



Mobil

Exxon Mobil.



Bob McCool
Executive Vice President
Americas Marketing & Refining Division
Mobil Oil Corp.
Fairfax, Va.

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Mobil 1990-1994

*IndianOil - 50K.
HP
BP] 50K.*

- Processes
 - Mobil had five major divisions
 - Exploration & Production ✓
 - Marketing & Refining (M&R) - 3
 - Chemical, Mining & Minerals & Real Estate.
 - M&R processed crude oil into fuels, lubricants, and petrochemical feedstock at 20 refineries in 12 countries
 - M&R also distributed Mobil products to 19,000 service stations in more than 100 countries
 - Product sales had grown by more than 5% per year over the last five years.
- Functional organisation and management, low focus on the value chain across functions, low process innovation.
- Culture of control, practical thinking, functional competence in management, centralised control, stiff organisation, low strategic understanding.

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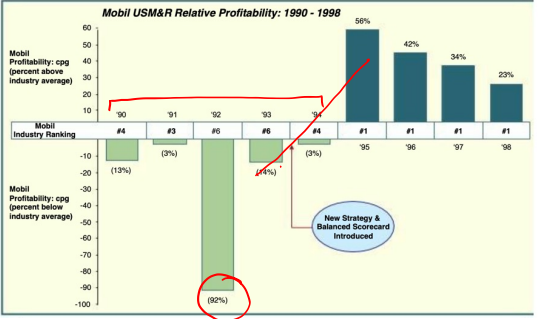
Mobil 1990-1994

- Financial
 - Operations in over 100 countries
 - With Exxon and Shell among the top three integrated oil, gas & petrochemical companies
 - 1995 ROCE was 12.8% ranked at 4th among 14 major integrated oil companies
 - Average RoE from 1991 to 1995 was 19.1% was highest among the 14 major oil companies
 - In 1992 USM&R had reported an operating loss and turnaround started in 1993
- Low ROI, focus on downsizing, little room for investments, short-term focus.

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Mobil USM&R Results

*Sustainable Competitive Advantage.
Above Avg Ind Profile*

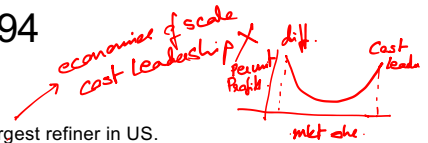


Year	Mobil Profitability: cpg (percent above industry average)	Mobil Industry Ranking	Mobil Profitability: cpg (percent below industry average)
'90	13%	#4	
'91	3%	#3	
'92		#6	92%
'93		#6	24%
'94	3%	#4	
'95	56%	#1	
'96	42%	#1	
'97	34%	#1	
'98	23%	#1	

New Strategy & Balanced Scorecard Introduced

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Mobil 1990-1994



- Customers
 - USM&R was the fifth largest refiner in US.
 - It operated five refineries and had more than 7,700 service stations.
 - It sold 23 Million gallons of gasoline per day with a market share of 7% (number four in US)
 - Mobil's retail network was highly concentrated in the 18 states where it sold 95% of its gasoline
 - Mobil was the largest marketer of finished lubricant with 12% market share
- Strong brand, strained relation to service stations, focus on price and volume—not on value and brand. Low differentiation opposed to the final customer.

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New Strategy

- Customers as two sub-teams:
 - Service stations (direct) ✓
 - Final customer (indirect) ✓
- Direct Customer Strategy
 - Service stations are both customer and sales channels
 - New products and services.
 - Good dealer relationships, the most efficient dealer, national brand-building, new C-stores.

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New Strategy

- Indirect Customer Segments:
 - 1 • **Road Warriors** (16%): High income, middle aged, drive 25k+ miles/year, premium gasoline, credit card, shop and wash
 - 2 • **True Blues** (16%) Moderate to high income, brand loyal, cash, frequently buy premium gasoline
 - 3 • **Generation F3** (27%): Fuel, food & fast – upwardly mobile under 25, always on the go, drive a lot
 - 4 • **Homebodies** (21%): Housewives shuttle children, groceries, fillup at closest pump
 - 5 • **Price** (20%): Not loyal to brand or pump, rarely buy premium fuel, look for discounts & offers
- Mobil chose a customer segmentation strategy:
 - Target groups RW, TB and G-F3.
 - Identify and fulfil the segment's needs.

