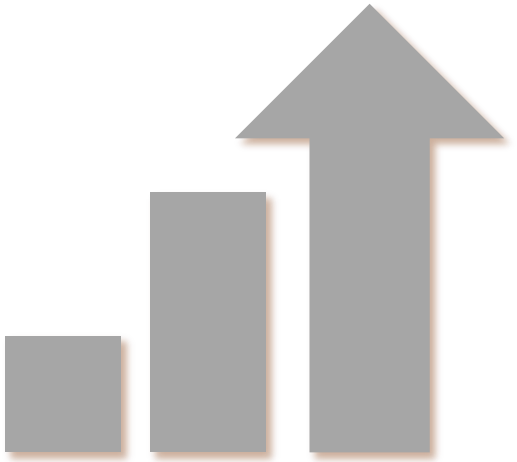
Measurable business results from engaged employees



MILLER COMMS

PERFORMANCE COMMUNICATIONS

"The Future of *Internal* Communications Measurement"

COMMUNICATIONS MEASUREMENT SUMMIT

October 13, 2016

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President & Chief Strategist, Miller Comms

In my humble opinion . . .

- Internal communications measures need to align **more directly** to the measures of business performance (redefining employee engagement measures) … Performance Communications
- Internal Communications role in **Leadership Alignment** is an area of opportunity – measurement tools add credibility
- Communicating the results **broadly** across the organization is as important as the measurement itself
- **KISS** – The easier the scoreboard is to read and understand, the better
- Communicators need a reliable and credible **measurement resource**

What's the Future of Internal Communications?

PERFORMANCE COMMUNICATIONS

A core internal communications system that drives **MEASURABLE** operating and financial performance **IMPROVEMENTS**

Delivering performance improvements for a cost that's less than the gain

Four Principles of Performance Communications: KUBA

1. Employees **KNOW** the financial and operating goals – what are we reaching for
2. Employees **UNDERSTAND** how the business works, what needs to be accomplished to achieve the goals, how the goals connect to what customers value
3. Employees **BELIEVE** their work influences achieving the goals and therefore, they will be rewarded when the goals are met
4. Employees **ACT** differently (behavior changes) so the work changes and the results change

What Does Performance Comms Measure?

EMPLOYEE ENGAGEMENT

Specific business results, such as

- Customer satisfaction
- Quality performance
- Safety (OSHA recordables)
- On-time deliveries
- Margin performance
- R&D productivity
- Sales

LEADERSHIP ALIGNMENT

Driving toward same priorities?

Degree of respect, collaboration, support among leadership team

Rewards/incentives aligned to business objectives

CHANNEL EFFECTIVENESS

Where communication breakdowns occur

- Mixed messages
- Slow-moving information
- Inaccurate information
- Non-existent information

Leadership communication impact

How is Performance Communications Measured?

Step 1	Communications Assessment (Employee focus groups)
Step 2	Leadership Assessment
Step 3	The Scoreboard or Dashboard
Step 4	KUBA Measures **Knowledge** of the financial and operating goals **Understanding** of how the business works **Belief** that their work influences achievement **Action** that results in change

CASE STUDY: Abbott Nutrition

1. Five years of margin erosion
2. Five years in a row of missed sales plan
3. Biggest product recall in company history

Right **TIME** Right Now

Talent
Innovation
Margin
Execution

Leadership Assessment – Top 6 Execs & EVP

Instructions: For each of the roles in the column on the left, please circle the number in the box on the right that best represents how well the leader you are assessing meets those expectations. A score of "1" equals "Disagree Strongly" and a score of "5" equals "Agree Strongly."

My name is _____ I am assessing: _____

EXPECTATIONS	Disagree				Agree
1. Create and communicate a vision and strategy that connects people and what they do to becoming the #1 nutrition company worldwide	1	2	3	4	5
2. Build a safe environment that enables the right people with the right skills and knowledge to think and execute like business owners.	1	2	3	4	3
3. Hold ourselves and others accountable for walking the talk, and creating results.	1	2	3	4	5

Leader Say-Do Analysis

Section 1: Identifying Business Priorities

For each of the statements below, please indicate:

(a) to what extent, if at all, do leaders say this strategic area of focus is important to Abbott Nutrition's success and,

(b) to what extent, if at all, does the statement describe the behavior of leaders with whom you work?

