



SCHOOL OF BUSINESS
CENTER FOR LATIN AMERICA ISSUES
INSTITUTE OF BRAZILIAN ISSUES - IBI

**Implementing Strategic Planning at the Rio de Janeiro State Finance
Secretariat**

Flávio Henrique Moraes Oses

Minerva Program

Advisor: Professor Hugo Juan Ramon, Ph.D.

November 2014

Summary

1	Introduction	1
2	What is strategic planning?.....	6
2.1	Strategic Planning for Government Organizations	7
3	Methodologies	8
3.1	PDCA Deming’s Cycle.....	8
3.2	SWOT Analysis	9
3.3	Balanced Scorecard - BSC.....	10
3.4	Balanced Scorecard applied to public organizations	12
4	Rio de Janeiro State Finance Secretariat Strategic Planning.....	13
4.1	History	13
4.2	First Attempt – A Rehearsal	14
4.3	New attempt.....	18
4.4	Project results.....	19
4.5	Internal and external environment current situation diagnosis	19
4.5.1	Diagnosis conclusions	22
4.6	Strategic Map 2012-2015.....	23
4.6.1	Strategic drivers: Mission, Vision and Values	23
4.6.2	Strategic themes.....	24
4.6.3	Strategic perspectives and objectives	24
4.6.4	Strategic objectives.....	25
4.6.5	Action plans – practical approach	27
4.6.6	Communication Plan	28
4.6.7	Strategic Management Tool – GMERJ	29
4.6.8	Management Model and Systematic Results Monitoring, Deviations Analysis and Anomalies Treatment	31
5	Final conclusions of the previous projects	32
5.1	Results achieved	32
6	Accountability, a special chapter.....	36
7	Next steps – how to effectively adopt strategic planning.....	38
7.1	Strategic Planning Office.....	39
7.2	Revalidation of existing Strategic Plan (2012-2015).....	43
7.3	Strategic Planning Management Tool – GMERJ*	44
7.4	Divisions focal point designation – Internal Multipliers*	46
7.5	Formulating 2016-2020 Strategic Plan	47
8	Conclusion.....	50

9	Bibliography	52
10	Appendices	53
10.1	Building & Implementing a Balanced Scorecard: Nine Steps to Success™ Tool.	53
10.2	Checks and balances – “The carrot and the whip”	55
10.3	Resende’s Regional Office BSC - 2014.....	56
10.4	Relevant data and beta calculation supportive tables.....	57

1 Introduction

The goal of this paper is to map the evolution of Strategic Planning on Rio de Janeiro State Finance Secretariat, and verify what has been addressed, what has not been addressed, and both the progress and mistakes of the Plan. The paper will end with a proposal for a course of action for a future approach on the subject.

In order to draw a bigger picture of Strategic Planning, some of its well known related methodologies are explored. Following this, more detail is provided about Balanced Scorecard, one of the most popular systems of conducting strategic planning in organizations. It is a well structured methodology and an evolution of the initial performance measurement systems, since it takes into account both financial and nonfinancial measures, objectives and goals towards the institution's drivers: Mission, Vision, and Values.

Rio de Janeiro State presents the second largest GDP of Brazil, behind São Paulo State, and ahead of Minas Gerais and the remaining 24 states.

Table 1.1 – State GDP relative to the country GDP

State/Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
São Paulo	34,6	34,1	33,1	33,9	33,9	33,9	33,1	33,5	33,1	32,6
Rio de Janeiro	11,6	11,1	11,5	11,5	11,6	11,2	11,3	10,9	10,8	11,2
Minas Gerais	8,6	8,8	9,1	9,0	9,1	9,1	9,3	8,9	9,3	9,3
Rio Grande do Sul	7,1	7,3	7,1	6,7	6,6	6,6	6,6	6,7	6,7	6,4
Paraná	6,0	6,4	6,3	5,9	5,8	6,1	5,9	5,9	5,8	5,8
Santa Catarina	3,8	3,9	4,0	4,0	3,9	3,9	4,1	4,0	4,0	4,1
Distrito Federal	3,8	3,7	3,6	3,8	3,8	3,8	3,9	4,1	4,0	4,0
Bahia	4,1	4,0	4,1	4,2	4,1	4,1	4,0	4,2	4,1	3,9
Goiás	2,5	2,5	2,5	2,4	2,4	2,5	2,5	2,6	2,6	2,7
Pernambuco	2,4	2,3	2,3	2,3	2,3	2,3	2,3	2,4	2,5	2,5
Other	15,4	15,8	16,4	16,4	16,5	16,6	17,0	16,9	17,1	17,7
TOTAL	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: IBGE

Despite its remarkable position, a contradiction is presented. The Rio de Janeiro state is third in collecting sales taxes, behind Minas Gerais. Although the GDP to state tax collection ratio is not a direct relationship, it does present some correlation, implying that a bigger GDP, in general, also means bigger sales collections, *ceteris paribus*. The taxes collected by states in Brazil are over sales (ICMS), vehicle property (IPVA) and goods gratuitous transmission (ITD),

while GDP also encompasses services produced, which taxes are collected by the municipalities.

Discounting these facts, table 1.2 shows a simple relationship between sales tax and GDP, thus confirming the assumption of a linear relationship. This can be further verified by other states' rankings, figuring in the same positions (at least for the first positions, presenting some discrepancies as one moves down the ranking):

Table 1.2 – Sales tax revenue per state as a percentage of GDP

Ranking	State	Sales tax revenue (R\$ thousands)	Sales tax/ GDP
1°	São Paulo	110.924.692.000	8,2%
2°	Minas Gerais	35.952.963.000	9,3%
3°	Rio de Janeiro	31.645.900.000	6,8%
4°	Rio Grande do Sul	24.060.566.000	9,1%
5°	Paraná	20.758.239.000	8,7%

Sources: IBGE and CONFAZ. References: Sales tax revenue: 2013, GDP: 2011

Besides the loss of one position when moving from total GDP to overall sales tax revenue, the ratio of “GDP to sales tax” is the second lowest in the Rio de Janeiro state when compared to all other Brazilian states:

Table 1.3 - Sales tax revenue per state as a percentage of GDP – total

Ranking	State	Sales tax/ GDP	Ranking	State	Sales tax/ GDP
1°	Acre	17,25%	15°	Minas Gerais	9,31%
2°	Mato Grosso do Sul	13,79%	16°	Tocantins	9,30%
3°	Amazonas	11,60%	17°	Rio Grande do Sul	9,13%
4°	Pernambuco	11,22%	18°	Pará	9,08%
5°	Rio Grande do Norte	11,17%	19°	Espírito Santo	8,99%
6°	Goiás	10,91%	20°	Paraná	8,67%
7°	Piauí	10,88%	21°	Maranhão	8,41%
8°	Paraíba	10,69%	22°	Santa Catarina	8,29%
9°	Bahia	10,53%	23°	São Paulo	8,22%
10°	Mato Grosso	10,45%	24°	Amapá	7,85%
11°	Rondônia	9,89%	25°	Roraima	7,52%
12°	Ceará	9,89%	26°	Rio de Janeiro	6,84%
13°	Sergipe	9,74%	27°	Distrito Federal	3,81%
14°	Alagoas	9,57%			

Sources: IBGE and CONFAZ. References: Sales tax revenue: 2013, GDP: 2011

These statistics show the need and space for improvements in sales tax collection by the Rio de Janeiro State Finance Secretariat.

Considering the macro environment is almost the same for all states, the size and type of economy that Rio de Janeiro presents, as well as its Southeast location, in Brazil's main economic corridor, its characteristics approach its closest neighbors – Sao Paulo and Minas Gerais.

Many reasons could explain the differences between these three states. Different tax benefits and incentives, tax evasion, tax planning, natural disasters (2011 flood, for example), corruption, and others that will be no further analyzed here. Yet, one crucial difference, which is the subject of this paper, is to improve tax management and that of the Finance Secretariat as a whole.

To show the path of improvement, we performed a comparison analysis on the sales tax revenue levied by each of the 27 Brazilian states for the period 2000-2011. Each state has autonomy regarding the legislation and implementation of the tax, shaped by general constitutional rules; that is, the tax base in practice, the tax rate structure, different types of exemptions, and administrative procedure for enforcing and collecting the tax.

For example, if two states apply the same uniform nominal tax rates to the same tax base and they have the same GDP and value added; still their sales tax revenue collection might differ due to a sundry of factors—revenue efficiency or beta factor—such as different degree of evasion (or its counterpart, different effectiveness in enforcing the law) and different effective tax rates (the nominal tax rate adjusted by exemptions and/or subsidies). Our empirical analysis focus on calculating the “beta factor” for each state during 2002-2011, using the following setting:

- $R_i(\text{observed}) = \tau_i \times VA_i \times \beta_i$;
- $R_i(\text{benchmark}) = \tau_i \times VA_i$

Where the subscript i represents a state, R is the tax revenue, τ is the weighted average nominal tax rate, VA stands for the value added of the economy¹ and β captures the efficiency factor².

¹ Recall that GDP (at current market prices) of a country or a state is equal to adding up the value added of all sectors of an economy; that is $GDP = \sum VA$. If the VA is computed at factor costs (prices excluding taxes and subsidies; or basic prices), then $GDP = \sum VA + [\text{Taxes} - \text{Subsidies}]$.

² Besides evasion and exemptions and or subsidies there are other differences in the tax implementation among states; for example, small business have lower nominal tax rates that varies from 1 to 4%, compare with 17% for most states that applies to most companies, the coverage of services that pay VA tax also varies from state to state, and the tax rates applies to interstate transactions also varies.

In theory, the tax collection for i^{th} state should be equal to the weighted average nominal tax rate times the tax base (the state's value added). In practice, the i^{th} state's observed (or actual) tax revenue will be less than the theoretical benchmark due to the beta factor. Thus, the difference between the observed and benchmark value added tax revenue (equations 1 and 2) is $0 < \beta \leq 1$. Beta captures the gap between actual and benchmark revenues; the closer to one, the more "efficient" is the tax from the viewpoint of collection and vice-versa the closer is beta to zero.

In the Appendix, we present the tables with all the relevant data and the calculation of the beta. Table 1, below, shows i) the value of betas across states for the period 2002-2011, and ii) some useful descriptive statistics, calculated across states and time: max value, min value, mean, and standard deviation.

Table 1 – Revenue Efficiency Factor, Beta, across States and descriptive statistics

States	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Statistics for Each State Across Years			
	Betas										Max	Min	Mean (μ)	SD (σ)
Mato Grosso do Sul	0,65	0,65	0,76	0,85	0,86	0,86	0,92	0,81	0,72	0,75	0,92	0,65	0,78	0,09
Pernambuco	0,55	0,55	0,57	0,59	0,60	0,60	0,61	0,60	0,61	0,66	0,66	0,55	0,59	0,03
Amazonas	0,63	0,61	0,62	0,63	0,60	0,62	0,72	0,62	0,65	0,65	0,72	0,60	0,64	0,03
Espírito Santo	0,63	0,68	0,68	0,72	0,70	0,71	0,74	0,72	0,61	0,64	0,74	0,61	0,68	0,05
Rondônia	0,53	0,59	0,62	0,64	0,68	0,64	0,62	0,58	0,62	0,62	0,68	0,53	0,61	0,04
Goiás	0,54	0,58	0,55	0,56	0,55	0,54	0,55	0,52	0,57	0,60	0,60	0,52	0,55	0,02
Rio Grande do Norte	0,55	0,59	0,60	0,60	0,62	0,58	0,59	0,58	0,59	0,59	0,62	0,55	0,59	0,02
Piauí	0,48	0,46	0,51	0,53	0,55	0,55	0,55	0,55	0,58	0,56	0,58	0,46	0,53	0,04
Bahia	0,58	0,58	0,62	0,59	0,61	0,55	0,57	0,49	0,53	0,56	0,62	0,49	0,57	0,04
São Paulo	0,48	0,46	0,47	0,46	0,48	0,46	0,50	0,48	0,49	0,54	0,54	0,46	0,48	0,02
Mato Grosso	0,59	0,59	0,59	0,61	0,66	0,60	0,59	0,58	0,59	0,53	0,66	0,53	0,59	0,03
Paraíba	0,49	0,48	0,50	0,52	0,50	0,50	0,49	0,48	0,52	0,52	0,52	0,48	0,50	0,02
Alagoas	0,44	0,46	0,49	0,51	0,53	0,52	0,54	0,52	0,56	0,52	0,56	0,44	0,51	0,04
Ceará	0,56	0,54	0,54	0,51	0,54	0,52	0,53	0,52	0,53	0,52	0,56	0,51	0,53	0,02
Santa Catarina	0,47	0,47	0,45	0,46	0,44	0,44	0,44	0,44	0,47	0,51	0,51	0,44	0,46	0,02
Rio Grande do Sul	0,48	0,49	0,47	0,54	0,51	0,47	0,51	0,47	0,48	0,50	0,54	0,47	0,49	0,02
Sergipe	0,48	0,46	0,47	0,50	0,50	0,47	0,45	0,47	0,51	0,50	0,51	0,45	0,48	0,02
Minas Gerais	0,48	0,47	0,47	0,52	0,50	0,51	0,53	0,49	0,49	0,48	0,53	0,47	0,49	0,02
Tocantins	0,48	0,49	0,47	0,48	0,49	0,46	0,45	0,41	0,42	0,45	0,49	0,41	0,46	0,03
Paraná	0,42	0,39	0,40	0,44	0,43	0,40	0,42	0,41	0,41	0,43	0,44	0,39	0,42	0,02
Maranhão	0,38	0,34	0,36	0,38	0,42	0,42	0,40	0,41	0,43	0,43	0,43	0,34	0,40	0,03
Acre	0,38	0,40	0,42	0,47	0,48	0,44	0,38	0,37	0,44	0,43	0,48	0,37	0,42	0,04
Pará	0,44	0,47	0,44	0,48	0,49	0,49	0,47	0,51	0,43	0,42	0,51	0,42	0,46	0,03
Roraima	0,34	0,31	0,34	0,37	0,39	0,41	0,39	0,40	0,42	0,39	0,42	0,31	0,38	0,04
Amapá	0,26	0,27	0,30	0,35	0,35	0,33	0,33	0,36	0,37	0,36	0,37	0,26	0,33	0,04
Rio de Janeiro	0,37	0,36	0,37	0,34	0,33	0,33	0,32	0,33	0,35	0,34	0,37	0,32	0,34	0,02
	Statistics for Each Year Across States										Representative for the Whole Period			
Max	0,65	0,68	0,76	0,85	0,86	0,86	0,92	0,81	0,72	0,75	0,92	0,65	0,78	0,09
Min	0,26	0,27	0,30	0,34	0,33	0,33	0,32	0,33	0,35	0,34	0,37	0,26	0,33	0,02
Mean (μ)	0,49	0,49	0,50	0,52	0,53	0,52	0,52	0,50	0,51	0,52	0,56	0,46	0,51	0,03
SD (σ)	0,09	0,10	0,11	0,11	0,12	0,12	0,13	0,11	0,09	0,10	0,12	0,09	0,10	0,02

Source: For Betas, Appendix 1; for the descriptive statistics, Table 1.

