

AGENDA

Meeting Type:	WORKSHOP
Date:	10/07/1996

City of Charlotte, City Clerk's Office

Mayor Patrick McCrory Mayor Pro Tem Al Rousso

<i>Charles Baker</i>	<i>Don Reid</i>
<i>Patrick Cannon</i>	<i>Ella Butler Scarborough</i>
<i>Malachi Greene</i>	<i>Tim Sellers</i>
<i>Mike Jackson</i>	<i>Sara Spencer</i>
<i>Nasif Rashad Majeed</i>	<i>Lynn Wheeler</i>

Council Agenda

CITY COUNCIL WORKSHOP

Monday, October 7, 1996

Agenda

- 5:00 p.m. Dinner

- 5:15 p.m. Economic Development: Workplan

- 7:15 p.m. Economic Development and Transportation: Airport Master Plan and Part 150 Plan

- 8:15 p.m. Economic Development: Adoption of Proposed Annexation Plans

- 8:30 p.m. Restructuring Government: Balanced Scorecard Project

- 8:45 p.m. Adjourn

Economic Development Focus Area

City Council's Workshop Agenda

Monday, October 7, 1996

Part 1: PANEL DISCUSSION (1 Hour)

Should the City Be Interested in Economic Development?

- John Connaughton (Economic Overview)
- Carroll Gray (Economic Development Issues)
- Tommy Norman (Developer's Perspective)
- Clayton Lovell (Work force Development perspective)

City Council's Q & A

Part 2: CITY COUNCIL DISCUSSION (1 Hour)

What is the City's Interest in Economic Development?

A. What Is The City's Interest In Economic Development?

- Maintain, strengthen, grow and diversify the *tax base*
- Maintain, expand and diversify the *job base*
- Protect, revitalize and grow the *development pattern*

City Council Discussion (*Are there other City interests?*)

B. What Are Some Economic Development Issues Facing The City?

City Council Discussion (*What are some issues facing various geographies?*)

C. What Is The City's Role In Economic Development?

Current City Roles
1. Policies and plans - (e.g., Transportation, Land Use, and Capital Program)
2. Regulations - (e.g., Transportation, Zoning, Land Development, Housing and Subdivision)
3. Infrastructure - (e.g., Transportation, Utilities, and Neighborhoods)
4. Services - (e.g., Police, Fire, and Job Training)
5. Public Lands - (e.g., Rights-of-Way, Parks, and Plazas)
6. Public Facilities - (Public Buildings)

City Council Discussion (*What should be the City role?*)

City Council's Discussion (Continued)

D. What are the most important criteria for defining the City's economic development role?

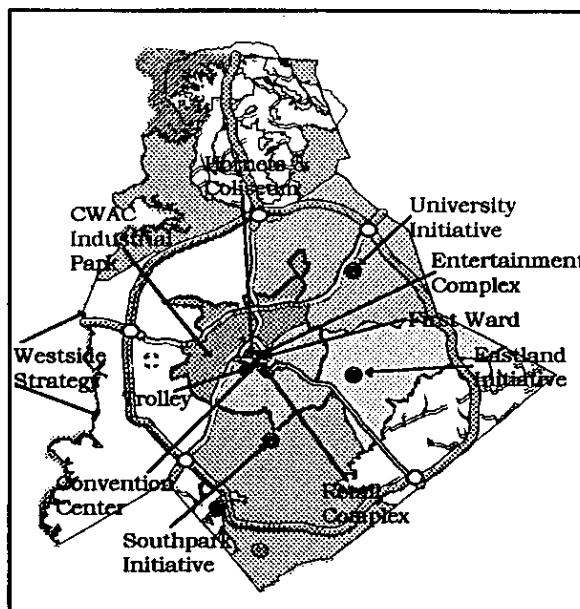
Project Selection Criteria:

- Return on City Investment(Tax Base Growth)
- Level of public support
- Distribution balance between community and neighborhood development
- Address critical market weakness (Geographic and Business sector)
- Capture major opportunities
- Workforce and Job Development
- Without City participation the desired results cannot be accomplished
- Retention of existing businesses and economic development base
-

Council Discussion (*What other criteria should be added?*)

E. What Are Some Projects That The City Council Wants To Focus On This Year?

Current Initiatives
<ul style="list-style-type: none"> • Airport • Business Relations • Business Retention Strategy & Action Plan • Capital facilities investments to support economic development objectives • Convention Center Support (<i>Parking, Hotel, & Facility Expansion</i>) • CWAC Business Park development • Develop business incentives policy • Eastland Mall Initiative • Entertainment Complex • First Ward Plan • Hornets & Coliseum • Retail Complex • SouthPark Initiative • Trolley • University Initiative • Westside Strategy



City Council Discussion (*What are other projects that should be added? What are your top choices?*)

