Office of Strategy Management:
A Program of Executive Education & Organization Development

OSM Case Example—
Crown Castle International
Bob Paladino, former SVP Global Performance
Bob Paladino is a long time thought leader and practitioner in the Corporate Performance Management (CPM) field. Bob Paladino & Associates, LLC provides CPM “implementation” consulting services not theory to global companies.

Three of his clients have won globally recognized Balanced Scorecard 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 Review, Forbes and Fortune magazines.

He is a contributor to the North American and European consortia study projects with leading global enterprises and Drs. Kaplan & Norton to define a critical emerging function, the “Office of Strategic Management” (OSM).

Former Senior Vice President of Global Performance reported to the CEO of Crown Castle and played a critical role in directing Crown Castle's global CPM programs to drive its Operational Excellence strategy. He led programs to win Kaplan & Norton’s coveted Balanced Scorecard Hall of Fame Award and APQC’s Best Practice Award.

He served as the Vice President & Global Consulting Practice Leader for Drs. Kaplan & Norton at the Balanced Scorecard Collaborative in affiliation with Harvard Business School.

Mr. Paladino has a dual MBA in Finance and Management for the Wharton Graduate School of Business at the University of Pennsylvania. He holds a BA degree in Accounting Cum Laude from the University of Massachusetts. He completed Executive Education at Harvard Business School and Massachusetts Institute of Technology. He draws upon proven experience implementing the Balanced Scorecard, Knowledge Management, Motorola Six Sigma, Activity Based Management programs to drive financial, customer, and operations results.

He is a Certified Public Accountant and is a member of the AICPA and MSCPA. He is quoted and published in leading journals and is an active speaker at industry and trade events.

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bobpaladino@paladinoassociates.com
Website paladinoassociates.com
Agenda

> Who is Crown Castle International?
> Why do 9 out of 10 Companies Fail to Implement Their Strategies?
> How did Crown Successfully Implement the BSC?
> CCI Global Office of Strategic Management (OSM)
> Q&A
From Land Grab to Premier, Global Clustered Networks of Cellular Towers

Australia
1,391 Towers
92% population coverage

U.S.
10,638 Towers
68 of the top 100 Metropolitan Service Areas

U.K.
3,087 Towers
95% population coverage

Site Count Exceeded 16,000 Globally
CCI OSM “GLOBAL PERFORMANCE”

**Strategy**
Strategic & Operational Objectives

**Business Improve.**
Proven Practices, Training, Six Sigma

**Process**
Documentation, Coordination, & Communication (SOX)

**Knowledge Mgt**
CCI-Link, Livelink, Communities of Practice

**Balanced Scorecard**
Budgeting, Benchmarking, Analysis & Reporting

**Custom Surveys**
Custom Surveys, Analysis, Feedback

**Your Partners In Productivity and Knowledge Management**
Fortune Magazine Reports 9 out of 10 Companies Fail to Execute Their Strategies

“In too many companies there is a grand, and overly vague, long-term goal on one hand... and detailed short-term budgets and annual plans on the other hand ... with nothing in between to link the two together.

... the long term doesn’t start at year five of the current strategic plan. It starts right now!”

*Competing for the Future* by Gary Hamel and C.K. Prahalad
Harvard Business Press
Crown Has Applied the Balanced Scorecard Which has Evolved Enterprises into What We Call Strategy-Focused Organizations and Hall of Fame Achievers

Articles in Harvard Business Review:
- “The Balanced Scorecard — Measures that Drive Performance” January - February 1992
- “Putting the Balanced Scorecard to Work” September - October 1993
- “Using the Balanced Scorecard as a Strategic Management System” January - February 1996

Acceptance and Acclaim:
- “The Balanced Scorecard” is translated into 18 languages
- Selected by Harvard Business Review as one of the “most important management practices of the past 75 years.”
- Bain Consulting Reports 50% of US Companies Use the Balanced Scorecard
Crown Castle International Won Competitive Awards

Crown Castle International

Saatchi & Saatchi

BMW

Borealis

Brown & Root

Charlotte

Du Pont

Duke Childrens

Mobil

JetBlue

LL Bean

Bank of America

Higher Standards
Crown’s Global Balanced Scorecard Program Delivers Big Stock Market Results

*John Kelly, President and CEO of Crown Castle notes,* “The Balanced Scorecard management system has been catalytic to a disciplined approach at Crown Castle of proactively managing the business to better execute our strategy. The combination of identifying critical operating objectives, then establishing and tracking specific measures for each objective, has translated strategy into action at CCI. The Balanced Scorecard reinforces the importance of focused effort, and was an integral part of Crown Castle’s execution of its operational excellence strategy with exceptional results.”

