

# sappi

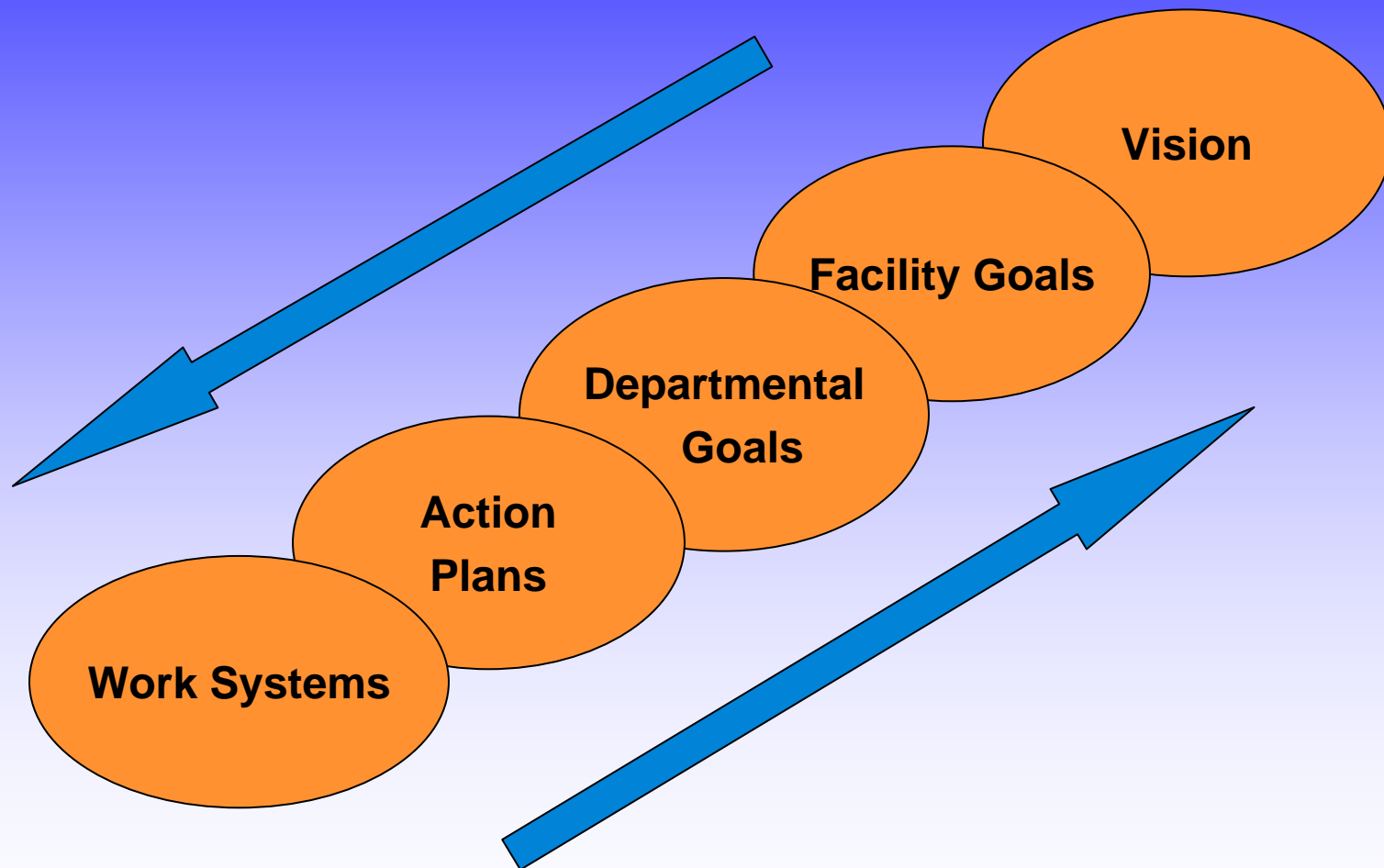


## **Clear Line of Sight: The Use of Balanced Score Cards and Integrated Action Plans to Drive Performance**

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Mill Director - Somerset Operations**

# The Challenge: Achieving Alignment



# Critical Success Factors

- **People**
- **Customer Focus**
- **Operational Excellence**
- **Financial Performance**

# Balanced Score Card

## What is it?

- A management tool to track progress against KPI's
  - Continuous improvement in these indicators will allow vision achievement.
- It is a way to create alignment around those goals
- It is a key tool to drive strategy throughout the organization.
- It provides a communication tool to share performance against goals.
- It provides a clear prescription as to what should be measured in order to “balance” the financial perspective with other perspectives to be a successful business