F. WRAP-UP - Each Council Member Provides A Brief Summary Of Expectations For Economic Development

COUNCIL WORKSHOP AGENDA ITEM SUMMARY

TOPIC: Economic Development: Mini-Retreat and September Workshop Follow-up

COUNCIL FOCUS AREA: Economic Development

KEY POINTS (Issues, Cost, Change in Policy):

- On March 29, 1996, City Council held a mini-retreat to discuss Economic Development and Transportation.
- At the mini-retreat, City Council brainstormed and prioritized by straw vote several action steps for the Economic Development area.
- As a follow-up to the Council's discussion, staff prepared more detailed action plans incorporating the Council's high priority action steps.
- As part of the action plan process, staff addressed several questions: What does the City want to do? Why are we doing it? How much will each action step cost? And how will we know we are successful?
- At the September workshop staff provided an overview of key issues and priorities for Economic Development for City Council's feedback and direction. Council members indicated they wanted more information on:
 - o What is the City's interest in Economic Development?
 - o What is the City's role in Economic Development?
 - o What are some criteria for assessing Economic Development projects?
- At the October workshop, staff proposes to invite outside practitioners to discuss why the City should be interested in economic development and hold a Council discussion on what is the City's interest, role, project selection criteria, and high priority projects for economic development. Based on Council direction, staff will prepare an Economic Development workplan for FY97.

OPTIONS: Not Applicable

COUNCIL DECISION OR DIRECTION REQUESTED: Direction to staff regarding the City's role in economic development, key criteria to assess economic development project involvement, and recommendations regarding economic development activities for FY97.

ATTACHMENTS: Economic Development Focus Area Agenda

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Economic Development Focus Area

City Council's Workshop Agenda

October 7, 1996

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City Council's Discussion (Continued)

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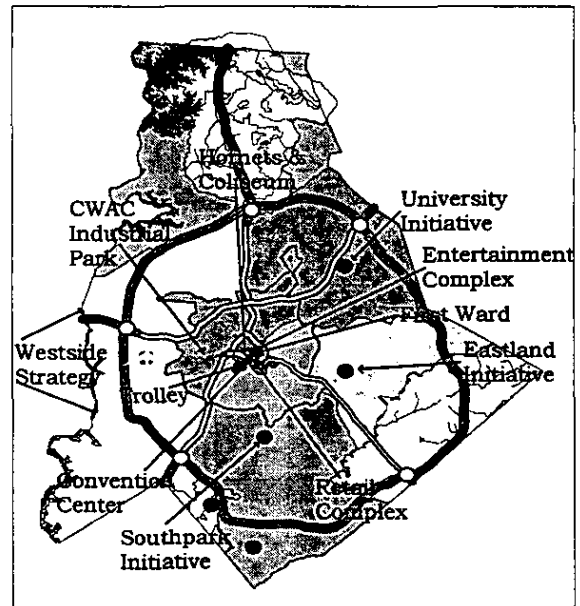
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F. WRAP-UP - Each Council Member Provides A Brief Summary Of Expectations For Economic Development

To City Council 10/7/96

From Alma Nemrava, Co-Chair WESTSIDE PAC

Re: Airport Workshop 10/7

For Clarification on the request that you hear the "other side," that of the Chamber of Commerce, please keep in mind that the consultants you hear this evening are being paid \$935,000 to promote the interests of the business community in Airport Expansion. And then, of course, the Chamber itself can spend the public funds you allocate to it to lobby with you to accept the consultants' recommendations.

Twenty years ago, the Mecklenburg Health Department, while accepting the addendum to the Environmental Impact Statement, warned that the new runway's use (18R/36L-the western parallel) would be much greater than projected because pilots would opt for use of the new 10,000 ft. runway rather than the old 7,800 ft. runway [even in forbidden hours]. They further suggested that the success of the "informal" runway use policy [which pilots can so easily violate] be evaluated and a more formal, and mandatory, use policy be considered. They were right, but who listened?

The Health Dept. further criticized the Airport Master Plan for accepting in residential areas up to NEF 40 (roughly Leq 70 Db), which had already been identified by the EPA as a hazardous level where hearing loss takes place. California had already established [and by '87 the FAA recommended] that noise contours of NRF 30 (65 Ldn) could not extend into residential areas. Decision makers in Charlotte did not listen, and neighborhoods including thousands of children have been exposed to hazardous levels of noise in their own yards and school playgrounds. (Ldn is yearly average. Single event Decibels must also be considered.)

Ten years ago, in response to the 1987 Airport Master Plan, the Planning Committee emphasized, "It was clearly stated in the Noise Abatement Program's working paper that the consultant's interpretation of city policy was that the airport be allowed maximum flexibility to serve the air service needs of Charlotte." The Planning Committee cautioned about, "...the need to preserve the quality of life in Charlotte-Mecklenburg which will require a careful balance between the physical needs of the airport, our communities economic health and the quality of life in our neighborhoods...any expansion to the airport, especially where noise impacts would increase, should be very carefully considered. This Plan Analysis recommends that a thorough discussion of the relationship between the economic needs and policy of the community, to the size and service provided by the airport is needed." To my knowledge, no such discussion has ever taken place, and this City Council accepted the sweeping, "sky's the limit" goals for this 1997 Airport Master Plan with little comment.

