

## Sodexo HC (A):

## Creating Strategic Alignment with the Balanced Scorecard

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This case was written by Regine Slagmulder, Associate Professor of Accounting and Control at the Vlerick Leuven Gent Management School, Luk N. Van Wassenhove, the Henry Ford Chaired Professor in Manufacturing at INSEAD, and Francesco G. G. Zingales, Independent Consultant, in collaboration with Olivier Beix and Michael Pinto, partners at Nexance, as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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North America  
t +1 781 239 5884  
f +1 781 239 5885  
e [info.usa@thecasecentre.org](mailto:info.usa@thecasecentre.org)

Rest of the world  
t +44 (0)1234 750903  
f +44 (0)1234 751125  
e [info@thecasecentre.org](mailto:info@thecasecentre.org)

## Company and Case Background

Société d'Exploitation Hôtelière (Sodexo) was founded in 1966 by Pierre Bellon, the son of an entrepreneur in the ship catering industry. Bellon's intuition was that providing this type of food service could also be of interest to companies on land. Using seed money from his father, he developed Sodexo from a 10-person start-up into a business worth €10.5 billion by the end of 2000, with 5.5% EBIT – the largest food and management service provider in the world.

In 2005 the Sodexo group (renamed Sodexo Alliance in 1997) did over 90% of its business outside France, serving more than 25 million meals per day at 24,700 sites spanning 74 countries. The company also provided a wide range of support services, such as laundry, building maintenance, and sterilizing surgical instruments, with a workforce exceeding 300,000 people.

Over the years Sodexo Alliance expanded into an ever broadening array of services and sectors. While active in the health care sector since the late 1970s, it was not until 1984 that its French health care activities were established as a separate business unit, Sodexo Hôpitaux Cliniques (Sodexo HC), serving both private and public hospitals in France. In 2000, with 400 client sites and 3,500 employees, Sodexo HC achieved a turnover of €200 million, twice as high as its closest rival despite fierce competition, a performance that owed much to its first-mover advantage and to client retention rates approaching 95%.

Food services accounted for 80% of Sodexo HC revenues until the end of 2000. As of 2001 the company had to contend with three major industry trends. First, legislation had spurred the consolidation of the hospitals and clinics segment into a smaller number of larger organizations. Second, the length of average patient stay (APS) in the health care system was decreasing. Lastly, despite the domination of Avenance, Compass and Sodexo, who accounted for a combined 80% of market share, there was a slow but steady awakening of competitor appetite for this niche market. Although outsourcing levels in the industry were still relatively low (i.e., 45% in the private sector, 11% in the public sectors) they were estimated to grow by 20% over the next few years. In response to these trends Sodexo HC began to diversify its offering to provide a wider array of services, a strategy referred to internally as “multi-service”. Its main competitors were Avenance,<sup>1</sup> Compass<sup>2</sup> in food services, Hôpital Services<sup>3</sup> in cleaning services, and Elyo<sup>4</sup> in building maintenance services.

As shown in Figure 3, Sodexo HC is managed through a central office in the Paris area. The CEO and staff functions such as HR, finance, marketing and two sales directors work from central office. France is divided into eight regions and regional operational directors usually reside in the region they are responsible for. These in turn are subdivided into sectors where a coordinator is responsible for the performance of a number of sites (i.e., hospitals and

1 For more information on Avenance, see their corporate website <http://www.elior.com/>

2 For more information on Compass, see their corporate website <http://www.compass-group.com/>

3 For more information on Hôpital Services, see their corporate website <http://www.hopital-service.com/>

4 For more information on Elyo, see their corporate website <http://www.elyo.com/>

clinics). There are five sales directors scattered across the territory, typically responsible for more than one region.

