

# Four to One: Implementing the Balanced Scorecard after a Merger



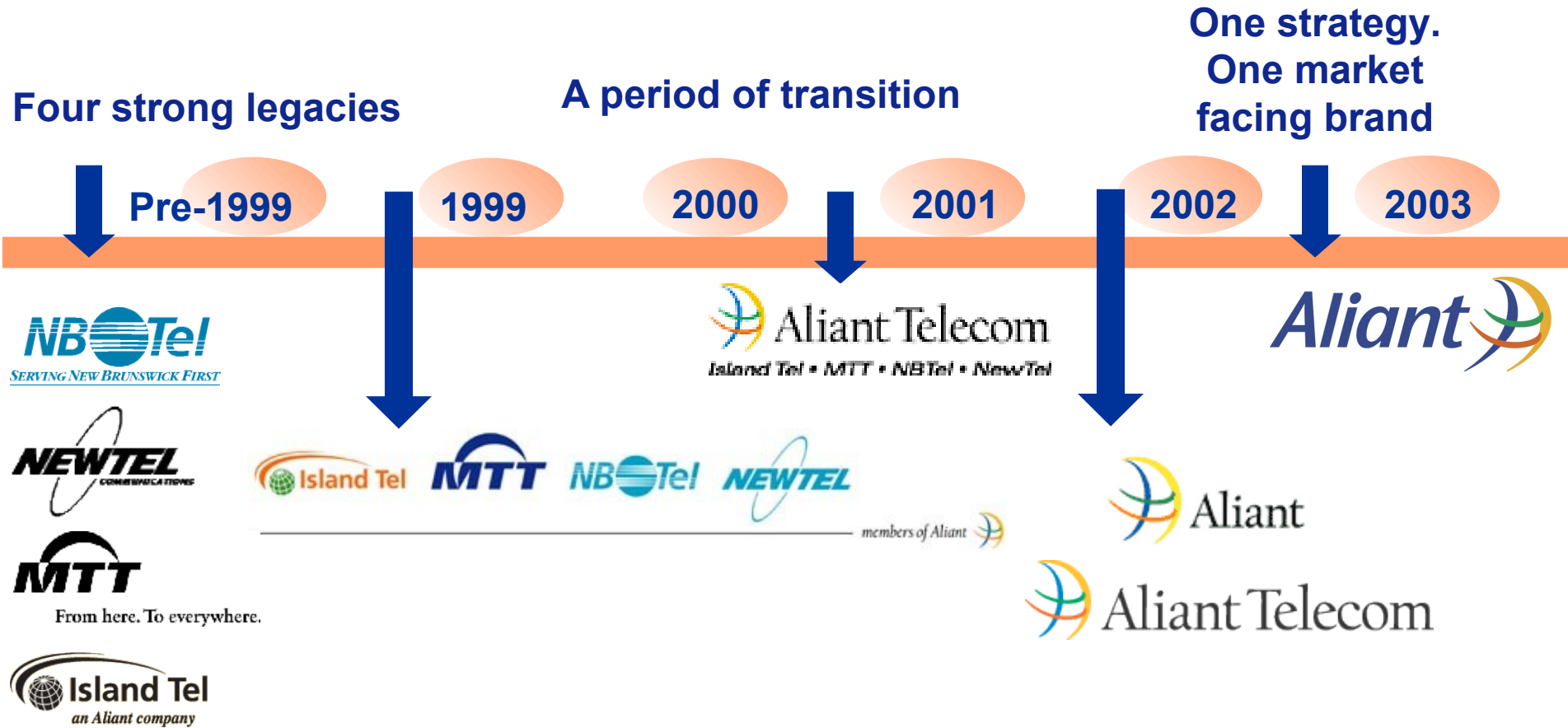
Presented: April 2008

- Managed BSC Program Implementation at one of the first companies to receive the BSC “Hall of Fame” Award
- Presented BSC Best Practices at numerous local and international conferences for both public and non-profit organizations
- Led the successful implementation of a new corporate performance management program (Balanced Scorecard) for a \$2B telecommunications company integrating the BSC into all management processes
- Founding member of Atlantic Canadian Balanced Scorecard Community of Practice
- Formed Dennis Barnhart and Associates in August of 2006 ([www.dennisbarnhart.com](http://www.dennisbarnhart.com))
- Subject Matter Expertise + Practical Implementation Experience





