



SAATCHI & SAATCHI

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Balanced Scorecard Hall of Fame™ Case Studies



Abstract

Of all the intangible assets, creativity is among the most elusive and tricky to measure. Yet creativity is what an advertising agency like award-winning Saatchi & Saatchi is all about. One of the world's leading creative organizations, Saatchi & Saatchi's mission is "to be revered as the hothouse for world-changing creative ideas that transform our clients' businesses, brands, and reputations." It does this for 74 of the world's top 100 advertisers. Established in 1970 by two brothers in the U.K., Saatchi & Saatchi now employs almost 7,000 people in 152 offices in 92 countries. Its annual billings exceed more than \$7 billion. In 1999, Saatchi & Saatchi implemented the Balanced Scorecard throughout its worldwide offices, using it to interpret its vision across cultures and diverse environments. As a result, Saatchi & Saatchi has won a record amount of new business, launching new products and line extensions, and increasing its e-commerce by 150%. By the time French advertising giant Publicis Groupe SA acquired Saatchi & Saatchi in September 2000, their market cap was at \$2.5 billion, a fivefold increase in three years. This year, Saatchi & Saatchi was the top winner at the industry's most influential award show—the Cannes International Advertising Festival. Saatchi & Saatchi—with help from the Balanced Scorecard—transforms its customers into "Permanently Infatuated Clients."

Where They Started

If one were to graph Saatchi & Saatchi's financial history, it would look a lot like a roller coaster—with several climbs and dips. After the company de-merged (from its holding company—Cordiant Communications) in December 1997, it became clear that its worldwide offices, while part of the same company, were not working together as a team. In May 1997, CEO Kevin Roberts arrived. Roberts crafted a new strategy for the company called “The Way Ahead.” With a shareholder mandate to deliver 25% compound annual earnings per share growth for three years, Saatchi's Worldwide Finance Director William H. Cochrane sought a way to implement the new strategy. Both he and Roberts were aware that traditional measurement systems couldn't describe and measure intangibles, the source of value creation for an ad agency. Also, such systems focus on winning new accounts rather than on retaining old ones—a key part of the new strategy. Cochrane was attracted to the Balanced Scorecard because it would allow Saatchi to begin executing its strategy right away *and* would focus people on the firm's most important goals.

What Is Truly Important at Saatchi & Saatchi

The Saatchi & Saatchi vision: “To be revered as the hothouse for world-changing creative ideas that transform our clients' businesses, brands, and reputations.” The company's core values are: insights, imagination, and ideas as key success drivers; an obsession with building “Permanently Infatuated Clients” (PICs) and with speed to market; and no fear of failure (failure can lead to extraordinary ideas).

Linking the Vision with Strategy

In order to link this vision to its strategy, Saatchi & Saatchi had to overcome a few hurdles. First and foremost, the agency would have to change its culture. Instead of 40 offices, each marching to its own drummer, each agency would have to view itself as a piece of an integrated whole with a very specific role.

A second major change would be putting the emphasis on transforming existing clients into PICs, rather than on winning new accounts. “The development of new clients would naturally happen once we established our reputation,” says Cochrane.

Finally, the firm needed to focus on working smarter across the network, which meant agencies needed to identify and implement best policies and work processes, simplify processes, and excel at project staffing. In addition, they had to share their failures as well as their successes.

