Masters of Strategy Execution

Palladium Balanced Scorecard Hall of Fame® Report 2014

Palladium
Executing Strategy

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About the Hall of Fame
The Balanced Scorecard Hall of Fame for Executing Strategy® was created in 2000 to publicly recognize organizations around the world that use the Kaplan-Norton Strategy Management System to execute their strategy successfully and achieve breakthrough performance results. The world-renowned award is the gold standard of strategic performance management. More than 200 organizations from a wide variety of industries and geographies have been inducted into the Balanced Scorecard Hall of Fame® since 2000.

The award itself is a stunning crystal designed in the shape of a five-sided star representing the five principles of a Strategy-Focused Organization (SFO). It is presented annually to the winners by Dr. Robert S. Kaplan and Dr. David P. Norton at the Palladium Global Summit.

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About Palladium
Founded by Dr. Robert S. Kaplan and Dr. David P. Norton, Palladium helps clients solve their pressing strategy execution challenges and achieve superior performance through a set of integrated consulting and training services. Palladium's approach combines expertise in proven strategy execution with integrated change management and leadership development programs. Palladium's methods include the Execution Premium Process™ (XPP™), the Kaplan-Norton Balanced Scorecard™, and other best practice frameworks that translate concepts into programs that deliver measurable results. The benefits of our approach are demonstrated in the Balanced Scorecard Hall of Fame for Executing Strategy®, which recognizes organizations that improve performance through outstanding execution. For more information, visit www.thePalladiumGroup.com.

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Introduction
Fifteen years of the Hall of Fame

When the Balanced Scorecard Hall of Fame first launched in 2000, the Balanced Scorecard was in its relative infancy. A mere eight years had passed since Drs. Robert Kaplan and David Norton introduced the Balanced Scorecard in a 1992 issue of *Harvard Business Review*. The first winners were the pioneers of a relatively new concept, early adopters who had caught the wave in the mid-90s.

Today, the Balanced Scorecard is one of the most widely-used management tools worldwide.[1] The profile of a Hall of Fame winner has changed – where the first winners were early adopters, today's winners are playing on a different field. In a world where performance management tools are commonplace, organizations set themselves apart not by the presence of the tool but by how well they use it. Hall of Fame organizations are those that apply the Balanced Scorecard framework in a way that truly shapes their culture. They think critically about the cultural realities of their specific situation and adapt proven best practices to fit their internal dynamics.

The fourteen winners of the 2014 Palladium Balanced Scorecard Hall of Fame Award®, together with their 190 predecessors, collectively demonstrate the staying power of the Balanced Scorecard and, more broadly, the Kaplan-Norton strategy management framework. This diverse array of organizations spans the globe and comprises government agencies, non-profit organizations, and for-profit companies in every industry from pharmaceuticals to financial services, manufacturing to energy. As a group, they continue to demonstrate the same fundamental facts about the Balanced Scorecard that their predecessors did:

- **Using the Balanced Scorecard increases an organization's chances of being successful.**
  A 2008 study in the journal *Advances in Accounting* found that, regardless of industry, BSC users realized two to four times the improvement in key financial measures over a three year period compared to non-BSC users.[2] It is simple common sense: organizations that use an organized, systematic framework to work towards their goals stand a better chance of achieving them. BSC users continue to replicate these findings.

- **The Balanced Scorecard works across industries and geographies.**
  The fourteen winners profiled in this report hail from twelve countries on five continents. They range in size from a few hundred employees to tens of thousands. Some are government organizations; some are publicly traded companies; some have unique structures such as public-private partnerships or member-owned cooperatives. All told, they are vastly different organizations seeking different ends through different means, but all have found success through a common framework.

  One of the greatest characteristics of the Balanced Scorecard is its adaptability to very different situations. In its simplest, most basic form, the Balanced Scorecard is as applicable to a small non-profit as it is to a multinational conglomerate. Organizations that in most respects are very different from one another still need to consider finances, customers, processes, and intangible assets in formulating their strategy, need to measure their performance against targets and execute initiatives, and need to overcome a typical set of barriers to successful strategy execution.

- **The Balanced Scorecard is not a silver bullet.**
  As with any tool, the Balanced Scorecard is not effective in and of itself; it is how you use the tool that determines its effectiveness. For the Balanced Scorecard to deliver results requires a fundamental shift in how an organization manages performance. Change on this scale does not simply happen - it requires a real investment of time, energy, and resources. What's more,

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[1] *Management Tools & Trends*, 2013, Bain & Company.
[2] Crabtree, A.D. & Debusk, G.K. (2008). The effects of adopting the Balanced Scorecard on shareholder returns. *Advances in Accounting, 24* (2008), 8-15.

it demands a true sensitivity to the particular internal dynamics that can shape the fate of the implementation process.

It is within this context that Hall of Fame organizations differentiate themselves. All have an aptitude for understanding the principles of implementing and sustaining the Balanced Scorecard successfully – then filtering them through the lens of their organizational realities to arrive at the right process for them.

As diverse as these fourteen winners may be, as you read their stories you'll see a pattern of similarities emerge. The fact that this group of organizations deeply internalized Kaplan and Norton's five principles of a strategy-focused organization is readily apparent in each and every case study:

1. **Mobilize change through executive leadership.** Smart leaders know implementing this framework is first and foremost an exercise in change management. They demonstrate the need for change and actively involve the executive team. They explicitly support the creation of a performance-oriented culture and practice what they preach by taking ownership of the change process.

2. **Translate the strategy into operational terms.** A strategy that no one understands, that sits on a shelf gathering dust, is worse than useless. Successful organizations use the Balanced Scorecard to translate the strategy into language that everyone can understand so that leadership can more easily manage its implementation. A straightforward communication tool that pinpoints the way in which individual actions contribute to achieving strategic goals is invaluable.

3. **Align the organization around its strategy.** Successful organizations don't stop with a corporate-level strategy. They cascade their scorecards throughout the organization, creating vertical and horizontal alignment, breaking down organizational silos in the process. The coordinated use of the Balanced Scorecard across the organization drives transparency, cross-functional collaboration, more optimal resource allocation, and improved flow of data and insights.

4. **Motivate to make strategy everyone's job.** Strategy may be created at the executive level, but it is executed on the front line. All employees need to know

how they contribute to the strategy, and they need a reason to care. In a truly strategy-focused organization, each and every employee sees and acts on the link between their individual goals and the organization's goals.

5. **Govern to make strategy a continual process.** In a mature strategy-focused organization, all planning and governance processes are in support of the strategy: testing it, refining it, and executing it. Ultimately, strategy becomes a continual process that is firmly integrated into the organization's DNA.

What is most interesting about this group of winners is not *that* they exhibit these five principles but *how* they exhibit them. Each winner implemented these principles in ways that stayed true to well-established best practices while making intelligent decisions about how best to design and establish those best practices.

To this end, we have created a new section in the each profile entitled "Best Practice Insights." Here we highlight particularly impressive, unique, or creative applications of best practices, a way in which they have built upon established wisdom and achieved outstanding results. Our goal is not to say that these practices must apply to all organizations, but to provide food for thought. Consider these Best Practice Insights inspiration, not a blueprint.

Our invitation to you: Get inspired by the results of organizations that have done this truly well. Learn everything you can about the best practices that make strategy execution possible. Then, think critically and creatively about how you can enhance well-established best practices and apply them to your organization. Take note of what has worked for others and think about how you can adapt it, not how you can copy it.

The winners profiled in these pages built on two decades of work that came before them. As you read their stories, think about how you would continue building upon their work. How might you contribute to this ever-growing body of knowledge? We look forward to reading *your* story soon.

David McMillan
Director, Balanced Scorecard Hall of Fame Program

ARASCO Feed
Executing a sustainable strategy for the future of Saudi Arabia

ARASCO Feed implemented a BSC program to provide impetus to its noble mission of aiding the Kingdom of Saudi Arabia's food and water security efforts.

The initiative helped achieve alignment of action at the Group and Unit levels, resulting in the success of WAFI, an innovative complete feed solution that is a cost-effective and efficient alternative to the conventional feed comprising water-intensive barley and alfalfa.

The enhanced strategic focus enabled ARASCO to undertake global sourcing of nutrients and manufacture a unique product innovation such that it is aligned with the Kingdom's vision of a sustainable future.

The Kingdom of Saudi Arabia (KSA) has a historic problem of water scarcity, and about 85% of this precious resource is consumed by agriculture. The Government, realizing the gravity of the issue, has begun phasing out the cultivation of wheat, a major water-consuming crop. Policy changes such as subsidies for importing food nutrients to compensate for declining local cultivation have also been put in place. However forage plants that form the mainstay of livestock feed continue to be a significant drain on the Kingdom's water resources. ARASCO, whose mission is balancing food security with water security, has strived to play a key role in the Kingdom's efforts of water conservation.

In 2006, ARASCO, which had been making giant strides in the field of agriculture, realized that to continue contributing towards the water conservation efforts of the Kingdom, there needed to be greater focus on alignment of employees with the company mission, better utilization of assets and resources, and a customer-focused attitude. The then single entity was restructured into strategic business units, with each mandated to form its own strategy and contribute to the Group strategy. The executive management,

spearheaded by the Chairman Eng. Abdullah S. Alrubian and CEO Dr. Abdulmalik Alhusseini, chose the BSC as the most promising framework to execute their strategy.

CHALLENGES FACED BY ARASCO FEED

At the time of BSC implementation, ARASCO Feed, the largest SBU in the ARASCO group, was facing significant challenges. In WAFI, ARASCO had developed a product that helped conserve water and was highly efficient for the farmers. While the traditional feeding combination of barley and alfalfa endangered the Kingdom's precious water, WAFI was formulated entirely from imported high quality raw materials with zero usage of water-intensive domestic forage plants. WAFI also trumped traditional feed by ensuring efficient absorption of nutrients and minimizing the undigested wastage to 2% (compared to 30% in conventional barley). But convincing farmers to choose it over the traditional feed posed a considerable marketing challenge. The sales of dairy and poultry feed were de-

ABOUT THE COMPANY

Established in 1983, ARASCO Feed is the largest business unit of the ARASCO Group. It is a leading manufacturer of formulated animal feed in the Kingdom of Saudi Arabia, serving four key customer segments – livestock, poultry, dairy, and aqua.

When it comes to preserving the Kingdom's valuable resources, ARASCO Feed has been at the forefront of innovation. WAFI, a unique complete feed for livestock, replaces barley and the water-intensive domestic alfalfa, which has led to non-renewable water savings of more than 3.75 billion m³. ARASCO has also been a pioneer in deploying alternative raw materials for feed formulation, diversifying the raw material risk in global markets.

creasing due to captive feed preparation and price competition. Yet another issue impacting the Feed unit was the need to improve its cash-to-cash cycle. ARASCO Feed had to overcome these challenges in order to continue marching towards its mission of food and water security for the Kingdom.

DESIGNING THE STRATEGY AND THE BSC

In late 2006, ARASCO Feed commenced a rigorous strategy formulation process to shape a plan to contend with its challenges, continue to grow, and successfully contribute to the Group strategy.

ARASCO Feed's executive team, together with the senior managers across all departments, began with a series of analytical exercises and workshops to identify and validate the key challenges and success factors for the unit: what products they aimed to sell and to whom, how to offer best value to customers and increase product penetration, and what production capacities, skills, and other resources

would be needed in a rapid growth organization.

ARASCO Feed recognized that, in line with its mission, it needed to grow the business, offer best value to customers, and improve internal processes. The next step was to translate the strategic context into a BSC. Eighteen strategic objectives were agreed upon and were organized according to four strategic themes that directly impacted the value being offered to the farmer. For each of the objectives, ARASCO Feed defined key performance indicators (KPIs), targets, and strategic initiatives. For example, in order to convince farmers of the benefits of WAFI, an objective within the "Offer best value" theme is to "effectively communicate feed value," which has specific KPIs and stretch targets. Another example of a successful BSC-driven strategic initiative was the Alternative Raw Material cross functional program, through which ARASCO identified various alternatives to traditional barley and alfalfa that provided versatile options to formulate complete feed. Through diversifying raw material risk, the program also alleviated the subsidy burden of the Kingdom due to overdependence on a single material like barley. The complete alignment of the mar-
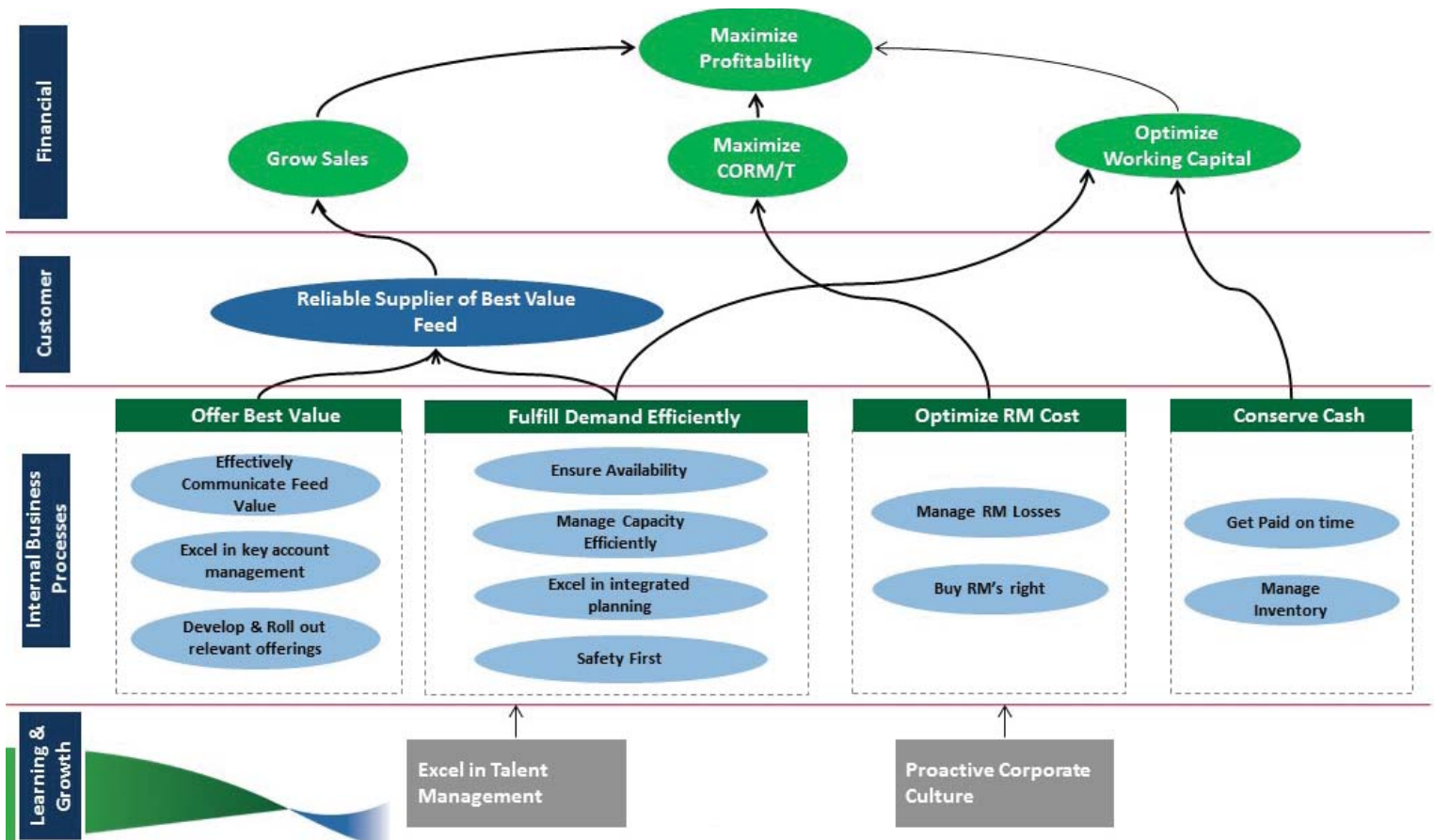
ARASCO Feed's Strategy Map

keting and R&D teams enabled execution through a coordinated go-to-market program in target geographies, such that each coordinated step transcended its own limitations and contributed holistically towards the group's mission.

OVERCOMING CHALLENGES IN STRATEGY EXECUTION

BSC implementation was not without its challenges, most notably being that within ARASCO Feed, as with the rest of the group, employees had not previously been exposed to a structured planning methodology, goal-setting, and strategy review mechanisms. As a result, some perceived the BSC as a controlling tool and so initially resisted taking responsibility for a strategic objective, measure, or initiative. However, with frequent communication, BSC trainings, motivation and engagement activities, as well as linking more established disciplines such as business planning and performance reviews to the BSC, the employees gradually became more active in the transformation process by understanding their role and the part they were playing in achieving water conservation for the Kingdom.

CASCADING THE BSC

With the Feed Unit BSC in place, the executive team defined the process to cascade the unit-level strategy to its departments. The scorecards of the departments are owned by the departmental vice presidents. The objectives and measures of the department-level scorecards are further cascaded to sub-departmental scorecards and then to personal scorecards.

ROLE OF THE OSM

With the importance of BSC coming to the fore, the ARASCO Group decided to make strategy management a permanent capability by establishing an Office of Strategy Management (OSM). This office was intended to lead the implementation process of the BSC across the ARASCO Group and sustain its progress towards executing the strategy.

The OSM was established with a specific mission "to make strategic management one of ARASCO's core competencies." The OSM currently has eight staff, including the Office Strategy Manager, three Balanced Scorecard specialists, and four full-time external consultants. The OSM supports the unit executive teams in the clarification and translation

process of the strategy and in leading the cascading process to all departments, ensuring the alignment of the unit with the corporate strategy. (For more on the OSM's activities, see "Best Practice Insights," sidebar.)

Post the BSC successes at the unit level, the OSM has also been involved in building a BSC at the corporate level, with some common objectives and measures cascaded to SBU level, thus further ensuring that business unit strategies support those of the Group. The BSC implementation by the OSM progressively ensured alignment of SBUs in ARASCO by cascading the BSC objectives of the enterprise scorecard to the scorecards of the business units. Regular performance

BEST PRACTICE INSIGHTS

Enterprise-wide sharing of best practices is one of the nine core activities of the Office of Strategy Management (OSM) that support the strategy management process, according to Drs. Kaplan and Norton. Typically the activity least deployed by established OSMs, ARASCO's best practice sharing is a notable exception.

As a powerful example, consider how ARASCO's OSM weaves best practice sharing into the initiative management process. A key activity of the OSM is to monitor progress against the suite of strategic initiatives with the BSC. Once successfully executed, the OSM, in partnership with the relevant Strategic Business Unit (SBU), prepares a detailed case study on the initiative that comprises the problem statement, the methodology used to implement the initiative, the results, and the key takeaways (including the best practices and lessons learned). This case study, available in a PDF format, is then shared with the entire organization via various communication channels, such as the monthly newsletter ANA ARASCO, email, and management meetings.

As two examples, the OSM has disseminated case studies of successful ARASCO Feed initiatives related to "Receivables Management" and "Alternative Raw Material Strategy." Sharing these stories resulted in other SBUs adopting the best practices learned for use within their own organizations.

More broadly ARASCO leverages its BSC reporting capabilities to identify and document best practices related to strategic and performance outcomes. Emphasis is also placed on sharing these critical insights enterprise-wide.

reviews helped to refresh the strategies in a dynamic business environment and make suitable changes in the BSC to align execution. The OSM also builds synergies among business units, which has allowed the Group to reduce costs by sharing resources and services among the units.

Business Process Improvement

The senior team also recognized that achieving operational excellence was key to fulfilling demand efficiently, which was one of the four strategic themes. A major strategic initiative called ENSIAB was launched to optimize business processes, replace a legacy ERP with SAP, and integrate all production and supply chain systems with SAP. SAP was successfully rolled out in January 2015. According to Dr. Johan van der Ven, the President of ARASCO Feed, this will result in significant improvement in material resource planning, master production scheduling, sales forecasting, and ultimately service level to customers. Another benefit

from ENSIAB is to enhance strategy performance reporting by leveraging the BSC module within SAP. This will enable strategy to be monitored and adapted in a more efficient, effective, and timely manner.

Using Communication as an Effective Tool

Strategic communication has also been critical to BSC success. Led by the CEO and the executive leaders, the main communication objectives were to generate a common understanding of the unit strategy, to increase employee engagement by creating awareness of the strategy and how they contribute to achieving it, and to consolidate the corporate strategy as the reference for all of the organization. Key messages are communicated using different channels such as newsletters, emails, internal meetings, videos, annual events, iArasco intranet, etc. This helps in bringing about a sense of empowerment and pride among the employees to showcase their contribution to the food

ARASCO Feed receives the Hall of Fame Award. From left to right: Dr. Robert Kaplan; Abdulaziz Almosaad, Strategy Management Officer; Johan van der Ven, President of ARASCO Feed; Dr. David Norton; and Abdulaziz Aldharrab, Balanced Scorecard Specialist.

and water security goals that ARASCO is striving to achieve.

Conclusion

Thanks to the successful implementation of the BSC, ARASCO Feed has been able to be a significant partner in the Kingdom's march towards a sustainable future. From 2004-2013, WAFI sales grew at a CAGR of ~35%, and the growing replacement of traditional feed by WAFI has significantly advanced the noble food and water security-related goals of the Kingdom. This has also supported the policy initiatives of the Government as this strong growth enabled ARASCO to plan and execute expansion to reach 3 million tons per annum of WAFI, which translates into annual water savings of ~3 billion m^3 per annum (~15% of water consumed in KSA).

According to the Group CEO Dr. Abdulmalik Alhusseini, the BSC has made it possible not only to achieve the desired business growth, but also to improve efficiency in operations and for capability building among all levels in the organization: "Through the process of cascading, the company has been able to align all the organization levels towards a common direction, ensuring that everybody understands the strategy and how each person contributes to achieve the noble mission of food and water security for the Kingdom of Saudi Arabia."

Execution Premium

Figures compare 2008 with 2012.
- Formulated feed market share rose from 11% to 29%
- Return on Capital Employed rose from 12% to 34%
- Number of geographic markets covered rose from 19 to 132
- Revenue grew at a CAGR of ~19%
- Ranked among the best Top 10 employers in KSA

Dr. Abdulmalik Alhusseini
CEO

ARASCO Feed accepts the Hall of Fame award. Click to play.

> " *Through the process of cascading, the company has been able to align all the organization levels towards a common direction, ensuring that everybody understands the strategy and how each person contributes to achieve the noble mission of food and water security for the Kingdom of Saudi Arabia.*"

Dr. Abdulmalik Alhusseini, CEO, ARASCO Group

BNDES
Executing a strategy for Brazil's sustainable economic development

FOSTERING BRAZIL'S SUSTAINABLE AND COMPETITIVE ECONOMIC DEVELOPMENT

In 2007 Brazil entered a new development cycle and BNDES (the Brazilian Development Bank), one of the major players in fostering economic development, was called upon to play an increasingly central role in supporting the long-term financing of the country's economic growth.

This new development cycle was planned to have investment spurring aggregate demand. As a result, BNDES would see its asset base expand significantly, demanding acute attention to financial prudence and sustainability. The bank's shift to more sophisticated, longer-term financing necessitated a structured process for tracking and reviewing loan concessions to increase the bank's agility and responsiveness to market conditions.

At the same time, BNDES was in the midst of a process of renewal and generational change in its employee profile, which would result in a turnover of one-third of the bank's staff within three years.

It was within this context that BNDES saw the need to implement a Strategy Management System (SMS), a systematic process to manage their strategic growth.

LEADING THE CHARGE

Throughout its history, BNDES experienced a slew of corporate planning initiatives, to a varied degree of success. Between 2000 and 2007, three major initiatives were promoted but ultimately discontinued at their implementation stages, mainly due to leadership turnover. Coming out of this environment, BNDES needed to combat the perception that the Balanced Scorecard was simply the latest management fad and that the SMS would not be sustained. Being able to implement a lasting and sustainable strategy management process was the key factor to succeed at the SMS initiative.

Sponsorship at the highest level of the organization was crucial for combatting initial skepticism. BNDES made a conscious decision to have the team responsible for introducing and implementing the BSC consist of individuals with solid formation and previous experience in other organizations, situated at the highest level of the organization, up to and including the CEO. Further, upon reviewing their institutional capabilities they discovered that a number of

ABOUT THE ORGANIZATION

Headquartered in Rio de Janeiro, BNDES was established on June 20, 1952 as a government agency with the mandate to develop and implement the financing of Brazil's long term economic development. In 1971 BNDES was converted into a state-owned company, resulting in more flexibility to raise and invest funds and less political interference.

Today, BNDES is the main financing agent for Brazilian development. It employs near 2,900 individuals throughout seven locations (including offices in London and in Montevideo) and is responsible for two-thirds of all long-term loans (five years or more) disbursed in the country. The bank plays a fundamental role in stimulating the expansion of infrastructure and industry throughout the country and in supporting the SME market growth, export development, technological innovation, modernization of the public administration, and sustainable socio-environmental development.

With assets of $334.2 billion USD, BNDES is among the largest development banks in the world. In 2013, it recorded loan disbursements of $81.4 billion USD and leveraged investments of around $169.4 billion USD, while at the same time maintaining a very prudent profile with a 0.01% delinquency rate and 18.4% Basel AML Index rating. BNDES is an important partner for Brazilian companies looking to grow, as well as for foreign investors looking to understand and access opportunities offered by the Brazilian economy.

business units lacked a "culture of management" based on indicators and goals. The executive team sent a clear message by launching an excellence management program in order to ensure the success of the SMS.

Ensuring Continuity and Stability

As a government organization, political change directly affects BNDES, so ensuring the long-term continuity and stability of the SMS was naturally of high concern to BNDES. They intentionally designed their Office of Strategy Management (OSM) and strategy meeting cadence to mitigate the potential effects of political shifts.