The Council needs an impartial consultant as badly as the airport neighbors do. You need some help in balancing the airport cheerleading with the complaining of neighborhoods which suffer hazardous noise levels. I hope you will hire an effective analyst to help you make intelligent and fair decisions for a period long enough to assure that those decisions are actually implemented in a timely way.

cc: Pam Syfert (F336-6644), Martin Crampton (F336-5123),
Dr. Stephen Keener (F336-4709)

MEETING NOTICE

City Council

To: Berryhill Baptist
Mount Olive Presbyterian Church
Steeleberry United Methodist
Moore's Chapel United Meth.
Westmoreland Baptist

Mulberry Baptist
Steele Creek Presby.
Steele Creek Ch. of CH.
Covenant United Meth.

From: Sue Friday 392-5019
Joe Queen 588-5537
Co-chairs, Neighborhoods for Airport Change II

We would appreciate your informing your congregation about the following meeting.

NEIGHBORHOODS FOR AIRPORT CHANGE II
AND

THE BERRYHILL/DIXIE COMMUNITY

October 15, 1996

Berryhill Baptist Church
7438 Old Dowd Rd.

1:00 P.M.

The purpose of the meeting is to organize opposition to the airport's proposed new runway which will impact much of the residential area of the westside with new noise, and once again establishes all of the westside as that part of the city which gets those things which would not be tolerated in other parts of the city.

This runway proposal affects members of your congregation. Everyone is welcome at the meeting; however, we ask that each church designate special representation to attend the meeting. Although City Council will not vote on the runway until early next spring, they are already listening to us and the objections we are raising. We need westside strength.

COUNCIL WORKSHOP AGENDA ITEM SUMMARY

TOPIC: Airport Master Plan and F.A.R. Part 150 Noise Compatibility Program.

COUNCIL FOCUS AREA: Economic Development and Transportation

KEY POINTS (Issues, Cost, Change in Policy):

- Findings and recommendations from Landrum & Brown (Consultant).
- Identify and address issues raised by the Airport Advisory Committee, Neighborhood Task Force, Airport Staff, and the Westside Community. Staff proposes to ask the Urban Institute to provide a facilitator to identify all issues of concern to the Westside. Council heard a summary of those concerns from two citizens at the September 24 dinner meeting.

OPTIONS: N/A

COUNCIL DECISION OR DIRECTION REQUESTED: Council is asked to affirm the process outlined for review and approval of the Airport Master Plan and Part 150 Program. This process will include use of an outside facilitator to identify all concerns of the Westside so that they may be addressed during the review.

ATTACHMENTS:

- Public Process Timeline for the completion of the 21st Century Development Program.
- Schedule for the Planning Commission's review of the land use portion (Southwest District Plan) for the 21st Century Development Program.

21st CENTURY DEVELOPMENT PROGRAM Public Process Timeline

October 1996 - Workshop with City Council on Airport Master Plan and Federal Aviation Administration (FAR) Part 150 Noise Compatibility Program (NCP). This workshop will include a presentation by Landrum & Brown (consultant) on the findings and recommendations and a presentation by the Planning Commission on land use issues. This workshop will also address issues raised by the Airport Advisory Committee (AAC), Neighborhood Task Force, Airport staff and the Westside community.

October 1996 - December 1996 - Airport staff will publish Neighborhood Update(s) informing the community of the findings and recommendations of the Airport Master Plan, FAR Part 150 NCP and the public process for the duration of the program.

Mid-November 1996 - The "Draft" Airport Master Plan and FAR Part 150 NCP will be available for distribution in four area public libraries (Main, West Boulevard, City View and Steele Creek), Aviation Department and Charlotte-Mecklenburg Government Center (City Council's Library).

January 1997 - A Public Hearing and Workshop for Airport Master Plan and FAR Part 150 NCP will be held by the AAC and will include a formal presentation by Landrum & Brown. The workshop will also include information on the FAA-sponsored Environmental Impact Statement (EIS) for the 3rd parallel runway. City Council will be invited. The public hearing and workshop will be held in an area high school auditorium. Once the consultants complete their presentation, the audience will be invited to the podium to make their comments before a court reporter. Written comments will also be accepted.

February 4, 1997 - The AAC will adopt the Airport Master Plan and FAR Part 150 NCP.

March 1997

1st Meeting - City Council will hold a public hearing on the Airport Master Plan and FAR Part 150 NCP.

2nd Meeting - City Council will adopt the Airport Master Plan and FAR Part 150 NCP. Once the Airport Master Plan is adopted by City Council and a funding source has been identified, the airport will ask Council permission to acquire land identified in the Master Plan for the 3rd parallel runway between the airport and the outer belt.