Translating the Strategy

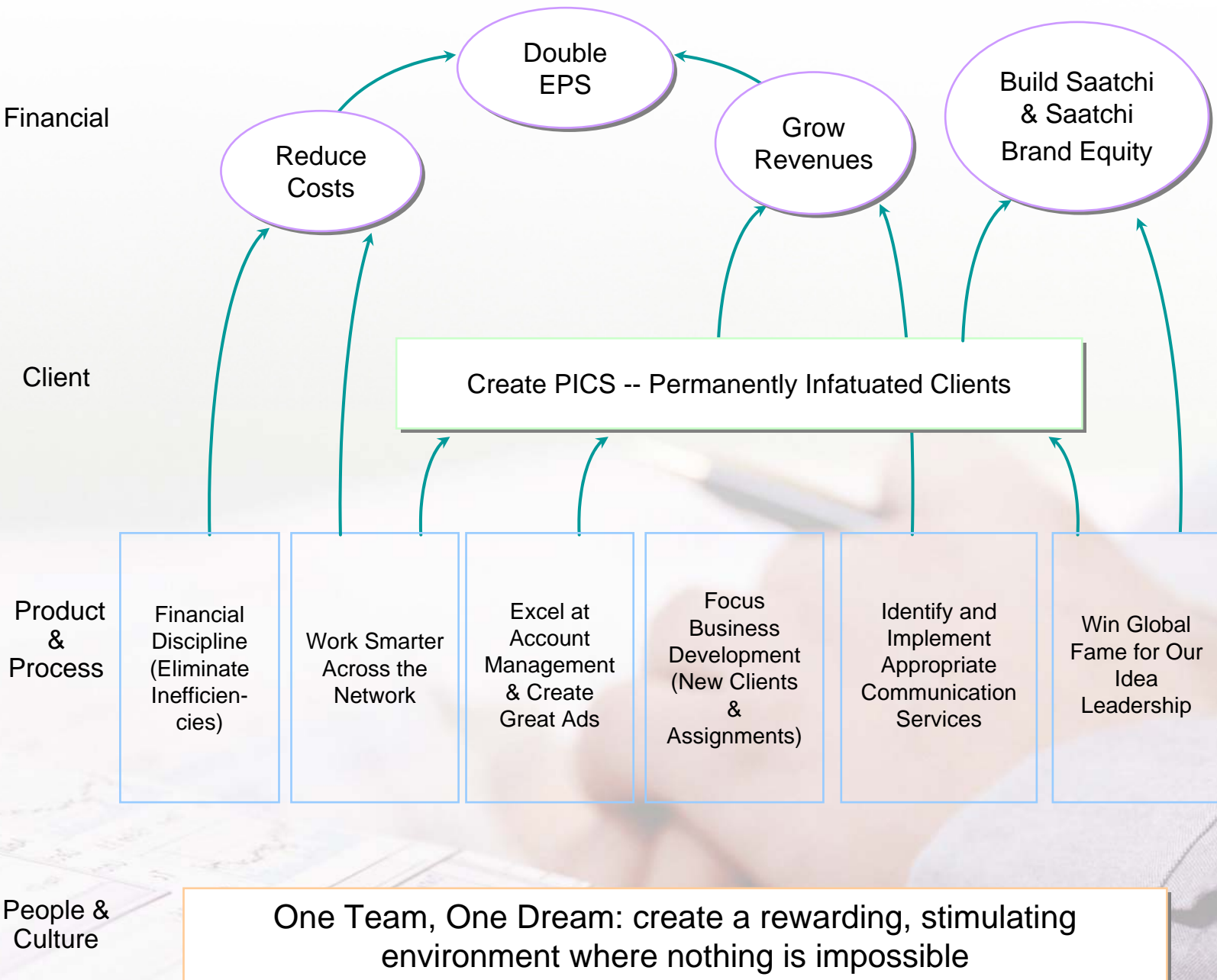
Cochrane gained organizational buy-in by having 40 senior managers from the field develop their own measures. In addition, they put the customer rather than their financial measures at the top of the scorecard, signifying that “keeping our clients satisfied, improving our process, and hiring the right people would result in financial improvement,” explains Cochrane. The corporate strategy map helped communicate and clarify this vision.

Saatchi & Saatchi also renamed its BSC “CompaSS.” This sent a message that instead of a grading tool, the scorecard was more of a navigational instrument that would give managers a reading on their unit’s current status and coordinates for where they should be going. By handling CompaSS results in a nonjudgmental way, Saatchi’s leadership was able to create a more open culture where different offices could learn from each other’s failures as well as successes.

But getting everyone on the same page in terms of what it meant to be an “ideas” company took some work. People began asking for funding for all kinds of wild projects, like two-handled umbrellas or inspirational tapes, remembers Cochrane. “They loved the concept of an ideas company and abandoned the concept of advertising.” The executive team then realized that before they could carry out their vision of being an “Ideas Company,” each agency had to first do traditional advertising brilliantly.

Goal

Be revered as the hothouse for world-changing creative ideas that transform our clients' businesses, brands, and reputations



Aligning the Organization to the Strategy

Going into its scorecard implementation, Saatchi & Saatchi lacked a common point of view among its offices around short-term versus long-term investments, business development priorities, and how to apply its vision to clients. In order to create an integrated team, the company began tying incentives to performance. Incentives were based on stock price over a three-year period. “That got everyone focused on a common goal,” recalls Cochrane.

