



**VOLVOFINANS**

Volvofinans



Balanced Scorecard Hall of Fame™ Case Studies



## Executive Summary

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### Case Study Name

Volvofinans

### Industry

Vehicle financing

### Key Company Stats

Founded in 1959 and headquartered in Göteborg, Sweden, Volvofinans:

- Is the leading vehicle-financing company in Sweden, with total lending reaching 23.5 billion kroners (about \$2.7 billion), in 2001
- Employs about 190 people
- Supports sales of Volvo and Renault products in Sweden by financing products and sales

Ford Credit International owns 50% of the company, and Swedish Volvo dealerships own the remaining 50%. Dealers are thus the firm's customers *and* its owners. Additional customers include fleets (firms operating more than 50 company cars) and individual consumers seeking attractive financing terms for their auto purchases.

### Background/Business Problem (what they wanted to change)

Initially, Volvofinans was looking for a performance management system, and it wanted a tool for communicating company goals in order to help employees support its overall mission. An initial BSC was developed, but the project stalled because it was difficult to circulate and for more than one person to use at a time.

### The Change Undertaken (what they wanted to accomplish)

In 2000, the new managing director, Björn Ingemanson, revived the effort in order to “make strategy everyone’s job.” The firm espoused having an open, decentralized culture in which employees felt free to speak their minds and challenge management’s ideas. However, few people outside the senior management team participated in discussions about strategy and the development of future business. Ingemanson believed it was time to mobilize the pool of intellectual capital for strategy implementation. To support the implementation of the scorecard, Ingemanson also authorized the building of a new IT system that would facilitate easy BSC use and circulation on the company’s intranet.

### Role of the Balanced Scorecard (how BSC helped)

During a series of lively seminars attended by managers and employees from a cross-section of many functions and levels—up to one-third of the company’s workforce—the scorecard team began crafting Volvofinans’s strategy map. They called the document their *Vägvisaren*, or road map. Rank-and-file employees defined most of the map’s objectives and measures—an effective first step in aligning everyone behind the strategy.

## Executive Summary (cont'd)

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### Results

#### Financial

- Volvofinans continues to be the market leader in all areas of car financing
- Volvo financed 48% of all Volvo and Renault cars sold to the consumer segment in 2001
- Total lending 2001 increased by 13% in 2001 and amounted to SEK 23.5 billion
- The number of contracts at year-end 2001 amounted to 213,500 (+5%)
- Real GDP growth in Sweden March 2002 for 2001: 1.0%
- Volvofinans continued to grow during 2001 despite the lower car sales and new registrations. Car loans and leasing assets grew similarly
- Penetration (market share) for new cars increased to 57% (51% 2000)
- Penetration (market share) for used cars increased to 45% (44% 2000)

#### Nonfinancial

- Volvofinans has been “elected” number 1 for 2001 (number 3 for 2000) in a recent third-party customer survey. The survey covered areas like flexibility, services, availability, employee competence, and image

#### Testimonial

“For my management team and me, it is quite clear that implementing ‘Vägvisaren’—the road map, as we call our Balanced Scorecard—was an important factor that has made a great contribution to our success. Today, most of our employees are involved in the BSC process and understand the strategic goals and targets of the company. On top of the positive internal effects, we also increased market share to earn the number 1 position in the independent ISI ranking of finance companies in Sweden. Our Balanced Scorecard has been a major factor in that success. Satisfied employees create satisfied customers, and satisfied customers become loyal customers—both of the Volvo brand and of Volvofinans as a company.”

**Björn Ingemanson**

**President of Volvofinans**

## Hall of Fame Citation

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VolvoFinans is the leading vehicle-financing company in Sweden, and is owned by Ford Credit International and the Swedish Volvo dealerships. Its business is to support sales of Volvo and Renault products. In 2001, VolvoFinans has financed a record number of new vehicle sales—57% of the cars and 53% of the trucks in Sweden. Some 214,000 contracts were in force at year-end 2001—for a total of SEK 23.5 billion. Its credit card operation, Volvo Card, continues to expand, with more than 500,000 customers using the card every month. When VolvoFinans began the Balanced Scorecard process in August 2000, most employees did not have a clear picture of the company's vision and future targets. Developing VolvoFinans's strategy map had an immediate positive effect in clarifying the strategy for all. Today the company has come so far in the scorecard cascading process that all departments have established their own strategy maps with measurable targets that align with those of corporate. At the outset, few people outside of management were involved in strategy discussions and the development of current and future business. Today, most employees are directly involved in the scorecard process, understand the strategic objectives and targets, feel a greater involvement and higher motivation in the company's business, and are much better informed about both short- and long-term issues making the company an exemplar of "making strategy everyone's job." Using its "road map," VolvoFinans' has become a true Strategy-Focused Organization that is paving the way to breakthrough results.



