# Veolia Water North America Case Study

## The Situation

Based in Chicago, Veolia Water North America (Veolia Water NA) is a leading provider of comprehensive water and wastewater partnership services, serving approximately 550 communities. As the North American unit of France-based Veolia Water, the world's largest supplier of water services, it is also the leader in providing water, wastewater and resource recovery services to North America's leading manufacturers.

In July 2008, Veolia Water NA gained leadership of the public/private partnership market. Yet less than 10% of U.S. municipal water and wastewater operations are run by private providers such as Veolia Water NA.   The other 90% are run by the municipalities themselves, who are facing increasing challenges such as rising demand, aging/obsolete infrastructure, more stringent regulations, and difficulty recruiting experienced technical professionals. Veolia and its competitors saw significant growth potential in pursuing the market managed by municipalities, as the public/private partnership model alleviates the growing challenges and risks faced by municipalities to provide this service themselves.

**VEOLIA WATER**

**Veolia Water NA used *The Institute Way* to position themselves to more effectively compete and in 2011, received the Institute's *Award for Excellence* for demonstrating breakthrough results.**

At the time, senior management knew they had to overcome some challenges in order to capture growth opportunities.  The North American organization was decentralized, with each Regional President acting independently, and the company lacked a unified set of strategies and key performance indicators (KPIs).

## The Decision

Senior leadership was convinced that a more formal strategic planning and management system   was needed to develop and implement an aggressive growth strategy for Veolia Water NA. As part of the implementation, they also planned to weave the system into an ISO 9000 - focused management framework since the Balanced Scorecard facilitates many of the principles within ISO 9000[1].

The Director of Management Systems at Veolia Water NA was selected as the Balanced Scorecard Project Champion and reached out to the Institute for assistance.  Senior management had made it very clear that his team was to develop and implement the scorecard on their own.  Therefore, the Institute's training-based approach fit perfectly with Veolia Water NA's needs.

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[1] ISO 9000:2005 is an internationally recognized quality management system focused on improved performance. There are eight Quality Management Principles: 1) customer focus, 2) leadership, 3) involvement of people, 4) process approach, 5) system approach, 6) continual improvement, 7) factual approach to decision-making and 8) mutually beneficial supplier relationships.

## Program Launch:  Sponsorship and Engaged Leadership

Veolia Water NA's President and CEO served as the executive sponsor for the program. The Vice President of Environmental Health and Safety (EHS) at Veolia Water was added to the team in order to eventually transition to the Project Champion role.

A Senior Management Team (SMT) was formed, which included regional presidents and corporate executives (e.g., HR, Legal, Business Development, etc.).

## Program Launch:  Communication and Change Management

During the initial workshops, the leadership team needed to gain buy-in from the other SMT members. Many of the members were familiar with the Balanced Scorecard management philosophy, but knew their organizational challenges did not bode well for the project's success. The right executive advocates, communication and timing were critical for change.

A letter from the CEO to all employees communicated the Balanced Scorecard and initiated the communications strategy. The SMT assumed the communications responsibilities, with support from Veolia's Communications group. The senior management team's enthusiasm, drive and assertiveness created the sense of urgency in the organization that was needed for change.