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New Strategy

- In 1994 McCool decided to decentralize decision making to managers closer to customers
- He reorganized USM&R into 17 National Business Units (NBUs) and 14 Service Companies. 18
- The NBUs included
 - Sales & distribution
 - Integrated refining, sales & distribution
 - Specialised products *Lubes.*

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McCool's Priorities

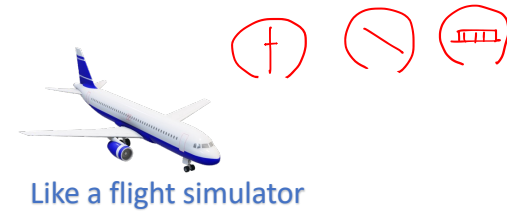


- Communicate to all within the organisation about a new customer-orientated strategy, offering further segmentation.
- Emphasise that the main objective is to create long-term financial results through expansion/development of the new products, customer relations and competency.
- Train organisation leaders (function specialists) in general management—i.e. to manage the new business—and service section, focusing on the value chain.
- Create a broad understanding of the strategy, so everyone can contribute to its implementation through initiative.
- Change the centralised culture and put focus on dialogue and what Mobil can do for their customers.

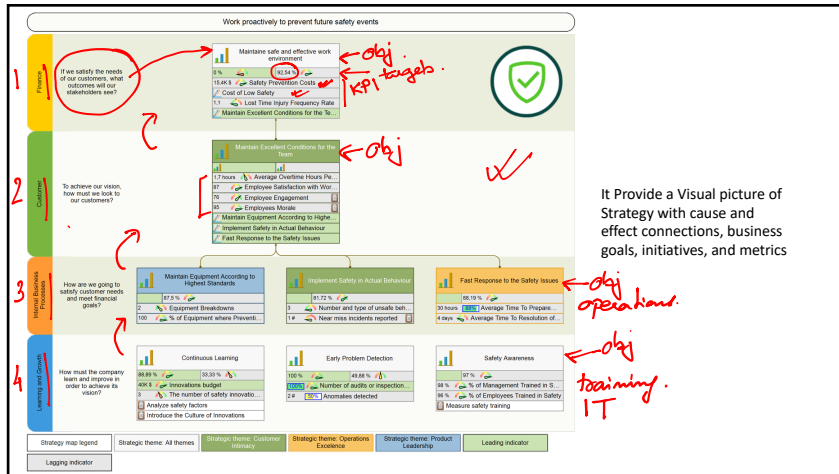
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What is BSC?

The Balanced Scorecard is a management tool that provides stakeholders with a comprehensive measure of how the organization is progressing towards the achievement of its strategic goals.

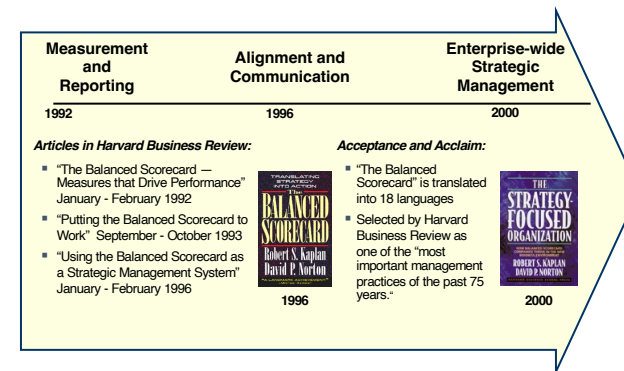


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BSC History

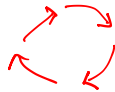


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The Strategy Focused Organization

- The Five Principles

1. Translate the strategy to operational terms.
2. Align the organization to the strategy
3. Make strategy everyone's job.
4. Make strategy a continual process.
5. Mobilize change through executive leadership



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Why BSC?

