Setting up a result-oriented organisation
1. Who is Aquafin?
2. Opportunities and threats
3. Change process
4. Balanced Scorecard
1. Who is Aquafin?
1. Who is Aquafin

- European Urban Wastewater Directive
- Protection of North Sea
- Making surface water healthy again

Foundation of Aquafin NV by Flemish region (1990)
- Responsible for supra-municipal infrastructure
- Accelerated expansion of supra-municipal wastewater treatment
- Investment financing
- Operation of the infrastructure
- Advisory role and quality assurance of municipal sanitation projects
1. Who is Aquafin

Aquafin in the Flemish environmental landscape

Flemish government
Minister of the Environment

AQUAFIN NV
FINANCING
DESIGN
CONSTRUCTION
OPERATIONS

VMH 51 %
Severn Trent 20 %
Institutional 29 %

Designers
Contractors
Banks
Other suppliers

Public
Private

100% share holder

1,53
0,60
0,87

Flemish government

Decree regulates assignment

Citizens Industry

VMM
AMINAL
Economic and Ecological supervision

Levies
Regulating and controlling

MINA Fund
General Budget Flemish Region

Taxes (Federal)

Treatment of wastewater

100

7,40
80,54
28,60
18,59
27,46
5,89

Banks
Other suppliers

7,40
80,54
28,60
18,59
27,46
5,89

100

7,40
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5,89

Public
Private
1. Who is Aquafin

Key figures 31 December 2004

<table>
<thead>
<tr>
<th></th>
<th>2003 in 1,000 EUR</th>
<th>2004 in 1,000 EUR</th>
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</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>281,019</td>
<td>279,849</td>
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<td>Net profit</td>
<td>11,699</td>
<td>11,508</td>
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<tr>
<td>Balance sheet total</td>
<td>2,069,648</td>
<td>2,230,060</td>
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<tr>
<td>Shareholders’ equity</td>
<td>114,321</td>
<td>114,897</td>
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<td>Long term bank loans</td>
<td>931,100</td>
<td>966,514</td>
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<td>Short term bank loans</td>
<td>319,515</td>
<td>372,770</td>
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<tr>
<td>Dividend per share (EUR)</td>
<td>13,87</td>
<td>13.64</td>
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<tr>
<td>Staff</td>
<td>788</td>
<td>801</td>
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</table>
1. Who is Aquafin
Collection and treatment of wastewater
1. Who is Aquafin

Evolution of treatment ratios

Year

Treatment ratio (%)

Start AQF

Current situation

2000/60/EG (98%)

91/271/EEG (80%)
1. Who is Aquafin

After 15 years of Aquafin

- Treatment degree in Flanders risen from 30% to 63%
- Waste load of 3,8 mio people sanitized (6 mio inhabitants in Flanders)
- Water quality is getting better
- BUT situation is not acceptable yet!
  - investments need to be continued
  - municipalities need to join faster
  - possibility of penalties by EU Court of Justice
2. Opportunities and threats
2. Opportunities and threats: general

- New contract + result-oriented commitment
- Foreign countries
- EU Directive ‘water’
- Industry
- Fragmentation of monopoly position
- Integral water policy (basin-oriented)
- Ecological and economical aspects
- Sewery on municipal level (expansion, management)
- Reducing amount of investment?
- Valorisation

EU Directive ‘water’

2. Opportunities and threats: general

- New contract + result-oriented commitment
- Foreign countries
- EU Directive ‘water’
- Industry
- Fragmentation of monopoly position
- Integral water policy (basin-oriented)
- Ecological and economical aspects
- Sewery on municipal level (expansion, management)
- Reducing amount of investment?
- Valorisation
2. Opportunities and threats: *European directives*

- European Urban Wastewater Directive (91/271/EEG)
  - Treatment of wastewater in agglomerations
    - > 2,000 inhabitants by 2005

- European Water framework Directive (2000/60/EG)
  - All watersources of good quality by 2015: sanitation of all wastewater necessary!
  - Application of principle ‘the polluter pays’
2. Opportunities and threats: agreement

- Contract Flemish region: not renewed in 2000
- New contract will be negotiated in 2005
  - transparency by commitment of results (ecologically and economically)
  - clarity in competences and responsibilities
  - linked to re-orientation of the water sector and the programme decree of December 2004
2. Opportunities and threats: municipalities

- Still to invest (globally): 7.44 billion EUR
  Share of the municipalities: 6.8 billion EUR

