

Crown Castle International's Corporate Performance Management System

Editor's Note: This article is based on a recent presentation by Bob Paladino, former senior vice president of global performance at Crown Castle International (CCI), at APQC's 2004 performance excellence conference.

Drawing upon his experience in implementing Six Sigma, balanced scorecards, activity-based management approaches, and process improvement disciplines, Bob Paladino played a critical role in directing Crown Castle International's global performance improvement programs to drive its operational excellence strategy.

CCI is among the largest cellular tower companies in the world, owning and operating 10,000 wireless communications sites in the United States and another 1,500 in Australia. It is a supplier to the wireless service providers (WSP) such as Verizon Wireless, Cingular, and Sprint.

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In his keynote presentation at APQC's recent performance excellence conference, Paladino described the tools and mechanisms CCI uses in its integrated performance management system. Focusing on improved business models by integrating and linking the BSC methodology, Six Sigma, and KM, CCI continuously improves its customer facing operations.

Knowledge Management

The WSP customer loss rate, or churn, per month for all cellular companies is approximately 2 percent, which translates into an annual customer loss rate of 24 percent. As a supplier to the WSPs in this environment, Paladino said, it is always necessary to continuously improve CCI's customer facing processes.

To implement its operational excellence strategy, CCI turned to the BSC based on Drs. Kaplan and Norton's Balanced Scorecard methodology to clarify the company's vision and to help it translate its vision into action through performance measures. The CEO established a new function, Global Performance, and brought in Senior Vice President Bob Paladino to implement the BSC. To understand the integration of the foregoing methods, consider the following scenario: A manager reviews their BSC results at least monthly--some as often as weekly--to gauge their results. If the manager detects an under-performing result or a negative actual trend or variance (a red or yellow color coded result) against a preset measure target, then the manager would consider launching a Six Sigma project to identify and reduce the defects blocking achievement of desired performance.

Simplifying and evolving BSC objectives, measures, and targets to reflect changing customer and market needs is a key benefit of the BSC program. In 2001, for example, one site inspection measure had 80 data points in its definition. This scope made inspecting and managing site data for internal and customer use challenging. After further examination of this scope and with customer input, CCI modified and reduced the definition to contain 20 high priority data points, a far more manageable scope.

Today, CCI can claim accuracy of site data in its systems of over 95 percent on those 20 data points. "It's become a very efficient way to focus our resources," Paladino said.



Standards in Action

CCI was able to use its BSC scorecard and Six Sigma operating team to reduce its cycle time for setting up new antennas for customers. In 2004, it took 70% less cycle time than two years ago to achieve application to on-air for its wireless customers. "CCI employees deserve the credit for dramatic improvements in performance," says Paladino. Using a BSC benchmark report, CCI identified a district that reduced cycle even further.

The Global Performance team visited this "best in class" district office and documented best practices or gems for reuse in the KM system. What was this office doing to achieve such results? CCI shared the knowledge it gained from this best performer with the rest of the organization (Figure 1). The company then looked at its other top performers in the same way by tapping the best practices and promoting them across other district offices.