April 1, 1997 - The FAR Part 150 NCP will be submitted to the FAA. The FAA will utilize a 180 day review process, the first 60 days for the Noise Exposure Map and the full 180 days for the NCP.

June 1, 1996 - The draft EIS will be available for distribution at the same locations identified for the Airport Master Plan.

June 1997 - Landrum & Brown will publish an Executive Summary of the FAR Part 150 NCP.

July 1997 - FAA will hold a public hearing and workshop on the EIS. Landrum & Brown will make a brief presentation at the workshop.

August 1997 - The final EIS will be submitted to the Environmental Protection Agency for approval.

October 1997 - FAA will issue a ROD on the EIS.

City Council approval of the 3rd parallel runway and funding source will include a series of steps beginning in October 1997.



Southwest District Plan Amendment Process

Background

Two major issues that have an impact on land use policy are being raised by the Airport Master Plan. The first issue raised by the Airport Master Plan Update is the construction of a third parallel runway between the existing runway and the outer loop. The proposed location of the runway increases noise in areas that were formerly out of the 65 Ldn noise contour. Much of this area was also recommended for residential development in the Southwest District Plan.

The second issue raised, separate from the the new runway, is the recommendation that no new residential development be allowed with the 65 Ldn noise contours. This was a major issue in the development of the land use policies for noise impacted areas in the Southwest District Plan in 1991. A compromise was reached between airport operation's interests and land use planning goals that resulted in some residential areas identified within the 65 Ldn noise contours in the 1991 Southwest District Plan. The Airport Master Plan Update is raising these issues once again for debate.

Plan Amendment Process

The airport's schedule for the completion and adoption of the Master Plan and Part 150 Study calls for the City Council to consider adopting the documents in April, 1997. Planning staff has developed two schedules for the Plan Amendment Process. The first meets the schedule of the Master Plan and schedules adoption of the Plan Amendment along with the Master Plan. The second schedule allows more time for public input using a study group as well, into the land use issues raised by the Master Plan. Planning staff recommends that the second schedule be adopted for the Plan Amendment Process in order that adequate public input and review by the Planning Commission of the land use issues are done.

Schedule 1 For adoption of the Plan Amenment along with the Master Plan

- | | |
|----------|---|
| October | <ul style="list-style-type: none">- Planning Commission and airport staff present airport master plan and plan amendment process to Planning Commission.- Planning staff presents plan amendment process to City Council at the workshop for the airport master plan.- Identify land use issues associated with the airport master plan.- Meet with airport staff.- Meet with Planning Committee to discuss issues. |
| November | <ul style="list-style-type: none">- Meet with Airport Advisory Committee regarding issues.- Planning Committee holds public meeting to discuss issues.- Analysis of issues related to the third parallel runway and all of the noise impacted areas.- Meet with Planning Committee to discuss public meeting comments and begin to look at alternatives. |
| December | <ul style="list-style-type: none">- Meet with airport staff to discuss alternatives. |
| January | <ul style="list-style-type: none">- Meet with Planning Committee to review alternatives. |
| February | <ul style="list-style-type: none">- Meet with Airport Advisory Committee to review alternatives. |



- Planning Committee holds second public meeting to review land use alternatives.
- March - Joint public hearing with City Council on the airport master plan
- Meet with Planning Committee to adopt plan amendment recommendation.
- April - City Council adoption of master plan and plan amendment.
- May - County Commission reviews and adopts plan amendment.

Schedule 2

For adoption of the Plan Amendment with more public input

- October - Planning Commission first reviews the Airport Master Plan Update
- Staff and Planning Committee begin discussion of issues
- A stakeholders group is appointed by the Planning Commission
- November - Planning Commission holds public meeting to discuss land use issues
- Staff conducts analysis of land use issues raised by the Airport Master Plan
- Staff meets with stakeholders.
- December - Staff continues analysis of issues
- Meetings occur with stakeholders group, Airport Advisory Committee, Airport Staff, Westside PAC, and Planning Committee
- January - Staff prepares land use alternatives for the noise impacted areas
- & February - Planning Commission, stakeholders, Airport Advisory Committee, Westside PAC and staffs review the alternatives
- March - New alternatives or changes are made to the land use proposals.
- Planning Commission and others review changes
- April - Planning Commission holds a second public meeting
- & May - Planning Commission staff develops recommended land use plan for noise impacted areas and related land use policies.
- Planning Commission, stakeholders, Airport Advisory Committee, Westside PAC, and airport staff review recommendations.
- June - Planning Commission holds third public meeting to review Plan Amendment recommendations.
- July - Planning Commission adopts Plan Amendment recommendation for
- & August - City Council and County Commission to consider.
- Joint public hearing is held on the Plan Amendment
- September - City Council and County Commission adopt Plan Amendment