As part of the communications effort, Veolia used compelling graphics to communicate their strategy. Figure 1 below is an example used at a manager's meeting to communicate FY10 priorities in context of strategy.
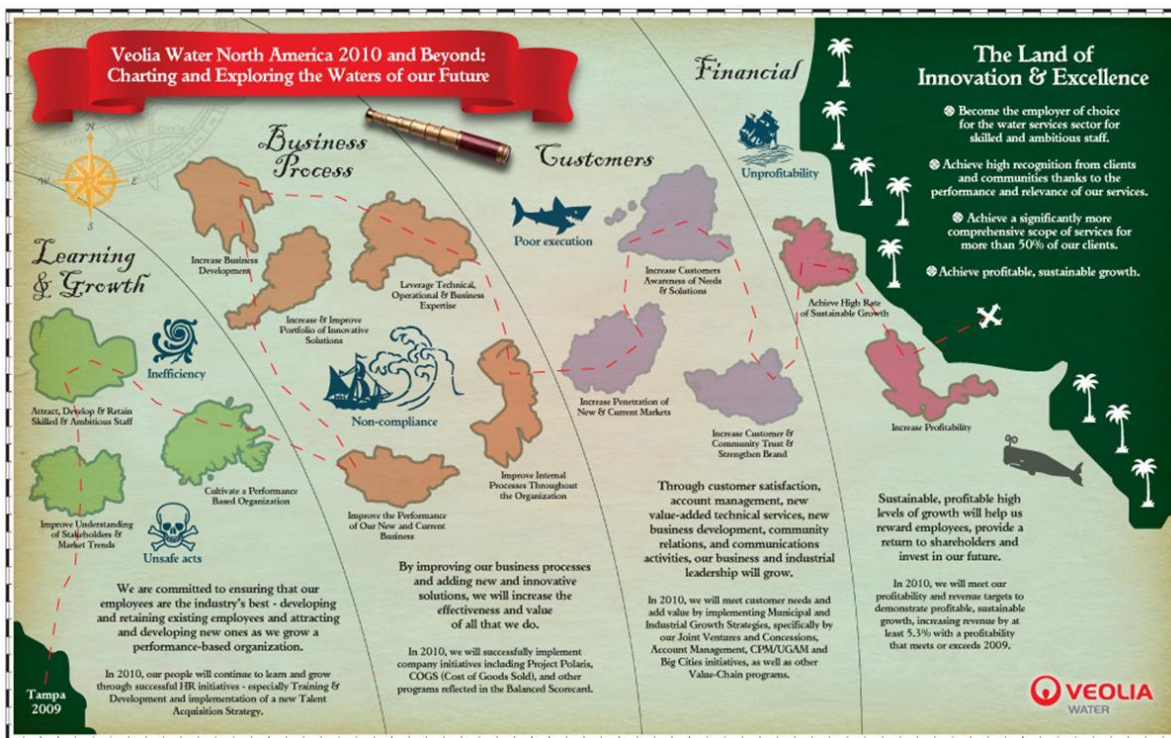


**Figure 1: Communication Graphic for Veolia Water NA**

## Program Launch: Plan the Project

Since Veolia wanted to quickly build in-house capacity and develop their scorecard on their own, their project plan focused on a series of training workshops followed by development sessions. Table 1 depicts Veolia Water NA's project plan.

**Table 2: Veolia Water NA's Project Plan**

| Veolia Water NA Participants | Activity |
|---|---|
| **Strategic Management Team** | **2-Day Workshop:** BSC Overview Training & development of combined SWOT and Key Success Factors and identification of Strategic Themes using pre-existing strategic elements of Mission, Vision, Core Values, Customer Needs & Value Proposition, and Organizational Enablers & Pains. |
| **Strategic Management Team** | **Series of 1-Day Workshops:** BSC training on the step to be performed followed by development of the components from that step. This series of sessions resulted in a set of Tier 1 objectives Tier 1 strategy map with measures and prioritized initiatives (Steps 3 thru 6) |
| **Tier 2 Teams** | **Series of Tier 2 Training Workshops** conducted in various cities around North America: BSC training on the cascading process followed by development of Tier 2 scorecards |

## Step 1: Assessment

One of the initial sub-steps—conducting a SWOT Analysis to assess the organization's strengths, weaknesses, opportunities, and threats—was already part of the existing strategic planning process so it was completed in a timely manner. Institute consultants emphasized how the SWOT Analysis is integral to several future steps in the BSI *Nine Steps to Success*™. For many SMT members, it would be the first time they would see the link between the SWOT Analysis and formulating a strategy.

