

Finance and Performance Management

Accenture helped Swedish Match implement an enterprise performance management framework to support its business strategy and ultimately achieve high performance

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SWEDISH MATCH

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Transformation was key to Swedish Match's strategy for outperforming competitors and meeting investor expectations. The company chose to team with Accenture because of its research-based understanding of high performance—and its pragmatic approach to applying that understanding in the real world.

Based in Stockholm, Swedish Match is a global supplier of smoke-free tobacco products, cigars, pipe tobacco and lighting requisites. The company employs approximately 12,000 people worldwide and its 2008 sales were SEK13.2 billion (approximately US\$1.7 billion).

After a long period of stability, the smoke-free tobacco products market began to attract new competitors in the early 2000s. Customers of Swedish Match—like those in most market segments—had become steadily more demanding. This trend was particularly noticeable in younger consumers, who were notably less brand loyal than older consumers, and had become accustomed to products that meet their changing needs. For these reasons it was clear to Swedish Match executives that the company had to move from a product-centric to a customer focused approach. The company also needed to understand the expectations of its investors better, and then manage the company to meet those

expectations. A key part of this transformation was to improve Swedish Match's enterprise performance management capability. In particular, the criteria by which performance across the company was planned and measured had to be aligned with strategic goals. Also, resource allocation and forecasting needed to become more robust and forward-looking. The aim: to make the company more effective and more visionary—able both to satisfy its customer base and meet the expectations of its investors.

This general strategic approach is confirmed by Accenture High Performance Business research, which demonstrates that high performers are frequently masters of customer relationship management. This ongoing Accenture research initiative also shows how enterprise performance management can help companies align their business processes—particularly finance processes—with their long-term strategic goals. These high-performance businesses are much more likely to

weather tough times—and to outperform competitors in the immediate post-recession period.¹

Swedish Match was impressed by Accenture's vast body of research into the characteristics of high performance in general and the role of customer relationship planning and enterprise performance management in particular—and with its pragmatic approach to implementing these insights to help generate bottom-line benefits. Swedish Match accordingly asked Accenture to help design an integrated enterprise performance management strategy and framework that would help bring rigor to its new enterprise performance management processes across the Northern Europe region, the company's heartland.

How Accenture helped

A small team of experienced professionals from Accenture's Finance & Performance Management service line used the Accenture Enterprise Performance Management Diagnostic Tool to understand the company's current position, and its future aspirations and drivers for change. Accenture also used its Total Return to Shareholders Mapping Method to perform a shareholder value analysis and to assess Swedish Match's current financial performance against that of its major competitors. "Our analysis revealed that shareholders expected Swedish Match to deliver annual growth of free cash flow in the region of 7 percent—meaning that business as usual was definitely not an option," reported Robert Bergström, senior manager-Finance & Performance Management, Accenture.

Once the diagnosis phase was completed, Accenture worked closely with experienced people from Swedish Match to develop an enterprise performance management framework that would operationalize the business processes to help implement its strategies—and constantly correct what it was doing in light of the results. As part of this program, the team worked on developing better long-range planning and forecasting processes to give Swedish Match the ability to build business cases for meeting investor expectations. Accenture also worked with Swedish Match to help create new scorecards with prioritized key performance indicators that included clear business targets.

A key element of Accenture's contribution was to explore the importance of corporate culture and then help Swedish Match in further developing a culture centered on creating value. "The best strategy and performance management in the world are only part of the answer," observed Bergström. "As high-performance businesses know, having the right people with the right attitude is one of the most important competitive

differentiators. Getting both leaders and workers to change their mindset was vital to getting the new value-centered culture to take root."

The team established an initial network of champions across Swedish Match. Their role was to help colleagues grapple with the practical questions relating to specific actions. To communicate how individual decisions affect the overall strategic outcome for the company, the team used a variety of innovative communication methods, including pictures. While cultural change of this nature always needs to be driven internally, the tools and support provided by Accenture played a valuable role.

As a parallel project, Accenture worked with Swedish Match to design and deploy the processes that would help measure profitability across a range of dimensions, including products, customers and market segments. This initiative aimed to fine-tune Swedish Match's ability to enhance its overall profitability by continuously optimizing cost drivers and prioritizing products and markets.

High performance delivered

The joint effort by Accenture and Swedish Match has put in place an essential tool to enable the long-term strategic transformation that will support Swedish Match's drive to attain high performance. The new enterprise performance management and long-range planning processes help the company to allocate resources based on strategic priorities, and to increase overall effectiveness and efficiency both in terms of serving customers and meeting investor expectations. The change management program continues to build the new mindset on which long-term success may depend. Swedish Match's internal team is now working to support these new processes using existing IT systems and software.

Swedish Match has set itself ambitious targets, among them a signifi-

cant growth in operating income by 2012. The enterprise performance management framework will play a key role in meeting those targets. "By aligning the organization to key business drivers and to a common enterprise performance management framework, Accenture has helped to give Swedish Match enhanced capabilities to execute its growth strategy and increase sustainable shareholder value," said Jonas Nordquist, senior vice president and managing director for sales (Scandinavia) at Swedish Match.

1. Accenture research in the wake of the 1990-1 recession demonstrates the point. See "Managing in Uncertain Times: Strategies and Practices for High Performance," available on www.accenture.com.

