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2015 PALLADIUM BALANCED SCORECARD

HALL OF FAME

FOR EXECUTING STRATEGY® REPORT

2015 BSC HALL OF FAME

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Dear Strategy Execution Leader,

It is with great satisfaction that Palladium shares with you this report presenting the latest class of the Balanced Scorecard Hall of Fame for Executing Strategy®. The class of 2015 is comprised of ten diverse organisations from around the world that have done what the vast majority of organisations have not: successfully executed their strategies. The success of these organisations and their strategies is measured not just in market share, but in value creation for customers and employees as well. With our focus on catalysing the intentional and enduring creation of economic and social value through our clients, projects, partners and investments, we are especially excited about the impact of this Hall of Fame class on various stakeholder groups, including their local communities, patients, the urban poor and the unemployed.

Since Drs. Robert Kaplan and David Norton launched the Balanced Scorecard Hall of Fame programme at the turn of the millennium, hundreds of organisations have demonstrated the power of the Balanced Scorecard framework and the criticality of core strategy execution principles. Once again this most recent class of inductees provides support for the idea that successful strategy execution is enabled by strong leadership and change management, clear strategic direction, aligned organisation units and investments, engaged employees and effective governance.

Among the similarities shared by Hall of Fame organisations is that none of them are content following textbook methodology precisely as espoused. Each inductee has the ability to take the essence of a best practice and innovate upon it so that it proves valuable to their organisation. CHRISTUS Health worked with Palladium to create an evolved method for initiative portfolio creation that quantitatively links initiative benefit to strategic targets. Club América created a training course on the strategy that each employee was required to take. DeFacto recognised that fewer strategic objectives than normal was essential to creating sufficient focus in an intensive growth period. Janalakshmi, despite being a for-profit entity, introduced an additional perspective in their strategy focused on social outcomes. PlayCity took a metred approach to cascading to ensure sustainability of the strategy management approach. The Portuguese Navy protects resourcing for strategic initiatives through an evolved STRATEX model that includes use of existing laws to ensure funding across fiscal years. At Renault Australia, the CEO takes leadership commitment to strategy to the next level by having a one-on-one session with each new hire to explain the company’s strategy. In the Philippine city of San Fernando, the city council makes strategy execution practices sustainable by legislating critical components like resourcing for the Office of Strategy Management.

A new similarity you will observe in this year’s inductees is an increasing trend towards making strategy creation a democratised or highly inclusive process. For example, Bursagaz delegates strategy creation to a cross-functional team of employees, and leadership plays a validation role. The growing use of crowd-sourcing tools has only served to enable such inclusivity in a more efficient way.

I hope you enjoy reading about the 2015 Palladium Balanced Scorecard Hall of Fame for Strategy Execution® inductees as much as I enjoyed reading their initial applications for the award. It is the successful track record of the Balanced Scorecard, exemplified by these ten inductees, that has earned the framework distinction as one of the most widely used management tools in the world.

Regards,

David McMillan
Director, Hall of Fame Programme

Bursagaz

Established in 1989 by the state-owned BOTAŞ Petroleum Pipeline Corporation and privatised in 2004, Bursagaz has a grid length of 5,496 km serving 650,000 customers in the Turkish city of Bursa.

With privatisation came a greater commitment to strategy management and the introduction of its first-generation Balanced Scorecard system. In the ensuing years the continued growth and success of the organisation has been paralleled by a heightened commitment to sustainability (economic, environmental and social) and the introduction of several innovative approaches to strategy execution.

Sustainability is of strategic importance at Bursagaz. 'Maintain Sustainable Performance' is one of their three strategic themes (or 'top strategies', as Bursagaz calls them) and houses objectives focused on sustainable results for shareholders, partners and resource usage, among others. Moreover, Bursagaz added 'Sustainable Future' as a fifth strategic perspective on their Strategy Map.

Balancing Stakeholder Needs

The annual strategic planning process at Bursagaz begins with a Vision-Mission-Values survey of all stakeholders that considers areas such as corporate social responsibility, ethical behaviour and environmental awareness, alongside topics such as customer and employee satisfaction.

The output of the survey is the input to a stakeholder expectation balancing analysis, which balances the needs of shareholders, customers, partners, society and employees, conducted jointly by stakeholder representatives. This analysis defines, categorises and prioritises the organisation's strategic goals and activities against social, environmental and economic dimensions, which then informs the content of the Balanced Scorecard system.

Building a Strategy Kitchen

The Balanced Scorecard assumed a broader stakeholder focus at Bursagaz in 2010, when a participant in one of their regular Strategy Kitchen meetings suggested exploring critical success factors and reshaping the Strategy Map perspectives accordingly. This suggestion resulted in five perspectives that more closely aligned to the organisation's critical drivers of success and that, as one delegate put it, 'reflected the real Bursagaz and not the Balanced Scorecard of another company.' Such tailoring greatly enhanced employee buy-in.

The Strategy Kitchen concept is itself an innovation to encourage employee buy-in and ownership of the strategy. Sixteen people (six permanent and ten rotating annually) from different organisational layers dedicate 42 workdays per year to the 'kitchen', where they work closely with the leadership team to design and implement the strategic management process. Indeed, in the last iteration the leadership team accepted about 97% of kitchen recommendations without any, or only minor, changes. A centralised Office of Strategy Management, consisting of three staff, manages the Strategy Kitchen. Moreover, the Strategy Kitchen terminology extends to the overall model for integrating strategy and planning. The Strategy Kitchen approach integrates many performance improvement frameworks, such as Great Place to Work, Investors in People, EFQM (European Foundation for Quality Management) ISO 31000 Risk Management guidelines, SAP GRC Methodology and Sustainability Models, with the Balanced Scorecard system, which provides a strategic focus for the other models. Bursagaz has achieved great success against other model criteria: with a published score of 810 out of a possible 1000, Bursagaz is recognised as a world-class benchmark organisation by the EFQM, and they were the first company from Turkey ranked in Europe's top 50 companies to work for.

Supporting Strategy Execution with Process Scorecards

In addition to Balanced Scorecard systems at the corporate, departmental and individual levels, Bursagaz also employs Process Scorecards. Using ARIS business process workflow, Bursagaz rewrites each strategic objective in process terms and translates them into process-based objectives and corresponding measures (named process indicators to differentiate them from strategic key performance indicators), targets and initiatives. They then score the correlation between strategic objectives and processes using a process integration and improvement gap scoring matrix.

For each of the highest-scoring strategy/process correlations, they determine the current and desired process statuses and launch initiatives to close any significant gaps. Inter-correlating process objectives ensures the initiatives in these scorecards behave like process operations.

Using Technology to Enable Enhanced Performance

Applied use of technology has also been a critical enabler of strategic success at Bursagaz. In 2014, they shifted all manual inputs and outputs into an SAP-SSM strategy management module, making the interaction among strategies, objectives, perspectives and strategic and process models and initiatives more meaningful and visible to employees at each level. Data integration within the Business Warehouse, Business Planning and Consolidation modules provides real-time data on strategic plan outcomes.

Lessons Learned Along the Way

Now a decade into their scorecard journey, Bursagaz can point to a number of key challenges they have successfully overcome. As an early scorecard adopter in Turkey, they lacked local expertise or other local companies to learn from. Unsurprisingly, they experienced several common scorecard pitfalls: too many strategic objectives and measures, making it difficult to fully understand or even monitor performance; lack of a clearly defined strategic business flow; and early issues with managerial and employee commitment. They were also constrained by attempting to force their own strategic needs and thinking through the conventional four-perspective Balanced Scorecard model and terminology, which they eventually customised appropriately. Understanding that such flexibility is a key strength of the Balanced Scorecard system significantly improved strategic focus and buy-in across the organisation.

Execution Premium

Results from 2004-2014

- Net profit rose from USD 2.8 million to USD 8.2 million
- Gas volume increased from 324 million m3 to 3.1 billion m3
- Number of subscribers rose from 223,354 to 840,418
- Customer satisfaction jumped from 56% to 90%
- Employee satisfaction rates rose from 56% to 72.8%
- Emergency arrival time fell from 25 minutes to 15.6 minutes

Future Focus

- Shift all individual scorecards onto Success Factors (SAP's platform for HR management) and create a link between Success Factors and SAP-SSM
- Increase the integration of SSM-BW and increase the percentage of automated strategic and process measures
- Play a key role in integrating all of the EWE Turkey Holding Group companies' strategies into a single system to view the interaction among the group measures

CHRISTUS Health

CHRISTUS Health, a not-for-profit Catholic healthcare system, has worked for nearly a century and a half to advance its mission to 'extend the healing ministry of Jesus Christ'. By the late 2000s, their geographic dispersion had evolved into a regional structure, decentralised management, silos and even different vocabulary for talking about the organisation and its strategy, all factors that detracted from their ability to fulfil their mission. Beyond these internal factors, the major legislative changes that came with the 2010 passage of the Affordable Care Act, plus increasing competitive pressures, forced the organisation to change.