The Balanced Scorecard Performance Management Program Best Practices

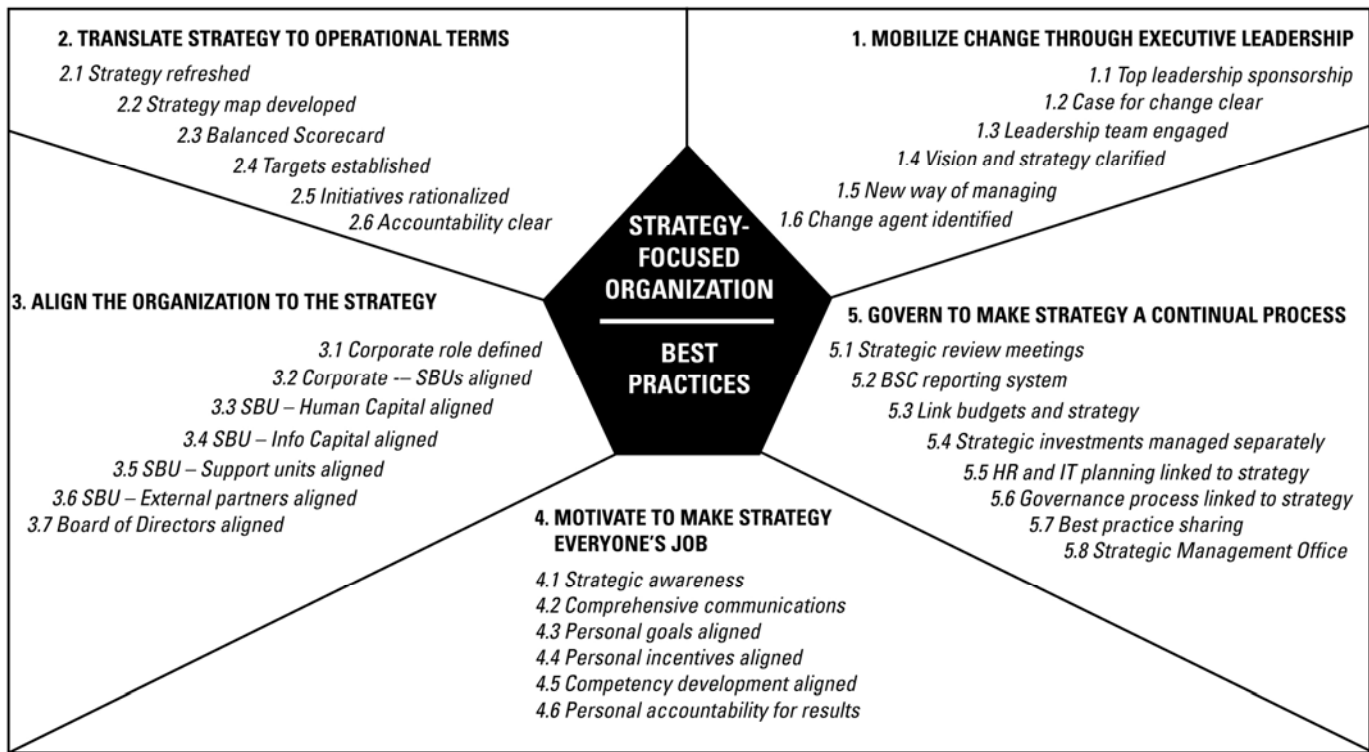


Figure 1

Paladino estimates that it took more than three years to implement the 25-30 BSC best practices as outlined by Drs. Kaplan & Norton, BSC founders. "To make it real, it takes two to four business cycles," Paladino said.

All the work was worth it, Paladino said. "Having a scorecard triggers events. For us, the triggering event was the lengthy time cycle," he said. "Now we're to the point where our customers have a lot more confidence in our ability to execute our operational strategy. So guess what's happening? We're getting a lot more business."

Engaging the Field

CCI engages its field staff employees to gain their perspectives and input on standards and best practices. The company established a measures steering committee, a sort of council, which has members from the corporate and field levels to meet and improve the quality of CCI's measures and to ensure their efficient adoption.

In addition, CCI's 35 district offices are forecasted and set scorecard targets for all 25 measures. What is the value of local target setting? "A district manager, knowing that one carrier will deploy in the spring and another will deploy in the summer, can start to play with the targets and sculpt his office's moves based on its particular business needs," said Paladino. "If that manager has to inspect every tower once a year, forecasting the scorecard and setting targets allows him to front-load, back-load, or even straight-line the inspection targets and activities. This is a very flexible framework that allows for local ownership and control."

This example reflects the shift from a corporate-driven mindset to a more local, field-driven approach. "By virtue of ceding that control, our results have gone through the roof," said Paladino.

Employee Expectations and Performance

CCI has even applied the scorecard to employee evaluations. Through a job-success profile given to each new hire, CCI employees know what the company expects and can compare their performances to the company's scorecard. "If I'm an operations technician out in the field and I'm setting my objectives for the next year, I can pick off the scorecard measures that I'm going to use to drive my role," Paladino said.

To recognize employees that heed the scorecard and strive to improve their performance, CCI has created a rewards program. Rewards for top performers range from additional days off to dinner with the CEO. The system is open, so all offices are aware of the performances of their peers.

"We came up with a gold, silver, and bronze theme," said Paladino. "People want to know who's gold this month and what they have to do to be gold next month. It's become very collegial and an interesting way to communicate about performance."

Not All Projects Are Six Sigma

Six Sigma is a valuable process, but CCI International has found that it cannot be applied to everything. "Not every problem needs a hammer," said Paladino. "We try to get people to think about problem resolution in different ways."

To help managers and Six Sigma practitioners determine when and where Six Sigma is appropriate, CCI has developed the matrix in Figure 2.