Crown Castle adopted the Balanced Scorecard to enhance strategy execution across its distributed workforce. The results have come through loud and clear. Crown Castle’s stock price has beaten market indexes and is up over 400% in the past 12 months. Free cash flow, a critical measure for Crown Castle, is now approaching $100 million annually and working capital has been reduced by approximately $100 million in the last year. Thanks to the BSC, Crown Castle’s operating entities now enjoy increased, clear line-of-sight between their individual country contributions and the corporate strategy.
Balanced Scorecard Hall of Fame Roadmap of Best Practices

1. MOBILIZE CHANGE THROUGH EXECUTIVE LEADERSHIP
   1.1 Top leadership sponsorship
   1.2 Case for change clear
   1.3 Leadership team engaged
   1.4 Vision and strategy clarified
   1.5 New way of managing
   1.6 Change agent identified

2. TRANSLATE STRATEGY TO OPERATIONAL TERMS
   2.1 Strategy refreshed
   2.2 Strategy map developed
   2.3 Balanced Scorecard
   2.4 Targets established
   2.5 Initiatives rationalized
   2.6 Accountability clear

3. ALIGN THE ORGANIZATION TO THE STRATEGY
   3.1 Corporate role defined
   3.2 Corporate – SBUs aligned
   3.3 SBU – Human Capital aligned
   3.4 SBU – Info Capital aligned
   3.5 SBU – Support units aligned
   3.6 SBU – External partners aligned
   3.7 Board of Directors aligned

4. MOTIVATE TO MAKE STRATEGY EVERYONE’S JOB
   4.1 Strategic awareness
   4.2 Comprehensive communications
   4.3 Personal goals aligned
   4.4 Personal incentives aligned
   4.5 Competency development aligned
   4.6 Personal accountability for results

5. GOVERN TO MAKE STRATEGY A CONTINUAL PROCESS
   5.1 Strategic review meetings
   5.2 BSC reporting system
   5.3 Link budgets and strategy
   5.4 Strategic investments managed separately
   5.5 IT planning linked to strategy
   5.6 Governance process linked to strategy
   5.7 Best practice sharing
   5.8 Strategic Management Office

Source: Kaplan and Norton
Global OSM Crown Castle International Implementation: Year 1 - BSC Rapid Design & Development

<table>
<thead>
<tr>
<th>Week Beginning</th>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
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<td>9/2-10/31</td>
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Scorecard Development:
- Level 1: Develop CCIC Scorecard
- Level 2:
  - Develop US
  - Develop UK
  - Alignment Track
- Level 3:
  - Cascade Within Countries
  - Cascade to Support Groups (HR, IT, Legal, Finance, etc)

Key SMP Process Links:
- BSC Communication Plan
- SFO Meeting Management
- Issues and Initiative Management
- BSC Linked to Strategic Planning/Budgeting
- BSC Linked to Performance Mgmt. And Compensation

Solid Line = Full Development; Dashed Line = Planning/advisory Only
△ = Executive Workshop
○ = Core/Project Team Education
Global OSM Crown Castle International Implementation: Year 2 – Cascading BSC 5 Levels Deep Linked and Aligned the Organization

Global Balanced Scorecard Report Heirarchy

Level 1  Board & Corporate

Level 2  Country Level

Level 3  Area Level

Level 4  District Level

Level 5  Position
Global OSM: Strategic Service Partner BSC Supports Overall Company Strategy

IT: Network Availability

Engineering: Structurals Cycle Time

Finance: Fin Statement Close Cycle Time

Crown Castle USA Strategy Map

Financial Perspective

Operational Perspective

Learning & Growth Perspective
Global OSM Education Portal: Global BSC Yahoo-Like Site

Balanced Scorecard Center of Excellence

Crown Castle’s mission is to deliver the highest level of service to our customers at all times -- striving to be their critical partner as we assist them in growing efficient, ubiquitous wireless networks.

What You Should Know...

What is the Balanced Scorecard?

The Balanced Scorecard is the primary strategic management tool at Crown Castle. The BSC translates our company mission and strategy into a comprehensive set of performance measures which allows the strategy to be linked to day-to-day operations. Thus, providing managers with the focus required to achieve future competitive success.

