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Building a Strategic Balanced Scorecard

Saatchi and Saatchi

Complimentary Case Study

Case Study: Saatchi & Saatchi Worldwide

Summary

Faced with a set of brutally tough choices in the Nineties, Saatchi & Saatchi's leadership team defined a new vision and global strategy and set stretching three-year financial goals.

In this case study, Paul Melter, Worldwide Director, CompaSS, explains how the balanced scorecard was used to turn ambitious strategic aspirations into operational reality.

Background

Headquartered in New York City, Saatchi & Saatchi Worldwide has a vision 'to be revered as the hothouse for world changing creative ideas that transform our clients' businesses, brands and reputations'.

Saatchi & Saatchi is one of the world's leading creative organizations. Being a 'full service integrated communication agency', services range from communication and marketing strategy, advertising scripts and production for all media channels, to consumer research and forecasting.

With over 7,000 employees located at 138 offices in 82 countries, this agency had billings of over US$7bn in 2001.

Being itself a globally recognized brand (Advertising Age ranked it as the No 18 brand worldwide in 2001), Saatchi & Saatchi represents numerous household names throughout the world including Toyota/Lexus, Procter & Gamble, General Mills/Pillsbury, Visa International. In all, the agency works for 56 of the world's top 100 advertisers and over 50 of the world's most valuable global brands.

The story began in 1970, when two brothers, Charles and Maurice Saatchi, founded the eponymous agency in London, UK. For the rest of that decade, the company grew phenomenally, partly through mergers and acquisitions, but also because their work was recognized as being at the forefront of creative excellence and contributor to their clients' success. Saatchi & Saatchi's central role in keeping the

Conservative party in power in the 1980s gave the agency legendary status in the UK.

On the brink of disaster

However, along with many other organizations, its phenomenal growth of the 70s and 80s was brought up short by recession in the early 1990s. By 1995 the agency was on the brink of bankruptcy. As Paul Melter, Worldwide Director, CompaSS (as the agency calls its scorecard programme) recalls:

> “Throughout the 1970s and 80s we experienced rapid growth through acquisitions. We were essentially competitors only connected through common ownership”.

Before getting to the balanced scorecard, the agency completed a phase of strategy reformulation and structural changes that began with new personnel being appointed at the top of the organization. Both the Saatchi brothers left the company and in 1995, Bob Seelert joined as chairman who later hired Kevin Roberts as chief executive officer (CEO) in April 1997. Seelert was the key architect in de-merging Saatchi & Saatchi from Cordiant Communications back in December 1997. He also was the key catalyst in formulating Saatchi & Saatchi’s new corporate vision and strategy. Roberts, however, was the key person in ensuring Saatchi & Saatchi was successful in executing the strategy.

Both leaders had held senior posts within two top spending clients: Roberts at Procter & Gamble, Seelert at General Foods. Therefore each had first-hand experience of relating to the agency from a client’s perspective.

As Melter recalls:

> "At the time of the de-merger – We announced publicly the detailed blueprint for the company’s comeback, which would be met by the end of the three-year period. Those goals included:
> • Growing our revenue base better than the market
> • Converting 30 percent of that incremental revenue to operating profit
> • Doubling our earnings per share.”

They were goals that became a pledge to shareholders and Wall Street.

Setting stretch goals

Recognizing that time was of the essence, the first thing Roberts did was spend almost his entire first three months visiting all of the agency's 45 globally dispersed business units. Melter says:

> "Kevin found that we didn't have a common vision; that, although great work was being done, each location was working to its own agenda. Consequently they were often not creating value for Saatchi & Saatchi corporately."

Roberts soon realized that Saatchi & Saatchi needed a management tool that would help communicate and make operational the new vision. Structurally, he also perceived that this would necessitate achieving one of their main objectives, which was to position Saatchi & Saatchi in the top rank of the advertising industry.

From mid-1997 to the end of that year, Seelert, Roberts and their senior team worked on shaping this new vision (cited at the start of this case study) and on setting supporting, and aggressive, financial goals. And these goals were certainly stretching. Paul Melter says:

> "With the de-merger we were masters of our own destiny. But we wanted that to be both a creatively brilliant and financially secure destiny."

Setting out a strategy

With the vision and financial/growth goals in place, the next step was to make the strategy happen. This led to important internal structural changes, as the senior team refocused and re-prioritized their investment plans for the business units. Melter explains:

> "We did a financial health check to determine which agencies were making us money, which weren't, which had potential and which didn't. So we made a conscious decision as to who to invest in and who not to."
>
> "To start with, we created three agency categories: 'lead, drive, and prosper' and each category had different strategic charges."

