

Performance management in a multinational organisation

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Introduction

This paper covers activities over the last 12-18 months within Unilever, a leading fast-moving consumer goods (FMCG) organization that operates across the globe. These activities have been broken down into two phases: Standardizing the scorecard approach across the organization and implementing it in a reorganized central department area.

This practical application paper is relevant to the following themes at this year's conference:

- Design and implementation of an organizational-wide scorecard based system;
- Performance management and change management as the performance measurement framework was used as an enabler to support the formation of the newly formed corporate department;
- Performance measurement in different contexts as the corporate department had been formed from a combination of loosely linked and diverse departments.

The paper addresses both the process and people issues of performance measurement. It recognizes that the development of a performance measurement system takes time with systematic deployment and several cycles of review being needed to develop real capability.

Background

Unilever has the objective of *'Meeting everyday needs of people everywhere'*, with 247,000 employees and brands on sale in 150 countries, examples being Persil, Comfort, Domestos, Dove, Lynx, Bird's Eye Walls, Knorr and Lipton. Unilever has developed strong positions in both developed and emerging markets. 150 million times every day consumers make Unilever brands their products of first choice.

The FMCG market has changed dramatically over the past five years. Increasing global competition and increasing power of the retailers has put pressure on the business. One of the actions taken to counter this pressure was the purchase of 'BestFoods' in the USA, which has led to the largest acquisition in the organization's history. The organization also continued its evolution from a regional to a truly global business. A consistent approach to performance measurement was recognized as a strategic imperative and this paper describes the evolution and recent application of the approach

Standardizing the approach

Unilever has used scorecards for many years. For example, Unilever Australasia and Unilever River Plate Argentina introduced their first scorecards in 1995. In developing a standardized approach it was important to build on current practice and not re-invent. Gaining ownership was also important as was marketing the approach and providing support for implementation.

The three phases of the approach developed are shown diagrammatically in Figure 1.

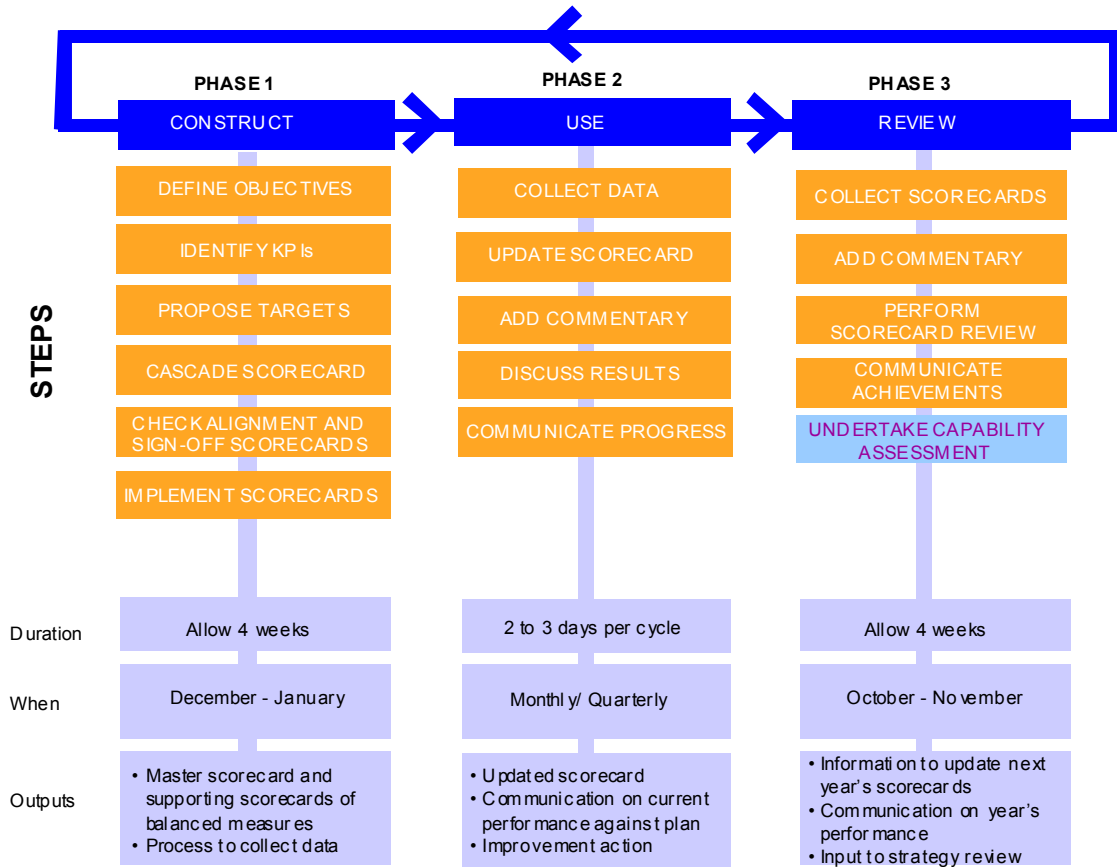


Figure 1: The Unilever Scorecard Approach

During Phase 1 at the start of annual planning process the scorecards are constructed for the coming year. This involves defining the objectives for the coming year, cascading these down to the appropriate levels of the organisation to get buy-in and implementing the measurement system. This latter step requires the Business Areas to identify what data is needed for each identified measure, how it will be collected through the data collection process.

The second phase continues throughout the year to monitor performance. Data is collected and current levels of performance reviewed against target at scheduled times. The Management Team identifies areas where performance needs to be improved and/or where targets need revision. Where improvement is required, this could be a simple process refinement or more radical improvement approach.