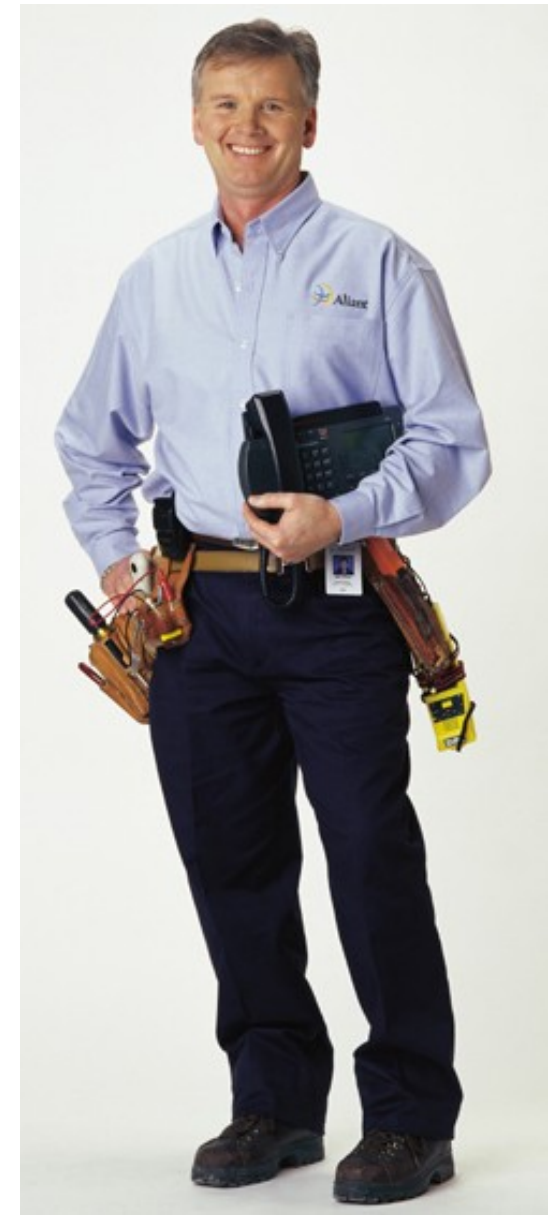
# The Road to Aliant....





## Aliant in 2003

- The leading telecommunications supplier to Atlantic Canadians;
- An innovator of industry-leading telecommunications technologies;
  - 926,000 residential access lines
  - 595,000 business access lines
  - Over 500,000 wireless customers
  - Over 100,000 Broadband (HSI) customers
  - \$~2.5B revenue, 135M Shares
  - xwave IT professional services subsidiary
- 7,000 employees
- 52% owned by Bell Canada
- Federally regulated



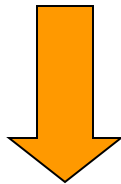
# Strategy Execution Challenges

## Internal

- Merger of 4 Cultures / Strategies
- 11 Collective Agreements
- Functional Silos
- Lack of Accountability
- Competing Priorities
- “Legacy” Infrastructure
- Operational Focus - Lots of metrics

## External

- Deregulation
- Aggressive Local Competitor - 1<sup>st</sup> in NA
- “CLEC Friendly” Regulator
- Customer Expectation / Savvy Increasing
- Emerging Technologies
- New Global Competitors



↓ Traditional revenues (Local / LD)  
↓ EBITDA Margin  
↓ Market Share  
↓ Customer Satisfaction  
↓ Efficiency  
↓ Employee Satisfaction



## Why did Aliant Adopt the BSC in 2002?

- Ensure a cohesive **Focus** amongst the Executive and Senior Leadership Team on Aliant's **New** Strategy
- A signal of the shift to a “new way of doing business”
- **Alignment and Engagement** of all 7,000 employees
- Organizational Readiness
- Communications & **Accountability**
- Resource Allocation
- Test validity and underlying assumptions of strategy
- **CEO Experience** - Proven Success
- Intuitiveness and Practicality

**A unifying management framework**



# Making the BSC Operational - Implementation Planning

## 1. Cascading the Balanced Scorecard

- Enhance organizational alignment and focus
- Enable all employees to understand and articulate their contribution

## 2. Integration of the Balanced Scorecard into Key Management Processes

- Ensure key management processes are aligned with, and contributing to the achievement of Aliant's strategic objectives