A team member took the initial cut at writing the company's mission and vision. There was a collaborative discussion lasting several hours debating the wording and meaning of these two strategic components. Table 2 shows the final Veolia Water NA mission and vision.

**Table 2: Veolia Water NA Mission and Vision**

| MISSION |
|---|
| *We reliably address the challenges of our municipal and industrial clients in the Americas, thanks to the excellence of our creative long-term water management solutions and service. By doing so, we want to achieve a strong business performance that increases the value for our parent company and offers promising opportunities to our employees.* |
| **VISION:** |
| *To achieve a high rate of profitable growth in all our business sectors and become the recognized benchmark leader of the entire water services industry in the Americas.* |

The SMT decided to use the Veolia Environment core values, instead of creating new ones.

Documenting Veolia Water NA customers and stakeholders was a simple process. Customers are municipal clients (City Managers, Public Works Departments and Utility Commissioners) and industrial clients (Refineries, Chemical Processing, Automotive, Primary Metals and Food & Beverage – to name a few).

Stakeholders are defined as the customers, plus regulatory agencies (e.g., OSHA, EPA, etc.) and their parent company (Veolia Environment).

## Step 2: Strategy

The Institute consultant explained each strategic component then facilitated a working session with the SMT to define the component and reinforce the teachings. This approach worked well in the development of the strategic themes. The strategic themes, shown in Table 3, highlighted the requirements to achieve Veolia's Vision.

**Table 3: Veolia Water NA Strategic Themes**

| Strategic Themes |
| --- |
| Sustainable, Profitable High Growth |
| Innovative Solutions & Partnerships |
| Operational & Technical Excellence |

Veolia Water NA knew it would need to reorganize itself to capture growth in the market. This resulted in a tight inter-relationship between the strategic themes. Veolia wanted to be the water system management provider of choice for municipalities. So, they had to develop innovative ways to help municipalities take on capital improvements to their system, which required leveraging partnerships with Veolia's sister companies to provide end-to-end service, increase revenues, and decrease operating costs.

Veolia Water NA decided to use the general perspectives of Learning & Growth, Business Processes, Customer, and Financial. Financial was placed on top above Customer, as is typical in commercial industry. The Team felt these perspectives were the right lenses for developing a sustainable, comprehensive strategy map.

## Step 3: Strategic Objectives

Laying out the matrix of strategic themes and perspectives along with the SWOT Analysis jump-started the SMT's brainstorming of objectives. Instead of separately identifying objectives for each strategic theme, Veolia Water NA streamlined the process and used a matrix approach. The completed matrix was a precursor to the strategy map they would create. When considering the "Innovative Solutions & Partnerships" strategic theme, the team identified objectives such as "Increase and Improve Portfolio of Innovative Solutions" in the "Business Process" perspective. This led to creating objectives in the "Learning & Growth" perspective that would make innovation possible (e.g., an objective focused on understanding market trends).

The team wrote objective commentary to make sure everyone was on the same page and to reference down the road in the process. The 13 objectives answered the question of how Veolia Water NA would achieve its vision by creating action around the strategic themes.

## Step 4: Strategy Mapping

Creation of the actual strategy map from the matrix of objectives was an interesting and iterative process for Veolia Water NA. The SMT went into this step with the expectation that the end product would tell the organization's story and be easy to understand for project managers at the various sites. Using a whiteboard, they began drawing lines between objectives to show cause-and-effect linkages. They decided to group the "Learning and Growth" perspective objectives together because they were at the foundation of the strategy execution. While drafting the Strategy Map, the SMT kept in mind the order of the strategic themes at the top of the map:  High Growth * Innovation * Operational Excellence. They then organized the objectives under applicable strategic themes or between themes if they integrated multiple strategic themes. For example, the objective "Increase and Improve Portfolio of Innovative Solutions" in the "Business Process" perspective addressed both the "Sustainable, Profitable High Growth" and "Innovative Solutions & Partnerships" strategic themes so it was aligned between these themes on the map. When the SMT felt they had a solid strategy map, they took a day off and came back to it with cleared minds to make sure it still made sense.