The executive team also recognized that the strategic themes (organizational excellence, customer management, and innovation strategies) varied among the 40 offices. Saatchi, as a result, restructured its offices from geographic lines to categories reflecting the different performing levels and targets within each market: Hence, the creation of the following three categories:

- *Prosper agencies* are small local agencies in small countries where growth is limited. They were charged with being profit-driven. Prosper agencies were assigned 19 measures.
- *Drive agencies* were mandated to sustain healthy margins while growing better-than-market revenues. They had 22 measures.
- *Lead agencies*, with the greatest potential for transformational ideas, were the offices targeted for investment and had 24 measures.

Understandably, acceptance of this new structure was hard-won, since every agency wanted to view itself as a lead agency.

Mobilize Change Through Executive Leadership

CompaSS became the central reference point for executive meetings at which attention was focused on problem areas. Rather than spending most of the meetings discussing what was going right and saving problems for the last few minutes, they spent the bulk of their meetings discussing the areas on the CompaSS that needed improvement. According to Cochrane, "it has made meetings twice as productive and half as long."

Make Strategy a Continual Process

CompaSS has also made the company's budgeting process more straightforward, according to Paul Melter, Saatchi's Director of CompaSS. "Instead of each agency focusing solely on explaining their revenue and expenses, the emphasis is now on each specific agency's strategy and execution, which in turn is what their financial outcome is." In fact, when Saatchi & Saatchi presented its 2002 budget to Publicis, the CompaSS reduced the budget document to just a few pages. As a result, their new owner approved it within a couple of hours—an undertaking that otherwise would have taken several weeks.



Saatchi & Saatchi CompaSS Results

Saatchi & Saatchi has created a new performance mindset using the CompaSS. “It has helped us clearly define and track our business goals and objectives,” says Cochrane.

As a result, 1999, a year after implementation began, brought significant progress for Saatchi & Saatchi. The company won a record amount of new business: over \$1 billion gross and \$735 million net. In addition, new product launches, line extensions, and account consolidations came from its highly valued existing clients—in fact, most of Saatchi’s growth since implementing CompaSS has come from existing clients.

The year 2000 brought continued progress:

- Revenue growth in excess of the market
- Saatchi & Saatchi won major awards at the Cannes International Advertising Festival
- \$2.5 billion market cap—a fivefold increase in three years

Creating a Scorecard for Human Resources

A company that cites ideas and creativity as its “most precious asset,” must then focus serious attention on its human capital. With human capital as the foundation of its business and long-range strategy, Saatchi has embarked on a program to manage human capital by creating its Human Interest (the company’s moniker for HR) scorecard or CompaSS.

With a goal to transform HI from a transactions role to one that fosters strategic value, Saatchi & Saatchi is an active participant and member in the Balanced Scorecard Collaborative HR Action Working Group. A scorecard with HI metrics that links the unit to the corporate scorecard is under development. But HI has already seen tangible results from the effort. For one thing, goals and measurement systems have become aligned. The HI CompaSS has also helped improve communication among the HI team to enable better decision making. And finally, performance-review instruments are now consistent.

The following exhibit shows Saatchi’s Human Interest Compass, which lists themes with supporting strategies, measures, and initiatives.

Saatchi & Saatchi HI next hopes to identify its role in value creation and become a partner in helping the firm drive strategy.



Creating a Scorecard for Human Resources

Raise Our Idea Power Through Attracting, Nuturing and Keeping Inspirational Players