Phase 3 is conducted once per year at the end of the cycle. Performance against the scorecard measures is reviewed and the information used when the scorecards for the next planning year are constructed. A more detailed review is also conducted, which is the Capability Assessment. During these assessments the longer-term performance of the Business Area is considered to decide whether the area has the capability to perform at the level required of it. If this is not the case then transformational improvement may be required. The output from the Capability Assessment feed direct into the strategic reviews.

Support for the implementation came in several forms. For senior management a top-level introduction booklet was developed, together with a summary card. A more detailed implementation guide for the Intranet was also developed for users and training was made available.

Applying the process

As a result of the changes to the organisation described above, there was a need to take a critical look at both the cost and effectiveness of the Corporate Centre. Combining a number of units identified the opportunity for major savings, but this presented the challenge of getting a set of diverse departments working together.

The Corporate Centre supports the chairmen and Unilever Board in a number of areas. These include establishing the vision, setting strategic priorities and targets, shaping the portfolio, maintaining governance, and nurturing leadership, diversity, enterprise and reputation. Figure 2 gives a high-level view of the Corporate Centre structure.

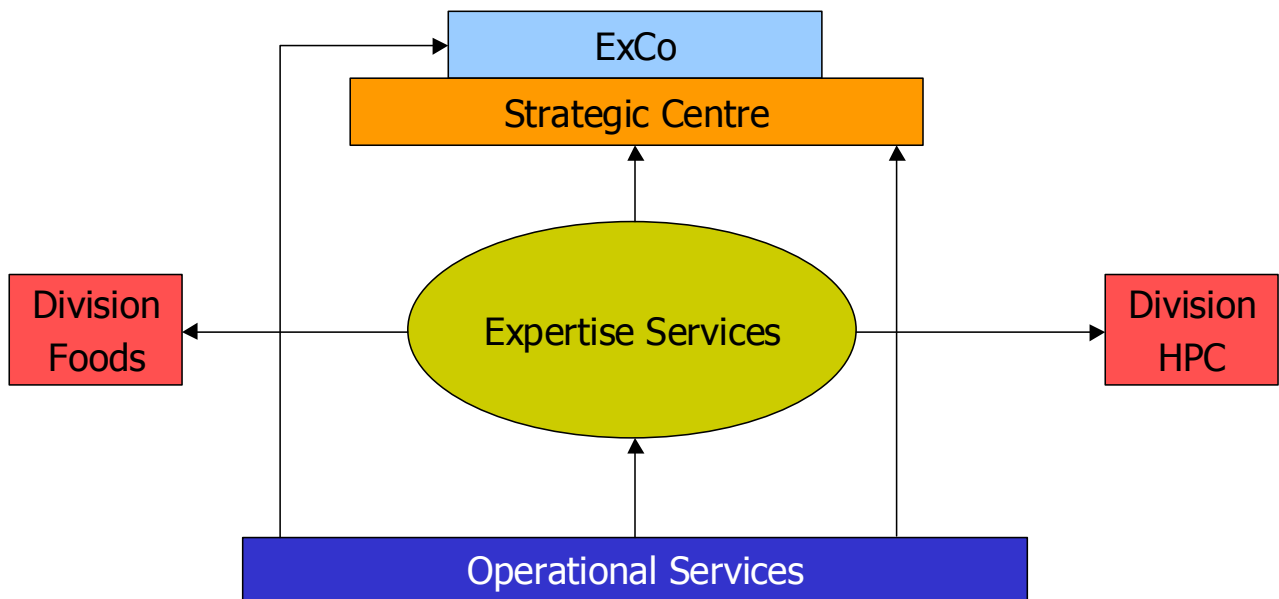


Figure 2: High-level view of the Corporate Centre structure

Although the implementation of the performance measurement framework was not the only initiative adopted to get the newly formed centre working as a single effective unit, the work had a major role to play. At the start of the project there were a number of barriers including lack of buy-in, time and knowledge. The maturity of performance measurement varied from area to area with one area having a well-developed scorecard and others little more than financial measures and a list of activities.

A first action was to link the implementation of the scorecard system to the needs of the Corporate Centre. As part of the culture change programme the Centre's leaders had defined

“Passion, Accountability and Difference” as key themes. These three themes were linked as follows:

- Passion: through people understanding their contribution
- Accountability: by engaging owners to deliver on a quarterly basis
- Difference: by achieving KPIs that measure Centre’s contribution to the business

An experienced facilitator worked with the Centre’s leadership group over a three-month period. Apart from developing the first ever Corporate Centre scorecard, the project had a number of benefits. Firstly, by the end of the three-month period it had been accepted that the scorecard process had helped leaders to focus on the priorities and the right allocation of resources. It was also noted that the Centre had become more customer oriented. Secondly, at the start of the process only 3 departments had a clearly defined mission and scorecard, but at the end all 14 departments had their own mission and scorecard.

The actual measures developed also told a story. The first draft of the Centre’s scorecard had 64 measures but through discussion and agreement this reduced to 22, showing the increase in focus that was obtained. Of these 22 measures 10 were shared across departments reinforcing the need for the departments to work together to achieve their aims. These measures had also matured from purely activity or milestone-based measures to quantitative measures.

Summary

The scorecard approach developed has delivered some major benefits to the organization in a relatively short period of time. The approach, although specific to the organization in some respects, could be applied to most other organizations with minimal changes.

A number of valuable learning points came out of both the approach development and implementation projects. For example, a scorecard process has as much to do with people, as it has to do with the process followed. There is also a need to ensure that the measures chosen have a distinct focus on future performance for the process to be of value and for it to be accepted at senior management levels.