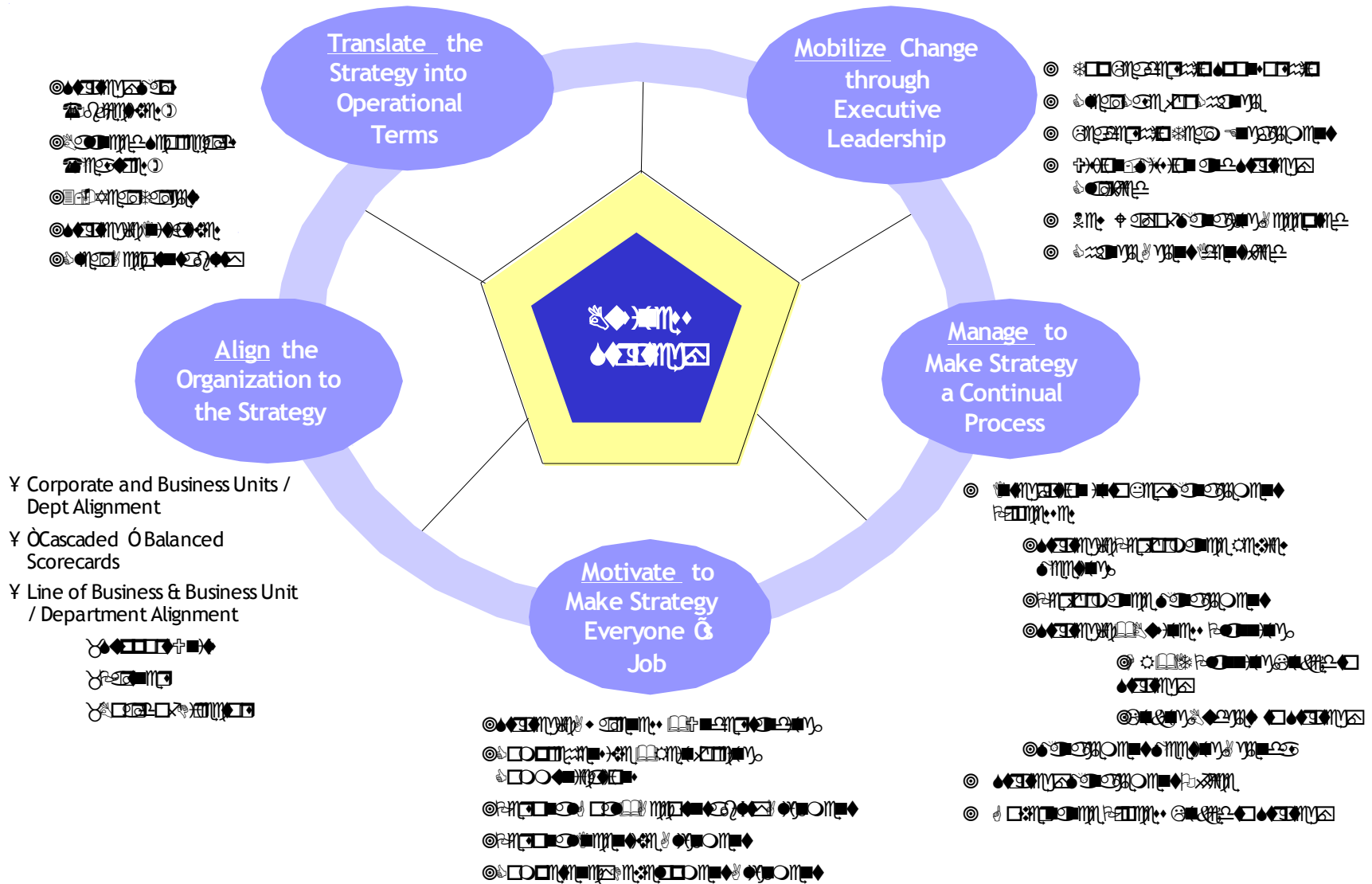
## 3. Communications, Education & Awareness

- Enhance employee awareness of Aliant's Strategic & Business Plan
- Reinforce key messages and communicate consistently
- Deliver audience specific education, training and tools
- Ensure all employees understand the rationale for BSC framework
- Primary vehicle for communicating corporate and business unit strategic and operational performance to all stakeholders

**We recognized that implementation of the BSC was an ongoing process that is never really complete....**



# Our Goal: A Strategy Focused Organization



\*Adapted from material by R. Kaplan & D. Norton

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## Year 1 : 2002 - Introduction and Implementation

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- " Executive & Senior Leadership Engagement & Commitment
- " Implementation Team & Measures Development Team established
- " Strategy Maps, BSC's and Strategic Initiatives developed for Aliant and cascaded to Business Unit & Corporate Support Areas (2 levels deep)
- " 2003 Personal Performance Objectives tied to BSC
- " 2003 Short Term Incentive Plan tied to BSC Results
- " Internal Web-Site established to communicate BSC Performance
- " Performance Reporting Processes established
- " Substantial communications and awareness efforts



# 2002 Aliant Strategy Map - Simple and Inclusive

## Financial

*Increase Shareholder Value*

Grow Aliant Profitably

## Customer

*Everything Begins With The Customer*

Serve Customers on Their Terms With Passion and Integrity to Build Loyalty

Deliver More Customer Value Through New Products and Services

## Internal Process

*Innovate, Collaborate, and Allocate*

Continuously Improve & Simplify End-to-End Customer Experiences by Customer Segment