"Leader" refers to the most senior leaders(s) that you work with on a regular basis.

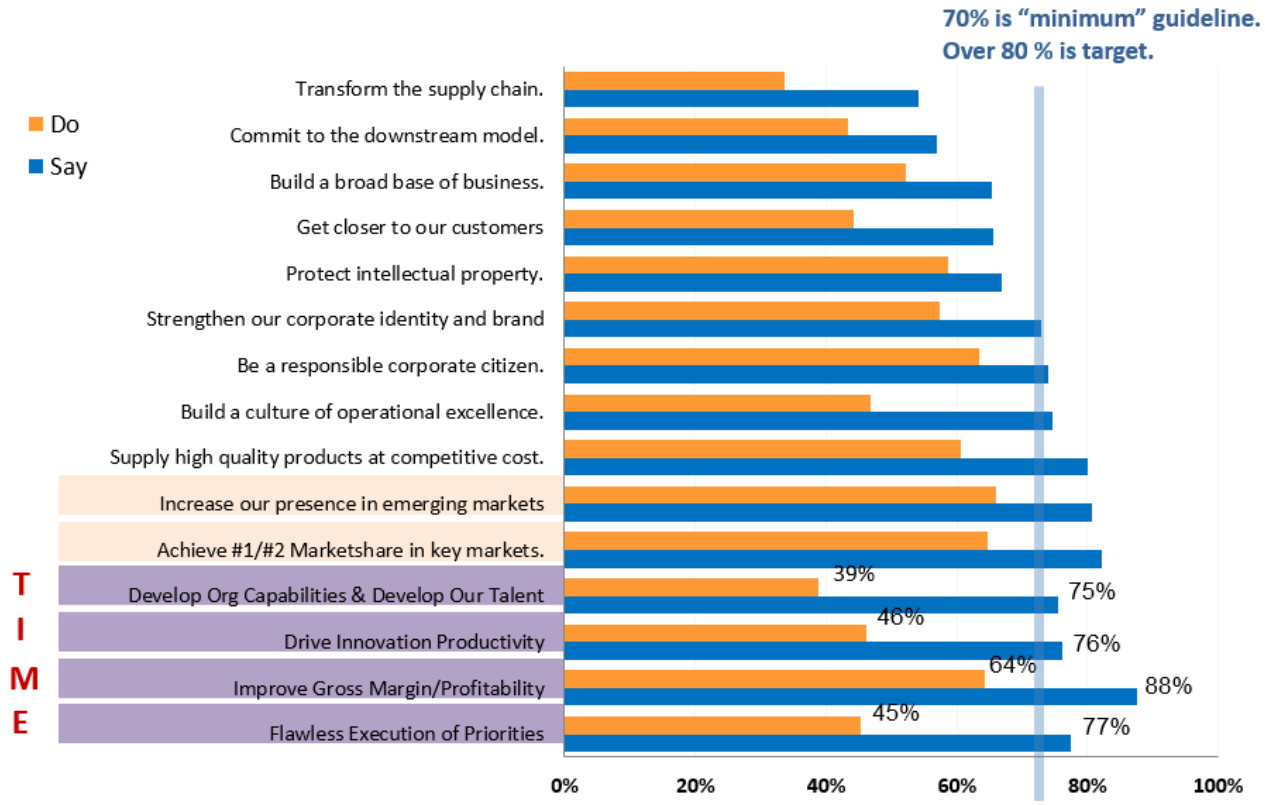
Please use the following scale, clicking on one number for each statement in each of the two columns on the right.