Conclusion

Though it is a difficult methodology to embed within a company's structure, the balanced scorecard approach, coupled with the considerate use of Six Sigma standards, is a remarkable system. By focusing on what is important and

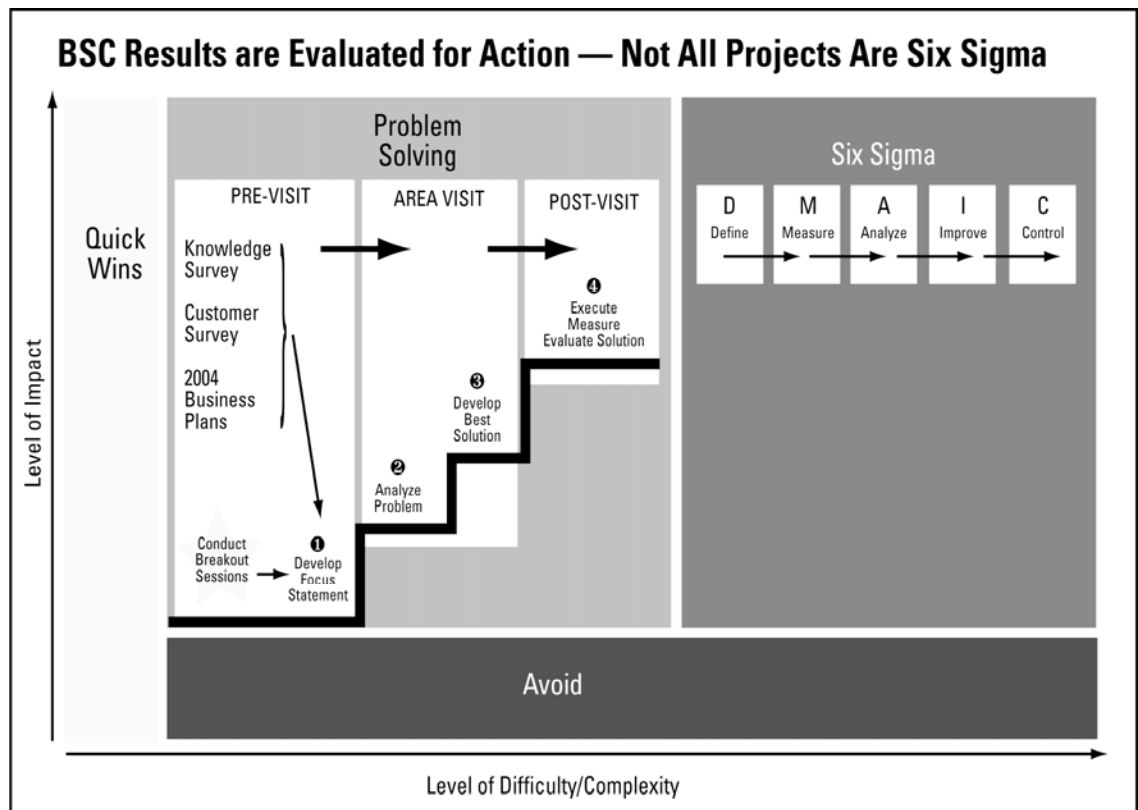


Figure 2

what works and by sharing findings among offices, rewarding employees, and knowing what deserves Six Sigma attention, managers can continually and quickly improve and optimize their operations.

Since these methods have moved from the "initiative" phase to the "managed process" phase, Paladino has turned them over to new business owners in the company. Paladino has formed a new enterprise to repeat his award winning performance for motivated companies.

Robert E. Paladino's organization, Bob Paladino & Associates, LLC focuses on implementation of CPM programs to drive financial, customer, operational, and people results. His experience includes developing hundreds of balanced scorecards. Three of his clients have won Hall of Fame Awards from Drs. Kaplan and Norton. Hall of Fame winners have been profiled in both of their recent best-selling books, as well as in Harvard Business School Press. Paladino has a dual MBA in finance and management from the Wharton Graduate School of Business from the University of Pennsylvania. He holds a BA degree in accounting, cum laude, from the University of Massachusetts. He served at the Vice President & Global Consulting Practice Leader for Drs. Kaplan & Norton at the Balanced Scorecard Collaborative. He is also an active speaker and is quoted and published in leading publications. He can be contacted at bobpaladino@paladinoassociates.com or by phone at 978-857-6766.



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