From Table 1, we draw the following conclusions:

- For most states, the degree of revenue efficiency, β , has not improved over the years. During 2002-2011, the betas have hover around their means with a low standard deviation.
- Given the low standard deviation for most states, the average value of their betas during 2002-2011 is a good representative statistic for the period. Judging by their average values of betas, most states are relatively inefficient in collecting the added value tax: out of 27 states, only 9 have betas larger than 55%, and only 4 have betas larger than 60%. And 13 states have betas less or equal to 50%, which means that they can improve the value added tax revenue without changing the nominal tax rate.
- The average level of beta across states, for a given year, fluctuates between 49% and 52%, with an average of 51% for the whole period.
- There is a wide range of efficiency among states as the beta representative for the whole period takes a max of 78% and a min of 33%. However, since the average standard deviation is 0.10, most states' beta representative for the whole period would fall in the range 41-61%.
- The Rio de Janeiro State presents the worst Beta factor among all the 27 Brazilian states.

This paper, alongside the Secretariat's Senior Management, argues that formulating and following a Strategic Plan, encompassing a methodology of monitoring goals and results, as well as taking corrective action when needed, is essential if the State intends to cover the gaps and move to a higher level of professionalism, efficiency and result driven organization.

Strategic Planning is key to understanding where any organization currently stands, where it strives to be, and the steps it must take to get to there. It puts all effort towards the same route, by the entire body of workers, sharing one common goal. This idea may seem simple, but it is nonetheless a big challenge to implement effectively in a public organization.

Quoting Seneca, *"If one does not know to which port one is sailing, no wind is favorable."*

2 What is strategic planning?

The word strategy derives from the ancient Greek *stratègós* (*stratos* meaning army, and *ago* meaning leadership or command), and designated the military commander in Athens.

Applying these concepts to business administration, we can define strategy as a way of thinking about organizations broadly and generally, joining their functional areas to support outlined objectives, considering the environment in which it is inserted,³ comprehending the actions that must be objectively adopted in order to achieve long-term goals, and maximizing its performance when compared to the competitors.

According to WRIGHT, KROLL and PARNELL (2000), strategy comprises "senior management plans to achieve results in accordance with the organization's mission and general objectives."⁴ Essentially, the strategic plan should answer three basic questions:

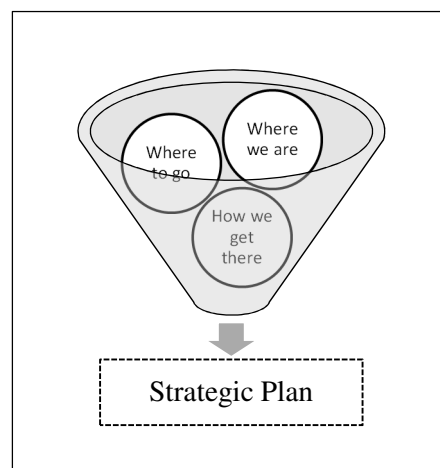


Figure 2.1 – Strategic Plan flow

It is an objective approach to strategy, which includes designing action plans to achieve the organization's goals, as well as setting up indicators that measure and show how it is heading to the chosen direction, allowing course corrections in the event of deviations.

³ SILVA, Cleide.

⁴ WRIGHT, P.; KROLL, M.; PARNELL, L. Administração estratégica: conceitos. São Paulo: Atlas, 2000.

2.1 Strategic Planning for Government Organizations

Although government and non-profit organizations do not aim for monetary results as its final objectives, they are not so dissimilar to private sector firms. They are also included in a rapidly changing environment, with different technologies and needs popping up daily, presenting responsibilities on delivering results and matching public expectations. In the 21st century, the era of new technology and information, demands for transparency and accountability are major demands for them too.

Strategic planning is key in this process, as mentioned before, and following the plan in a structured way is the leading path for success, regardless of whether the organization is public or private.

In the United States, several attempts to monitor government performance were tried over the past three decades. In 1993, the Clinton administration signed the Government Performance and Results Act (GPRA), which sought to transform the way the government was managed, placing emphasis on what was being accomplished and not on what was being spent. The GPRA required that all federally funded agencies develop and implement strategic plans as well as establish an accountability system based on performance measurement, which included goals and objectives, progress measurement, and results reporting.

In 1994 the Government Reform Act (GRA) and many other federal, state and local pieces of legislation followed this initiative, trying to set performance requirements to deliver high quality goods and services to their customers—the citizens.

Obama's administration continued these efforts, although the GPRA and its successors have been facing skepticism on whether or not they are achieving their original goals. Nevertheless, some findings have suggested very positive features, including development of consistent mission statements, communication of strong departmental commitment, clearly stated performance objectives and accountability, and the placement of high value on customer service.⁵

In Brazil, the most recent initiative occurred almost at the same time, when President Fernando Henrique Cardoso started a series of reforms on federal agencies, aiming for more efficiency. With the help of political scientists and university professors,

⁵ Ron Carlson, "A look at GPRA practices: How far have we traveled?" *The Public Manager*, Fall 2000, pp. 25-29, cited on NIVEN, Paul R., 2003, p. 29.

it aimed to increase the country's performance, by strengthening the control and coordination capacity over all agencies by the central government, providing administrative and modern performance tools to the Executive Branch.

Although it also did not achieve all objectives, it represented a new mentality on Brazil's Federal Government sector, leading to a higher level of accountability and transparency, spreading more professionalism among public management, and improving the administrative culture.

3 Methodologies

Several methodologies have been developed over the decades to drive and successfully achieve such processes. This paper will focus on the Balanced Scorecard, since it is the latest methodology adopted by the Rio de Janeiro State Finance Secretariat, although some other methodologies will be briefly mentioned, since they were used in a complementary way with the first one.

It is important to say that these methodologies are not mutually exclusive, but rather complementary. Each has a specific focus that differentiates them, according to the ideology of their creators, yet all aim for the same goal. They all capture an overview of the organization's objectives and the actions that should be taken to achieve them.

With this focus, they were applied during consulting firms' works in Rio de Janeiro State Finance Secretariat on two recent occasions, as will be shown later.

3.1 PDCA Deming's Cycle

In the 1950's, there was a massive, global movement on business administration towards process quality assurance. Dr. W. Edwards Deming was one of the first actors at the forefront of this movement when he introduced his ideas in Japan, working with the industrial leaders after World War II. His work helped the country recover from the nuclear bombing and to get back on track in the world's economy. His influence is recognized as the major contribution of a non-Japanese descendent to the post-war

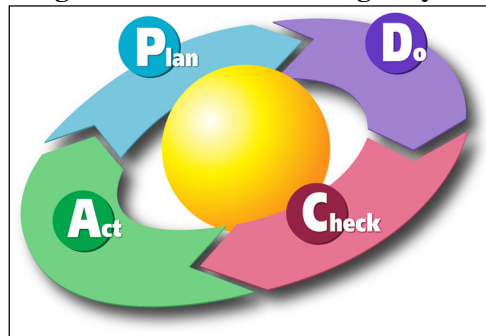
economic miracle in the 1950s and 1960s, when it achieved a worldwide reputation of innovative, high-quality products and economic power.

Its concept is based on the scientific method "hypothesis"—"experiment"—"evaluation" developed by Francis Bacon, in his treaty *Novum Organum*, written in 1620. It is called PDCA Deming's Cycle.

The acronym PDCA goes for "Plan – Do – Check – Act," which was later modified by Dr. Deming to PDSA, as to "Plan, Do, Study, Act," because he felt that "check" emphasized inspection over analysis.⁶

One of the fundamental principles of PDCA is iteration, which means it is a cycle and not a static process, in which after each conclusion routine will start the feedback process and begin again, expanding the acquired knowledge further, engendering a spiral effect. It also helps to develop critical thinking within each of the involved processes.

Figure 3.1 – PDCA Deming's Cycle⁷



3.2 SWOT Analysis

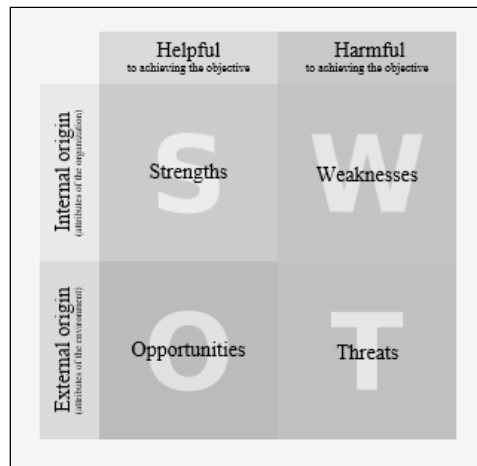
Another also famous methodology is SWOT analysis (acronym that goes for Strength, Weaknesses, Opportunities and Threats), which aims to map factors to achieve the established objectives, captured from internal and external influences and environment, originating the following matrix:

Figure 3.2 – SWOT Analysis⁸

⁶ <http://en.wikipedia.org/wiki/PDCA> - visited in 07/25/2014

⁷ <http://en.wikipedia.org/wiki/PDCA> - visited in 07/25/2014

⁸ http://en.wikipedia.org/wiki/SWOT_analysis – visited in 07/25/2014



Internal Factors:

- Strengths: characteristics of the business or project that give it an advantage over others.
- Weaknesses: characteristics that place the business or project at a disadvantage relative to others.

External Factors:

- Opportunities: elements that the project could exploit to its advantage.
- Threats: elements in the environment that could cause trouble for the business or project.

Although there are several criticisms to the methodology's simplicity, this is exactly one of its differentiating points, added to its flexibility, that allows one to make an organizational diagnosis quickly and easily, helping to explain its propagation and wide applicability to many different situations.

Having set the strategic goals, the matrix should be used to identify internal and external influence factors, and list them in an ordered and visually pleasant map, so it is possible to draw action plans.

3.3 Balanced Scorecard - BSC

Another methodology, now widespread, is the Balanced Scorecard (BSC), developed by Kaplan and Norton, professors of Harvard University, in the 1980s. This

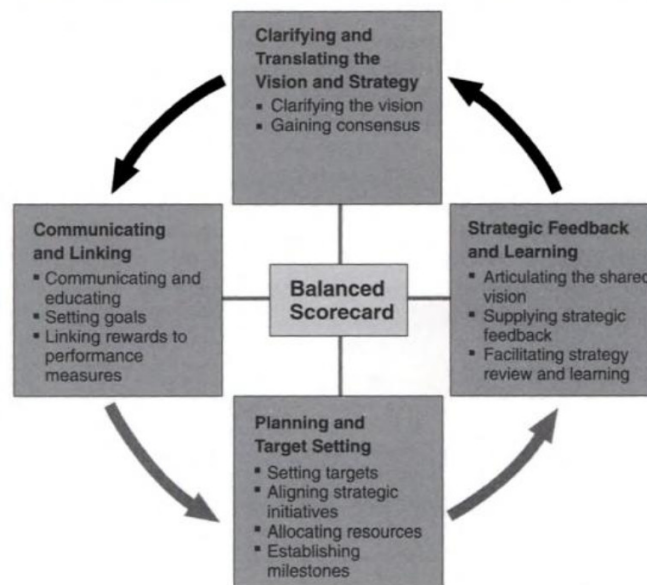
methodology "retains traditional financial measures" which tell the story of past events, and complement them, "with measures of the drivers of future performance."⁹

Initially BSC was designed for private for-profit companies and aims to balance short and long term goals, financial and non-financial measures, trends and occurrences indicators, and internal and external performance prospects – hence the term “balanced.”

The BSC translates the mission and strategy of the company on a simplified map, with tangible goals and indicators, providing all involved and interested parties (stakeholders) a quick and comprehensive overview of the entire entity.

According to Kaplan and Norton, the BSC is more than a tactical or operational measurement system. It is an organizational strategic management system, focused on indicators, that allows accomplishing critical management processes. More than just a new system of indicators, it is the central organizing framework for organization and management processes and can be used for:¹⁰

- Clarify and gain consensus about the strategy;
- Communicate strategy throughout the organization;
- Align departmental and personal goals to the strategy;
- Link strategic objectives to long-term targets and annual budgets;
- Identify and align strategic initiatives;
- Perform periodic and systematic strategic reviews; and
- Obtain feedback to deepen the knowledge of strategy and perfect it.



⁹ KAPLAN, NORTON, 1996, pages 7-8

¹⁰ KAPLAN, NORTON, 1996, 18-19.

Figure 3.3 – The BSC as a strategic framework for action¹¹

BSC provides a broad overview of the company, translating its Vision and Strategy into a set of performance indicators, grouping them into four perspectives, as shown below:



Figure 3.4 - Adapted from Robert S. Kaplan and David P. Norton, “Using the Balanced Scorecard as a Strategic Management System,” Harvard Business Review (January-February 1996): 76.¹²

It allows communicating the Mission and the Strategy throughout the organization, and indicators tell everyone involved what direction they should take to achieve them.

