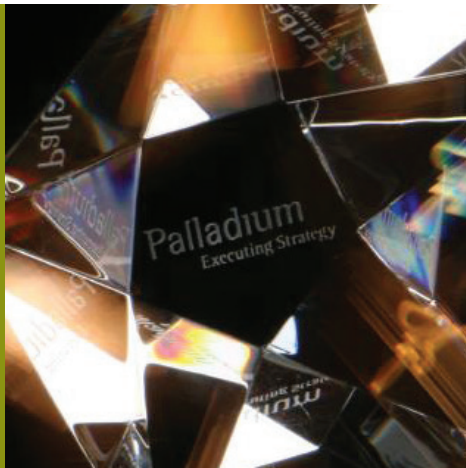


Strategy Execution Champions

*The Palladium Balanced Scorecard
Hall of Fame Report 2014*



**STRATEGY EXECUTION CHAMPIONS:
THE PALLADIUM BALANCED SCORECARD HALL OF FAME REPORT 2014**

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Strategy Execution Champions

The Palladium Balanced Scorecard

Hall of Fame Report 2014

In this tenth annual *Balanced Scorecard Hall of Fame Report*, we pay tribute to the 15 organizations that were inducted into the Palladium Balanced Scorecard Hall of Fame for Executing Strategy® in 2013. This diverse group represents a broad spectrum of industries from the public and private sectors throughout the world. All are exemplars of strategy management discipline, achieved through their application of the Kaplan-Norton approach to strategy execution as embodied in the Palladium Execution Premium Process (XPP). The remarkable execution premiums these winners have achieved attest to the power of disciplined strategy management when it is successfully linked to operations.

INTRODUCTION

Introduction	2
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PROFILES

Abu Dhabi Education Council	6
Abu Dhabi Sewerage Services Company	8
Allianz Italy	10
Arabian Automobiles	12
Bank Hapoalim	14
Canadian Tourism Commission	16
City of Bucheon, South Korea	18
Emirates ID Authority	20
Korea South-East Power Company	22
Powder River Energy Corporation	24
Roads & Transport Authority, Dubai	26
7-Eleven Australia	28
Songpa-Gu	30
City of Tamarac, Florida	32
Turkcell Superonline	34

Palladium Hall of Fame for Executing Strategy®



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Education & Non-Profits

citibank

PERFORMING ARTS CENTER

POWER RIVER ENERGY CORPORATION

ENERGY CORPORATION

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Powder River Energy Corporation



The Powder River Energy Corporation (PRECorp) is a member-owned electric cooperative providing service to over 12,000 customers in Northeast Wyoming. Faced with an unprecedented influx of new business, PRECorp struggled to meet heightened demands. The cooperative used the Balanced Scorecard as the framework for aligning its members, business units, and employees to a single strategy for success. PRECorp was incorporated in 1945 as the Tri-County Electric Association (TCEA), initially providing electric power to residential and agricultural customers. In the 1960s and '70s, the region experienced major growth in energy development, primarily from large open-pit coal mining. TCEA was able to successfully shift its major business from residential to industrial customers. In 1996, TCEA merged with Sheridan-Johnson Rural Electrification Association (REA) to form PRECorp.

Energy Market Booms Create Instability

In 2007, the region experienced a tremendous boom in energy development. This brought new business that drove demand for quick access to large amounts of electrical power in remote, underdeveloped regions. In the past, PRECorp was successful at managing multiple waves of increased service requests. This time, the cooperative's typical pace of operations was challenged to scale rapidly enough to meet the largest increase in demand it had ever experienced. Connections to the grid lagged behind schedule, and internal processes were both insufficient to meet high volume demands and inconsistent across the three different office locations. Employees were not adequately trained and lacked the direction from managers needed to smoothly and successfully deliver energy to new members on time.

PRECorp's leadership realized it needed to do business differently in order to keep up with the changing

market. The boom in demand brought attention to PRECorp's lack of nimble, scalable, and flexible operations to weather unpredictable market cycles, as well as the importance of consistent internal processes across the entire cooperative. In order to get its business back on track, PRECorp needed to align its members, business units, and employees—150 individuals in three offices covering 16,000 square miles—with a single strategy. Although CEO Mike Easley had a variety of tools available to achieve needed alignment, the holistic way in which the Palladium Execution Premium Process™ enables alignment of an organization was a “major epiphany.”