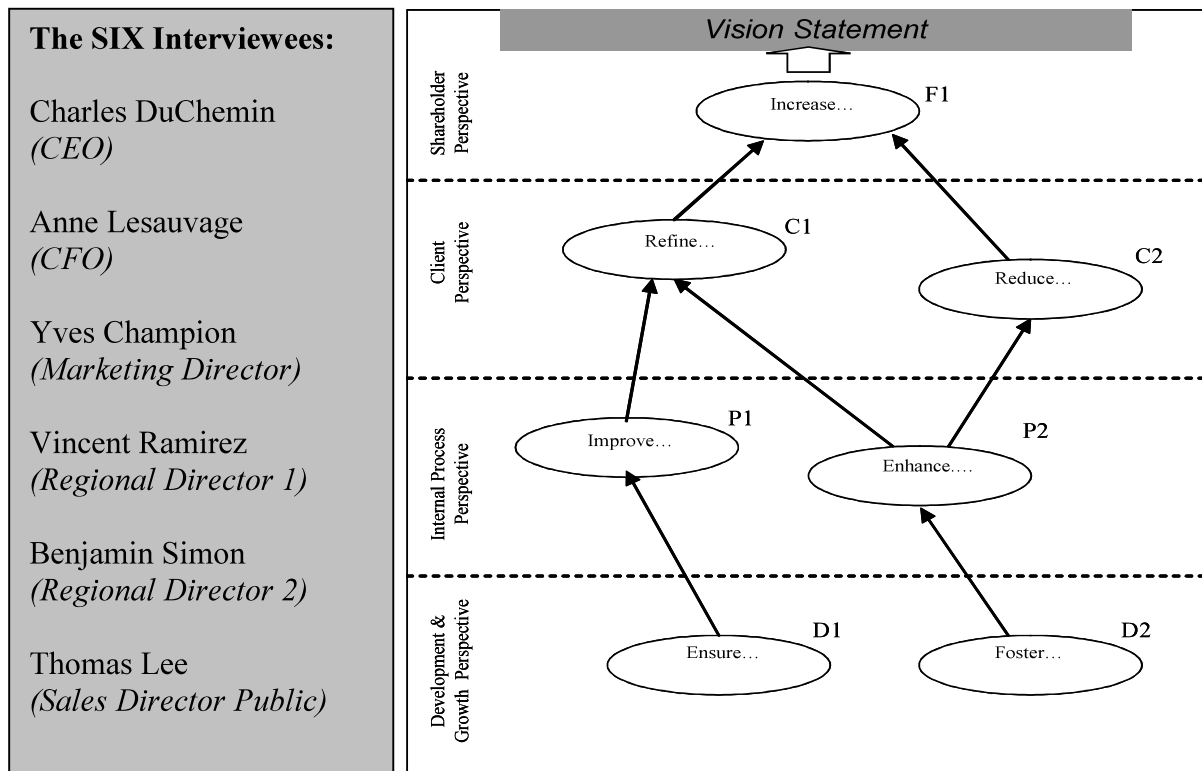
In January 2001, Charles Duchemin, CEO of Sodexho HC, attended a presentation by Nexance, a leading European-based consultancy in strategy implementation, on the Balanced Scorecard (BSC), a strategic tool for measuring and managing organizational performance. He was fascinated by the prominent role that the Nexance methodology attributed to collaboration and team building in the process of constructing and using the BSC. In February 2001 he resolved to embark on a BSC project. His main goal was to clarify and define, together with the management team, a strategy and an action plan that would allow Sodexho HC to continue to perform and grow in the years to come.

Nexance expert facilitators kicked off the process by conducting a series of one-to-one interviews with key Sodexho HC managers, designed to capture what they thought about strategy and its key drivers. The transcripts of six interviews are appended to this case (see also Figure 1). The explicit objective of the interviews was to flesh out the challenges facing Sodexho HC and identify potential solutions.

Like the Sodexho HC management team, your task as a group will be to develop a common view of how Sodexho HC should go about achieving its strategic goals, and to visualize these insights in a so-called strategy map (See Figure 2).

**Figure 1 Interviewees**

**Figure 2 Strategy Map: Structure and Display**



**Figure 3: Sodexo HC Organization Chart and Interviewees**

