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How Unilever HPC-Na Sold its Employees on the Balanced Scorecard

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HOW UNILEVER HPC-NA SOLD ITS EMPLOYEES ON THE BALANCED SCORECARD

THE COMPANY PUT ALMOST AS MUCH EFFORT INTO SELLING THE SCORECARD AS IT DOES WHEN IT MARKETS ITS PRODUCTS.

BY BRIDGET LYONS AND ANDRA GUMBUS

Their products are in our laundry rooms and bathrooms. Q-Tips. Dove. Snuggle. Wisk. Pond's. The list of well-known brand names goes on for world-class marketer Unilever Home and Personal Care-North America (HPC-NA). This company not only takes marketing its products very seriously, but it heavily promotes its balanced scorecard (BSC) to employees as well. No wonder Unilever HPC-NA successfully designed a unique strategy to communicate awareness of the BSC while encouraging its participation and use. Their experiences should prove valuable to other organizations implementing a balanced scorecard and to those just beginning to formulate a communications approach to internal stakeholders about its role, significance, and use.



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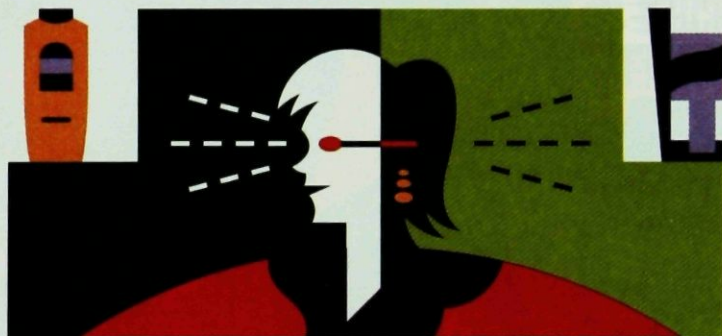
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COMMUNICATION IS KEY TO SUCCESS

Since its introduction in the early 1990s, the balanced scorecard has evolved from a performance measurement tool to a strategic management tool. Numerous organizations report success in using it to align strategy with operations and measure progress toward meeting strategic goals. As Unilever knows firsthand, the BSC provides a common language for all levels of an organization, aligns various disciplines and stakeholders around common strategic goals, and offers a uniform approach to managing the company's daily and longer-term operations.

While much has been written on the BSC as a strategic management tool, scant attention has focused on how organizations communicate the role, use, and benefits of

ONLY ONE BSC WAS DEVELOPED AS A FIRST STEP—AND IT WAS FOR THE HPC-NA BOARD. THE INTENT WAS TO FILTER DOWN MORE SCORECARDS WHEN THE COMPANY BECAME MORE FAMILIAR WITH THE TOOL.



the BSC internally. Successful use of the balanced scorecard requires not only careful design and implementation but also effective communication throughout the organization. In *The Strategy-Focused Organization*, authors Robert S. Kaplan and David P. Norton cite failure to communicate the strategy throughout the organization as an important barrier to successful implementation. They believe the BSC is most successful when awareness of the card pervades all levels of the organization.

EVOLUTION OF THE BSC AT UNILEVER HPC-NA

In 1999, a board of directors was appointed to lead the newly formed Unilever Home and Personal Care-North America business, a company composed of the former Chesebrough-Pond's, Helene Curtis, and Lever Brothers businesses. This leadership team's early goal was to craft a strategic plan for the next five years and identify the key strategic drivers that would achieve a growth agenda. The

strategic thrusts, or broad action programs, were developed as a foundation for all future work. To achieve these strategic thrusts, HPC-NA challenged itself to identify a system for measuring progress, responsibility, and accountability in a transparent manner. The board then assigned Natalie Danysh, vice president of strategic planning, to develop an action plan. After researching a broad array of tools, Danysh recommended adopting the Kaplan and Norton balanced scorecard.