CHRISTUS Health®

Opportunity Knocks

CHRISTUS Health's heritage dates to 1867 with the establishment of the first Catholic hospital in Texas. Over more than 140 years, CHRISTUS Health grew into a major health network operating more than 60 hospitals and 175 clinics across multiple US states and in several locations in Chile and Mexico. Though the organisation had been successful in the past, to continue that success it would need to operate more effectively, navigate the competitive landscape and grow strategically.

Jeff Puckett, EVP of Strategic Alliances and Group Operations, summarised the mandate for change simply: to thrive in an increasingly challenging environment, they must increase their speed to results and improve their ability to have a positive impact on their patients. He believed that by using the Balanced Scorecard methodology (BSC) to create a direct line of sight between the corporate, regional and individual facility strategies, as well as to align those strategies with individual employees' professional development goals, they would be positioned for success.

Creating a Culture Shift

Jeff recognised that fundamentally changing the way CHRISTUS managed strategy would require a shift from a holding company mentality to an operating company mentality. Whereas previously individual units formulated and executed their strategies largely independently, with different processes for each unit, Jeff envisioned a consistent approach that would drive transparency and accountability. Jeff and his team saw the magnitude of the challenge facing them from the beginning and approached the change with intentionality and patience, rolling out the new, consistent strategic planning approach in a slow but mandated fashion.

The team knew that they would be successful when the corporate strategy was well understood throughout the organisation, employees were using consistent language to talk about the strategy and everyone used the same methods to measure success. CHRISTUS introduced new reporting tools, creative communication platforms (such as a giant Strategy Map at the entrance of the employee elevator) and messaging tailored to multiple employee types to drive change at a steady pace. They were so successful that it became commonplace to hear people discuss the progress they were making on strategic projects in the hallways.

One Company, One Language

Given CHRISTUS' geographic dispersion and largely decentralised management, individual business units were used to a high degree of autonomy. The Strategy Management Office, tasked with implementing the BSC, took care to assure business units that their role was not to quash that autonomy by imposing brand new business plans, but instead to provide the unit with the tools to better express and achieve their strategy.

Creating a standard understanding of strategy across multiple units was a highly visible expression of the Strategy Management Office's influence. Business units' strategies rarely needed to fundamentally change to align with the corporate strategy, but the way they expressed them did. For example, where one business unit would express a strategic priority as 'high patient satisfaction', another would express the same as 'patient excellence'. Identifying divergent terms for shared items of significance and creating a consistent vocabulary became a priority for the Strategy Management Office. Communicating the strategic plans consistently took CHRISTUS one step closer to becoming one company instead of many operating companies.

Adapting to a Regional, Multi-Tiered Board Structure

Because of CHRISTUS' regionally decentralised organisational structure and the desire to reflect responsiveness to local needs, they have regional boards as well as a corporate board. Like the corporate board, these regional boards naturally wanted to have input into the strategy and remain abreast of progress, so CHRISTUS adapted their reporting and governance process to accommodate their multi-tiered board structure.

One regional board oversaw at least two hospitals and upwards of 20 out-patient and clinical facilities. Rather than implement unique BSCs for each facility, they instead created one scorecard for the region as a whole and two "daughter" scorecards, one each for the clinics and the hospitals. The approach segmented and aligned their various operating units towards a common goal for the region, which then fed into the overarching corporate strategy, gaining maximum benefits while keeping down the costs associated with managing the process.

Strategy Execution Gap Analysis

In June 2012, with the BSC implementation well underway, the Strategy Management Office decided the organisation was ready to take on a more robust approach to strategic planning. In collaboration with Palladium consultants, CHRISTUS created a system to manage and prioritise strategic initiatives that they named Strategy Execution Gap Analysis, or SEGA. With SEGA, CHRISTUS quantified the gap between their current state and desired goals and evaluated initiatives based on their ability to close the gap, avoiding wasting precious resources on initiatives that would not yield significant long-term impact. Each region would assess the intended financial outcomes and strategic impact of each of their proposed initiatives, and that analysis in turn would be reviewed in aggregate at the corporate level to determine which initiatives were worth pursuing.

The CHRISTUS team found that this approach ensured that the financial impact of strategic initiatives was integrated with the budgeting process, whereas previously they had struggled to integrate the operating budget and the capital planning process. SEGA also helped better manage one-off initiatives, which previously lacked coordinated planning processes between corporate and regional leadership. Undertaking the SEGA process aligned various teams around each initiative and ensured the resources each initiative required to be successful. Further, quantifying the financial value derived from potential strategic initiatives enabled CHRISTUS to tie the strategic measures on each region's BSC directly to leadership incentives.

Positive Momentum

Five years since launching a BSC-based strategy management system, Jeff Puckett's slow-and-steady approach has paid off: CHRISTUS is increasingly one united organisation with a shared approach to strategy. Today, their culture of accountability and relentless focus on closing the gap between where they are and where they want to be propel the strategy forward.

Says Puckett, 'It was critical for the success of our organisation to find a solution to integrate and align fully… Over the past several years since adoption we have made great strides. Our organisation is thriving today and I can thankfully say our strategies are aligned across the organisation.'

Execution Premium

Results from 2012-2015

- Community benefit increased 14.7% from USD 16.3 million to USD 18.7 million
- Philanthropy programme grew by 47% from USD 30.4 million to USD 44.6 million
- Total operating revenue increased 38.2% from USD 186 million to USD 257 million
- Patient safety increased 9%

Future Focus

- Improve ability to assess, track and manage risk
- Continue cascading BSCs and Strategy Maps to gain greater alignment throughout the organisation

Club América
(Club de Fútbol América SA de CV)

Club América is a professional football club based in Mexico City, Mexico, and it is a subsidiary of Televisa Corporation. Known by its millions of fans as the Eagles (las Aguilas), Club América is the most well-known and successful club in all of Mexico. In 2011, Club América faced significant financial and operational challenges, threatening the stability of its winning legacy. Implementing the Balanced Scorecard (BSC) has enabled Club América to challenge the traditional means by which football teams are managed in Mexico. The Club's leadership and employees can now employ the tools and frameworks to ensure its long-term profitability, increasing the strength of the brand into the future.

Club America

Founded in 1916, Club América is a professional football club, consisting of 200 employees, 75% of whom are players, coaches and staff. Based out of the largest stadium in Latin America, the organisation consists of three teams, all of which play in Mexico's professional leagues. Club América holds twelve league titles domestically and nine FIFA-recognised club trophies. It is a subsidiary of the Televisa Corporation, the largest international entertainment business in Latin America and the first of its kind in the Spanish-speaking world.

Challenges On and Off the Field

After almost 100 years of winning history, Club América faced a turning point in the late 2000s when the team hit a drastic losing streak. In the 2008 Clausura Tournament, one of the biggest tournaments in Mexico, Club América's premier team placed next-to-last in the general standings, the first time since the 1950s. That year the same team suffered twelve straight defeats, disqualifying Club América from the playoffs.

By 2011, it became clear that the Club was experiencing significant challenges off the field as well. EBITDA numbers had been consistently negative, and revenues from key sources like television and sponsorships plummeted. Between 2008 and 2011, the Club cycled through three different team managers, and on November 8, 2011, the Club president stepped down.

The Case for the Balanced Scorecard

Club América hired Yon de Luisa as Club Operations President in July 2011. Aware of the challenges the Club was facing, de Luisa recognized the need for Club América to implement a new management model. Based on his own prior experiences, he believed the Balanced Scorecard (BSC) would meet that need. He recognised three primary challenges preventing Club América from achieving its full potential both on and off the field.

First, Club América's internal back-of-house operations and processes were weak. Like many other Mexican clubs backed by large corporations, Club América's reporting was limited to tracking scores and reporting the monthly and annual financial statements to Televisa's financial department. The parent company did the rest.