Allocate all Aliant Resources Effectively

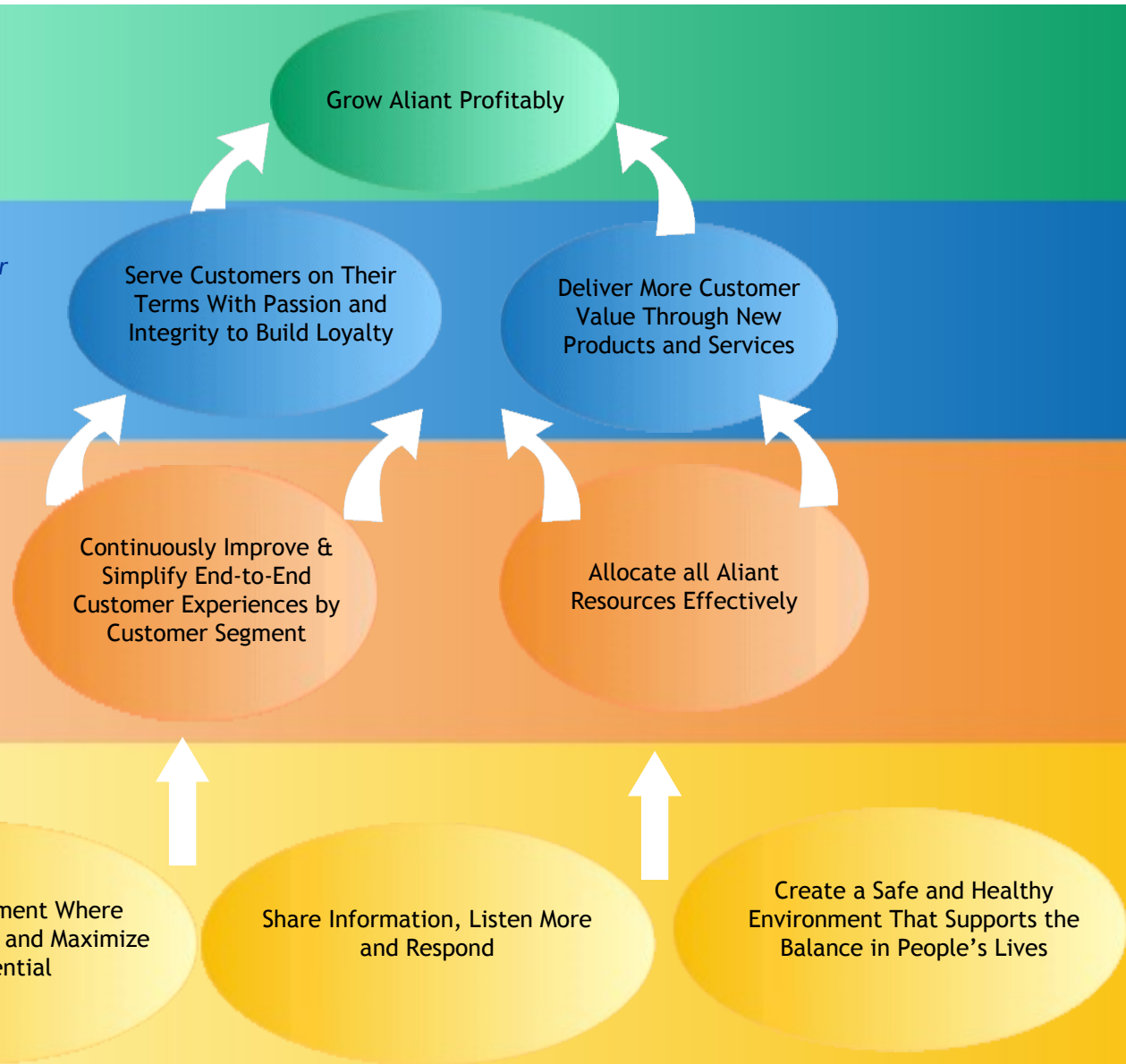
## Employee Learning & Growth

*Create a Workforce that is Informed, Developed, Engaged and Inspired*

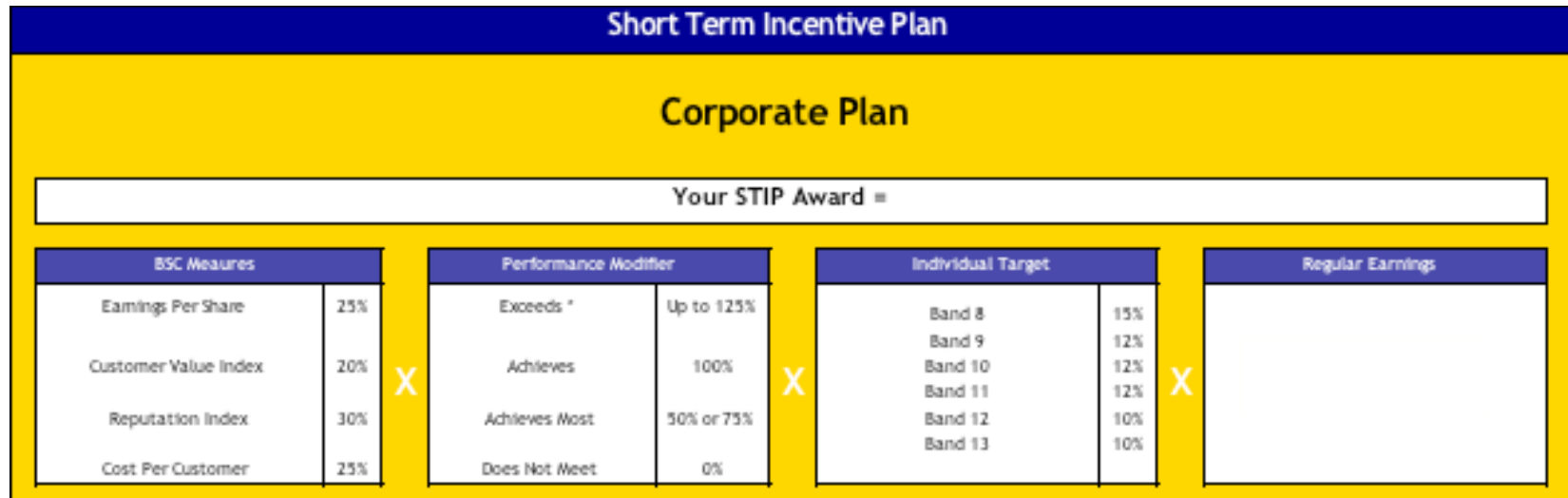
Build an Environment Where People Feel Valued and Maximize Their Potential

Share Information, Listen More and Respond

Create a Safe and Healthy Environment That Supports the Balance in People's Lives



# Aligning Everyone to a Strategy Focused Incentive Plan



Aliant's short term incentive plan was designed to:

- Create a performance culture
- Promote superior corporate performance by focusing employees on key work activities and objectives
- Improve employee productivity and satisfaction by motivating, educating and rewarding them for the achievement of the Balanced Scorecard objectives
- Links to the advancement of business strategy through the Balanced Scorecard



## Balanced Scorecard



Home  
Aliant BSC  
STIP Results  
Resources  
News  
Contact Us

### Welcome

A message from  
Jay Forbes & David Rathbun



### Q4 and Year-end STIP Payout

- Q4 and Year-end STIP Results
- STIP Calculator
- Introducing the Aliant Short Term Incentive Plan (STIP) for 2004

### Tracking our Performance

- January Performance Summary

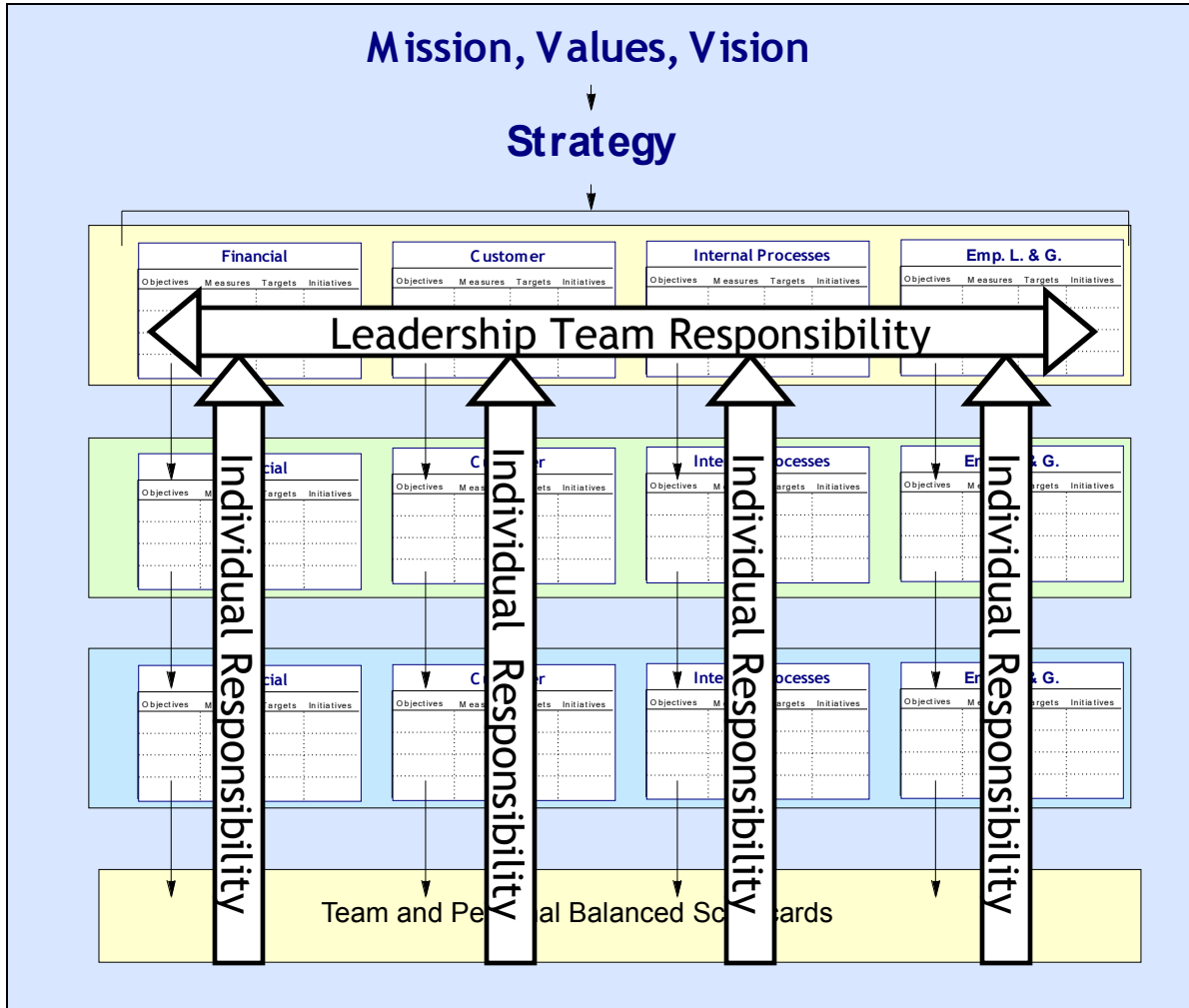
[Click here to access reports](#)

**New!** BSC e-learning module

**ALIANNT CONFIDENTIAL:** This web-site contains highly sensitive financial/performance information that is proprietary and confidential to Aliant and may not be disclosed externally.

# Cascading was a critical part of driving alignment, engagement and accountability deeper into the organization

The single biggest differentiator in BSC success is generating alignment



- Allows everyone to demonstrate how they contribute to overall goals
- Creates a consistent language through measurement
- “What interests my boss fascinates me”
- Ensures each department are focused on, managing, and held accountable for the right things
- Requires “T” Shaped Leaders
- Alignment is Critical

# Our Motto was “Commitment over Compliance”



*From the Boardroom.*

Aliant Strategic Plan



Customer Service Business Plan

Aliant BSC




Customer Service BSC




Regional Service BSC




Regional Service Director NS & PEI BSC




Regional Mgr. HRM Major BSC




*.....to the front line*

Cascading to ensure alignment

In order to align individual performance with overall company strategy, we must cascade the Scorecard throughout the organization.