3.4 Balanced Scorecard applied to public organizations

Unlike private companies, public organizations do not have profit as their ultimate goal and reason for existence. Because of this, BSC creators themselves suggest that equal

¹¹ KAPLAN, NORTON. 1997, 77.

¹² Source: Balanced Scorecard Institute. <http://balancedscorecard.org/Resources/About-the-Balanced-Scorecard>. Visited in 09/14/2014.

importance can be placed on the financial and customers' perspective or even more to the last.¹³ Figure 3.5 shows this model of BSC perspectives:

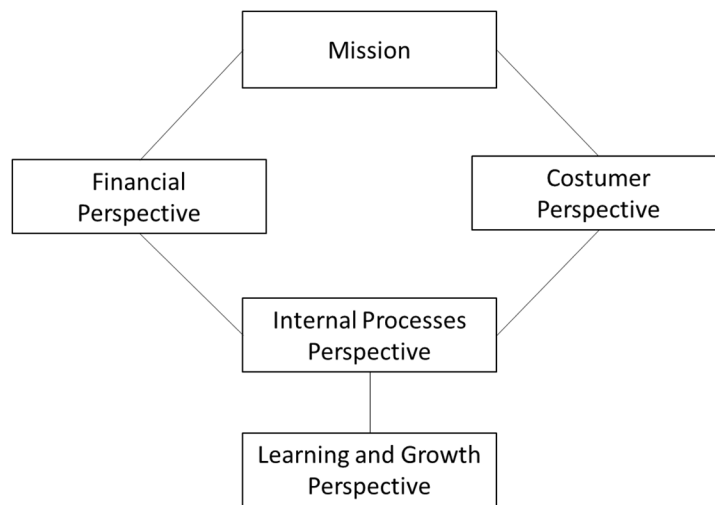


Figure 3.5 - BSC model for non-profit organizations suggested by Kaplan and Norton (2000)

The authors cite the BSC applied to the Municipal Council of the City of Charlotte, which actually puts the customers' perspective (citizens) above the strategy, as the primary objective of the organization.

Note that application adjustments to the model in public bodies, such as the Secretariat, are necessary, but this fact does not rule out the possibility of applying the methodology successfully in pursuit of their goals and conducting strategic planning in all its areas.

Several years after its launch, many public organizations are using BSC nowadays, both in Brazil and across the globe, due to its success and effectiveness to support Strategic Planning.

4 Rio de Janeiro State Finance Secretariat Strategic Planning

4.1 History

¹³ Kaplan, R. & Norton, D. (2001), *The strategy focused organization. How Balanced Scorecard companies thrive in the new business environment*, Harvard Business School Press, Boston, MA.

In 2007, the first year of Sergio Cabral's government, in order to put the state back on track and establish the path for the coming years, many actions in public defense, health, and education, among others, were developed, prompting significant and positive results in society.

The Rio de Janeiro State Finance Secretariat started a series of improvement initiatives. One of the most important projects was to renew the body of workers, by hiring new tax agents, and public finance and budget analysts.

In Brazil, most of the State owned functions must be developed by public servants, who join the government by taking public exams. Once hired, these professionals have some sort of work stability, meaning they are linked to the organization, and not to the political environment, which give them freedom to do their job, even if against specific politician or private interests.

Tax agents, judges, public attorneys and others follow this same pattern. The last exam for the Secretariats' Tax Agent occurred in 1989, almost 18 years before Cabral's election. Since Cabral's mandate, there were six new exams, almost yearly, with more than 500 new tax agents hired, which gave a new orientation and fresh air to the institution.

Many other improvements were made to the Secretariat, for instance moving to the new headquarters, renewing regional offices throughout the state, creation of corporate Finance School, and so forth. With regard to strategic planning, the first step was indeed taken in 2007.

4.2 First Attempt – A Rehearsal

In 2007 the government contracted the *Instituto Nacional de Desenvolvimento Gerencial – INDG* (Management Development National Institution, loosely translated). It is a consulting firm, and well known in Brazil for conducting turn around projects with remarkable results on public institutions, such as Minas Gerais State.

Its framework is essentially based on the PDCA methodology. The firm was hired to map the state revenue, tax collection process, the weaknesses of the organization, and how to improve it. Revenue was the resulting focus.

It used information gathered from the reports the companies have to send informing their economic data, general numbers from national and state associations (for

example on gas and electricity consumption, growth perspectives, etc) and on a series of interviews and work meetings with the chiefs and tax agents of specific segments.

After mapping each segment, based on numbers and reports from the universe of companies (column 2), the interviews indicated the priority companies and their total tax revenue (column 3). Based on similar segments in different Brazilian states and the growth of the segment, whether they be observed or potential, gaps of collection were identified and measured (column 4) and negotiated with the segment and local tax chiefs (column 5).

The results are below:

TABLE 4.1 – INDG industrial segment diagnosis

Industrial Segment (R\$ Millions)	Total Tax Revenue	Total tax priorities	Identified GAP	Agreed GAP	Growth	Agreed growth
Supermarket and Department Stores	1.138	818	304	165	14%	54%
Communications	3.422	2.617	204	108	3%	53%
Oil and Gas	2.936	1.289	204	163	6%	80%
Electric Power	2.868	2.331	182	217	8%	119%
Food	522	359	168	155	30%	92%
Chemicals	631	358	123	98	16%	80%
Metallurgy, Steel, Mining and Construction	1.047	665	117	97	9%	82%
Pharmaceuticals	1.023	640	101	99	10%	98%
Textile and Garment	378	245	71	44	12%	62%
Others	414	205	48	31	8%	65%
Transportation	313	207	35	24	8%	69%
Editorial and Graphic	426	382	21	15	3%	71%
Automotive Sector	542	340	15	13	2%	90%
Beverages	803	710	15	15	2%	100%
Total	16.464	11.163	1.606	1.243	8%	77%

Source: Industrial segment collection analysis explanatory summary – INDG/ 2007

Although the analysis was conducted by the industrial segment, the internal structure of the secretariat has a second level division, based on geographic location. The biggest companies of each sector are audited by the respective Specialized Offices, no matter where they are located, while the smaller companies, no matter what their sectors are, are the Regional Offices responsibilities.

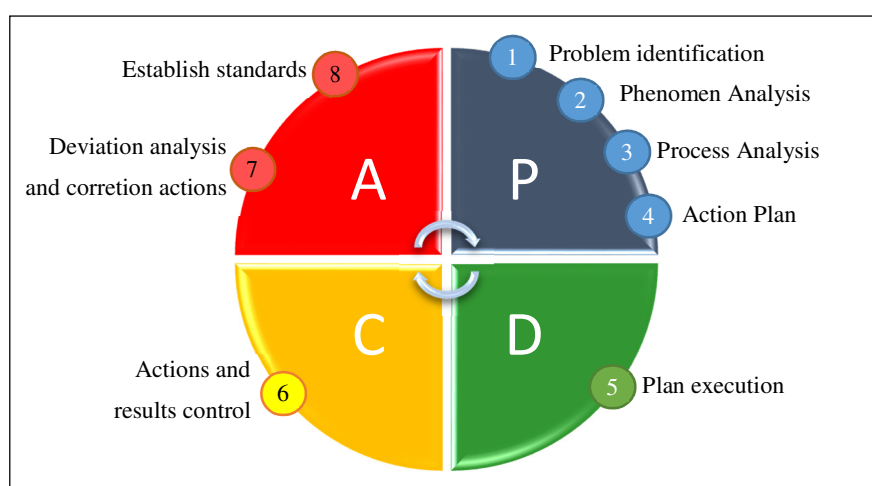
In terms of localization, the table above led to the following numbers, geographically distributed:

TABLE 4.2 – INDG localization diagnosis

Regional Office	Validated GAP	Identified GAP	Agreed Growth
Specialized	1.434	1.128	79%
Rio de Janeiro	99	63	64%
Outside Rio de Janeiro	53	34	64%
Metropolitan area	20	19	94%
Total geral	1.606	1.243	77%

Source: Industrial segment collection analysis explanatory summary – INDG/ 2007

The PDCA drawn for the organization had the following steps, as shown in Figure 4.1 below:

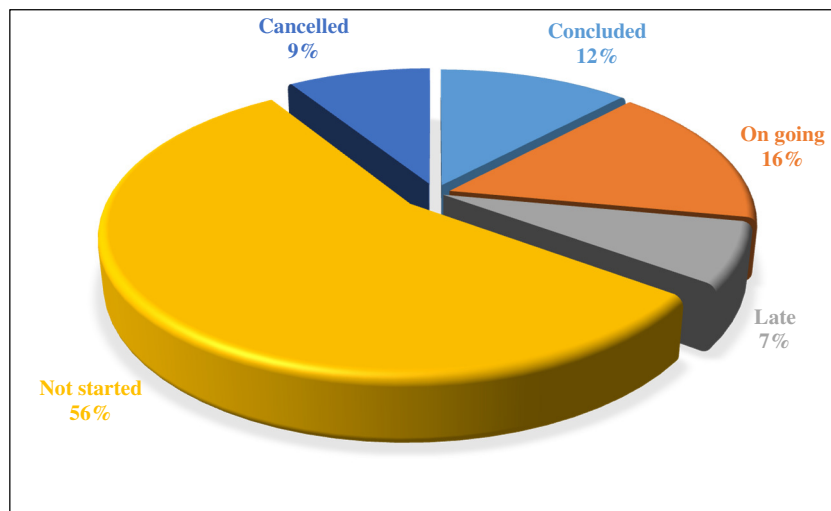


Source: Strategic Planning Project Kick off - Presentation meeting – INDG/2007

After conducting the diagnosis, there were some deviations for each of the biggest specialized auditing areas, regarding specific individual needs. However, main questions related to this paper were, at that time, already pointed out:

1. Many information already available in the Secretariat's systems were not used systematically to increase its revenue (for example, payers not sending information, nor paying any tax in a range of time, differences in collection between similar companies in size and industry, among others);
2. The auditing programs were not aligned and prioritized accordingly to the organization global strategy;
3. From the actions previewed and accorded, 9% were cancelled, only 35% were started, while 56% were not even started:

Figure 4.2 – 2007 defined action status



Source: Industrial segment collection analysis explanatory summary – INDG/ 2007

4. Necessity to define a dedicated person or structure to interact with the collection teams, controlling the accorded actions development, accompanying the results, reporting the deviations to Senior Management, and defining correction actions.

One result achieved, that reinforces the objective of this paper, is that after the mapping process, the meetings and the diagnosis, the strategy was in a way clearer to most of the members of the structure. In 4 months – September-December/2007 period – more than R\$ 1 billion was charged in over forty tax collection actions.

This fact clearly shows that: when the strategy is well designed, counting with all levels of the organization commitment to the objectives, and the plan spread throughout its entirety and specific executors, everyone know their role, where to go, and how to contribute to the global results. Taken together, more results, even though distant from the ideal, were achieved.

The points mapped clearly reflect the basics of strategic planning philosophy: It is hard to achieve any result, even with the best strategic planning development, the best consulting company support, or the best employees and executive chiefs, if:

- Across the organization, it is not clear what the Values, Vision and Mission are;
- The tactical plans for the ongoing year/cycle were not discussed and agreed with throughout the organization, in a bottom-up flow, generating commitment among the leaders and its teams, in all levels;

- The initiatives born within the organization are not aligned with the strategy, without focus and covering a wide range of subjects; and
- There is no person or team fully dedicated to the strategy, interacting with the high and lower levels, deploying the strategy to the core/final areas, following and reporting the results.

After the survey and the first feedback round, the whole project was abandoned. Some of the involved servers at the time say the process was a failure, because it “invaded” the powers of inspectors and tax agents, because it was not properly disclosed, and decided upon in a top-down rather than bottom-up fashion. The name of the consulting firm was damaged and the project was considered traumatic.

Perhaps, some of the reasons for failure are due to the low oxygenation of the organization through decades without hiring new public servers, as well as its characteristic of hardly ever charging for results, and all of a sudden, setting goals and pursuing their achievement. This paper intends to address solutions for some of the presented issues.

4.3 New attempt

In 2011 a new initiative was attempted to conduct the Secretariat toward following a structured Strategic Planning. The consulting firm Ernst & Young Terco (E&Y) was chosen and the work was aimed at building a strategy map based on the Balanced Scorecard methodology.

It used a mix of the tools previously mentioned, complementing each other, to reach the results presented below. The study was conducted in four steps:

- 1 - Internal and external environment current situation diagnosis;
- 2 - Strategic Plan elaboration and Strategic Management Tool designing - GMERJ (Rio de Janeiro State Strategic Map Management, loosely translated);
- 3 - Tactical Plan generation (Action Plan); and
- 4 - Strategic Map formulation and inserting it on the management tool GMERJ.

4.4 Project results

At the end of the project, the following strategic planning "events" were held for each step mentioned above, as well as each of their products:

	Events	Products
<u>Step 1 Diagnosis:</u>	<ul style="list-style-type: none"> · 29 Interviews to analyze the current situation · 17 Meetings for Human and Technology Resources survey · 47 Interviews for macro processes Survey <ul style="list-style-type: none"> · 24 macro processes mapped · 89 processes mapped 	<ul style="list-style-type: none"> · Diagnosis of the current situation <ul style="list-style-type: none"> · Human and Technological Resources Mapping; · Macro Processes and Procedures Survey; and · Internal and external Environments Analysis
<u>Step 2 Plan Elaboration and Tool designing</u>	<ul style="list-style-type: none"> · 1st Strategic Workshop for Organizational Identity definition (Mission, Vision and Values) · 2nd Strategic Workshop for defining the strategic objectives definition 	<ul style="list-style-type: none"> · Organizational Identity – Mission, Vision and Values · Strategic Objectives · Strategic Management Tool
<u>Step 3 Tactical Plan</u>	<ul style="list-style-type: none"> · 01 Workshop for Strategic Objectives deployment · 03 Meetings for Communication Plan construction · 33 Meetings for Action Plans definition, development and validation 	<ul style="list-style-type: none"> · Strategic Objectives deployment and Action Plans · Communication Plan
<u>Step 4 Strategic Plan formulation and insertion on the management tool</u>	<ul style="list-style-type: none"> · 24 meetings to spread knowledge about the tool within the Secretariat 	<ul style="list-style-type: none"> · Strategic Map - 2012/2015 · Strategic Management Tool – GMERJ

4.5 Internal and external environment current situation diagnosis

A survey of the Organization's current situation was part of the initial diagnosis, also including available human and technological resources and mapping macro organizational processes.

