



# Strategy Execution Case Study

Agrosuper

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## Foreword

Since the year 2000, Palladium – in partnership with Drs Robert Kaplan and David Norton – has been recognizing organisations that prove that well-designed strategy and sustained excellence in execution yield industry-leading performance. Such performance comes in many forms including more engaged employees, more satisfied stakeholders, and returns for shareholders or reinvestment in the mission. To date, over 200 organisations, representing nearly every industry and corner of the world, have been inducted into Palladium’s Balanced Scorecard Hall of Fame for Executing Strategy. These inductees have demonstrated that disciplined use of a Balanced Scorecard-based system of managing strategy is foundational to achievement of ambitious goals and grand visions.

As each Palladium Balanced Scorecard Hall of Fame for Executing Strategy winner has formulated and implemented a successful strategy using the same foundational management framework, this case study focuses on the more unique aspects of the Agrosuper’s strategy execution journey. More information and examples of fundamental strategy execution practices are offered in the seminal management books: *The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive in the New Business Environment* and *The Execution Premium: Linking Strategy to Operations for Competitive Advantage*.

We hope there are a few new ideas in this case study that you can take away and consider for your own organisation’s strategy execution journey.

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## Strategy Execution Case Study: Agrosuper

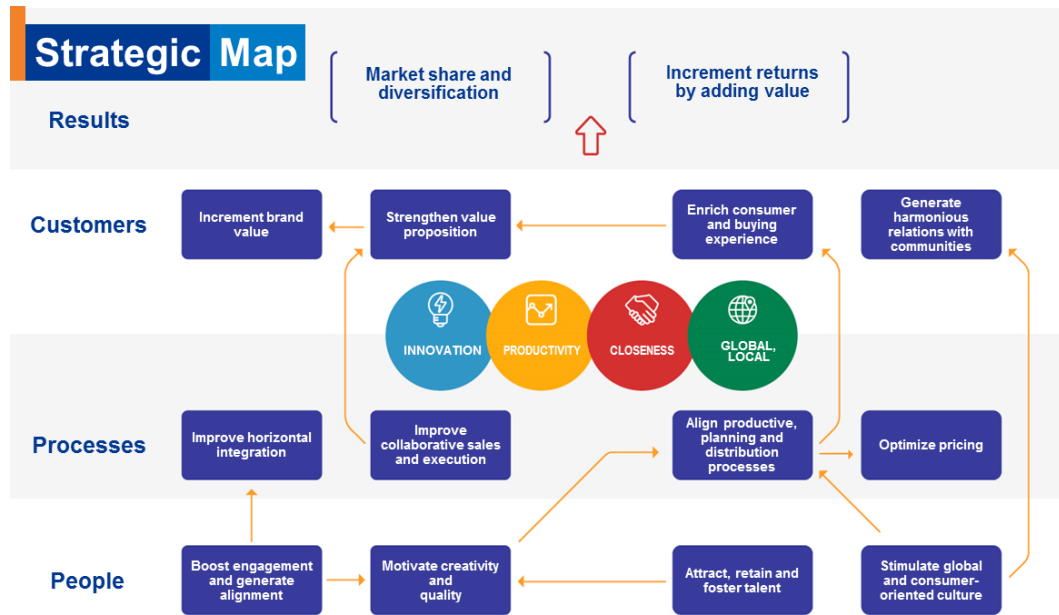
Agrosuper, Chile’s largest white meat producer, had a challenge: its domestic market leadership. Over the course of its existence, the organisation had gone from start-up egg producer in 1955 in Doñihue to the market leader in chicken (Super Pollo brand), pork (Super Cerdo brand) and turkey (Sopraval brand) throughout Chile.<sup>1</sup> However, the company needed to take a step forward with a new strategy to leverage its success for further growth. This strategy needed to improve the company’s positioning not only in Chile but also around the world. Guillermo Díaz del Río, the General Manager of Agrosuper Comercial, had heard of the Balanced Scorecard, despite more limited penetration in Chile compared to other developed economies, and decided to use the tool to guide the organisation’s evolution.

