



Case Study

Capital Sports and Entertainment Group

Improving Off-Ice Business Performance at the Ottawa Senators Hockey Club

BACKGROUND

In this day and age of professional sports, managing hockey operations, or the operations of any sports franchise for that matter, is a fulltime, 12-month a year job. To be successful from a fan's perspective as well as a financial perspective professional teams must be competitive and entertaining. Truly successful teams will consistently make the play-offs, often winning at least two to three post-season play-off rounds each year. As a result, the sports component of the business commands a significant amount of skilled resources, time, money and effort.

However, off-ice (or off-field/court) performance also plays a significant role in the success of a professional sports organization and can have a major impact on the business --- both positively and negatively. Beyond winning and losing, customer service excellence and community involvement have a large impact on the fan's experience, and the resulting level of financial commitment they have to supporting the team. Efficient, on target service delivery will be critical to customer satisfaction and retention --- and the bottom-line.

Even with salary caps, the organizations operations and service delivery must be managed with focus and precision to cover the costs of both the sports operation and the support/service aspect of the operation. Like the sports operation, operations such as sales, marketing, accounting, information systems, food & beverage, souvenir concessions, facilities management, and human resources must also operate as a well-coached team; a team committed to working together to achieve a clearly articulated and well understood mission, vision and game plan.

The challenge for many professional sports organizations is how to maximize their business performance, and how to do that without sacrificing the quality of their primary product --- the team.

KEY ISSUES AND CHALLENGES

September 16, 2004, was the first day of the NHL Lockout. The lockout lasted 310 days and resulted in the cancellation of the 2004-05 NHL season. It was the first time a major professional sports league in North America canceled a complete season due to a labour dispute.

During the 10-month long lockout, many NHL teams laid off their management and coaches as a way of reducing costs during a season without revenues. The Capital Sports Group of Companies (CSG), which owns and operates the Ottawa Senators Hockey Club, took a completely different approach. CSG's executive team, Eugene Melnyk (Owner), Roy Mlakar (President and CEO) and Cyril Leeder (COO) decided to retain the majority of their management team during the lockout and focus on improving their off-ice business performance.

Cyril Leeder, Chief Operating Officer, CSG --- *CSG had grown from 14 fulltime employees in 1990 to over 150 in 2004; we now have a total of 1600 employees working on game days. In addition to building a competitive hockey team during that time, we have had to deal with a*

number of important business issues including some very difficult financial situations. While our financial situation has stabilized under the ownership of Eugene Melnyk, our financial performance is still a critical indicator of our business performance and a priority for our executive team.

Naturally, hockey operations have always been the top priority of the Ottawa Senators; however, we realized that the business and market environments we operate within had been changing as quickly as the world of professional hockey. The high tech boom was certainly over and money had become tight in our market area. Fans and corporate sponsors were demanding more for their dollar, particularly as prices increased to support increasing player salaries. The focus on excellence across service industries was at an all time high. Perhaps most importantly, we knew we were going to need to be at the top of our game to not only win back the fan support we enjoyed prior to the lockout, but to also grow the fan base in order to provide the financial wherewithal and stability required to fund hockey operations in the new NHL.

We knew we had to make some changes in our off-ice performance. The lockout gave us the opportunity of being able to take a step back and look at our business as a whole, without having to deal with the pressures of a 100+ game hockey season.

SITUATION ANALYSIS

Cyril Leeder, Chief Operating Officer, CSG --- *While we did perform some strategic planning at the department or individual management level, it was not being conducted in a consistent enterprise-wide approach. As a result, we found ourselves reacting to situations, not being proactive.*

It also became apparent that communications within our quickly growing organization was not as effective as it needed to be. The combination of limited internal communications, the lack of a comprehensive business game plan, and the day to day workload of operating a professional sports franchise negatively impacted employee morale. As a result, we were not delivering the fan experience we desired --- nor were we delivering the financial results we expected.

The timing was right --- we had a management team that was committed to excellence, we had a strong desire to improve employee morale and, most importantly, we wanted to provide the best fan experience in professional sports and entertainment. The final piece of the puzzle came into place when we partnered with the Wren Group to guide us through a systematic approach to assessing, developing and implementing a performance management program tailored to CSG's requirements.