Interviews with key people within the organization were held, in addition to interviews with other focal points appointed by top management. Also, document analysis and mapping of the main macro-processes regarding policies and standards, the number of people involved and their responsibilities, various systems and tools, performance

indicators, ongoing projects, and general perceptions about the needs of the area, were used.

The information obtained enabled a contextual analysis of the Secretariat, its processes, organizational structure, management model, expectations regarding the project and improvement points. It also helped to clarify the difficulties faced in developing the 2010 Strategic Plan and the challenges for adopting Strategic Planning.

The SWOT matrix below consolidated the information gathered, providing a scenario (or environment) analysis:

STRENGTHS	WEAKNESS
<ul style="list-style-type: none"> • Willingness and commitment by the Secretariat's Senior Management for organizational change; • Reinforced/renovated personnel body by new exams (aggressive renewal policy); • Ease communication among Senior Management (Superintendents and Deputies); • The Secretariat enjoys more credibility with government levels and private sector, because of the improvement actions adopted since 2007; • Customer Communication - Communication Channel; • Qualified personnel for ISO dissemination practices - Certification; • Existing of Finance Administration Fund (FAF), that ensures investment in continuous modernization. 	<ul style="list-style-type: none"> • Lack of clear strategic direction; • Databases access and detailing levels; • Obsolete technological infrastructure, not meeting areas needs – absence of an IT Master Plan; • Lack of monitoring in various processes, (although there is ISO 9001 certification at the Deputy of Finance and at the Board of Tax Appeals); • The Secretariat already has electronic data from taxpayers, but does not perform an effective information analysis (use of data), with only isolated initiatives; • Lack of clarity on roles and responsibilities (per person, for each process/activity); • Gaps in communication among different areas; • Lack of internal communication (newspapers, newsletters, etc.); • Absence of monitoring works so far made by formal groups; • Lack of initiatives for career planning and monitoring (lack of future vision); • Heavy reliance on commissioned employees for key functions, which enhances business continuity risks; • Lack of an integrated training program (there are ongoing initiatives led by Finance School); • Not standardized management practices among different areas.
OPPORTUNITIES	TRHEATS
<ul style="list-style-type: none"> • Political stability in Rio de Janeiro's State Government; • Multiannual Budget Plan (PPA, loosely translated) under review, which enhances the participation of the Secretariat in proposing Government actions; • Governor's great interest in management improvements actions; 	<ul style="list-style-type: none"> • Significant loss in revenue due to the withdrawal of special transfers, due to oil production; • Adoption of Government new accounting standards (accounting convergence); • Tax incentives war from other states; • Tax reform can transform most of the investments in improvement in non-recoverable expenditure;

<ul style="list-style-type: none"> • Local market in strong expansion, which enhances the arrival of new investors to Rio de Janeiro State, generating opportunities for improving management and requiring Secretariat's higher qualification; • Possibility of formal advice to other Departments, regarding projects feasibility studies and funding alternatives, positioning the Secretariat in more strategic level within the State Government. 	<ul style="list-style-type: none"> • Lack of training for State's municipalities regarding the use of state funds transfers.
--	---

After mapping the internal and external factors, building a “Macro Diagnosis,” based on the macro-processes mapped, was the next step:

- Policies, standards and procedures

Generally, the processes are not formalized, there are no well-defined policies, regulations and standards for their execution to improve efficiency, controls and optimize costs, even though Treasury Deputy has ISO 9001 certification for its processes, policies and procedures.

- Roles and responsibilities

Roles and responsibilities are not formalized, clearly defining duties and tasks for each position. Departments base their activities primarily on Secretariat’s bylaw, in large part outdated to their actual assignments.

- Decisions/ approval

Centralization of approvals in the Secretary, burdening one person and leading to slowness in the processes. A function segregation framework can easily cross off potential delegating problems (for example, the employee is unable to approve his own request), in addition to promoting greater autonomy to the executive body.

- Metrics and performance indicators

Inexistence of targets or performance indicators in most areas, neither formal rites of monitoring, such as follow-up meetings to discuss results and present corrective actions for non-achievement. Once more, there were metrics and indicators in Treasury Deputy, as well as there are initiatives in this direction in some areas.

- Key systems and tools

The entire Secretariat yearns for technological improvements, in almost all processes. Much of the causes of not achieving former strategic action plans are due to lack of implementation and updating technologies. However, even the actions that did not depend on technology were also not achieved.

- Projects and initiatives underway

Most initiatives are incipient and isolated, without coordination and without a project management body. They are conducted in a decentralized manner, based solely on the needs of each area, without taking into account the already existing projects. There is a need for more interaction among the Secretariat's areas to exchange information, avoiding rework, unnecessary resources spending, and efforts in projects often discontinued or with scope change.

4.5.1 Diagnosis conclusions

At the end of this diagnosis process, E&Y punctuates some issues that should be aimed in order to adequately address the Strategic Planning. The diagnosis also checked two other core fields: human and technological resources.

In terms of processes, most of them were not mapped nor formalized, without defined policies and procedures. The same situation was observed on goals and performance indicators, almost inexistent. Exception was mentioned to the Treasury Deputy, already ahead on these matters, suggesting that it should be used as a benchmark for the entire organization.

In talking about people, the relevant point was the detection of a lack of servants updated and with technical skills required for specific functions within the organization, in many core areas such Technology Information, Legal Affairs, Finance Administration Fund (FAF), Ethics Council, Deputy of Fiscal Policy and others. This led to market hiring, without entrance exams, representing vulnerability in eventual future exchanges of government and staff. According to market best practices, operational/technical level personnel in particular should be hired internally by exams, avoiding history loss risks.

Another important issue was the wages paid for professionals in the middle of their careers, which was largely different from their counterparts in the private sector. This fact led to high turnover rates, which, once more, could jeopardize the history and

progress of projects and tasks. Besides, there are little to no significant financial incentives that come with leading positions, which discourages the employees taking it up or bringing professionals from the market. There was no periodic analysis of the human resources database, with outdated information and lack of knowledge of the whole scenario for improvements.

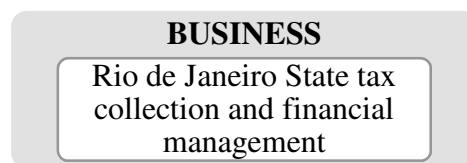
In Technological Information subjects, the project identified much vulnerability. For example, there was weak physical control of the equipment, mostly because operations were done manually, without updated information about the respective equipment. The diagnosis process was even impaired because of the mentioned weak controls.

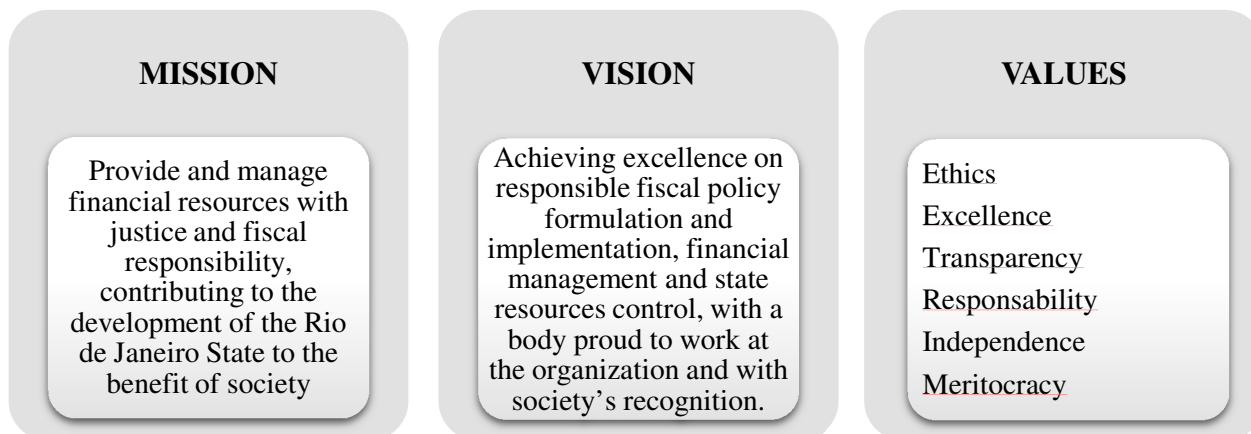
4.6 Strategic Map 2012-2015

4.6.1 Strategic drivers: Mission, Vision and Values

Based on the diagnosis, the next step was to draw the organization's future vision and build the new plan, defining its strategic drivers. Effective drivers should use the entity's internal skills and its environmental opportunities, alongside securing it from economic and industry risks (i.e., political and sectorial), in order to identify gaps to reach the desired future.

The result is shown on the Figure 4.3 – Rio de Janeiro State Finance Secretariat Business and Strategic Drivers - below.





4.6.2 Strategic themes

Based on the accomplishments achieved thus far, some workshops and meetings were conducted with key people in the organization, in order to define Strategic Themes that should be addressed.

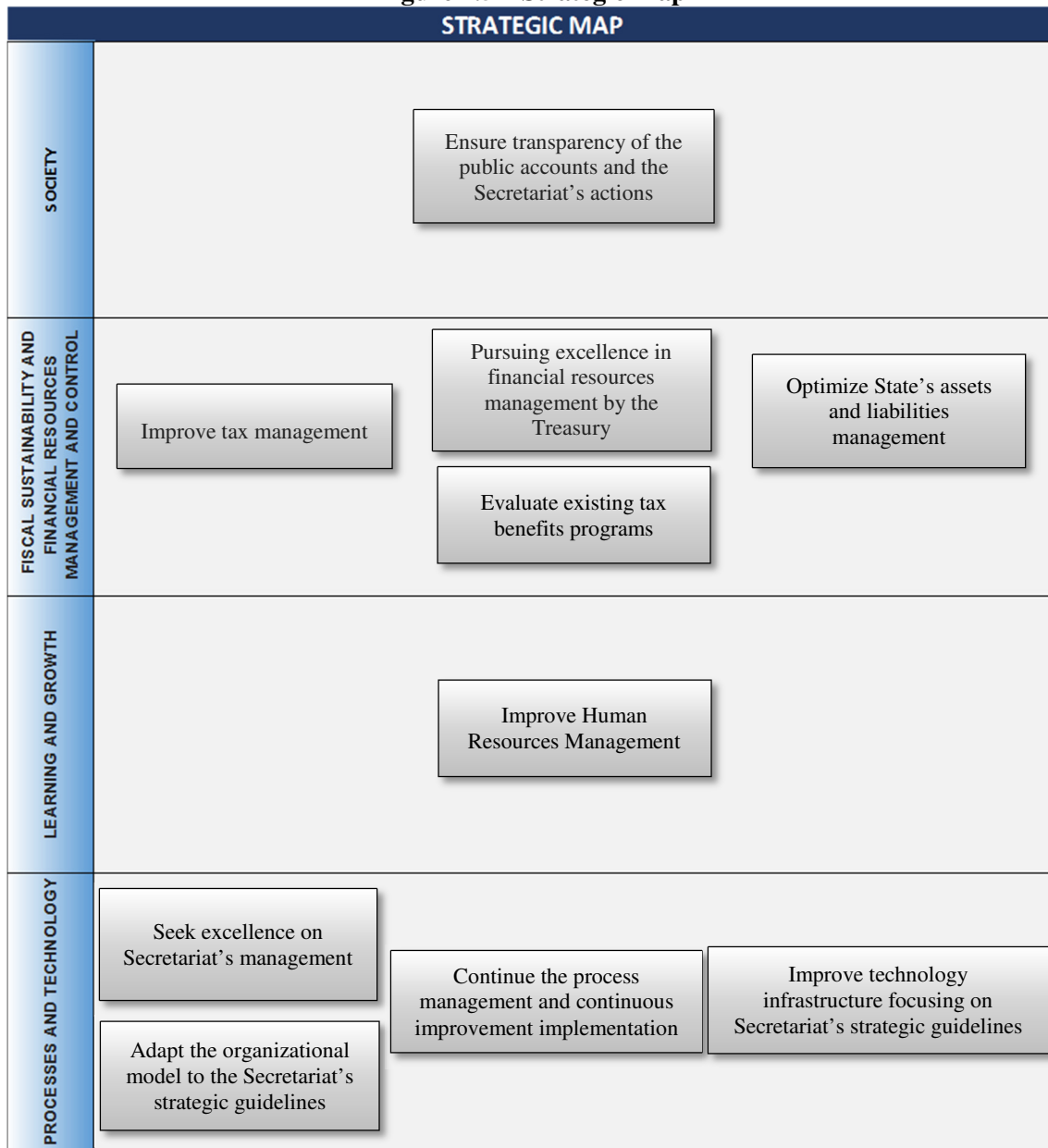
One central theme was chosen, with four other supportive ones gravitating it:



4.6.3 Strategic perspectives and objectives

Based on its new organizational identity, in reference with Mission, Vision and Value, and on defined Strategic Themes, it was time to set up strategic objectives, bundled in the BSC four perspectives map indicator.

Figure 4.5 – Strategic Map



4.6.4 Strategic objectives

According to the guidelines above, the objectives were unfolded to lower level sectors, setting action plans, indicators to measure their accomplishment and goals that should be aimed in order to achieve what was broadly defined on previous steps.