BNDES' OSM reports to the highest non-appointed level of the organization. They work closely with the CEO and executive team, ensuring that there is ample visibility between the two teams. Since the OSM was established in 2008, the continuity of the strategy management process has remained stable despite the advent of political changes
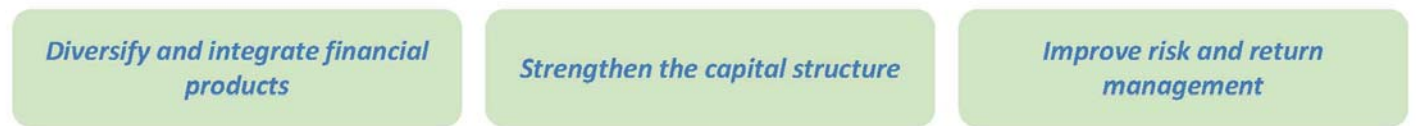
within the country, and they continue to make progressive improvement to their strategy management capabilities.

In addition to the six members of the OSM, employees from across the organization participate in the regular cadence of strategy meetings, further embedding the strategy management process in the bank's regular operations. A Project Director Committee, responsible for holding senior management accountable for accomplishing strategic projects, meets monthly to manage the corporate initiative portfolio. (For more on strategic initiative management, see "Best Practice Insights," sidebar.) Each quarter, a Planning Committee meets to review performance against strategic objectives and discuss emerging problems. At the end of the year, the OSM leads the executive team through an annual strategy review in which they analyze the year's performance and project challenges and goals for the coming year. In addition to the abovementioned committees, employees from across the organization participate in "collegiate groups" responsible for each perspective or theme on the scorecard.

Sustainable and Competitive Development

Expand investment in infrastructure	Induce strengthening the competitiveness of Brazilian companies	Contribute to social and productive inclusion

Fostering innovation, environmental sustainability and regional development

Financial Sustainability

Diversify and integrate financial products	Strengthen the capital structure	Improve risk and return management

Internal Processes

Promote best management practices and corporate integration	Strengthen the image and presence of the BNDES with his main interlocutors and society in general

Learning and Competences

Ensure the quality of organizational climate and the alignment to the institutional values	Promote professional and personal development of employees	Enhance the staff management with agreement of results and performance evaluation

BNDES' Strategy Map

Best Practice Insights

BNDES takes a unique approach to managing strategic initiatives. As with many organizations, the majority of strategic initiatives focus on process or product improvements. For this reason, the most critical investment to an initiative's success, and the one on which the Project Director Committee places the most emphasis, is the allocation of personnel. The Committee identifies Project Managers (PMs) based on the skills needed to complete the project. The PM, in turn, may recruit employees from any unit to participate in the project. Any conflicts in personnel allocation are taken to the Committee for decision. The PM's unusual level of autonomy not only jumpstarts the project by removing unnecessary bureaucracy, but it also enables the PM to form particularly high-performing teams whose skill sets align extremely well with the requirements of the project. Furthermore, by enabling PMs to recruit from across various units, BNDES fosters cross-functional collaboration.

A Strategy for Managing Strategy

One of the pillars of BNDES' successful SMS implementation is its "Strategy for the Implementation and Management of Strategy," which consists of fitting the functional tools of the SMS to the organization's cultural realities and specificities. This internally-developed approach enabled a highly participatory process and created a healthy competitive environment among business units. It made it possible to create the corporate Strategy Map and cascade it to twenty-four units in a period of three months, thus forming the concept of a "Strategic Atlas." It also provided a better view of the organization's progress against the strategy under various viewpoints and on different levels, promoting a greater understanding on the part of employees, further facilitating alignment.

Within each unit, a Support Team assists managers in analysis and decision-making based on the Balanced Scorecard. Together, these teams comprise a Practice Community that meets on a bimonthly basis to exchange experiences, discuss topics of common interest, identify best practices, and disseminate lessons learned.

The strategy is further cascaded to the individual level through a tool called the Employee Agenda, designed to facilitate the alignment of expectations between an employee and their manager. The Employee Agenda consists of two plans, a Personal Contribution Plan and a Personal Development Plan. Managers determine which strategic objective is most related to the employee's position, and then the Personal Contribution Plan specifies the activities to be undertaken by the employee in order to achieve the strategic objective selected. The Personal Development Plan identifies which skills the employee needs to develop in order to achieve the activities identified in the Personal Contribution Plan.

BNDES has also done an excellent job of aligning its profit sharing program's measures to strategy performance measures. Besides that, the individual's rate of success, based on the Personal Contribution Plan success, is aligned to the unit's strategic objectives and serves as input to the employee promotion process. This link between the Employee Agenda and the business unit's strategic objectives promotes an alignment of expectations between the organization and its employees and facilitates the active discussion of strategy and its implications for individual as well as organizational performance.

Assessing the Maturity of the SMS

BNDES composed a unique Strategy Management Practice Quality Index, a composite index of eight indicators distributed across four dimensions (planning, execution, monitoring, and learning) to monitor the implementation of its Strategy Management System. The Index functions as a proxy measure, and though it is a simplification of reality, it is a useful tool for objectively measuring the performance of routines and management practices. Using the Index,

BNDES accepts the Hall of Fame Award. Click to play.

BNDES is able to more acutely monitor the evolution of management practices and systems over time, pinpoint areas for management improvement, and identify best practices.

SUPPORTING BRAZIL'S FUTURE ECONOMIC GROWTH

As a central component of Brazil's economic development agenda, BNDES will continue to further align itself with public policy. As they contribute to policy formulation and implementation throughout the country, they will align their scorecards to policy performance measures in order to gauge its effectiveness.

In addition BNDES plans to:
- Develop a more structured approach to address strategic risks;
- Monitor future scenarios and establish a warning system about critical variables behavior; and
- Develop dashboards to support the analysis and decision-making process.

EXECUTION PREMIUM RESULTS

All results from 2007-2013.
- Weathered the global financial crisis while at the same time expanding its role in promoting Brazil's sustainable, competitive economic development.
- Total assets increased from $14.4 billion USD to $334.2 billion USD.
- Disbursements increased from $27.7 billion USD to $81.4 billion USD.
- Basel AML Index reduced from 26.7% to 18.7%.
- Loan default index reduced from 0.11% to 0.1%.
- Increased number of small and medium enterprises supported from 41,000 to 275,000.
- Increased score on Management Excellence Program from 350 points to 449 points.

> " *Our achievements are not minor...BNDES, being a public institution, follows political and policy directives, and throughout its history it has done so. However, what is new is the increasing scale and scope of operations, and such complexity could not be effectively managed without the systematic implementation of strategy management tools...Even in a period marked by crisis and external shock, the BSC offered clarity and alignment with the strategy, which enabled agility and responsiveness in BNDES' main role of promoting the sustainable and competitive development of Brazil with attention to the financial stability of the organization."*

LUCIANO COUTINHO, PRESIDENT AND CEO, BNDES

Brisa
Executing an innovative strategy to create the best journey ahead

To optimize the opportunities of the digital revolution and transition from a traditional "Manufacturing-Oriented Organization" to a "Customer-, Sustainability-, Entrepreneurship-, and Innovation-Oriented Company," the Turkey-based tire manufacturer Brisa (Bridgestone Sabanci Tyre Manufacturing and Trading Inc.) has successfully introduced a project called Strategy House, through which corporate and functional level BSCs were created and implemented.

Brisa has supported this with other projects such as process, project, and portfolio management and sustainability, which are facilitated by the same function. Lessons learned from earlier BSC efforts also contributed to the success.

Although Brisa introduced the Balanced Scorecard (BSC) in 2003, it was not until 2010 that it truly focused on driving fundamental strategic change organization-wide. In 2010, Brisa defined a new vision with "Change to Change" as its motto and launched a substantially altered approach to competing in the tire market.

The catalyst for these changes was that Brisa's senior executive team was well aware that the digital revolution was shaping society and customer expectations in ways that were as far-reaching as when the industrial revolution reshaped products and production processes (and when tires were introduced), and as such offered new and exciting opportunities. With a rising level of information and end-consumer consciousness, Brisa understood the importance of becoming much closer to customers and therefore more agile in responding to their needs. Accordingly, Brisa focused on systematically gathering data and insights that would help them understand the expectations of both end-customers and dealers, increase the level of interaction with both, and implement innovative solutions to meet their needs.

The "Change to Change" motto, therefore, essentially reflected a need to respond to the digital revolution and so evolve from a traditional "Manufacturing-Oriented Organization" to a "Customer-, Sustainability-, Entrepreneurship-, and Innovation-Oriented Company."

Another important decision in early 2010 was setting a new pricing strategy that would increase profitability for both Brisa and its dealers. Brisa decided to move away from the high sales volume, low cost formula and position themselves as a value provider, pursuing profitable growth, competing by service, and providing additional value to trips. Brisa switched to focusing on increasing the satisfaction of the end-users rather than just being concerned with dealers.

ABOUT THE ORGANIZATION

Brisa was established by the Sabanci Group, the leading industrial conglomerate in Turkey, under a license agreement signed with American BF Goodrich Company in 1974. The company, a 100% Turkish investment, was named Lassa Tire Manufacturing and Trading Inc. and produced tires under the Lassa brand, expanding its product range from tires for passenger cars, trucks, and buses to farm and off-road vehicles. In 1988, a joint venture agreement between the Bridgestone Corporation of Japan and the Sabancı Group created Brisa (Bridgestone Sabanci Tire Manufacturing and Trading Inc.), each party holding an equal share in the new company.

Today, Brisa is the seventh-largest tire producer in Europe, producing different types of tires for cars, light commercial vehicles, buses, trucks, tractors, and construction equipment. It has more than 900 sales points in Turkey and exports to more than 60 countries. Brisa employs about 1,800 people.

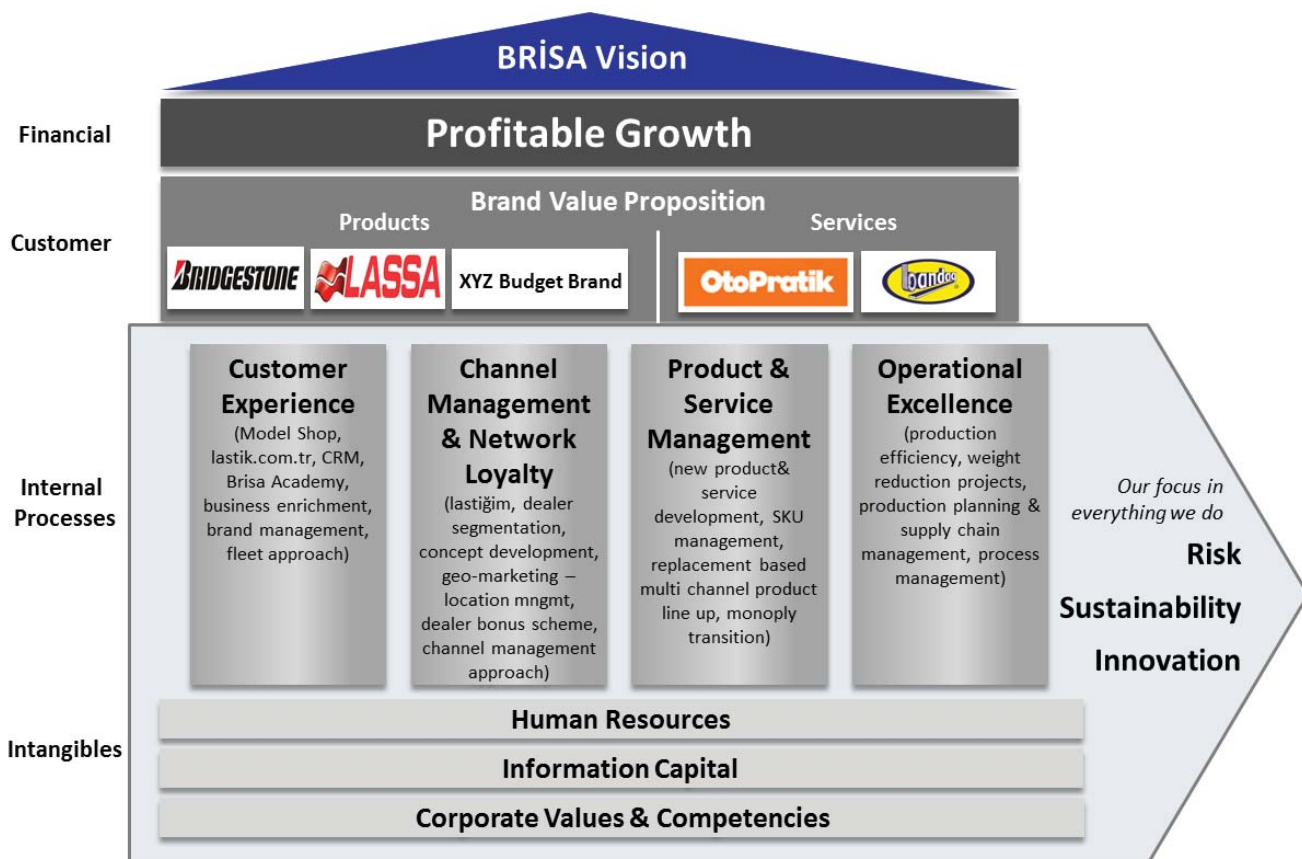## DEVELOPMENT OF BRISA STRATEGY HOUSE

Parallel to the design of the new strategy, Brisa reviewed its strategy management processes and launched a project named Brisa Strategy House (Brisa's term for developing their BSC framework and methodology, which today includes one corporate and seventeen functional scorecards). Brisa Strategy House became the primary mechanism for driving the company towards the strategic vision.

Leveraging lessons learned from its past BSC experiences, Brisa's senior team knew that resistance to change and poorly defined project ownership were key contributors to the disappointing results delivered by various strategy execution projects. When the Human Resources and Corporate Development (HRCD) department launched the Brisa Strategy House project, they defined the visible commitment of executives and senior managers to organizational and cultural issues as a critical success factor. The change management process is owned by the CEO with the active support of the HRCD Director and all the functional leaders. The roles and responsibilities of everyone involved in the Strategy House project were clearly defined from the outset.

To provide impetus to the project, at the end of 2011 the project team (which included internal staff as well as external consultants) held one-on-one meetings with all functional heads to collect their expectations and feedback regarding strategy management. Based on the inputs, Brisa measured its Strategy Execution Index (SEI), which determined the level of strategy management practices against the five principles of a Strategy-Focused Organization, as described by Drs. Kaplan and Norton: mobilize change through executive leadership; translate strategy into operational terms; align the organization to the strategy; motivate to make strategy everyone's job; and govern to make strategy a continual process.

In February 2012, a strategy clarification and leadership workshop was held involving the CEO, function heads, and selected managers to present the SEI results and discuss corporate strategies and initiatives. Specific groups developed corporate strategic objectives and candidate KPIs. In May 2012, a further workshop was held to validate the

Brisa's "Strategy House"

corporate-level KPIs and the strategy deployment architecture.

Three months later, all BSCs (one corporate and seventeen functional BSCs and a total of 800 KPIs), governance models, and future plans for Brisa Strategy House were presented for approval. Through ongoing refinements, the number of KPIs was later reduced to 400. Key to creating the functional scorecards was the involvement of all functional leaders and the focus on showing alignment with corporate level objectives.

In January 2013 Brisa's CEO presented Brisa Strategy House to the organization and announced a new vision statement, "To create the best journey ahead," to confirm that Brisa was no longer just about producing and selling tires but also delivering a value proposition around "mobility" - tire and non-tire products and services to create the best journey ahead. Over a two-year period the design of the Brisa Strategy House project involved all managers and 25% of the white collar employees, 500 meetings, 30 workshops, and 12,000 hours of work by the project team.

Brisa accepts the Hall of Fame award. From left to right: Murat Ayan, Management System Manager; Dr. David Norton; Dr. Robert Kaplan; Hakan Bayman, CEO.

A HIGHLY EMPOWERED OFFICE OF STRATEGY MANAGEMENT

The role of the Office of Strategy Management (OSM) in Brisa is performed by the Human Resources and Corporate Development Directorate (HRCD), which reports directly to the CEO and that has ten staff. The 2011 establishment of HRCD resulted in closing the previous strategy management function.

With a comprehensive mandate, HRCD has responsibility for all corporate development projects and integrates most of the strategy management core processes. Most importantly, perhaps, HRCD has facilitative responsibility for the Strategy House project, from the design approach to internal communication activities, deployment to functions and tool implementation.

To support the Strategy House, HRCD undertook two complementary projects:
- Process House: establishing a Business Process Management (BPM) approach and deployment, identifying improvement areas, and implementing BPM tools.
- Project House: defining the Project and Portfolio Management (PPM) approach and deployment, managing initiatives and portfolios, and implementing a corporate project management tool.

Consequently strategy, project, and process management are housed in the same department, leading to a more rounded and inclusive approach to overall performance management.

Additionally HRCD has responsibility for Human Resources (including HR alignment and change management) and sustainability (see "Best Practice Insights," sidebar).

Another key HRCD development has been the Brisa Academy, which helps to spread Brisa's vision and strategic priorities; deploy change to business partners; and train dealers, Brisa employees, and other business partners in key strategic and operational matters. By transferring the ac-

BEST PRACTICE INSIGHTS

Brisa's commitment to sustainability is captured in its mission statement, "To provide superior value to society through sustainable growth," which is translated into corporate strategic objectives such as "Create the Brisa way of sustainability," and "Green product lineup and improve eco performance."

Central to delivering on this commitment is Brisa's Sustainability Management Project, which ensures that sustainability issues are managed within a structural framework, the main pillars of which are the Brisa way of sustainability, sustainability reporting, and increasing sustainability awareness within the organization.

Sustainability is considered central to Brisa's Strategy House (corporate and functional BSCs). The senior team believes that inculcating the sustainability approach deep inside the organization in a structured way is critical to its continued success. Therefore the corporate objective "create Brisa's way of sustainability" is translated into functional objectives (thus appearing on each cascaded BSC) around implementing the Sustainability Management Project, with a KPI focused on a sustainability index and supporting stretch targets. HRCD has an objective to "enhance sustainability awareness through trainings and employee development programs," with the supporting KPI of training hours related to sustainability per employee.

As part of its investments for a livable world, Brisa has set as a priority, "to add value to the environment with methods that accord with nature's balance." This priority includes targets to decrease CO_2 emissions while producing high quality products and services.

In 2012, Brisa introduced a Sustainability Survey devoted to key stakeholders in order to determine Brisa's sustainability priorities. It used Global Reporting Initiative (GRI) Standards as the basis for determining the main topics of this survey. The organization created the Brisa Sustainability Materiality Matrix based on the results of the survey as well as inputs from the various sustainability work groups. The matrix plots the importance of issues such as renewable or more efficient energy consumption to the stakeholder on a vertical axis and the importance to Brisa on a horizontal axis. From this matrix, priority projects and activities can be identified. Brisa also drew up a sustainability report at an A level according to the GRI system.

2012 also witnessed the 24th Brisa Improvement Conference, which was delivered under the theme of "sustainability." A year later, Brisa organized an internal conference to introduce its sustainability report to all employees and to increase sustainability awareness throughout the organization. This is now an annual event to ensure that sustainability becomes a part of the company's DNA.

cumulation of knowledge and experience formed at Brisa to their sales points, the organization ensures that its customers get the information they need correctly, rapidly, and effectively – thus contributing to Brisa's strategic focus on both end-users as well as dealers.

Finally, HRCD gets support from and gives guidance to the strategic planning and corporate communication departments.

STRATEGY FEEDBACK MECHANISMS

Brisa reviews the progress of strategy implementation in various meetings and forums. For instance, in vision sharing meetings, held at the start of each year, the senior management team shares targets and achievements with a large number of employees and describes the roadmap

ahead. Strategic targets and initiatives are regularly monitored in the monthly executive committee meetings, and functions and departments use Brisa Strategy House in their team meetings to work on the strategy direction and determine individual performance targets accordingly.

Moreover, in the individual performance evaluation process, managers and directors discuss and review both the organization's and employees' personal performance in connection to Brisa's strategy. Additionally, an organizational success plan is used to collect feedback about strategy, organizational direction, and further improvement opportunities, amongst other things. In the annual Strategy House workshop, Brisa Strategy House is reviewed intensively across the organization.

NEW SERVICES LAUNCHED "TO CREATE THE BEST JOURNEY AHEAD"

With clarity in its focus to be a customer-centric organization, Brisa has been busy since 2010 launching new initiatives to increase customer touch-points and to launch innovative products that would enhance customer satisfaction and loyalty. As three examples Brisa launched:

1. *Tire Hotel*: a storage service for summer and winter tires when not in use, which addresses customers' storage needs and helps them get the maximum performance from their tires for a longer time period.
2. *Mobilfix*: offering service and maintenance services on the spot for heavy commercial vehicles, providing time- and cost-effective solutions as well as continuity to operations.
3. *Lastik.com.tr*: an internet selling system that ensures that customers get assembly and service on the spot, available throughout Turkey.

CONCLUSION

Brisa Strategy House has proven critical in launching customer-facing innovations and other achievements, says M. Hakan Bayman, Brisa's CEO: "We embed innovation, sustainability, and entrepreneurship into our organization's DNA. In this change process, the role of Brisa Strategy House is invaluable. It is the basis for functions to align with the corporate scorecard and for employees to understand our directions and their individual contribution. Moreover, we can monitor our strategies regularly and recognize improvement areas. Thanks to Brisa Strategy House we can monitor, adapt to, and shape the environment."

EXECUTION PREMIUM RESULTS

Figures compare 2010 with 2013.
- Net sales revenues grew by 52%
- EBITDA margin improved from 12.6% to 17.3% and net profit multiplied by 2.5
- Gained 2.7 p.p. of market share in the replacement market (from 28.0% to 30.7%)
- Increased by 19% the OE* Satisfaction ratio (from 78% to 93%)
- Reduced scrap percentage by almost 20% (from 1.33 to 1.07) and nearly halved the incidents rate
- Enhanced the internal satisfaction rating with the IT systems from 80.0% to 84.4%

*Original equipment, Automotive Industry

Brisa accepts the Hall of Fame Award. Click to play.

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> *We embed innovation, sustainability, and entrepreneurship into our organization's DNA. In this change process, the role of Brisa Strategy House is invaluable. It is the basis for functions to align with the corporate scorecard and for employees to understand our directions and their individual contribution. Moreover, we can monitor our strategies regularly and recognize improvement areas. Thanks to Brisa Strategy House we can monitor, adapt to, and shape the environment."*
>
> HAKAN BAYMAN, CEO, BRISA

Britam
Executing a growth strategy with a fresh new brand

The Balanced Scorecard has helped Kenya-headquartered financial services provider the British American Investments Company (Kenya) Limited (Britam) implement an ambitious and successful strategy of regional expansion and diversification.

Engaging all employees in the strategy execution efforts, along with a firm focus on the importance of delivering high-impact strategic initiatives, has been a key enabler of Britam's success. It has also used a Business Excellence framework as its core continuous improvement model in support of the BSC.

Usage of the Balanced Scorecard (BSC) has been something of a journey within Britam. With a long history of formalized strategic planning, in 2008 the leaders of the organization (then called Britak) identified a need for more rigorous and disciplined performance self-evaluation and improvement. After a senior manager attended a workshop led by Dr. Robert Kaplan in Kenya, the BSC, a promising tool to assist in these efforts, was formally adopted in 2009.

Initially, the BSC was perceived as a performance management tool, but the organization's leadership soon recognized its potential as a powerful framework for strategy execution and, with external local facilitation, began a process of systematically training all levels of the organization in how to work with the BSC. (Today, an internal team delivers biannual refresher courses.)

AGGRESSIVE GROWTH
With the BSC as its strategic steering mechanism, the organization entered a period of aggressive regional expansion (operations were launched in Uganda, South Sudan, and Rwanda) and diversification into the Asset Management and Real Estate Investments business. Triggered largely by

its 2011 listing on the Nairobi Securities exchange, these growth plans were major strategic initiatives identified within the BSC to deliver the 2012-2016 strategic plan.

The year 2012 was an important year for the newly listed company as the group rebranded from Britak to Britam, creating a new fresh identity that would aid in communicating brand uniformity and consistency across all operations of the group in the region. With a "One Company, One Brand" mantra, the rebranding would also enable the organization to take a single, rather than fragmented, view of suppliers and service providers.

CASCADING THE BSC
Cascading the BSC to each business and functional area is one way that Britam reinforces the "One Company, One Brand" mantra. Business and functional-level managers are charged with crafting objectives, KPIs, and initiatives that provide line-of-sight to the group's overall vision, "to be the largest asset management and insurance organization in Eastern Africa," and a customer-focused vision, "to be your most trusted financial advisor." The leadership team realized that it is only through excellent customer service (also

ABOUT THE ORGANIZATION

With about 2000 employees, Britam is a leading diversified financial services group listed on the Nairobi Securities Exchange. The group has interests across Eastern and Southern Africa. The company offers a wide range of financial products and services in insurance, asset management, banking, and property. The product range includes life, health, and general insurance; pensions; unit trusts; investment planning; wealth management; off-shore investments; retirement planning; discretionary portfolio management; property development; and private equity.

captured in its mission, "to provide outstanding financial services to our customers") that regional growth can be achieved and sustained (as captured in the overall vision).

ALIGNING THE INDIVIDUAL

The corporate BSC is cascaded to the business units, which are further cascaded to operational levels, which in turn are aligned to individual roles and personal scorecards. At the individual level, Britam has also introduced a scheme to tie individual incentive compensation to personal goals as well as a formal process for recognizing employees for

their part in delivering successful performance outcomes within projects that are aligned to the strategy. These and other approaches support the learning and growth objective "Rewards and recognition."