End of Part A Case Study

Start of Part B Case Study

RECOMMENDED APPROACH TO IMPROVING OFF-ICE PERFORMANCE

The Wren Group recommended an enterprise-wide performance management program that would improve CSG's service delivery, productivity, employee morale, customer satisfaction and, ultimately, the bottom-line. The program was designed to take place over a three to four year period to provide for efficient and effective management of improvements to key processes, and ensured minimal disruption to the day-to-day hockey operations. Most importantly, this approach would allow CSG the time to truly incorporate each of the improvements into their business operations allowing them to become fully self-sufficient and self managing.

As part of this performance improvement program, the Capital Sports Group embarked on a Progressive Excellence Program (PEP)¹ to look at six main drivers within the organization. The main drivers of the PEP are Leadership, Planning, Customer Focus, Supplier Focus, People (employee) Focus and Process Management. This was done through the National Quality Institute to allow for a third party assessment and recognition of their journey to Excellence

Ron Higgins, Principal, The Wren Group --- *The first order of business was to assess the in-place management systems that are the foundation of truly successful businesses: leadership & planning, process management, customer focus, employee focus, supplier focus and quality. This included a review of key processes such as the strategic planning, internal communications, as well as the development of benchmarks for important business metrics such as employee morale, financial, operational, stakeholder and customer satisfaction/retention.*

Like most professional sports businesses, CSG has a number of departments that directly interface with their customers and/or affect the quality of their experience. The key departments include sales, marketing, food and beverage, accounting, IT, facilities management and procurement. It was important to gain a clear understanding of the accountabilities and objectives of each department, as well as how they worked together to achieve the overall goals of the CSG.

Cyril Leeder, Chief Operating Officer, CSG --- *The findings from the Wren Group's initial assessment were not a big surprise. It was the compilation of the results into a comprehensive improvement program that provided an opportunity to positively affect the fan experience and ultimately, our bottom-line, which was the real eye-opener. Each finding had a proposed solution that would provide a significant return on investment. The management team was now even more motivated to move forward with this program as expeditiously as possible.*

IMPLEMENTATION

Year 1 --- Leadership & Planning, Customer Focus and Quality Systems

Leadership & Planning

Ron Higgins, Principal, The Wren Group --- *In highly effective organizations, leaders need to implement strategic plans and align the organization to meet their strategic objectives. By implementing and effectively communicating the strategic plan, the leaders define the areas of accountability within the organization and measure the effectiveness of the organizational objectives to ensure business continuity and continual improvement.*

The first step was the implementation of an annual strategic planning process. The process included a specific schedule for each activity within the planning process and defined the senior managers, mid-managers and key employees who would be participating in the strategic

¹ PEP is a National Quality Institute run program

planning process. Part of this activity included the development of benchmarks for people morale, customer satisfaction and retention, sales, revenues, profits and process efficiency. These benchmarks would provide the basis to gauge improvement while progressing along the journey to excellence.

Cyril Leeder, Chief Operating Officer, CSG --- *Once the corporate strategic plan was in place, we communicated the plan throughout the organization to ensure effective implementation of the key strategic objectives. Each department developed their own departmental objectives and scorecards that aligned with the applicable strategic goals.*

Our new annual planning process now includes a review of the corporate and departmental scorecard on a monthly basis. This ensures an on-going commitment and focus on the strategic objectives, and provides an opportunity to adjust our objectives as the internal and external environment changes. By implementing planning in this manner, we were able to provide direction, identify key strategic objectives, align the organization to these objectives and implement a review of objectives to ensure ongoing communication between departments.

As a result, we developed the following strategic direction for CSG and the Ottawa Senators Hockey Club:

<p>Mission We are world class hockey and entertainment.</p> <p>Vision</p> <ol style="list-style-type: none">1. Return the Stanley Cup to Ottawa2. Be the best organization in sports and entertainment3. Create fans for life <p>Commitment to Community and Fans</p> <ul style="list-style-type: none">▪ Manage the team and franchise in a responsible manner▪ Ice the best team we can, year in and year out▪ Provide exceptional service and be responsive to our fans and patrons▪ Be active in the community; do what we can as an organization and as individuals to make Ottawa a better place to live <p>Commitment to Business Excellence</p> <ul style="list-style-type: none">▪ Focused on continuous improvement▪ Align business goals with that of winning the Stanley Cup▪ Strive to achieve our Vision

Customer Focus

Ron Higgins, Principal, The Wren Group --- *The organization exists for customers, and as such, CSG needed to ensure that customer requirements were understood and included in the strategic planning process. Once the requirements were understood, key service and delivery processes needed to be documented and implemented to ensure customer satisfaction and loyalty.*

To begin with CSG focussed on their customer groups --- their hockey fans, event customers, conference and meeting clients and corporate sponsors. Being committed to exceptional service is only one aspect in achieving the vision of creating fans for life. In order to actually be responsive and deliver exceptional service, it is critical to have a clear understanding of what each customer group's needs and expectations are as well as their on-going satisfaction level for the delivery of those needs.