Figure 4.6 – Strategic Objectives

STRATEGIC OBJECTIVES	INITIATIVES
<u>PERSPECTIVE: Society</u>	
Ensure transparency of the public accounts and the Secretariat's actions	<ul style="list-style-type: none"> -Bring new features to Fiscal Transparency website; -Launch the simplified accountability model; -Launch the treasury servants behavior manual; -Initiate the taxpayers active communication concept; and -Improve administrative processes monitoring by taxpayers.
<u>PERSPECTIVE: Fiscal sustainability and financial resources management and control</u>	
Pursuing excellence in financial resources management by the Treasury	<ul style="list-style-type: none"> -Found scoring writ criteria in accordance with the procedures established by constitutional amendment number 62/2009; -Improve revenues and expenses reconciliation methodology; -Achieve 100% of Financial Revenue goal, as defined in Annual Budget Law; -Create budget execution monitoring procedures, to subsidize the Treasury; -Set parameters for minimum balance (goal: maintain 1.5x payroll balance); - Reach agreement with State Court to obtain information of writ stock and payments; -Launch a “Public Administration Revenue and Financial Programs” tracking system; -Formulate essential public services (utilities) expenses periodic reports; -Issue Coordination of Loans (COPEC) statute; -Perform and disclose the stock debt sensitivity analysis; and -Create rules to manage credit operation resources.
Improve tax management	<ul style="list-style-type: none"> -Assure electronic “rule of law” fully and timely for the accessory obligations; -Found risk analysis in goods transit and transportation; -Develop Administrative Tributary Process within the management areas; -Improve surveillance programs to tax benefits companies; -Ensure continued improvement on tax collection; -Establish key points on the tax collection actions control system; -Update and review the tax collection planning system; and -Improve administrative collection system.
Optimize State's assets and liabilities management	<ul style="list-style-type: none"> -Optimize State's financial liabilities; -Reduce judicial lock inventory in 100% (reduce R\$ 41 million, 10% per year); and -Regulate Treasury's competencies to control 100% of State's financial investments.

Evaluate existing tax benefits programs	<ul style="list-style-type: none"> -Create a methodology of tax benefits and tax breaks and spread it; and -Impact analysis of existing and more representative programs.
<u>PERSPECTIVE: Learning and Growth</u>	
Improve human resources management	<ul style="list-style-type: none"> -Promote exams to hire needed qualified human resources and seek excellence in finance administration; -Create career plans; -Present proposals for meritocracy policies; -Develop and deploy a Talent Database program, which will support formation and continuous training; and -Physically restructure Finance School.
<u>PERSPECTIVE: Processes and Technology</u>	
Seek excellence on Secretariat's management	<ul style="list-style-type: none"> -Launch the new State's "Government Internal Control" System; -Legislation review and update; -Train central and sectorial areas servants; -Train public resources beneficiaries; -Consolidate Public Digital Bookkeeping System (SPED, loosely translated) implementation, aiming to suit public companies; -Actualize the "Contracts Module" on the "Financial Management" System; and -Launch new tools in the Treaties Control System.
Continue the process management and continuous improvement implementation	<ul style="list-style-type: none"> -Continue the document management project.
Improve technology infrastructure, focusing strategic guidelines	<ul style="list-style-type: none"> -Build macro processes business intelligence to provide information to final users; -Guarantee high quality IT services; and -Adopt IT best practices governance.
Adapt the organizational model to the Secretariat's strategic guidelines	<ul style="list-style-type: none"> -Review departments' and sectors' duties and powers; and -Review organizational model in accordance to strategic guidelines.

4.6.5 Action plans – practical approach

After defining the objectives, it is time to set the action plans to achieve them. Here, the Strategic Planning goes to the institution's lowest levels on what the employees have to do to execute the plan effectively.

For each defined initiative, it involves the following:

- **Goals:** objective measures
- **What:** actions and activities
- **How:** the way to accomplish them
- **Why:** link between the plan and the objective
- **Who:** definition of responsibilities
- **When:** a period of time, deadline

Based on the items above, the action plans were validated by the Secretariat's Senior Management (Secretary, Deputies and Superintendents).

Meanwhile, E&Y delivered drafts of two other key products to the implementation success: Communication Plan and Strategic Management Tool – GMERJ. The aforementioned action plans were supposed to be included in the Strategic Management Tool and then started, while following the communication plan throughout the entire organization.

4.6.6 Communication Plan

This item plays an important role when implementing Strategic Planning in any organization. It is from an effective communication plan that the entire organization and all its employees can become aware of its drivers, getting committed to the project.

Communication is a key aspect in any project. Especially in big projects that involves the participation of the whole organization, many stakeholders and a profound structural change. Thus, communication plan must also be carefully planned and focused, to achieve effectiveness and give it the best support.

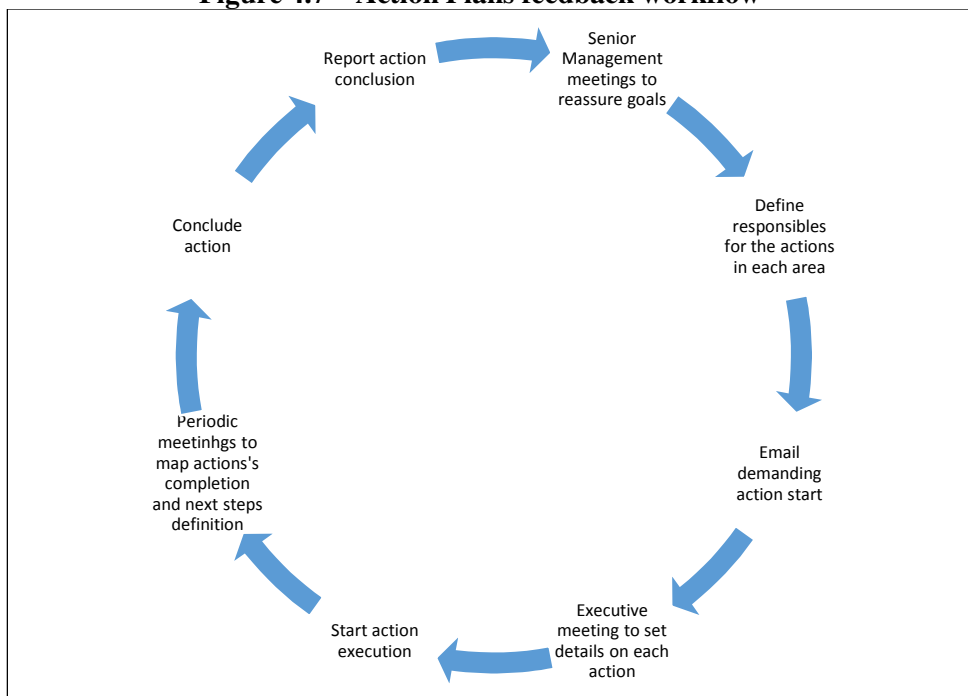
In Rio de Janeiro State Finance Secretariat's specific case, the internal phase of the communication plan was as follows:

1. Workshop presentation of the new Strategic Planning methodology and its Strategic Management Tool – GMERJ.
2. Workshop to disclose each department action to their leaders.

3. Creating specific webpage in Secretariat's intranet.
4. Defining newsletters framework to spread Strategic Planning information.
5. Disclose Strategic Planning subjects internally.
6. Disclose Action Plans for each area team in the lower level, by their leaders.
7. Periodic meetings among Senior Management to keep track of what was done so far and line next steps.
8. Disclosure news and achievements to all the employees.

To item 7) above, the following diagram illustrates the defined workflow, due to the importance of constant updating and close monitoring the evolution of tasks:

Figure 4.7 – Action Plans feedback workflow



After the completion of the internal phase, E&Y proposed a following external communication plan to show the public and outside stakeholders how the Secretariat is managed, provide visibility and transparency, and increase the organization's reputation.

4.6.7 Strategic Management Tool – GMERJ

In order to keep up with the evolution and accomplishments of the Strategic Plan, the Secretariat needed a new dedicated system, easily accessible and supplemented by all the employees, called GMERJ – Gestão do Mapa Estratégico do Estado do Rio de Janeiro (Rio de Janeiro State Strategic Management Tool, loosely translated).

This tool should be a supportive item to strategic management, from the initial planning until its execution; providing an extensive view and monitoring the results, leading to corrections in deviations when noticed. It was designed to provide many different kinds of reports to support management decisions and how the organization is conducted towards its accorded goals.

The consulting work designed screens, buttons, functionalities, and rights policies for a complete development of GMERJ.

Figure 4.8 – Examples of GMERJ proposed screens





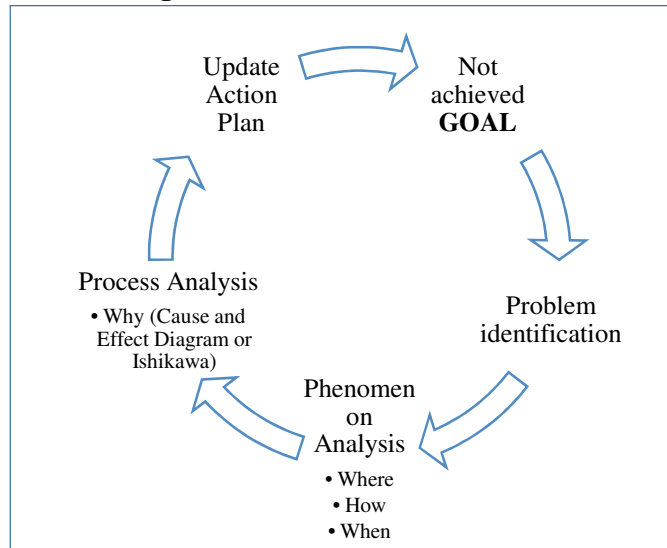
4.6.8 Management Model and Systematic Results Monitoring, Deviations Analysis and Anomalies Treatment

Given that the Strategic Planning is a cyclical movement, it is important that the accomplishments, positive or negative, feedback the process. It leads into a spiral movement, reaching closer to its goals each time the cycle moves forward.

E&Y proposed a methodology of assessing and monitoring the results achieved, based on reports generated by GMERJ, to identify the problems and implement improvements on action plans.

Starting with the problem definition, to solve deviations, the following steps were suggested to reach corrective actions:

Figure 4.9 – Deviation assessment



5 Final conclusions of the previous projects

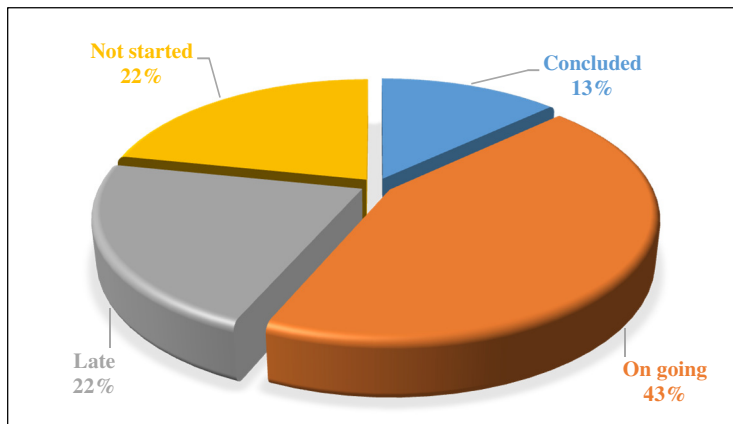
5.1 Results achieved

However, the Strategic Planning project, although well structured and supported in an effective recognized methodology (BSC), had impaired his run. Because it is a complex structural change to the *modus operandi* and a profound transformation in Secretariat's mindset, some stages were crucial to its success, among others:

- Sponsorship by Senior Management;
- Involvement of all sectors leaders and servers, to create institutional commitment;
- Effective, wide and constant communication;
- IT system for monitoring the management of defined goals and activities;
- Periodic monitoring of the established goals; and
- Periodic alignment meetings for results consolidation and deviations correction.

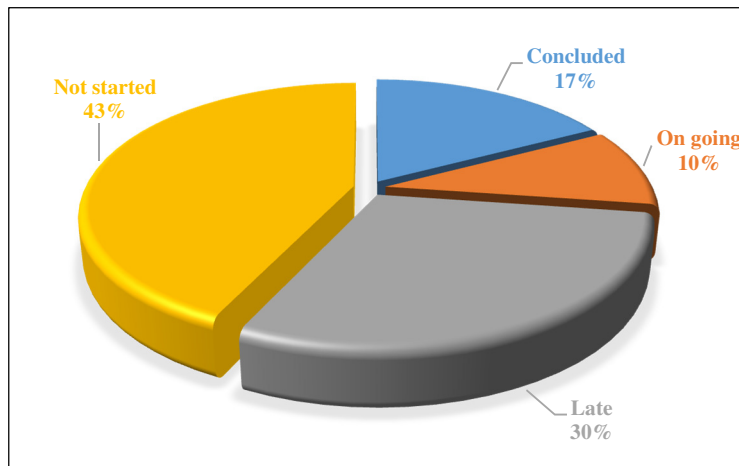
Since the secretariat presented the same behavior of 2007, it achieved the same results: few effective accomplishments after the construction of the map. In 2012, before the end of the consultant project, the results accomplished were shy, with low rate of conclusion (13%), opposed to a high rate of delays and not started goals (44%).

Figure 5.1 – 2012 Results



Unfortunately, the survey conducted in February/2014 (last numbers that the author had access to), almost two years after the launch of the Strategic Map, shows the same worrying results:

Figure 5.2 – February/2014 results



In both occasions, the consulting firms pointed out that, besides drawing the plan, it is vital to develop and implement it, while focusing on the strategy constantly, to conduct the organization according to its principles (Mission, Vision and Values) toward its objectives and goals.