Recognizing the critical importance of the learning and growth perspective in delivering ultimate customer and financial outcomes, the organization also pays close attention to improving employee competencies, another objective. To this end, it has established the Britam Academy, which focuses on developing both soft skills and technical competencies of the staff. The technical competencies ensure that employees have the relevant skills and capabilities for their

Vision: To be the largest Insurance, Asset Management, Private Equity and Property organisation in Eastern Africa
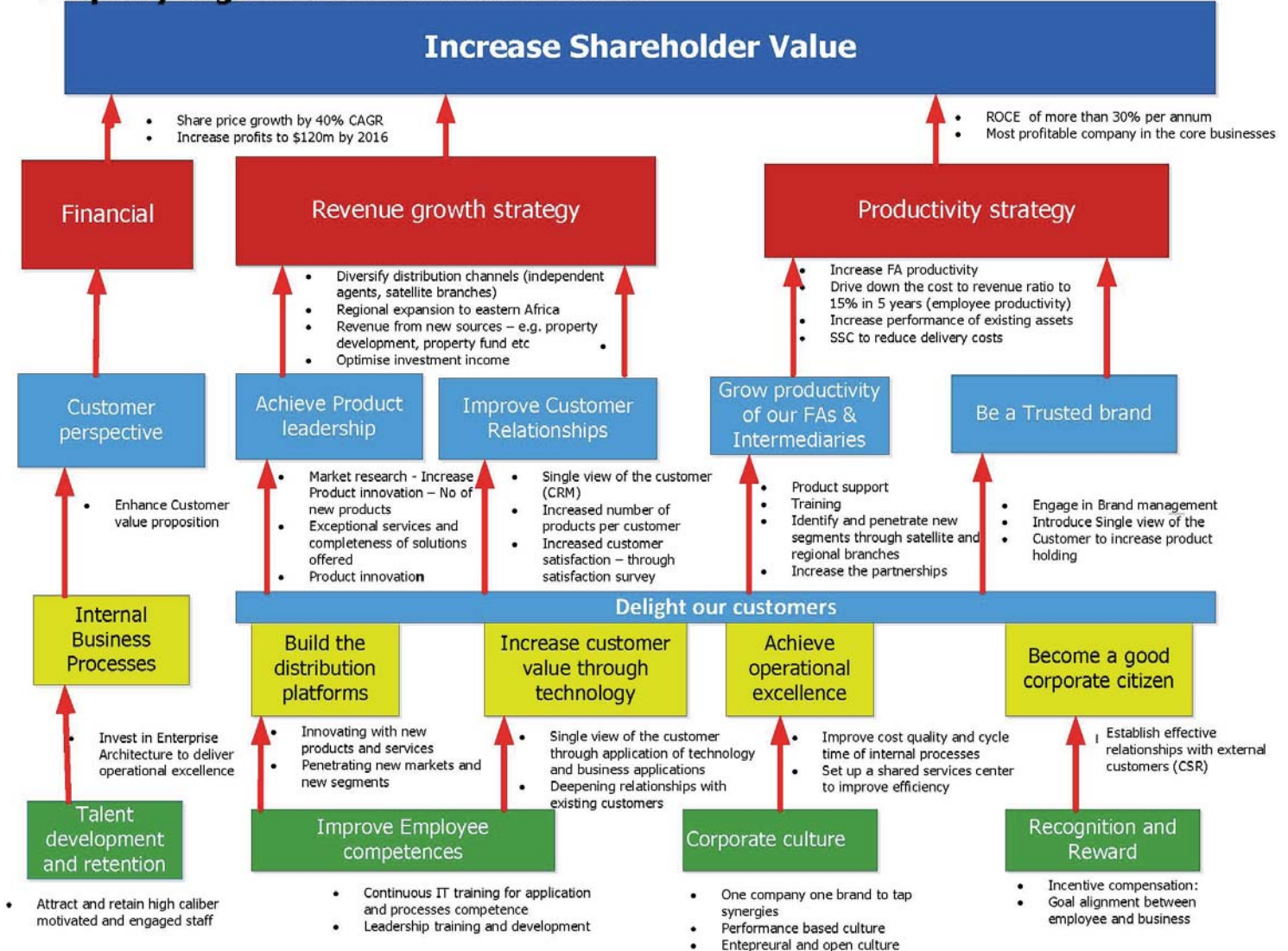
Britam's Strategy Map

roles in the organization while the soft skills focus on key competencies that staff must possess before they can move to the next level. The academy has also categorized which courses must be undertaken by staff at different hierarchy levels and delivers a range of courses related to strategy management and execution. Through skill mapping, employees are selected to pursue roles that are in line with their career objectives and that closely tie to the demands of the strategy.

Importantly, each year, the company has a themed training program that all staff in the organization must attend. This ensures there is a continuity of similar culture (another learning and growth objective) and learnings across the organization. It also helps drive the "One Company, One Brand" mantra.

Communication is also used systematically as a way to

develop employee understanding of the strategy, to recognize their role in its execution, and to increase their sense of being "one company." One simple but effective technique used is that the corporate Strategy Map is the first thing that employees see when they log in to their computers. Although a simple intervention, it is part of a broader campaign to change the "culture around strategy." Prior to implementation of the BSC, the organization's strategy was the preserve of the senior management team. Most of the employees were therefore totally oblivious of how they contributed to the achievement of the organization's objectives. With the unveiling of the organization's strategy and the cascading of the same through the BSC framework, teams and individuals began to see the linkages between themselves and the strategy and contribute ideas around products and services that would help deliver the strategy.

Best Practice Insights

In their efforts to significantly improve performance, many organizations across the globe use the Balanced Scorecard (BSC) as their strategy implementation framework and a Business Excellence model (such as the Malcolm Baldrige model in the USA or the European Foundation for Quality Management (EFQM) model) to drive continuous improvement. Other regional versions exist, such as the Singapore Quality Model.

Another variation is the OPI (Organizational Performance Index) Excellence Framework introduced by the Kenya Institute of Management and used by a growing number of Kenya-based companies, such as Britam.

The OPI Excellence Framework is an integrated approach to organizational performance management that sets out to:
1. Deliver ever-improving value to customers and stakeholders, contributing to organizational sustainability;
2. Improve overall organizational effectiveness and capabilities; and
3. Improve organizational and personal learning.

Britam deploys the OPI framework as a performance improvement tool that is fully aligned to improvement against strategic goals. From the performance gaps identified

through a rigorous assessment to the seven elements of the framework (such as HR focus and innovation and technology), action plans are crafted that link with various initiatives that are found within the corporate and cascaded BSCs. In short, the OPI assessment is a powerful tool for regularly reviewing the performance of processes and systems to identify a range of performance improvement opportunities. Through this assessment, Britam is able to extract and then focus on those opportunities that will drive improvement on strategic objectives and implement these as strategic initiatives and other strategically focused actions.

Having completed OPI Index assessments since 2009, Britam has been able to drive many strategically critical performance improvement initiatives, such as the IT-led business transformation program explained in the main text and initiatives to further develop the organization's brand positioning and image as well as to better understand the levers of employee commitment and motivation.

In 2013, the Kenya Institute of Management named Britam as a "company of the year" (its highest award for excellence) following an assessment to the model. As with many other Hall of Fame inductees, Britam is recognized for both strategic and business excellence.

THE IMPORTANCE OF STRATEGIC INITIATIVES

Since first launching the BSC, the senior team of Britam has also understood that the main driver of strategy execution was not the strategic measures that are chosen (however important) but the successful delivery of strategic initiatives (where the real work of execution takes place). Therefore strategic initiatives are carefully mapped to the strategic objectives and no initiative is approved unless the link is demonstrably proven. Moreover, the organization identifies many major initiatives that will impact multiple objectives and ultimately deliver its overall and customer-facing visions. The aforementioned geographical and diversification initiatives are good examples. Another is the impactful Project Jawabu (Swahili for answer), an IT-led business transformation program that directly impacts objectives such as "increase customer value through technology" and "achieve operational excellence," amongst others.

Launched in 2013 to provide solutions to the business challenges that were identified as critical in delivering the 2012-2016 group corporate strategy, Project Jawabu entails the review of Britam's business processes and applications with a view to putting in place the right processes and best-fit business applications that will be key enablers in accomplishing Britam's strategic objectives. The project is meant to deliver a number of key strategic outcomes such as technology-enabled service delivery channels, product and service differentiation, cost-efficient business processes, and business intelligence.

AN INTELLIGENT COMPANY

With regard to business intelligence, one goal of the organization is to become an "intelligent company." This concept is based on the book *The Intelligent Company* by Bernard

Britam celebrates winning the Hall of Fame Award. From left to right: Dr. David Norton; Muthoga Ngera, Director, Marketing & Corporate Affairs; Benson Wairegi, Group Managing Director; Margaret Wairegi; Gladys Karuri, Group Finance & Strategy Director; Nancy Kiruki, Director, Legal & Human Resources; Jane Gikonyo, Human Resources Manager; Dr. Robert Kaplan.

Marr, who described such a company as having:

1. *Intelligent strategies:* Britam intends to achieve this through Project Jawabu, which is derived from an Enterprise Services Architecture model with benchmarks against internationally accepted models.
2. *Intelligent information:* Adoption of ERP system and modern insurance and wealth management systems to automate key processes, support shared services, and strengthen internal control environment.
3. *Intelligent insights:* Flexible systems to expedite product development and support new differentiated products.
4. *Intelligent communication:* CRM systems to improve customer service at all customer touch points and services-oriented architecture to integrate core business systems, electronic linkages, and a single customer interface at each branch level.
5. *Intelligent decision making:* Business intelligence systems that will deliver management dashboards, end user-driven data enquiry and drill-down tools, and data standards and policies.

Note that all of the major strategic initiatives have been as-

Bristam's brand, mission, vision, and values

OFFICE OF STRATEGY MANAGEMENT

Within Britam, strategic initiatives are driven through the organization by the corporate Strategy Office, which is headed by the Director of Finance and Strategy. In keeping with recommended Palladium best practice, the office reports directly to the most senior executive, the Group Managing Director. As a further illustration of the status of the office, the three staff members are all senior managers.

Amongst its duties, the Strategy Office has primary responsibility for facilitating and overseeing regular reviews of the performance at corporate and business unit levels. Every business unit reports on the progress and any variance in performance, setting room for review of the strategic objectives, impact, and sustainability. If there are any identified gaps, management has the opportunity to address any challenges to ensure that the business maintains the right path toward attaining the strategies. Review meeting findings are communicated widely to the employee base.

Also, an IT innovation team has designed an online Balanced Scorecard that was rolled out companywide during 2014. This automation has brought structure and discipline to embedding and reporting the BSC but was also introduced to enable much more rigorous and in-depth analysis of performance reports, helping management teams make better decisions and enhance communication to stakeholder groups.

CHALLENGES

Since introducing the BSC, Britam has learned many les-

signed to key executive managers, who are held accountable for their delivery and ensuring they remain tightly aligned to strategic objectives.

CORPORATE SOCIAL RESPONSIBILITY

Another internal process objective for Britam (and one to which it pays more than lip service) is "Corporate Social Responsibility" (CSR). Britam uses the Global Reporting Initiative (GRI) guidelines and standards in reporting CSR. In 2013, the Britam Foundation was incorporated and will be the vehicle through which the group's CSR and sustainability initiatives will be channeled.

The foundation also demonstrates sound environmental performance by adopting an environmental management system and producing environmental performance reports. To actualize this initiative, Britam has come up with guidelines on environmental policy, waste management policy, managing biodiversity, carbon emission, and monitoring and evaluation mechanisms.

sons that have been incorporated into the ongoing journey to strategy excellence. As with many mature BSC users, Britam's senior team encourages others not to underestimate the importance of extensive communication and staff involvement early in the process. They also suggest continually enhancing the reward and recognition system to align to the performance objectives as well as making a firm link between corporate objectives and those on personal scorecards. An early hurdle that the organization faced was poor cascading of the objectives from senior management to the line staff, which resulted in junior staff having on their scorecards objectives that belonged on their managers' scorecards. A number of objectives were also not measurable, which caused challenges during performance reviews. Various sensitizations and re-training were conducted during this period (alongside the natural evolution of the BSC itself) and slowly buy-in was gained from the head of businesses and the staff at large, who began to understand the framework and see the benefits.

Conclusion

"Passion, business acumen, and teamwork are apt descriptions of an organization that has undergone phenomenal transformation from a small home-based insurance company into a local and regional financial services powerhouse," says Group Managing Director Benson I. Wairegi. "Since its introduction in 2009 the Balanced Scorecard has been critical to driving an ambitious and aggressive strategy and in securing the full commitment of employees to these strategic objectives."

Execution Premium Results

All figures compare 2009 with 2013.
- Total assets grew 143% from 16.3 billion KSh ($179 million USD) to 46.9 billion KSh ($513 million USD)
- Gross revenues grew 187% from 3.9 billion KSh ($43 million USD) to 9.5 billion KSh ($103.8 million USD)
- Customer retention grew from 41% to 82%
- Expanded operations from one to seven East African countries
- Employee satisfaction grew from an average of 57% to 68%
- Systems and network availability rose from 92% to 99%

Britam accepts the Hall of Fame award. Click to play.

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> *Passion, business acumen, and teamwork are apt descriptions of an organization that has undergone phenemonal transformation from a small home-based insurance company into a local and regional financial services powerhouse. Since its introduction in 2009 the Balanced Scorecard has been critical to driving an ambitious and aggressive strategy and in securing the full commitment of employees to these strategic objectives."*
>
> Benson I. Wairegi, Group Managing Director, Britam

CFE Gerencia de Centrales Nucleoeléctricas
Executing strategy to meet Mexico's growing energy needs

PREPARING TO MEET MEXICO'S ENERGY NEEDS

Mexico's energy market is growing steadily, and the Comisión Federal de Electricidad (CFE), the state-owned company responsible for generating, distributing, and marketing electricity throughout the country, adds roughly a million new customers every year. To meet this increasing demand, electricity generators such as CFE subsidiary Gerencia de Centrales Nucleoeléctricas (GCN) have had to focus on meeting not just short-term energy needs but on improving organizational effectiveness so that they will be well-positioned to meet the country's energy needs in the future.

GCN recognized that they had not paid enough attention to meeting the long-term goals of the business, focusing instead on short-term concerns, and that they would need to make a fundamental change in how they managed their priorities if they were to be successful. They decided that a holistic Strategy Management System (SMS) based on the Balanced Scorecard (BSC) would help them achieve this change. In developing the SMS, GCN CEO Agustín Lozano Láez and his leadership team recognized that in order to improve the organization's effectiveness, they would need to pay increasing attention to linking their annual budget to the company's strategy. Further, as a state-owned organization, they had a heightened imperative to integrate social and environmental impacts into their strategy in a way that was aligned with CFE's overarching mission.

CHANGE STARTS AT THE TOP

From early 2012, when GCN began developing their SMS, senior leadership was active in all aspects of the project, from formulation to implementation, including actively conducting environmental and value chain analysis sessions. They led by example, motivating their team to buy in to the needed strategic change and habitually reinforcing the importance of implementing the SMS in a way that would generate sustainable value. The leadership team consistently stressed the fact that everyone is involved in achieving GCN's strategic objectives.

Each senior executive has ownership of a strategic objective and is responsible for coordinating the projects and processes that contribute to its success. By assuming individual accountability for the objective's success, each leader demonstrates the depth of their commitment to the BSC. This commitment plays a vital role in the success of the SMS.

A UNIQUE AND POWERFUL STRATEGY MAP

GCN's Strategy Map is an excellent example of how their values are interwoven into their strategy. Many organiza-

ABOUT THE ORGANIZATION

The Federal Electricity Commission (CFE) is a decentralized state-owned enterprise of the Mexican government that has the mandate to generate, distribute, and market electric power for nearly 100 million people. Its infrastructure consists of 209 generating plants and more than 756,000 kilometers of power lines, transmitting power to 97.6% of the population.

The Nuclear Power Stations Management Unit (GCN) is contracted by CFE to supply 4% of Mexico's annual electricity production at an approximate value of $600 million USD. GCN is located in the State of Veracruz on the Gulf of Mexico and has two electric generating units and a workforce of 1250. Its first plant opened its doors in 1990 and the second in 1995. It is the only central nuclear power generated energy plant in the country.

tions feature their values on the Strategy Maps alongside their mission and vision, but GCN takes this practice one step farther with the choices they made in customizing their Strategy Map to their specific situation. It proudly demonstrates the commitment to safety, environmental protection, and national development that is evident in their mission: "With safety as our highest priority, to generate nuclear energy with operational efficiency to contribute to national development, while sustaining a continual pursuit of personal and profound respect for the environment."

GCN made a number of interesting choices in the creation of their Strategy Map. The Growth and Development perspective on the conventional Strategy Map (also often called the Learning and Growth perspective or the Talent

and Technology perspective) contains objectives that focus on internal enablers of strategy, usually concerned with talent, culture, and information services. In their Growth and Development perspective, GCN includes the objectives "Protect the environment" and "Strengthen bonds with the community" alongside more conventional objectives. With these objectives, GCN makes a bold statement, calling out the community and the environment in which they operate as enablers of their strategy that should be treated with the same care and attention as any internal resource.

GCN also flipped the order of the two outcome perspectives. In most Strategy Maps, the Customer perspective supports the Financial perspective, implying that the ultimate outcome towards which the organization is working is mea-
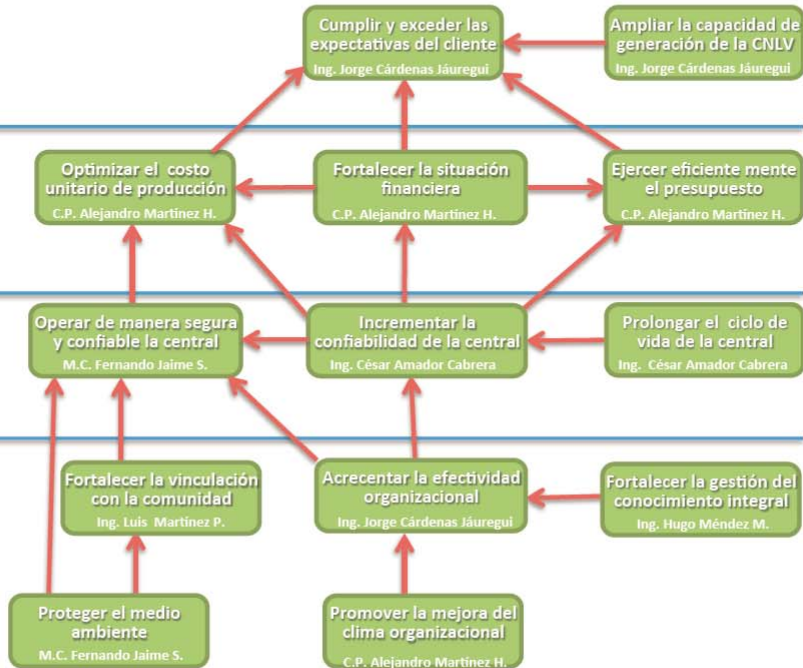

CFE Gerencia de Centrales Nucleoeléctricas' Strategy Map

sured in financial value. GCN's one customer is CFE, and by extension the nation of Mexico. By placing the Customer perspective at the top of their Strategy Map, GCN communicates their commitment to national development in a powerful way.

Cascading and Creating Buy-In

When the time came for GCN to cascade its corporate BSC and align its stakeholders, they used their enterprise scorecard to guide strategic business units, support units, and suppliers and periodically used the Strategy Map to identify the contribution of each functional area to strategic objectives. The entire process, beginning at the corporate level and including cascading to all units and eventually linking to the budget, took a total of 17 months.

To ensure that goals at every level of the organization are acutely aligned with those at the corporate level, GCN weighs the contribution of each unit's BSC to the corporate BSC and aligns team and personal goals and incentives to the strategy. GCN promotes continual learning and employee growth by linking employee competency profiles and development plans directly to the corporate strategy. For all management positions, employee development plans are based upon competencies that need to be honed in order to meet the objectives outlined in the BSC.

Best Practice Insights

As a nuclear power generator, GCN must pay extremely close attention to operational indicators in order to minimize the risks inherent to their field. They require a sophisticated monitoring system that facilitates the collection, synthesis, and analysis of information in order to make informed and timely decisions. GCN applied this same discipline to their strategy management.

GCN integrated the output of various information management systems into a single electronic platform adopted concurrently with their SMS. Using this system, GCN models the linkages between process indicators and strategic issues, so that analysis can be as simple as clicking through to a different element. The use of software for managing the SMS greatly simplifies a complex process by housing BSC information in one place. Owners of different objectives or initiatives can upload their own data and easily share with other users, enhancing transparency and streamlining the process of preparing for strategy review meetings.

To reinforce the importance of the strategy and further ensure stakeholder buy-in and understanding of the SMS, GCN leadership regularly communicates the strategy through multiple channels, including brochures, an internal magazine, television screens, and an organizational intranet.

CFE Gerencia de Centrales Nucleoeléctricas accepts the Hall of Fame Award. From left to right: Luis Martínez Portilla, Head of External Relations; Dr. David Norton, Agustín Lozano Láez, Chief Executive; Martin Nuricumbo, Director, NG Business Value; Dr. Robert Kaplan.

Managing the SMS

In the process of developing and starting to manage the SMS, GCN recognized the importance of having a permanent Office of Strategy Management (OSM). While they are still developing the necessary processes and procedures for the formal office, they have formed a team that serves as a de facto OSM in the interim. This team of four reports directly to the CEO and acts as both the architect and the process owner for the SMS.

The OSM works with the CEO to rationalize each strategic initiative against the scorecard. They are responsible for holding executives accountable for the

outcomes of each initiative and ensuring that the portfolio of initiatives is aligned to GCN's strategic themes. The OSM identifies which initiatives are truly strategic (as opposed to operational) and incorporates them into the strategic expenditure (STRATEX) budget, which is separate from the capital and operational expenditure budgets.

The SMS process is presided over during monthly and quarterly strategy review meetings, during which team leaders utilize the output obtained from several dashboards to test and adapt GCN's strategy and, in doing so, guide it towards its vision. To facilitate this process, they have developed a comprehensive strategic information system (see "Best Practice Insights," sidebar).

The Road Ahead

In implementing a BSC, GCN was able to align their operational and strategic indicators into a core set, providing greater insight into GCN's performance. Overall, the SMS significantly reduced meeting times, making it easier to follow up on priority issues, and linked the strategy with particular indicators, facilitating the identification of trends and the focus of resources on achieving desired results. GCN recently undertook a strategy refresh in which leadership took into consideration the recently passed Mexico Energy and Telecommunications Market Reforms as it developed a plan for the next seven years. Included in this seven-year plan are the objectives of implementing a Human Capital system aligned to the strategy and automating the integration of information from their Enterprise Resource Planning system to their SMS reporting software.

Execution Premium Results

All results from 2008-2013.
- Unit cost of production declined by 34.2% from $582 USD/MWh to $383 USD/MWh
- EBIDTA increased from 20.55% to 43.93%
- Customer contract provider rating increased from 71.43% to 100%
- World Association of Nuclear Operators (WANO) level of excellence went from 3 to 2
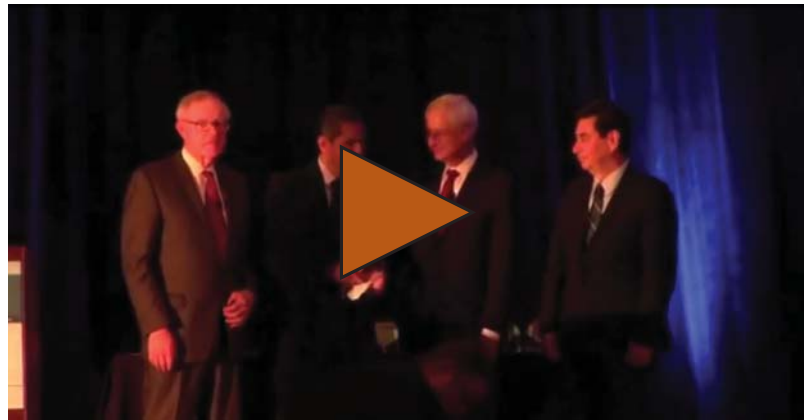
CFE Gerencia de Centrales Nucleoeléctricas accepts the Hall of Fame Award. Click to play.

> " As a SBU of CFE, our license to operate the Laguna Verde Plant is predicated in part on our generating and reporting various indicators. Implementing a BSC-based SMS has allowed us to consolidate many otherwise disparate metrics into a single, easily accessible electronic platform. Through this system, everyone from leaders to front-line employees has more clarity about their progress against strategic objectives, the result of which is that we are better able to know our plants' performance."

Agustín Lozano Láez, Chief Executive, CFE Gerencia de Centrales Nucleoeléctricas

Dubai Airport Freezone
Executing an ambitious strategy to add value to the UAE's economy

Dubai Airport Freezone Authority (DAFZA) introduced the Balanced Scorecard to deliver its ambitious vision and mission statements and help instill a more strategy-focused culture. Facilitated by the Strategy and Excellence Department (DAFZA's Office of Strategy Management), DAFZA carries out a robust review process to ensure its objectives, measures, and initiatives remain aligned to the strategic vision.

Well-planned internal communications and performance appraisals, as well as an automated scorecard solution, have also been instrumental in delivering strategic success.

As of 2010 DAFZA faced four main challenges: competition, a global economic recession, less focused corporate social responsibility efforts, and low employee satisfaction.

To overcome these challenges the organization realized that a change of approach was imperative to maintain its competitive edge. As a result, the corporate Balanced Scorecard (BSC) was introduced the following year, reflected in DAFZA's 2011-2013 strategy. The corporate BSC was introduced and championed by the leadership team, a critical component to ensure that the strategy is being supported and implemented.

Vision and Mission
DAFZA's vision is to become "the region's ultimate free zone destination" and is further described through elements such as being "attractive" to the stakeholders, "picturesque," which is about aspiring to a future state of the organization, and "logical" to make objectives achievable according to the current realities. The mission is focused on "adding value to the UAE economy by providing integrated business solutions to attract regional and international investors looking for a unique business platform through service excellence in a customer-centric business environment by dedicated, competent, and loyal people." From the outset, DAFZA's senior management has ensured that strategy implementation efforts are fully aligned to its vision and mission statements.

The Strategy and Excellence Department (DAFZA's OSM, established in 2008) facilitates an annual review and update for the vision and mission statements to ensure strategic objectives remain current. This exercise is led by the leadership team that includes the Director General, Assistant Director General, Senior Executive Directors, Executive Directors, and Directors.