To no extent		*To some extent*		*To a very great extent*
1	2	3	4	5

	*Leaders **say** this is important . . .*	*I see leaders in the company actively **doing** this…*
1. Increase our presence in emerging markets.	1 2 3 4 5	1 2 3 4 5
2. Get closer to our customers.	1 2 3 4 5	1 2 3 4 5
3. Drive innovation productivity.	1 2 3 4 5	1 2 3 4 5
4. Improve gross margin/profitability.	1 2 3 4 5	1 2 3 4 5
5. Strengthen our corporate identity and brand.	1 2 3 4 5	1 2 3 4 5
6. Develop organizational capabilities and develop our talent.	1 2 3 4 5	1 2 3 4 5
7. Protect intellectual property.	1 2 3 4 5	1 2 3 4 5
8. Transform the supply chain.	1 2 3 4 5	1 2 3 4 5

Leadership Alignment: Say-Do Survey Results

Attributes leaders talk about most are also the ones with the largest gap. All 'do' attributes below minimum norm.



TIME Impact after One Year

Leader "Say" – "Do" Improvement

Say vs. Do – Wave I / Wave II Total Gap Scores

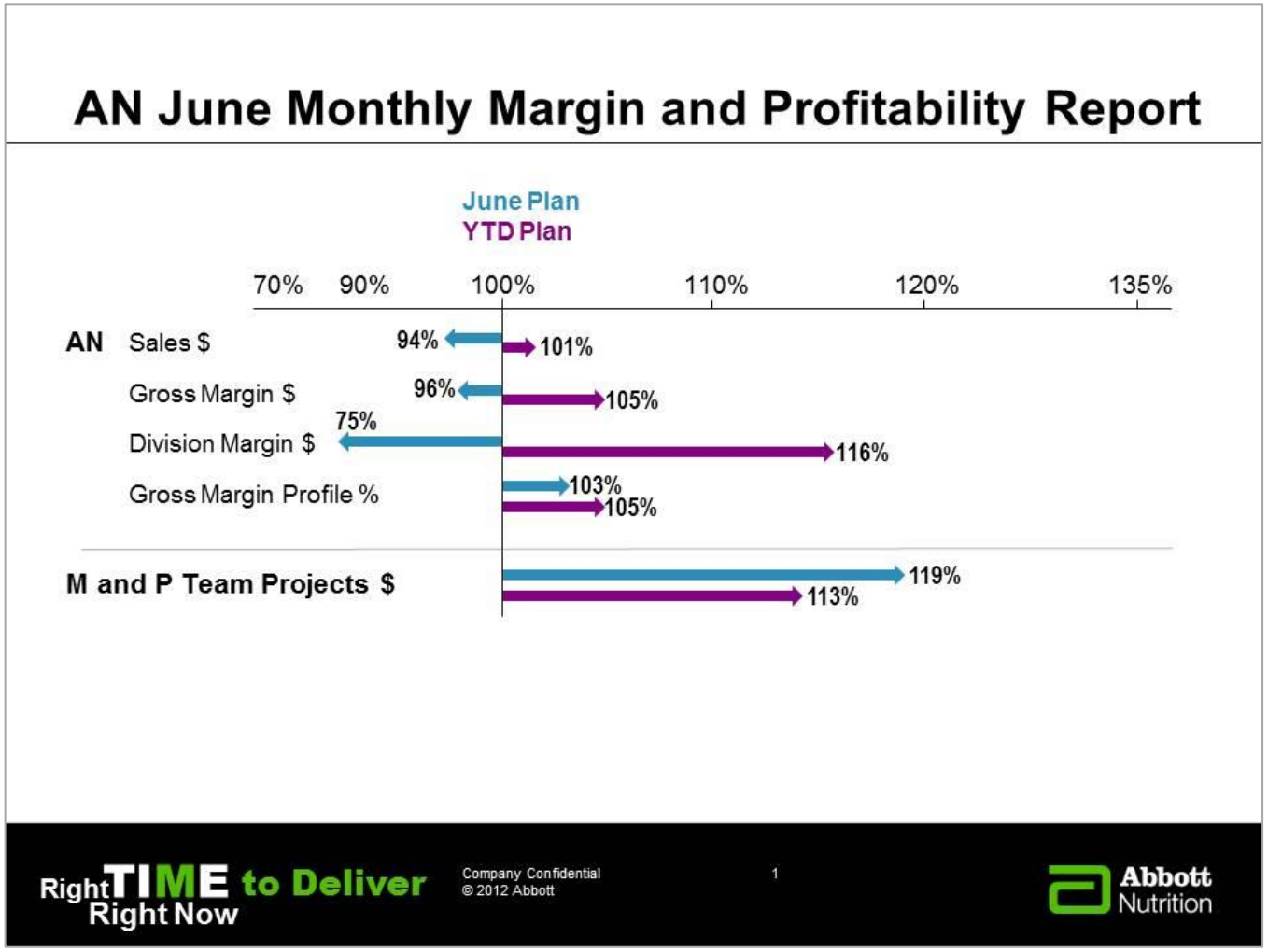
		WAVE 1 Gap	WAVE 2 Gap
T	DEVELOP OUR TALENT / ORGANIZATIONAL CAPABILITIES	37	22
I	DRIVE INNOVATION PRODUCTIVITY	30	16
M	IMPROVE GROSS MARGIN / PROFITABILITY	23	13
E	FLAWLESS EXECUTION OF PRIORITIES	32	17