COUNCIL WORKSHOP AGENDA ITEM SUMMARY

TOPIC: FY 96 Annexation Plans

COUNCIL FOCUS AREA: Economic Development

KEY POINTS (Issues, Cost, Change in Policy):

- On September 24, 1996, City Council passed Resolutions of Intent to consider annexing seven (7) areas. The Annexation Plans are the next step required by law.
- The Annexation Plans must be approved and placed on file with the City Clerk for public inspection at least thirty days prior to the public hearing scheduled for November 14, 1996.
- The Annexation Plan is required by state annexation statutes, which specify that certain types of information must be included regarding the extension of municipal services to the proposed areas.
- The Annexation Plan includes: (1) relevant maps; (2) a statement indicating how the area meets annexation criteria; (3) a description of services to be provided; (4) a statement on the method by which the City plans to finance the extension of services; and (5) an impact statement on the rural fire departments and fire protection.
- The Annexation Plans may be amended by City Council following the public hearing, if they so decide.
- The Preliminary Annexation Report indicated service costs of \$7,345,222 and \$10,092,728 in the first and second year respectively, offset by projected revenue of \$10,533,639 and \$13,364,945 in the first and second years of annexation.
- Capital improvement funds in the amount of \$3,599,570 are proposed for construction of two fire stations. An additional \$15,325,880 is estimated for water and sewer extensions.

OPTIONS: The Annexation Plans may be amended by City Council following the public hearing, if desired.

COUNCIL DECISION OR DIRECTION REQUESTED: City Council is asked to approved the seven (7) Annexation Plans, in order for the plans to be on file with the City Clerk thirty days prior to the public hearing scheduled for November 14, 1996.

ATTACHMENTS: N/A.

The Preliminary Annexation Report was presented to City Council at their September 16, 1996 dinner meeting. Copies of the Preliminary Annexation Report and the seven (7) Annexation Plans (Davis Lake, Highland Creek, Beverly Crest, Six Mile Creek East, Six Mile Creek West, Steele Creek East, and Steele Creek West) will be placed in the Council Library.

Dick Black and Mike Boyd will be available to meet on Friday, October 4 between 2:00 and 3:00 pm in the City Attorney's conference room to discuss the annexation plans and other questions on annexation. Dick Black will also be available to meet on Monday, October 7 from 4:00 to 5:00 pm in Room 117 to discuss questions on annexation.

COUNCIL WORKSHOP AGENDA ITEM SUMMARY

TOPIC: Charlotte's Balanced Scorecard Initiative

COUNCIL FOCUS AREA: Restructuring Government

KEY POINTS (Issues, Cost, Change in Policy): Budget and Evaluation has researched options for improving our performance measurement process, and we are beginning to implement the Balanced Scorecard as the new performance management system for City government. The Balanced Scorecard translates a corporate level vision and strategy into measures that track performance against established goals. Based on favorable results and recommendations from companies that have successfully implemented the balanced scorecard, Budget and Evaluation and Renaissance Solutions, Inc. (RSI) have negotiated a contract to implement the Balanced Scorecard in the City of Charlotte. The contract is for \$99,500 and includes three major deliverables:

- 1) A corporate level scorecard, developed with the Leadership Team and selected Key Business Executives;
- 2) A training program in how to develop balanced scorecards for a staff team which represents all the key business units;
- 3) The business plan objectives using the balanced scorecard for two of the key business units as pilot studies.

Additional information concerning the Balanced Scorecard is attached.

OPTIONS:

COUNCIL DECISION OR DIRECTION REQUESTED: This is the first in a series of updates on progress to improve our performance measurement system. We will come back to Council periodically with the Corporate Scorecard, and progress in meeting the strategic objectives from that scorecard.

ATTACHMENTS: information paper, two articles on the Balanced Scorecard



Charlotte's Balanced Scorecard Initiative

The City of Charlotte has had a performance measurement system since 1972. As the city has grown and demands for services have changed, the Management By Objectives (MBO) system has evolved and been modified to reflect changing priorities and focus areas. In the early 90's, the rightsizing and restructuring of city government into key businesses focused attention on the need to make major changes in the performance measurement system. Key Businesses were asked to develop business plans which clearly outlined their goals and objectives for the coming year. In developing a framework for these business plans, we looked for a model which would emphasize results-oriented performance measures.

Budget and Evaluation has researched the options and selected the Balanced Scorecard (BSC), an initiative currently being used primarily in the private sector. We began using some of the concepts of the Balanced Scorecard in reporting our objectives achievement two years ago. However, we have used the concept more as a reporting structure and not as the framework for development of the business plans.