While not uncommon within the industry, this centralised model of management negatively impacted the Club's ability to scout players, implement appropriate training programs for players and coaches and effectively manage resources to buy and transfer players on the ground. Neither coaches nor staff had been trained or positioned to manage effectively. De Luisa realised that in order to make the Club successful again, he would need Televisa to give Club América employees the training, authority and autonomy to drive accountability.

Second, Club management structure was proving ineffective. With one president, a team manager and no board, the Club lacked sufficient governance. Poor internal capital management had contributed to financial challenges for several years. De Luisa recognised that this organisational structure would have to change to better support an effective governance approach.

Third, the Club itself had no strategic direction. Leadership had yet to delineate a tactical plan to turn the Club around. Strategy had largely consisted of broad financial projections in response to Televisa's expectations. There was little to no operational alignment with strategic objectives. Employee roles and responsibilities for executing strategy were also not clearly articulated. Perhaps most importantly, mechanisms were not in place to manage the evolution of a strategy. De Luisa knew that this had to change.

Initial Resistance

In 2009 the Club's senior management had tried to implement a BSC with the support of a third-party consultant who didn't understand the unique nature of the business, so convincing Club América's leadership team to adopt the Balanced Scorecard proved no easy task.

The 2009 attempt failed terribly. Without strong leadership in place, the Balanced Scorecard did not generate buy-in. Because of the nature of Club América's relationship with Televisa, employees had minimal operational accountability and therefore little incentive to drive strategic or cultural change. Senior management walked away from the experience convinced that such activities were a waste of time.

De Luisa worked tirelessly to assure the leadership team that although change would be hard and uncomfortable, it was the only way to turn Club América around. The organisation needed to do more than just business as usual; it needed to drive incremental change through strategy management. It took several months, but de Luisa managed to convince the leadership team to roll out the BSC.

Alignment with the Parent Company

De Luisa needed to ensure that the new strategy was optimal for Club América but also aligned with Televisa. A well-oiled operational machine, Televisa had had its own BSC for decades, complete with cascades down to support units. These units included IT, Purchase and Warehouse, Tax, Investment Projects, Personnel, Financial Planning and Budget Control, Administration, Properties and Maintenance. In many ways, Televisa Corporate had given autonomy to its support units to manage strategy how they saw fit. Similarly, Club América would have the autonomy to manage its strategy, using Televisa's examples as templates, where applicable, and aligning certain objectives, as needed.

Redesigning Corporate Governance
De Luisa recognised that the Club would need to redesign its organisational structure and governance in order to support continued strategy management. First, a Football Board was created as the corporate governance entity of the Club, which would be responsible for the oversight of the strategic plan. Second, Club leadership was revamped. Roles were created for two presidencies (one for operations and one for sports), instead of one single authority. Further distribution of accountability and a clear delineation of responsibilities enabled the organisation to further accelerate the BSC deployment.

Identifying the Vision
The strategic vision identified during the subsequent creation of the Strategy Map and BSC was for the Club to ‘achieve year by year on-field success and growing profitability’. In order to sign and develop great football players who propelled financial and on-field results, the Club delineated other objectives, such as short- and long-term effective scouting and improved resource allocation for buying and transferring players. Club América also reworked its mission statement to more closely align with Televisa’s corporate objectives: ‘providing attractive live content to our parent media company for broadcasting’.

The Imperative Nature of Education
Using Televisa Corporation’s strategy guidelines, de Luisa began with educating each and every employee of the Club, including scouts, managers and players. Employees who had previously relied on the parent company’s shared services were all incentivised to take on more responsibility.
For all 200 employees, fundamentals and concepts workshops, tools and methodology training sessions, strategy and project management workshops and culture workshops were held to make sure that when the Club strategy finally launched, everyone would be capable of communicating using the same terms.

Communications Up and Down
De Luisa also implemented a highly effective and comprehensive communication plan, which included strategy town hall meetings, extensive communication campaigns and focus groups on strategy communication effectiveness. All organisational functions – sport, financial, risk, commercial, social and traditional media, operations, marketing, talent and culture – were included. At each phase of implementation and cascading, employees were enabled to honestly feel: ‘I understand the strategy; I know what I need to do to execute the strategy; I am the strategy.’

Accuring Wins
By 2015, Club América had created and implemented a highly effective Balanced Scorecard. The hard benefits the Club garnered were numerous. For the first time in its 100-year history, Club América saw positive EBITDA numbers, increasing revenues from key sources: TV rights, sponsorship and match day, among others. The generation of data for decision making was far more streamlined than in the past. Progress was monitored closely by the Football Board through annual strategy review meetings and the establishment and operation of the Strategy Management Office.

The soft benefits were also clear. A key challenge to achieving the Club's strategic goals was to improve the work environment to create a more collaborative culture. Following implementation of the BSC, annual surveys showed an increase in work environment satisfaction, leading the Club to apply for and receive recognition as a 'Great Place.'

Execution Premium

- Won Clausura in 2013 and 2014
- Won CONCACAF Champion's Cup in 2014-15

All remaining results from 2011-2014

- EBITDA increased from MXN -27.8 million to 56.4 million
- Profitability of players increased 9.7%
- Fan participation increased between 12% and 27%
- Television ratings increased 13.8%

Future Focus

- Ensure greater alignment of Club América's strategy with that of Azteca Stadium
- Improve the initiatives execution methodology by hiring certified project management professionals and working more closely with Televisa's Corporate PMO
- Expand the role of the Strategy Management Office in supporting the management team

DeFacto

DeFacto is one of Turkey's leading and fastest growing apparel retailers. Established in 2003, DeFacto now has 282 domestic and 51 international stores.

DeFacto implemented a successful growth strategy with a greater emphasis on customer focus and innovation, ultimately delivering USD 598 million in revenue as of the end of 2015. Supporting this strategic shift required reworking the Balanced Scorecard system and enhancing the focus on engaging more than 8,900 employees in the head office and stores.

Successful Rapid Growth

Succeeding in an industry as fast-moving and competitive as retail requires agility, clear direction and knowing when it is time to switch focus, amongst many other capabilities. When its first store opened in Istanbul in 2004, DeFacto's initial focus was on rapid growth and building brand awareness. With a vision to reach 215 stores in Turkey by 2015, they achieved market differentiation by offering basic and comfortable products at affordable prices.

In 2010, with the brand firmly established domestically, the strategic focus became more international. To be 'a global brand expanding in ten important countries within ten years' became the new corporate vision.

First-Generation Balanced Scorecard
Around the same time, DeFacto introduced its first-generation Balanced Scorecard system, primarily as a tool to align employee deliverables with the strategic fast-growth expectations of the leadership team.

The first version did not include a conventional Strategy Map. Rather, each perspective contained a single objective, such as ‘Be a global brand growing fast in all channels’ for the Growth perspective (Financial perspective) and ‘Up-to-date, comfortable, casual designs at affordable prices’ for its Product (Process) perspective. This simple approach and adapted terminology helped create awareness and alignment.

Creating the ‘Wow’ Effect Through Innovation
Faced with fast-changing customer demands and greater competition both locally and from international brands, in 2015 the leadership team adopted a more customer-oriented approach to its strategy with a sharper differentiation – without sacrificing their commitment to their ten-year growth goals. They launched a new vision: ‘Be a global fashion brand creating a “wow” effect.’ The ‘wow’ effect would be a differentiator in both products and the customer experience (with a greater emphasis on women shoppers, rather than its historic primarily male focus).

Unusual for an apparel business, DeFacto also introduced innovation as a method of differentiation. Its first innovative product was a t-shirt that changes colour with sunlight. The launch was a huge commercial success with over one million t-shirts sold, sending a clear message of the importance of innovation to all its stakeholders.

Amidst all this change, the organisation also introduced a new C-level management structure, with some members recruited from outside Turkey. The purpose was to shape the organisational structures and processes necessary for a multinational company, while maintaining the agility and speed needed to thrive in the fashion industry.

Second-Generation Balanced Scorecard
As a result of all these shifts in strategic focus, the leadership team revamped its Balanced Scorecard system. A central change was the introduction of Strategy Maps in order to manage the strategic planning process more quickly and with greater focus, to provide an effective tool to communicate strategy from senior managers through to store personnel and to create even greater alignment across the organisation.

Through a series of workshops, they defined six strategic focus areas, which they distilled into the corporate Strategy Map.
Each objective is supported by a set of strategic measures called deFactors. The name creates a clear distinction between strategic and operational measures in both usage and discussions.