The team created a PowerPoint presentation of the strategy map that had pop-ups of the objective commentary. This presentation served as a basis for communicating the strategy to their stakeholders.

## Step 5: Measures and Targets

Veolia Water NA refers to performance measures as KPIs. During the early planning phases, the leadership team developed criteria for selecting KPIs, which was accepted by the SMT. Criteria for KPIs was as follows:

- Meaningful (and controllable)
- Valid (measuring the right things for the intended results)
- Verifiable
- Useful information provided
- Easy to collect

The SMT was expanded to include subject matter experts in Step 5. The team locked themselves away and went through each objective one at a time (from the bottom to the top) to brainstorm a list of KPIs. Then, they went back through the list to refine it according to their accepted criteria.

Next, KPI Owners were assigned the responsibility of collecting and vetting the data. This practice supports the drive toward accountability. Over time, some of the original KPIs have been replaced and some others are still on hold due to technical obstacles.

Separate meetings were held to set targets and scoring criteria. The KPI Owners proposed the targets and scoring criteria to the leadership team for evaluation. Initially, many of the targets were based on baseline or historical data. For other KPIs, data collection methods (i.e., surveys) had to be created before they could be reported. Like most organizations, KPIs and their targets change periodically due to continuous improvement and finding that some KPIs are not as informative as others. The team revisits the list of KPIs at the beginning of each year to make any needed refinements. For example, in the financial perspective

Veolia decided to replace a KPI - Earnings Before Interest and Taxes (EBIT) divided by Revenue (expressed as a ratio). It was determined that a more meaningful and controllable KPI is operating cash flow (CAFOP) divided by revenue. Since CAFOP adjusts for liabilities, receivables, and depreciation, operating cash flow is a more accurate measure of how much cash a company has generated (or used) than traditional measures of profitability such as net income or EBIT.

KPIs were a stumbling block for the organization prior to the balanced scorecard, but thanks to the Balanced Scorecard Veolia Water NA quickly began to see results, especially in the performance of their "Business Process" perspective KPIs.

## Step 6: Strategic Initiatives

Early training revealed that some team members did not understand the difference between initiatives and objectives. The BSI facilitators emphasized that the initiatives were the actions driving the objectives. The KPIs measured the effectiveness of the initiatives in driving objective results.

The SMT brainstormed a list of initiatives and relied on specialists to provide significant input on certain initiatives. For example, Human Resources was most knowledgeable about the "Attract, Develop & Retain Skilled & Ambitious Staff" objective. However, in the initiative "Job Fair Involvement," they had to rely on business line leaders to identify professional certifications and hiring needs.

Veolia Water NA then prioritized their initiatives using three filters: 1) resource requirements (time, cost, and people) versus impact on business; 2) number of objectives impacted by each initiative; and 3) initiative prerequisites and dependencies.

As part of Veolia Water NA's continuous improvement efforts, new initiatives are added and completed initiatives retired on a periodic basis.

## Step 7: Performance Analysis

Veolia Water NA wanted a tool to automate tracking of KPIs. A team selected a software package that would be easy-to-implement, easy-to-use, cost-effective and scalable to include tracking other strategic components, such as initiatives. QuickScore performance management software system co-branded by the Institute and Spider Strategies was selected.

The KPI Owners feed periodic updates to the Performance Management System Analyst, who inputs the data. The Analyst has intimate knowledge of the raw data and trends; and is able to ask KPI Owners probing questions to document negative performance trends.

Veolia uses a red, yellow, green and gray color scheme to denote KPI threshold levels. Green denotes a KPI performing at target; yellow denotes a need for improvement; red denotes critical KPIs; and gray denotes lack of data.