# Balanced Score Card Example

| Balanced Scorecard                         |      |      |      |        |  |     |     |     |     |     |     |     |     |     |     |     |     |         |
|--|------|------|------|--------|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|---------|
|  |      |      | KEY  | Green  | Better than or equal to 2005 Budget                |     |     |     |     |     |     |     |     |     |     |     |     |         |
|  |      |      |      | Yellow | Better than 2004 Actual but worse than 2005 Budget |     |     |     |     |     |     |     |     |     |     |     |     |         |
|  |      |      |      | Red    | Worse than 2004 Actual                             |     |     |     |     |     |     |     |     |     |     |     |     |         |
|  |      |      | 2006 |        |  |     |     |     |     |     |     |     |     |     |     |     |     | Perf    |
|  | 2004 | 2005 | Targ | et     | Jun  | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | TTD | against |
|  |      |      |      |        |  |     |     |     |     |     |     |     |     |     |     |     |     | Target  |
| <b>People - Learning &amp; Development</b> |      |      |      |        |  |     |     |     |     |     |     |     |     |     |     |     |     |         |
| Total Active Membership                    | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| etc  | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| Total Active Membership                    | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| etc  | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| <b>Customers</b>                           |      |      |      |        |  |     |     |     |     |     |     |     |     |     |     |     |     |         |
| Complaints                                 | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| etc  | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| etc  | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| etc  | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| <b>Financial</b>                           |      |      |      |        |  |     |     |     |     |     |     |     |     |     |     |     |     |         |
| Total Net Revenue                          | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| Total Operating Cost                       | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| Total Operating Profit                     | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| Conference Cost                            | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| Conference Profit                          | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| Admin. Cost                                | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| etc  | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| etc  | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| <b>Operational Excellence</b>              |      |      |      |        |  |     |     |     |     |     |     |     |     |     |     |     |     |         |
| Conference Attendance                      | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| Web Cart Participants                      | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| PIMA OnDemand usage                        | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| Total Number of Local Divisions            | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| Total Number of Healthy Local D            | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| etc  | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| etc  | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |
| etc  | 343  | 343  | 343  | 343    | 343  | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 433 | 343 | 343 | 343 | 343 | 433     |



# Cascading The Strategy using BSC's:

## Developing the Clear Line of Sight to the Operating Floor

Individual **teams/crews/departments** must understand how their work impacts and/or influences the metrics and strategies of the **Balanced Scorecard**.

# BSC Cascading Approach

Balanced Scorecard - Operational Excellence Example of 'Roll-Up' Concept

PM1 Shift Supervisor/Team

PM1 Department

Paper Mill Department

Facility Overall

| Operational Excellence          |                                    |                                       |   |
|---------------------------------|------------------------------------|---------------------------------------|---|
| PM 1 Tons per day               | PM1 Paper Tons per day             | Paper Tons per day (mill)             | Paper Production (Tons Per Day)             |
| Overall Machine Efficiency (%)  | PM1 Overall PM Efficiency (%)      | Overall PM Efficiency (mill %)        | Overall PM Efficiency (mill %)              |
| Speed variance from budget      | PM1 Speed Variance to Std.         | Paper Machine Speed Variance to Std.  |   |
| PM Uptime (%)                   | PM1 Uptime (%)                     |                                       |   |
| Break Lost Time (%/crew)        | PM1 Break Lost Time (%)            |                                       |   |
| Break Recovery Time (min/break) |                                    |                                       |   |
|                                 | PM1 Total Maintenance Downtime (%) |                                       |   |
| PM Yield (%)                    | PM1 Yield (%)                      |                                       |   |
| Slab Loss (%/crew)              |                                    |                                       |   |
| Reel Waste (%/crew)             | Reel Waste (%)                     |                                       |   |
| Mill Sewer Losses (tpd)         | Paper Mill Sewer Losses tons/day   | Paper Mill Sewer Losses tons/day      |   |
|                                 | Environmental exceptions (mill)    | Environmental exceptions (number)     | Environmental Exceptions (number / yr)      |
|                                 |                                    | Softwood % total fiber                | Softwood Ratio (% total fiber)              |
|                                 |                                    | Purchased Energy - \$/Finished Ton    | Total Energy Cost Per Ton (\$/Finished Ton) |
|                                 |                                    | Capital Projects in Approved Plan (%) | Capital Projects in Approved Plan (%)       |
|                                 |                                    |                                       | Pulp Mill Production (Tons Per Day)         |
|                                 |                                    |                                       | Bleached Pulp Variable Cost (\$/Ton)        |
|                                 |                                    |                                       | Wood Usage per Ton/Pulp (tons)              |
|                                 |                                    |                                       | Landfill fill rate (cubic yds/day)          |

# Integrated Action Plans

## What Are They?

- The aligned **projects and initiatives** that drive the achievement of the Balanced Score Card
- A combination of Continuous Improvement methodologies
- Monthly reviews allow focus to remain high on completing these projects with defined **accountabilities**.