A further distinction is made at the initiative level through tracking the top ten strategic initiatives, selected by the senior team based on greatest impact on business results and strategic priorities. Each initiative is owned by a C-level manager who tracks progress as well as revenue, OPEX and CAPEX impact.

Spreading Happiness
Recognising that the successful delivery of strategic initiatives and other improvement activities requires engaged employees, DeFacto took the unusual step of creating a Happiness Department, headed by a Happiness Manager. The department launched a Happiness Project to increase company loyalty (staff turnover is a major issue in the apparel industry) and focuses on improving processes such as communication, motivation, environment, working hours, compensation and training and development. There are also happiness rooms for breaks and an online e-learning platform, Departube, which includes 'Happiness Conversations' between staff and members of the leadership team about company successes or the personal experiences of leaders.

Making Change Happen Through Strategy Management
The organisation set out to instil an appetite for change. Ironically, their success up to 2015 became a barrier to change. Employees felt that if the company had been so successful – why change?

To strengthen the case for change, the shareholders entered a strategic partnership with the global investment firm Franklin Templeton (who purchased a minority holding). This partnership reinforced the message that DeFacto is passionate about being a global brand, and new C-level managers took on the role of change delegates.

Moreover, a dedicated strategy communication plan focused on helping employees understand and feel the change. A key tool here was a Vision for Change, which captured the priorities of the organisation's first period (2005-14) – start-up approach, expansion focus and fast, results-oriented behaviour – and those of the second period (2015-) – innovative thinking, customer focus and international focus.

In the plan, DeFacto uses different types of communication platforms to engage employees with strategic priorities. One of them is 'Listening to You Meetings' with all employees, in which they share strategic priorities, critical projects' progress reports and financial details. In addition, online platforms like e-learning platforms, Departube video platforms and other offline internal communication tools are used effectively.

Supplier Engagement
DeFacto places an emphasis on supplier engagement: 'Being a Preferred Partner' is a theme on the Strategy Map. Measures to track supplier satisfaction rates are supported by interventions to improve suppliers' processes and increase their efficiency. For example, a Supplier Funding System accommodates suppliers that require funds earlier than the payment due date. This project has succeeded in creating value for suppliers and significantly improving business relationships.

Lessons Learned Along the Way

Now in the seventh year of their scorecard journey, DeFacto can point to several key learnings. In their first period, their main challenge was measurement, as the systems required to collect and analyse data were either inadequate or did not exist. They remedied this challenge by creating an in-house IT department to develop these capabilities. In their second period, their main challenges have been managing the change process in the company and creating awareness. Using Strategy Maps for internal communication is proving to be a powerful tool in addressing these issues. Indeed, the strategic management process within the organisation is now positioned as a change management tool.

Execution Premium

Results from 2009-2015

- Revenues increased from USD 54 million to USD 598 million
- Market share rose from 0.4% to 4.2% to become the second-largest brand
- Number of stores increased from 60 to 333
- Employee satisfaction rate improved from 55.2% to 66.9% (2014)
- Employee loyalty rate went up from 61.2% to 74.9% (2014)

Future Focus

- Build a systematic strategic initiative management process by using a system integrated with the Balanced Scorecard reporting systems
- Launch a Balanced Scorecard reporting system and mobile application for the executive team
- Broaden the use of scenario planning and war gaming tools throughout the strategic planning process
- Further develop the risk management processes to support rapid growth and foreign investments

Janalakshmi Financial Services

In developing countries like India, access to basic financial services like bank accounts is an important enabler of economic development. Without a simple bank account, small business owners have trouble paying suppliers and hiring help; individuals have nowhere safe to save their money for life events and their elderly years. In 2006, three-quarters of adults in India had a cell phone, but only four in ten had a bank account.

Janalakshmi Financial Services was founded just outside Bangalore with its sights on improving the financial inclusion of India's urban poor. After several years of operation and impressive growth, the organisation decided that Strategy Maps and Balanced Scorecards would help manage ambitions for future growth while keeping the organisation aligned. Less than a year later, in 2011, the microfinance industry in India found itself in crisis, and Janalakshmi was losing money.

janalakshmi
likho apni kahaani

Write Your Own Story

At Janalakshmi, a recent tagline has been the invitation to 'write your own story'. Certainly this phrase encourages customers to dream about the possibilities for their life that are enabled by basic financial services like microloans and insurance products. Writing one's own story is also a powerful notion for Janalakshmi employees.

A typical Janalakshmi employee has a profile similar to that of a target customer. He or she is more than likely from a family that identifies as urban poor. They will typically be just out of high school, and Janalakshmi will be their first or second job. They are literate, but will join the company with very limited knowledge of business concepts. A job at Janalakshmi represents real opportunity not only in terms of reliable income but in terms of exposure to fundamentals of finance and business. Employees that choose to leave the organisation do so with foundational knowledge and skills that will serve them well in their professional journey. The opportunities that Janalakshmi affords its employees makes it an employer of choice.

Engaging Talent

One of the key principles of executing strategy is ensuring that all employees understand the basics of what the strategy is and know how they individually contribute. Janalakshmi's youth as an organisation was an advantage; there had not yet been sufficient time for the company to build norms that would have to be broken to instil a strategy-focused culture. However, Janalakshmi would have other challenges to overcome, including a constant influx of new staff and the relatively low business literacy of new hires. These headwinds required a robust approach to engaging every employee.

Employee engagement started with communication – and lots of it. The company needed to get key messages about the strategy across to more than 7,000 employees on a regular basis in a way that was inspiring, relevant and easy to understand. As Janalakshmi's Chairman, Ramesh Ramanathan, put it, 'We have managed to socialise [our Balanced Scorecard] throughout the organisation and everyone knows that there is no Plan B!' That socialisation required a variety of channels, repetition and adherence to two communication principles: (1) simplify and (2) use graphics.

One of the many communication channels is Janalakshmi's comprehensive on-boarding program. All employees must take this 21-day course developed in partnership with one of India's leading universities. Among other topics, the training includes presentation of the company's strategy in a video message from Chairman Ramanathan, discussion of how the Balanced Scorecard framework works and training on the benefits of performance measurements and use of dashboards

Competition and Recognition

Like many organisations using Balanced Scorecard, Janalakshmi has an incentive compensation programme that links an individual's metrics to the strategy. To keep employees aligned and focused, most individuals have four or five metrics on which their performance is gauged. Each banking centre ('Jana Centre') has a slightly larger set of metrics on which each centre's manager is evaluated. Incentives are granted based on an individual's performance.

Jana Centre results are published in the monthly newsletter in an effort to be transparent and provide additional motivation to drive performance. Jana Centre heads can see the Balanced Scorecard results of all other centres to understand the relative performance of their team. In some contexts, this sort of transparent competition can have unintended consequences for collaboration and knowledge sharing. The high-growth nature of the microfinance industry in India mitigates this risk; Janalakshmi believes that the demand for financial services is nearly infinite in the short and medium term. Performance transparency has helped to raise the bar because Jana Centre heads have the data needed to set their sights higher than the average. In one anecdote, when the Dunlop Jana Centre head pointed out his centre's above average performance to his zone head, the zone head replied by raising the bar, encouraging the centre head to compare his team's performance against the best centres across all zones instead of the average.

Beyond performance incentives and friendly centre-level and regional competition, Janalakshmi rounds out its approach for engaging employees through a genuine commitment to recognising excellence. The Chairman periodically gives out awards to recognise above-and-beyond contributions. One year, one of the award recipients was a woman who had never been more than a few kilometres from home. When she was selected to fly to Bangalore to receive an award from Mr. Ramanathan, she was very apprehensive about the trip. Management could have viewed the employee's trepidation as an excuse to eliminate hassle and save on travel cost by sending the award via courier. Instead, senior managers expended a notable amount of effort in personal conversations and logistics planning to ease her anxiety and ensure she would be able to receive the award in person.

Information is Power

One of Janalakshmi's strategic themes is 'Cutting-Edge Operations and Technology'. With so many customers and transactions and with the need for biometrics to help ensure account security, a robust technology platform is absolutely critical.