Accordingly, a 'prosper' agency (most agencies fall into this category) generally has less than 50 employees and limited potential to ever become a gigantic agency. So the new strategic focus said that units in this category were not expected to grow dramatically, but were charged with achieving high-margins.

A ‘drive’ agency, typically, has between 50 and 150 employees and was given the goal of maintaining or slightly growing their revenue base, but also growing their margins.

The largest agencies, such as the UK, New York and China, were assigned ‘lead’ status. It was here that rapid growth was expected and where the lion’s share of investment would be allocated.

Financial success depended on paying close attention to the agency’s core client-base. Indeed, Saatchi & Saatchi’s executive team coined the phrase ‘Permanently Infatuated Clients’ or PICs for short. As Melter says, “We have to have Wall Street love us, but we also have to have our clients love us.”

He adds that their own analysis had shown that between 20-30 percent of Saatchi & Saatchi’s client base made up 70-80 percent of its revenues. So as part of becoming one global organization all agencies received one message, that being to focus attention on the large revenue earning clients.

> “We said unequivocally, we’re a worldwide agency, here are the clients who we value on a global basis; so wherever you are, be that Vietnam, Ireland, or Portugal, you have to make sure that you service them well. It doesn’t matter if collectively these clients make up only two percent of your revenues, you have to pay particular attention to their needs as these are the clients that we especially want to become PICs.”

And to create PICs, agency employees were charged with coming up with big ideas, or using another acronym ‘BFIs’, ‘big fabulous ideas’. Melter comments:

> “We said that to make your clients love you, you have to generate and implement BFIs. We’re not talking about the volume of ideas, but quality: ideas that truly transform the businesses, brands and reputations of our clients.
>
> “Also, we said that it started with our people and that we had to have great ideas people who really buy into the Saatchi and Saatchi way of life, who have a passion for our phenomenal

> history, our creative culture and our proprietary tools. We also need an ideas environment in every agency. And we also need great inspirational leadership in every unit."

Strategy implementation

Seelert, Roberts and their senior team had clearly done their job in setting a corporate vision, clear financial goals and a customer-facing organizational structure and strategy. Next came the tricky bit, strategy implementation. Melter recalls: "We didn't have the luxury of getting it wrong, we had one shot and the clock was ticking."

In mid 1998 chief financial officer (CFO) Bill Cochrane, who had been pivotal in working with Kevin Roberts and Bob Seelert on the strategy, attended an executive seminar at the Harvard Business School. One of the guest lecturers was Professor Kaplan, who introduced the assembled delegates to the balanced scorecard.

At that time, Cochrane and his senior finance reports, including Melter, who was then a divisional finance director, had been considering the adoption of various management tools to assist in their strategic journey, such as Six Sigma and Economic Value Added. Melter recalls:

> "On hearing Dr Kaplan speak, Cochrane knew that the scorecard was the ideal tool for our strategy implementation efforts. It was simple, intuitively sensible, and if it was designed and aligned correctly it should lead to immediate and lasting results."

Melter adds that straight after the Harvard class Cochrane spoke to Kaplan and said 'Here's where we are, here's what we've told Wall Street, we have two and a half years, can you help? Kaplan said that he could.'

Conclusion

The scorecard has now become the way that strategy is translated into action within Saatchi & Saatchi through the creation of strategy maps and CompaSS scorecards.

Melter reports that key to success was the absolute commitment of the most senior management and their freeing up of resources to make the scorecard happen.

> "Whilst still a finance director, I was spending 100 percent of my time on the scorecard project. Bill Cochrane gave me financial assistance so I could dedicate this time. CompaSS inspired me. It gave me an opportunity to discover that there was a way to make a huge impact on an organization beyond looking at the traditional, tactical measurement tools. Cochrane realized my passion and was a visionary. He knew I wouldn't be going back to my day job, which was true."

The real test was how Saatchi & Saatchi progressed from its 1997 crisis towards its stated goals.

> "We achieved our Wall Street goals by June 2000, which was six months prior to our December 2000 deadline. The balanced scorecard was a massive contributor to that success. With it we were able to clearly explain to every employee throughout the world what the strategy was.
>
> "For the first time we were able to say 'here's our vision, here's our corporate strategy, here's how we're going to get there and here's the part you play'."

In September 2000, Saatchi & Saatchi was purchased by Paris, France-headquartered Publicis Groupe SA, for close on $2.5 bn. This represented a multiple of about five times the company's market worth and is further evidence of the agency's strategy implementation success.

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