INDG *Final Results Presentation, September/2007*

“The results only come if the previewed actions are fulfilled”

Ernst & Young Terco report *Current Situation, June/2011 (loosely translated)*

“It is not enough to set the vision and overall goals to achieve. You need to define strategies and put them to work, for the results to be produced and monitored.”

“Tacit is the opportunity to improve the Secretariat’s process of strategic management, which should involve, among other, organization's managers active participation, not only in the planning stages, but especially in the implementation of plans to achieve goals set.”

Ernst & Young Terco report *Strategic Planning Monitoring, July/2012 (loosely translated)*

“As next steps, we suggest that the Finance Secretariat perform the necessary alignments to the initiatives responsible and co-responsible employees (defining any responsibility delegation) and, thereafter, keep following the implementation of the initiatives set out in the Strategic Map.”

Ernst & Young Terco report *Results Systematic Monitoring, August/2012*

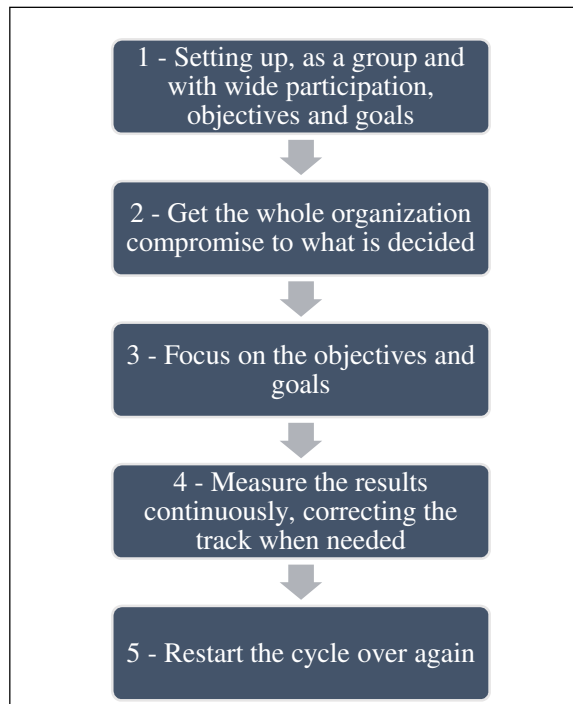
“Good planning is achieved by the staff dedication and demands time.”

“A good plan, by itself, does not guarantee the desired results. After planning the actions, it is necessary to accomplish what was planned in a systematic and reliable way.”

“It is necessary to analyze the partial results against targets, taking corrective actions when needed.”

For all the above, it is clear that Strategic Planning is key to any organization that intend to achieve goals and effective results, either if it is profit and market share, for private companies, either if it is tax revenue and providing services to community, for public ones, as is the case of the Secretariat.

The two mentioned experiences reinforces that, in order to succeed to set a Strategic Planning focused institution, some requisites must be fulfilled, linked in a logical and consecutive path:



Moreover, the facts show that, if there is no exclusive team closely and constant monitoring all the mentioned aspects of the strategic plan, it is inevitable that the focus will be lost and the results will not be achieved, will be lower or will take much more time to be achieved.

Kaplan and Norton argue that firms that adopt the BSC have two major tasks: first, build their strategic map, and second, use the BSC effectively.¹⁴

E&Y, at the first workshop with the Secretariat, already pointed most common errors on the implementation of BSC, warning, at that time, possible causes of failure¹⁵:

- No engagement of senior management;
- BSC implementation disconnected from strategic planning;
- Lack of a multidisciplinary team implementing the model;
- Lack of a model or a strategic change agenda;
- Low level of training to those involved in the strategic management process.

Whereas the map built for the Rio de Janeiro State Finance Secretariat is appropriate for a first planning cycle attempt, we strongly recommend that it is followed, avoiding losing the results already achieved and the resources spent. The goal of this work is to provide insights and structural tools for the effective implementation of the Strategic Planning mindset and the BSC methodology.

¹⁴ KAPLAN, NORTON. 1996, 45.

¹⁵ Ernst & Young Terco 1st Strategic Formulation Workshop. July/2011

For the next cycle (2016-2020), learning and gathering maturity from this first implementation, improvements should be adopted, without any limitation. This means that, if necessary, even the drivers and strategic goals should be revised, to more effectively conduct it toward its mission and vision. However, this review should be done only in a second moment. First, it is recommended to effectively implement and use the Plan as it is already drawn.

6 Accountability, a special chapter

One important issue that is not mentioned in the researched literature, because it is mostly taken for granted in regular situations, but which is a reality in the Secretariat is the poor accountability within the organization, in general.

Unfortunately, we notice that, in general, there is more need of commitment to tasks and duties by its employees and servants, as well as to any project, small or big and structural ones, or even day-to-day processes. Besides, we believe there is a need of more people willing to assume more responsibilities and to engage in bigger projects.

One reason that can cause this distortion is the human resources policy. Recognition incentives are not well established and structured, there is a need of more transparent and objective career plan and some kind of variable and extra remuneration to stimulate meritocracy (like bonuses, promotions, prizes, national or international courses like the Minerva Program, for instance).

In fact, meritocracy consists in one of the core chosen values for the 2012-2015 Strategic Plan as showed before, but it presents a long path of improvement to become effective in the Secretariat.

Other remarkable reasons are the results control system and policies. Since they can present somewhat an improvement, it is hard to measure performance. Nevertheless, when measurement is possible, the bad performers are hardly ever charged, using some sort of recycling course or even dismissal, due to the previously referred to work stability of public servants in Brazil.

This means that engaging or not in a new or different project, which will possibly require some extra effort, dedication and hard work beyond daily routines, leads to the same wage level. There is no extra compensation and the risk of dismissal is low or

inexistent. Even daily job execution, did exceptionally or badly, in most cases implies the same salaries and recognition, as well as promotions to higher levels.

Human nature implies, economic and sociology theories prove and History confirms that the tendency, in cases like these, is to put the lower effort as possible, since the same return will be provided for all.

One sad finding that confirms this fact is that usually the same people are working in the Secretariat's projects. Moreover, this is usually due to a personal commitment and an inner will to make things better, not to say an altruistic feeling, and not because of any extra return in any sense. This happens to overload these people and naturally lower the results achieved and its quality, since besides regular routine they are busy with many extra projects and works.

We can point out some causes that should be promptly attacked, in order to implement this or any other project, achieving higher levels of results, some of them already noted by both the consulting works as well:

- High political influence within the organization and its structure;
- High number of externally hired employees, some of them in key positions that could be occupied by internal servants;
- Lack of periodic performance evaluations;
- Inexistence of structured career plans, with objective and transparent criteria for promotion;
- Lack of controls (for instance, productivity, performance, absence, work time and many other);
- Lack of meritocracy – bonuses, ineffective punishments and slow correctional measures.

If the Secretariat desires to figure among the most professionalized and with high result institutions in Brazil, accountability and meritocracy have to be addressed urgently. It has to be faced in a pragmatic way, without umbrage. There is no change without people and addressing the mentioned issues tends to lead to a better institution, in a domino effect.

Some of these propositions already figure among the goals set in the 2012-2015 Plan. As mentioned many times before on this paper and extensively stated on the researched literature, without people commitment, the chance of failure is enormous.

So far little has been done, in a structured and planned way, as part of a bigger scenario. They are key and imperative requirements to the success on the implementation of a Strategic Planning ideology. Without it, any effort on this direction does not make sense and the results tend to be the same as the poor ones seen before.

7 Next steps – how to effectively adopt strategic planning

Since the past experiences presented somewhat difficulties and issues within the organization, as mentioned and objectively measured and shown before by the poor achievements, it is important to map how the implementation could be more easily conducted from now on.

It is crucial to identify what obstacles were faced, what mistakes were made and what went wrong, to bypass these problems and put BSC and 2012-2015 Plan to work. All the organization must be driven towards a project of this size, one of a kind in relevance and importance, to lead it to another level of professionalism and competency, and put it in the role of the high performance public organizations in Brazil.

For this purpose, we adopted a SWOT diagram to diagnose how to reach this objective:

Figure 7.1 – SWOT Analysis for the proposed approach to Strategic Planning

STRENGTHS	WEAKNESS
<ul style="list-style-type: none"> • The map is already set up, also as the path and steps for implementing the Strategic Planning are ready to be put in practice • The organization has new leaders (Secretary and Revenue Subsecretary, for instance), which are results oriented and have previous experiences with the subject, giving the right value to Strategic Planning • The organization has new talents and fresh air, after the new servants are being hired in a regular basis (tax agents and finance officials) • There is a representative number of well qualified employees (masters and PhDs, Minerva Program participants and other degrees) with high potential and skills • 5 participants of Minerva Program will be trained and certified in BSC methodology directly by BSC Institute in December/2014, acquiring high level skills oriented to Strategic Planning 	<ul style="list-style-type: none"> • Lack of results, pressure and goal oriented culture • Lack of individual incentives such as variable wages or awards • Lack of accountability • Obscure Human Resources policies • Lack of career plans • Many unmotivated public servants • Some resistance due to past experience with Strategic Planning • Information Technology gaps

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • 2015 is the first year of a new government and projects focusing on increasing revenue are always welcome • The Olympic Games held in 2016 can make projects such as Strategic Planning easier saleable • Interamerican Development Bank has a loan fund line for modernizing the Secretariat, already being used, which can enhance the initiatives and results 	<ul style="list-style-type: none"> • The State is facing a revenue decrease since 2013 and needs to focus on collection, in a pragmatic view, to recover old levels and face the raising expenditures • The new government can change the Secretariat's entire council and the past objectives can be lost • The new government probably will set up new goals and directions to the Secretariat, with new counselors and advisors, and it will take a few months until things get to move on again

Based on the SWOT analysis above, in order to overcome the results achieved previously, it is recommended that the Secretariat follow some initial steps and procedures argued on this section, in order of appearance, seen as the core tactics to achieve the success on such big and structural project.

The forthcoming steps to implement the Plan has to be followed as well, but this can happen after the initial steps are taken, especially because the newly created Strategic Planning Office, suggested as step number one, will be in charge to manage the rest of the project and coordinate them with other departments and sectors.

7.1 Strategic Planning Office

The first decision that has to be made is to create an Strategic Planning Office, with fully dedicated team “devoted to (...) Scorecard initiative”¹⁶. If there is no exclusively dedicated team, there is a big chance that people get lost on day to day tasks, processes and emergencies, fatefully driving the entire project to forgetfulness again.

It is noted that top management sponsorship is vital to the success of a structural and big changing project like adopting Strategic Planning, as a guide, and BSC, as its road. In a research mentioned in the literature, “a massive 98.7% of respondents stated that role modeling by senior executives of new behaviors and changes is key to enabling change”.

From the reasons above, it is strongly recommended that this dedicated team is directly linked to the Chief Officer of the organization, the Secretary in this case, as one of his assessment departments. Although it is not expected that the executive provide full-

¹⁶ NIVEN, Paul R. 2003, 51.

time support to the Scorecard, his or her seniority and knowledge accumulated can bring invaluable insights to the process, and maintain constant communication with key stakeholder groups.¹⁷

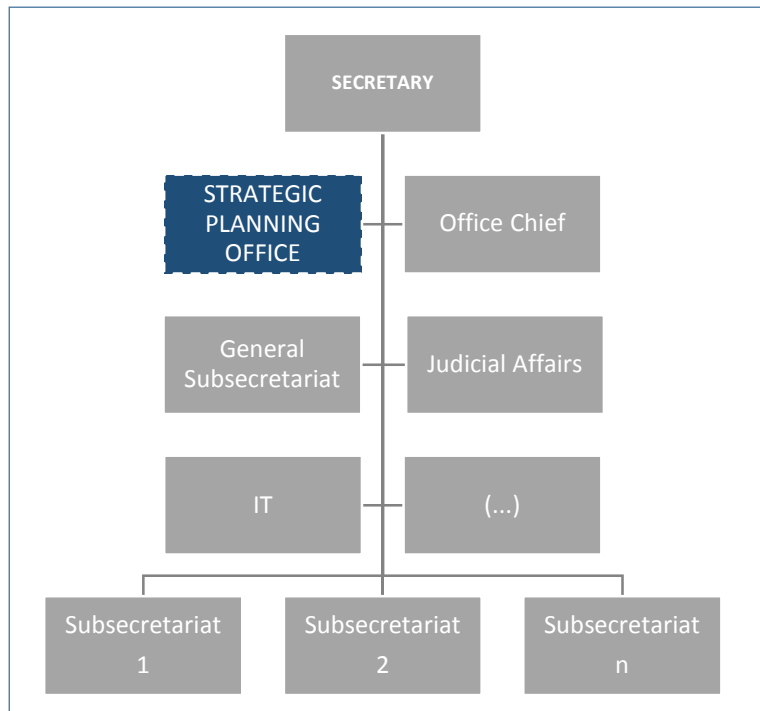
We can list other reasons to support this point:

- Close to decision making: It has to be close to the decision making process and to the conduction of the organization, in order to report the results, deviations and to deliver the orientation to the final areas;
- Independency: it cannot be subjected to any other hierarchy superior, to freely request information and report to the main officer, to propose corrections to deviations and also to transit well in the entire organization, in all areas and matters.

It also implies two key requisites to the success of the implementation: the sponsor Senior Executive must attend most of, if not all, Scorecard meetings, and the adoption of an “open door policy” is mandatory, in order to keep the information flow and execution of the project on track.

The new division and the final Secretariat organogram proposal will look like Figure 7.2 below:

¹⁷ NIVEN, Paul R. 2003, 66.



There are some requisites to build the team, as suggested in the literature, in order to improve the chances of success.¹⁸ Taking into account the Secretariat's reality, some were added:

- Maximum of 10 participants;
- People representing all the areas of organization;
- Complimentary skills, but experts in their individual areas;
- Statutory servants (no third parts), preferably Tax Agents.