The platform allows for a compelling tie between data and the company's performance management approach. Each measure in the performance management system needs to meet certain criteria to ensure it will be reliable and repeatable over time. These criteria include a prohibition on self-reporting of data (e.g., individual representatives counting the number of conversations they have had about a loan product). Strong measure definitions in combination with data storage systems enable weekly updates of personal metrics, dashboards and Balanced Scorecards. This frequency of information allows for constant feedback on an individual's performance and faster issue identification and decision making.

Evolution of Focus

With dozens of new Jana Centres being opened each year, the company needs a way to ensure the efficient and successful ramp-up of each centre. Instead of each centre developing its own strategy during start-up, they use a standard model, including a consistent Jana Centre Balanced Scorecard that captures the common elements of the approach. Once a location becomes well established, it is encouraged to use the local market insights it has gained through customer service to start tweaking its approach and focus more strategically on select priorities.

Return to Profitability

Janalakshmi emerged strong from the microfinance industry downturn; a good strategy, combined with persistence and discipline, paid off. 'We are completely committed to the Balanced Scorecard framework,' Chairman Ramanathan said. 'Balanced Scorecard is like yoga – you get out of it what you put into it.'

Execution Premium

- Global Impact Investing Rating System (GIIRS) Platinum for three years running

Results from 2011-2015

- Return on assets went from negative (during Janalakshmi's unprofitable period) to 2.28%
- 20-fold increase in the size of the loan portfolio
- 1,114.38% increase in the number of customers
- 3.5 times as many Jana Centres (banking centres)
- Turn-around time for loans decreased from 9 to 6 days
- Staff productivity increased 78%
- Staff attrition rate decreased 3% while the number of employees grew at a rate of 61.5% annually

Future Focus

- Develop on-demand dashboards updating in real time
- Create new Balanced Scorecards to support new support units (e.g., Credit Risk and Collections)

PlayCity Casino

A decade of explosive growth positioned PlayCity Casino as an attractive gaming destination and casino in Mexico. PlayCity, a subsidiary of Mexican multimedia conglomerate Grupo Televisa, began operations in 2006 with its first casino in Puebla, Mexico. With fewer than a thousand slot machines, PlayCity had MXN 57 million (about USD 5.3 million) in revenue that year. The next several years included plenty of challenges to cope with, including continued unprofitability and competitive threats. After three years of aggressive expansion and with a total of 26 establishments in operation, PlayCity finally reached its financial break-even point in 2009, seeing MXN 1.0 billion in revenue and EBITDA of MXN 54 million. At this inflection point, PlayCity leaders wondered how the organisation would sustain positive momentum. In the meantime, the casino industry was doing itself few favours; nearly 60% of casinos in Mexico were not fully complying with regulations nor completing tax payments as required by authorities. PlayCity leaders had growing concerns that the upcoming 2012 election cycle would mean greater industry scrutiny and regulation that could stymie growth.

Initial Strategic Planning

In 2010, the PlayCity leadership team resolved that new strategic changes must be made in order to successfully compete in the industry and to gain significant market share. The team started by designing the first formal strategy for the company to address an extremely competitive time in the gaming industry in Mexico. Later that same year, PlayCity realised that a more integrated approach was necessary to facilitate refinements to the strategy as the industry changed and to ensure that strategic changes were executed effectively. As a result, PlayCity developed and launched its first Balanced Scorecard (BSC) with particular focus on strengthening the company's operations, delivering outstanding service and aligning the organisation.

Engaging Talent

The young company faced numerous executive management changes over a five-year period – two chief executive officers came and left; three chief marketing officers oversaw and implemented marketing plans; and two human resource officers worked on managing a high-turnover workforce. During this time, they instituted an executive board to work in conjunction with the executive leadership to oversee and ensure the success of PlayCity.

During this period of transition and change, the use of the BSC to manage strategy remained constant. Although the executive board did not always agree on exactly what the strategy should be, they all agreed that the BSC was an extremely effective structure to manage strategic decisions. Because the BSC was successfully embedded within the organisation, new leaders found it easier and faster to use the existing strategy management process rather than creating new strategy frameworks. These new leaders would simply refine the objectives, measures, targets and initiatives that were already in place in order to fit their new vision.

Tackling the Turnover Challenge

Gaming is historically a very high-turnover industry, with nearly 100% turnover annually within the industry in Mexico. PlayCity's leadership team recognised that there was great value in decreasing the turnover rate, which would indicate improved employee engagement, lead to improved customer service, result in decreased on-boarding costs and increase retention of operational knowledge within the company. A few key levers would prove critical: communication, relevance and development.

PlayCity leveraged its corporate communications department and its Strategy Management Office to communicate the strategy throughout the organisation. Together they developed a multi-platform communication plan to communicate important messages in multiple ways through a variety of different channels. This multi-pronged approach – including monitoring reviews, corporate intranet sites, electronic bulletins, banners, posters, trainings, wallpaper and mailings – was essential for a geographically dispersed workforce with a variety of working hours, roles, learning styles and education levels. The communications department measured each channel's performance to better design and implement communication channels in the future.

PlayCity's strategy would not be fully successful if front-line employees could not understand it in a way that was personally relevant, so the company ensured that employees had opportunities to interact with the strategy in their daily activities. There were large posters in employee break areas, Q&A contests promoting curiosity and critical thinking and town halls inviting discussion among other methods. Interactive and informal conversations about strategy allowed employees to get comfortable with it and to voice how their role mattered to achieve initiatives and objectives.

PlayCity's leadership team designed a training program called 'Escuela Play' to develop skills and increase employees´ knowledge of the business. By ensuring that their employees were knowledgeable about the strategy, bought-in to contributing and enabled through training, PlayCity increased their employees' sense of personal purpose in the company, resulting in a significant reduction in employee turnover.

Loyalty Reality Exposed

A key feature of the Balanced Scorecard process is the use of strategic measures to monitor the progress of objectives. PlayCity enjoyed this facet of the framework when strategic measures brought to light problems with the loyalty programme.

A casino's loyalty programme is a key tool for gathering customer-specific data. When a customer opens a loyalty account, the casino immediately gathers certain demographic information and is able to track detailed playing history. Before the BSC, that data was not evaluated as part of a holistic strategic hypothesis. Transactional loyalty data may have seemed positive in aggregate but was not sufficiently analysed with a focus on ultimate customer and financial outcomes. The CMO examined the loyalty programme in the context of the new BSC and realised that the current loyalty programme was not creating value for PlayCity; in other words, customers were receiving incentives but company financial results were not improved.

PlayCity overhauled their loyalty programme based on a better understanding of the relationship between transactional loyalty programme indicators and measures of customer and financial outcomes. The new programme enhanced the loyalty customers' experiences while increasing their frequency and duration of visits.

Play On

PlayCity has made great progress by using its strategy to address uncertainty about the future and to spur a systematic approach to managing its strategy. Better financial and operational results have certainly followed. As José Antonio García González, Televisa's VP and Corporate Administrator, put it, 'PlayCity has significantly improved its profitability while growing in terms of revenues. The BSC methodology has been key in achieving this.' While PlayCity accomplished its most recent strategy, the work is not over. As the company readily admits, 'When one goal is accomplished, it's always right onto the next one.'

Execution Premium

- EBITDA margin increased from 7% in 2010 to 28% in 2014
- Revenue grew at a compounded annual growth rate of 11.90% between 2010 and 2014
- Average revenue per user increased from MXN 400 in 2012 to MXN 700 in 2014
- Slot machine utilisation surpassed its target achieving 42.2% in 2015, an 8 percentage point increase over 2013
- Customer dissatisfaction decreased 30% between 2012 and 2014
- Annual employee turnover rate decreased from 82% in 2012 to 71% in 2014

Future Focus

- Shift the strategy and the cascade design from focusing narrowly on operational efficiency to promoting product leadership while maintaining efficiency
- Develop tailored KPIs to address the needs of local business unit customisation

Portuguese Navy

Protecting national interests at sea and contributing to international security within NATO, the European Union and the United Nations is the mandate of the 12,000 employee-strong Portuguese Navy and its 44 ships (37 of which are combatant).

The Navy introduced the Balanced Scorecard in 2009 to bridge the gap between a strong strategic process and decentralised implementation in a very diverse organisation. Excellence in strategic initiative management and the deployment of technology have been central to their success.

A History of Change

As one of the oldest national maritime forces, the Portuguese Navy is no stranger to change and the challenges it brings. By the same token, it is adept at adapting to a new course. Portugal's integration into the European Union and NATO in the 1980s brought a fresh slew of challenges for the Navy. The resultant concerted efforts to improve strategic planning capabilities (leveraging some of the best practice methodologies available at the time) led to major advances in the Navy's efficiency, but more importantly effectiveness.