### Intellectual Exercise Given a Second Try

Agrosuper’s first Balanced Scorecard attempt started the same as most. Leaders were involved in a series of activities and workshops that drove consensus around the direction of the company. “We needed conversations about where best to focus our efforts and settled on a good strategy,” reflected Díaz del Río, “but the problem was that we did not have the governance practices in place to actually execute on the strategy in any systematic way.”

The story of strategy execution at the company could have easily ended at that point, with the Balanced Scorecard relegated to a list of tools that had been tried and failed. To executive leadership’s great credit, they had a vision for how the tool could help the organisation, if applied through a different set of practices. In 2011, Agrosuper shifted the use of the Balanced Scorecard from just a framework to organise

<sup>1</sup> Agrosuper’s corporate overview video is available at <https://youtu.be/nYPrcVdsQU4>.



Agrosuper's company-wide Strategy Map.

their strategic plan to a structure for managing the ongoing execution of the strategy. Commercial Manager, Facundo Porolli, reflected on this saying, “When we started we were doing it wrong ... We had the business running and, in addition, Balanced Scorecard projects. It was like a heavy backpack that we had to carry. Now it is a great system.”

It is not as though the shift from a framework for strategic direction to an execution system was easy. “You need a lot of effort in the first 3 or 4 years,” said Díaz de Río while considering the depth of his personal involvement championing the change, “but several years later it is the frame through which we view our business.”

## Robust Initiative Management

The key to Agrosuper's success building a culture of strategy execution is the robust, best-practice approach to initiative management that the organisation adopted and the way that approach was enriched by linkages to employee engagement efforts, individual performance management, and incentives.

For Agrosuper, initiative management started with an inclusive approach to identification of potential efforts, including highly strategic initiatives (such as opening an international sales office in Atlanta, Georgia, USA) to tactical quick-wins (such as automation of a palletizing product at the Rosario plant). At the professional levels of the organisation – sales, marketing, commercial, exports, human resources, etc. – ideas are raised primarily through routine meetings or by individuals proactively taking ideas directly to the division's Balanced Scorecard Administration Team Representative, the individual in each division that works for Agrosuper's version of the office of strategy management. This process is called “repopulation”. With front-line employees – operators of the industrial plants and branches, etc. – there is also a brainstorming process branded “participacion”.

Ideas identified in the “participacion” brainstorming sessions typically become Balanced Scorecard projects if they are aligned to strategy

and/or involve more than one location or division. Once an effort is identified as a “balanced project” and aligned to a strategic objective or identified as a “participacion project” aligned to an “operational dimension” within one of the company’s divisions, it needs to be scoped out. This scoping process is done for every project and includes building out typical information like milestones, dates, and resources, as well as more advanced information such as communication actions for each work-stream and outcome key performance indicators for tracking results.

Once efforts are scoped they are ready to enter the bi-monthly initiative portfolio management cycle through the prioritisation step of the process. During prioritisation all initiatives, including those already in progress, are reprioritised using the criteria of compliance with basic qualifications, level of return, and ease of implementation. An effort will not start until it has been fully resourced, which sometimes means larger initiatives will need to wait for resources to become available even if they are great ideas with high return on investment.

“Balanced projects” and “participacion projects” that are in progress are all subject to the same eight-week governance cycle, requiring progress reports to the division manager and division administrator. In these review meetings, changes to initiatives may be made to keep projects on track for achieving benefits, projects may be discontinued if benefits no longer seem affordable at a reasonable cost, and project leaders are held responsible. The faithful participation of division managers in these reviews demonstrates the importance of the process to their teams.

Changing the design of a process is easy relative to shifting the culture in which the process operates. Through the successful sustainment of this initiative management process, having just completed its 27th eight-week cycle at the end of December 2017, Agrosuper has experienced a couple of key shifts in its culture. Agrosuper “[has] always had continuous improvement, but Balanced [Scorecard] has been helpful in quantifying the improvements. Balanced taught [employees] to think about the results,” reflected Industrial Manager

Alvaro Ortiz, who supervises four industrial plants for meat processing. Then there was the “culture shift from [projects being perceived as] more work to do to having projects be something people want to be a part of,” said Díaz del Río.