- Maintenance and renovation: 17.6 billion EUR
  Share of the municipalities: 11.8 billion EUR
  (1% rule of thumb: 118 mio/year)

- Given the current investment rhythm and division of responsibilities: still 4 years for Aquafin, 57 years for municipalities!
3. Change process
3. Change process

Aquafin prepares the organisation for:

- New role in Integral Water policy (EU Directive ‘water’ 2000/60/EG)
- New reimbursement mechanism (result-oriented, variable revenues)
- Market-driven development, competitive environment
3. Change process
Making the new strategy and goals more explicit

- 21 November 2001: launch project “Aquafin 2020”
  - announcement on personnel meeting
  - clarification of the changed environment
  - new mission:

Supported by its technological, operational and territorial knowledge, Aquafin wants to make a significant contribution to an integral and sustainable water policy for the Flemish Region and other clients.

In so doing, sustainable and efficient business practice forms the reference framework for Aquafin in which it strives continuously towards a balance between improving the environment, the economic result and working considerately with all employees.
3. Change process
Making the new strategy and goals more explicit

In the past: project-oriented
- individual projects
- separate Planning and Engineering departments
- duplication of activities

As from now on: process-oriented with 11 river basins
3. Change process
Making the new strategy and goals more explicit

11 river basins
- Process-driven (responsibility)
- Functioning as Business units
- Economic en ecological results
3. Change process

Changing the organisation

November 2001 - January 2003

- Start of workshops (11/01 – 02/02)
  - Evaluation of internal organisation
  - Demarcation of responsibility domains

- New organisation chart (01/02)
  - Core activities per river basin
  - Commercial activities

- New management & staff assessment (04/02)

- Filling-in of the new functions (249 jobs) (05-12/02)

- “Mass moving” head office (10-12/02)

- First round-up, evaluation moment (01/03)
3. Change process

Old & new organisation chart
3. Change process
Aligning the organisation with the strategy

- Redefining the goals per department in line with the corporate goals
- Creating involvement in the change process
- Transmitting strategy to the middle-management and further top-down

INTRODUCTION OF THE BALANCED SCORECARD AT AQUAFIN
4. The Balanced Scorecard
4. The Balanced Scorecard

Preconditions

- Management Accounting is not the starting point Tool for middle managers
- Remuneration system is not linked increases the risk on “manipulation”
- ‘Open mind’ is crucial
- Creation of a new culture
4. The Balanced Scorecard

Basic principles

BSC at Aquafin

- Steering the company
- Stimulating cultural change
- Worked out from the bottom to the top
- Ownership
4. The Balanced Scorecard

Special for Aquafin

Mission Goals Strategy

Focus on society
SOCIAL FOCUS

Focus on shareholders
FINANCIAL FOCUS

Focus on clients
FOCUS ON CLIENTS

Focus on internal processes
INTERNAL FOCUS

Our capacity to renew & to grow
INNOVATION & LEARNING

4. The Balanced Scorecard

**What are the CSF?**

**What are the CPI?**

**BALANCED SCORECARD**
4. The Balanced Scorecard
Company roll out of the BSC at Aquafin

Aquafin NV

Mission Goals

Infrastructure

Mission Goals

Operations

Mission Goals

Commercial Activities

Mission Goals

General Affairs

Mission Goals

Basin X

...

Basin Z

...

Basin X

...

Basin Z
### 4. The Balanced Scorecard

#### Strategy workshops : Overall project plan

<table>
<thead>
<tr>
<th>ID</th>
<th>Task Name</th>
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<th>End</th>
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<td>Semi-Structured Interviews</td>
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<td>Defining Mission &amp; Goals Aquafin NV</td>
<td>13/01/03</td>
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<td>3</td>
<td>Construction BSC Operaties</td>
<td>15/01/03</td>
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<td>1e Scorecard Meeting Operaties</td>
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<td>Construction BSC Infrastructuur</td>
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<td>9</td>
<td>Construction BSC AZ-GB</td>
<td>12/05/03</td>
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<td>10</td>
<td>1e Scorecard meeting AZ-GB</td>
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<td>11</td>
<td>Development Corporate Strategy Aquafin NV</td>
<td>30/09/03</td>
<td>31/10/03</td>
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<td>12</td>
<td>Construction Corporate BSC Aquafin</td>
<td>3/12/03</td>
<td>23/12/03</td>
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</table>

**Departemental strategy maps integrated in the corporate strategy map**
4. The Balanced Scorecard
Strategy workshops: Overall project plan

- Self-regulating group (100 people) = “owners”
  - Basin managers
  - Project team managers
  - Heads of departments
- Entire management team is present
  - Emphasizing the importance
  - Ensuring the internal consistency
  - Stimulating staff involvement
4. The Balanced Scorecard
Strategy workshops: methodology

1st phase: defining critical success factors and performance indicators in the Operations directorate
- In line with our contract with the Flemish region (our client) and with the standards defined.