We are beginning the next step in implementing the Balanced Scorecard. We will use the Scorecard process to guide development of corporate goals and strategies. The Balanced Scorecard translates a corporate-level vision and strategy into measures that track performance against established goals. The program was developed by two professors from the Harvard Business School and has been successfully implemented in companies such as Hewlett-Packard, Mobil Oil, Metropolitan Life Insurance, BellSouth Telecommunications, Caterpillar, Sears, Roebuck & Co. and McNeil Consumer Products Company.

"We now see a higher degree of alignment in the organization. The Scorecard has served as an un-replaceable agenda for discussion" - Robert McCool, Executive Vice President, Mobil Oil

"CIGNA has used the Balanced Scorecard to manage its transformation from a generalist company to a top-quartile specialist." - Gerald Isom, President, CIGNA Property & Casualty

"The Balanced Scorecard has become an integral part of our change management process. The Scorecard has allowed us to look beyond financial measures and concentrate on factors that create economic value." - Michael Hegarty, Vice Chairman, Chemical Bank

Based on favorable results and recommendations from the companies mentioned previously, Budget and Evaluation and Renaissance Solutions, Inc.(RSI) have negotiated a contract for implementation of the Balanced Scorecard. The contract includes three major deliverables:

- 1) A “corporate level” scorecard, by working with the Leadership Team and selected KBE’s
- 2) A training program in how to develop balanced scorecards, for a staff team which represents all key and support businesses
- 3) The business plan objectives using the balanced scorecard for two of the key business units as pilot studies

The contract amount is \$99,500. Funding will come from two sources. During rightsizing an account was established to fund productivity studies, continuous improvement projects and customer service improvements. There is a balanced in that account. The remaining funding will come from the Training Account.

“Our work with Renaissance Solutions Inc. was the best value for any consultant service we’ve ever had....I wouldn’t want to do a Balanced Scorecard without RSI.” - Tony Lofrumento, Chase Manhattan Bank

Robert Kaplan and David Norton, the Harvard Business School architects of the scorecard, just completed a book, The Balanced Scorecard. In the book, the City of Charlotte is mentioned as the only known municipality beginning to use the BSC. Kaplan says,

A Balanced Scorecard provides substantial focus, motivation, and accountability in government . . . the scorecard provides the rationale for their existence and communicates to external constituents and internal employees the outcomes and performance drivers by which the organization will achieve its mission and strategic objectives.

The City of Charlotte is committed to continuous improvement in performance measurement information. We are very excited about this opportunity to vastly improve our performance measurement system and to be leading the way among the public sector in implementing this highly successful private sector management concept. The Balanced Scorecard will improve the performance measurement information presented to Council.

“The Balanced Scorecard can and should be the mechanism by which senior corporate executives present their corporate and business unit strategies to the board of directors. This communication not only informs the board in specific terms that long-term strategies designed for competitive success are in place. It also provides the basis for feedback and accountability to the board.” - Robert S. Kaplan and David P. Norton in The Balanced Scorecard

Attached are two articles about the Balanced Scorecard.

The Balanced Scorecard

The Outdated State of Today's Measurement Systems

Measurement is a critical component of any management system. Most managers recognize its vital role in communicating, incenting, and tracking the achievement of an organization's strategy. Despite this recognition, however, most organizations do not operate with a measurement system that adequately fills all of these roles. Because they consist of mainly financial indicators, today's measurement systems focus organizations on past performance and encourage a short-term view of strategy, failing to provide the long-term strategic management capabilities that today's organizations need.

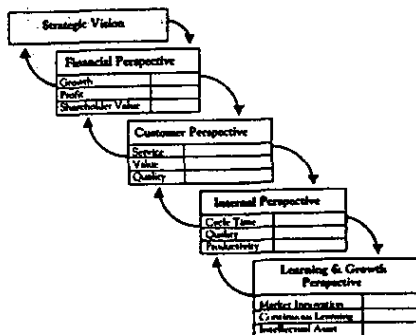
The Balanced Scorecard: A Tool for Translating Vision to Action

The Balanced Scorecard is a proven approach to strategic management that imbeds the long-term strategy into the management system through the mechanism of measurement. The Balanced Scorecard translates vision and strategy into a tool that effectively communicates strategic intent and motivates and tracks performance against the established goals.

A *vision* describes the ultimate goal – to be the best. A *strategy* is a shared understanding about how that goal is to be reached. The Balanced Scorecard provides a medium to translate the vision into a clear set of objectives. These objectives are then further translated into a system of performance measurements that effectively communicate a powerful, forward-looking, strategic focus to the entire organization.

In contrast to traditional, financially based measurement systems, the Balanced Scorecard solidifies an organization's focus on *future* success by setting objectives and measuring performance from four distinct perspectives. The *Learning & Growth* perspective directs attention to the basis of all future success – the organization's people and infrastructure. Adequate investment in these areas is critical to all long term success. The development of a true learning organization supports success in the next Balanced Scorecard perspective, the *Internal* perspective. The Internal perspective focuses attention on the performance of the key internal processes which drive the business. Improvement in internal processes now is a key lead indicator of financial success in the future. However, in order to translate superior processes into financial success, companies must first please their customers. The *Customer* perspective considers the business through the eyes of a customer, so that the organization retains a careful focus on customer needs and satisfaction. Finally, the *Financial* perspective measures the ultimate results that the business provides to its shareholders. Together, these four perspectives provide a balanced view of the present and future performance of the business.