With the vision, mission, and strategic thrusts in hand, the company started developing its BSC in 2000. Each strategic thrust was placed into the relevant BSC quadrant—either consumer/customer, processes/capabilities, or organization/people, with financial outcomes in the financial quadrant. Because this represented a totally new approach for HPC-NA, the plan was to proceed slowly and make adjustments along the way. Only one BSC was developed as a first step—and it was for the HPC-NA board. The intent was to filter down more scorecards when the company became more familiar with the tool. Since the board was involved in developing scorecard goals and measures from the beginning, buy-in filtered down from the very top.

While financial measures were easy to identify, developing other, longer-term, strategically oriented goals and measures proved more challenging. To facilitate the process, HPC-NA formed a Strategy into Action team (SIA) with representatives from each part of the organization, including the business teams and the functional areas such as human resources, IT, and brand development. The SIA team's goal was to assist the board with identifying and developing appropriate BSC measures. With the board's help, the team winnowed the original 80 measures to 35 and then eventually to about a dozen key measures and corresponding metrics. Each measure corresponded to a metric, target, and space for entering actual results versus targets highlighted by a green (on or above plan), yellow (caution, pay attention) or red signal (below plan, act now). Each board member owned one or two of these measures, thereby ensuring accountability at the highest level of the organization.

By the middle of 2001, the board was actively using the balanced scorecard in its monthly meetings. With this early experience under its belt, the board agreed to expand the BSC to other parts of HPC-NA. During 2002, each business team and functional area developed customized scorecards rooted in the fundamentals of the board's scorecard and the company's objectives at large. Although this helped expose the BSC beyond a restricted

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group of senior individuals to a broader base of managers, the company still needed to bring the scorecard to life for the rest of the organization.

ADVENTURES IN GROWTH

According to Danysh, the goal was to design a communications plan that would help all employees:

- ◆ Understand the BSC.
- ◆ Know why the BSC is important.
- ◆ Understand their role in the BSC.
- ◆ See how both the company and employees benefit from the BSC.

Bringing the BSC to the entire organization required a communications plan aimed at a broad audience using a variety of messages and media. Working closely with her colleagues in corporate communications, Danysh developed a communications plan that tapped into an existing “Adventures in Growth” theme, which the company had been using for general communications purposes. With the theme already in place, the plan included promoting the BSC through three types of media: print, verbal, and electronic.

First, Danysh and corporate communications prepared a brochure for all employees that outlined the HPC-NA strategy along with the BSC’s basic principles and benefits. The clever adventure theme described this whole new measurement tool and engaged employees to be part of the “Adventures in Growth.” The user-friendly, visually appealing, and fun brochure explained in simple terms why the BSC would help achieve company goals and why tracking financial measures alone wasn’t enough. Prominently displayed slogans included “The BSC will help us all work together to achieve peak performance,” as well as

others that urged employees to “Join us on an exciting adventure!” In addition to an example of a scorecard and information on how the BSC would be used, there was a section titled, “So, what does this mean for me?” This section displayed how employees could link their personal objectives to the BSC and the company’s overall strategy.

In addition to the brochure, a monthly employee newsletter, *Navigator*, featured the BSC prominently. The adventure theme spilled over to all *Navigator* articles, outlining the various BSC quadrants and the results for a particular time period. Each issue displayed the most recent card and highlighted relevant information for a particular measure and time period. For example, if market share improved on the BSC, a related article would appear under the consumer/customer quadrant explaining the factors driving these positive results. Conversely, if the BSC indicated a red light, a related article would explain the rationale for falling short of the objective and, more importantly, outline the action plan to remedy the situation.

To explain BSC information in detail, all employees participated in regular cascade meetings where management would share important messages related to the business results from the latest time period. At these meetings, employees could ask questions, give feedback, and even conduct workshops around important issues.

The third leg of the communications strategy included a BSC intranet site that featured updated results on a regular basis. The site also included a basic tutorial on how to use the site, how the balanced scorecard linked to the overall corporate strategy, definitions for the BSC terms, and what the bandwidths (range of results spanning from green to yellow to red) for each metric represented.