About the Organization

Dubai Airport Free Zone Authority (DAFZA) is a government-owned organization that contributes to the growth of the United Arab Emirates by attracting foreign direct investment. Established in 1996 by the Ruler of Dubai, it grew rapidly since then to become ranked as the number one free zone in the world with foreign investors typically trading in low volume. The total size of the free zone is 770,000 square meters.

Over the years, DAFZA has provided connectivity and support to multinational companies from every continent with the help of its 220 full-time employees. They service a customer base of more than 1,600 companies, in turn employing more than 15,000 people.

Corporate Values

During the annual update, the leadership team also agrees on the corporate values that are vital to deliver DAFZA's vision and mission and to govern the conduct of its people in performing all business activities.

Although leaders and employees are both involved in the process of agreeing upon the corporate values, it is the role of the leaders to ensure that the values are understood, accepted, and followed throughout the organization. The six values (customer, employees, innovation, team work, integrity and honesty, and social responsibility) have been formulated with detailed explanations that are constantly communicated by the leadership team during workshops and meetings. In addition, the leadership team uses role-modeling to ensure that their daily actions and decisions are aligned with DAFZA values.

DAFZA receives the Hall of Fame Award. From left to right: Dr. David Norton; Mohamad Al Ali, Senior Manager, Strategy; Dr. Robert Kaplan.

Strategic Scanning

With the vision, mission, and values agreed upon, the Strategy and Excellence Department conducts an internal and external strategic scan to help better understand DAFZA's environment and challenges. Strategic tools such as SWOT and PESTEL analyses as well as stakeholder analysis are deployed for this purpose. Based on the mission and the data-rich analysis from the strategic scanning, workshops are then conducted with the leadership team to update the corporate BSC. This collaborative approach creates a platform for shared learning and collaborative thinking to gain consensus on the key elements of strategic success.

Performance Management Policy

Ensuring that DAFZA's strategy is cascaded to all business activities is one of the Strategy and Excellence Department's main purposes as they strive to make performance management the cornerstone of decision-making.

The department has been actively working to fully utilize the concept of the Strategy Map since 2010. In that year the overall performance management was reviewed and a corporate performance management policy was issued. This policy provided practical guidance for all DAFZA departments to monitor the achievement of strategic goals using

strategic measures, the effectiveness and efficiencies of DAFZA departmental processes using operational performance indicators (OPIs), and the fulfillment of the common functions in an efficient manner by all DAFZA departments using common operational performance indicators (COPIs).

Cascading the BSC

This policy was integrated with both the strategic management and process management policies to ensure alignment between strategy and operations. The following year, DAFZA drafted its first Strategy Map (2011-2013), which was later updated and refreshed to create the 2014-2016 strategy. The updated Strategy Map is cascaded to the Balanced Scorecard with strategic measures across financial and non-financial perspectives. These measures, along with the strategic goals, are linked to operations when initiatives are set by each organizational unit and then cascaded to the yearly business plans and OPI-led indicators that help track the cause-and-effect relationship with the strategy. It is the responsibility of the organizational unit directors to mentor their managers and staff the implementation of these organizational unit business plans, as they are held accountable for achieving the strategic measures and targets in their annual performance appraisal.
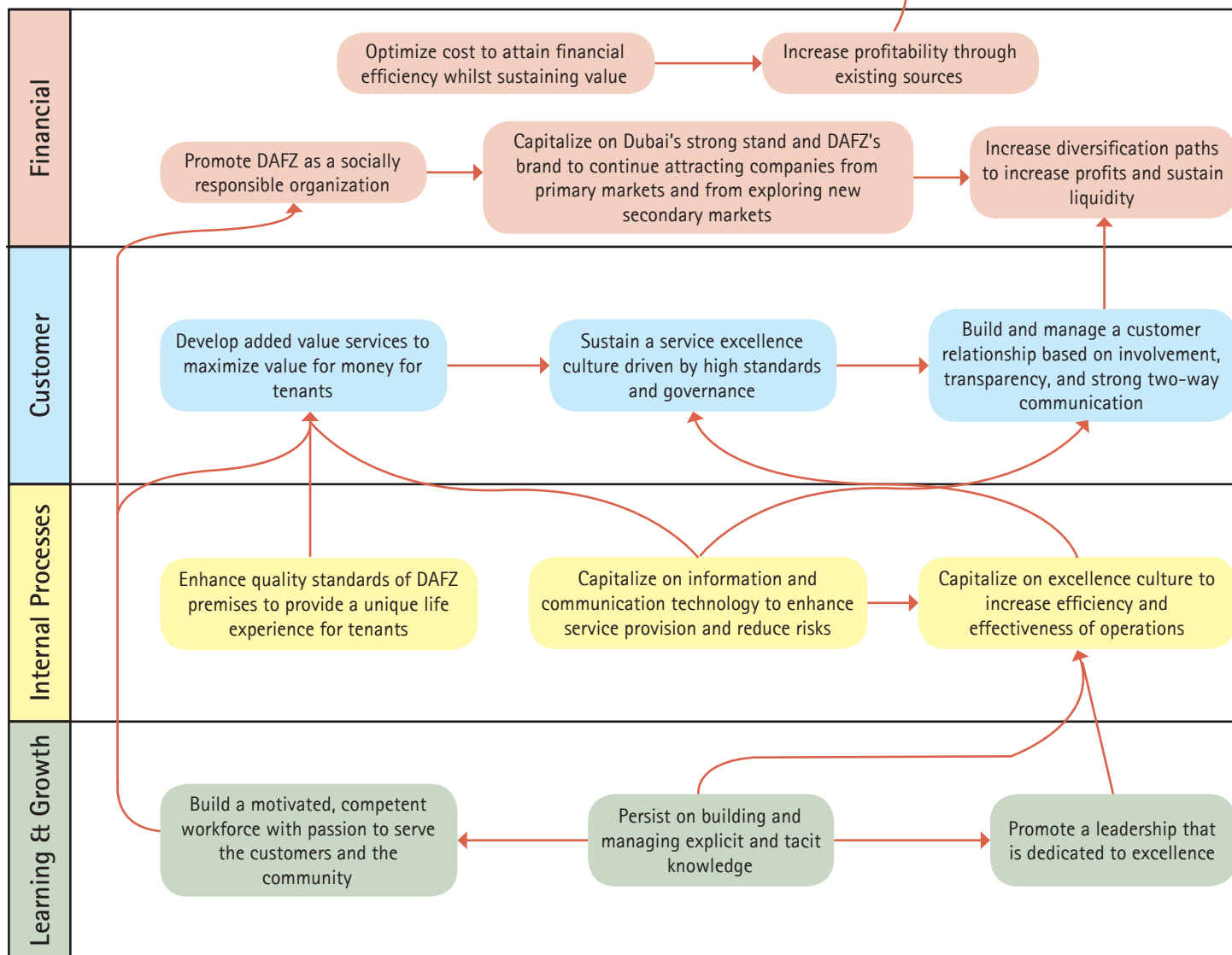
Performance Appraisal

DAFZA implemented an annual corporate performance ap-

Vision:
The region's ultimate free zone destination.

Mission:
Adding value to UAE economy by providing integrated business solutions,
to attract regional and international investors looking for a unique business platform,
through service excellence in a customer centric business environment,
by dedicated competent and loyal people.

Financial	Optimize cost to attain financial efficiency whilst sustaining value → Increase profitability through existing sources Promote DAFZ as a socially responsible organization → Capitalize on Dubai's strong stand and DAFZ's brand to continue attracting companies from primary markets and from exploring new secondary markets → Increase diversification paths to increase profits and sustain liquidity
Customer	Develop added value services to maximize value for money for tenants → Sustain a service excellence culture driven by high standards and governance → Build and manage a customer relationship based on involvement, transparency, and strong two-way communication
Internal Processes	Enhance quality standards of DAFZ premises to provide a unique life experience for tenants Capitalize on information and communication technology to enhance service provision and reduce risks → Capitalize on excellence culture to increase efficiency and effectiveness of operations
Learning & Growth	Build a motivated, competent workforce with passion to serve the customers and the community ← Persist on building and managing explicit and tacit knowledge → Promote a leadership that is dedicated to excellence

DAFZA's Strategy Map

praisal system in 2011, through which individual goals are aligned to the strategy. Each employee has a set of key result areas (KRAs) that are cascaded from their department's annual business plan. To motivate employees to achieve their KRAs a recognition scheme comprising eight categories has been implemented. These categories include annual team awards, Director General Award, annual head of section, annual employee, distinguished employee, hero award, on-spot award, and employees exceeding ten years

of service. In addition, there are regular performance-related incentives and bonuses for all employees.

Employees scoring above 3.5 out of 4 on their appraisal are eligible for promotion and increments. All employees receive a yearly bonus based on their individual performance appraisal score and DAFZA's achievements, specifically in regards to how well the strategic measures fulfilled their targets for increase in revenue from new sales.

Communications

To further ensure effective delivery and implementation of the strategy across the organization, the OSM has a critical role to ensure that employees understand and comply with all components of the strategic plan. This is achievable through effective strategic awareness that the OSM tracks using a detailed comprehensive communication plan for the three-year strategic cycle. This plan is implemented through, as examples, workshops where leaders reinforce the strategy, internal publications, emails, creative arts, giveaways, etc.

An important milestone within this plan is to update the strategic plan booklet each year after reviewing the strategic measures and publish it in both soft and hard copies. Doing so makes it available to all employees through different communication channels, which helps ensure alignment and buy-in from everyone in the organization.

The OSM also holds regular meetings with both the leadership team and the directors of organizational units to continually reinforce the benefit to be gained from the BSC. They created a performance management slogan, "Measure to improve, not to blame," along with a mascot, "Worky," to ensure positive performance culture.

Strategic Reviews

DAFZA updates its strategy and BSC every three years in accordance with its strategic management policy. In the interim, an annual review is conducted for strategic measures and targets, initiatives, and business plans to ensure alignment with the corporate strategy. In addition to the strategy review process, any emerging issues that may arise throughout the year from changes in the external environment or stakeholder requirements are reflected in the Business Plans. This ensures that the strategy review process is continuous and its effectiveness can be reflected in the yearly improvements and achievements made in DAFZA's corporate Balanced Scorecard.

A separate annual workshop with the leadership team is conducted to review the corporate BSC strategic measures. The objective of this workshop is to understand more about the measures that track the achievement of the strategic goals and whether they need to be enhanced, adjusted, or changed.

Annual and bi-annual executive committee meetings and regular meetings with the organizational units are held to review DAFZA's progress and take actions to continually enhance and sustain its performance.
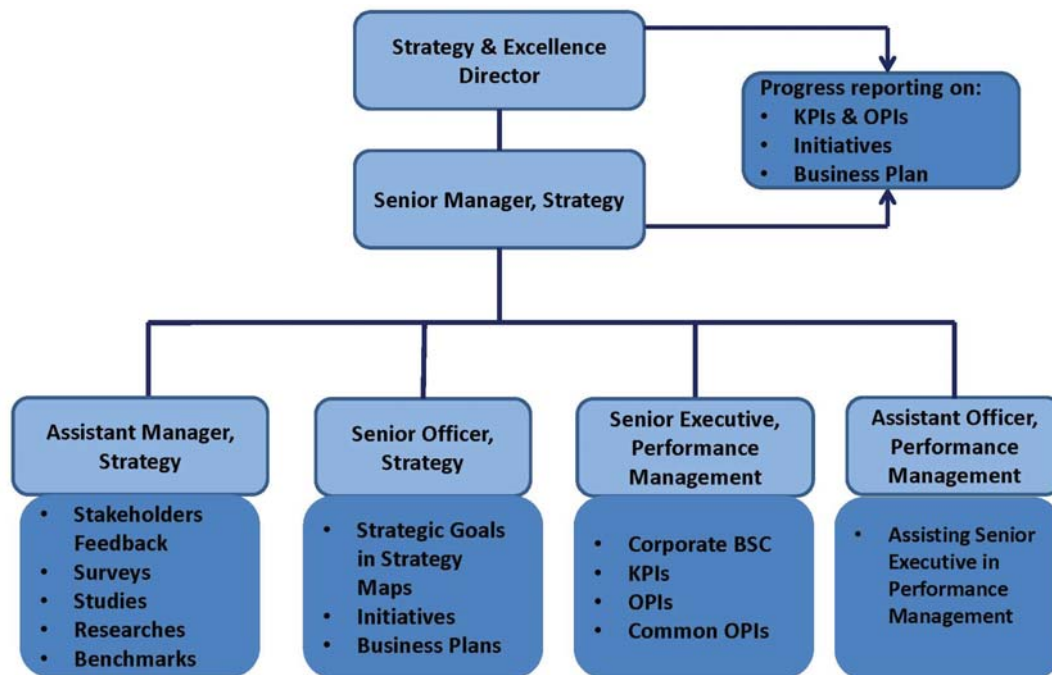
DAFZA's OSM structure and key responsibilities

The leadership team takes actions to ensure that the strategic measures are fulfilled and targets are challenging enough to continue to enhance DAFZA's performance. The outputs of the review meetings are then analyzed by the OSM who make the necessary changes to the strategic measures and initiatives, etc.

A further annual review meeting is conducted between the OSM and the directors of the organizational units to review the business plans. The objective of this meeting is to ensure that the business plan is covering all

the requirements listed in a check list (prepared to ensure that all the initiatives are included in the business plans and corrective actions addressed) and to address all the inputs coming from results, surveys, benchmarks, etc., which will result in achieving the strategic measures.

SOFTWARE SOLUTION

Mir'ah is an automated software solution that is managed and updated by OSM. It is used to review DAFZA's progress and encourages accountability and periodically reports on the results of the strategic measures and implementation rate of key strategic initiatives. This accurate performance monitoring capability helps DAFZA gain greater visibility on initiatives and strategic measures that are not perform- ing according to the defined targets, thus allowing them to make quicker strategic decisions and fine-tuning of the implementation plans.

The automated BSC solution has allowed DAFZA to establish a single access point to all management information.

In the upcoming years, DAFZA strives to further integrate the BSC with its new systems such as Oracle, CRM, and SharePoint to ensure it is being utilized in harmony with all tools. In addition, all data analysis coming from the cor- porate Balanced Scorecard will continue to be enhanced by strengthening the cause-and-effect relationship between strategic measures and initiatives.

CHALLENGES

A challenge in building and implementing the BSC within DAFZA was instilling the appropriate performance-focused culture. It took time for the employees to understand the importance of the BSC and how it would be beneficial in their day-to-day activities. With strong involvement from the leadership team in all stages of strategy formulation, implementation, and review the culture was strengthened as knowledge was shared and awareness was created.

During the 2011-2013 strategy update, there was some resistance to developing the measures in the corporate BSC, especially around agreeing on ownership and targets and setting best practice initiatives to deliver the strategic goals. This was tackled using the ADKAR model approach to change management to ensure buy-in and the implementa- tion of the strategy (see "Best Practice Insights," sidebar).

BEST PRACTICE INSIGHTS

In 2012, the leadership team of DAFZA introduced a change management policy to better focus on the people side of the transformational effort they were driving and to ensure enterprise-wide buy-in to the goals of the strategy and ap- plication of the Balanced Scorecard. Central to this policy was the mandate that all change projects be managed through the ADKAR Model. ADKAR stands for: *A*wareness of the need to change; *D*esire to participate in and support the change; *K*nowledge of how to change; *A*bility to implement required skills and behaviors; *R*einforcement to sustain the change.

Within DAFZA the process of change management involves appointing a change leader to each unit and systematically analyzing strategic plans, performance, surveys, and inter- nal and external matters to identify change opportunities, which are then implemented through the ADKAR model. Each change project works on an ADKAR planning template covering each of the five steps, with assigned activities, responsibilities, and timelines.

Within DAFZA, the ADKAR model is used as a resistance management tool and an assessment device and to help change management teams organize their work.

This model helps shape activities that help answer questions such as:
- Why is communication so important during change?
- Why do employees resist change?
- Why do executive business leaders need to be active and visible sponsors of change?
- Why do employees become stressed and distracted from day-to-day work?
- How can I find the barrier point to change and manage employee or management
- resistance?
- Why should front-line supervisors be active in coaching employees during change?

Through a rigorous and disciplined approach to change management, DAFZA has been able to balance right brain leadership approaches to strategy execution (softer, more cultural) with left brain tools such as Strategy Maps and Balanced Scorecards.

Significantly less resistance was encountered during the 2014–2016 update.

Conclusion

The BSC breathes life into the organization, inspiring every single employee to achieve their objectives, which in turn contribute to the vision, according to Dr. Mohammed Al Zarouni, DAFZA's Director General: "It has helped us beyond expectations to consolidate our present strong position and address the challenges of the economic situation and the ever-growing competition at the time. Our Corporate Balanced Scorecard was the engine that converted our vision into tangible performance indicators, targets, and initiatives. DAFZA's strategy is communicated continuously and every employee understands their role in the bigger picture."

Execution Premium Results

All results compare 2010 to 2013.
- Percentage increase in revenue from new sales rose from 2% to 42%
- Customer satisfaction increased from 70.4% to 75.5%
- Percentage of processes improved from those identified for process improvement rose from 10% to 100%
- Employee satisfaction increased from 77.27% to 84%
- Percentage of complete e-services rose from 0% to 80%

DAFZA receives the Hall of Fame Award.

> " *It has helped us beyond expectations to consolidate our present strong position and address the challenges of the economic situation and the ever-growing competition at the time. Our Corporate Balanced Scorecard was the engine that converted our vision into tangible performance indicators, targets, and initiatives. DAFZA's strategy is communicated continuously and every employee understands their role in the bigger picture."*
>
> Dr. Mohammed Al Zarouni, Director General, DAFZA

Government of New Brunswick
Executing strategy to enhance the quality of life for the citizens of New Brunswick

In 2011, the Government of New Brunswick (GNB), the largest of Canada's three Maritime Provinces, was still struggling to improve the outlook for its three quarters of a million citizens and tax payers. The private sector was shedding 1.7% of its jobs annually. The provincial government was consistently over-spending its budget (9 times over the past 11 years). Both the public and the government itself recognized the need for a shift in effectiveness.

Public service employees (those government leaders and employees not elected or politically appointed) were inspired by the recent success of NB Liquor (New Brunswick Liquor), a crown corporation that had adopted the Balanced Scorecard (BSC) starting in 2007. NB Liquor gave presentations to GNB and demonstrated how the BSC had helped them achieve increased net income, customer satisfaction, average basket size, inventory turns, and more. GNB public service executives believed similar success was possible across the government.

The government bought into the BSC concept and articulated the vision: "A stronger economy and an enhanced quality of life, while living within our means." The over-arching direction was set and the BSC effort was underway.

CREATION
The Government of New Brunswick realized at the outset that the Balanced Scorecard or strategy management in isolation would not be sufficient to transform the organization. Governance of the entire government would need to be bolstered and integrated to drive results. GNB titled their ambition the "Formal Management System" (FMS), which encompassed (1) strategy management, (2) initiative management, (3) process management, (4) daily management, and (5) performance management. Strategy management, built on the BSC, was the initial focus of 2011, which was closely followed by integrated initiative management and performance management efforts.

The key barriers GNB would have to overcome to get their BSC and broader management system effort rolling were similar to those of nearly any government. First, change was uncomfortable and there were limited mechanisms to successfully force the change. Second, there was a need for buy-in and cooperation by public service leadership, who articulate government's strategic direction, and public service employees, who execute it. Third, as with many new initiatives, there was a normal degree of skepticism about the BSC effort.

Fortunately for GNB's efforts, Jane Washburn, Vice President at NB Liquor, was engaged to champion the FMS effort,

ABOUT THE ORGANIZATION

New Brunswick is the largest of Canada's three Maritime Provinces. It is located south of Quebec's Gaspé Peninsula and east of the State of Maine, with a population of 756,050. Its capital is Fredericton.

The Government of New Brunswick is led by democratically-elected politicians, appointed department Deputy Ministers, public service employees, and the Lieutenant-Governor who is appointed by the Queen of the United Kingdom. New Brunswick's Legislative Assembly is comprised of 49 members who represent individual constituencies and are elected for a maximum five-year term in a general election. The party with the most elected members forms the provincial government and its leader is Premier of the province, with a Minister appointed to head each department.

The senior public servant is the Clerk of the Executive Council Office and Secretary to Cabinet and departments/organizations are led by a Deputy Minister, President, or CEO. Approximately 45,000 public service employees deliver programs and services across the province. GNB's annual budget was $8.4 billion (CAD) as of 2014.

sponsored by the Department of Finance and Byron James, the then Clerk of Executive Council and Secretary to Cabinet. She would garner the buy-in across government in order to have the necessary leadership support for successful implementation. A Deputy Minister Steering Committee convened to formulate the initial Change Agenda, Strategy Map, and Balanced Scorecard and to champion the new toolset across the government.

CASCADE

All ministries would have to execute strategy effectively to accomplish the shift in GNB performance that the province's vision declared. Rather than cascade the Strategy Map and BSC to all ministries at once and risk losing the FMS' momentum, GNB desired a "pull" versus "push" approach to the cascade process. Cascading to the ministries occurred in three waves over a few years (see "Best Practice Insights," sidebar).

In the cascade process, GNB wanted to strike a balance between ensuring tight alignment to the vision and providing latitude for departments to impact the vision in diverse and innovative ways. A hybrid cascade approach was used in which the vision as well as select themes, objectives, and measures were required on each BSC while other specifics of the NB-level strategy could be translated or even added as long as alignment could be demonstrated. Most of the required elements related to the "living within our means" aspect of the vision, a clear focus area in the first few years of the strategic planning horizon.

Some departments identified opportunities to cascade further within their organization in order to further clarify the strategy for employees and provide the next level of management a tool for managing execution. One example is the Department of Health, which cascaded in partnership with a Regional Health Authority.

MANAGEMENT

As with any tool, it is only as effective as the way in which it is used. GNB knew that performance management tools are certainly no exception; they invested in the capabilities, structures, and mechanisms needed to mature their FMS.

One of their strategic investments was the staffing of an

BEST PRACTICE INSIGHTS

GNB was particularly thoughtful about its approach to cascading, which they hoped would be a "pull" rather than a "push" in order to keep the momentum they had begun with the FMS. They cascaded in three successive waves over a period of several years. Department leadership teams were invited to compete for a slot in the first wave. Not only did this approach ensure that the pioneering teams would be the most committed and would persevere through challenges, it also generated excitement about the BSC and encouraged successive waves by demonstrating their results.

Office of Strategy Management (OSM), which evolved out of the working groups that conducted the Wave 1 cascade work. GNB's OSM is a multi-faceted team that reports directly to the most senior public servant in the government. Nine fulltime staff include the Chief of Strategy Management, an "Alignment Champion," an executive assistant, and six Lean Six Sigma black belts. All FMS processes are championed and coordinated centrally by the OSM.

The OSM remains small aside from its role leading process improvement efforts due to strategy management and the broader FMS being managed by an Alignment Champion imbedded in each department. Each Alignment Champion is appointed by their respective Deputy Minister and serves on their leadership team. Every other week the OSM hosts an Alignment Champion meeting that focuses on improving FMS implementation and sharing best practices across the organization.

The master "Calendar of Commitments" serves as a critical mechanism for keeping pressure on the organization to employ FMS effectively. The calendar truly serves as a checklist for when strategy is developed, reviewed, and communicated across the government.

Theme Teams are a critical construct for driving collaboration across departments. For each team there is a portfolio of initiatives across the government including 7-11 priority initiatives that are being driven directly by each theme team at any given time. Less formal collaboration opportunities are also realized through routine Theme Team interactions, reporting, and meetings. Further, these teams play a core role in driving a meaningful strategy refresh process by

The Government of New Brunswick accepts the Hall of Fame Award. From left to right: Dr. David Norton; Jane Washburn, Chief of Strategy Management; Dr. Robert Kaplan.

The temptation to affect measure selection and reporting to present a rosy view of performance has been successfully mitigated through a methodical cascade process and improving culture. The risk that true transparent reporting of performance may be hampered by poor controls, imperfect incentive systems, or misguided accountability certainly exists and is being monitored.

CHALLENGES AND FUTURE FOCUS

With as little as one year of BSC use in some departments and shared service organizations, GNB has plenty of opportunity to mature existing strategy management best practices and implement new methods that drive new levels of success. In the coming years, the government hopes to better integrate various planning processes to reinforce a single strategic direction. HR will be guiding efforts to align performance management and leadership development processes with the strategy. Finance will continue to work with the OSM to investigate ways to integrate strategic planning and budgeting processes to ensure the budget is efficient and fully resources the strategic direction inclusive of its various initiative portfolios.

Further investment will also be made in streamlining existing FMS processes to ensure they yield optimal benefit for the effort invested. Technology options will be explored with the hopes of streamlining reporting processes and bolstering even greater transparency. Operational Process Management and Daily Management practices will be further matured and increasingly aligned with strategic objectives and their performance drivers.

bringing key insights about each theme and its focus to the process.

The GNB's vision is further advanced on a continuous basis through the strategy's and the FMS's focus on process management and improvement. In addition to the Black Belts within the OSM, there are thousands of employees involved in process improvement initiatives, structured programs directly supporting the objective to "Prioritize, optimize, and improve service delivery." Linking process improvement efforts to strategy through the BSC and OSM-led programs and initiatives ensures that investments in quality and efficiency optimally drive strategically significant results.

REPORTING

At GNB, transparent reporting occurs as demanded by the "Calendar of Commitments." There are monthly, quarterly, and annual reporting expectations for both departments and themes. As part of the Deputy Minister Quarterly Reporting Review process, performance reporting on the BSC is provided to the Clerk of the Executive Council and Secretary to Cabinet.