The Balanced Scorecard



Recognizing a "Good" Balanced Scorecard

The Balanced Scorecard has been quickly accepted by the business world; it is easy to see the value of a focused set of performance measurements. However, the Renaissance view is that an effective Balanced Scorecard is more than a limited list of measures gathered into four categories. *A good Balanced Scorecard should tell the story of your strategy.* Having built over one hundred Scorecards and reviewed numerous independent efforts, we know how to recognize a "good" Balanced Scorecard. Three criteria help determine if the performance measures do, in fact, tell the story of your strategy:

- *Cause and Effect Relationships.* Every measure selected for a Balanced Scorecard should be part of a chain of cause and effect relationships that represent the strategy.
- *Performance Drivers.* Measures common to most Companies within an industry are known as "lag indicators." Examples include market share or customer retention. The drivers of performance ("lead indicators") tend to be unique because they reflect what is different about the strategy. A good Balanced Scorecard should have a mix of lead and lag indicators.
- *Linked To Financials.* With the proliferation of change programs underway in most organizations today, it is easy to become preoccupied with a goal such as quality, customer satisfaction or innovation. While these goals are frequently strategic, they also must translate into measures that are ultimately linked to financial indicators.

Since initial publication in the Harvard Business Review in January of 1993, the concept of the Balanced Scorecard has been interpreted in many different ways. While some people have chosen to view the Balanced Scorecard simply as a focused set of financial and non-financial measures, Renaissance has seen the dangers of such a simplistic interpretation — in execution, the measurement system may not reflect the strategy of the organization, mistakenly guiding an organization in directions that are not aligned with the strategy

The Art of Building a Balanced Scorecard

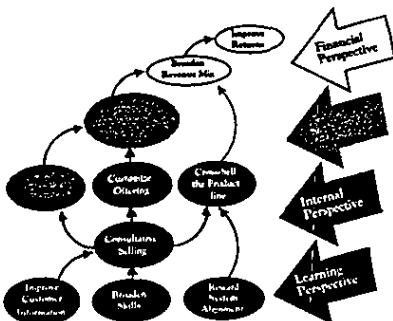
"Building A Balanced Scorecard Seems Simple, But Is Deceptively Challenging."

This quote summarizes the frustrations of one executive who had embarked upon the development of a Balanced Scorecard with disappointing results. The design of a Balanced Scorecard should not be underestimated. There are two essential ingredients to the successful design of a Balanced Scorecard.

- An *architect* who has a framework, philosophy, and a methodology for designing and developing the new management system;
- A *client* who will be totally engaged and assume ultimate ownership of the project, understanding that he or she must live with the results long after the architect leaves.

The *client* in this analogy is the Executive Team of the business. Renaissance Solutions plays the role of architect. The Balanced Scorecard and the Management

Cause and Effect Relationships



System which will be built around it are, ultimately, the responsibility of the Executive Team. Without their active sponsorship and participation, a Balanced Scorecard project should not be attempted, because it is doomed to failure.

Applying A Proven Methodology

Having developed over one hundred Scorecards for corporate leadership teams and major business units, Renaissance has a highly-tested methodology. This approach ensures the capture and translation to measurement of an organizational strategy across a wide variety of strategic and operational situations. As the architects of the measurement system, we employ a four phased approach in designing a Balanced Scorecard measurement system that reflects our philosophy and framework.

Step 1: Define the Measurement Architecture

Because the BSCSM should reflect the strategy, an organization must develop a distinct strategy. A business strategy and a Balanced Scorecard that describes it are not random. We have found that the architecture of a Balanced Scorecard has several dimensions which must be incorporated into Scorecard design. A good design process will recognize these dimensions and provide frameworks to guide the architect and the Executive Team in their thinking about the strategy. There are frameworks that describe the strategy and represent the foundation on which a complex design is based. For example, in the financial perspective, one could frame discussions about the three primary components of a financial strategy: (1) revenue growth/mix, (2) productivity, and (3) asset utilization. Whether operating a growing, mature, or harvest-oriented business, Executive Teams use this framework to anchor their financial objectives. Similar frameworks for the Customer, Internal, and Learning perspectives give both the architect and clients a common ground from which to consider the setting of strategic objectives.