Highest Priority – Margin
"Say" & "Do" Gap Narrowed 10 Pts

The Scoreboard or Dashboard

	Q1	Q2	Q3	Q4	Comments
TALENT Development	○	○	+		Launching a Reward & Recognition program in Q4. Filled key positions in AN with new talent. More work to be done.
INNOVATION Productivity	−	−	+		Narrowed priority innovations for resourcing to 19. Innovation launches growing ANI. Ensure HP and Glucerna Hunger Smart fueling ANPD growth.
MARGIN Profile Improvement	−	−	○		Formed the Margin & Profitability team; dedicated 125 people to execute 10 initial projects. Off to a strong start; need everyone's cooperation. Top priority.
EXECUTION of Priorities	○	○	+		
Similac Recovery	+	+	+		#1 again in the U.S.! Recovered in China & Saudi Arabia. Remarkable achievement of our U.S. Commercial Team and overall Supply Chain. Congratulations!
Emerging Market Growth	○	○	+		Positive growth in Q3. India Meal Check and mid-tier formula approved. Brazil edging closer to #1 in therapeutic. China Total Comfort going well. Not meeting Share plan.
Performance Against Plan	○	−	−		Not meeting update. Missing YTD target by $65 million.

HOW You Communicate What's Measured Matters



Leadership Communications

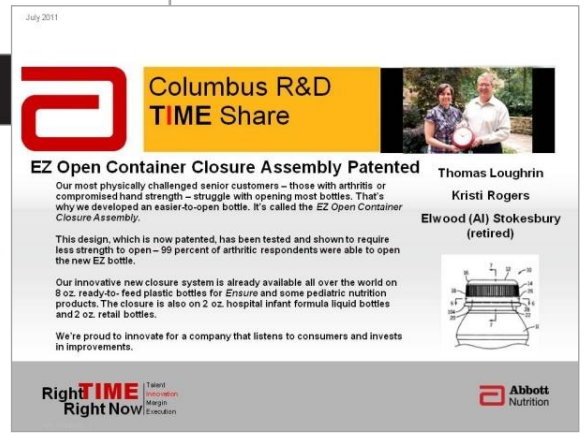
- "Where in the World is John?" push emails ~ 2x month
- Quarterly video streamed meetings from HQ to 68 sites (30 min live Q&A)
- 63% of employees attended/viewed streams
- Corporate Employee Engagement score jumped from 44% the year prior to **TIME** to 90% in Year 2

Where in the World is John?