## Step 8: Alignment

Early on, the CEO set the expectation that he wanted to complete the Tier 1 strategic scorecard within three months, have each region fully embrace the scorecard within one year; and then cascade it to the functional department level (Tier 2) completion within two years. By deploying the process at all levels of the organization in a timely manner, he hoped to instill a sense of urgency and avoid staff sentiment that the balanced scorecard was a "flavor of the month" project.

In mid-2009, with most of the corporate scorecard completed, the leadership team began the cascading effort. Even though they had not quite finished developing and implementing all of the corporate level performance measurements, the team wanted to move forward with cascading so that they could align around strategy as soon as possible. They partnered with the Institute, using a train-the-trainer model for the first two regions. Tier 2 was completed in early 2010.

Veolia Water NA employs approximately 2,700 employees at over 300 worksites across the U.S. and Canada. The bulk of this workforce consists of treatment plant operators, maintenance workers, equipment operators, electricians, instrumentation technicians, and the like. Project Managers, Area Managers, Technical Managers, H&S Managers, HR Managers, and Business Managers understand how their individual roles are linked to their respective group's scorecard and the corporate scorecard. Additionally, non-project personnel now have a component of their annual bonus tied to the overall balanced scorecard results via the Tier 3 cascade in which the Veolia Water NA annual employee performance appraisal was adapted to link employee goals and objectives to the larger strategic plan.

## Step 9: Evaluation

During the monthly operations meeting, the project champion presents the Corporate Scorecard, the Initiatives and the KPIs' status using a dashboard presentation. The meeting usually lasts two hours and gives the senior management team an opportunity to discuss lagging performance and initiatives. Some meetings are more focused on allocating or re-aligning resources for initiatives behind schedule. This monthly operating report is also a checkpoint for senior managers since their annual performance appraisal includes an area for the mutually agreed upon goals from the Corporate Strategy Map.

Originally, buy-in across the organization was mixed. Some managers still preferred to manage based on financial reports only, whereas others realized they could trust the balanced scorecard approach as they set their departmental priorities. On-going communications from the CEO and SMT continued to increase buy-in.

The leadership team's initial focus was to organize the company to take advantage of future growth. As time passed, the balanced score card evolved.. The cascading exercise was revisited and simplified to focus on customer groups instead of geographies. Tier 2 now consists of scorecards for the municipal business, industrial business and the corporate functional departments.

## Sustaining and Managing with the Balanced Scorecard

Quarterly, the Senior Management Team conducts a company-wide webinar for employees across the U.S. and Canada to maintain an open and on-going dialogue with Veolia Water NA managers, front-line supervisors, support groups, and employees at large. BSC updates are always part of the webinar message and sometimes include celebration and recognition of a number of initiatives with significant organizational impact that were brought to fruition as the result of being linked to a specific BSC strategic objective and KPI. BSC communication is often done through the company's monthly internal newsletter, "V-Mail."

In order to drive understanding and expertise on BSC principles, practices, and methodology for Veolia employees across the U.S. and Canada, Veolia Water NA started uses an e-learning program to train key staff. The e-learning course, a customized version of an Institute overview e-learning program, consists of six modules that together take no more than an hour to complete. The e-learning course helps familiarize employees with the balanced scorecard and demonstrate how they contribute to the company's

objectives when they achieve their personal objectives. The program helps employees develop an understanding of terminology and best practices related to balanced scorecard strategic planning and management, so that they can contribute to further development and use of the balanced scorecard system at Veolia Water.

Veolia Water NA revisits the Corporate Strategy Map annually, but they have not made any changes to strategic themes, objectives or perspectives, so far. Some KPIs were eliminated or modified to better reflect business needs.

