





 GEN-PROBE

*Selecting the Right Measures for  
Corporate Performance Management*

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OUTLINE

**Presentation Outline**

- Gen-Probe Overview
- Our Challenge
- Our Approach
- Our Results

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OVERVIEW

### Gen-Probe: An Innovative Growth Company in Molecular Diagnostics

- High Growth company
  - Revenues of \$455 million, net after-tax profit margin of ~21% expected in 2008
- 1000 employees based mainly in San Diego, CA
- Broad, innovative, proprietary technologies
  - Received 2004 National Medal of Technology
- Best-in-class products
  - Clinical diagnostics
  - Blood screening
  - Unique, fully automated instrument platform in TIGRIS®
- Expanding into cancer diagnostics, industrial microbiology

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OUR CHALLENGE

### Create a culture which values accountability for achieving results on an individual and organizational level

- Increasing competition
- Changing markets
- Expanding geographies

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OUR APPROACH

### Create linkage between goals, results and rewards

- Establish clear line of sight between individual goals and Gen-Probe corporate goals
- Support accountability for achieving results stated in the goals
- Recognize and reward delivery of results as defined by our goals

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OUR APPROACH

### Build clear, well-aligned goals to form the foundation of success

- Establish Gen-Probe corporate goals which provide the operational direction for the longer term strategic plan
- Facilitate cross-functional alignment of goals, beginning with the leadership team
- Support alignment of team and individual goals, within and across functions
- Provide central repository for documenting and reporting goal status

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OUR APPROACH

### Improved goal setting with each cycle

- Provided increased structure on cascading and aligning goals
  - Conducted workshops for executives, departmental and team leaders to identify interdependencies and linkages
  - Established target dates to help with cascade timing
- Implemented “Leadership” goal for all managers and supervisors
- Increased focus on quality of goals and metrics

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OUR APPROACH

### Provide frequent, easy, opportunities for managers and employees to discuss progress toward goals

- Facilitate focused feedback on achievement of goals at regular intervals, not just once a year
- Customize target competencies to critical elements of a job
- Simplify feedback, review and approval processes
- Provide framework for increased consistency in ratings

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OUR APPROACH

### Improved performance management with each cycle

- Improved quality of year end feedback
  - Conducted manager workshops on delivering performance feedback
  - Piloted calibration meetings to support consistency
- Increased accountability through reporting
  - Reviewed appraisals before they were final for extremely high and low
  - Completed 95% of all self-appraisals completed on time, 93% manager appraisals completed on time
- Simplified process
  - Individual supervisors reported less time spent preparing appraisals
- Achieved almost perfect distribution of performance ratings, increased consistency across groups, without forced distribution

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OUR APPROACH

### Provide tools for greater visibility to linkage between performance contribution and compensation

- Tie overall company performance to all employees' bonus potential
- Give managers the freedom and permission to differentiate rewards for individual employees based on performance
- Optimize and simplify process for greater accuracy and efficiency

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OUR APPROACH

### Improved compensation planning with each cycle

- Provided managers more information for better decision making
  - Used guidelines to reward based on results, while still maintaining their budget
  - Achieved desired spread between highest and lowest performers across the organization
  - Plans came in at 100% of overall budget
- Completed process more efficiently
  - Decreased time invested in planning and reviewing compensation recommendations
  - Linked performance information to compensation information for managers
  - Eliminated errors resulting from manual hand-off or update of final decisions

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OUR RESULTS

### Improved employee performance

- 2006 Year End Performance Appraisals
  - 10% employees identified as exceptionally effective
  - 2% employees identified as low performing
  - 100% of all low performers working with Managers and HR Business Partners on Performance Success Plans
- 2007 Year End Performance Appraisals
  - 10% employees identified as exceptionally effective
  - 1.5% employees identified as low performing
  - 100% Success Plans in place for low performers

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### Provided higher rewards to higher performers

	High Performers	Low Performers
2006 Merit Increase	5.6%	2.3%
2007 Merit Increase	5.2%	1.4%

	High Performers	Low Performers
2006 % of Target Bonus	102%	62.8%
2007 % of Target Bonus	156%	44.5%



### Increased retention rates of high performers

	High Performers	Low Performers
2006 Retention	84%	43%
2007 Retention	92%	27%



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OUR RESULTS

### Increased employee satisfaction

Topic	% employee agreement	% increase over 2005
My supervisor and I regularly discuss my progress towards achieving my goals.	59%	17%
I understand the measures used to evaluate my job performance.	75%	12%
I have a good understanding of the way my pay is determined.	55%	9%
My attainment of goals is the primary factor in determining my performance.	63%	9%
I am satisfied with the performance evaluation system.	54%	8%
I see a clear link between my job performance and pay at my organization.	45%	6%

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OUR RESULTS

### Improved organizational performance

- 2006: Gen-Probe posted strong financial results, met investor expectations, but our missed revenue target on our more aggressive internal operating plan, resulting in less than 100% bonus pool
- 2007: Gen-Probe exceeded operating plan, delivering net income growth of 16% without increasing head count
- 2008: On track to exceed operating plan and deliver double-digit growth, again with flat headcount.

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*An Innovative Growth Company in Molecular Diagnostics*