Ultimately these efforts resulted in a set of doctrinal strategic documents launched in 2004, which incorporated three 'Navy Paradigms' (management models): Operational, Structural and Genetic. These paradigms would eventually become three of the perspectives of the Navy's Strategy Map. A fourth perspective, 'Mission', sits at the top of the map and captures the social value the Navy creates.

Powering Change through Strategic Initiatives

A set of new Navy Admirals and their closer staff introduced the Balanced Scorecard to close an identified gap between strategic planning and real-world execution. They considered strategic initiatives the real 'muscle of strategy', where the real work of strategy takes place. The Navy has paid close attention to seamlessly integrating project management capabilities into the overall strategic management process.

Integration starts with the Corporate Strategy Map (which has just 12 objectives to focus squarely on what really matters in driving performance forward). Each candidate initiative is subjected to a rigorous assessment against the key strategic drivers of the target objective. The cause-and-effect relationships between candidate projects and associated strategic measures are then analysed to determine the collective impact of the initiative portfolio in closing identified gaps between current and desired future performance against the objectives housed in the Strategy Map.

The final portfolio is further rationalised through the Navy's STRATEX (Strategic Expenditure) process and available people resources. STRATEX funding protects strategic investments from business-as-usual calls on financial resources. Indeed, strategic funding is approved by the Ministry of Defence and this protection is guaranteed through Portuguese law (called the Programming Military Law): operational initiatives are funded separately through the Navy's own budget.

A state-of-the-art Enterprise Project Management (EPM) system (which plays a key role in initiative selection) is then used to plan and monitor initiative roll-out. The EPM is integrated with the Navy's custom-built strategic information system (called SMC-GE), which is used to manage the overall strategy execution; this integration enables the flow of information and insights from the EPM to inform strategic decisions. The Navy correlates analysis of the behaviour of the measures that support strategic objectives with the behaviour of associated initiatives. This holistic strategic performance analysis enables management teams to take timely action to remedy performance shortcomings by, for example, by assigning more resources to initiatives. Powerful business intelligence capabilities for reporting and making data-driven strategic predictions are embedded into the SMC-GE to strengthen the decision-making process, most notably within the monthly initiative review and quarterly strategic review meetings.

Strategy management/project management integration is furthered through their network of ten Project Management Offices (PMOs) – one corporate and nine departmental, which mirrors the Balanced Scorecard alignment structure within the Portuguese Navy (one corporate and nine departmental scorecards). Through its governance structure, the PMO oversees the implementation of the portfolio of initiatives, each of which has a dedicated project manager and strategic measure owners who report to the relevant strategic objective owner.

Senior Officers Drive the OSM

In 2010, the Navy established a strategic core team, composed of nine MBA graduates, to aid overall strategic governance. Three sub-teams are each responsible for supporting departmental teams in managing the scorecard process. The Executive Coordinator (a Naval Captain) reports to the Navy Staff Director (Rear-Admiral). Four others are assigned on a part-time basis (and are of Commander rank) and the rest on an ad-hoc basis during the strategy cycle.

The Critical Role of Leadership

Assigning critical strategic responsibility to senior officers is in keeping with the Navy's overall approach to strategy management. At the outset of the Balanced Scorecard program, the Chief of Staff ensured the support and leadership of the nine Admirals heading the nine departments and created a strong central strategy team that could pilot the implementation. Senior leaders continue to be closely involved in the strategy management process – from formulation to alignment (strategic, operations, budgetary and HR) and implementation. The Admirals heading each department report their strategy execution progress and challenges to the Chief of the Navy. This deep involvement signals their commitment and promotes buy-in from their own reports and personnel.

Lessons Learned Along the Way

As a long-established, large and complex military organisation (an in-house joke goes 'and we also have ships!'), assuming a consistent, focused approach to strategy management and execution comes replete with many challenges – both structural and cultural. The cultural challenges were a key reason why senior managers were assigned to lead the effort: they had the authority to drive change but were also well versed in the workings of the Navy as a whole, as well as its values, global doctrine and cultural norms.

A further early obstacle was the classic challenge of identifying the right measures and initiatives that support the strategic objectives at both corporate and departmental levels. They overcame this challenge by implementing an automated process that synchronises measures and initiatives in terms of their cause-effect relationships and therefore impact on objectives.

An additional challenge is continuity: in military organisations personnel typically switch assignments every three to five years. Continuity requires ongoing communication, training and change management, as well as clear direction from the most senior team. Luís Manuel Fourneaux Macieira Fragoso, the Portuguese Navy Chief of Staff and National Maritime Authority Admiral, comments, 'I have established a set of challenging genetic, structural, operational and mission goals to be achieved during my three-year term through corporate strategy anchored in Naval Strategic Doctrine, our Values and Culture, and using the invaluable Balanced Scorecard as the overall framework to my strategic Directive for the Navy. Now, our sailors [and] our personnel know the course, the navigation conditions and restrictions, but also the way-points and selected harbour [to which] we are sailing together.'

Execution Premium

Results from 2011-2015

- Homologous variation rate of the maritime surveillance and patrol effort increased from 4.63% to 8.19%
- Homologous variation rate of inspection/survey effort of vessels increased from -1.94% to 8.7%
- Programming Military Law (military investment) annual implementation rate rose from 87% to 99.88%
- Employee motivation rate increased from 67.5% to 78%

Future Focus

- Further develop the SMC-GE tool for use as the strategic information system of the overall Portuguese Public Administration
- Improve communication and understanding of the Portuguese Navy Strategy Management Doctrine
- Increase the number of people with an academic profile related to strategic management by motivating and supporting officers and other personnel to take master degrees in strategy-related areas
- Improve integration of strategy management and risk management models

Renault Australia

A subsidiary of the France-headquartered Renault Group (the world's third-largest automobile manufacturer), Renault Australia has been active in the Australian car market for over 110 years. However, declining sales and continued losses placed the company's future in Australia in jeopardy by 2010.

A new Managing Director and largely new leadership team championed the Strategy Map and Balanced Scorecard as the strategy execution framework and dramatically improved performance. Unwavering leadership commitment and a focus on aligning the employee base to the strategy were critical success factors.

RENAULT
Passion for life

A Burning Platform
Ranked as the 25th automotive company in the Australian market in 2010, Renault only represented 0.02% of all car sales in that year, with just 1,907 units sold. Renault Australia's business was in a dire situation: sales were falling consistently, the business was losing money, morale was low and many automotive commentators were speculating that Renault would soon be exiting the Australian market. With the platform clearly burning, Renault Australia appointed a new Managing Director, Justin Hocevar, with the remit to significantly increase sales, market share and profitability. Upon bringing in a largely new leadership team, Hocevar saw immediate success, increasing sales by 89% and doubling the market share in 2011.

As Easy as 1, 2, 3

Understanding that they needed to build sustainable growth in the business, the new leadership team crafted an ambitious 2012-2016 strategy, which was built around three key themes: (1) putting people first; (2) doubling the distribution network; and (3) tripling sales volume. The simplicity of the strategy made it easy to communicate to the staff, who knew it as 1, 2, 3.

Part of the commitment to put people first was the need to reengage a largely demotivated workforce. During the creation of the corporate strategy, Renault Australia established a core team to allow a greater cross-section of employees to be involved in the strategy creation process, which in prior years had been done in isolation by the senior team. This new inclusive approach helped build trust in the new management team and ensured a greater buy-in across the business as the core team joined the management committee to become champions of the strategy and its formulation and execution process.

In early 2012, Renault Australia built a Strategy Map and Balanced Scorecard to describe and measure their strategy and align the broader organisation to the strategic goals. The development of the Strategy Map was led by the management committee, ensuring their ownership of the strategic objectives. The resulting map contained three key strategic themes: re-establish the brand, be customer-centric and strengthen the dealer network. The core team then took responsibility for leading the development of the Balanced Scorecard, thus ensuring that identified measures, targets, etc. resonated with and would receive buy-in from employees. To maintain core team influence, team members attended the monthly strategy review meetings.

Once the corporate Balanced Scorecard system was finalised, Renault Australia began the process of aligning the organisation to the strategy, with all departmental and individual KPIs aligned to the strategic objectives.