Each employee / team then understands their contribution to the success of Aliant



## Year 2 : 2003 - Managing with the BSC

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- " First full Year of Implementation - A Year of Learning
- " 2003 Implementation Plan Rolled Out :
  - " Cascading the BSC throughout the organization
  - " Integration into Key Processes
  - " Communications, Education & Awareness
- " Balanced Scorecard is basis for all Monthly and Quarterly Operations Reviews
- " Aliant's Strategic Initiatives primary focus of Executive and Senior Leadership Teams
- " Planning Council Established to support cross Business Unit Collaboration - Implementation support shifts to Planning Council
- " BSC Used to Report and Manage Monthly Performance
- " 112% payout on Short Term Incentive Plan

**One Step at a Time - The aim is "Progression not Perfection"**



# Framework for Strategic Feedback & Learning Process



# Adopted Standard Template for SI Management and Monitoring

January-06

g	<b>Title of the Strategic Initiative</b>	<b>SI# 00</b>			
	Executive Owner:	Initiative Primes:			
	Anticipated Start Date:	Anticipated End Date:			
	Initiative Status : <span style="color: green;">Update the status of the initiative for the current month</span>				
ug	Related BSC Measure: <span style="color: green;">Measure</span>	<b>YTD Target:</b>	<b>YTD Actual:</b>		
uc	Budget Status: <span style="color: green;">Give status on original budget plan</span>				
uc	<b>Milestone One</b>	Deliverable One	Sep-06	Completed	bl
		Deliverable Two	Sep-06	Will not Complete or Cancelled	r
		Deliverable Three	Sep-06	On track	g
		Deliverable Four	Sep-06	In Jeopardy/Delayed	y
	<b>Milestone Status:</b>	<span style="color: green;">Measure of Success (YTD):</span>	<b>Target:</b>	<b>Actual:</b>	g
		<span style="color: green;">Overall status of the milestone</span>			
uc	<b>Milestone Two</b>	Deliverable One	Sep-06	Completed	bl
		Deliverable Two	Sep-06	Will not Complete or Cancelled	r
		Deliverable Three	Sep-06	On track	g
		Deliverable Four	Sep-06	In Jeopardy/Delayed	y
	<b>Milestone Status:</b>	<span style="color: green;">Measure of Success (YTD):</span>	<b>Target:</b>	<b>Actual:</b>	g
		<span style="color: green;">Overall status of the milestone</span>			
g	<b>Milestone Three</b>	Deliverable One	Sep-06	Completed	bl
		Deliverable Two	Sep-06	Will not Complete or Cancelled	r
		Deliverable Three	Sep-06	On track	g
		Deliverable Four	Sep-06	In Jeopardy/Delayed	v
	<b>Milestone Status:</b>	<span style="color: green;">Measure of Success (YTD):</span>	<b>Target:</b>	<b>Actual:</b>	g
		<span style="color: green;">Overall status of the milestone</span>			
	Upcoming Major/Significant Milestones :	<span style="color: green;">Explain any near term milestones (next month) that will be occurring and whether they are on track</span>			

# 2003 - Significant Improvement and strong momentum

Strategic Theme	Objective	Measure of Success	Full Year Target	YTD Target	YTD Actual	Performance Indicator
Increase Shareholder Value	Grow Aliant Profitably	Earnings per Share	\$1.73	\$1.73	\$1.68	⬇️
		Relative Total Shareholder Return	2nd Quartile (1-11 of 21)	2nd Quartile (1-11 of 21)	27.2% (4 of 21)	✓
Everything Begins With the Customer	Serve customers on their terms with passion and integrity to build loyalty	Aliant Reputation Index	75.0%	75.0%	78.0%	✓
		Aliant Customer Value Score	81.9%	81.9%	83.1%	✓
	Deliver more customer value through new products and services	Revenue from New Products & Services (millions) <small>NEW MEASURE</small>	\$11.7	\$11.7	\$9.3	New Measure
Innovate, Collaborate, and Allocate	Continuously improve and simplify end-to-end customer experiences by customer segment	Easy to do Business With CVM Measure	87.5%	87.5%	89.9%	✓
		Customer Quality Composite (Aliant Operations only)	87.7%	87.7%	87.2%	⬇️
	Allocate Aliant resources effectively	Cost per Customer	\$396.00	\$396.00	\$398.19	⬇️
		Percent Capital Economically Justified	80%	80%	84.6%	✓
Create a Workforce that is Informed, Developed, Engaged and Inspired	Build an Environment where People Feel Valued and Maximize their Potential	Employee Value Index (EVI)	61.0%	N/AP	65.6%	✓
	Share information, listen more and respond	Sharing Information Component of Employee Value Survey	56.0%	N/AP	61.5%	✓
	Create a safe and healthy environment that supports balance in people's lives	Safety Incidents / 100 employees	3.96	3.96	3.66	✓
		Incidence of Absence	TBD	N/AP	7.8%	?
		Work-Life Balance Score on Employee Value Survey	51.0%	N/AP	56.0%	✓