## What Did Veolia Water NA Gain?

When asked about key lessons learned in the process, the SMT listed the following:

1. The effort, focus and leadership on key strategic components led to a strategy map with staying power
2. There were so many things to improve upon across the business; and this process helped to set priorities
3. The data collection can be laborious; so, it is essential to focus on identifying a short list of KPIs that are meaningful, verifiable, valid, useful and easy-to-collect.

Veolia has also been able to realize significant improvement in business performance.  Some of its KPIs which have shown significant and sustained performance improvement include:

- Operating Cash Flow (CAFOP)
- Backlog of Industrial Business Portfolio KPI
- Total M$ of Revenue of Bids Submitted
- Number of Preventable Environmental Excursions KPI
- G&A as Cost/Revenue KPI

Veolia Water NA now makes data-based decision to improve performance on its strategic objectives. Two examples are below:

**Objective:  Improve the Performance of our New and Current Business**

After 5 consecutive years of continuous improvement regarding the number of work-related injuries KPI, 2011 safety performance was not going to meet the targeted continuous improvement goal by year's end. So, the company made the decision to take the following action steps:

- Hold 3 regional workshops for project safety coordinators
- Launch additional health & safety awareness campaigns/communications
- Set targets for the reporting of "near-miss" incidents as these do not result in injury or medical expense and serve as proactive/leading indicators for safety managers and field personnel.

**Objective: Improve Internal Processes Throughout the Organization**

In the early years of its Balanced Scorecard implementation, there were a number of low scores given to the HR department (0-5 ranking system for functional departments as a KPI). So, the company made the decision to take the following action steps:

- Address payroll consolidation issues with third party vendor (ADP)
- Launch a web-based, e-time management system to replace a more laborious, paper-based, time sheet process system. This was also seen as an opportunity to stream-line, be more efficient, and perhaps reduce overtime costs at the project level.

Veolia Water NA has achieved such quantifiable success that in a 2012 live broadcast to all Veolia Water NA employees, the Institute awarded Veolia Water NA its **Award for Excellence** for their successful use of the balanced scorecard as the basis of their transformation to a "performance-based" organization and for achieving measurable and break-through results. Veolia used **The Institute Way** to translate the organization's growth strategy into something employees could understand and successfully act upon.

**About Veolia Water North America**

Veolia Water North America serves people in approximately 550 North American communities and provide industrial water solutions at about 100 industrial facilities, we treat more than 2.2 billion gallons of water and wastewater daily. Veolia Water North America is part of Veolia Water, a division of Veolia Environment (NYSE: VE; Paris Bourse: VIE), the world's largest environmental company.

Veolia Water designs, builds, operates and manages various types of facilities, programs and systems. Their services include: operations and maintenance services, design-build-operate services, water treatment and distribution systems, wastewater collection and treatment systems, reuse programs, biosolids and composting facilities and related distribution programs, asset management programs, customer service solutions, technology and system and equipment solutions

**About the Balanced Scorecard Institute**

The Balanced Scorecard Institute provides training, certification and consulting services to commercial, government, and not-for-profit organizations worldwide. The Institute applies best practices gained from hundreds of consulting assignments and 5,000 trainees in balanced scorecard, strategic performance management and measurement, strategic planning, and change management to help executives, managers and analysts transform their organizations into "performance excellence" organizations.

The Institute also provides, through the balancedscorecard.org website, extensive resources, including case studies, white papers, articles, and other information based on lessons learned from extensive experience in building strategic management and performance measurement systems using our award-winning *Nine Steps to Success*™ balanced scorecard methodology. For more information about the Balanced Scorecard Institute, please visit: www.balancedscorecard.org

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The Institute Press is a small, independent publisher based in Cary, NC dedicated to providing books and resources designed to help organizational leaders and managers transform their organization into "performance excellence" organizations. The Institute Press operates as a unit within the Strategy Management Group, which focuses on Strategic Planning, Strategy Management, Strategy Execution, Balanced Scorecard, Performance Measurement & Management, Change Management, Process Improvement and other topics of interest for management professionals.