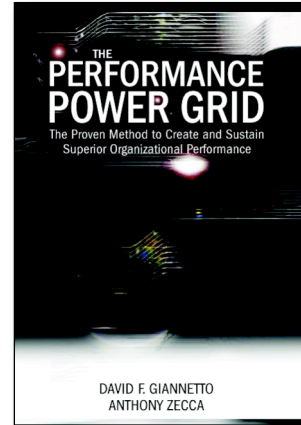


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For an interview with David Giannetto or a review copy of his book, please contact Dottie DeHart, DeHart & Company Public Relations, at (828) 325-4966 or DSDeHart@aol.com

**A Better Way of Keeping Score: Six Reasons the Performance Power Grid Trumps the Balanced Scorecard**

Using the Balanced Scorecard to figure out where you're succeeding and/or failing? David F. Giannetto explains why it is an ineffective method—and why his Performance Power Grid is a better choice for any company.

Hoboken, NJ (June 2007)—We live in a constantly evolving world. From cars to cell phones to computers, nothing is quite the same as it was a decade (or even a year) ago. Efficiency and quality continually improve in the products we use every day. So why not in the management methodologies we use to run the businesses that create these improved products? Does it make any sense that most businesses are still using the same ineffective management methodology they used back in the '80s: the Balanced Scorecard?

David Giannetto says that while this method was a good step twenty years ago, it has been failing to live up to the promise of improving organizations for years. The good news is that he has developed a management methodology that has demonstrated that organizational performance can be greatly improved by moving beyond the antiquated Balanced Scorecard approach. It is called the Performance Power Grid, the management methodology of the 21st century, and it can take your company to the next level.

In case you are not familiar with the Balanced Scorecard, it was the methodology that made “management by metrics” so common. It’s a reporting framework whose cutting edge achievement was creating measures to manage all parts of a business, even getting companies to focus upon intangibles like the customer view and intellectual property.

“The Balanced Scorecard definitely made vast improvements in the way we managed in the 1980s, but today it is showing its age,” says Giannetto, lead author of *The Performance Power Grid: The Proven Method to Create and Sustain Superior Organizational Performance* (Wiley, 2006, ISBN: 0-470-05144-2, \$27.95). “The best thing it does for companies is help them get focused on measuring things, which in many cases makes it a good first step. But at the end of the day that first step doesn’t create any significant improvement in the long-term performance of the organization.”

The “long term” is the Performance Power Grid’s *raison d’etre*. The Power Grid creates sustainable, superior organizational performance by closing the gap between strategy and execution, properly focusing employees, and giving them the information they need to make better, timelier decisions. It transforms individual, tactical employee actions into a unified effort in which everything everyone does is focused on driving the performance of the entire organization.

While the Balanced Scorecard keeps people focused on company-level summary information about what has happened in the past, the Power Grid points each individual executive, manager, and employee toward problems and potential problems that they can personally affect.

“As long as the Balanced Scorecard remains a centerpiece of modern management methodology, significant improvements in the very nature of how we manage today can not be achieved,” says Giannetto. “Until we move beyond it, management will be stuck waiting for the next Scorecard report to tell them how they did, when instead, they should be focusing on where their organization is going and actively taking a part in getting it there.”

It may be hard for some businesspeople—namely those who’ve been using the Balanced Scorecard for years—to see exactly why it isn’t the best option for their company. Here are six ways the Performance Power Grid can improve on your Balanced Scorecard initiative, so that it actually makes an impact on your organization’s performance:

Performance is measured more than just once a month. With the Balanced Scorecard, reports are sent out—usually about once a month—on how the organization did the month before. The expectation is that management uses this information to take

corrective action, or to prevent the same things from happening again. What really happens is that the scorecard becomes something the manager must answer for. Not only has the organization forced management to refocus on the past, it's keeping them there by forcing them to research and relive it to justify past performance. Meanwhile, business is moving forward—execution, right now, and the future are not getting the attention they deserve.