CONCLUSION

The Government of New Brunswick is three years into markedly transforming the public service culture in a way that benefits the economy, quality of life, and effectiveness of taxpayer dollars. The Balanced Scorecard is the mechanism that allowed Marc Léger, Clerk of the Executive Council and Deputy Secretary to Cabinet, and his cadre of Deputy Ministers to translate the elected government's priorities into a clear and concise strategic direction that thousands of public service employees could tangibly impact. The strategic direction was made more granular through a thoughtful cascade process and was made common-place through communication, frequent reporting, initiative execution, and other reinforcement mechanisms. As Marc looks back at the journey of the past four years, he takes pride in what has been accomplished: "The result has been an unprecedented shift in the culture of managing government...at all levels of the organization." Opportunities lie ahead for GNB as 45,000 public service employees hope to use the BSC to achieve even greater successes.

EXECUTION PREMIUM RESULTS

- Awarded the 2013 Progress Media "Innovation in Practice Award" for public sector innovation
- Awarded the 2014 "Canadian Government Executive Leadership Award" for providing improved public service at lower cost
- Decreased per capita cost of provincial government 4.5% from $9,315 (CAD) to $8,895 (CAD)
- Increased provincial job quality by 5.1% based on an index of factors across employment categories
- Reduced government headcount (through attrition) by 889 FTEs
- Achieved $15.3M (CAD) in savings from continuous improvement opportunities
- Improved targeted employee engagement from 55% to 65%
- Reduced absenteeism from 8.5 to 8.1 sick days per year
- Improved Formal Management System Maturity (e.g., leadership, communication, continuous improvement skills) from 2.37 to 2.82 on a four-point scale

The Government of New Brunswick accepts the Hall of Fame Award. Click to play video.

> *The Strategy Map provides us with a common vision to focus our efforts, and the Balanced Scorecard creates an environment for informed discussion and decisions. This means we are able to more effectively meet the expectations of our customers, the citizens of New Brunswick. We are a large, diverse, and complex organization that has managed to engage leaders and employees in a very short amount of time."*

MARC LÉGER, CLERK OF THE EXECUTIVE COUNCIL, PROVINCE OF NEW BRUNSWICK

Jeddah Municipality
Executing strategy to make Jeddah a world-class city

The demands of a growing population, environmental issues, and poor citizen perception of the quality of services provided were among the challenges faced by Jeddah Municipality at the outset of its BSC implementation.

Strong leadership support, along with a particular emphasis on the initiative management process, has enabled the municipality to overcome these challenges. It has taken an innovative approach to displaying the corporate Strategy Map.

With a population of about 5.1 million, Jeddah is the second largest city in the Kingdom of Saudi Arabia (KSA). By the middle of the last decade, the city was facing a host of challenges that the leaders of Jeddah Municipality had identified as barriers preventing it from becoming both a world-class city and a center of Islamic civilization, the honorable gate to the Two Holy Mosques.

Among the challenges Jeddah faced was a growing population that, amongst other issues, was served by insufficient infrastructure networks that caused regular, severe traffic jams. Traffic pollution also contributed to a rise in environmental challenges, with the municipality responsible for enabling a cleaner and healthier environment. As a Government entity, the Municipality had to follows certain regulations and policies which were constraints on making and implementing quick decisions. This slowness negatively impacted important functions such as municipal cleaning and maintenance of facilities, both of which were below required service levels, an issue that Jeddah Municipality's leaders considered in need of urgent attention.

Though in the years preceding the introduction of the Balanced Scorecard (BSC) in 2006 the Municipality had developed a strategic plan, it was not being effectively implemented (a common issues across industries and sectors).

There were a number of reasons for this (which again is not uncommon): no mechanism was in place to effectively cascade the strategy, employees could not see how their day-to-day work impacted the strategy, and there was little alignment between strategic initiatives and financial planning.

Led by Dr. Hani Mohammad Ahmad Aburas, Mayor of Jeddah, with the support of the senior team, the municipality chose the BSC as the framework with which it could overcome its barriers and become a strategy-focused organization. The active involvement of the mayor and the top management team was significantly important for enforcing the strategic direction and ensuring the commitment of staff towards the new destination (see "Best Practice Insights," sidebar).

STRATEGY FORMULATION

A well-structured strategy formulation process began with brainstorming workshops in which all internal stakeholders, including deputy mayors, created realistic, forward-looking vision and mission statements that would define the municipality's direction. Leveraging tools such as PESTEL,

ABOUT THE ORGANIZATION

Jeddah Municipality is a government entity responsible for the development of the city of Jeddah, which includes urban planning, provision of roads and infrastructure, and lighting. It is also responsible for improving and beautifying the city and managing environmental services.

With a 748 km² area and about 5.1 million people, Jeddah is the second largest city in Saudi Arabia. The organization has about 3,000 employees. The annual budget dedicated to achieving the overall strategic objectives is 1.8 billion Saudi Riyals, which is equivalent to $480 million USD.

SWOT, and stakeholder analysis, the vision has two components. The first speaks to enhancing the unique position of Jeddah as the gate for the two Holy Mosques and being a center of Islamic culture while the second component focuses on distinguishing Jeddah as an international commercial and touristic center that is renowned for environmental and people focus under the umbrella of sustainable urban development. This is supported by a mission that speaks to several themes, such as improved services, collaborating with other government agencies and NGOs, as well as sustainable development.

Developing the BSC

The next step was the development of the BSC. The first Strategy Maps and scorecard were developed in 2006 and 2007. However, since first developing the Strategy Map, Jeddah Municipality has applied some innovative thinking

to display the map in a more visually appealing format than the traditional perspective on top of perspective approach. The strategy is laid out as a roadmap, describing the journey from delivering the financial objectives (as with most government organizations or not-for-profits, financial success is not the ultimate destination) through learning and growth, internal processes, and customer outcomes. The articulated customer outcomes speak to the population service and environmental issues originally identified as major issues by the municipality's leadership team.

In accordance with the BSC methodology, a suite of strategic measures, targets, and initiatives were designed to support the Strategy Map.

Initiative Management

Given that at the outset the slowness of decision making
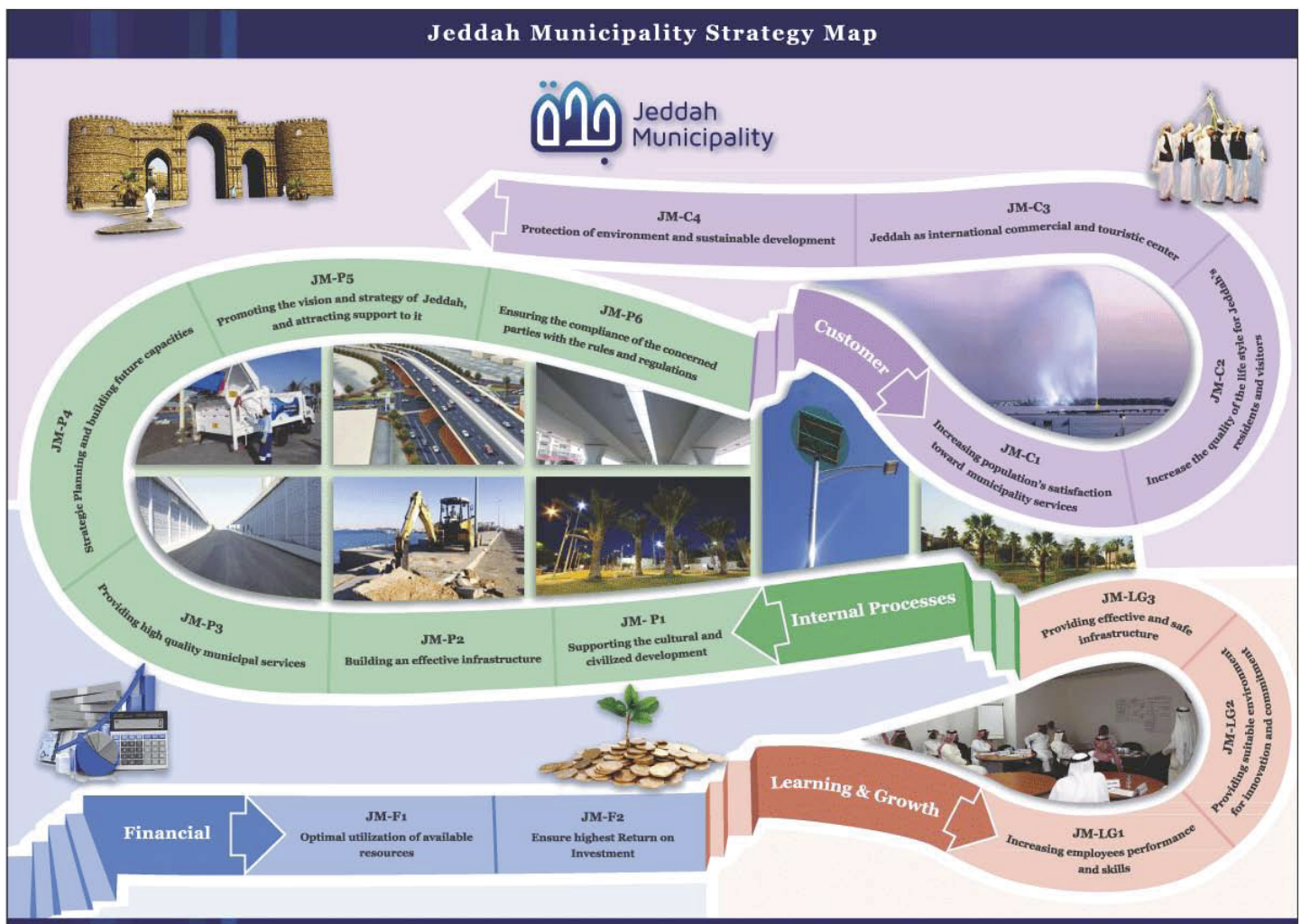
Jeddah Municipality's Strategy Map

was hindering strategy implementation, Jeddah Municipality paid close attention to putting in place a robust initiative management process. Presently it has in place a comprehensive four-year implementation plan for initiatives to be rolled out from 2013-2017. Criteria for evaluating and assessing these initiatives were developed based primarily on their ability to deliver substantive improvements against one or more strategic objective. More precisely, for Jeddah Municipality, customers or stakeholders are the most important driver that steers the selection and implementation of all strategic initiatives. All initiatives must support a "stakeholder value proposition."

Specifically, the strategic initiative selection criteria include:
- Alignment with the strategic objectives.
- Consistency of the project with other projects and adherence to timeframe.
- The initiative's contribution to the improvement of the quality of living.
- Ability to implement with the available resources.
- Likelihood of achieving initiative goals.
- Ability to get quick results and wins within a short period of time.

In the selection process, intensive meetings are held with all management levels to identify the required initiatives to improve the performance level of the BSC and to ensure the alignment of these initiatives to the strategic objectives and strategic measures. The initiatives are prioritized according to their importance related to the municipality's strategic direction. Then the budget plan is prepared according to those priorities.

Being able to assess the alignment of current initiatives with the strategic plan, the municipality leaders are able to more easily determine the need to proceed with or indeed terminate initiatives. Jeddah Municipality recognizes that if initiatives are not aligned to the strategic plan, they should not be implemented, an approach that has led to significant savings in resources and budget.

CASCADING THE BSC

With the Strategy Map and the BSC defined at a corporate level, the next step consisted of its cascading to the organization sub-units. Strategic objectives were developed for the agencies (Urban Planning, Infrastructure Projects,

BEST PRACTICE INSIGHTS

According to the five principles of the strategy-focused organization, as described by Drs. Kaplan and Norton, the number one principle is to mobilize change through executive leadership. Senior management has to visibly demonstrate commitment to the strategy execution process and in doing so recognize that as much as anything this is primarily a major change effort. This has been understood within Jeddah Municipality.

From the beginning of the BSC journey back in 2006, the senior team (today led by the Mayor of Jeddah, Dr. Hani Mohammad Ahmad Aburas), with the support of Abdullah Al-Hashmi, Director of the Strategic Planning Department and others from the Coordinating Council (i.e. the executive team), has viewed driving the BSC process as a primary responsibility.

Amongst the duties the team has performed in the strategy execution process are:
- Creating an environment for change through stimulat-

ing the participation of municipality leaders, general managers, and the municipal council in specialized workshops that have been held to discuss the strategy of the municipality.
- Attending internal awareness sessions and training and participating in local and international performance management seminars that relate to the BSC.
- Presenting the BSC methodology to the members of the Municipal Council to obtain their agreement and support to use the methodology in developing municipality strategic goals and performance measures.
- Forming a team that includes heads of departments and second-level management and assigning responsibilities for the team members to be in charge of cascaded BSCs.

Moreover, the senior team established several senior management awards, including the Mayor's Awards for Excellent Sub-Municipality Units and for the winner of a strategic competition that asks questions about the municipality's strategic journey.

Municipal Services, Investments and Sub-Municipalities) and support units (IT, HR, Finance) that were aligned with the main corporate objectives of Jeddah Municipality. Thereby each department has its own Strategy Map, which includes the strategic objectives to be achieved from the customer, internal processes, learning and growth, and financial perspectives.

For example, the Strategy Map for the Services Agency (Sub-Unit):

- In the Financial Perspective, the BSC shares two identical financial objectives with the Corporate BSC (*Optimize Use of Available Resources* and *Ensure Highest Returns on the Municipality's Investments*).
- In the Learning and Development perspective, the objectives aim to develop a high technical environment together with enhancing the quality and the performance of their employees (*Increasing Employees' Performance and Skills* and *Providing Effective and Safe IT Infrastructure*).
- In the Internal Process perspective, the services scorecard is visibly focused on developing excellent operational processes (*Increasing Efficiency of Operational Control* and *Effective Supervision and Application of Regulations and Violations*).
- The customer perspective is in line with the customer perspective within the corporate BSC with the aim to satisfy their priority customer, Jeddah residents.

MOTIVATING EMPLOYEES

In implementing its own strategic plan, as described through the Strategy Map, HR has made great efforts in motivating to make strategy everyone's job. As one powerful illustration, an Academy of Jeddah Municipality was established in 2009 to develop a skilled and competent workforce that would be able to deliver the municipality's vision. The Academy was particularly focused on delivering the organizational learning and development strategic objectives.

Furthermore, the employees' individual goals and objectives are aligned to the strategy, so their performance evaluations

Jeddah Muncipality receives the Hall of Fame Award. From left to right: Dr. David Norton; Abdullah Al-Hashmi, Director of the Strategic Planning Department; Mohammed Abdulsalam; Dr. Robert Kaplan.

are linked to accomplishing these objectives.

As a further way to motivate staff, the municipality allocates part of its budget to compensate and incentivize teams and individuals who show high performance results aligned to the overall strategy. These include Mayor Awards for high-performing units as well as employee incentives based on performance on KPIs.

CREATING THE OSM

In order to oversee all things related to strategy development, deployment, and fine-tuning, a dedicated Office of Strategy Management (OSM) was established in 2012. Today, with 12 full-time equivalent employees led by Abdullah Al-Hashmi, Director of the Strategic Planning Department, the OSM has custodianship of the BSC methodology and facilitates the development of strategic objectives and KPIs at corporate and cascaded levels. The office also provides methodology training courses in addition to raising awareness among members of the organization.

Additionally, the OSM is responsible for organizing strategy meetings with departmental managers to discuss challenges faced by that management team in achieving the performance targets, to develop strategic initiatives to address

any performance gaps, and to take the necessary decisions to improve the performance.

Preliminary reviews of a department's performance report are conducted by a middle management team, a supervisor of the department's work, and one member from the senior management team. The results and achievements are evaluated and the required mechanisms for improvement are developed.

After that, a strategic review meeting with the mayor and members of the Coordinating Council (the senior management team) is held to discuss the performance reports, discuss challenges, and identify initiatives or actions that need to be implemented in order to improve the current performance level.

Conclusion

"The BSC has helped the municipality significantly in moving forward towards its vision," says Dr. Hani Mohammad Aburas, Mayor of Jeddah. "All municipal subunits and departments are aligned to the vision of the municipality and have the same focus - which is on delivering value to citizens. They know exactly how to contribute to the vision and employees within the municipality are aware of the importance of their roles and how to place their efforts, both solely and collaboratively, to move forward towards that vision."

Execution Premium Results

All figures compare 2009 with 2013.
- Jeddah's population satisfaction with municipality services rose from 14% to 52%
- Dengue fever cases fell from 2067 to 115
- Field evaluation of Jeddah's cleanliness increased from 40% to 72%
- Cleaning projects completed rose from 43% to 84%
- New road projects completed rose from 53% to 87%
- Percentage of employees with completed self-development plans rose from 0% to 49%

Jeddah Municipality accepts the Hall of Fame Award. Click to play.

> " *The BSC has helped the municipality significantly in moving forward towards its vision. All municipal subunits and departments are aligned to the vision of the municipality and have the same focus - which is on delivering value to citizens. They know exactly how to contribute to the vision and employees within the municipality are aware of the importance of their roles and how to place their efforts, both solely and collaboratively, to move forward towards that vision.*"

Dr. Hani Mohammad Aburas, Mayor of Jeddah

Kelda Water Services (Defence) Ltd.
Executing strategy to turn around an underperforming company

With pressing financial, customer-facing and organizational challenges, a new leader within the UK's Kelda Water Services (Defence) leveraged his previous experience with the Balanced Scorecard to drive a new relationship with its principal customer (the UK's Ministry of Defence) and to drive a performance management culture deep inside the organization.

As well as leadership from the top, robust initiative management and a dedicated focus to change management were two key interventions that delivered success to the organization.

When Robert Marrill was appointed Managing Director of Kelda Water Services Defence (KWSD) in 2009 he found an organization facing several business challenges that were, amongst other negative impacts, leading the shareholders to lose confidence in business. There were two key areas where problems had materialized. KWSD was underperforming financially and its relationship with its key client, the UK's Ministry of Defence, had reached a stage in which it was characterized by disputes and a culture of mistrust between the parties. Moreover, KWSD had, during its six year existence, established culture and way of doing things that was deeply entrenched in the existing management team.

Marrill, who formerly had a leadership role at the UK-based HSBC Rail, a Palladium Balanced Scorecard Hall of Fame Winner, decided to develop the new strategic plan for KWSD using the Balanced Scorecard (BSC) approach. He personally led the process of setting the new strategy and BSC, showing the executive team the new way of managing the organization, and leading efforts to create a culture of teamwork and executive ownership around the strategy.

Marrill's priorities were to establish the new business, integrating a former subsidiary business, develop a strategy for the business to improve financial returns, and enhance customer relationships while building a strong team committed to delivering the new strategy.

ABOUT THE ORGANIZATION

KWS, with an annual turnover of £100m, is part of the Kelda Group of companies that encompasses a number of water-related businesses that operate in the United Kingdom. The KWS (Defence) (KWSD) business was established in 2003 when it secured a 25-year £1000m Public-Private Partnership award by the UK's Ministry of Defence (MOD), which was outsourcing the management and risks associated with all of its water-related services and assets for all its UK sites.

Today KWSD operates across more than 1000 MOD sites, directly employing 130 people, and has an annual turnover of £50m. These sites include large remote training areas, airfields, ports, and garrison towns.

The business operations are akin to those of a water utility, with direct responsibility for meeting legislative water quality standards and environmental discharge consents and for maintaining and operating all water-related infrastructure assets, including distribution networks (boreholes, reservoirs, pipes, and pumps), water treatment facilities, fire-fighting equipment, and environmental pollution protection assets. KWSD is also responsible for enhancing asset condition, undertaking disconnections and connections, maintaining asset data and drawings, and providing additional support when the MOD undertakes major estate changes.

Creating a Common Agenda

The first step in the development of a new strategy was to build momentum within KWSD's leadership team. Marrill took the executive team on a series of benchmarking visits to previous HoF winners (Luxfer Gas Cylinders and Leeds University) to show the impact of a strong strategy management framework on the performance of an organization and how it can succeed in very different environments.

Once the management team had internalized the potential benefits of this approach, the executive team underwent a series of workshops to develop the strategy and the BSC for KWSD, sharing the outputs of this process with the key stakeholders (the client and shareholders) in order to get their approval.

KWSD also created a detailed change agenda (see "Best Practice Insights," sidebar), which was translated into a vision that could inspire the organization, positioning KWS as a forward-looking sustainable partnership rather than the contract manager organization it has become.

In keeping with Palladium recommended best practice, the vision was time-bound, quantifiable, and measurable: *"Strategic destination by 2012: A transition from a financially uncertain contract to a forward-looking, financially sustainable partnership that delivers value-for-money services, results in an IRR [internal rate of return] of XX% over the contract term and enhances the reputation and profitability of Kelda Water Services."*

Building the Strategy Map

To deliver the vision, a set of 24 strategic objectives was developed for the Strategy Map, which were grouped in three themes:

1. *Drive New Growth to Expand the Business*: Objectives related to business development and innovation that could take the business value proposition to new clients.
2. *Leading Service Partner to Deepen Relations with our Client*: Objectives related to increasing share of pocket in the main client, and for which the company was created.
3. *Operational Excellence to Deliver the Contract*: Operational excellence is deemed the most important of its themes, with objectives related to quality in delivery to ensure customer satisfaction. The strategy focuses on operational excellence in the areas of world-class asset

Best Practice Insight

Within Palladium's Execution Premium Process™ (XPP) a key part of strategy design (the first step in the six-step XPP model) is to create a strategic change agenda. A "strategic change agenda" is a framework to consider and assess current state (*"As is..."*) and to project desired future states (*"To be..."*) for key change/performance dimensions of an organization and is a guideline to promote strategic thinking at many levels of the organization. The actual performance dimensions chosen are individual for each organization but typically they will include areas such as management focus, competition, customer satisfaction, processes and culture, etc.

In brief, a strategic change agenda does the following:
- Creates a change narrative – the story of the enterprise now and in the ideal state;
- Assesses where you are now, where you want to be, and the gaps to the ideal; and
- Uses environmental (internal and external environments) analyses results to provide the data and rigor to underpin the Case for Change.

KWSD deployed this Palladium best practice as a key part of its process that led to the development of the BSC.

The starting point was the completion of a detailed SWOT analysis for each of its four BSC perspectives. This helped crystallize the key issues faced by the business. With this input the leadership team generated a strategic change agenda, also for each of the four perspectives. Through the agenda, the senior team honestly assessed current KWSD performance against a group of performance dimensions and then articulated where it wanted to be by the year 2012. Each perspective had its own dimensions (trust, objective alignment planning, and site as a customer are examples of the dimensions for the customer perspective).

Developing the strategic agenda provided clear insights as to where KWSD needed to improve in the following years and so was invaluable input into creating the objectives, KPIs, targets, and initiatives within the BSC.

management, reducing water loss and water costs, optimizing whole life costs, and driving health and safety performance. This ensures the delivery of contractual and legislative commitments.

These themes are supported by a strong Learning and Growth perspective focused on team development and cultural change.

As part of the focus on driving cultural change KWSD underwent an exercise to redefine the values of the organization that would identify the behaviors that were required for KWS to achieve its vision: ambitious, responsible, respectful, innovative, a team. The values are placed at the

base of the Strategy Map.

For each objective a detailed definition and "do wells" were developed, which were used to support the definition of objective measures and supporting initiatives. The Strategy Map development process, which was highlighted as best practice at HSBC Rail, was leveraged to gain acceptance and engagement.

INITIATIVE MANAGEMENT

In BSC creation the leadership team of KWSD focused on identifying a limited number of initiatives that the orga-
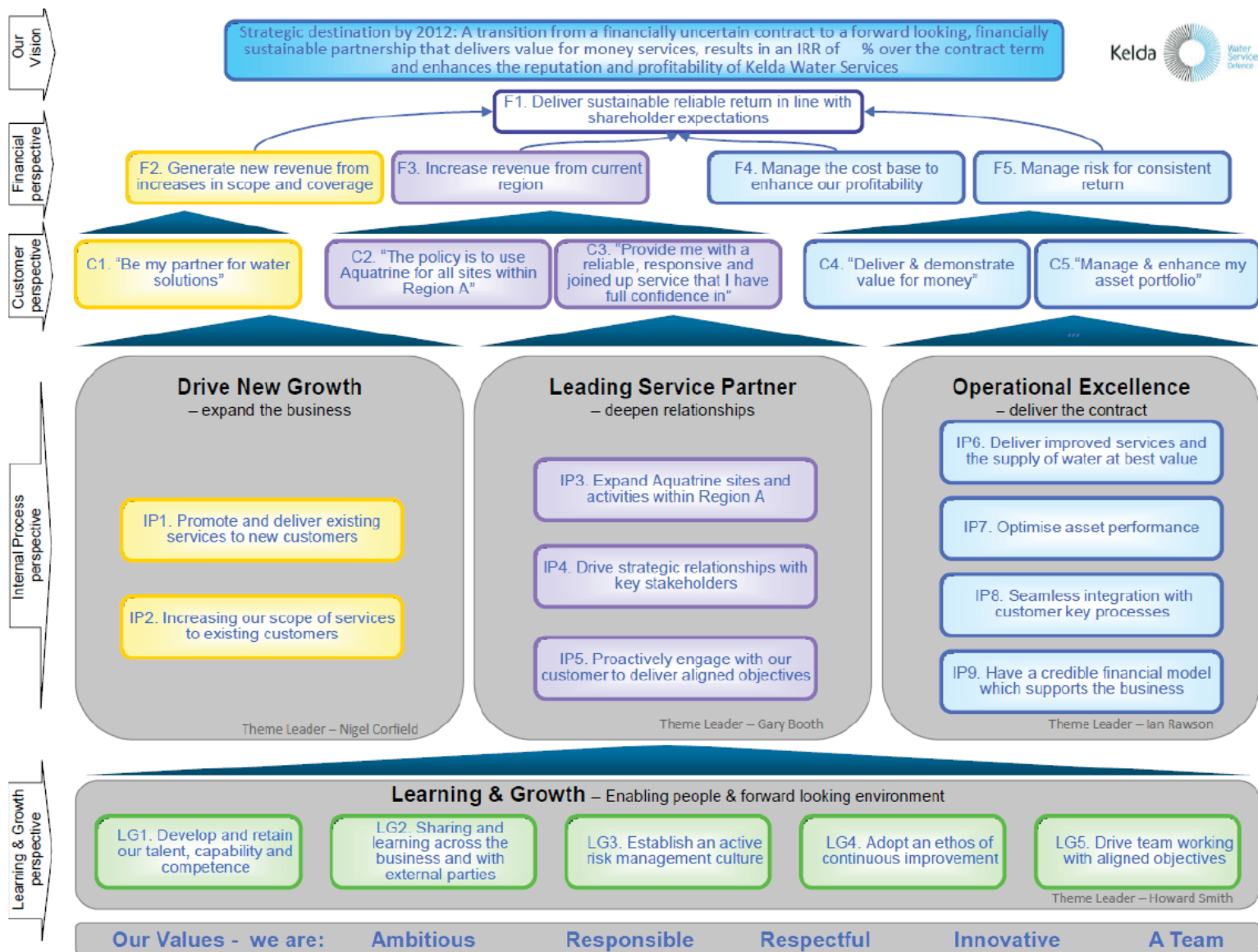
KWSD's Strategy Map

nization could effectively manage and prioritize. During the development of the Strategy Map pre-existing initiatives were listed alongside those identified as part of the strategy mapping workshops. All of these initiatives were assessed to determine their alignment to the strategy. This led to number of previous initiatives being discontinued, suspended or merged to create aligned priorities.