“...In general, the BSC has been crucial in achieving strategic alignment. This goes beyond the simple measurement question……In our case, the BSC has been very important on a global basis in providing that common framework and understanding and in keeping people focused on what’s important strategically.”

John Kelly
Harvard Business School
Balanced Scorecard Book
<table>
<thead>
<tr>
<th>Title</th>
<th>Author(s)</th>
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</thead>
<tbody>
<tr>
<td>Measurement in the 21st Century</td>
<td>Carla O'Dell</td>
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<tr>
<td>Finance's Big Leap Forward</td>
<td>By Carla O'Dell</td>
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<td>The Executive's Role in Knowledge Management</td>
<td>By Carla O'Dell</td>
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<tr>
<td>Crown Corporate Performance Management Program</td>
<td>By Carla O'Dell</td>
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<tr>
<td>Strategic Chiefs: How to Drive Value at Crown Castle</td>
<td>By Carla O'Dell</td>
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<td>Balanced Scorecard Report</td>
<td>By Carla O'Dell</td>
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<td>Handbook of Budgeting: Fifth Edition</td>
<td>William E. Lelli</td>
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<tr>
<td>KM Review: The Impact of a Merger on Novell's KM Efforts</td>
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<tr>
<td>Strategy Maps</td>
<td>Robert S. Kaplan, David P. Norton</td>
</tr>
<tr>
<td>Realizing Business Strategies Through Balanced Scorecard Based Budgeting</td>
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</table>
OSM BSC Links to Human Capital’s Rewards and Recognition

Crowning Achievement Program, Bonuses and Job Profiles

CROWN CASTLE INTERNATIONAL CORP.
2004 CCUSA EMPLOYEE ANNUAL INCENTIVE PLAN

The Performance Goals for these two financial measures will be based on the Company’s financial budgets as approved by the Board of Directors of the Company (“Board”).

2. Individual Performance — The Individual Performance Goals will align the Participant’s performance with the Company’s key leadership goals and the financial and non-financial Balanced Scorecard performance objectives as follows:

<table>
<thead>
<tr>
<th>Balanced Scorecard</th>
<th>Leadership</th>
<th>People</th>
<th>Financial Performance</th>
<th>Operational Excellence</th>
<th>Customer Service</th>
<th>Sales and Marketing</th>
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<tr>
<td>Crowning Achiever Program</td>
<td>Leadership</td>
<td>People</td>
<td>Financial Performance</td>
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- A total maximum of three to five key individual measures should be identified for each Participant.
- Depending on the Participant’s role, he or she may or may not have a goal that supports each of the above performance objectives.
- These measures may be qualitative or quantitative in nature.
- These measures should include key goals above and beyond the day-to-day expectations of an employee.
- The Performance Goals should also specify how the Participant would achieve such goals.

I. Overview of Crowning Achievement Program

- We heard you. The Human Capital and CCI Leadership teams developed this program based on your feedback from the Global Employee Survey and employee interviews. You told us that:
  - Employees are not engaged or interested in the recognition programs.
  - There are many different recognition programs throughout the organization.
  - Programs are used inconsistently across the organization, with some areas/companies not using the recognition programs at all.
  - Inconsistent approaches to recognition has resulted in more negative responses than positive high performance.

- The Crowning Achievement Program:
  - Provides a simple, direct way to reward performance
  - Makes people feel valued and respected at work
  - Promotes leadership and a great place to work by encouraging employees to regularly notice and reward great performance
  - Allows any employee to reward and publicly recognize excellence in the following areas:

<table>
<thead>
<tr>
<th>People</th>
<th>Balanced Scorecard</th>
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<tr>
<td></td>
<td>Financial Performance</td>
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<td></td>
<td>Achieve 35 % Targets or Tiers</td>
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©2005 Balanced Scorecard Collaborative, Inc. • bscol.com
Global OSM BSC Benchmarking Generates Area & District Gold, Silver and Bronze Award Winners

- Crowning Achievement
- Dinner or lunch ceremonies
- American Express, Crown Castle Store
- Traveling Trophy
- Olympic Certificate
- Signal Story, pictures
The executive organizational structure (and positioning of GP-OSM) was a foundation requirement for our HoF results, however equally important were the distribution of roles and execution of core processes discussed on later slides.