“Periodic reporting, a practice the Balanced Scorecard promotes, simply doesn't fit with the way people really work,” says Giannetto. “Today, businesses are managed the way we play football. Call a play, run the play, and huddle back up to see how the team did, justify what happened, and call another play. Over and over, with the CEO often acting as the quarterback, not the coach or the owner. Unfortunately, business is really much more like golf. Golf moves at a constant pace, and success is achieved by understanding the course, planning for your next shot, and executing well. In golf, the consistent players win. A good tee-shot, approach shot, short game, and putting will put the ball in the hole. Do that consistently, repeatedly, and you start to win matches—you beat the competition. Similarly, in business, employees need constant, consistent re-enforcement on what is important every day. Periodic reporting can not serve this purpose, whereas the Power Grid does. It provides current, up-to-date information every day, *constantly* focusing employees on what's most important without letting them drift off course.”

Employees are clearly told what's the most important. To create high performance, employees need critical information made available to them as soon as they come into work—information that tells them where things are going well, where they are currently failing, and, most importantly, when they are *going* to fail, before it is too late, while they can still do something about it. The Balanced Scorecard creates a lagging mentality within the organization. The problem is that its entire information flow is founded upon providing information that is outdated when a manager gets it. The Performance Power Grid serves as a constant reminder, telling and showing employees what is most important for them to focus upon. When they do so, they are helping the organization achieve its higher goals—whether they know it or not.

“A company can run into any number of problems,” says Giannetto. “Maybe a truck is going out underutilized, maybe there are severe overnight interest rate fluctuations, or maybe absenteeism is too high. Using the real-time information provided by the Power Grid, the responsible party is able to take corrective action because they can see these things are going to occur, or seize new opportunities that would have been missed and then move on to the next problem or opportunity. The information allows performance to improve every day. Because it does, it becomes the backbone of how managers work and manage. It stays current with them, and because it is always current, it is always relevant.”

The right metrics reach the right people. High-level numbers that are important to “the organization” do not resonate with employees who focus their attention on the issues or transactions that cross their desk. It is unrealistic to think that employees will take the information presented on a once-a-month Balanced Scorecard report into account when

they have to make decisions every minute of every day. They simply don't care about the same metrics that will interest the CEO. To be effective, every scorecard would have to be specifically tailored to the person reading it.

“That’s where the Performance Power Grid really excels,” says Giannetto. “It operates according to my belief that if the person seeing a metric can’t affect that metric, then that metric should not be on his dashboard. To be successful, companies need to understand the connection between their organizational goals and each department or unit’s ability to positively or negatively affect their achievement. Meaningful metrics can then be created and delivered specifically to the responsible employees. This type of information takes conceptual strategic objectives and makes them matter to individual employees. It tells them what they personally can do to make a difference. It clearly shows each employee what they are responsible for, what their performance is, and what they need to do to improve it.”

Simply put, the Power Grid is more practical. It simply doesn’t make sense for companies to take on the cost of publishing and distributing the monthly reports required with the Balanced Scorecard approach—reports that are already out-of-date when received by the employees because of the time it takes to generate and publish them.

“To be successful today, company leaders need to take advantage of the new methodologies that are available,” says Giannetto. “Continuing to use an approach that is not only ineffective but also will never yield an ROI just doesn’t make sense. The Performance Power Grid focuses on getting the right information into the hands of those who need it, so they can make better, timelier decisions. Not only are they solving problems more quickly and making better, more informed decisions, all of which are now helping to achieve larger strategic objectives, the Power Grid has also removed manual processes, identified ineffective ones, and given the organization an ROI.”

It explains the *why*. The Scorecard gives you information on how you did during a specific period—a month, quarter, or even a year—but it never tells you *why* your performance was what it was. It may tell you costs are up, but it doesn’t tell you if the washing machine broke, the maid took the week off, or even reflect that you may have been working around the clock to generate more revenue and because of this there’s simply more dirty laundry to do. When someone is given a failing grade, the natural next question to ask is *why*? Why did we fail? Or even, why are we succeeding?

“This is a major differentiator between the way companies usually create information and how it should be created, and there are two parts to it,” says Giannetto. “First, it creates one version of the truth so that everyone is calling plays from the same playbook and everyone knows what to expect when that play is called. Secondly, it allows people to take immediate action. They see their results, and with one click, they see *why* they failed or are going to fail. If it is a workload processing metric, the workload could have been unexpectedly high, or productivity was too low, perhaps because there weren’t enough workers. Either way the answer is right there in front of them. Why give them the score on one report and then make them go out and use many other reports and several different

methods to figure out *why*? With the Power Grid, the answer to *why* is right there in the data they used to generate the metric in the first place.”