One of the best ways to ensure a clear understanding of customer requirements is to have their input included in the business planning process. Therefore, an organization should closely

manage customer needs on an on-going basis, and have processes in place to allow for regular customer input and to address any issues promptly and professionally.

Cyril Leeder, Chief Operating Officer, CSG --- *We started by holding a number of customer focus groups to gain a clear understanding from our fans' perspective on their interfaces with the various service delivery components (e.g., ticket sales, parking, souvenir concessions, food and beverage, etc.). The fan feedback was reviewed with each of our CSG's functional departments and a cross functional team of managers developed service delivery improvement plans. Applicable service delivery processes were modified and improved processes developed across the organization.*

We developed a customer satisfaction index during the initial set of focus groups to be used as a benchmark for measuring future customer satisfaction indicators. We continue to use a variety of approaches to monitor customer satisfaction levels including, focus group, on site pda-based surveys as well as post event web-based surveys.

Quality

Ron Higgins, Principal, The Wren Group --- *Like any sports team, for a business to perform at the top of its game, quality needs to be imbedded throughout the organization. The organization's departments need a process for continual improvement to ensure a high level of product and service quality. Adequate records need to be maintained to provide the opportunity to analyze history and trend data. One of the best ways to manage this is to implement an effective document and record management system to ensure the entire organization is working with current procedures, forms and other pertinent documents.*

Cyril Leeder, Chief Operating Officer, CSG --- *During this phase, the Wren Group provided CSG with on the job "quality system" training to our cross functional team members. The objective was to allow the knowledge from the Wren Group to be transferred to the CSG organization so that we would be self sufficient in our on-going efforts to attain higher levels of excellence.*

Our quality manifests itself in our responsiveness to our fans and in turn, our renewal rate with our customers. Our renewal rates, since implementing our performance management enhancement program with the Wren Group, have never been higher. As well, the organization has now developed a systematic focus on continuous improvement in the quality of our work and the service we provide our customers.

Year 2 --- Human Resources, Process Management, Supplier Management and Community Focus

Human Resources

Ron Higgins, Principal, The Wren Group --- *Employees are one of the most important resources an organization has. To ensure continuity and to reduce costs, an organization needs to recruit and train employees to ensure the employees have the expertise to meet the organization's requirements. The organization needs to communicate with its employees to ensure they have input into the planning process, are satisfied with their jobs and remain loyal to the organization for the long term.*

Cyril Leeder, Chief Operating Officer, CSG --- *We refer to our Human Resources (HR) department as the "People" department. We have a good recruiting program and recruit the best possible candidates for our workforce. A high level of training is performed on an annual basis*

for our employees, and we now have a wellness program in place to promote health and fitness and work life balance.

To establish a benchmark for employee satisfaction we conducted a number of focus group sessions. As a result of these sessions, it became apparent that there were some issues related to employee satisfaction. We implemented an employee satisfaction program during 2005, and metrics are now in place to gauge the level of satisfaction in the workplace.

As a result of the above initiatives, there has been an improvement in the employee satisfaction levels at CSG since the first employee satisfaction survey was conducted in 2005.

Process Management

Ron Higgins, Principal, The Wren Group --- *To ensure maximum efficiency and effectiveness within an organization, it needs to have effective processes management in place. Process management starts with the mapping and documentation of all key operational processes. By having key processes documented there is now a methodology to continually facilitate process improvements. This ensures a high level of operational efficiency and effectiveness focussed on customer needs, satisfaction and loyalty. Finally process mapping and documentation ensures consistent service delivery even when organizational changes take place.*

Cyril Leeder, Chief Operating Officer, CSG --- *Process management was a new activity for CSG at the start of this business improvement program. Since then, the key operational processes that support our newly defined strategic goals and objectives have been identified, mapped and documented. As a result, all employees now know who is responsible for specific steps within a process, who the internal and external customers are and what is required from others in the organization to ensure effective implementation of their process.*

Each process now includes metrics to evaluate the efficiency and effectiveness of the process and to identify opportunities to further improve the process. The metrics are reviewed on a regular basis to ensure it continually supports the changing needs of the organization.