Step 2: Build Consensus Around Strategic Objectives

In our experience with the design of Balanced Scorecards, we have *never* encountered a Management Team that had full consensus on the relative importance of its strategic objectives. In general, these are harmonious management groups in well managed organizations, but the lack of a shared understanding about the overall strategy and the relative roles of different groups within the organization keeps the team from agreeing on priorities. The second step of the development process is designed to build consensus among the members of the Executive Team around the long-term strategic priorities of the organization. To achieve this goal, each Executive Team member is interviewed individually to capture his or her implicit and explicit strategies for the business. These personal visions are then synthesized into feedback that is reviewed at an executive workshop. During this session, the Executive Team learns about where there is and is not consensus about their strategy and discusses unresolved issues. Ultimately, a coherent group vision for the organization emerges in the form of 10 top priority objectives.

4 Step Process

- Measurement Architecture
- Strategic Objectives
- Strategic Measures
- Implementation Plan

Step 3: Select and Design Measures

With the prioritized strategic objectives agreed upon by the Executive Team, the next step is the selection of measures to track the achievement of these objectives. Sub-team working sessions focus on the development of measures for a subset of the objectives, finalizing the wording of objectives and searching for measures appropriate for tracking each objective. At the end of this step, the sub-teams synthesize their recommendations into a united "strategic story." With agreement on the strategic objectives and measures, the Balanced Scorecard measurement system design is complete.

Step 4: Develop the Implementation Plan

For a Balanced Scorecard measurement system to create value, it must be integrated into the management system of the organization. The final step of the process entails three primary tasks: (1) identifying the current practices in various management processes, (2) evaluating opportunities for integrating the BSCSM into the management process, and (3) developing an implementation plan. This step typically reviews the client's approach to data reporting and review, management meetings and decision-making, strategic learning, strategic communication, personal objective setting and planning and budgeting.

Unlocking the Strategic Payoff

Companies who have been using the Balanced Scorecard for some time and have successfully integrated the tool into their management processes are beginning to see significant financial and operational results. The CEO of a large insurance company estimates that by using their Scorecard as a catalyst for MIS improvements, he was able to increase product profitability by nearly \$30 million over a two-year period. Others describe the intangible benefits gained from being able to "understand the drivers of business success" and "educate the organization, deciding how, when and where to raise the bar."

By developing a Balanced Scorecard that truly tells the story of your strategy, you will set the foundation for a management system that is capable of driving dramatic improvements in performance.

Service Offering Information Sheet

To learn more about the services provided by Renaissance Solutions, Inc. call your local Renaissance office or contact our Corporate Headquarters in Lincoln, Massachusetts by phone at 617-259-8833 or by FAX at 617-259-0565.

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WACHOVIA NEWS

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Creating Value Through Performance Measurement

What drives our business? How can we ensure that each business unit is focused on supporting Wachovia's long-term corporate strategy? How can all of us, working together, help Wachovia achieve optimal performance? How can we improve the way we measure profitability and return?

These are some of the questions that are being addressed through Performance Measurement, a corporate-wide initiative that is revamping the financial information business units will use to make strategic decisions and measure progress toward short- and long-term goals.

"Performance Measurement will help business units make decisions that ensure Wachovia uses its capital and resources in the most effective way," said Roger Shealy, Management Accounting manager. "It will provide better information for Wachovia's executives than they have today. For example, profitability information will be provided not just for the organization, but across three dimensions — product, customer and organization — in a consistent manner."

The key elements of the new approach to performance measurement will include a focus on value creation, a new reporting system and improved management accounting methods, such as the introduction of "balanced scorecards."

According to Don Truslow, comptroller, Performance Measurement will go beyond traditional profit-and-loss measures to the concept of "economic value." "Economic value is a future-oriented concept," he said. "It takes into consideration items such as future earning streams, degree of risk and underlying growth. Using this concept will help us look at our business lines objectively — as an investor would — and then determine what needs to be done to maintain or increase momentum in the marketplace."

A key component of Performance Measurement is the "balanced scorecard," a report that identifies the key performance measures that most closely track the progress toward a business unit's strategies and goals. "The scorecard consists of financial and non-financial measures, which complement each other and focus on the key factors that must be achieved for the business to be successful in meeting their strategic objectives," Shealy said.

Bill Langley, general auditor, already is using a balanced scorecard that he created with the help of others in Audit. "The scorecard represents months of brainstorming and rethinking our strategies," he said.

According to Langley, identifying critical success factors and new measures to replace the old ones was a daunting task. "As a support unit, it's tough to sit back and ask yourself, 'What am I here for? What are our goals? What are the goals of the business units we serve? And how does our work support the corporation's strategic objectives?' The entire process was extremely valuable. It really made us focus on how we can better support business development at Wachovia."

Many managers expect the scorecard to be an important tool to help them succeed in today's competitive market. "A profit-and-loss statement doesn't tell us what drives our business or what we should focus on," said Tom Trotter, head of Wachovia Mortgage. "Performance Measurement compels us to link our strategies to critical success factors. We will be measuring exactly what makes us successful." Over the next 12 to 18 months, Performance Measurement processes and systems will be designed to support each of Wachovia's business lines. WN