The Team Leader should be free to pick up the team from all over the organization, since a complex project, as this, must gather the most qualified and compromised people, always respecting the personal will of the chosen member to join or not. The Leader must also be free to dismiss and change members accordingly to their performance, always based on objective measures, respecting the contradictory and the Executive Sponsor, other team members and internal clients and sectors servant's opinion. If these two initiatives are not respected, the whole team and the Office work could be jeopardized.

Due to the difficulties pointed out before, to motivate people to gather the team, perform the higher efforts and hard work needed in such important project, it is highly recommended that all of them have an additional monetary compensation, accordingly to

¹⁸ NIVEN, Paul R. 2003, 64-68.

their role in the team and equal between same roles. The Internal multipliers, subject addressed ahead in this chapter, must face some kind of financial compensation for the BSC dedication as well, variable according to performance.

Likewise, as mentioned ahead in this paper, to give an extra motivation, a variable financial bonus should be drawn for the BSC Team and either for the entire organization, accordingly to the results achieved that were previously accorded with the Senior Management. This is a hard task, although strongly recommended, in order to gather the entire Secretariat involved and motivated to the implementation of the project. More details are given at the mentioned chapter.

Although this last compensation measures initially may seem expensive or innovative to the institution, the returns brought by running a Strategic Planned institution, goal and results oriented, achieving aggressive and ambitious objectives, will surpass in many times the ratio of the salaries paid, justifying its existence.

Exhibit 7.1 summarizes the roles and responsibilities of the Rio de Janeiro State Finance Secretariat Strategic Planning Office team¹⁹:

ROLE	RESPONSIBILITIES
Executive Sponsor	<ul style="list-style-type: none"> • Assumes ownership for the BSC Project • Provides background information to the team on mission, strategy and methodology • Maintains communication with internal and external stakeholders • Commits resources (both human and financial) to the team • Provides support and enthusiasm for the BSC throughout the organization
Balanced Scorecard Team Leader	<ul style="list-style-type: none"> • Coordinates meetings; plans, tracks and reports team results to all audiences • Provides thought leadership on the BSC methodology to the team • Ensures all relevant background material is available to the team • Provides feedback to the executive sponsor and senior management • Facilitates the development of an effective team through coaching and support
Team members	<ul style="list-style-type: none"> • Provide expert knowledge of functional areas • Inform and influence their respective senior leaders • Act as BSC ambassadors within their unit or department • Act in the best interests of the organization as a whole
Organizational Change Expert (external)	<ul style="list-style-type: none"> • Increases awareness of organizational change issues • Investigates change-related issues affecting the BSC project • Works with the team to produce solutions mitigating change-related risks

¹⁹ NIVEN, Paul R. Adapted from material presented in *Balanced Scorecard Step-By-Step: Maximizing Performance and Maintaining Results*. 2003, 69.

7.2 Revalidation of existing Strategic Plan (2012-2015)

Since there is an ongoing plan, mostly well defined and already rolling, it should be revalidated with Senior Management to see if this reality still remains. The objectives, goals and action plans are written and ongoing. There are responsible teams assigned to them and some of them already started. With this said, simply ignoring what is already developed and in development is a waste of resources, time, people and their effort, presenting a great risk to keep up and improve the project.

Nevertheless, one important improvement must be pointed out. Most of the objectives and goals set are open assertives. For the purposes of a complete cycle of Strategic Planning, using BSC methodology, it is vital to translate these goals, whenever possible, into objective measures. For the established tasks, they should have measurements in numbers and percentages and define a timetable of accomplishments, periodically reporting results, in order to make it easier to assert the achievements and improvements.

For instance, the objective “Assure electronic “rule of law” fully and timely for the accessory obligations” is too vague. The task must be deployed to specify steps for the global goal, for example, to build an automatic routine that reports the companies delays on delivering the information, change the law and other regulation to allow an automatic fining without human intervention, customize the system to send it to the tax payer email directly, and any other. For the first subtask, as we can call it, IT team must report how long does it take to build the routine and how this customization will work in the timetable (one month for specification, two for writing the code, one for testing, etc). Any deviation can be treated as soon as they are detected.

This approach provides an objective way for assessing how each task and goal is evolving in a straightforward way, both for the direct responsible teams and also for the Strategic Planning Office and Senior Management.

After validating the goals and action plans, with this new objective approach underlying the review, each responsible should report to the Strategic Office, which will consolidate to Senior Management, the projects status:

- **Concluded:** results, improvements gathered by the conclusion (with objective, numerical measures), new improvements already identified.

- **Ongoing:** general overview of what is already accomplished, what is missing, completion time preview, difficulties, changings needed.
- **Late:** reasons and responsible for delays, corrective actions and future perspectives.
- **Cancelled:** reason of cancelling and evaluation of return to active status on this or on the next cycle Plan.

This stage was predicted on E&Y works and referred to earlier (Chapter 5.8- *Management Model and Systematic Results Monitoring, Deviations Analysis and Anomalies Treatment*). Since the proposals on that chapter do not seem to be followed in a structured way, as suggested, this represents a good opportunity to use the indicated methodology and provide a bigger picture of the present status as well.

After this review cycle, that should not last more than 15 days, the Office should consolidate the whole Plan again and report to Senior Management, in order to draw next steps. Besides, documentation is a need in this process, in order to start a “Strategic Planning History Database”, gathering best practices information, failure prevention and correction paths, providing maturity to the methodology within the Secretariat.

7.3 Strategic Planning Management Tool – GMERJ*

As extensively reported on the literature and previously showed on this paper, if there is no measurement, there is no control; if there is no control, there is none or a low level of results. To control and implement a Strategic Planning methodology for real, it is ideal that a robust and well developed reliable IT system is provided. Recent surveys suggest upward of 70% of Scorecard-adopting organizations are considering technology tools.²⁰

The last consulting project already designed mostly the entire system, its functionalities, accesses, screens and reports (Chapter 5.7 - *Strategic Management Tool – GMERJ*). The document is well designed and complete, and it is recommended to figure as a start point of this part of the project.

Obviously, it should be revised to check if it is still valid and it is very useful if a Software Team is formed for this purpose, next step after the previous one. It should

²⁰ NIVEN, Paul R. 2003, 262.

include the Senior Management of the Secretariat, IT Leader, Strategic Planning Office Team Leader and a representative of the typical Scorecard final user. In addition, we recommend benchmarking with other public institutions systems, if possible.

Some proposed checking:

- Functionalities comply with the purposes it aims;
- Rights policy is adequate;
- Security of the accesses are according to the organization compliance;
- Reports are enough to promote a general view (and detailed, when needed);
- Any other identified issue.

Once the functionalities are set up and defined, the next crucial decision is to whether develop it internally or buy a ready solution from the market. There are many Pros and Cons for each alternative that the Software Team has to analyze to make the final decision.

Recent surveys suggested that still today Microsoft Office is the most used support platform for BSC, followed by dedicated performance management software^{[21][22]}. One thing is certain: without a system, there is a high risk of failure on the BSC adoption.

If the in-house solution is chosen, since it was written 2 or 3 years ago, the IT developers should review it to check if there is any new tool, functionality, language or any other technical update to be implemented.

Since it is a strategic and crucial project, involving the entire organization and designed to put it back on track, aiming major objectives and results, driving all the other projects within the Secretariat, whether IT projects or not, it is strongly recommended that this development is prioritized among all other improvement and new projects.

By stating this, we mean that this development should start immediately by IT teams. It should be raised as priority number one, overwhelming all other ongoing projects, exception made for correction IT projects that, if not implemented urgently, can jeopardize the institution.

If the market solution is the picked up one (and due to clear and severe bottlenecks faced by the Secretariat's IT team, this alternative is recommended), there are many

21 2GC Balanced Scorecard Usage Survey. 2GC Active Management, found at <http://2gc.eu/resource_centre/surveys>. Visited in 07/16/2014.

22 Business Scorecard Surveys (2012-2013). Intrafocus, found at <<http://www.intrafocus.com/resources/business-scorecard-surveys/>>. Visited in 07/16/2014.

solution providers in the market. The team should search for the best alternatives, eventually benchmarking with other public organizations to see what is working for them, develop a short list of candidates, submit a request for proposal, arrange demonstrations and finally write a report to make the decision.

We recommend that the name of the secretariat is kept confidential until the proposals are received, in order to actually gather the best and lower prices x the best software. These arrangements must all be carefully planned, especially due to the specificities of the Brazilian bidding law (number 8.666/1993).

Delays on this step, although creating more difficulties to the project, does not impair it at all. While the system is not working, the Strategic Planning Office can use Microsoft Office tools to support the methodology and the Plan.

* Although a vital step for the implementation, this step could be forwarded after the creation of the Strategic Office.

7.4 Divisions focal point designation – Internal Multipliers*

To develop the plan, it is key that every person knows what the goals are (participating on its definition, based on the core values and the macro objectives set up by the Secretary), knows how the individual tasks summed up will lead to the global achievement and is committed to gather them.

After creating the Strategic Planning Office, every Deputy or Superintendence must have a focal point that is dedicated to the Plan's goals and tasks. In the 2007 consulting work, they were called Internal Multipliers.

This person will be responsible for accompanying the development of the tasks towards the goals of the area, interacting with the Office to report the evolution. It is important that it is a person located on the area, because of the specific knowledge and reality of each sector that has to be taken in account.

This person does not need to be fully dedicated to the Strategic Planning, although it is recommended, and it is important that he or she is linked with all the projects of the sector, with a global view of what is being done throughout the entire area. This person needs to be directly linked to the department Leader (Subsecretary or Superintendent),

probably integrating the office, in order to freely circulate with every second level division, gather information, and with power to demand results.

* Although a vital step for the implementation, this step could be forwarded after the creation of the Strategic Office, along with the GMERJ development management along with IT team.

7.5 Formulating 2016-2020 Strategic Plan

With the lessons learned from this process, it is vital that the Strategic Planning for the next cycle starts its deployment at most in August/2015. To plan is to act previously. Since things are slower in public institutions in general when compared to private ones, this preparedness will lead to more commitment by the organization and its employees, allowing to go over the objectives and action plans in a deeper perspective, leading to better results.

The steps should follow the ones already done for the ongoing cycle (2012-2015), added up with learnings and other knowledge gathered during the year 2015. It is not mentioned individually, but as stated before, an effective communication plan is vital to the success of the project and should be carefully planned and deployed, giving wide reach to the Strategic Plan.

We suggest the following schedule:

- **Initial Strategic Planning Seminar - Cycle 2016/2020**

When: Beginning of August/2015

Where: Secretariat's Auditorium

This should be the grand opening of the next cycle. It should be a 4 hours event, counting with the participation of the Secretary, all leaders and key person on the institution. Some other participants, of lower hierarchy levels, could also participate, enrolling at the intranet and being selected by its leaders, according to their previous performance and projects (merit). If the Governor could also attend it, a clear message will be sent to the entire organization about the importance of the Strategic Planning.

A specialist on strategic planning should be invited to bring his or her experience and explore the subject and specially the BSC methodology. Some participant of a public

organization already using the Plan and BSC should also be invited to report the results achieved, difficulties, and other relevant information on best practices.

As an extra bonus, we suggest the hiring of an interesting lecture from some famous person to talk about strategy. For example, we could point Bernardinho (national volley team coach), Dunga (Brazilian soccer team coach) or some businessman.

To enhance its extent, this seminar should be recorded and the video made available in the intranet, at the Strategic Office webpage that has to be created as part of the Communication Plan, in order to every person have access to it whenever it is desired and needed. It is important that the areas leaders coordinate video sessions within their entire teams, reaching every person in the organization. This is important to create the necessary commitment to the whole project.

- **Strategic Planning Initial Cycles – 20 meetings**

When: August and September/2015

Where: Secretariat's Auditorium

Since there are almost 2000 employees working at the Secretariat's nowadays, it would be a richer process if every employee participate in at least one seminar, getting them committed with the subject. Therefore, 20 of them should be enough to cover all the Secretariats' structure.

These cycles should have an opening by the Secretary (preferably live or recorded due to the high quantity), explaining the importance of the tool, the commitment of the organization to its goals and the mindset changing that is in course. He should also introduce the Office Team. The Team will give more details of the Strategic Planning process and the BSC for the audience, functions of the system and how the interaction will be.

“Suggestion Charts” will be distributed to everybody, so they can give suggestions regarding any subject of interest for the organization, obviously related to a strategic view of the institution and how it can improve its performance and role. Strategic Planning Office Team will be responsible for collecting all this mass of information, classifying them and linking them to the objectives that are already set and to new ones that should arise from these meetings.

This suggestions should than be spread to each responsible area, to analyze and use it at their own strategic planning cycles.

- **Strategic Planning area cycles – maximum 5 meetings per area**

When: October and November/2015

Where: Outside Secretariat

At this point, each department should have gathered the suggestions from the previous meetings and link them with their own projects and goals. Each responsible for a subarea or section must present to the area leader what has been achieved in 2015 and what will be the next steps to achieve the Secretariat's mission and vision.

The leader must conduct the meetings and, at the end, prioritize what he or she believes are the most relevant projects that contribute to the overall results. A limited number of core and most important projects should be selected, otherwise a great number of them could lead to poor results and achievements.

The selected projects must present complete outlook of the project, such as a timetable of completion, responsibilities, costs and results aimed.

It is important that the Office Team specialist in that area is present to these meetings and helps their conduction and the selection of the most relevant projects, as a facilitator of the entire effort.

- **Senior Management Strategic Planning Week**

When: January/2016

Where: Outside Secretariat

At this point, every Senior Management leader knows what their respective area most important projects are, the costs involved and the impacts they will bring to the achievement of the Secretariat's defined uniform goals.

At this point, Senior Management and the Secretary should get together for an entire week thinking, talking and discussing only strategy. During these days, they should discuss which projects are the most important and relevant, considering costs and previewed results.

The Office will give all the support to help it flows in a smoother way, but for this first cycle, it would be interesting to have the help of an external consultant or consulting company, due to the innovation of the enterprise, to work as a facilitator and help to get the most of the meetings.