Leading through Adversity: The '10+10 Plan'

Despite the early gains for the new leadership team, Renault Australia faced a watershed moment in late 2013 that threatened to undo all of the successes of the previous two years. Due to negative global economic forces and a rapidly devaluing Australian dollar, Renault's global business recommended drastic budget cuts and price increases that would have halted Renault's Australia's momentum. By using the Strategy Map as the guide, Renault Australia revised their business plans and prepared a counter offer to its parent company that maintained existing investment levels and that would deliver greater sales volumes and profits. The '10+10 Plan' provided a roadmap for Renault Australia to achieve 10,000 vehicles sold and 10 million Euro in profit in 2014. Using the Balanced Scorecard to manage their progress, Renault Australia sold 10,014 cars in 2014, a 43% increase on 2013, and achieved the forecasted 10 million Euros in profit.

The Critical Role of Communications

Key to Renault Australia's success was the leadership team understood that they were key to driving change throughout the organisation. The change management programme they implemented had communication at its heart. Through a series of open company forums, the leaders shared their vision for the company and encouraged employees to ask questions and become involved in building its future.

They made a concerted effort to align the culture of the business to the strategy to allow all employees to take ownership of the success of the business. Key to this effort was aligning employee performance objectives to the strategy to ensure there was a clear line-of-sight for each individual demonstrating how they personally contributed to the strategy, and as such, the company's success. Monthly emails from the Managing Director to all staff and quarterly company-wide meetings outlining progress towards the strategy further reinforced this message.

Furthermore, at the end of each year a strategy execution survey of all employees was conducted to identify key areas for improvement. The management committee members were champions for renewing the strategy with the core team and worked together to update the strategy through a series of interviews, offsite meetings and workshops. This process helped deepen cultural buy-in to the strategy and its execution.

As a powerful example of communicating the importance of the strategy, all new starters had a one-on-one session with Justin Hocevar to personally educate them on Renault Australia's strategy and Strategy Map. This ensured they understood the importance the organisation places on strategy and the role of the map, and it demonstrated that execution is driven by, and championed by, the executive leadership team.

Ensuring Strategy is at the Top of the Leadership Team's Priorities

Leadership commitment has been a critical success factor throughout Renault Australia's strategy journey and continues to be the secret to their success. Their 100% focus on the strategy is measured each month when they come together to monitor their performance against the strategy. Each member of the leadership team is accountable for both corporate measures and initiatives. They form an integral part of each management committee team member's personal KPIs and drive their remuneration. A living and breathing part of their everyday activity, the Balanced Scorecard system is the foundation of Renault Australia's business, its turnaround and continued success.

Execution Premium

Results from 2011-2014

- Sales have grown by 176%
- Market share has increased from 0.02% to 1%
- Profit has increased 26-fold
- Increase in dealer numbers in excess of 200%
- Awarded as a 'Best Employer in Australia' in 2015, one of only 15 companies to be recognised and the only company from the automotive industry
- Employee satisfaction with learning and development increased from 33% to 90%

Future Focus

- Automate the strategy management process through data warehousing in order to allow greater integration of data from all sources to derive insights
- Revise the existing strategy to provide direction for the coming five years to further stretch and grow the business

City Government of San Fernando

Located within the main island group of Luzon, Philippines, the City of San Fernando, La Union is the administrative capital of Region I, the nation's northernmost cluster of provinces.

With about 658 employees serving a population of around 125,000, the City was a pioneer Balanced Scorecard adopter within the Philippine government and is proving a global innovator in cascading strategy execution to the village level.

A 'Dream' Pilot: The Journey Begins

In 2004, the City of San Fernando, La Union (CSFLU) was selected to pilot the Performance Governance System (PGS), an adaptation of the Balanced Scorecard for public sector organisations in the Philippines. Selected by the Institute of Solidarity in Asia (ISA, a non-partisan, not-for-profit organisation), the city was named a 'dream city' pilot to underscore the importance of making this approach work in a local government setting.

With the city administration already seeking to explore innovative management systems to enhance its delivery of public services, this selection was a timely development. As a result, CSFLU launched its first Strategy Map and Public Governance Scorecard in 2005, thus meeting the PGS initiation criteria. CSFLU subsequently attained compliance, proficiency and, in 2015, the institutionalisation stage – meaning that the scorecard is deeply rooted and would endure past the political terms of elected officials.

From a Botanical Garden to a Centre for Health and Wellness
The scorecard system for the 2005-2010 strategic cycle focused on developing the city as a Botanical Garden City, drawing on the city's environmental thrust. Key objectives focused on enhancing the quality of life of the city's constituents, achieving International Organisation for Standardisation (ISO) Certification, developing and advancing the workforce and improving financial and resource management to increase city revenues.

In 2012, during the second strategic cycle, the scorecard implementation switched to establishing the city as a Premier Capital City in the region, with objectives on becoming a highly liveable city (especially in terms of addressing poverty) and developing a dynamic local economy, as two examples.

During the 2013 strategy refresh, the Strategy Map and scorecard were recalibrated to support the new vision for the year 2020: to be the 'Centre for Health and Wellness in Northern Luzon'. In addition to improving or developing appropriated services to the population, this new vision would also position CSFLU as an ideal business location for health- and wellness-related enterprises

An Innovative Approach: Cascading the Scorecard to Local Villages
In addition to cascading the Balanced Scorecard system to its 36 units (such as the local health board, local school board and even the city veterinary office), in 2014 CSFLU took the innovative step of cascading the strategy to its 59 villages.
To help drive the cascading process, the city institutionalised a multi-sectoral governance council. This self-governing body represents various stakeholders, such as the city government, the local and national agency offices, civil society and private sector partners. Using the same language and system with the same vision, the collaboration and cooperation sets out to integrate the strategy city-wide and, importantly, to facilitate strategic action at all levels.

Key to achieving this common approach was a series of three 'boot camps' to introduce the city's strategy to multiple stakeholders, including Barangay Captains (Village Leaders), and to begin to chart a way forward.

This integrated approach to strategy is more than just lofty ambition; it is delivering tangible benefits to villagers, in particular delivering on the reducing poverty aspect of the liveable city objective. For example, an income generating project was launched to engage villages in identifying their strategic advantages, focusing them on developing products that are unique to their locality. As one city resident noted, 'I have many children who are going to school and I would not be able to send them without this…broomstick making project which provides an alternative source of income.'

A village leader also noted that the villagers are benefiting from coordinated and funded programs that 'address the environment as well as the health and safety of our people,' such as ISO EMS (Environmental Management System).

An ISO Registered Office of Strategy Management

CSFLU's commitment to using international standards extends to its Office of Strategy Management (OSM), which is unique to the Philippines in that its processes and procedures are regularly calibrated and registered to the city's Quality Management System (ISO 9001:2008). Moreover, CSFLU is the only local government unit in the Philippines that has established full-time and permanent positions for the OSM. They are supported by six integrative managers from departments such as the City Budget Office, Information Dissemination Section (IDS) and Human Resource Management Office. As an example of collaboration, the OSM works with IDS to communicate the strategy externally. The IDS spearheads the implementation of communication activities, conducting the State of the City Address and People's Day Celebration. They also created a dance and a jingle to communicate the city's vision.

The OSM also oversees usage of the organisation's STRATEX (strategy expenditure) budget. STRATEX accounts for 21.43% of the total annual budget. Monthly utilisation rates are monitored and reported quarterly during the strategy review.

Lessons Learned Along the Way

As with many organisations, CSFLU took time to create buy-in to and proficiency in the Balanced Scorecard methodology and found that change is not easy in the context of the local public sector, which has traditionally been guarded when it comes to new ideas and ways of doing things. Through concerted communication efforts, the strategy and the system have taken root in the hearts and minds of stakeholders from the highest levels of leadership to every constituent from the farthest reaches of the city.

With innovation also came challenges in data and metrics. While the organisational vision and strategic objectives were clear, matching these to accurate and readily available data proved to be complex, particularly in the context of a city-wide scorecard that required data from various sources from different sectors. Remedial actions included recalibrating metrics to ensure they were within the timeframe needed for regular scorecard monitoring.

Despite these and other challenges, the city's strategies have been renewed three times over the last 10 years, proving that strategy development, implementation and review have been fully integrated into how the city manages strategy. As City Mayor Hon. Pablo C. Ortega comments, 'The Balanced Scorecard has provided the essential foundation for achieving our vision and realising our aspirations for the people of San Fernando. This is my last term as the City Mayor but I am confident that what we have built and all the successes and good we have brought to the city will continue. Our vision will endure. Our strategy will succeed. Our Balanced Scorecard [journey] will continue.'

