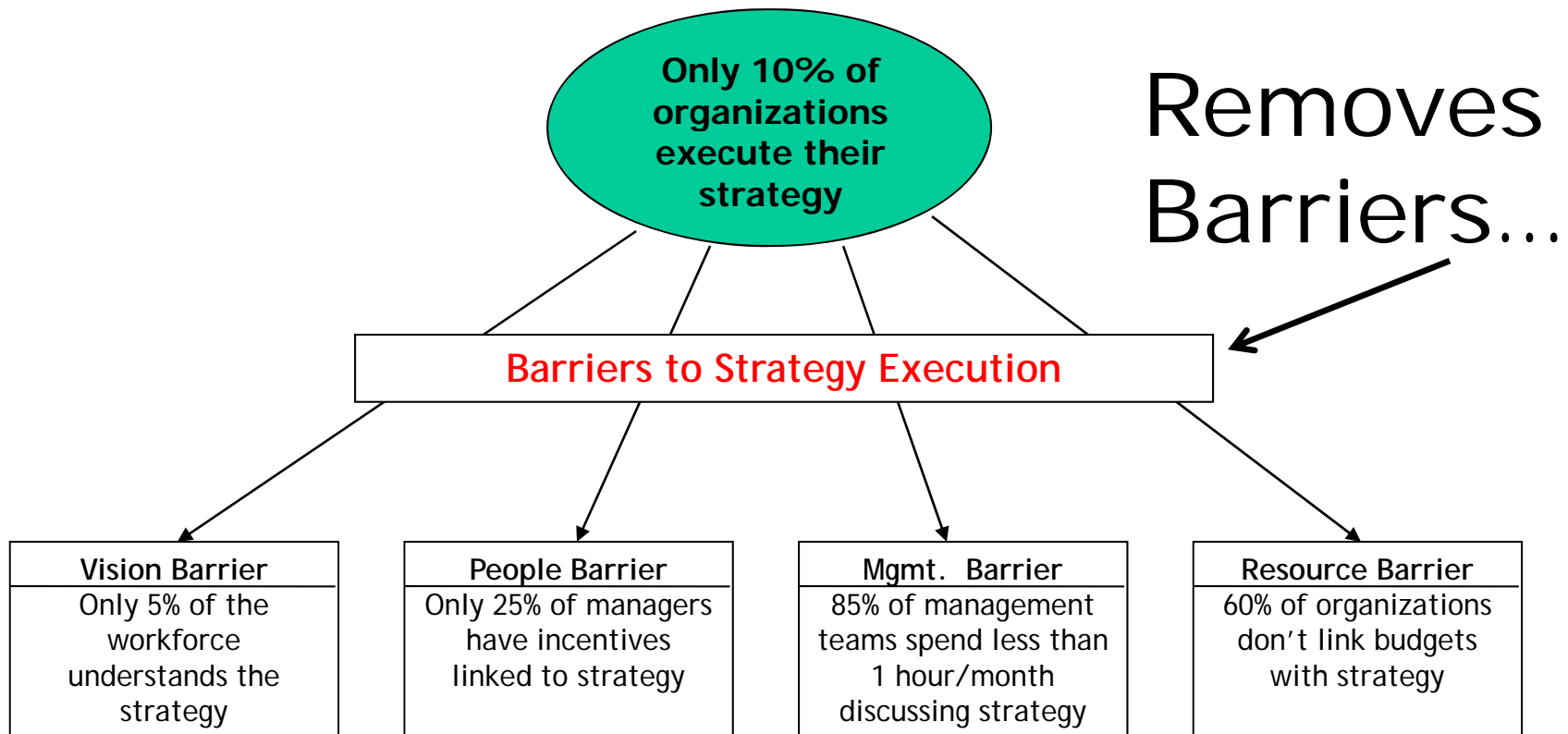
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Strategic Management System

- Evolution from a measurement tool
- Used to align daily actions with a Company's Strategy
- Used as a strategic management system, the scorecard alleviates many barriers to strategy implementation