- Net Income improved by 28.5%
- EPS improved by 32.4%
- Industry leading wireless growth - 18% revenue growth and 10% increase in customer base
- Expanded our high speed coverage to reach 65% of Atlantic Canadian homes
- Announced the investment of over \$40M over 5 years on IP telephony and multimedia services
- Achieved an annual TSR of 27.2%, ranking 4th of 21 industry peers.
- Achieved a world class score of 78% on our Reputation Index
- Significantly exceeded our Customer Value and Quality Targets,
- Achieved a 8.6% improvement on Employee Satisfaction
- Achieved a world-class safety result



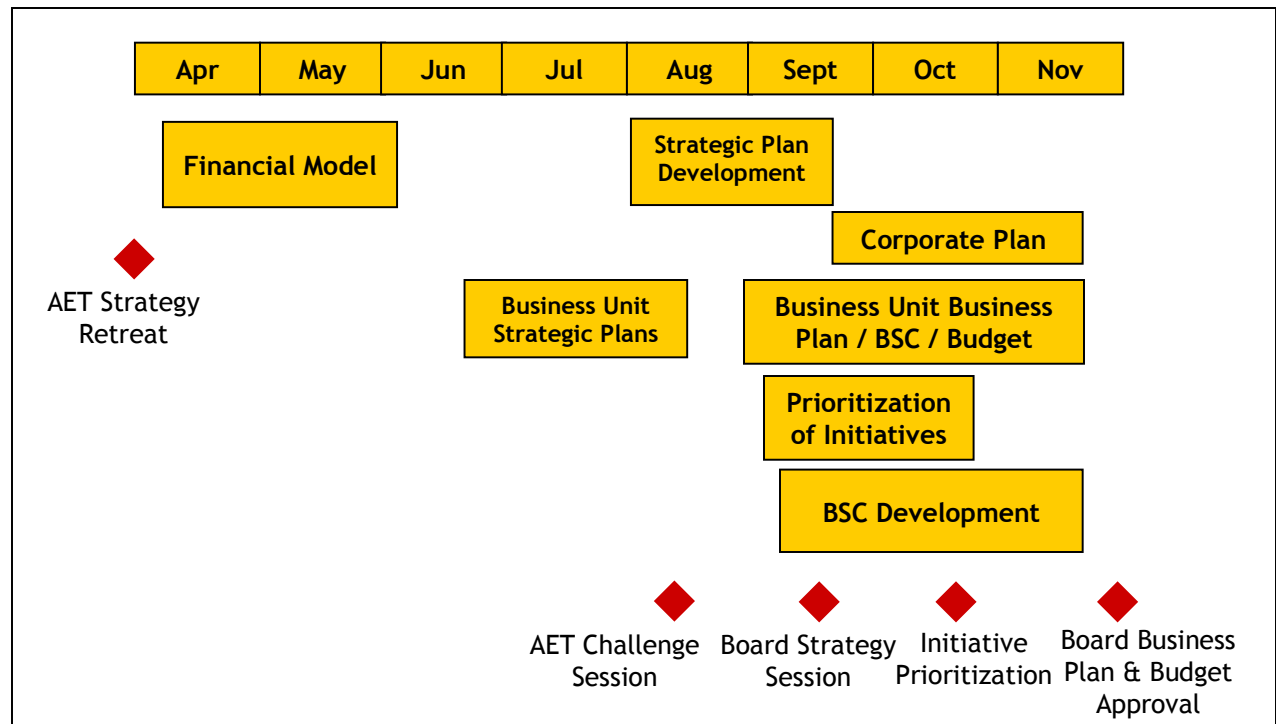
## Year 3 : 2004 - Work Stoppage

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- " Significant momentum coming into 2004
- " External review of BSC Implementation in Q1 results in “Best Practice” ranking for BSC Implementation
- " 5 month strike begins in April. All management employees deployed to operations roles
- " BSC (and all non critical) reporting suspended during work stoppage.
- " Annual planning process reduced to <12 weeks
  - " BSC Objectives and Measures revised to reflect refinements to Strategy
  - " BSC 5 year targets reset
  - " 7 Strategic Initiatives identified and defined
  - " Alignment summary revealed improved BU objectives alignment

# Year 4 : 2005 - Refocus and Re-engagement

- " BSC is critical in quickly refocusing and looking forward with focus on Growth & Transformation
- " Communications Plan and Manager Tool-Kits and Education Rolled Out
- " Planning Process Review - What did we learn through compressed timeline





# 2005 BSC reflects strategic shift to focus on 3 customer segments

## Financial

*Increase Shareholder Value*

Grow Aliant Profitably

Growth

Transformation

## Customer

*Serve Customers on Their Terms With Passion and Integrity to Build Loyalty*

Own the Broadband Home to Capture New Growth, & Maximize the Bundle

Become the Trusted ICT Provider to the SMB Market with Integrated Solutions Driven Through Enhanced Channels

Serve the Enterprise Market in Key ICT Verticals by Innovating With our Customers and Outperforming Competitors

## Internal Process

*Innovate, Collaborate, and Allocate*

Improve & Simplify End-to-End Customer Experiences

Embrace the IP Transformation and Create a Next Generation Cost Structure

## Employee Learning & Growth

*Create a Workforce that is Informed, Developed, Engaged and Inspired*

Foster a Safe and Healthy Environment Where Employees are Engaged and Feel Valued