COSTCO WHOLESALE **Customer Visit**

TIME Shares – Progress Reports & Recognition

140+ TIME testimonials submitted by employees over four-month competition



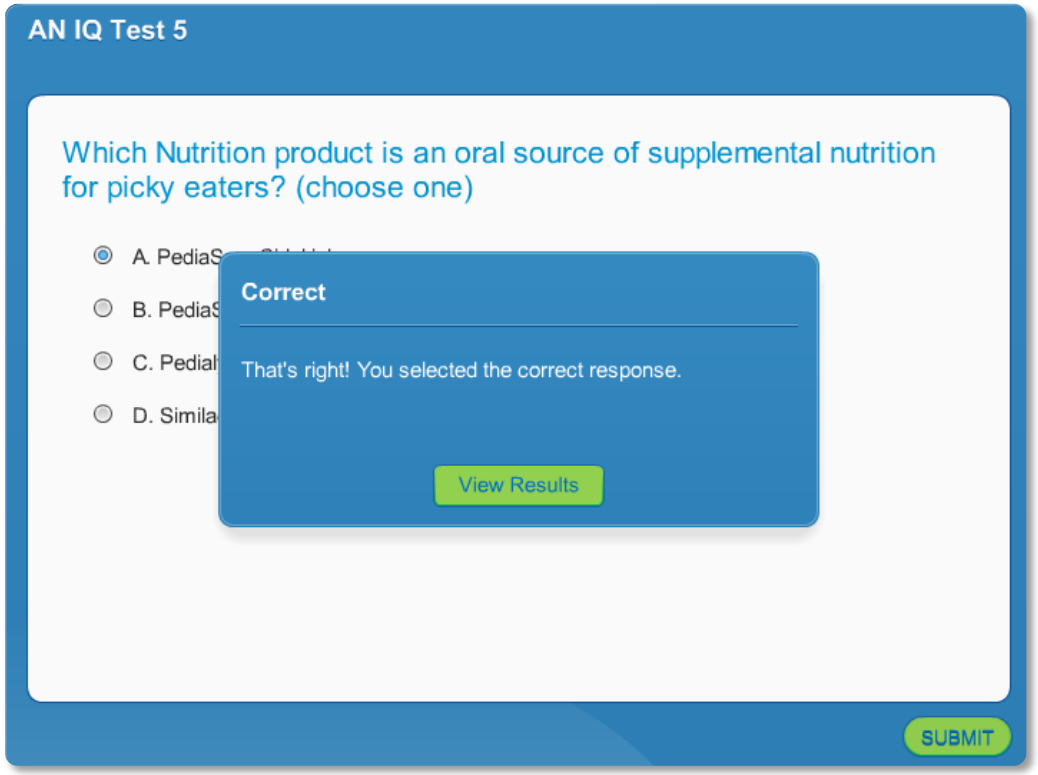
What's New at AN?