Aligning Membership

To become better aligned with membership needs, PRECorp developed open two-way communication regarding its strategy. The cooperative published a monthly newsletter that outlined various issues facing PRECorp and featured a column by the CEO. Members were invited to contact the CEO directly with questions or concerns regarding PRECorp's strategy, and many did so. PRECorp created monthly sessions where member groups could voice and discuss issues and concerns. Membership “pain points” were translated into performance measures that PRECorp actively tracked and improved, creating a tight connection between its internal processes and positive membership results. The variety of communication channels and frequency of touchpoints with customers allowed PRECorp to stay in rhythm with membership, helping the cooperative maintain a customer satisfaction score that is 3.6% higher than cooperative peers and 11% higher than investor-owned utilities.

Aligning Offices and Business Units

PRECorp wanted to better align its business units with its strategy, but faced several challenges including a lack of sufficient and consistent baseline data, a vast service area, and disparate processes across its business units and offices. Because of these factors, PRECorp set out to define clear, cooperative-wide measures and processes. This undertaking brought together different departments to review and discuss the best ways to conduct and measure various processes, which were then carefully documented and shared with other groups across the cooperative. The exercise provided a foundation for all offices and business units to have a common understanding

of processes and a more effective way to manage performance. It also helped identify the set of strategic measures used as part of PRECorp's Balanced Scorecards. The addition of cooperative-wide strategic targets provided clarity around PRECorp's performance expectations and further enhanced accountability.

To make this new set of measures and targets visible and useful at various levels of the organization, PRECorp developed interactive dashboards with custom views for the executive team, departments, and individual employees. Departments reported results through these dashboards, helping leadership keep close tabs on performance and allowing them to make better strategic decisions. Dashboards also contained interactive charts and graphs, making strategy more accessible and motivating business units and individuals to have greater impact on the strategy.

Aligning People

During PRECorp's growth phase, the pool of employees expanded, creating growing pains in many areas. The "old guard" were entrenched in PRECorp's past successes, while the new employees introduced a changing corporate culture. Meanwhile, transitions away from the cooperative's legacy processes revealed gaps in employee capabilities that delayed the implementation of much needed internal improvements.

The BSC was able to "provide [our team] a means to better understand the benefits we could realize by becoming more strategically aligned," CEO Mike Easley explains. The leadership team tied individual employee goals and personal development plans to PRECorp objectives, and employees could track and review their development progress using personal scorecards. In 2013, an average of five personal goals were set per employee. Performance incentives were linked to both cooperative performance and scores on individual performance reviews.

In 2012, PRECorp set out to refresh its strategy and saw this as an opportunity to better engage employees. Over one-third of PRECorp employees participated in a new round of efforts to improve internal alignment. Teams of employees engaged in scenario planning exercises using key environmental and economic factors to analyze and play out potential future scenarios. Other teams examined PRECorp's core

values from internal, member, and community perspectives. Insights from these teams were presented to the board of directors as input to PRECorp's strategy refresh, creating a strong sense of team ownership of PRECorp's strategy. These efforts have led to measureable improvements in employee motivation and strategic understanding. According to CEO Mike Easley, "when asking an operations journeyman lineman 'what are you working on today,' they respond 'P10, achieving excelling in our core business' and then go on to describe what the core business is defined as within the organization."

Weathering the Boom-Bust Cycles with Strategic Alignment

In 2010, shortly after PRECorp had developed and begun using its strategy map and scorecard, the energy development sector began to experience new major market shifts, such as decreasing production of methane gas and demand for coal, resulting in a decline in demand for PRECorp's services. Challenges lie ahead as declining industrial and commercial demand requires covering infrastructure maintenance costs with a shrinking revenue base. However, PRECorp feels better prepared to tackle this challenge—and others—given the enhanced alignment achieved within the business, with stakeholders, and among employees.

Execution Premium

All results are from 2008 to 2013.

- *Work order closeout process time decreased 93%: from 3 years to 70 days.*
- *Outage duration (SAIDI) decreased 57%: from 200 to 86 minutes.*
- *Construction time frames decreased 69% for residential members and 64% for commercial members.*
- *Employee personal scorecard participation and completion increased from 77% to 90%.*

Future Focus

- *Enhance data collection in order to update the scorecard in real time.*
- *Integrate the strategy map within dashboard software such that strategic measures underlying the strategy map are more easily accessible.*
- *Develop a public-facing BSC that members can use to monitor performance.*

The Palladium Balanced Scorecard Hall of Fame for Executing Strategy®
Class of 2013

Abu Dhabi Education Council

Abu Dhabi Sewerage Services Company

Allianz Italy

Arabian Automobiles

Bank Hapoalim

Canadian Tourism Commission

City of Bucheon, South Korea

Emirates ID Authority

Korea South-East Power Company

Powder River Energy Corporation

Roads & Transport Authority, Dubai

7-Eleven Australia

Songpa-Gu

City of Tamarac, Florida

Turkcell Superonline