## Background

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Founded in 1959 and headquartered in Göteborg, Sweden, Volvofinans is the leading vehicle-financing company in Sweden, with total lending reaching SEK 23.5 billion kroners (\$2.7 billion) in 2001. This small but powerful lender employs about 190 people and has a highly focused mission: to support sales of Volvo and Renault products in Sweden by financing products and sales. Ford Credit International owns 50% of the company, and Swedish Volvo dealerships own the remaining 50%. Dealers are thus the firm's customers as well as its owners. Additional customers include fleets (firms operating more than 50 company cars) and individual consumers seeking attractive financing terms for their auto purchases.

The firm sought a tool that would enable employees to support the company's overall mission, to "promote the sales of Volvo and Renault vehicles in Sweden through competitive sales-financing solutions attractive to dealers, private customers, and companies." Intrigued by Sweden-based insurer Skandia Group's experience with the Balanced Scorecard and by [Harvard Business Review](#) articles on the subject, Volvofinans's then managing director and current business controller, Marianne Söderberg, assembled a scorecard team. At that time, the company hadn't done any employee satisfaction surveys and was looking for a performance management tool. In addition, leadership hadn't viewed the BSC as a measurement tool with a broader perspective that could help them communicate goals for the organization. The project produced a scorecard that could be displayed using PowerPoint slides and Excel spreadsheets. But the project stalled because the scorecard was difficult to circulate and use by more than one person at a time.

The project was idle until August 2000, when Björn Ingemanson became the new managing director. Determined to renew the effort, Ingemanson and his team decided to focus the revived initiative on the Strategy-Focused Organization principle of "making strategy everyone's job." The firm espoused having an open, decentralized culture in which employees felt free to speak their minds and challenge management's ideas. But few people outside the senior management team participated in discussions about strategy and the development of future business. Ingemanson believed it was time to mobilize the pool of intellectual capital for strategy implementation. To support the implementation of the scorecard, Ingemanson also authorized the building of a new IT system that would facilitate easy BSC use and circulation on the company's intranet.

## Mobilize

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While VolvoFinans's initial BSC effort was tabled for several years, it was revived in August 2000, when Björn Ingemanson became the company's managing director. Internal surveys revealed a decline in employee commitment, satisfaction, and knowledge of company goals. Ingemanson was sure that the BSC was a good fit for Scandinavian business culture, which emphasizes consensus, goals setting, and follow-up. The impending divestiture of AB Volvo's 50% ownership stake in VolvoFinans to Ford Credit International added to the pressure for change.

In order to ensure the success of this revived BSC implementation, the company built a new IT system that made it easy to use and circulate the BSC on its intranet.

The company also focused the new BSC effort on the Strategy-Focused Organization (SFO) principle, "motivate to make strategy everyone's job." At that time, most of VolvoFinans employees still lacked a clear picture of the company's vision and goals. Few people outside the management team participated in strategy discussions and the development of current and future business. Yet the company boasted an open, decentralized culture in which employees felt free to speak their minds and challenge management's ideas.

By focusing on making strategy everyone's job, the company could truly take advantage of its intellectual capital. To that end, the entire BSC development process reflected this SFO principle. For example, the scorecard team offered a series of seminars attended by managers and employees from a cross-section of functions and levels—one-third of the company's workforce at the time. As VolvoFinans's management team suggested perspectives and objectives, employees began defining performance metrics. The goal was to identify the activities and targets needed to align the workforce behind the company's strategy of promoting the sales of Volvo and Renault vehicles in Sweden through competitive sales-financing solutions attractive to dealers, private customers, and companies.

The seminars lasted several days, during which the employees challenged managers' ideas, suggested different metrics, and shared their visions of VolvoFinans now and in the future. It was the lower-level employees who translated the managers' more abstract language into concrete, accessible terms.

## Translate

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During a series of lively seminars attended by managers and employees from a cross-section of many functions and levels—up to one-third of the company’s workforce—the scorecard team began crafting Volvofinans’s strategy map. They called the document their *Vägvisaren*, or road map. Rank-and-file employees defined most of the map’s objectives and measures—an effective first step in aligning everyone behind the strategy.

The company initially identified more than 35 objectives and combined several to arrive at a manageable 22. Executives also decided to emphasize product leadership and operational excellence as keys to implementing Volvofinans’ strategy. Within the strategy map, themes such as Motivated and Involved Coworkers, Win/Win with Volvo Dealers, and Growth and Efficiency Strategy—along with a value chain flowing from Product Development to Customer Loyalty—provided the framework for the map’s cause-and-effect relationships. Although the scorecard team included arrows indicating causal connections in the map, they decided to circulate an arrow-less version throughout the organization, because people found it easier to absorb visually. The team used the strategy map to communicate high-level strategy, effectively and compellingly, to all employees.