7 taped in 4 months

Averaged 1750 views each

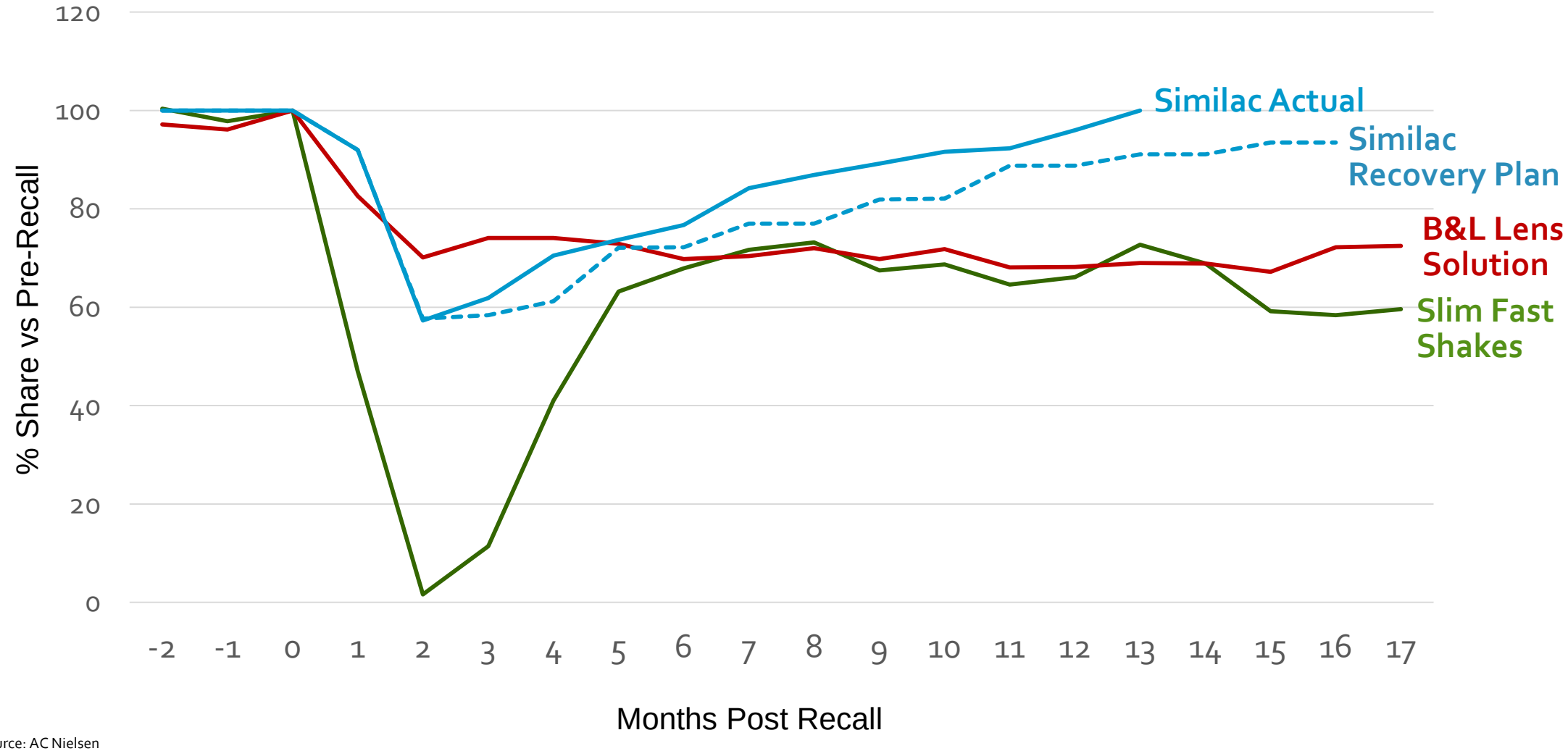
Measuring Institutional Knowledge

- Created "AN IQ Tests" online
- Series of 7 quizzes
- Knowledge scores consistently increased



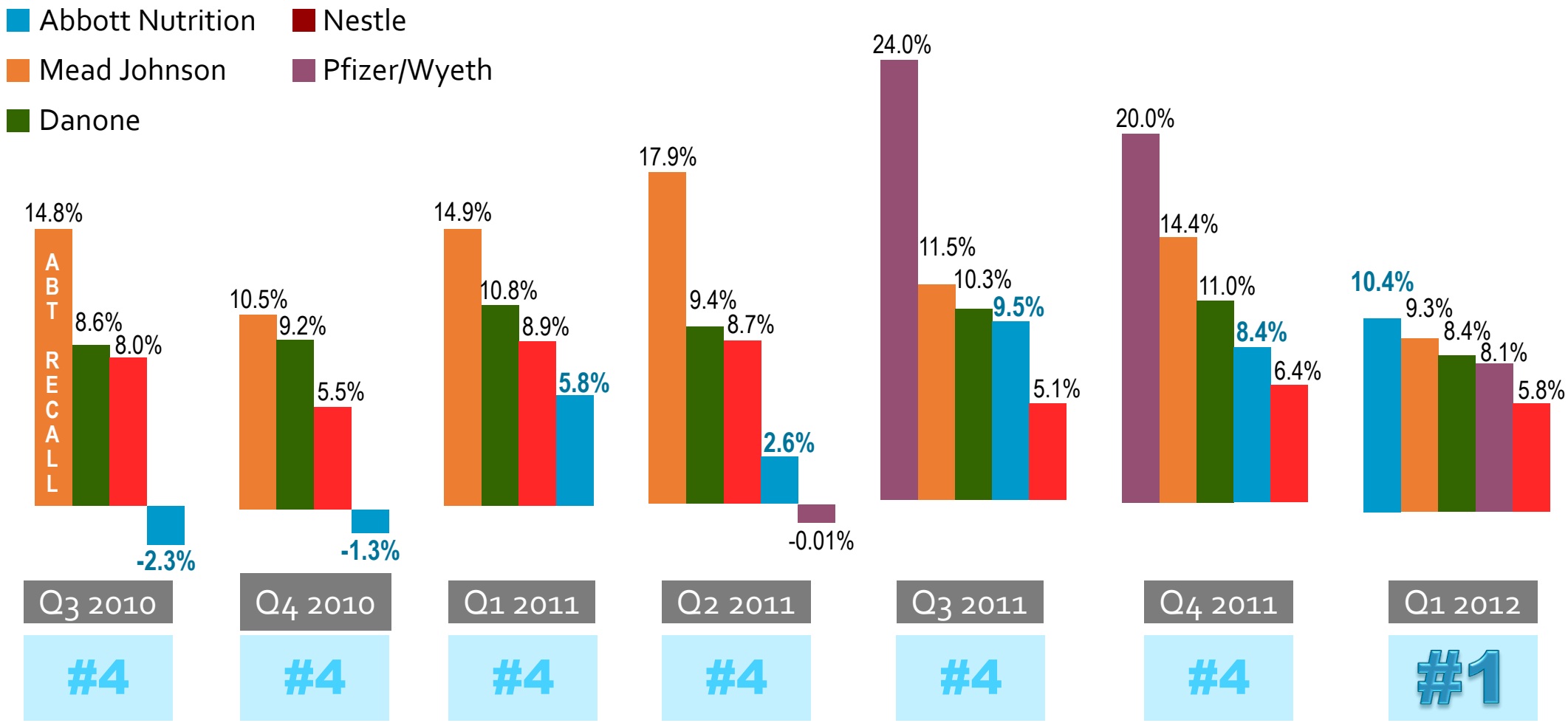
So how did all that knowledge, understanding and buy-in translate into ACTION – measurable performance improvements?