- Traditional financial reports look backward

- Reflect only the past: spending incurred, and revenues earned
- Does not measure creation or destruction of future economic value
- Inability to measure intangible assets

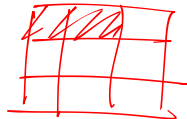
Brand Equity

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Why BSC?

- The Balanced Scorecard identifies the factors that create long-term economic value in an organization, for example:

- **Customer Focus:** satisfy, retain and acquire customers in targeted segments
- **Business Processes:** deliver the value proposition to targeted customers
 - innovative products and services
 - high-quality, flexible, and responsive operating processes
 - excellent post-sales support
- **Organizational Learning & Growth:**
 - develop skilled, motivated employees;
 - provide access to strategic information
 - align individuals and teams to business unit objectives



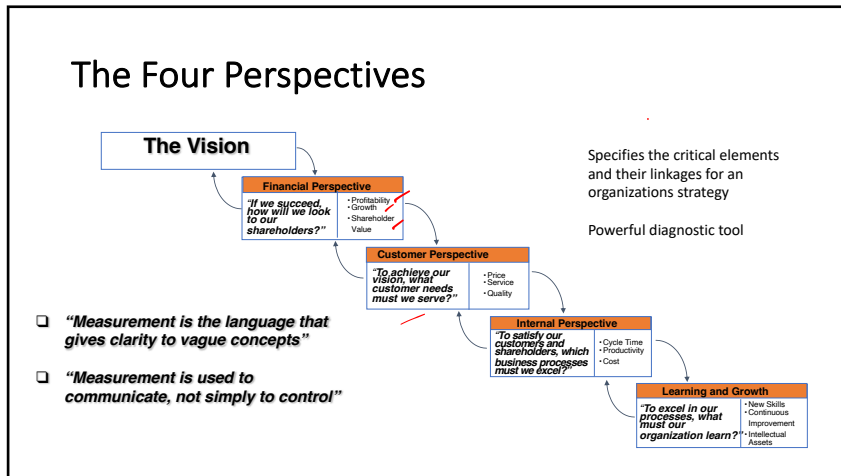
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The Four Perspectives

Profit Driven		Mission Driven
<ul style="list-style-type: none"> • What must we do to satisfy our <u>shareholders</u>? 	<i>Financial Perspective</i>	<ul style="list-style-type: none"> • What must we do to satisfy our <u>financial contributors</u>? • What are our fiscal obligations?
<ul style="list-style-type: none"> • What do our <u>customers</u> expect from us? 	<i>Customer Perspective</i>	<ul style="list-style-type: none"> • <u>Who</u> is our customer? • What do our customers expect from us?
<ul style="list-style-type: none"> • What <u>internal processes</u> must we excel at to satisfy our shareholder and customer? 	<i>Internal Perspective</i>	<ul style="list-style-type: none"> • What <u>internal processes</u> must we excel at to satisfy our fiscal obligations, our customers and the requirements of our <u>mission</u>?
<ul style="list-style-type: none"> • How must our people learn and develop <u>skills</u> to <u>respond</u> to these and future challenges? 	<i>Learning & Growth Perspective</i>	<ul style="list-style-type: none"> • How must our people learn and develop <u>skills</u> to <u>respond</u> to these and future challenges?