## People Rise to the Occasion

One of the more unique facets of Agrosuper’s initiative management approach is its integration with workforce management and development practices. The approach “allows us to identify and build leaders through putting them in visible projects and then celebrating their success,” remarked Díaz del Río.

When a project is being scoped, one of the key decisions is who will lead it. In many organisations, the executive ultimately sponsoring the effort will choose someone whether a star employee with a



Participacion at the Lo Miranda Plant with front-line employees.

## Project Planning Matrix

### Project Identification

Management: Sales	Dimension: People
Project Leader: Maria Paz Muñoz	Objective: "Boost engagement and generate alignment"
Project Name: Communication, the recipe for success	Priority: Generate a communication program, establishing formal and systematic processes of ascending and descending communication.
Project Code: GVNPrIP11	
KPI: Question GPTW survey: My boss keeps me informed	
Goal: 85	
<b>Final Compliance Date:</b> 12/15/2017	

### Stage I: Survey Information

**Date of Stage Compliance:** 7/31/2017

Workflow	Resources			Project Communication Plan
	Team	Financial	Other	
Tasks: 1. Internal information survey (review GPTW survey)	People AS Commercial / Innovation			1. Presentation of the project to headquarters and direct team Subgerencia SAC
2. Review other organization's communication programs	Corporate Marketing / Espinaca Agency	\$10,0000		2.
3. Perform and apply a survey that allows information to be collected	Corporate Marketing / People AS Commercial / Exinde or Espinaca Agency / Internal Communications		Survey Monkey	3.
4. Generate guidelines and coordinate in-depth interviews	People AS Commercial / Exinde or Espinaca Agency / Innovation / Internal Communications			4.
5. Analyze survey results and interviews	People AS Commercial / Exinde / Innovation			5.
Milestones: 1. Diagnostic report				1. Presentation of results to headquarters and direct team Subgerencia SAC

demonstrated track record or a rising star ready for the next opportunity to grow. Nearly always this decision is unstructured and made at a gut level. At Agrosuper, choosing the project's day-to-day leader is a great challenge and opportunity. The effort's sponsor will work with their Balanced Scorecard Administration Team Representative to work through a structured template which guides determination of the project's leader. This template rates the wide variety of employees considered for the role based on two evaluation variables: knowledge and motivation, with motivation being the more important of the two.

At the conclusion of every initiative, the leader presents its project to an evaluating committee comprised of the unit's manager, the administrator, and another division's manager. In this forum, the project is scored based on both quality of execution and impact to the strategic direction or operational dimension. This is also when the continuity of the project is defined (i.e., if there should be a next phase of the project or not). Projects that are scored a 2.6 or above (on a scale of 1 to 3) are recognised as "star projects" for which there are incentives (recognition, vacation time, and corporate gifts). About 30% of projects receive this distinction. Currently, the company is building a program to follow-up on star projects one or more years after implementation to check sustainability of results and generally to see what more can be learned.

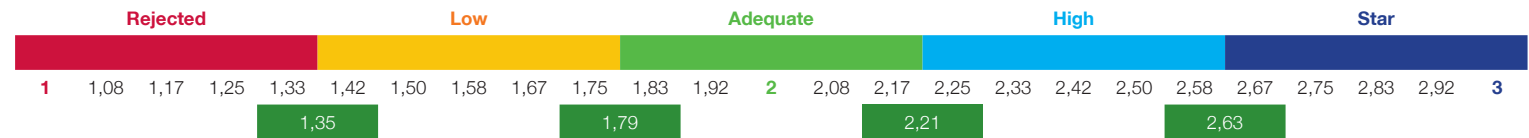
### Driving Employee Understanding

High employee awareness of strategy has always been a non-negotiable differentiator of organisations that execute strategy effectively and boast of high employee engagement. What makes this accomplishment notable for many manufacturing organisations, like Agrosuper, is the extra effort and investment in communication required to reach a workforce that predominantly does not have access to work computers and work-related email accounts. To overcome this barrier, Agrosuper has had to invest in