Best-in-Class Recovery from Recall



Source: AC Nielsen

TIME RESULTS – Sales vs. Competitors*



* Operational Sales YOY - excludes impact of exchange rates.

M Margin Improvement – Q1 2012

- Achieve 2012 Gross Margin Plan of $[redacted] Billion → 7% ahead of plan
  - Achieve Division Margin target → 20% ahead of Plan
  - Achieve M&P projects totaling $[redacted] Million → 11% ahead of Plan
- Meet 2013 Gross Margin commitment milestones → Some challenges re: packaging, base business

2012 Division Margin Results at year end: 22% ahead of plan!!!!!!!!!!!!

Year Two Results

"Most of all, we showed what's possible when we align our entire organization around four strategic imperatives – **TIME** – and a single, common goal of margin improvement."

John Landgraf
Executive Vice President
Abbott Nutrition

- Achieved plan income
- Exceeded margin and profitability commitments
- Broke ground on **3** new manufacturing plants (China, India and Ohio)
- Filed **90** patent applications on key AN discoveries

Positive Neutral Negative

AN 2012 Scorecard: TIME to Deliver

	Strategic Priorities	Q1	Q2	Q3	Q4
T	• Promote and acquire ONLY the best • Develop leadership pipeline • Align with expected behaviors and operating principles	⊕	⊕	⊕	⊕
I	• Deliver ahead of LRP commitments • Deliver clinical outcomes • Secure IP; Strategic acquisitions/agreements	⊕	⊕	⊕	⊕
M	• Achieve 2012 Gross Margin Plan of $X Billion **#1 Priority** • Achieve M&P Projects totaling $XXX Million Everyone has a Margin goal in 2012 • Meet 2013 Gross Margin commitment milestones	●	●	⊕	⊕
E	• Deliver sales, margin and share • Deliver emerging markets • Accurately forecast demand • Expand capacity • Anticipate and respond to commodity increases	⊕	●	⊕	⊕

TIME Integration Worldwide

Year 1

RightTIME Right Now

Talent
Innovation
Margin
Execution

Year 2

RightTIME to Deliver Right Now

Year 3

TIME to Grow …profitably

Questions and Discussion

“You have to win on the inside to win on the outside.”

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