Answering these questions is the first step to develop a Balanced Scorecard

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Financial / Regulatory Perspective

- To satisfy our constituents, what financial and regulatory objectives must we accomplish?
 - Revenue growth
 - Productivity
- Possible Performance Measures
 - Cost / Unit
 - Unfunded Requirements or Projects
 - Cost of Service
 - Budget Projections and Targets

The FINANCIAL perspective is the MAIN perspective of Balanced Scorecard

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Customer Perspective

- To achieve our vision, what customer needs must we serve?
 - Differentiate from competitors to attract, retain and satisfy customers
 - Operational excellence
 - Customer intimacy
 - Product leadership
- Possible Performance Measures
 - Customer Satisfaction (Average)
 - Satisfaction Gap Analysis (Satisfaction vs. Level of Importance)
 - Satisfaction Distribution (% of each area scored)

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Internal Process Perspective

- To satisfy our customers, in which business processes must we excel?
 - Build the franchise
 - Increase customer value
 - Achieve operational excellence
 - Become a good corporate citizen
- Possible Performance Measures
 - Cycle Time
 - Completion Rate
 - Workload and Employee Utilization
 - Transactions per employee
 - Errors or Rework

The generic internal value chain of a company consists of its innovation, operations and post sales service

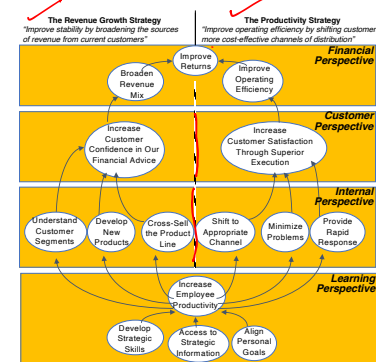
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Learning & Growth Perspective

- To achieve our goals and accomplish core activities, how must we learn, communicate and work together?
 - Align HR & IT to strategic requirements
- Possible Performance Measures
 - Employee Satisfaction
 - Retention and Turnover
 - Training Hours and Resources
 - Technology Investment

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BSC Strategy Map



The learning & growth perspective is always first in the chain of cause-and-effect relationship

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Cause and Effect Hypotheses

	Strategic Objectives	Strategic Measurements	
		(Lag Indicators)	(Lead Indicators)
Financial	F1 - Improve Returns	Return on Investment	Revenue Mix
	F2 - Broaden Revenue Mix	Revenue Growth	Revenue Mix
	F3 - Reduce Cost Structure	Deposit Service Cost Change	Revenue Mix
Customer	C1 - Increase Customer Satisfaction With Our Products & People	Share of Segment	Depth of Relation
	C2 - Increase Satisfaction "After the Sale"	Customer Retention	Satisfaction Survey
Internal	I1 - Understand Our Customers	New Product Revenue	Product Development Cycle
	I2 - Create Innovative Products		
	I3 - Cross-Sell Products	Cross-Sell Ratio	Hours with Customers
	I4 - Shift Customers to Cost-Effective Channels	Channel Mix Change	
	I5 - Minimize Operational Problems	Service Error Rate	
	I6 - Responsive Service	Request Fulfillment Time	
Learning	L1 - Develop Strategic Skills	Employee Satisfaction	Strategic Job Coverage Ratio
	L2 - Provide Strategic Info	Revenue per Employee	Strategic Info Availability Ratio
	L3 - Align Personal Goals		Personal Goals Alignment (%)

Handwritten notes: Revenue Mix 18%, Return 10%, P95 20%

Lead indicators are DRIVERS

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Adapted to Non-Profit Organizations



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Components of BSC

- **Objectives**
 - These are your high-level organizational goals.
 - Taking into account your already-developed company strategy, you should be able to come up with 10-15 strategic objectives that you are trying to accomplish.

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Components of BSC

- **Measures**
 - After you define your business' objectives, you need to focus on its measures.
 - The measures help you determine whether you are on track to achieve your objectives (KPIs).
 - Each objective should have no more than three KPIs that indicate whether you will achieve your objective.
 - Strong KPIs should use language that everyone in your company understands, measure accomplishments, show success (not just a useless metric), be able to show change over time, and reduce uncertainty.

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Components of BSC

- **Targets**
 - You should write your targets so that they relate directly to each of your KPIs.
 - For each KPI, you should have an associated value.
 - Your targets should be ambitious but achievable.

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Components of BSC

- **Initiatives**
 - In your BSC framework, your initiatives should be the action items and projects that you need to help your company succeed with its strategy.
 - These projects have a start and end date.
 - You should identify them when writing your BSC and set them up when implementing your BSC.
 - Your initiatives mean the difference between your company's reality and its stretch targets.