Execution Premium

Results from 2003-2014 (except where stated)

- Incidences of poverty decreased from 14.6% in 2005 to 3.8% in 2012
- Total Local Income vs. Internal Revenue Allotment improved from 34.38% vs. 65.62% to 39.66% vs. 60.34%
- From a zero start the number of ISO procedures registered reached 81
- Number of E-HSAS Certified Barangays (villages) rose from 0 to 36
- Growth rate of business registration improved from 2.75% in 2010 to 9.33% in 2014
- Amount of investments generated increased from about $2 million in 2010 to $6.4 million in 2014

Future Focus

- Integrate roll-out of the United Nations Sustainable Development Goals into the Balanced Scorecard system, in particular Goal No. 11: 'Make cities and human settlements inclusive, safe, resilient and sustainable'
- Monitor and evaluate the progress of villages to assess their compliance and contribution to the city's strategy
- As part of the Performance Governance System's requirements, regularly subject the city government to an external audit, facilitated by ISA, to ensure that the organisation is able to sustain the institutionalisation of the Balanced Scorecard
- Conduct a boot camp for neighbouring provincial towns in the province to showcase scorecard achievements and to encourage adoption

Wanxin Media (Anhui Xinhua Media Co., Ltd)

Faced with serious economic challenges in China's shifting market economy, in 2011 Anhui Xinhua Media Co., Ltd (Wanxin Media) turned to the Balanced Scorecard to lead them into the future. Led by the Chairman, Mr Jie Cao, Wanxin hit record sales, gaining ground against its private sector rivals, and built a prosperous future with an engaged and motivated workforce.

A Multi-Faceted Media Company

Wanxin Media is a multimillion-dollar textbook distributor and bookstore chain based in Anhui Province in the People's Republic of China (PRC). Headquartered in Hefei City, the capital city of Anhui Province, Wanxin consists of five subsidiary companies with a workforce of about 3,500. The firm develops, publishes and distributes magazines, books and textbooks, as well as audio, visual and digital advertising.

The company has two primary revenue streams: (a) as the exclusive distributor of primary and secondary class education materials in Anhui province, serving more than 500 school districts across all of Anhui Provinces' 16 cities, and (b) by operating the well-known Xinhua Bookstore chain, the dominant chain retailer with more than 600 stores across all of Anhui Province.

Since the late 1950s, Wanxin Media has been a state-owned enterprise (SOE), a common legal entity in China since the advent of the Chinese Communist Party (CCP), in which the state serves as a partial or primary stakeholder of a commercial entity that provides services within what the CCP believes to be strategic sectors, such as aviation, power and telecommunications. (There are numerous advantages to being a SOE in China; over the years, Wanxin has benefitted from preferred supplier project bidding and numerous tax deductions.)

Wanxin Media was specifically established as a national brand to carry forward the ideological concepts of the CCP by disseminating mainstream culture. Tens of thousands of Xinhua Bookstore branches were established in core areas of various cities throughout the PRC after the country was founded in 1949. They also established a revolutionary book distribution network, allowing the brand to hold market share in both urban and rural economics.

In the years leading up to the 2008 global financial crisis, Wanxin Media, along with thousands of its SOE counterparts across the country, faced increasing competition from private sector rivals. In 2003, for example, Wanxin lost its monopoly market position in textbook distribution due to the development and expansion of the internet, political changes and competitor bookstores going online. As part of a country-wide reform of the SOE system aimed at increasing the efficiency and profitability of such firms, Wanxin Media underwent massive reforms, including management changes.

The Case for the Balanced Scorecard (BSC)

Despite the aforementioned efforts, these reforms produced only lukewarm performance from 2008 to 2010. The growth rates for both revenue and stock value barely hit an annual rate of 10%. SOEs across the country also struggled; between 2008 and 2010, these firms averaged only half the profitability of their non-state peers.

Wanxin Media went public in 2010. The firm listed on the Shanghai Stock Exchange as an A-Share IPO, raising RMB 1.3 billion RMB (about 190 million USD). Still, Wanxin struggled to define itself as an autonomous entity, independent of its long history as an SOE, and to establish itself as a differentiated and innovative firm in an increasingly digital domestic economy.

It was not until Mr Cao became Chairman in June 2011 that Wanxin Media saw a new hope. With the understanding that the Chinese economy would continue to slow as it matured, Mr Cao knew that Wanxin Media would have to do something drastic to avoid the operational inefficiencies that plagued its peers. He felt the company needed to re-think its mission, vision, values, business directions and strategy to produce a brighter future.

Recognising that implementing strategy through the BSC framework requires employee accountability and effective governance, Mr Cao began by implementing an organisational capability management framework based on David Ulrich's Human Resource Business Partner methodology. Cao knew that employees needed to be positioned to receive and embrace change if the BSC were to work, and the organisational capability management framework helped cultivate that foundation. Once this framework was rolled out, Mr Cao introduced the BSC to Wanxin Media.

Three Rounds of Reforms
Mr Cao broke down the BSC implementation into three rounds of reforms. During the first round of reforms, he introduced the BSC concept to the management team to raise awareness of the importance of strategy and ensure that that leadership was equipped with the correct tools for execution. He encouraged each member of the management team to cultivate a deep understanding the organisation's mission: 'Be an integrator and service provider to people's life-long education.'

The second round of reforms consisted of setting the growth strategy for the two key business units and designing a Strategy Map and Balanced Scorecard for each.

For the textbook distribution business, the primary objective for growth was to become a total solution provider of education and culture within Anhui province. They planned to achieve this objective by leveraging Wanxin's well-established customer network of schools and local education agencies to go beyond providing textbooks for Anhui's nine-year compulsory education system by providing wider-ranging supplementary educational materials and services, even down to the pre-school level. As part of this effort, the textbook distribution team would drive more intimate connections with direct consumers – individual students, parents, and teachers – who all held significant sway when it came to purchasing textbooks.

For the bookstore chain business, Wanxin believed that by rebranding its bookstores based on market and customer segment analysis, it could achieve significant growth. Wanxin launched a series of different brands in addition to the Xinhua brand bookstore to target and satisfy different consumer groups. In addition to its traditional storefront offerings, Wanxin started offering a bookstore café model for urbanites, the Book Garden for children and the Reading Alliance library providing books for local government administrators and agencies. Stores that kept the Xinhua brand within prime commercial and residential areas dramatically updated their product lines and interior displays.

The third round of reforms consisted of cascading the Strategy Maps and Balanced Scorecards of the two primary business units down to the individual level. Wanxin implemented workshops for all employees around the BSC methodology and corresponding KPIs, set personal objectives for employees and aligned these personal objectives with employees' quarterly performance reviews and incentive bonus programmes, especially within the textbook division.

Return to Industry-Leading Growth

In 2014, the company hit record sales numbers of nearly RMB 6 billion (USD 1 billion), a 20% increase in sales from the previous year. The textbook division in particular gained significant growth by tapping into non-traditional service areas such as vocational education, adult education and non-book learning and teaching aid products. Between 2012 and 2014, the textbook division's revenues climbed from RMB 700 million to RMB 2.3 billion.

Execution Premium

Results from 2012-2014

- CAGR of 25.6%
- 39% increase in net profit
- Increased customer satisfaction from 82% to 95%
- Tripled the number of customers for the textbook division purchasing RMB 10 million or more annually
- Increased on-time textbook delivery from 95.12% to over 98.5%
- Expanded performance appraisals to cover 100% of employees

Future Focus

- Extend use of the BSC into new units of the company
- Improve the process for defining and governing strategic initiatives
- Further build out the capabilities of Strategy Management Office

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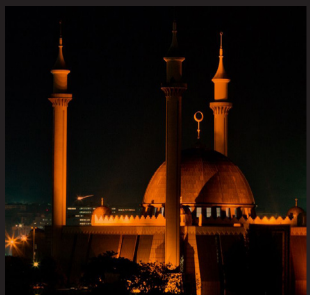

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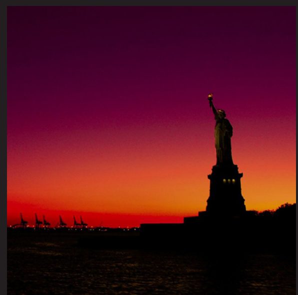

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