The highlights from the map included the following:

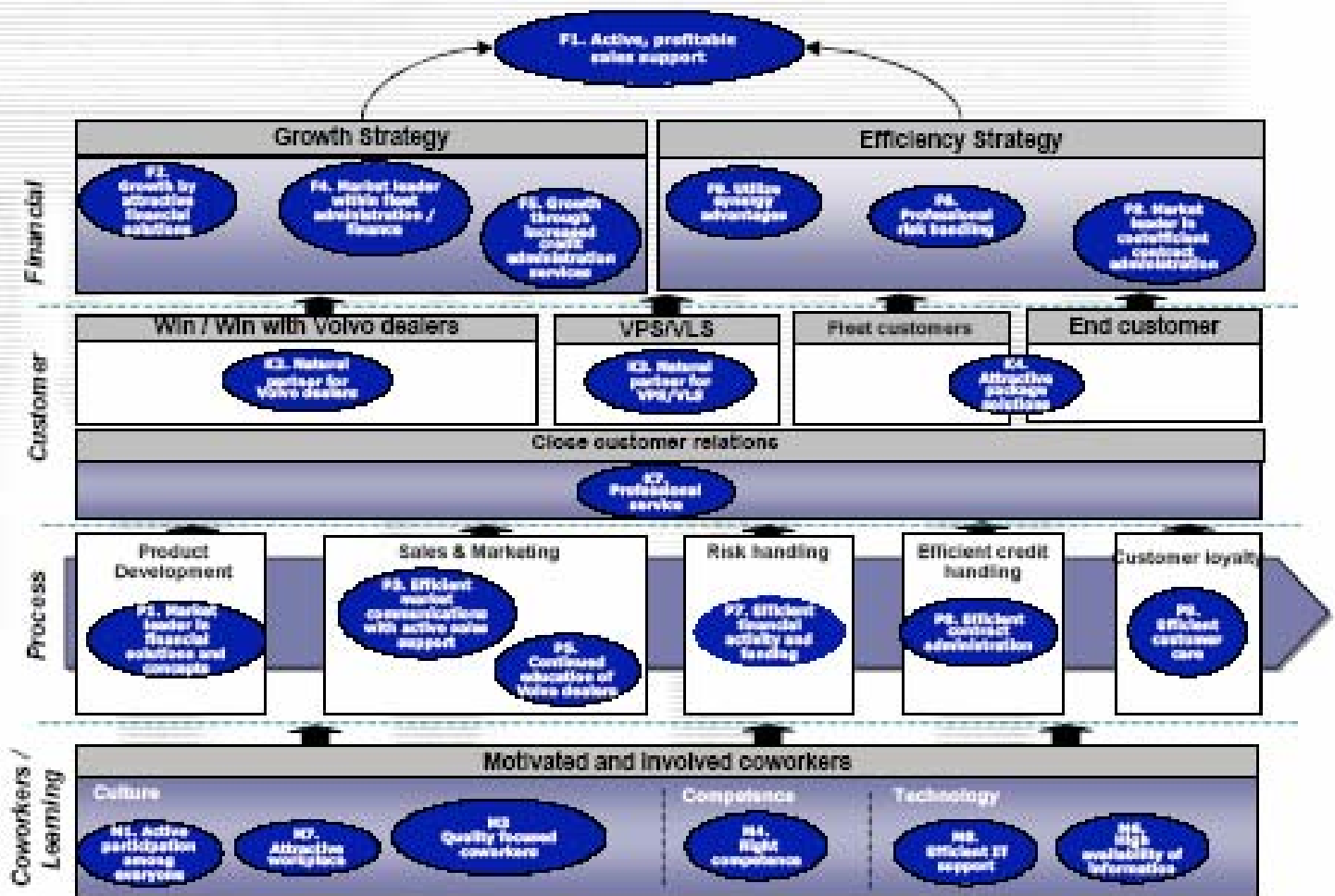
**Coworkers/learning perspective.** To fulfill its mission, Volvofinans needed a motivated, actively involved, and knowledgeable workforce. It now nurtures a culture of learning by encouraging everyone to participate in strategy discussions—leveraging the company’s existing consensus-oriented culture. In contrast with the aborted initial scorecard project, the team adopted objectives for “efficient IT support” and “high availability of information.”

**Process perspective.** In this perspective, the emphasis on product leadership and operational excellence come together. This section of the map outlines ways to improve product development, sales and marketing, risk handling, credit handling, and cultivation of customer loyalty. Objectives include developing innovative financing products, continually educating Volvo dealers on Volvofinans’ offerings, serving customers efficiently, and administering contracts quickly and accurately. The arrow flowing from left to right indicates the direction of the company’s value chain.