Balanced Scorecard

Strategy



Balanced Scorecard

1. Overcoming Vision Barrier through Translation of Strategy
 - Translating Company's strategy into objectives, measures, targets and initiatives
 - Quantify vague & nebulous terms
 - Statement that the Company desires to have "Superior Service"...through scorecard development, group determines that 95% on-time installs fits "superior service"

Balanced Scorecard

2. Overcoming the People Barrier – Cascading the Scorecard
 - Give all employees an opportunity to demonstrate how their daily activities contribute to the Company's strategy
 - Opportunity to tie incentives and rewards to specific business unit outcomes

Balanced Scorecard

3. Overcoming the Resource Barrier

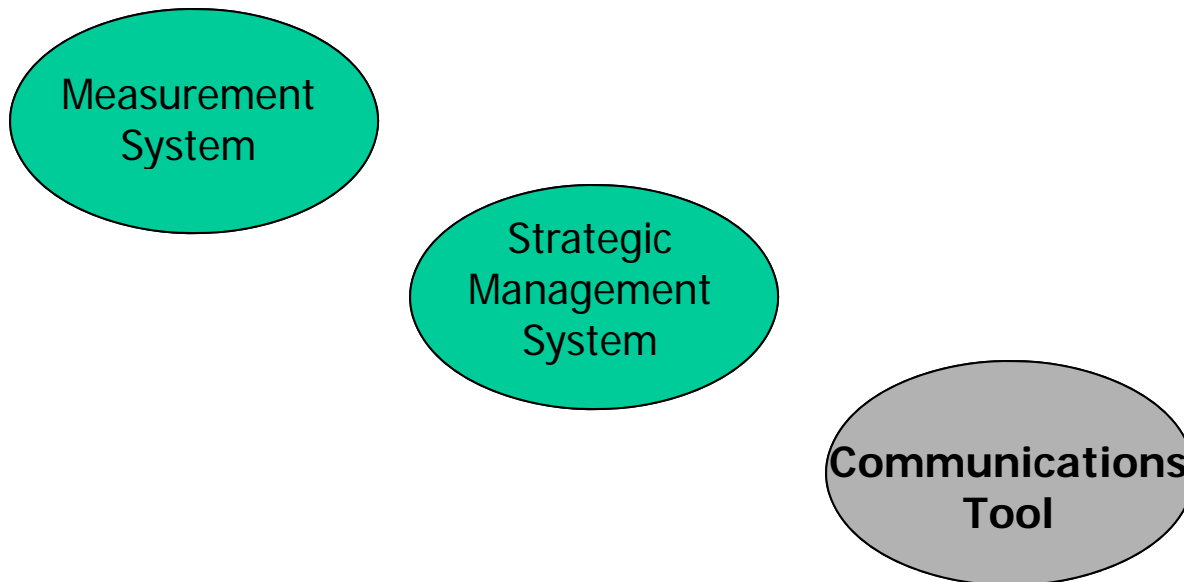
- Tie the budgeting and strategic planning process together
- Human & Financial resources needed to achieve scorecard targets should drive the budget...rather than taking last year's numbers and adding 5%.
- Helps prioritize initiatives

Balanced Scorecard

4. Overcome Management Barrier – Strategic Learning
 - Ensure training is relevant to individual job

Balanced Scorecard - Definition

- Carefully selected set of measures derived from a Company's Strategy



Balanced Scorecard

- Communications Tool
 - A well constructed scorecard describes your Company's strategy and makes vague worlds of vision and strategies come alive through **clear and objective** performance measures”