Since the board developed the BSC with top management buy-in, word quickly spread from the top. All employees were tied to a common set of goals reflected in the BSC, whether at the board, business team, or functional level. A key factor that helped solidify the use of the BSC was linking goals throughout the organization to bonus payout.

SEVERAL CHALLENGES

While the 2001-02 marketing campaign was successful in introducing Unilever HPC-NA employees to the BSC, three critical issues surfaced by the start of 2003: what the BSC meant for each individual employee, inconsistent use of the BSC website, and the security of sensitive information.

First, employees wanted to know what the BSC meant for them as individuals. While virtually all employees

had heard of the BSC after the first 12-18 months, some didn't understand where they fit in, what the BSC meant for their job, and how they benefited.

Second, HPC-NA learned that just offering a BSC online doesn't assure immediate adoption. Employees weren't tapping into the intranet as often as expected; instead, they would either obtain the BSC information verbally or through the monthly newsletter. In order for the website to be more useful, updates would need to be provided on a more timely basis in a more personally relevant manner.

Third, the SIA team dealt with another issue of how much information they should share with employees. In light of the increased competitive environment and desire to prevent leakage of proprietary information, the SIA team needed to strike a balance between providing information openly yet protecting sensitive data. Since there's no exact formula for determining this balance, HPC-NA had to determine what best suited its business.

To address these issues, the SIA team developed a strategy map as an aid to BSC communications. The March 2003 issue of *Navigator* introduced the strategy map to all employees. Based on the Kaplan and Norton principles and using the same four BSC quadrants, the strategy map provided a simple visualization of the company's strategic ambition along with the key initiatives required to achieve that ambition. It presented a line of sight for all employees to use to trace how their work linked to corporate goals. As a result, the newly created strategy map highlighted six HPC-NA business priorities for 2003, with BSC measures and metrics linking to these priorities and outlining a list of key projects that would help deliver the desired results.

With the strategy map in hand, the SIA team began to formulate a plan to improve employee relevance and BSC use. It decided to keep the quarterly cascades and monthly newsletter, but the team redesigned the BSC website to address some issues and posted the information as soon as data was available. To ensure confidentiality, the team restricted access to managers who use the BSC information for decision making. All other employees received the necessary balanced scorecard information through the newsletter and verbal alternatives with less detailed information. The team continued with the green, yellow, and red coding so everyone could understand how the company was tracking.

LESSONS LEARNED

The Unilever HPC-NA marketing campaign provides an effective strategy that other firms may consider when marketing a balanced scorecard internally. According to

Danysh, the HPC-NA journey yielded some important lessons:

- ◆ Select a few critical measures, and track them rigorously. More isn't better.
- ◆ Get early involvement and buy-in from many people, especially top management.
- ◆ Remember to market the BSC. It's like a new product requiring awareness, trial, and repeat across a variety of media.
- ◆ Align BSC results with compensation to maximize use and effectiveness.
- ◆ Ensure your company's key initiatives are clearly linked to the BSC.
- ◆ Know your audience in all communications vehicles.
- ◆ Keep in mind there'll be early adopters and stragglers, but persevere.

In summary, it's important to truly understand the BSC's purpose. A balanced scorecard isn't a substitute for strategy formulation, which must be done separately. Rather, it's about measuring strategy effectiveness and change. And the BSC is never complete—it's a strategic, living tool.

FINAL THOUGHTS

The BSC enables managers to measure progress against a company's strategy in a simple, straightforward manner. It helps align employees to the organization's goals, linking daily activities to desired organizational outcomes. Critical to the successful implementation of the BSC, however, is a well-crafted internal communication and marketing plan. Such a plan will not only help shape the message, but it will encourage the BSC's active adoption by all stakeholders. ■

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The balanced scorecard is a topic at IMA's Annual Conference. Visit www.imanet.org/chicago for Conference details.

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