Supply Management

Ron Higgins, Principal, The Wren Group --- *Supply Management includes having key suppliers involved in the organization's strategic planning process to ensure the suppliers understand the key business objectives of the organization. By doing so, organizations and suppliers can work together more effectively to create the necessary processes to meet the organization's business requirements.*

Cyril Leeder, Chief Operating Officer, CSG --- *CSG is dependent on having excellent supplier relationships with their supply base. One of the key suppliers is Aramark, who supply the significant majority of food and beverage services at Scotiabank Place. Having high quality food and superb service is critical to the customer experience.*

John Thomsen, District Manager for Aramark Canada --- *The Lean Management assessment facilitated by The Wren Group allowed an Aramark cross-functional team to identify key areas for improvement in our end-to-end concessions service delivery process. As a result, we were able to modify and eliminate some of the steps in our process, thereby reducing service delivery timeframes. As a result, we have seen an improvement in customer satisfaction and an increase in concessions revenue.*

Community Focus

Ron Higgins, Principal, The Wren Group --- *Excellent organizations work closely in and with the community as good corporate citizens. Working closely in and with the community is an effective way of being a good corporate citizen.*

Dave Ready, VP Senators Foundation --- *Although the Foundation was already very involved with the community, clear vision, common goals and objectives and the utilization of the corporate scorecard enabled the Foundation to integrate and support the overall vision of the corporation. The end result benefits not only the community but our workplace as a whole, allowing for more efficiencies and productivity.*

Year 3 --- Sustainability

Ron Higgins, Principal, The Wren Group --- *To ensure ongoing success of the performance management program, regular assessments are performed to verify an organization's ability to sustain superior organizational performance and examine long term results and their impact on organizational accomplishments. To further verify the implementation we conducted a third party assessment by the National Quality Institute resulting in two progressive excellence program awards.*

Cyril Leeder, Chief Operating Officer, CSG --- *CSG has undergone a positive culture change and is now focused on the key business drivers and strategies. We have an effective planning process in place that is focused on customer satisfaction and continual business improvement. As a result, the appropriate measures are in place to allow us to be self-sufficient in managing this on-going performance program.*

RESULTS TO DATE

Ron Higgins, Principal, The Wren Group --- *CSG is a good illustration of the benefits of taking a disciplined, systematic approach to assessing and improving the business side of the organization. Following three years of concerted effort, the implementation of a performance management program has resulted in across the board improvements in all of the key business metrics. These results represent changes that occurred from September 2004 to present.*

Customer Satisfaction

Cyril Leeder, Chief Operating Officer, CSG --- *Feedback from the initial series of customer focus groups identified two chronic service problems. Fans were not happy with the length of lineups at concessions and were annoyed with the parking, especially when exiting a game. Parking and traffic flow studies have concluded that it is not possible to satisfactorily alleviate the congestion until highway 417 is widened.*

The Wren Group worked with the Aramark team to assist in the identification of opportunities for improvement. This has resulted in reduced wait times at the concession stands and provided an increase in revenue due to the concessions' improved efficiency and productivity.

Follow-up surveys following this improvement provided positive feedback from the customers.

- 10% improvement in fan and community perception of the team and organization
- 5% increase in customer retention (season ticket and corporate sponsors)
- 25% increase in season ticket holders

Financial Improvement

Cyril Leeder, Chief Operating Officer, CSG --- *One of the foundational components of this program, the strategic planning process, has caused the leadership team to have a renewed focus on the strategy of "creating fans for life". As a result we were driven to look at our service delivery processes from a different perspective --- to create the ultimate fan experience. This has had a significant positive impact on our financial results and customer satisfaction levels.*

Prior to implementing the performance management program, CSG was focused on hockey operation's revenues. After conducting an environmental scan, we were able to identify and assess all of our revenue opportunities including food and beverage and non-hockey events such as business meetings, conferences, and entertainment. This too had a positive impact on revenue and profitability.

As a result, CSG has experienced:

- 33% increase in ticket revenue
- 29% increase in total enterprise revenue
- 200% increase in profitability

Employee Morale

Cyril Leeder, Chief Operating Officer, CSG --- *Prior to implementing the performance management program, we did not conduct employee surveys. As a result, our management team did not have a clear picture of employee satisfaction levels and were missing out on valuable employee feedback and suggestions for improvement.*

Since implementing the employee satisfaction surveys last year, in addition to the increase in satisfaction levels, many suggestions for improvement were identified. We also established an employee-based cross functional team in place to address these improvement opportunities.

Employee morale has improved at CSG as follows:

- 5% increase in employee satisfaction levels
- 10% increase in employees' view of leadership