Advance the Skills, Knowledge & Potential of our Employees



- Aliant swaps assets with Bell Canada and becomes an Income Trust - renamed to Bell Aliant Regional Communications - doubles customer base and footprint and focuses on rural footprint across 6 provinces
- CEO leaves - former CEO returns from Bell Canada
- Director of Corporate Performance leaves - replacement recruited
- New strategy developed and OSM retained
- BSC still a key part of management processes - has become “how we manage our business” - ingrained in key processes
- BSC being rolled out to Quebec and Ontario regions



## Benefits of Using the BSC at Aliant

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- Focus on a single strategy by all employees - from CEO to front line employees through 150+ cascaded scorecards
- Clear Path to the Future
- Enhanced cross BU alignment and cooperation - including support units - top down and bottom up
- A consistent language of success and management approach
- Culture of accountability & results
- Alignment of key management processes to strategy
- Strategic Agility
- Awareness and Understanding
- Business RESULTS.....

# Aliant's "Final" BSC Reflects Strength of Business and Framework



## ALiant BALANCED SCORECARD SUMMARY

Report for: June 2006

Strategic Theme	Objective	Measure of Success	YTD Target	YTD Actual	
Increase Shareholder Value	Grow Aliant Profitably	Earnings per Share - Consolidated	\$0.67	\$0.70	Green
		Return on Invested Capital	10.8%	10.9%	Green
		Gross Profit (\$M) (excludes acquisitions)	\$921.7	\$916.7	Yellow
Everything Begins With the Customer		Aliant Reputation Index	76.8	77.6	Green
		Wireless Customer Growth (%)	11.4%	13.6%	Green
		Aliant Customer Value Index	80.6%	81.4%	Green
	Own the broadband home to capture new growth, & maximize the bundle	Growth of Households on a Digital Bundle (%) (Forborne Value Package)	7.2%	18.4%	Green
	Become the trusted ICT provider to the SMB market with integrated solutions driven through enhanced channels	SMB Gross Profit Growth	3.1%	1.7%	Yellow
Serve the enterprise market in key ICT verticals by innovating with our customers & outperforming competitors	Number of Enterprise Customers Purchasing Significant Communications and IT Solutions from Aliant (80/20 split or minimum \$100K each)	26	28	Green	
Innovate, Collaborate, and Allocate	Improve and Simplify End-to-End Customer Experiences	Simplicity (Easy to do Business With) - Relational (Top 3 Boxes)	67.8%	68.2%	Green
		Aliant Customer Service Quality Composite	81.8%	81.9%	Green
	Embrace the IP Transformation and Create a Next Generation Cost Structure	IP Utilization - % of Core Traffic on IP Backbone	18.0%	17.5%	Yellow
		Cost per Customer	\$278.46	\$270.48	Green
Create a Workforce that is Informed, Developed, Engaged and Inspired	Foster a Safe and Healthy Environment Where Employees are Engaged and Feel Valued	Employee Value Index	60.0%	62.2%	Green
		Safety Incidents / 100 employees (Telecom)	1.51	1.50	Green
	Advance the Skills, Knowledge & Potential of our Employees	% of Employee's with a Documented Development Goal	60%	66%	Green



# Key Factors for Successful Implementation

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- " **Gain Commitment from the Top**
  - " *Secure a visible and vocal Executive Advocate*
  - " *Resource Commitment*
  
- " **Assemble A “Top Notch” Project Team**
  - " *Cross-functional representation a must*
  - " *Influence and Authority is critical*
  
- " **Carefully Consider Your Options and “Maturity” when considering a reporting solution**
  - " *It’s about the strategy, not the technology*



# Key Factors for Successful Implementation

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- " **Follow an Incremental Development Approach**
  - " *Develop a plan which identifies all “influence points”*
  - " *One Step at a Time*
  - " *“The aim is Progression, not Perfection”*
  
- " **Ingrain The BSC in The Organization By Linking to Key Business Processes**
  - " *Personal Goal Alignment*
  - " *Performance Incentive Program*
  - " *Strategic, Business Planning & Budgeting (Resource Allocation) Processes*
  - " *Performance Management & Reporting Process*
  - " *Monthly & Quarterly Agendas*
  
- " **Provide Continuous Promotion, Education, and Training**
  - " *Education and reinforcement is critical*
  - " *Acknowledge from the outset that implementation is never complete, and that your foothold is fragile*



## Key Factors for Successful Implementation

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- " **Expect, and encourage evolution to sustain relevance and to build credibility**
  - " *80/20 Rule*
  - " *Changes in performance measures*
  - " *Business Unit / Department Acceptance*
  - " *Changes in business and strategic direction (Agility)*
  - " *Modifications to targets*
  - " *Build in governance process*
  
- " **Years of design for “ultimate measure” will lead to failure**
  - " *“A fast 80% solution is better than a slow 100% solution”*
  - " *All information may not be immediately available for all measures*
  
- " **Be Patient**
  - " *Recognize the BSC as a Cultural Change Process*

## " KEEP IT SIMPLE

" *Complexity is your enemy*

" *Align the framework with your business - One Size Does Not Fit All*

" *Celebrate Successes - Seek Quick Wins*

" *Communicate Frequently and Consistently*

***Just Do It!***