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Components

		Objectives	Measures	Targets	Initiatives
Perspectives	1 Financial	X A	1 2	1 2	1 2 3 4
	2 Customer				
	3 Internal Business Processes				
	4 Learning & Growth				

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BSC - Caselet

- St. Mary's Hospital, a renowned healthcare institution, is committed to delivering high-quality patient care while ensuring operational efficiency and financial sustainability.
- To achieve these goals amidst evolving healthcare dynamics, the hospital leadership recognizes the need for a strategic framework that aligns its vision with actionable objectives across all levels of the organization.
- As part of this endeavor, St. Mary's Hospital embarks on a journey to implement the Balanced Scorecard (BSC) framework.

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BSC - Caselet

- St. Mary's Hospital assembles a cross-functional team comprising clinicians, administrators, and support staff to participate in a workshop on creating and understanding the Balanced Scorecard.
- The workshop aims to empower participants to develop a tailored BSC framework that addresses the unique challenges and opportunities within the healthcare sector.

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BSC - Caselet

- Step 1: Understanding the Current State:
 - Participants begin by conducting a thorough analysis of St. Mary's Hospital's current state, identifying key strengths, weaknesses, opportunities, and threats.
 - They examine existing strategic plans, performance metrics, and operational processes to gain insights into the organization's performance and areas for improvement.

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BSC - Caselet

- Step 2: Defining Strategic Objectives:
 - Drawing upon the hospital's mission and vision, participants collaboratively define strategic objectives across four perspectives of the Balanced Scorecard:
 - 1 **Financial:** Ensure sustainable financial performance while providing affordable healthcare services.
 - 2 **Patient Experience:** Enhance patient satisfaction, safety, and outcomes through personalized care and effective communication.
 - 3 **Operational Excellence:** Streamline processes, optimize resource utilization, and improve clinical outcomes through evidence-based practices.
 - 4 **Learning and Growth:** Foster a culture of continuous learning, innovation, and professional development among staff members.

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Financial Perspective

Components

	Objectives	Measures	Targets	Initiatives
Financial	Ensure sustainable financial performance while providing affordable healthcare services	1. Op. margin 2. Cap Ex	10%+ 10% of Rev.	- tech medical instr. - inventory - procurement

Step 3: Developing Key Performance Indicators (KPIs):
For each strategic objective, participants identify relevant KPIs that measure progress and success. These KPIs are selected based on their ability to provide actionable insights and drive performance improvement.

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Customer Perspective

Components

	Objectives	Measures	Targets	Initiatives
Customer	Enhance patient satisfaction, safety, and outcomes through personalized care and effective communication	1. quick service 2. Dr. patient ratio	1. 15% reduction in lobby. 1:30	- Digitization - SOP redesign - Hiring - scheduling

Step 3: Developing Key Performance Indicators (KPIs):
For each strategic objective, participants identify relevant KPIs that measure progress and success. These KPIs are selected based on their ability to provide actionable insights and drive performance improvement.

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Internal Perspective

Components

	Objectives	Measures	Targets	Initiatives
Internal Business Processes	Streamline processes, optimize resource utilization, and improve clinical outcomes through evidence-based practices	1. Workload: Patient: Staff ratio 2. Hygiene.	10:1 100% reduction in infection.	- Scheduling - breakline - Committee

Step 3: Developing Key Performance Indicators (KPIs):
For each strategic objective, participants identify relevant KPIs that measure progress and success. These KPIs are selected based on their ability to provide actionable insights and drive performance improvement.

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Learning & Growth Perspective

Components

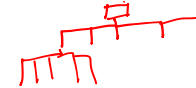
	Objectives	Measures	Targets	Initiatives
Learning & Growth	Foster a culture of continuous learning, innovation, and professional development among staff members	1. Upskilling 2. Process innovation Cross functional training	85% 16 hrs/person of training. 2 new ideas	- Pre-knowledge check - Learning by month - Post knowledge check - town hall

Step 3: Developing Key Performance Indicators (KPIs):
For each strategic objective, participants identify relevant KPIs that measure progress and success. These KPIs are selected based on their ability to provide actionable insights and drive performance improvement.