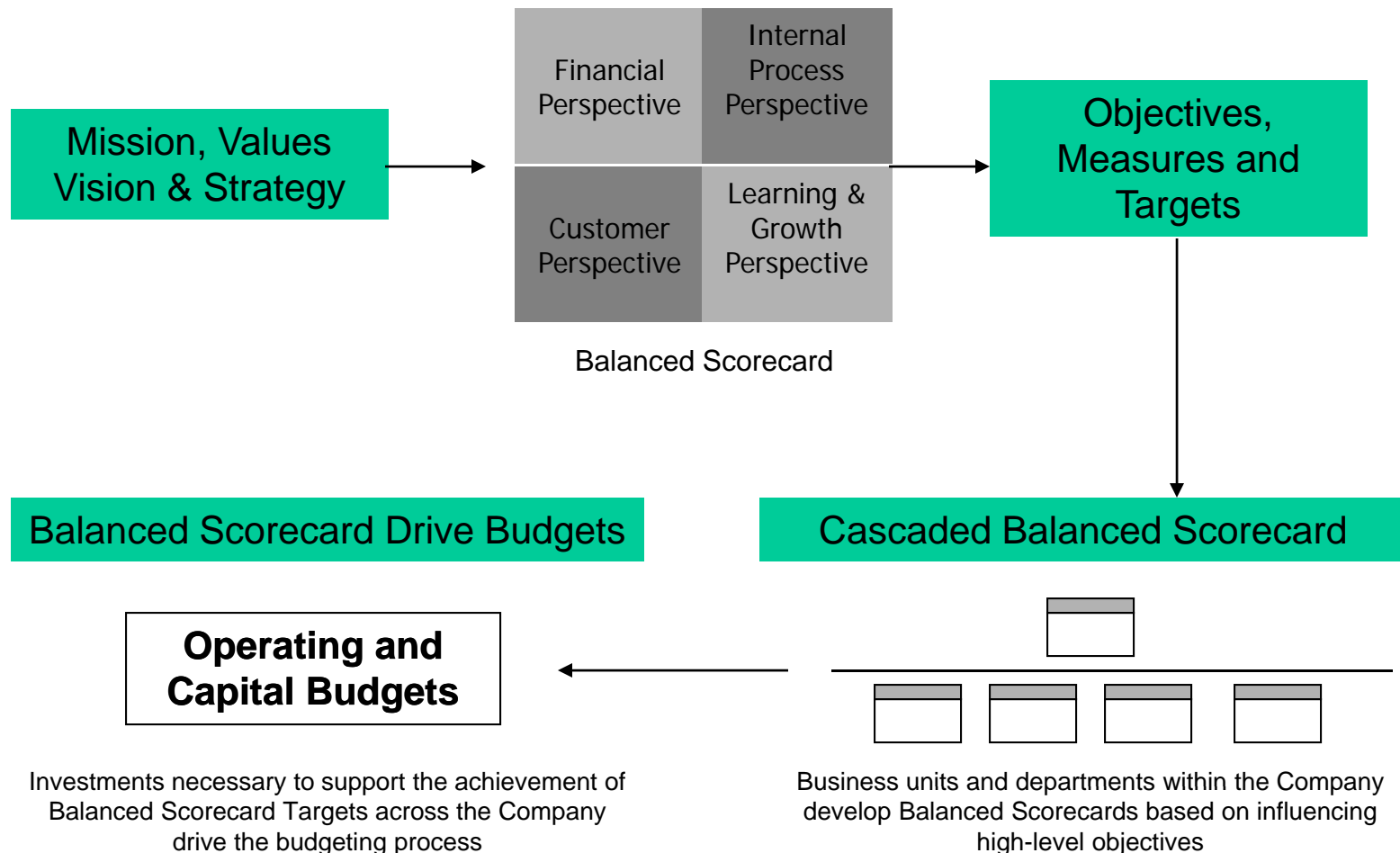
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- More importantly, helps improve employee understanding of the Company's Strategy
 - Sharing of information as a critical communications tool
 - Everyone really starts paying attention when they understand the impact on pay

Aligning Employees- Cascading

- Cascading is developing BSC at each level of your Company...different business units or departments.
- Helps employees at all levels understand Company strategy, and how they can impact results.
- Start at the top. Work down.