It allows the company to see itself in a new light. Because the Balanced Scorecard doesn’t help companies see themselves differently, nothing changes. The organization needs a process it can follow to take itself, its people, its culture, its customers, and its technology from where it actually stands today to this end utopia state of better information flow and proper focus. The Power Grid does this. The process of putting the Power Grid in place forces the organization to understand which departments and units truly have the ability to impact the achievement of strategic objectives.

“It is hard for any company to become something different,” says Giannetto. “To make things easier, the Power Grid follows a set process that produces change as a natural byproduct of that process. This is a significant departure from traditional change management, but one that takes how people act and interact into account in order to increase the success rate. Once the organization understands its new, desired business model, it uses the technology behind the Power Grid to make that change stick. Real-time dashboards push this information out to each key employee, helping them to focus on these new important measures and metrics, until focusing upon them becomes the routine and not the exception.”

“U.S. businesses will not achieve widespread domination of global markets and exceed the world-class performance of foreign competition until we adopt a management philosophy that overcomes the false belief that the answer to improving performance lies on periodic scorecards and reports,” says Giannetto. “Leaders will have to realize that the best management philosophies are those that enable individual performance by providing timely, meaningful information to all levels of the organization.

“We have created the Performance Power Grid and tested it in diverse environments, refining it along the way,” he concludes. “We have seen that the methodology applies everywhere, regardless of industry, the current status of the company, or the challenges a company is facing. This is because the challenges companies face when improving performance today are rooted in the current business environments that they work within. Take the necessary steps and the Power Grid will re-energize your employees and your organization, improving your performance and your profits. The Performance Power Grid is the management methodology for the 21st century.”

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About the Authors:

David F. Giannetto is considered one of the most experienced practitioners and a true thought leader in the Enterprise and Business Performance Management arena. He is the director of Cohn Consulting Group's Enterprise Performance Management Practice, and has been with J.H. Cohn LLP since 1999. He is responsible for helping client organizations improve operation efficiency, management effectiveness, customer satisfaction, and systems integration through the implementation of the latest performance management methodologies. Prior to this, he was an operations manager and quality auditor for Airborne Express Freight Corporation (currently DHL) at locations throughout northern New Jersey and New York City.

David, a former U.S. logistics officer who served with the 10th Mountain Division, is a Distinguished Military Graduate of Rutgers University and earned a business management degree from Monmouth University. David is following in the footsteps of his father, Vincent Giannetto III, one of the nation's most collectable and respected decoy carvers, and has himself won awards as both a decoy carver and wildlife photographer. Originally taught piano by his aunt at age ten, he is a lifelong musician whose work has been published by two private record labels. Born and raised in Edgewater Park, New Jersey, he currently resides in Basking Ridge, New Jersey.

Anthony Zecca is the partner-in-charge of Cohn Consulting Group, a division of J.H. Cohn LLP, one of the country's largest accounting and consulting firms.

Tony is an expert in driving corporate performance, developing business intelligence systems, and creating highly functional management teams. He has worked with top management to assess overall organizational effectiveness and strategic alignment, and to improve management effectiveness, profitability, and cash flow. Tony is an accomplished financial and management professional and a seasoned strategist focused on helping clients develop and implement growth and profit strategies that obtain breakthrough results within varying economic and market environments. He has served as the chief operating officer (COO) for several companies on the strategies and concepts consultants talk about, but rarely implement. In this capacity, he had overall management control and responsibility for the financial and operational areas, and was responsible for successfully driving both top and bottom line performance.

Tony earned a Bachelor of Science degree in accounting from Fairleigh Dickinson University, Teaneck, New Jersey. He has been very active in community activities and on various boards and business associations, including the American Institute of Certified Public Accountants (AICPA) and the National Association of Corporate Directors (NACD). Tony is a certified public accountant in New Jersey and New York.

About the Book:

The Performance Power Grid: The Proven Method to Create and Sustain Superior Organizational Performance (Wiley, 2006, ISBN: 0-470-05144-2, \$27.95) is available at bookstores nationwide, major online booksellers, or direct from the publisher by calling 800-225-5945. In Canada, call 800-567-4797.

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