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BSC - Caselet

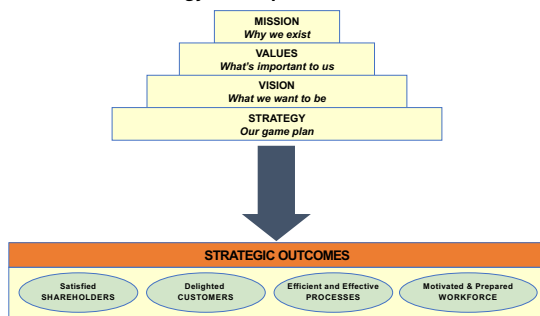
- Step 4: Aligning Initiatives and Resources:
 - Participants map out initiatives and allocate resources to support the achievement of strategic objectives.
 - They prioritize projects based on their potential impact, feasibility, and alignment with organizational priorities.
 - Cross-functional collaboration is emphasized to ensure seamless implementation and integration of initiatives across departments.



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Gap Between Strategy and Action

Strategy Is a Step In a Continuum



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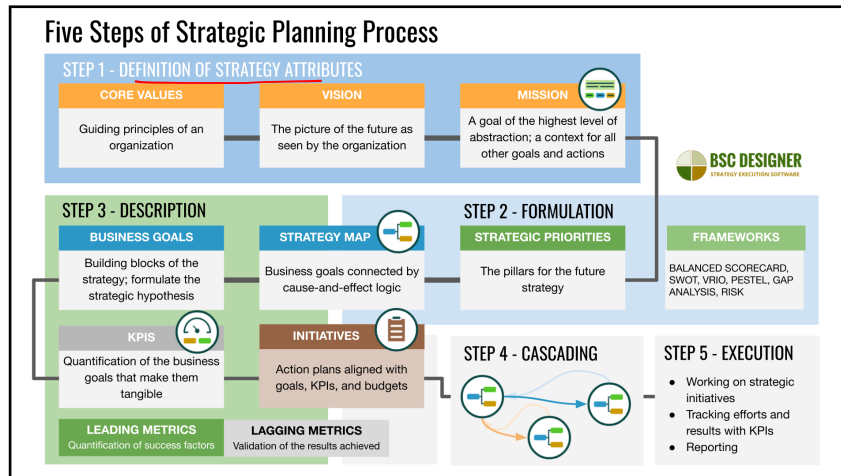
BSC Bridges that Gap

Strategy Is a Step In a Continuum

Ideally separate balanced scorecard should be there for each SBU / Division



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4 strategic management process linked to BSC

1. Translating the Vision into Strategic Objectives and Measures
2. Communicating and Linking the Balanced Scorecard
3. Planning and Target Setting
4. Strategic Feedback and Learning

Balanced Scorecard is a Strategic System
Only those stakeholders vital for achieving the firm strategy should be included in the scorecard

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Disadvantages of BSC

- A typical misleading idea is that it is all about “balancing” KPIs by placing them into the four perspectives.
- Focuses extensively on the internal factors at the cost of the external environment
 - Lack of risk analysis and time dimension
- The choice of indicators is not validated
- The bottom-up approach is not the way many teams think about strategy and can lead to confusion.
- Consultants can only do so much
 - Strategy Maps/KPIs are hard to maintain
 - Cultural Change required

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What is BSC?

- Balances financial and non-financial measures
- Balances short and long-term measures
- Balances performance drivers (leading indicators) with outcome measures (lagging indicators)
- Should contain just enough data to give a complete picture of organizational performance... and no more!
- Leads to strategic focus and organizational alignment.
<https://hbr.org/video/3633937148001/the-explainer-the-balanced-scorecard>

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