## EVALUATION MATRIX OF BALANCED PROJECT: ASC

I. Execution					II. Impact					Observations to the Project	
(Planning, Dates Accomplishment, Use of Resources, Leadership)					(Objectives Accomplishment, Relevance, Effectiveness, Indicators Impact)					Decision was made to scale the project in a new project phase. Currently the project was only applied at the Lo Miranda plant and today the remaining 3 industrial plants would like to duplicate the project.	
Evaluation Scale			Weighing	Weighted score	Evaluation Scale			Weighing	Weighted score		
Low	Medium	High	0.30	0.88	Low	Medium	High	0.70	1.80		
1	2	3	Dimension	2.93	1	2	3	Dimension	2.57		
Factors				Score	Factors				Score		
<b>Project Planning</b> (Detail, tasks organization, resources assignment)				2.8	<b>Achievement of Goals</b> (Consistency with initial objectives, coherence of the work plan)				3		
<b>Dates Accomplishment</b> (Compliance with established deadlines)				3	<b>Relevance</b> (Alignment with the strategy, relevant facts, level of change)				2.7		
<b>Leadership and Involvement of Others</b> (Team organization; influence, direction; motivation)				3	<b>Impact on Indicators</b> (Direct effect on management indicators)				2	<b>FINAL SCORE</b> 2.68	

### Project Evaluation Scale



the communications ability of management and rely to a greater extent on richer, in-person communication channels.

Building the communication capability of management is a multi-faceted goal involving the skills to convey information, familiarity with the content, and the structures to enable communications channels. At Agrosuper, management training covers some communication topics to reinforce skills for effectively delivering messages. Where the organisation differentiates itself is in thinking about its managers as crucial agents of change and giving them the comfort level needed to confidently talk about strategy in both formal and informal settings. This comfort level is important in allowing management to be effective in winning buy-in for the strategy and the change it entails.

One example of a concerted effort to build management comfort level was the “AgrosupeRun” activity which leveraged a metaphor for executing strategy – a race – to build management awareness in an engaging and memorable fashion. Like a race, strategy execution requires that you prepare and have a plan, work as a team, and be prepared to keep going despite challenges that may arise unexpectedly. A video was distributed to all Agrosuper staff to announce the race, get people excited for it, and reinforce themes of the strategy.<sup>2</sup> This activity was focused on the Balanced Scorecard’s values of “closeness”, “productivity”, “innovation”, and “think globally, act locally” (typically referred to as “themes” in Balanced Scorecard terminology). After presentations by the executive team, participants worked on identifying actions for each Balanced Scorecard value that were applicable in their work teams and their individual roles. This application of strategy to one’s day-to-day role was an important exercise for the participants of AgrosupeRun to be able to teach their team members the role they play in the strategy.

Managers engage frontline employees, for instance those on the industrial meat-processing factory floor, on the topic of strategy mostly through in-person interaction. One of these consistent and

<sup>2</sup> Video is available at <https://youtu.be/TteplhbmVQ>.



Participacion at the Lo Miranda Plant with front-line employees.

highly-interactive opportunities is the aforementioned “participacion” process in which ideas for new projects supportive of the strategic themes and aligned with strategic objectives or operational drivers are regularly brainstormed and discussed.

## Don’t Count Your Chickens before They Hatch

Since taking up the Balanced Scorecard as its strategy management framework and focusing on themes including “innovation” and “think globally, act locally”, Agrosuper managed to overcome the limitations of market leadership in Chile and benefit from the opportunities offered by the global white meat market. Despite all of its success, the company recognises that there are many opportunities yet to be captured as it continues to set strategy, brainstorm new projects that support strategy, identify and develop new leaders within the company, and engage both employees and communities. Following a very successful 2016, Guillermo Días del Río emphatically states in his first all-company video address of 2017, “This is a special year, because we are just starting and we have four big challenges I would like to tell you a little about.”