**KEY**

- BSC = Balanced Scorecard Program
- EMT = Exec Management Team (All below)
- CEO = Chief Executive Officer
- CFO = Chief Financial Officer
- COO = Chief Operating Officer
- GC = General Counsel
- HC = SVP, Human Capital
- SBU = SVP, Strategic Bus Units
- GP = SVP, Global Performance, OSM
### Defining Roles and Responsibilities for the Strategic Management Process

**CASE: Crown Castle**

<table>
<thead>
<tr>
<th>Strategic Management Processes</th>
<th>OSM Runs the Process (X)</th>
<th>OSM Links Strategy to a Process Run by Someone Else (X – Identify Who)</th>
<th>Someone Else Runs the Process and OSM Has No Role (Identify Who)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Strategic Planning:</strong> Custodian of the process to formulate and update strategy</td>
<td></td>
<td>X (CEO)</td>
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<tr>
<td>✷ Clarify the vision</td>
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<tr>
<td>✷ Develop / update the strategy</td>
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<td>X (CEO)</td>
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<tr>
<td><strong>2. Scorecard:</strong> Design and report on the BSC measures which describe the strategy</td>
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<tr>
<td>✷ Design/maintain the BSC</td>
<td>X</td>
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<tr>
<td>✷ Set strategic targets</td>
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<tr>
<td><strong>3. Organization Alignment:</strong> Ensure alignment with the strategy at all organization levels</td>
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<tr>
<td>✷ Align corporate with SBUs</td>
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<td>X (CEO)</td>
<td></td>
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<tr>
<td>✷ Align SBUs with support functions</td>
<td>X</td>
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<tr>
<td>✷ Align Board with strategy</td>
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<tr>
<td><strong>4. Planning/Budgeting:</strong> Create a process that puts strategy at the center</td>
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<td>X (CFO)</td>
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<tr>
<td>✷ Link budgets to strategy</td>
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<tr>
<td>✷ Link HR/IT planning to strategy</td>
<td>X (HC, COO, IT)</td>
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<td><strong>5. Awareness:</strong> Create a comprehensive communication and education process focused on strategy</td>
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<tr>
<td>✷ Communicate strategy to workforce</td>
<td>X (CC)</td>
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<tr>
<td><strong>6. HR Alignment:</strong> Ensure alignment of each individual with the strategy</td>
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<tr>
<td>✷ Link personal goals to strategy</td>
<td>X (HC)</td>
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<tr>
<td>✷ Link incentive compensation to strategy</td>
<td>X (HC)</td>
<td></td>
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<tr>
<td>✷ Link personal development to strategy</td>
<td>X (HC)</td>
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<tr>
<td><strong>7. Review:</strong> Work with senior mgmt. to shape the agenda for strategic review and learning</td>
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<td>X (SBUs)</td>
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<tr>
<td>✷ BSC reporting system</td>
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<td>✷ Strategy review meetings</td>
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<td><strong>8. Initiatives:</strong> Identify and oversee management of strategic initiatives</td>
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<tr>
<td>✷ Manage strategic initiatives</td>
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<tr>
<td><strong>9. Best Practices:</strong> Facilitate process to identify and share best practices</td>
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<tr>
<td>✷ Link knowledge sharing to strategy</td>
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<tr>
<td><strong>10. Other Strategic Management Processes:</strong></td>
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<tr>
<td>✷ Link to process management</td>
<td>X</td>
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<tr>
<td>✷ Change agent</td>
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**Key**
- CEO: Chief Executive Officer
- CFO: Chief Financial Officer
- COO: Chief Operating Officer
- HC: SVP, Human Capital
- IT: SVP, Information Technology
# BSCol Model

## The Office of Strategic Management

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<tbody>
<tr>
<td><strong>(1) Strategist</strong></td>
<td>custodian of the process to formulate and update the strategy</td>
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<tr>
<td><strong>(2) Alignment</strong></td>
<td>insure alignment with the strategy at all levels of the organization</td>
</tr>
<tr>
<td><strong>(3) Awareness</strong></td>
<td>create a comprehensive communication and education process focused on the strategy</td>
</tr>
<tr>
<td><strong>(4) Scorecard</strong></td>
<td>design and report on the Balanced Scorecard measures which describe and monitor the strategy</td>
</tr>
<tr>
<td><strong>(5) Initiatives</strong></td>
<td>identify and oversee management of strategic initiatives required to execute the strategy</td>
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<tr>
<td><strong>(6) Governance</strong></td>
<td>custodian of the governance process which puts strategy at the center of the management process</td>
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<tr>
<td><strong>(7) Reviews</strong></td>
<td>work with senior management to continually shape the agenda for strategic review and learning</td>
</tr>
<tr>
<td><strong>(8) Change Agent</strong></td>
<td>serve as the catalyst and navigate for major changes dictated by the strategy</td>
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<tr>
<td><strong>(9) Best Practices</strong></td>
<td>facilitate process of identifying and sharing best practices</td>
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## Crown Castle International