2nd phase: General Affairs directorate defines its critical success factors and performance indicators
- Making up service level agreements (contracts) with internal customers
- Defining expectations and making them explicit
4. The Balanced Scorecard
Strategy workshops: methodology - example

Critical Success Factors \rightarrow Performance Indicators

Example

Waste Management
Sludge

Indicator: Cost per ton waste disposed

Measurement: Quarterly
4. The Balanced Scorecard

Strategy workshops: methodology - example

Performance Indicators → Service Level Agreements

Example: Waste Management - Sludge

- CPI: Cost per ton waste disposed
- SLA:
  - Based on the local (sludge plant) characteristics
  - Agreement (costs and capacity) with the responsible plant operator
  - Resulting in actions for performance improvement
4. The Balanced Scorecard
Strategy workshops: methodology - example

- Increasing performances of the Antwerpen-Noord sludge plant

- Cost savings:
  - Before BSC: 447 EUR / ton waste (dry solids)
  - After 1 year: 415 EUR / ton waste (dry solids)
  - Cost decrease: 81,000 EUR / year
4. The Balanced Scorecard
Managing the organisation towards the goals

- Selection of CSFs
- BSC-reporting system
- Meetings on quarterly basis
- Defining improvement projects
- Basin / inter-departemental
  - exchanging experience
4. The Balanced Scorecard

Effects of the BSC on the experience of our strategy

- Strategy is clarified and translated into operational indicators; people discuss strategy and mission
- People and departments become aware of their contribution to the organization (“link in the chain”)
- Enhanced readiness to follow-up own performance
- Better communication and increased transfer of knowledge have positive effects on problem solving
- Exchange of information between departments leads to a better understanding of each others’ problems
- General Affairs directorate is clearly seen as part of the process
4. The Balanced Scorecard
Effects of the BSC on the organisation

- Closer (management) teams
- Spontaneous boost in leadership (capabilities)
- Problems are faster recognized
- Clear focus on solutions
- Performance and result-driven culture
4. The Balanced Scorecard
Effects of the BSC on General Affairs
eg. Datamanagement, IT, HR & Internal communication

- Datamanagement
  - Increased ownership and responsibility for the data
  - Central role compared to focus on management accounting in the past
  - More correct information
  - Uniform and reliable

- IT
  - User-friendly
  - Less use of passwords
  - More mouse applications
  - eg. Paperless cost notes, Electronic Data Management
4. The Balanced Scorecard

Effects of the BSC on General Affairs eg. Datamanagement, IT, HR & Internal communication

- **HR**
  - Function classification: 7 levels - horizontal growth
  - Flexibel offices / working hours
  - Yearly training plan: technical matters and attitude

- **Internal Communication**
  - Communication audit
  - New people
  - Intranet
  - Management minutes on intranet
4. The Balanced Scorecard

Corporate scorecard
4. The Balanced Scorecard

Follow up

Translation of the strategy

Effective leadership

Alignment of the organization

On-going process

Day to day job

Mission & Goals

Supported by top management

Responsible for strategy

Performance-driven culture

Scorecard meetings

General management

Strategic business units

Supportive departments

IT

Budgeting & Operational Mgt

Communication

Personal objectives

Rewards

No idea

Consideration

In development

OK

Best Practice
4. The Balanced Scorecard

Next steps

- Automating and rationalizing the BSC reporting
  - Definition of tool to use for reporting by the members ("owners") of the workshop
  - Proposition to management

- Learning process
  - Each department: from > 200 CPIs → most relevant CPIs
4. The Balanced Scorecard

BSC successful at Aquafin

- Comment of the Flemish Minister of the Environment on our 15th Anniversary
- Internal cultural change
- Commercial results (see next slide)
4. The Balanced Scorecard

Commercial results after 2 years

- **Rioproject:** 52 contracts for land acquisition, 10 Rio+, 10 for building site supervision
- **RioGIS:** 5 licences, training for 36 people (after free AquaGIS licences)
- **RioExploita10e:** 80 pumping stations, 1 SWWTP, 1 other (one-way valve)