**Customer and financial perspectives.** The process objectives feed into objectives in the customer and financial perspectives. For instance, by meeting its process objective for “market leadership in financial solutions and concepts” (reflecting its emphasis on product leadership), Volvofinans expects to boost its ability to partner successfully with dealers. Successful partnering in turn supports growth through “attractive financial solutions” and “increased credit-administration services.” But dealers aren’t Volvofinans’s only customers. Market leadership in financial solutions and concepts also supports the objective for “attractive package solutions” for fleet and end customers. Serving these customers in turn supports another objective under the Growth Strategy theme in the financial perspective: “Market leader within fleet administration and finance.” Another objective in the process perspective—“Efficient contract administration” links directly to the “Financial efficiency” objective to be the “market leader in cost-efficient contract administration.”

Translate (cont'd)

Volvofinans's Vägvisaren (Road Map)





## Align

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By ensuring that the BSC's language wasn't overly academic and that employees understood that the tool was intended as much for them as for management, and by devoting extra time to the development process, the BSC team managed to get all departments on board with the project.

With the overall BSC completed by spring of 2001, they began cascading it down to the various departments, with IT and Accounting/Finance developing the first scorecards.

All employees were involved in the building the BSC for their department. They began the process with a small group called "the map group," which built the first strategy map for the department by referring to the Volvofinans strategy map and answering the questions: What activities can our department do to contribute to Volvofinans overall goals as outlined on the corporate strategy map? What is our role in achieving the overall strategy?

Employees then split into four groups, with one group for each perspective. Their first mission was to test the strategy, and understand and develop the strategy map that the "map group" had made. (This was also a good way to get to know Volvofinans's strategy map and to understand the company's strategic goals). Their second task was to suggest measures by asking the question: How will we know if we succeed? Their third task was to suggest activities: What must we do to close the gap?

Employees attended four departmental seminars where they presented their suggestions. Once all of the measures and activities were approved, they listed on the wall all objectives, metrics, and activities. Every member of the department would then put his or her name on at least one objective or measure or activity. That way each employee was responsible for at least one component of the department's BSC.

By the end of 2002, all departments had their own scorecards populated with measurable targets supporting the company's overall strategy.



## Motivate

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One of the main goals in adopting the BSC at VolvoFinans was to make strategy an integral part of the everyday activities of employees at every level. To that end, the scorecard team sponsored seminars on BSC development, attended by one-third of the company's employees from a cross-section of levels that included both managers and front-line employees. The management team suggested perspectives and objectives, while employees helped define the performance metrics. A lively discussion ensued with employees challenging managers' ideas as they suggested different metrics. In fact, input from lower-level employees was invaluable in translating the managers' abstract language into concrete, accessible terms.

Because VolvoFinans involved employees at all levels in developing their BSC, it has seen enormous improvement in its employees' grasp of the strategy. For example, a recent employee survey showed that employees have a markedly stronger grasp of strategy at both the department and company levels than in 1999. This same survey also showed that morale and commitment to company goals have also improved substantially, as has the workforce's mastery of general information. According to Marianne Söderberg, VolvoFinans's business controller, employees throughout the company discuss strategy more often and more openly. They also know more about how the industry and the company work, and they understand what is most important to the company.

To further sustain the principle of making strategy everyone's job, the company has also established a process for educating employees on the scorecard. All new hires are given a two-hour introduction to the BSC, which is reinforced through frequent mailings, departmental meetings, and seminars throughout the company. In addition, a portion of managers' bonuses is linked to scorecard performance. Managing director Björn Ingemanson expects that in the future the entire bonus system will be linked to the BSC.



## Govern

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VolvoFinans's management team meets monthly to review the scorecard online (no reports) and make strategic decisions. A week before each meeting, everyone responsible for a measure or activity must update and add comments. Then, the managers review their objectives in the strategy map and also add comments. Any employee can view the BSC at any time. The BSC's steady presence is a reminder that everyone is invited to propose new and better ways of doing things. "Since our strategy is known to every employee and broken down into local BSCs at each department," explains managing director Björn Ingemanson, it becomes more obvious to coworkers how each and every one contributes to achieve the strategies and the targets."

VolvoFinans communicates the scorecard to its board of directors during some quarterly meetings. In addition, at its annual gathering with Sweden's 85 Volvo dealers—who own the other 50% of VolvoFinans and constitute a core customer segment—the management team presents parts of the scorecard and the company's performance record for that year.



## Results

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### Financial

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## BSCol Hall of Fame

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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 [bscol.com](http://bscol.com).