**MISSION:** Global Performance (OSM) encompasses a specific set of activities, methods and skills aimed at helping the business develop and execute strategy. Its general roles included the following:

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<tbody>
<tr>
<td><strong>(1) Strategist</strong></td>
<td>GP provides the strategic framework/strategy map and measures for discussion purposes at the corporate level that is cascaded through the organization</td>
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<tr>
<td><strong>(2) Alignment</strong></td>
<td>GP has defined 5 categories of alignment which have been applied through the organization.</td>
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<tr>
<td><strong>(3) Awareness</strong></td>
<td>Over 40 BSCs are communicated and distributed monthly to facilitate meeting management, rewards and recognition and incentive compensation. Numerous articles including CEO interviews have been distributed through Global Signal, our internal communications newsletter</td>
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<td><strong>(4) Scorecard</strong></td>
<td>Server based CorVu software is regularly accessed by Crown employees to enable ongoing business management five levels deep in the company.</td>
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<td><strong>(5) Initiatives</strong></td>
<td>Major initiatives identified through the BSC and their progress tracked to close gaps with measure targets</td>
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<tr>
<td><strong>(6) Governance</strong></td>
<td>The US President for instance runs his monthly direct reports meetings using BSC based briefing books containing tabular, graph and chart renderings of the BSC at the country, area and district office levels.</td>
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<tr>
<td><strong>(7) Reviews</strong></td>
<td>Exception based management reviews are conducted to focus precious management time on key gaps in performance and to focus remedial actions.</td>
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<tr>
<td><strong>(8) Change Agent</strong></td>
<td>The GP team is the center of excellence for six sigma (and process improvement projects) where our role is to facilitate projects to drive BSC results.</td>
</tr>
<tr>
<td><strong>(9) Best Practices</strong></td>
<td>Crown’s best practices or Gems are identified in part by reviewing BSC benchmark reports including Gold, Silver and Bronze level district performers; and captured and distributed through CCI-Link, our knowledge management system.</td>
</tr>
<tr>
<td><strong>(10) Customer Surveys</strong></td>
<td>Customer surveys have migrated from annual paper based events with low response rates to web based, quarterly process with significant customer response rates and text feedback that drive broad based customer programs.</td>
</tr>
<tr>
<td><strong>(11) Global Integration</strong></td>
<td>Annual global leaders forums consisting of our top 100-150 leaders have been used to align and integrate BSCs, identify key gems, and resolve mission critical issues.</td>
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</tbody>
</table>
Crown Castle International Global OSM People and Competencies

What kind of people?

- Senior in position title with deep, relevant experience
- Experienced in delivering professional services, preferably with top 10 consultancies
- Deep telecommunications and/or technical industry experience
- Knowledgeable of organizational dynamics
- Possessing strong organizational network

What are the competencies?

- Integration of BSC and BSC enabling competencies (below)
- Balanced Scorecard, Strategy Focused Organization (SFO) consulting experience from design through implementation (and results)
- Knowledge Management
- Six Sigma, and Process Documentation and Improvement
- Customer surveys and CRM

How many?

- Current staff includes 1 SVP member of the Executive team reporting to the CEO
- 1 VP, 3 Directors, 1 Manager & 1 Intern
Crown Castle International Global OSM People and Competencies

How interfaced with other functions?

- GP Leader *integrates* GP competencies with GP and across Crown’s organization.
- GP deploys a competency based model where each GP member “owns” a competency and is viewed as the subject matter expert (SME). Employees contact GP leader and SMEs directly for services.
- This differs from our earlier approach whereby GP team members were “assigned” as ambassadors to each business unit and function.

Where should it report?

- The GP (OSM) function should report directly to the CEO or CFO given high degree of process facilitation and integration required (as noted in prior slides) across functions and geographies. Some companies have had difficulties when the BSC was owned deep within a function.
- The SVP position provides enough “weight” to influence integration of core BSC processes noted previously.
- The SVP GP views EMT colleagues as internal customers.