The focus on strategic thinking highlighted to the management team that some of the existing initiatives were actually not strategic and fixing only part of a problem. The strategy mapping workshops were very successful in establishing the real need for change leading to more robust problem definitions and more effective initiatives. For example the business had previously planned to fit remote asset monitoring at a significant cost. However, it became apparent as part of the initiative review that it was not clear how this fit into the businesses asset management strategy. The initiative was subsequently discontinued, allowing the funds and resources to be reallocated to other asset projects that more effectively supported the business objectives and strategy.

KWSD also used Scenario Testing, running "what if" situations against the Strategy Map to test its robustness. The Strategy Map was also tested against enterprise-levels risks

KWSD accepts the Hall of Fame Award. From left to right: Dr. David Norton; Robert Marrill, Managing Director; Dr. Robert Kaplan

and the question was asked for each as to whether the strategy would address the specific risks identified.

All of these actions combined to ensure the resulting Strategy Map was owned by the business and had covered the business needs from several different stakeholders' perspectives, whether shareholder, staff, or customers, who were also asked if they thought anything was missing.

The overall exercise resulted in a robust and strong map and, more importantly, in a leadership team completely committed to its delivery.

KWSD accepts the Hall of Fame Award. Click to play.

INVOLVING EVERYONE

Since the beginning of the process to design and implement the BSC, personal ownership and commitment from the management team was evident and forthcoming, which was (and is) reflected in each executive owning and leading themes and strategic initiatives, engaging and communicating the strategy and progress. Each of the management team members owns a specific strategic theme related to their area of expertise or interest. Within each theme the initiatives are then owned by middle managers with the support and engagement of the leadership team.

In 2010 all the businesses managers and team leaders

undertook a coaching skills training program to equip them with the skills to facilitate change. The approach adopted and encouraged a drive for cross-business engagement at all levels to ensure everyone in the business could contribute to the strategy execution.

As part of Objective LG1 in the Learning and Growth perspective ("Develop and retain our talent, capability, and competence"), a cross-business group of employees volunteers to look at rewards and recognition. With the support of the perspective owner, this group identified the need for and implemented a well-received annual business award to celebrate success. This simple example has promoted greater employee engagement and satisfaction and provided further momentum to successful strategy execution.

The business recognized very early that a strategy developed over many months would risk failure without strong links to the individual in the cascade of objectives and development and ownership of plans at all levels of the business. To make strategy everyone's job, KWSD developed Personal Scorecards for each individual that aligned their performance to the corporate BSC. Because KWS is a relatively small organization (130 employees), they cascaded Personal Scorecards directly from the corporate Strategy Map, without departmental scorecards, making clear the contribution of each individual to the final results of the organization. The individual incentive program reinforced this culture of performance: each employee's variable compensation is dependent upon both the corporate BSC and individual performance.

On top of this cascading process, a continuous communication program helps to reinforce employee alignment and to involve all individuals in the strategy discussions through semi-annual employee retreats where strategy and performance are shared and key issues are analyzed as a team and discussed openly.

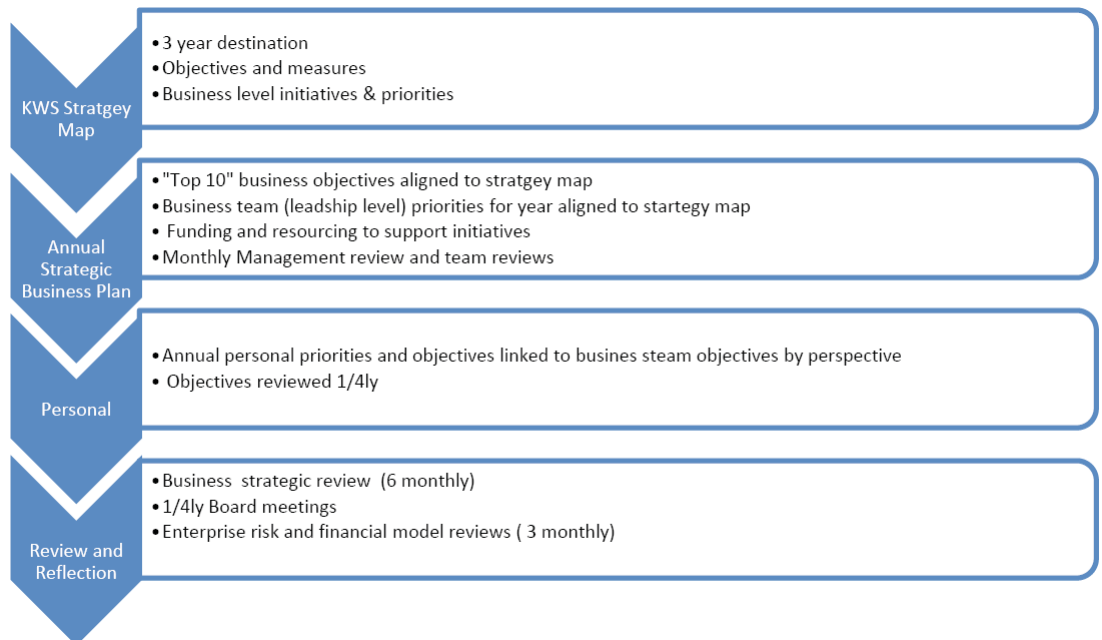All this alignment effort has led KWSD employees to

score as "strongly agree" that they understand the strategy (in internal surveys) and has also led KWSD to be recognized as among one of the best employers in the industry.

A Lean Process to Manage the Strategy

Due to its size KWSD has managed the implementation of the BSC with a part-time project leader who played the role of Strategy Manager. After four consecutive years of consolidating the strategy management process, strong leadership from the top, and a clear assignment of responsibilities among the executive team, KWSD is confident that it can successfully manage the BSC process without having a permanent role of Strategy Manager within the organization but also without underestimating the importance of good governance and facilitation.

As part of the governance process, BSC review meetings have become a standard event. At the beginning, meetings were monthly to embed the concept in the executive team. Now, with the concept fully integrated in KWSD management, the meetings are held every six months. Moreover, the board meeting is conducted quarterly using the BSC framework, and clear accountability per theme is assigned to the key executives of the organization.

Robert Marrill chairs the strategy review sessions, where he encourages active reflection and analysis of performance

KWS Stratgey Map
- 3 year destination
- Objectives and measures
- Business level initiatives & priorities

Annual Strategic Business Plan
- "Top 10" business objectives aligned to stratgey map
- Business team (leadship level) priorities for year aligned to startegy map
- Funding and resourcing to support initiatives
- Monthly Management review and team reviews

Personal
- Annual personal priorities and objectives linked to busines steam objectives by perspective
- Objectives reviewed 1/4ly

Review and Reflection
- Business strategic review (6 monthly)
- 1/4ly Board meetings
- Enterprise risk and financial model reviews (3 monthly)

KWSD aligns personal goals to the corporate strategy.

along themes so that reviews are far more than simply reporting sessions, which he learned from his experience implementing the BSC at HSBC Rail. This approach has been applied in other meetings, which has delivered broader benefits that make meeting management far more effective.

The BSC is now part of KWSD's DNA, so much so that it would it would be sustained beyond the current leadership team, according to Marrill. Furthermore, the shareholders have recognized its powerful impact on performance by extending this approach to the rest of the companies of the Kelda Group.

Conclusion

The ever-changing environment KWSD (and indeed the KWS Group more broadly) will face in the coming years (and driven largely by regulatory change) will require a more agile approach to strategy execution within the organization. A more dynamic environment offering many opportunities and challenges makes it necessary for KWSD to adopt a more flexible implementation process that will allow them to quickly respond to emerging market changes. The strong accountability and governance process inculcated through the BSC helps drive confidence amongst the management team and shareholders that KWSD will be able to achieve its objectives in this challenging new environment.

Execution Premium Results

All results are for 2009-2013.
- Increased cash distributions by more than 100%
- Increased the internal rate of return by more than 20%
- Increased EBITDA by more than 60% (with a huge impact on shareholders return and hence in the credibility of the business to manage new ventures)
- Strengthened the partnership with the UK Ministry of Defence (MoD), with a satisfaction index of 91%
- Develop new businesses for the MoD with 4x additional profitability of the original services contracted
- Assets management process increased from 20% to 60% maturity over the past 4 years (based on PASS 55 standard) and recently achieved the ISO55001 standard
- Commercial losses reduced by 35%
- KWS' people readiness index increased from 51% to 73%
- Recognized as one of the best employers in the industry by the UK Government's Investors in People (IIP) organization with its highest accreditation, Gold Standard, following a detailed 126-point assessment
- Established a new services business that can exploit the skills and capabilities gained with their MoD experience across a wider range of business customers

> " *As Chairman I've been really impressed at the way the whole business has embraced the BSC framework and clearly owns the strategy. By aligning the organizational structure, objectives, metrics, and plans I can see all actions support delivery of the strategy. The business has recently passed its tenth anniversary and it is great to witness the transformation the team has achieved in terms of financial results, customer recognition, and colleague engagement at all levels of the business."*
>
> Paul Wynn, recently retired Chairman of KWSD and Managing Director, Kelda Water Group

Ministry of Interior, UAE
Executing strategy to meet the demands of a growing population

To contend with the demands of policing a growing population, and encouraged by successful Balanced Scorecard implementations within two of its police units, the UAE Ministry of Interior designed and rolled out a Balanced Scorecard framework that focused on delivering key strategic priorities.

Visible senior leadership commitment, a robust governance process, and the creation of centralized and cascaded Offices of Strategy Management were central to overcoming the early implementation hurdles.

Faced with the challenges of policing a growing 21st century population (the United Arab Emirates has grown exponentially since the turn of the century), the UAE's Ministry of Interior (MOI) recognized in 2008 that it had to develop a more robust and stringent approach to policing. Consequently, it identified as key to success the design and implementation of a sophisticated performance management system, a need that was reinforced through the emergent complexities and threats of the continuing political instability in parts of the region.

Building on the successful implementations of the Balanced Scorecard framework in two of its major business units, Abu Dhabi Police and Dubai Police (both of which are previous inductees into the Hall of Fame), the MOI chose to deploy the BSC across the entire ministry.

SENIOR LEADERSHIP COMMITMENT
Championed by His Highness Sheikh Saif Bin Zayed Al Nahyan, Minister of Interior for the UAE, MOI's executive leadership team committed to driving the agenda for strategy execution, to showcasing the "case for change," and to fostering a culture of execution across the organization. The leadership team engaged employees at all levels of the organization by operating with full transparency, leading by example in communicating the vision (to position the UAE as "one of the most secure and safest countries in the world") and living the values (which include justice, integrity, and social responsibility, amongst others).

CREATING THE CORPORATE STRATEGY MAP
The success of executing the strategy at MOI was closely linked to the successful development of a well-structured Corporate Strategy Map. Designed through a series of leadership workshops, the map focused on strategic priorities (essentially themes), such as "Promote safety and security,"

ABOUT THE ORGANIZATION

Considered one of the most important federal establishments in the UAE, the Ministry of Interior plays a prominent and role in enhancing security and stability by keeping order and decreasing crime levels.

Since the establishment of the United Arab Emirates in 1971, the Ministry of Interior has expanded its duties and responsibilities to cover immigration and residence affairs and traffic control, as well as providing protection and safety for installations and properties.

With approximately 70,000 employees and an annual budget of $1.6 billion USD, MOI's core functions include responsibility for policing and security; prisons and rehabilitation; civil defense (fire and rescue services); and nationalization, residence, and ports.

"Ensure readiness for crisis and disaster," "Promote public confidence in the efficiency of services provided," "Optimal use of intelligence," and "Ensure all administrative services are provided based on quality, efficiency, and transparency standards." Each priority is managed by a designated senior leader and is the basis for the development of the corporate and cascaded BSCs. At the tactical level, a strategic goal coordinator interfaces between the leader and the KPI and initiative owners to ensure the priorities are delivered.

STRATEGIC INITIATIVES

All corporate strategic initiatives support the themes and have key performance indicators and milestones built in

to ensure performance is regularly monitored and linked to delivering the aims of the strategy in a coordinated and focused manner. To achieve this, the MOI makes extensive use of project initiation documents and the Prince ii project management methodology to manage and deliver all of its strategic initiative work streams. Departments, branches, and sections have their own sets of objectives and strategic initiatives that use the same project management tools.

CASCADING THE BSC

MOI's leadership is cognizant of the fact that excellence in strategy execution is reliant on the entire organization knowing and understanding (and as a consequence being
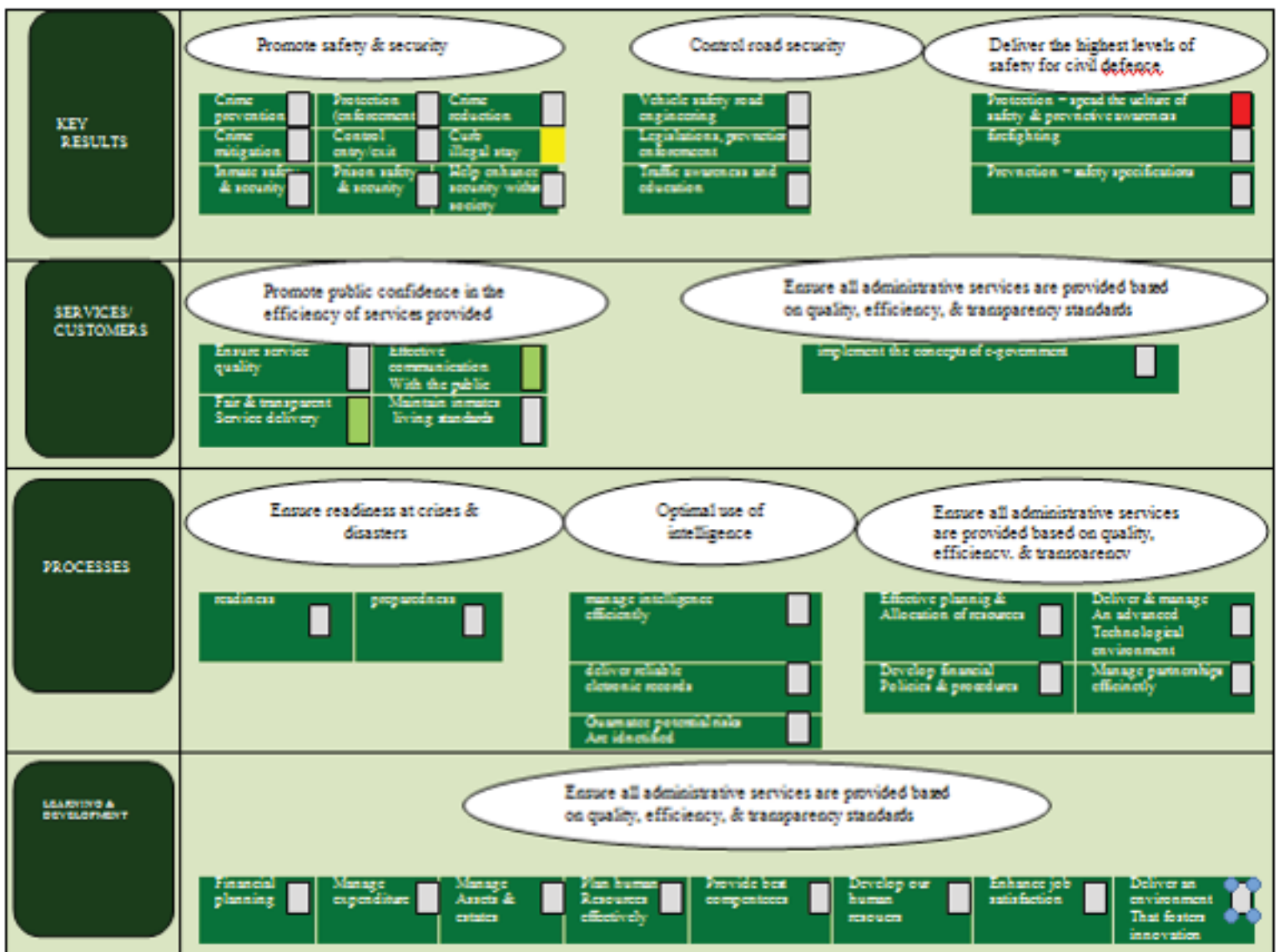
Ministry of Interior's Strategy Map

able to deliver) the organization's strategy. They foster ownership of the strategy by engaging the team in all aspects of execution and formulation, from the mission, vision, and values to the outcomes and results of the strategic and operational scorecards.

To further support the alignment of strategy at MOI, personal development plans of individual staff members include selected performance measures that are directly linked to the managerial and strategic measures, giving each individual a practical understanding of how they personally contribute to the strategy. The suite of cascaded measures is reviewed and reported on a regular basis and forms part of the individual and corporate performance measurement process.

COMMUNICATION

Early in the process of developing the MOI strategy management system, a comprehensive communication plan was developed and implemented organization-wide. By engaging a range of communication methods, MOI ensures the execution of strategy remains at the forefront of the minds of all employees. As communication examples, many educational workshops have been delivered, as well as supervisor training on the strategy and how to deliver and understand a strategic plan. All members of the organization have been given opportunities through workshops, emails, and websites to contribute to and comment on the development of the 2011-2013 strategy and the recent 2014-16 update. Furthermore, the organization makes extensive use of social media to communicate with employees and the public alike, and text messages are also used to keep individual employees up-to-date with developments. The MOI also proactively communicates with external stakeholders.

CREATING THE OFFICE OF STRATEGY MANAGEMENT

Effective strategy execution also involved the development of a dedicated in-house Office of Strategy Management (OSM), known as the Strategy, Development, and Performance Improvement Department. This has ensured a consistent approach to managing the execution and cascading of the strategy at MOI. The OSM, which has 25 fulltime employees, has been diligent in managing the various stages of Palladium's Execution Premium Framework (develop the strategy, translate the strategy, align the organization, align

operations, monitor and learn, and test and adapt) and in supporting the individual departments in their execution efforts.

The OSM consists of six sections: the Strategic Planning and Development Section, the Strategic Performance Measurement Section, the Strategic Coordination and Follow-up Section, the Strategy Performance Evaluation Section, and the Advisors Affairs Section. The OSM supports the creation of the different scorecards within the organization and follows up on performance, data gathering, and analysis. The main responsibilities of this team are to be the architect of the strategy execution, to be the process custodian through ownership of the framework and implementation modules, and to act as integrators with the different functions across all levels of the organization.

Each business area also has its own OSM. In addition, each of the directorates has its own set of strategy officers to support and deliver the strategy at a local level. This network of OSMs and strategy officers is spread across the UAE and meets on a regular basis to discuss experiences and share insights. The corporate OSM has responsibility for coaching, mentoring, and educating these cascaded teams. Moreover, the ministry also employs a cadre of experienced advisors who work as a team across the Emirates providing advice and guidance to senior officers, strategy officers, and heads of departments or sections on project management, strategic planning, and performance delivery.

GOVERNANCE

To ensure accountability, focus, and execution of the MOI strategy vertically and horizontally across the UAE, the MOI has adopted a strategic management governance mechanism of committees that govern the work of all UAE ministerial departments, individual emirates, and federal departments under a set of specific supporting policies and procedures.

To explain further, for the purpose of supporting the decision-making process issued by the MOI leaders, a suite of ministry committees exists to enable police departments to present their topics to the Policies and Strategies Council, this council being the highest central decision-making authority that oversees all elements of the organization across the UAE.

The remaining committees (such as the MOI Executive Council and the Permanent Higher Committees, which provide advisory support, studies, research, and discussion of the issues referred to it by the Policies and Strategies Council) play a major role in strengthening relations between all parts of the organization, as they are used to assist leaders to make decisions based on integrated studies and clear information.

These committees deliver strategic management guidance in a clear manner, which leads to better decision making throughout the organization. This method of governance adds value, direction, and coordination across all seven emirates and all directorates, therein ensuring that coherent policies, thinking, and processes take place, along with identification of best practices and benchmarking (see "Best Practice Insights," sidebar). This ensures a positive environment for individual directorates and emirates to develop and improve within the scope and control of the MOI strategic umbrella.

OVERCOMING EARLY CHALLENGES

Managing the change throughout MOI presented several key challenges. It required a major organizational restructure to align the structure to the strategy, including defining new roles and responsibilities.

Data availability and integrity provided another raft of challenges early in the implementation phase. For instance, the organization did not have sufficient data to be able to develop baselines and set the targets for all of the strategic measures. MOI mitigated this issue using an automated system that aided the development of the requisite capabilities for identifying appropriate and measureable metrics (data is now available for all BSC measures), as well as being able to report on progress effectively. Performance reports as well as strategic and operational review meetings results are shared with the leadership team to support their decision-making process and to ensure that execution remains effective and on track. In addition, MOI holds monthly, semi-annual, and annual meetings to check on the progress in the delivery of its strategic plan. The success of the automated solution is illustrated by the fact that performance measurement and analysis is now conducted at the police station level: buy-in from front-line officers was critical for success of not just the system but the whole strategy execution effort.

BEST PRACTICE INSIGHTS

The MOI placed significant attention on benchmarking their performance relative to other organizations in both the public and private sectors. This benchmarking works on various levels.

First, at the outset of their BSC program the senior leadership of the MOI considered in detail the lessons learned from two of their business units: Abu Dhabi Police and Dubai Police. From analyzing the experiences of the two police forces they understood the critical importance of having a clear focus on strategic objectives and identifying and scoping strategic initiatives to bridge the performance gap. Other lessons learned led to a placing a strong emphasis on executive leadership, performance measurement, supporting infrastructure and system, training, communication, and alignment with the planning and budgeting process.

Second, the MOI uses a robust benchmarking process that enables comparison with organizations within the UAE, the Gulf, and across the globe. The process is managed by a permanent Benchmarking Center within the OSM. On a regular basis, strategic measures are revisited and refined based on the findings from benchmarking efforts.

Finally, the organization also sees active participation in appropriate conferences, workshops, and other training events as key benchmarking efforts.

Note too that any benchmarking findings are routinely shared via excellent knowledge management practices. The MOI has established a Knowledge Management Center that acts as a repository of best practice information. Through this center information is shared, lessons learned, and best practices circulated across the organization with the goal of improving efficiency and optimizing results. Knowledge sharing is also enabled by the MOI encouraging and supporting "strategic liaisons" between business sectors to develop coherent, joined-up service delivery plans. The Security Zone Strategy is an example of such a liaison: this covers Police, Immigration, Civil Defense, and Ports Directorates, all working together to deliver a single security strategy in an area or emirate.

CONCLUSION

The introduction of the BSC at MOI has brought significant benefits across the organization. By fostering a strategy-oriented culture, MOI is able to better manage its processes, decision making has become more focused and more effective, and silos have broken down across the organization. Continuous learning has become part of MOI's DNA, including the opportunity for staff to earn a Master's degree in strategy and police-related disciplines from renowned international universities. Furthermore, relationships with key stakeholders within the UAE government have become more transparent and effective.

Tangible benefits have also been seen in the community with significant reductions in road collision casualties, crime rates, and residency violations. The move to delivering key services to the public electronically has also been successful. Community policing activities that aim to strengthen the relationship between the UAE Police and the public have been highly successful in gaining trust and increasing satisfaction and are bringing significant benefits to both MOI and the public.

EXECUTION PREMIUM RESULTS

- Significant reduction in serious crime across the UAE
- 25% reduction in road fatalities
- Substantial increase in satisfaction and feeling of security among the population
- Improvements in partner satisfaction with MOI
- Staff turnover reduced by more than 50%
- Major increases in staff satisfaction

Ministry of Interior accepts the Hall of Fame Award. Click to play.

> *Implementing the strategic plan at the Ministry of Interior has proven to be a great success, which started with the assignment of His Highness Sheikh Saif Bin Zayed Al Nahyan as Minister of the Interior. He instilled the pillars of the strategic planning process, emphasizing the importance of continuously updating it to keep it in line with the Emirate's development. Tangible proof of this success is the numerous governmental excellence awards that Ministry of the Interior is earning each year. In order to maintain these achievements, our main goal at the Ministry of Interior is to regularly update the strategic plans with the involvement of a dedicated team composed of a mix of individuals from the different directorates of the Ministry of the Interior."*

MAJOR GENERAL NASSER AL NUAIMI, SECRETARY GENERAL OF THE OFFICE OF HIS HIGHNESS DEPUTY PRIME MINISTER, MINISTRY OF THE INTERIOR

Mtel
Executing a growth strategy in the face of a challenging market

Bosnia and Herzegovina's Mtel JSC Banja Luka has made significant gains in the recently liberalized national tele-communications market thanks to a successful Balanced Scorecard implementation championed and driven by the CEO and senior team. Strong communications and governance, supported by the creation of both an Office of Strategy Management and a Project Management Office, have been instrumental to this success.