## Positive Impact

Palladium refers to “Positive Impact” as the intentional creation of enduring social and economic value. We are passionate about Positive Impact and sharing the ways in which Balanced Scorecard Hall of Fame for Executing Strategy winners are living out this mindset in their organisation.

In 2011, Agrosuper learned the painful lesson about the costs of not sufficiently managing community relationships and environmental externalities. A key piece of equipment broke down in one of the lagoons of the company’s water treatment system at their new Huasco facility. This resulted in the smell of pig slurry reaching neighbouring towns for several months while the equipment failure was being addressed. In the end, discontent of the community led the company to close its Huasco facilities, resulting in a notable financial loss for Agrosuper and the loss of economic opportunity for the community.

Since then, the company has invested in a new strategic objective to “generate harmonious relationships with communities” in which it operates through a dedicated workforce of 40 staff that work to understand community needs and identify corporate social responsibility interventions (where financial value creation is not a main focus) as well as Positive Impact opportunities. One type of Positive Impact project that Agrosuper has implemented is the use of technology to reduce externalities of the business and save money. For example, a sludge boiler installed at the San Vicente plant allowed the plant to harness the energy of the sludge by-product. The social benefits of the project include a 98% reduction in fuel consumption (both for sludge transport for disposal and for plant steam generation), a 93% reduction in waste, and a 60% reduction in carbon dioxide emissions. The financial benefits include an annual cost savings of \$1 million (USD ).



Top: The sludge drier evaporates 1,600 kilograms of water each hour, reducing water content of the sludge mixture from 68% to 10%. Bottom: Sludge boiler control panel, operated by Dagoberto Ruz. To prevent local operators’ resistance to new technologies, the company invests significant time with staff at each step of each project, researching and collecting ideas from them.



## Future Focus

**Using SAP for Balanced Scorecard management** – Agrosuper has been using a custom dashboard as the source of truth for its company-wide Balanced Scorecard, including performance data. All professional-level employees have access to it on the company intranet. The organisation would like to make this dashboard more powerful by tying it into its enterprise resource planning system, so will be migrating its Balanced Scorecard onto the SAP platform.

**Cascading the map** – The organisation made the deliberate choice to not fully cascade the Balanced Scorecard in order to keep the system simple and focused. At a practical level, the strategy did cascade through the disaggregation of strategic measures into performance by division and through each division’s identification of “balanced projects” and “participacion projects” that link to the strategic objectives or underlying operational dimension. Going forward, Agrosuper would like to further raise the organisation’s awareness of its strategic objectives by having each division highlight on the company-wide map the objectives it will focus on.

**Regular analysis at the objective level** – Agrosuper has built an impressive initiative portfolio management capability and is doing well at tracking and analysing strategic measure performance. It would now like to make a concerted effort to ensure nothing is missed in existing analysis by consistently adding an objective analysis layer to its strategy reporting efforts.

## Results

Indicator	PRE-BALANCED SCORECARD (2012)	CURRENT (2016)
Revenue	0.865B CLP	1.720T CLP
EBITDA	85.7B CLP	309.4B CLP
Margin	9.9%	18.0%
Advantage Report rating (of Chilean supermarket suppliers)	7th	1st
Brand knowledge (in Chile)		89%
Industrial productivity (kg/employee hour)	63 (2014)	69
Great Places to Work Score	59 (2007); 77 (2014)	82
Water consumption – L/kg	1.59 (2014)	1.15
CO <sub>2</sub> emissions – tons CO <sub>2</sub> /tons product	0.089 (2014)	0.077



Palladium is a global leader in the design, development and delivery of Positive Impact, the intentional creation of enduring social and economic value. We work with corporations, governments, foundations, investors, communities and civil society to formulate strategies and implement solutions that generate lasting social, environmental and financial benefits.

For the past 50 years, we have been making Positive Impact possible. With a team of more than 2,500 employees operating in 90 plus countries and a global network of over 35,000 technical experts, Palladium has improved—and is committed to continuing to improve—businesses, economies, societies and most importantly people's lives.