BSC in Budgeting



Representative Balanced Scorecard Measures & Compensation

EBITDA

Definition: Earnings Before Interest, Taxes, Depreciation & Amortization

What it is: It's the operating cash flow of the consolidated company

Why we're using it: It's "the bottom line" and a better indicator of financial performance than Net Income. Management has ability to effect result.

LoB EBITDA

Definition: Earnings Before Interest, Taxes, Depreciation & Amortization for each subsidiary line of business

What it is: It's the operating cash flow of CATV, Internet, etc.

Why we're using it: It's a better indicator of financial performance than Net Income. Need ability to track LoB performance

ARPU

Definition: Average Revenue Per User

What it is: It's basically the average monthly bill our customers pay for service.

Why we're using it: One of our goals is to grow customer spending with us by selling more data, features, CATV premiums, etc.

CPGA

Definition: Cost Per Gross Add

What it is: A measure of the sales & marketing costs associated with getting a customer.

Why we're using it: Managing CPGA ensures we're not overspending to get customer revenue annuities. It's a significant expense entirely within management's control.

Capital Project Completion

Definition: Measures timely compliance with annual capital plan.

What it is: A quarterly measure of % completion of projects relative to the project implementation plan.

Why we're using it: It's critical we execute the capital deployment plan as services (and revenues) depend on the infrastructure investments.

Capital Project Expenditures

Definition: Measures conformance to annual capital budget.

What it is: A quarterly measure of dollars spent relative to the project capital budgets.

Why we're using it: Capital investment amounts have a substantial impact on overall company financial results. We need to manage these costs to ensure the viability of the projects they support.

Writeoffs

Definition: Uncollectable amounts billed.

What it is: Lost revenue.

Why we're using it: As a measure of billing accuracy and rational credit policies.

Net Adds

Definition: Monthly sales, net of customer attrition

What it is: The net increase in customers each period

Why we're using it: Because it encapsulates two measures, gross adds and churn

Customer Satisfaction

Definition: Customer Satisfaction Index:
% POSITIVE & % EXCELLENT

What it is: Derived from customer satisfaction surveys. Measures overall % positive and % excellent ratings.

Why we're using it: Because increased satisfaction reduces churn. A critical measure of competitiveness.

Manage to BSC

Definition: Measures compliance in managements conformance to this BSC methodology.

What it is: Developing reports to track KPI results and sharing with the Board

Why we're using it: As a measure of billing accuracy and rational credit policies.

Service Activation Times

Definition: Measure the speed in which various services are activated (eg: Service Orders, Trouble Tickets)

What it is: A measure of company efficiency and the quality of the customer experience.

Why we're using it: Keep wait times to a minimum. Enhance customer satisfaction.

Billing Processing Times

Definition: Amount of time from billing cutoff to mailing.

What it is: A measure of company efficiency in billing

Why we're using it: Timely billing is critical to cash flow.

Network Performance

Definition: Various measures to assess the performance of company networks

What it is: Measures include: wireless dropped calls %, wireless call blocking %, call failures%, internet & CATV network uptime %

Why we're using it: If the network is not performing, customers will churn.

Communication

Definition: Monthly staff meetings to communicate results of BSC KPIs

What it is: Each manager communicates to his/her staff.

Why we're using it: Keep the company informed, allow for feedback and needed adjustments to achieve goals.

Training

Definition: Formal & on the job training:
40 hours/employee/year

What it is: Training relevant to ensure employees have the relevant knowledge to perform their jobs

Why we're using it: We're in a very dynamic industry. It's critical staff is competent.

Compensation

Performance Based Comp.

- Performed a weighted average payroll analysis, by salary & position
- Varying at risk amounts, based on responsibility level, examples:
 - Sr. Management—15% at risk with additional exceptional performance incentive.
 - Managers—12% at risk
 - Staff—10% at risk
 - Plant, Clerical & Engineering—8% at risk

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