GIC for Human Interests

Theme	Strategies	Measures	HI Initiatives and Tools
Sustaining Real Performance	<ol style="list-style-type: none"> 1 Identify, attract and become a lovemark for people in our industry and by market. 2 Keep Inspirational Players infatuated with us 3 Replace people who are not adding value 4 Identify additional pipelines for talent 	<ul style="list-style-type: none"> ➤ We have the best in market Inspirational Players Creative and Account ➤ # of Inspirational Players in the network grows annually ➤ # of Inspirational Players assigned to our businesses grows annually ➤ % of top scorers on Ideas Profiler hired ➤ 99% fat free, valued added player agencies 	<ul style="list-style-type: none"> ➤ Connected HI Network ➤ WW HI Board ➤ Ideas Profiler The Rant Welcome Pack ➤ Continuity Plan ➤ HI Data Base (HRIS)
Creating our Future	<ol style="list-style-type: none"> 1 Coach, Mentor and Develop our people 2 Inspire our people to perform at their peak 3 Increase the number of Inspirational Players with our greater ability 4 Ensure that we have successors identified for all key purposes 	<ul style="list-style-type: none"> ➤ # of Key Positions filled with Inspirational Players ➤ % of Key Players/Coaches with PPI training (100% key positions and players) ➤ Balance of internal promotions with external on key positions ➤ # of Inspirational Players through S&S School, 75 people through "S," all need to "K" in market > over 3 yrs. ➤ The effectiveness score of the S&S School 	<ul style="list-style-type: none"> ➤ Continuity Plan ➤ PPI ➤ PPO Training ➤ Personal Daily Coaching ➤ The S&S School ➤ WW HI Board ➤ HI Date Base (HRIS)
Fostering a Community and Family Environment	<ol style="list-style-type: none"> 1 Inspire trust in ourselves, in others, and the overall through an open, honest, and direct environmental communication and teamwork. 2 Celebrate our successes and learn from our mistakes together 3 Encourage diversity of people, opinions, and I.e., the same spirit and attitude. 	<ul style="list-style-type: none"> ➤ High Love/His Respect on our Internal Love Rating ➤ # of ideas shared within the network (case stories, RASCIs, ideas) ➤ Composition of people (diversity of gender) our Boards and Key Businesses ➤ # of Kevies, Ad of the Month, Print Show, award and recognition sponsored within 	<ul style="list-style-type: none"> ➤ GIC, focus, spirit, Attitude ➤ PPI & Individual Challenges ➤ Right-Side Up Document > CHARTER > How to make a LoveMarker ➤ LoveMarker ➤ Compass > The Brain

Creating a Scorecard for Human Resources (cont'd)

Theme	Strategies	Measures	HI Initiatives and Tools
Right-side Up Roles	<p>1 Focus everyone on doing what's important</p> <p>2 Ensure everyone's individual challenges to have a clear line of light to our employee's GIC</p>	<ul style="list-style-type: none"> ➤ % of employees completing their PPI Challenge ➤ % of people employed who can learn and generate valuable support ➤ % of Key Players involved in completing the Compass 	<ul style="list-style-type: none"> ➤ GIC, Focus, Spirit, Attitude ➤ PPI and Individual Challenges ➤ Right-side Up Document ➤ Compass
Sharing the Dream	<p>1 Encourage our Spirit and Attitude with our people and our clients through our ideas and passion.</p> <p>2 Inspire confidence and belief in our strengths and balance</p> <p>3 Identify and nurture a diverse group of icons (Inspirational Players)</p>	<ul style="list-style-type: none"> ➤ The quality of such agency's approach in making media in Saatchi & Saatchi come to life ➤ All of Inspirational Players positioned through the network (key officials) ➤ All of positive Saatchi & Saatchi clients and people, featured internally and externally 	<ul style="list-style-type: none"> ➤ List of Inspirational Players ➤ Made in Saatchi and Saatchi ➤ Continuity Plan ➤ Press ➤ The Brain

BSCol Hall of Fame

Balanced Scorecard Collaborative Hall of Fame winners have achieved breakthrough performance largely as a result of applying one or more of the five principles of a Strategy-Focused Organization: Mobilize Change Through Executive Leadership; Translate the Strategy to Operational Terms; Align the Organization to the Strategy; Make Strategy Everyone's Job; and Make Strategy a Continual Process.

Other selection criteria include: implement the Balanced Scorecard as defined by the Kaplan and Norton methodology; present the case at a public conference; achieve media recognition for the scorecard implementation; produce significant financial or market share gains; and demonstrate measurable achievement of customer objectives. Hall of Fame honorees are nominated by the Collaborative's in-house experts and are personally selected by Balanced Scorecard creators Dr. Robert Kaplan and Dr. David Norton.

Balanced Scorecard Collaborative, Inc.

Balanced Scorecard Collaborative, Inc. (BSCol) is a new kind of professional service firm dedicated to the worldwide awareness, use, enhancement, and integrity of the Balanced Scorecard (BSC) as a value-added management process. Led by Balanced Scorecard creators Drs. Robert Kaplan and David Norton, BSCol provides consulting, conferences, training, publications, action working groups, software certification, and online services. For more information, please call us at 781.259.3737, or visit us on the web where you can join Balanced Scorecard Online for the latest insight and resources at www.bscol.com.