The Need for Change
The establishment of Bosnia and Herzegovina's telecom market began with the adoption of the First State Telecom Sector Policy at the end of 2000. This policy allowed Bosnian telecom operators to attract investment and provide necessary services. The establishment of the Communications Regulatory Agency (RAK) in 2001 and the adoption of the State Communications Law in 2002 completed the legal and institutional framework to liberalize all telecom services except international telephony.

Currently Bosnia and Herzegovina's telecommunications market is characterized by a high level of market liberalization, manifested in low market entry barriers, intensive competition, growing customer bargaining power, saturated traditional markets, and stagnating traditional services. These characteristics, combined with continuing market and technology changes, created negative trends for all existing operators.

Mtel's top management realized that greater strategic focus and change could secure the company's further growth and development in the face of such broad business challenges. Mtel assessed the Balanced Scorecard (BSC) as the best methodology for this purpose, which it adopted in 2011. The ability to continuously monitor strategy realization and building a corporate culture in which "strategy is everyone's job" were two key benefits identified by the senior team.

At the outset of the BSC implementation, Mtel's CEO Goran Vlaovic played a catalytic role in creating the climate needed for enterprise-wide acceptance of the new strategic approach. Vlaovic clearly communicated the need for change, mobilized his associates, created cross-functional teams, and provided all the necessary coordination and resources. His approach and personal commitment convinced the rest of the executive team to adopt the new desired behaviors and so collectively assume the role of change leaders.

Building the Strategy Map
At the beginning of 2011 Mtel created a corporate-level strategy map with 15 objectives organized under two themes: market position improvement and new services and markets for future growth. Mtel believes that its most important strategic objectives reside in the Customer Perspective, which balances stabilization of the customer base by retaining landline and mobile telephony customers with a focus on growth through bundle service customers and

About the Organization

One of three national telecom operators in Bosnia and Herzegovina, Mtel JSC Banja Luka offers state-of-the-art telecommunication services in the fields of telephony, landline network, media, internet, and data transfer.

Managed from Banja Luka, Republic of Srpska, Mtel has consistently achieved outstanding results since the majority part of the organization was privatized in 2007. With over 1,887,000 subscribers to its services, Mtel has more than 2100 employees in over 50 locations across the nation. For 2013, Mtel achieved sales revenue of 238,349,019 Euros (about $276 million USD) and a net profit of 51,651,623 Euros (about $60 million USD).

business customers, further development of sales channels, and the development of integrated operations support and business support systems as one of the main preconditions for adequate customer relationship management.

Other strategic objectives include the continuous development and roll-out of new services (especially multimedia and Mpayment services), further network development, and shortening time to market.

For each objective Mtel defined strategic measures, targets, programs, and strategic initiatives. Once the corporate-level BSC was defined, Mtel gradually cascaded the strategy to the main business units and support units. This process was completed by the end of 2011.

Through the cascading process, Mtel communicated the strategy to the lowest organizational units, improved employees' understanding of the strategy and enhancing their contribution to strategy realization. BSC and strategy performance reports are seen by the senior team as the most important communication tools. Other communication vehicles include sharing strategic priorities throughout the organization via intranet portal and via Mtel's internal bulletin from the senior team to the front line. Moreover, any project of strategic significance has an individual internal

communication campaign.

To further cascade the BSC, a project to align individual employee goals with the strategy was initiated at the start of 2014. KPIs would be cascaded to most positions and/or job families in the organization and performance would be aligned to a new compensation scheme.

The Strategy Map and BSC have been ingrained not only into the organization's operations but also its financial planning. One of the main criteria for the CEO and executive team to approve an investment is strategic prioritization. The portfolio of strategic initiatives is rationalized against the strategy and managed as programs with specific budgets. To more systematically manage initiatives and to ensure alignment with strategic goals, Mtel established an Office of Strategy Management as well as an Enterprise Project Management Office, which work closely together (see "Best Practice Insights," sidebar).

Monitoring Results

Successful strategy execution at Mtel would not be possible without regular strategy review meetings. Every month Mtel's management holds a strategy board meeting, during which it examines the strategic performance information
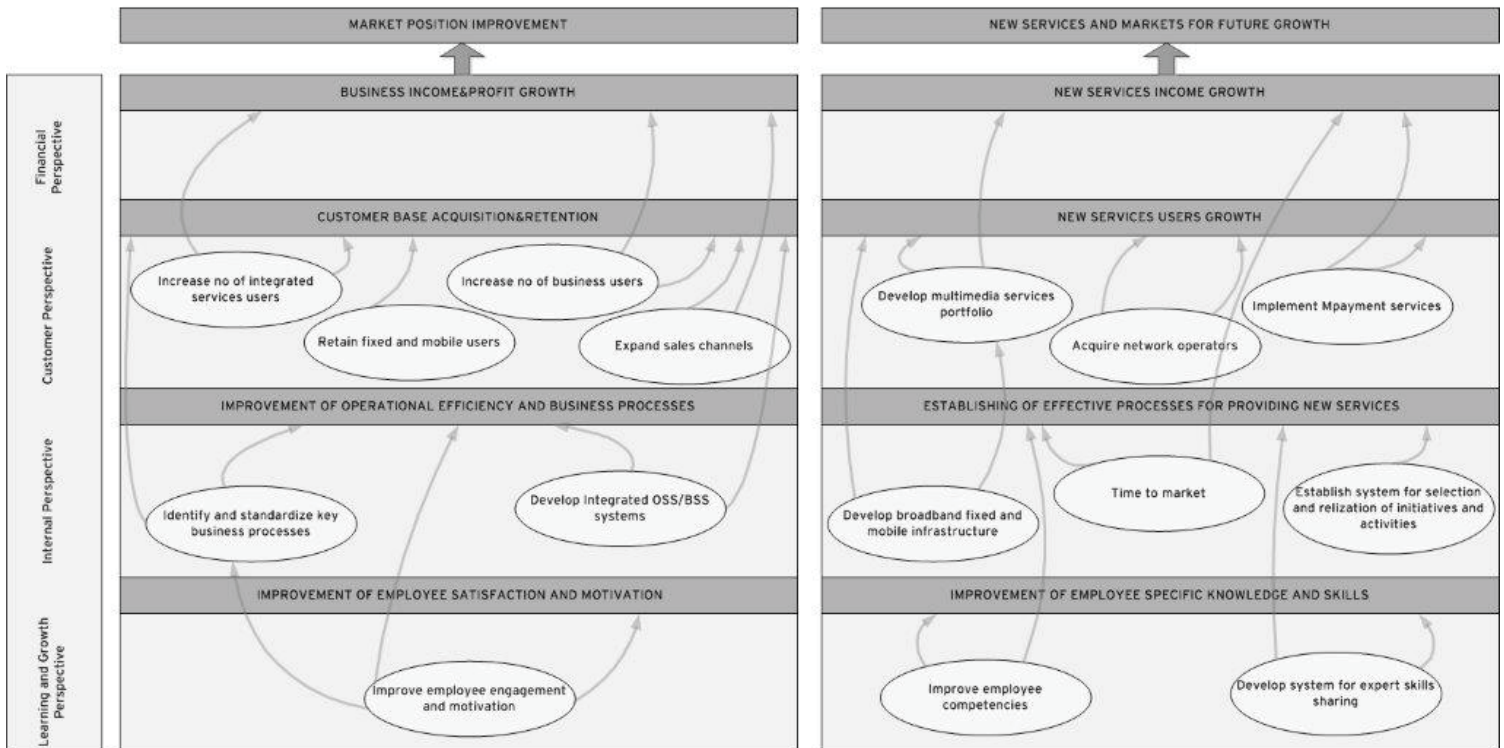
Mtel's Strategy Map

presented by the head of the OSM and makes decisions related to strategy and its implementation. The defined strategy and enterprise performance quarterly reports are presented to the shareholders, showing the executives' dedication to the whole process and to creating strategic awareness across stakeholder groups.

OVERCOMING CHALLENGES IN STRATEGY EXECUTION

Early in the course of its BSC implementation, Mtel faced issues around measurement, reporting, and communication at all organizational levels. The company automated the process by adopting SAS StM, a strategic information system that has reporting capabilities, a decision-making guide, progress assessment, and hypothesis testing. With SAS StM, Mtel is able to regularly analyze the linkage between strategic measures and operational key performance indicators

and to follow and analyze the market and main strategic forces using different strategic management models.

Mtel also encountered challenges with the existing organizational silos. Before implementing the BSC, the organization did not have a formalized strategy, so assessing and monitoring strategy performance was not an issue. The annual budget was by far the most important document, and generally there was no common strategic focus. Organizational units acted as silos with inadequate horizontal and vertical communication, and even the budget was created without full cooperation among different organizational units.

Today, Mtel has improved organizational alignment, internal communication, strategic focus, and strategic management capabilities. All levels of management take part in strategy

BEST PRACTICE INSIGHTS

To lead and sustain its progress toward executing the strategy, Mtel created an Office of Strategy Management (OSM), which reports directly to the CEO, as well as an Enterprise Program Management Office (PMO). Bringing together these two organizations is a challenge faced by many organizations. Within Mtel initiatives are centralized and coordinated under the PMO in accordance with internal methodologies based on Project Management Institute (PMI) standards and supported with an Enterprise Project Portfolio Management Information System.

The OSM has eight people working in three departments: the Department for Strategic Plan Development, the Department for Strategy Implementation and Revision, and the Department for Strategic Analysis.

The PMO is comprised of the Department for Methodology Development, Planning, and Controlling and the Department for Reporting, Support, and Administration.

Besides the OSM and PMO, the Executive Board of Directors plays a key role as the highest level governance body. In the case of changes to programs or projects, the Executive Board acts as the Change Control Board.

To facilitate strategy management and control, Mtel's gov-

ernance body translates all strategic initiatives or strategic activities into programs or strategic projects. Programs are decomposed into projects and activities.

Some activities are deemed particularly important for the delivery of breakthrough results. For instance, the first pillar of Mtel's strategy plan, "Improvement of market position," includes the objective "Improvement of employees' commitment and motivation." One of the initiatives related to this objective is establishing a channel through which employees can continuously input their ideas and suggestions for the business. Their annual internal survey ("What motivates you?") showed that idea sharing could be a key mechanism for motivating employees by recognizing and rewarding proactivity and innovation.

Mtel identified a number of corporate strategic measures that would be influenced by this initiative: employee commitment rating, internal communication satisfaction rating, employee loyalty rating, time to market, business income growth rate, and new services income growth rate. Such broad impacts galvanized a fast implementation of the initiative, which was launched with great support from business units in February 2014. Now, Mtel is working on many ideas and suggestions from the first cycle of the "Share your idea!" program.

formulation and execution, underscoring the importance of working together to achieve the desired goals and targets. The fact that strategic measures are designed from the viewpoint of the enterprise rather than unit sends a strong message that all business units depend on each other. Also, for the purpose of adequate implementation of all initiatives and to promote inter-business collaboration, Mtel has defined specific activities that must be performed and that are led by employees with cross-functional initiative ownership.

Mtel's executive team also struggled with resistance to change, a challenge that is common across organizations in all sectors and industries. Many organizational employees perceived the BSC as another controlling mechanism and did not want to take responsibility for the realization of particular initiatives, activities, and strategic measures. Although Mtel has achieved significant improvement in these areas, there is still work to be done in inculcating a "strategy-focused" culture. This will entail change management and educating employees about the practical benefits of the BSC for the organization and for each employee. Continued strategic communication is also viewed as an issue, especially from the aspect of future growth and development of the company and the improvement of general strategic awareness.

Mtel accepts the Hall of Fame Award. Click to play.

BSC as a Tool for Future Development

As of 2014, Mtel was the only telecom operator in Bosnia and Herzegovina to have implemented the BSC methodology into companywide day-to-day business operations. According to the CEO Goran Vlaovic, the BSC has made the execution of Mtel's strategy possible, resulting in improvement of their market position and further growth and development of the organization. The BSC has also helped Mtel to translate the strategy into operational activities and projects and to monitor the implementation of the strategy by using defined strategic measures. "Through the process of cascading, the company was able to communicate the strategy to the lowest organizational units through all four strategic perspectives, and to improve employees' understanding of the strategy and enhance their contribution to the strategy realization," he says. "Mtel top management intends to use and further develop the BSC as the main tool for the definition and implementation of our strategy in order to achieve a better preparedness for new challenges that await us in the telecommunications sector in the future."

Execution Premium Results

All figures compare 2010 with 2013
- 30.6% CAGR in number of customers using new services
- 114.1% CAGR in new services revenue growth
- Share of new services revenue in total operating revenue grew from 0.85% to 8.6%
- Time to market for new products decreased from 211 days to 157
- Maintained market leadership in competitive markets: 35% fixed telephony, 42% mobile telephony, 23% broadband market, 23% bundle services
- Customer churn rate fell from 0.7% to 0.4%
- Customer satisfaction rose from 3.6 to 4 (out of 5)

> " *Through the process of cascading, the company was able to communicate the strategy to the lowest organizational units through all four strategic perspectives, and to improve employees' understanding of the strategy and enhance their contribution to the strategy realization.*"
>
> Goran Vlaovic, CEO, Mtel
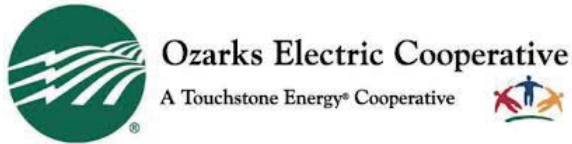
Ozarks Electric Cooperative
Executing a customer-centric strategy on behalf of their members

As a member-owned, not-for-profit cooperative, Ozarks Electric Cooperative Corporation places great importance on providing value to their members. Among the most important indicators of their performance is a customer satisfaction index, which they compare to other electricity providers and to other industries. When they first adopted the American Customer Satisfaction Index (ACSI) in 2005, they received an impressive 88, five points above the average for the Touchstone Energy Cooperatives (a confederation of consumer-owned utility providers of which Ozarks Electric is a member). Pleased with their score, Ozarks Electric continued with business as usual until two years later, when the score dipped unexpectedly to 83.

Because the ACSI rating is so important to Ozarks Electric, even the beginnings of a downward trend spurred them to action. They decided to implement a performance management system in 2007 and launched their Balanced Scorecard effort a year later. This effort, championed by the CEO and the leadership team, also had the overt support of the board, enabling Ozarks Electric to achieve buy-in quickly.

CREATION
Ozarks Electric began the process of developing their Strategy Map with a close examination of their purpose, mission, and values. Because their purpose, mission, and values underpin all aspects of their strategy, they chose to feature these guiding principles in full at the top of the Strategy Map.

In place of the usual four perspectives, Ozarks Electric arranged their map around five "mission critical areas," a term borrowed from NASA's "Race to the Moon" in the 1960s. For Ozarks Electric, the idea of mission critical areas – those vital operations that require the highest level of organizational focus and discipline in order to meet the mission – became a central communication tool in their strategy

execution process. As a cooperative, the business model for which combines aspects of a for-profit and a mission-driven organization, the decision to tie the perspectives explicitly to the mission was uniquely apropos. Ozarks Electric began using the acronym MAPSS (Member Satisfaction, Affordability, People and Culture, System Reliability, and Safety) to refer to the five mission critical areas. This shorthand helped ensure that all employees had a greater understanding of the organization's strategic priorities.

In order to continue to develop their story and strategy, Ozarks Electric participates in an annual review of their Cooperative's purpose and mission, formulating a strategy for the upcoming year. This strategy review process consists of two separate inputs. First, Ozarks Electric's Executive Management Team examines the cultural behaviors of their organization in comparison to the behaviors advocated by their value statements, continuously striving towards achieving a stronger organization-wide culture. Second, Ozarks Electric conducts a historic analysis and visioning exercise to discover gaps in their resources if they are to remain competitive.

Following this strategy renewal, Ozarks Electric's Strategy Execution Committee reviews the suggestions of the

ABOUT THE ORGANIZATION

Ozarks Electric Cooperative Corporation is an electric service provider providing service to communities in nine counties throughout Northwest Arkansas and Northeastern Oklahoma. Headquartered in Fayetteville, Arkansas, Ozarks Electric has 188 fulltime employees. Considered to have one of the most highly satisfied memberships in the nation, Ozarks Electric has consistently attained an ACSI score in the top three percent nationally for the last four years.

leadership team. This committee, made up of a second layer of management, retains a facilitator and reviews the new strategy. The facilitator's main responsibility is to solicit input from each committee member, ensuring the entire team is in alignment. Only after the Strategy Execution Committee validates the "wet ink" strategic plan provided to them by the executive team does Ozarks Electric launch the implementation of the strategy for the upcoming year.

Management

Ozarks Electric's Balanced Scorecard was originally managed by the executive team. As the process grew more mature, the number of objectives increased and the continuous improvement margin narrowed. To administer this more complex program, the executive team established an Office of Strategy Management (OSM), a four-person team that

reports to the CEO.

Each quarter, objective sponsors present a detailed review of each mission critical area on the scorecard to the board, which validates that the strategy continues to be aligned with the organization's mission. (For more on the board's participation in the strategy management process, see "Best Practice Insights," sidebar.) At the end of the calendar year, Ozarks Electric takes a unique approach to the usual in-depth annual strategy review. They hire an external auditor to perform an independent audit of all Balanced Scorecard initiatives. Based on the results of this audit, the board approves performance-based incentive bonuses as appropriate. This approach is unique both for the involvement of the board – itself evidence of how important Ozarks Electric considers incentivizing strategic behavior – and for using an unbiased external resource to ensure accuracy and honesty.

Ozark Electric's Strategy Map

BEST PRACTICE INSIGHTS

The degree of trust and transparency that exists between Ozarks Electric's board and the executive team has allowed the board to carve out a distinct participatory role in the creation and execution of Ozarks Electric strategy.

The original directive that led to the adoption of the Balanced Scorecard came from the board in 2007, when they recognized that, as a fast-growing organization, they needed a better method to measure progress on key objectives. Since that time, the board has been more than a tacit supporter of the Balanced Scorecard. Instead, the board actually creates value through its active participation in validating the strategy and driving accountability. This situation is extremely rare but also extremely beneficial.

Each year, the board reviews any new strategic objectives and approves their funding. Each quarter throughout the year, a detailed review of the scorecard is presented to the board by the objective sponsors to track the progress in each mission critical area. At year end, the board examines the audited results from the Balanced Scorecard and recommends incentive compensation levels awarded for meeting goals. That fact these tasks have been elevated to the level of the board speaks volumes about their commitment to strategy execution and the productive working relationships between the board and executive leadership.

CHALLENGES

Though the early stages of building their Balanced Scorecard were comparatively smooth, Ozarks Electric stalled when it came time to choose measures and set targets. A lack of readily available benchmark data presented significant obstacles. Ultimately, Ozarks Electric drew upon Touchstone Energy and the National Rural Electric Cooperative Association's (NRECA) dashboard, tweaking and validating their draft measures against comparable data. By identifying other member cooperatives of similar size, Ozarks Electric pinpointed areas for improvement and set informed targets for their performance.

In addition to the hurdles that Ozarks Electric faced while setting measures, they also face the continual challenge shared by many other organizations of elevating the conversation from the tactical to the strategic. Like many organizations, they find that operational discussions can sometimes overwhelm strategy. Awareness of this tendency is half the battle, and they strive to stay focused and to improve every year.

Ozarks Electric receives the Hall of Fame Award. From left to right: Dr. David Norton; Mitchell Johnson, CEO; Dr. Robert Kaplan; Paul Dougan, VP of Member Services and Marketing; Todd Townsend, VP of Corporate Services; David Black, VP of HR.

Conclusion

By 2013, Ozarks Electric completed a stunning six-year transformation from below average to a top 10% performer in the NRECA. The Balanced Scorecard effort at Ozarks Electric has dramatically impacted their ability to manage performance and meet their customers' expectations. Ozarks Electric transformed their entire performance management system with the Balanced Scorecard. With it, they have aligned their employees to the strategic mission and continue to execute on their strategic initiatives. Adapting the best practices of the Balanced Scorecard and Strategy Management System to fit the unique needs of their organization enabled Ozarks to be successful in their pursuit of a strong performance management system.

Ozarks Electric accepts the Hall of Fame Award. Click to play.

Execution Premium Results

All results are from 2007–2013 unless otherwise indicated.

- Member satisfaction rose from an ASCI score of 83 to a score of 96
- Moved from a less than average performer in system reliability to a top 10% performer
- Achieved a lost work day average of zero, compared to a lost work day average of 3.35 in 2007
- Number of dropped calls per month decreased from 1070 to 330
- Percentage of bad debt written off decreased from .38% to .19%
- The average length of time an individual customer is off over the course of a year has decreased from 7.02 hours to 1.89 hours (SAIDI score)
- The average duration of an outage has decreased from 2.62 hours to 1.55 hours (CAIDI score)
- In 2013 alone, Ozarks Electric has volunteered 24,700 hours of community service (not measured prior to launch of BSC)
- Ozarks Electric has 12,245 social media users and 1,144 Smart Pay members compared to zero in 2007

> " *Those of us who grew up during the 'Race to the Moon' era may recall hearing the term 'Mission Critical' for the first time. It was NASA's way to describe any process or system that was absolutely essential to avoiding failure and achieving success, especially in a high-stakes endeavor. At Ozarks Electric we use the term mission critical to describe vital utility operations that require the highest level of organizational focus and discipline.*
>
> *"With the Balanced Scorecard we identify performance gaps and set targets in each of our mission critical areas. We identify, fund, and implement specific initiatives to close those gaps. Most importantly, we have given our mission critical objectives the unwavering attention they require. Consequently we can say with confidence that Ozarks Electric is achieving our organizational equivalent of landing a man on the moon and bringing him safely back to earth again."*

Mitchell Johnson, President/CEO, Ozarks Electric Cooperative

Savant Pharm

Executing an ambitious growth strategy in a crowded industry

THRIVING IN A HYPER-CROWDED INDUSTRY

In 2005, Savant rolled out a new five-year strategic growth vision with two central components: (1) start production at its second plant, a state-of-the-art facility for domestic antibiotics manufacturing in Argentina; and (2) diversify the composition of its revenue sources away from dependency on institutional clients and towards increased growth in pharmacy-level sales.

At the time of the strategic refresh, 70% of sales were made to institutional clients and only 30% to pharmacies. In addition to turning the revenue composition upside down such that 67% of revenue would come from pharmacies by 2009, the company's strategic plan also set a revenue target of $12M USD, a 200% revenue increase.

This new ambitious growth plan required developing and delivering a new customer value proposition for pharmacies: higher margins for pharmacists and more affordable drugs for end consumers. Recognizing that this was not going to be an easy undertaking and that the success of the growth strategy hinged on its ability to be executed effectively, Mauro Bono, then the Chief Executive Officer, determined that Savant needed a new Strategy Management System (SMS) that could not only track metrics but also provide senior management with the ability to streamline the entire value creation process.

LEADERSHIP FOR STRATEGY EXECUTION REQUIRES DIFFICULT DECISIONS

Because Savant believes that strategy execution must be set and driven by the company's leadership, from the very first day Mauro Bono placed the success of the SMS as his highest priority. He made a conscious point of communicating to his senior team (Federico Svriz, Hernán Giovanini, Ivanna Mandolesi, Leandro Roberi, and Walter Visconti) that this

system was to provide the company a backbone for strategy execution and decision making.

From the very beginning, some tough decisions had to be made. At one point, a member of the senior management team was not demonstrating the desired level of engagement and buy-in to the SMS, refusing to enable transparency into his operations and resisting the use of the BSC. Despite the fact that attracting this executive had been a costly endeavor for the company, Bono did not hesitate to dismiss him, as he recognized that his continued presence would undermine the efficacy of the company-wide effort.

Starting from the top, the SMS proved to be an invaluable tool for fostering strategy execution momentum and driving alignment of the entire organization.

ABOUT THE ORGANIZATION

Argentinian pharmaceutical manufacturer Savant was founded in 1993 by Mauro Bono, a pharmacist, under the name FABOP Laboratories, and rebranded as Savant Pharm in 2005. It operates two manufacturing plants and is comprised of four business units, plus a manufacturing on demand service for other pharmaceutical players and an international division that exports products to clients outside Argentina. As of 2014 Savant is headquartered in Buenos Aires.

Today Savant employs more than 350 people and works every day to embrace its corporate mission, *bringing health for a better life*, for millions of people in every continent. Savant produces 240 products under 40 brands and has an annual revenue of $50M USD.

DEVELOPING THE STRATEGY MANAGEMENT SYSTEM

Beginning in March 2005, Savant created its corporate Strategy Map before developing the first Balanced Scorecard several months later. Savant decided to utilize the BSC as a reporting tool at the corporate level well before cascading it to support units (in 2006) and finally to business units (in 2009). As part of the process of developing its SMS, Savant generated multiple vision statements for three-, five-, and eight-year time horizons, each of which is quantified in two or three high-level metrics that are tracked in the strategic plan.

In order to ensure that the SMS took hold and became integrated into the company's daily operations, Bono and the Savant leadership team integrated the SMS into the function of the Board and the executive office. Rather than establish an Office of Strategy Management (OSM), Savant established a strategy management role that was better suited to Savant's small size (see "Best Practice Insights," sidebar).

One of the most significant activities within the scope of the strategy management role is helping to manage Savant's portfolio of strategic initiatives. While Savant is committed to maintaining cross-functional teams to manage themes and initiatives, executives at the highest level of the organization are held accountable for the outcome. In line with its visions corresponding to multiple planning

Savant's Strategy Map
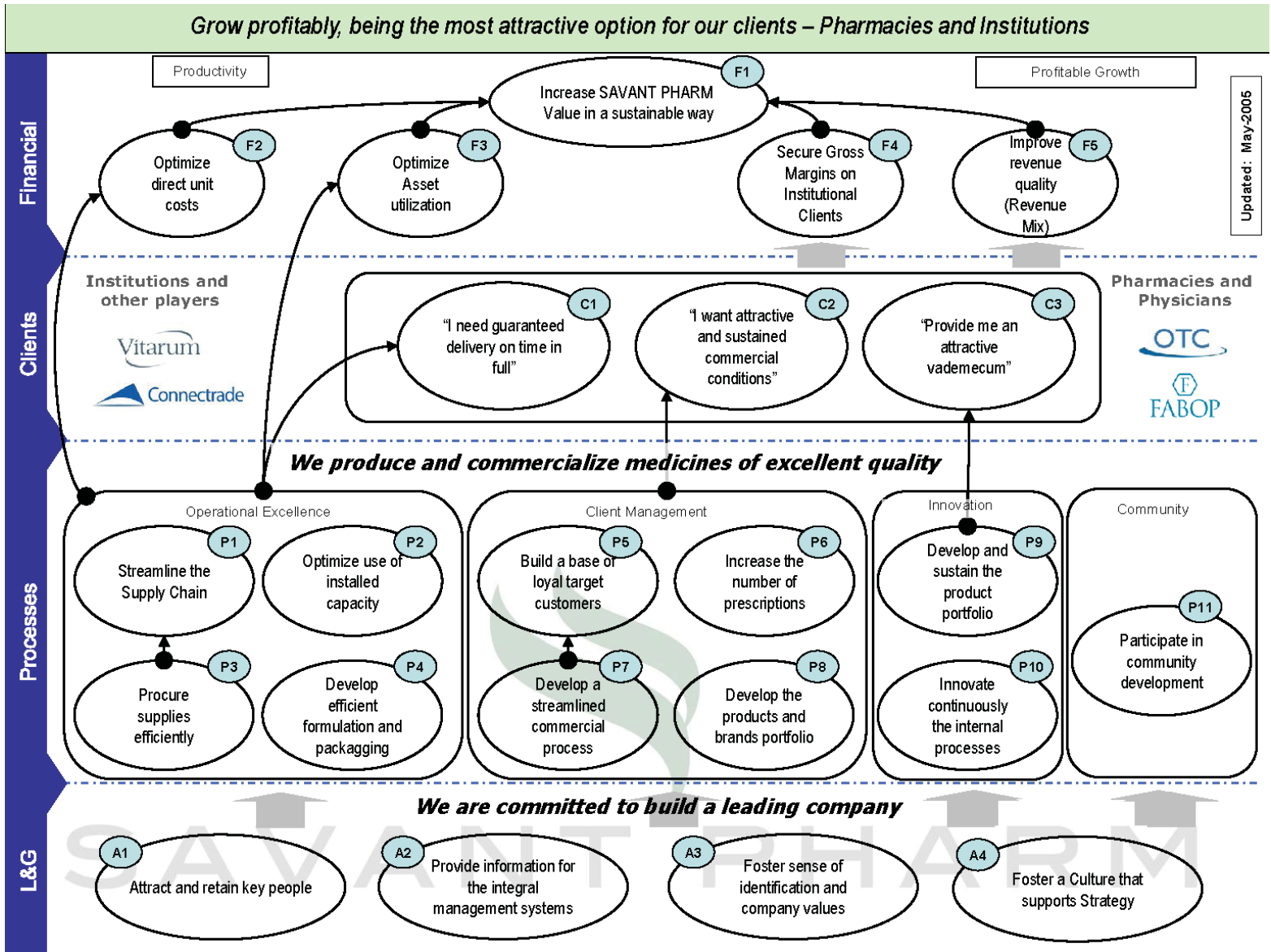
horizons, Savant manages a rolling inventory of initiatives with an eight-year line of sight, and funding for each initiative is specifically allocated at the corporate level. This long time horizon, a necessity given the long innovation cycle of the pharmaceutical industry, is also a boon in that it allows Savant to anticipate and secure the necessary tangible and intangible assets and thereby increase the likelihood of successful execution.

In 2012, a Project Management Office (PMO) was created with a direct line of reporting to the CEO. The PMO and OSM roles are separate, with the former receiving guidance and initiative charter definition and alignment from the latter. In this way, the CEO and Board of Directors determine the slate of strategic initiatives needed to achieve their vision, and the PMO is tasked with executing it on a day-to-day basis.

Cascading the Strategy Map

When the time came to cascade the Strategy Maps and Balanced Scorecards to each strategic business unit, the corporate-level map served as a "strategic umbrella" under which each unit's vision and Strategy Map fell. Naturally some corporate strategic objectives became the starting point to develop the business unit cascade, while other cascades complemented the corporate "umbrella" in a way that more accurately reflected the complexities and challenges relevant only for that SBU.

The latest version of the Corporate Strategy Map contains strategic themes that refer directly to the cascaded SBU maps. By drilling down into the cascaded maps, contributory objectives provide support to the overarching corporate strategy. By maintaining this divide between a high-level corporate Strategy Map and more functionally-focused discrete SBU maps, Savant is able to keep the corporate map as a lean, easy-to-use tool for high-level analysis and decision making.

In cascading its maps, Savant did not stop at SBUs. Rather, they cascaded them all the way down to team and individual goals, as well as to support units. In order to reinforce the strategic objectives and reinforce and reward superior performance, Savant developed an incentive system that is closely tied to the Strategy Map. In addition, Savant has linked its operations and financial planning to the strategy, including linking HR and IT support units into the overarch-

Best Practice Insights

Savant adapted the traditional Office of Strategy Management (OSM) to suit their particular situation. Because of Savant's relatively small size (approximately 350 employees), Savant's leaders felt that a dedicated organizational structure was neither necessary nor beneficial. Instead, Savant established a strategy management role, a set of responsibilities typically taken on by the OSM for which a given executive or group of executives would be responsible. At the outset, the OSM role fell to the CEO, a move which for many organizations would not have worked but which was well-suited for Savant at that point in time.

ing strategic direction.

Further cascading the Strategy Map to customers or suppliers is under consideration for the near future.

Communicating the Strategy

Savant feels that communication of the strategy is vital to its success. They ensure that all strategy-related action items and resource allocation decisions are immediately communicated throughout the organization, taking care to note the role of each individual team and person.

To reinforce its strategic direction, Savant has developed a quarterly magazine (SAVANTEAM) in which stories that feature success and desired behaviors are provided as vivid examples. Many of these stories are written by employees. The company complements the magazine with other communication channels including conference calls, team-level meetings, and off-sites.

Using Data Analytics to Guide SRM Decisions

At Savant, managing strategy based on metrics is also a vital component of its success. When conducting Strategy Review Meetings (SRMs), Savant incorporates quantitative tools such as statistical analysis into its planning cycle to evaluate the correlation of different cause-effect variables. The scatter plots and regressions that result from their statistical analysis are used as inputs for developing, monitoring, testing, and refining the strategy during the strategy review process.

SRMs are the cornerstone of strategy management and decision making at Savant. A complete round of SRMs occurs on a monthly basis, starting from business unit and team operational review meetings, through SBUs and support units, and finally at the corporate level. A longer management retreat occurs annually to refresh the strategy (questioning strategic hypotheses, testing, and learning).

Once it has been recognized at an SRM that a performance target has been hit, it is a Savant best practice to establish a new stretch target so that teams and individual employees are continually challenged to innovate and avoid becoming comfortable with their current performance. Because of this practice, scorecards at Savant rarely stay green for too long.

OVERCOMING TECHNOLOGICAL HURDLES

The complexity of Savant's emerging business model demanded quality real-time data that their legacy ERP system was unable to provide. In 2008, Savant upgraded to a new,

world-class software that would address their information needs. In a very short time frame, Savant needed to learn to manage without the familiar reports and systems of their legacy system.

Regular report generation with the new ERP system was initially a challenge, though an expected one. Rather than simply building the same old reports in the new software, Savant took advantage of the "information blackout" resulting from the shutdown of the legacy system to put in place a state-of-the-art reporting tool that integrates information on Strategy Maps and Balanced Scorecards with information on operational dashboards. Today, it is the main BSC reporting tool.

This significant change to information capital – overhauling an existing ERP system – is illustrative of Savant's leadership team's commitment to change. Without that commitment, Savant would never have pursued such a robust technology tool for strategy management and decision making.

Savant Pharm receives the Hall of Fame Award. From left to right: Dr. David Norton; Ivanna Mandolesi, Vice President; Mauro Bono, President; Dr. Robert Kaplan.

FORWARD PROGRESS

Since launching their new SMS in 2005, the Balanced Scorecard has become the backbone of Savant's strategic planning and execution process, giving direction and purpose to every major organizational initiative. In the eight years since the SMS was implemented, Savant successfully became one of the fastest growing pharmaceutical laboratories in the region, reached market leadership in Argentina, and started international expansion. Given the superb results that Savant has received, they plan to continue using it for its next eight-year strategic plan, "Strategic Plan 20/200."

In particular, Savant plans to integrate automation into their planning process, utilizing more advanced quantitative models (e.g., integer linear programming) to optimize strategy execution. Savant aims to implement more data mining capabilities and a more robust use of data analytics to anticipate market trends and better understand clients' behavior.

EXECUTION PREMIUM RESULTS

All results from 2004-2013.
- Multiplied revenue over tenfold from $4M USD to $50M USD
- Reached EBITDA above 20% of sales
- Created a diversified structure of profitable business units and launched its international operations
- Became a dominant player in a saturated market
- Improved international operations from a negligible amount to 10% of revenue from exports
- Increased active client base from 500 to 5,000

Savant Pharm accepts the Hall of Fame Award. Click to play.

> *At Savant we are faced with the imperative to grow our business in a crowded and hyper-competitive market, one that even so lacks business model innovation. In Argentina, Savant's domestic market, there are more than 250 pharmaceutical laboratories, of which 5 players control 25% of the market.*
>
> *In order to compete effectively, Savant must challenge the status quo and think innovatively. We have recognized that we need more than just the idea of growth in order to compete successfully; the principal strategic asset we have is our ability to execute. The Balanced Scorecard and associated Strategy Focused Organization (SFO) best practices have provided our organization with a definite competitive edge."*

HERNÁN GIOVANINI, CEO, SAVANT

TCS Business Process Services
Executing an ambitious growth strategy to become a market leader

Originating from a number of acquisitions in 2004 and 2005, Business Process Services (BPS) was a relatively late business line entry for Tata Consultancy Services (TCS), a Global Top 10 IT services and consulting organization head-quartered in Mumbai, India. TCS propelled itself into a new stage of growth upon acquiring Citi Group Global Services in January 2009, in the middle of the global financial crisis. Overnight, 12,000 people became part of TCS BPS and the ensuing systems and process integration and comprehensive change management program lasted two years.

By early 2011, BPS was ready to make even bigger strides despite intensifying competition and continued economic uncertainty worldwide. BPS nurtured dreams of becoming the market leader and set a series of ambitious goals:
- Become a $3 billion USD enterprise by 2016 and contribute 15% to overall TCS revenue
- Attain market leadership in business process outsourcing, first in India and then worldwide
- Achieve recognition as the most innovative BPS
- Be a strategic partner of choice for business transformation
- Be the employer of choice

To achieve this vision, BPS' management knew they must steer the organization in a structured manner with utmost focus and strategic direction. Managing scale and galvanizing people in alignment with the enterprise goals would be the biggest challenge. Parameters such as leadership requirements, competency development, geographical focus, global scale, innovation, and penetration into newer markets were all gaining importance. BPS needed a philosophy and framework that would tie all the constraints and opportunities into viable business propositions that people could relate to, absorb, and commit to. The organization needed a new set of behaviors that were appropriate for both the parent entity and the acquired entities. Further, BPS' customers were closely monitoring the company's response to

the challenges of integration, alignment, and aspirational growth. As a partner for business excellence, BPS' clients expected them to demonstrate internal business excellence.

In aggregate, these dynamics strengthened management's resolve to adopt the Balanced Scorecard to simplify, translate, and cascade strategy. Abid Ali Neemuchwala, Global Head of BPS; Ranjan Bandyopadhyay, Global Head of HR at BPS; and Himanshu Saxena, Head of Strategy Alignment, launched the BSC beginning in 2011.

STRATEGY FORMULATION

The BSC process at BPS begins with the identification of strategic priorities. This is invariably a bottom-up exercise, wherein each unit is asked for their recommendations based on the future business context and the priorities of the previous year. Critical insights come from across the orga-

ABOUT THE ORGANIZATION

TCS Business Process Services (BPS), a business process out-sourcer, is the fastest-growing subsidiary of Tata Consultancy Services (TCS), itself part of the India-based multinational conglomerate Tata Group. BPS offers horizontal services for finance and accounting, HR, and procurement and analytics across all industries. Industry-specific services include banking and financial, insurance, drug development and safety, retail, telecom, travel-related, publishing, manufacturing, knowledge, and legal process services.

BPS employs 58,000 people in 23 delivery centers spread across 14 countries. As of 2014, BPS serviced more than 275 customers across the globe and brought in annual revenue of approximately $1.25 billion USD.

nization and incorporate market analysis, current customer needs and challenges, and the situation on the operational floor. The crowd-sourced approach creates natural buy-in and ownership of the strategy.

This annual exercise sets the tone for discussions, war gaming, and brainstorming at the unit/functional level. The resulting suggestions are filtered up, keeping redundancy and differentiation in mind, and the leadership team debates the shortlisted choices to arrive at the strategic priorities for the forthcoming year.

One of the most significant contributions of BSC implementation has been narrowing down strategic priorities, creating an organization-wide focus on doing only a few things but doing them well. Since adopting the BSC, BPS has whittled down their list of strategic priorities from eleven to five. A focus on long-term strategic direction has ensured that priorities do not change drastically year by year.
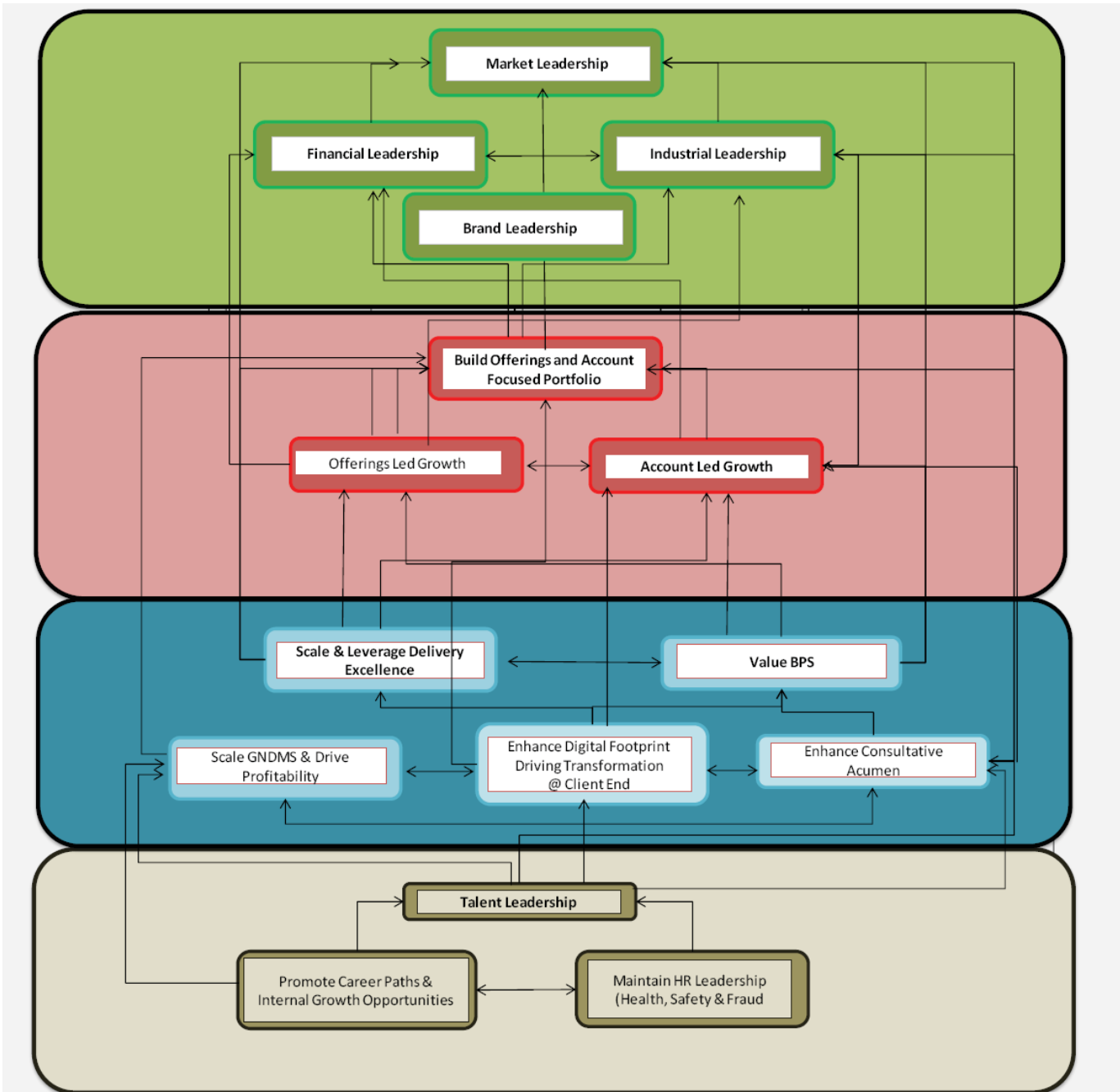
TCS Business Process Services' Strategy Map

BSC at BPS

After the strategic priorities have been finalized, the BSC team under Himanshu Saxena creates a draft scorecard that is shared with the unit and functional heads for input. Each strategic priority is broken into concrete, granular themes and objectives that will contribute to the BPS-level scorecard or to the scorecards of the underlying units. The team also reviews the latest research and consulting reports to arrive at appropriate measures and targets that will make sense to the individuals who will own each objective.

Once the leadership team has reviewed the draft scorecard and their input has been integrated, the Global Head of BPS signs off on the final product. Based on the scorecard, the BSC team builds a Strategy Map to visualize the strategy in a simple, effective manner. Both the scorecard and the Strategy Map are used for learning, sharing, and creating awareness of how strategy translates into operational goals that staff can relate to.

Cascading

After completing the BPS-level scorecard, the BSC is cascaded to the underlying units in three stages:
1. Review the respective unit-level plans;
2. Create draft objectives, measures, and initiatives based on the BPS-level scorecard; and
3. Hold discussions with each unit head to finalize the respective scorecards.

While anchoring vertical and horizontal cascades, iterative discussions take place to ensure alignment. Once all the scorecards are created and finalized, the process culminates with goal sheets at an individual level that tie back to strategic priorities. All staff are evaluated on their performance against the Balanced Scorecard and their goal sheets.

The robust and comprehensive cascading process, which in some cases goes as far as the domain or team level, entails multiple conversations that promote the collaboration and mindshare necessary for innovation. What is impressive about this process is how it creates bottom-up buy-in. A typical BSC process each year results in the creation of between 25 and 30 scorecards. By involving the breadth of the organization in a structured way through each step of
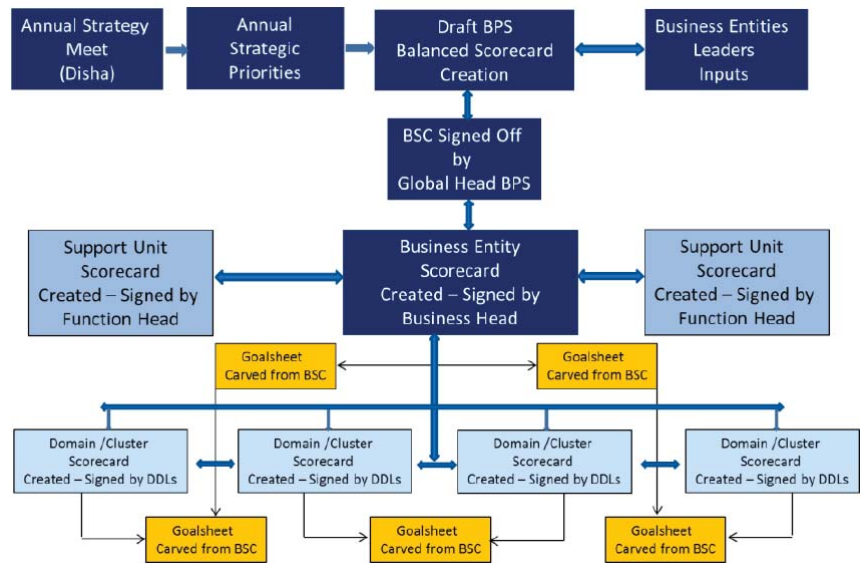
A diagrammatic representation of BPS' BSC rollout.

the process, from strategy formulation forward, the organization builds its own case for change organically.

Overcoming Inertia

In early 2011, when Himanshu Saxena first started socializing the BSC, the typical reaction of leaders and managers was skepticism ("Oh no, another performance management framework," or, "We are too big to implement something like BSC"). People questioned the wisdom of introducing such a change when everything was working fine. In the absence of any looming threats to their business, it was often difficult to motivate some leaders and staff to learn and adopt new behaviors and practices. They often questioned the relevance of investing time in such "experiments."

This inertia needed to be neutralized by an impactful communication and awareness strategy. Equally important would be strong top-level support and sponsorship that was explicit and proactive (see "Best Practice Insights," sidebar). Both Abid Ali Neemuchwala and Ranjan Bandyopadhyay were effusive and pervasive in their support. They initiated the context and emphasized the relevance of the BSC to their respective teams, frequently asking them to learn and experiment with the framework. Without their unequivocal support, the BSC journey would not have been so smooth and effective.

BPS already had an operationally effective leadership, and eliciting interest in strategy execution was not easy. Saxena

Best Practice Insights

Given the size of BPS, a BSC implementation team could not drive such an effort in "standalone" mode—they needed a broad base of proponents and advocates ready to believe in the initiative and experiment from the start and subsequently willing to promote its resultant success. Consequently, a dedicated effort was made to identify and develop BSC brand ambassadors who would become the early adopters of BSC. This was a set of progressive, agile, and proactive leaders who were willing to experiment with the new management practices, dedicate their time to learning, and implement BSC in their units. They not only proved to be the brand ambassadors but went on to demonstrate the resultant success in the financial results as well as key behaviors of their teams. While it took a while to create such ambassadors, they played a huge role in spreading the effectiveness of the BSC through word of mouth.

than 450 leaders attended one of fifteen programs offered at various locations, and of these leaders nearly 40% also sought a personal coaching session to clarify their understanding and apply it to their areas of influence.

BPS also took advantage of the growth of their workforce to embed the BSC into their operations. The rate of growth means that new roles and structures need to be created frequently. All new roles are defined using the BSC framework, and it is the basis of discussions to define objectives and measures for performing the new role. BPS also integrated the BSC into the curriculum for its leadership induction program, the onboarding process for all new hires at a manager level or above. With as many as 30 new leaders starting each month, to date over 800 leaders have attended the program.

Combined with top leadership commitment, these innovations and change management techniques helped drive the BSC implementation through many hurdles.

positioned the BSC implementation as a "learn and adapt" initiative. He sought discussions with key leaders to assess what the organization was good at and could further improve, what areas of the strategic priorities required further clarification, and if they and their direct reports understood the direction established by the executives. These probes convinced the leaders that there was huge scope to expand clarity and led to a master Strategic Change Agenda that set the tone for BSC awareness, discussions, and curiosity.

Education played a significant role in socializing the BSC. Because senior leaders at BPS proactively sought training and coaching, the opportunity to attend a three-day BSC Boot Camp drew considerable interest. More

BPS accepts the Hall of Fame Award. From left to right: Himanshu Saxena, Head of Strategy Alignment & BSC; Dr. David Norton; Ranjan Bandyopadhyay, Global Head of HR; Abid Ali Neemuchwala, Global Head of BPS; Dr. Robert Kaplan.

Looking to the Future

As one of the fastest-growing units of TCS and the first to adopt the BSC, BPS is a test bed for trying new business methodologies and management practices. BPS has clearly demonstrated the framework's effectiveness. As of 2014, they have captured the market leader position in India, and their continued growth makes them a strong contender to become the top player globally.

Going forward, BPS strives to continue broadening its BSC capability and awareness. They plan to broaden their knowledge base by offering BSC Boot Camps at all of their delivery centers across fourteen countries. They also hope to encourage greater local autonomy in the BSC process, supported by an organization-wide BSC Center of Excellence. Unsurprisingly for an IT firm, their future plans include a significant technological component. In addition to adopting a technological platform for scorecard creation and cascading, they hope to better integrate their information system with their BSC to capture business intelligence insights.

Execution Premium Results

All results from 2011 to 2014.

- Achieved revenue CAGR of 44%, exceeding industry growth curve
- Increased global accounts by 57% and large deals won by more than 100% while improving customer satisfaction by 5% off a high baseline
- Expanded leader ranking by key industry analysts from 6 to 16 domains
- Received in the last 3 years a total of 88 prestigious business and HR awards, endorsing BPS' leadership position in all the business and people arenas
- Staff attrition dropped 10% and percentage of critical roles filled internally now at 95% from 30% previously

BPS accepts the Hall of Fame Award. Click to play.

> " *BPS acquiring industry leadership is attributable to our strategy and disciplined execution ensuring collective focus and alignment, wherein Balanced Scorecard has made a huge impact. BSC has provided us a framework to foster a culture of meaningful conversation among leadership as well as their respective teams. We will continue to leverage BSC along the length and breadth of the organization, so that we can make strategy everyone's job and realize its financial promise through effective execution."*

ABID ALI NEEMUCHWALA, GLOBAL HEAD OF BPS, TATA CONSULTANCY SERVICES

Palladium
Executing Strategy

Founded by Dr. Robert S. Kaplan and Dr. David P. Norton, Palladium helps clients solve their pressing strategy execution challenges and achieve superior performance through a set of integrated consulting and training services. Palladium's approach combines expertise in proven strategy execution with integrated change management and leadership development programs. Palladium's methods include the Execution Premium Process™ (XPP™), the Kaplan-Norton Balanced Scorecard™, and other best practice frameworks that translate concepts into programs that deliver measurable results. The benefits of our approach are demonstrated in the Balanced Scorecard Hall of Fame for Executing Strategy®, which recognizes organizations that improve performance through outstanding execution. For more information, visit www.thePalladiumGroup.com.

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