External speakers would be welcome, talking about subjects linked to strategy and planning, helping the integration with the subjects that should be addressed at this week. In addition, it is recommended that this meetings takes place outside the Secretariat environment (at some hotel in other city or so), because the involved participants must be fully dedicated to Strategic Planning and leave day-to-day routine on hold for this time.

- **Strategic Planning 2016-2020 – Launch**

When: First week of February/2016

Where: Secretariat's Auditorium

At this point, strategic planning went throughout the entire institution. All the suggestions raised from the bottom of the organization were taken into account, discussed and analyzed by the respective areas and gathered in their own projects. Than they were discussed internally and the most important were selected. Token to Senior Management, they were exhaustively discussed with the Secretary, and decisions of which strategic projects and actions will be taken on the current year to achieve the bigger objectives by 2020 were made.

This seminar should tell the whole Secretariat what was decided, based on the suggestions, to achieve its higher goals. It is mandatory the participation of the Secretary, Senior Management, leaders and key people on the structure. Similarly to the first seminar, limited participation could be opened to the rest of the institution body, by filling a form in the intranet and being selected by the leader based on merit.

The same video recording and orientations applied to the first seminar must be used at this event, to close the entire cycle, reinforce the commitment to what is decided and launch the year's work.

8 Conclusion

Strategy is vital to any venture that aims success. Planning also is crucial to give a broader and clearer view of what should be done to get to the objectives traced. Strategic Planning is a way of seeking the goals in a structured way, shared among all the executors, with an organized map that facilitates the route.

BSC is one of the most well-known map adopted by organizations nowadays and a recent survey found it is the most popular performance management framework²³. By balancing financial and non-financial objectives, clustered in logical perspectives that are core to any strategy, and allowing an easy way of accessing it by anyone within the institution, it gathered many adopters and is an advantage way of doing Strategic Plan management.

Rio de Janeiro State Finance Secretariat have been trying to adopt Strategic Planning since 2007. It faced many challenges in this process, conducted in two different occasions by external consulting companies.

There were some positive results on these attempts. There were mistakes also. Some of them already known. Some of them just discovered during the process in itself. Moreover, most of them were just repeated over time, even though pointed out before.

This paper tried to bring some light to the subject and to suggest a course of action that addresses questions raised in the previous experiences. It has no pretension to exhaust the subject, but to face the challenges and needed changes, in a pragmatic and not heartedly manner, in order to achieve different results.

Many of the challenges are not simple to solve and requires enormous efforts from all the involved ones, especially Senior Management and even the Governor. They also require compromising the entire organization and sharing a common view of what is necessary to lead it to a higher level of performance, even though against old practices. Many can be unhappy and feel uncomfortable with the suggested approaches in this paper, but this is natural for any change, specially the structural ones needed to put Strategic Plan to work in the Secretariat.

High hierarchy sponsorship and political will is vital to succeed in this process.

We end this paper quoting two important history leaders, that also faced big challenges on their times, as to inspire the Secretariat and its Senior Management to move on the suggested way:

“It is impossible to get different results from doing the same things”.

Albert Einstein

“It is only through labor and painful effort, by grim energy and resolute courage, that we move on to better things.”

Theodore Roosevelt

²³ RIGBY, D.; BILODEAU, B. 2013

9 Bibliography

2GC Active Management (<http://2gc.eu/>).

Balanced Scorecard Institute (www.balancedscorecard.org).

GHELMAN, Silvio; DA COSTA, Stella R. *Adaptando o BSC para o setor público utilizando os conceitos de efetividade, eficácia e eficiência*. 2006.

IBGE - Instituto Brasileiro de Geografia e Estatística (Brazilian Official Statistics Institute, loosely translated).

Intrafocus (<http://www.intrafocus.com/>).

KAPLAN, Robert S.; NORTON, David P. *The Balanced Scorecard: translating strategy into action*. 1996.

NIVEN, Paul R. *Balanced Scorecard: Step-by-Step for Government and Nonprofit Agencies*. 2003.

RIGBY, Darrel; BILODEAU, Barbara. *Bain and Company's Management Tools and Trends Survey 2013*. Bain & Company. 2013.

SILVA, Cleide M. *Aplicação do Balanced Scorecard às organizações públicas*. 2005.

Wikipedia (http://en.wikipedia.org/wiki/Main_Page).

WRIGHT, P.; KROLL, M.; PARNELL, L. *Administração estratégica: conceitos*. 2000.

10 Appendices

10.1 Building & Implementing a Balanced Scorecard: Nine Steps to Success™ Tool

From the diagnostics above on the Secretariat’s Strategic Planning conduction during the last 8 years, it is important that the strategy is actually translated and implemented throughout the whole organization. As stated before, the initial job usually is of high quality, identifying the goals and future perspectives and linking them to performance indicators. However, the organization faces a great barrier to deploy it and complete the whole cycle.

One of the BSC Institute tools to solve this problem is the framework **Nine Steps to Success**, a “disciplined, practical approach to developing a strategic planning and management system based on the balanced scorecard”.²⁴ It empowers the organization to make the correspondence between the various components of strategic planning and management, a visible connection between the projects and programs, the measurements to track success, the strategic objectives it is trying to accomplish and its mission, vision and strategy.

It works as a cycle, as shown above:

Figure 10.1 – Nine Steps to Success Framework



25

²⁴ Source: <http://balancedscorecard.org/Resources/The-Nine-Steps-to-Success> . Viewed in 04/16/2014

²⁵ Source: <http://balancedscorecard.org/Resources/The-Nine-Steps-to-Success> . Viewed in 04/16/2014

The nine steps comprehend the following activities:²⁶

STEPS	ACTIVITIES
One: ASSESSMENT	- BSC Development Plan
	- Strategic Elements
	- Change Management
Two: STRATEGY	- Customer Value
	- Strategic Themes
	- Strategic Results
Three: OBJECTIVES	- Strategy Action Components
Four: STRATEGY MAP	- Cause-and-Effect Links
Five: PERFORMANCE MEASURES	- Performance Measures
	- Targets
	- Baselines
Six: INITIATIVES	- Strategic Projects
Seven: PERFORMANCE ANALYSIS	- Software
	- Performance Reporting
	- Knowledge Sharing
Eight: ALIGNMENT - CASCADING	- Unit & Individual Scorecards
Nine: EVALUATION	- Strategy Results
	- Revised Strategies

Although some steps are already done, although not completely, they could be double-checked in this new approach framework, and the ones still not implemented can be deployed, in order to succeed in the implementation of the BSC methodology.

26 Idem

10.2 Checks and balances – “The carrot and the whip”

In order to get a faster commitment and engagement with the project, and to address the accountability issue as well, we strongly recommend that bonuses and punishments for the good and bad results are adopted internally. As showed on the measurements on both previous consulting works, if the team is not committed with the project, it will inevitably fail. Moreover, each time this happens, people loses confidence on the Strategic Planning methodologies.

We suggest that, according to the achievement of each goal, the area is prized, as a whole, and the team members, individually. It does not need to be in financial resources directly. However, it could be indirect: for instance, a dinner paid by the Secretariat (with limited price), a new product (e.g., an Iphone, one bottle of Champagne or Scotch), an extra vacation day or anything to motivate the team.

At the end of the year, according to the results achieved by the whole department, every person could earn some percentage of an extra salary due to the global achievement and some amount more specifically to its individual performance, again accordingly to the leader evaluation (this total amount and the percentages to be designated with the Human Resources department).

For instance, if the extra amount is defined to be 100% of the salary and the area achieves 100% of its goals, everyone has 50% of their salary, as an extra. The individuals that best performed could double this amount and earn an extra 50%, reaching one extra salary.

The values should vary according to the performance, limited to some determined ceiling. If no accomplishment is reached, no one will be extra rewarded. On the contrary, if there is any problem, some “punishment” can be assigned, such as recycling course, transferring from or to some specific department (depending on the likeable score it has among the organization) and dismissal in eventual more critical cases.

Since the public sector in Brazil is tighter in the remuneration framework and public servants have stability on work, getting more commitment is hard if there is no extra payment or previewed punishment for low performance.

10.3 Resende's Regional Office BSC - 2014

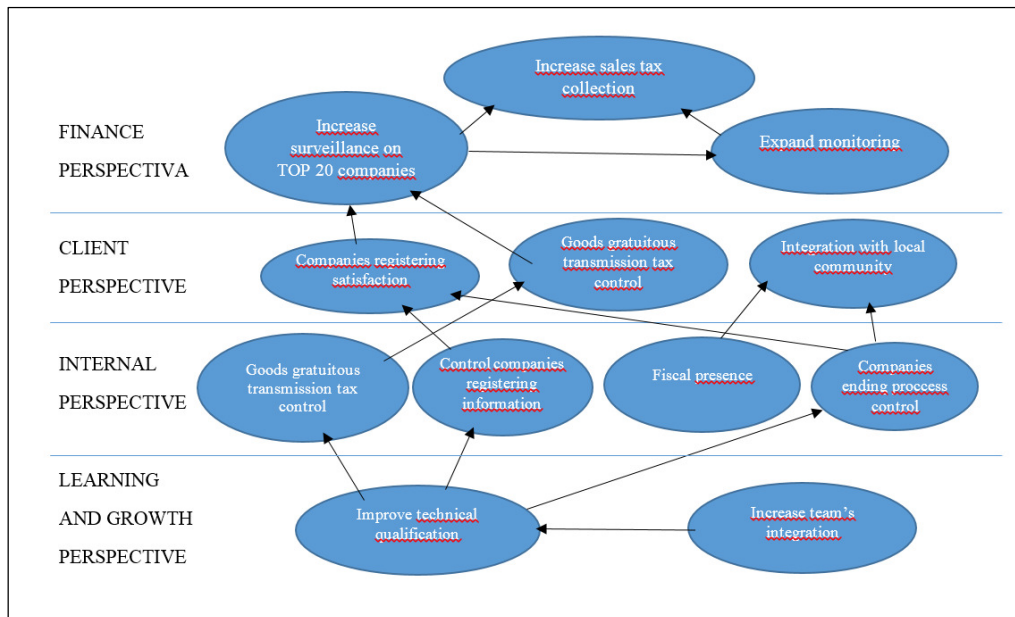
The author held the position of Inspector for Resende's Regional Office from February/2013 until August/2014, when he left the position to be a participant for the Minerva Program - Fall 2014, which led to the present paper.

This Regional has the second highest income in Rio de Janeiro State (US\$ 70 million approximately in 2013) and presents one of the greatest growth, by proximity to the State of São Paulo, standing in major national freight corridor.

To optimize the activity of the office, the leadership adopted a local strategic plan to guide their actions, based on the BSC methodology. Despite done simply and with little aggressive targets, considering the innovation represented and the lack of a history to guide activities, served as guidance for 2014 Regional conduction.

Below, there is the Map of Regional Strategic Planning, comprising the 4-base prospects of BSC methodology:

Figure 10.2 – Resende's Regional Office 2014 Balanced Scorecard Map



Based on the designed goals, 14 major projects were established, each with a sponsor for conducting and/or monitoring them, objective measurements of accomplishments, deadlines and milestones to assess the evolution of the achievements.

Although it was built on some amateur basis, it presented a guidance to what was supposed to be done during the year and gave a clearer view to the team and to the leadership where to go.

10.4 Relevant data and beta calculation supportive tables

State	Tax Rate (average)	2002				2003			
		Observed Sales tax revenue (R\$)	State Value added	Theoretical Sales Tax	Beta	Observed Sales tax revenue (R\$)	State Value added	Theoretical Sales Tax revenue	Beta
Acre	0,17	169.676.000	2.648.975.164	450.325.778	0,38	208.455.000	3.041.400.987	517.038.168	0,40
Alagoas	0,17	673.072.000	8.910.903.013	1.514.853.512	0,44	799.453.000	10.141.050.115	1.723.978.520	0,46
Amapá	0,17	138.511.000	3.099.631.500	526.937.355	0,26	147.464.000	3.221.855.612	547.715.454	0,27
Amazonas	0,17	1.950.757.000	18.171.590.377	3.089.170.364	0,63	2.193.497.000	20.980.675.128	3.566.714.772	0,61
Bahia	0,17	5.153.874.000	52.681.358.710	8.955.830.981	0,58	5.871.355.000	59.252.206.092	10.072.875.036	0,58
Ceará	0,17	2.423.682.000	25.391.200.185	4.316.504.031	0,56	2.633.553.000	28.667.835.111	4.873.531.969	0,54
Espírito Santo	0,17	2.381.618.000	22.185.118.207	3.771.470.095	0,63	2.934.516.000	25.384.001.467	4.315.280.249	0,68
Goias	0,17	3.020.439.000	33.130.690.320	5.632.217.354	0,54	3.698.714.000	37.580.106.851	6.388.618.165	0,58
Maranhão	0,17	921.773.000	14.146.277.100	2.404.867.107	0,38	979.725.000	17.069.678.825	2.901.845.400	0,34
Mato Grosso	0,17	1.864.312.000	18.576.978.626	3.158.086.366	0,59	2.474.554.000	24.760.699.109	4.209.318.849	0,59
Mato Grosso do Sul	0,17	1.476.724.000	13.403.214.125	2.278.546.401	0,65	1.859.635.000	16.885.232.919	2.870.489.596	0,65
Minas Gerais	0,18	9.543.623.000	110.946.225.118	19.970.320.521	0,48	11.026.332.000	129.746.421.865	23.354.355.936	0,47
Pará	0,17	1.718.104.000	23.198.715.800	3.943.781.686	0,44	2.131.627.000	26.796.241.816	4.555.361.109	0,47
Paraná	0,17	925.133.000	11.126.580.557	1.891.518.695	0,49	1.040.954.000	12.703.296.912	2.159.560.475	0,48
Paraná	0,18	5.786.723.000	77.219.630.505	13.899.533.491	0,42	6.709.704.000	96.728.249.953	17.411.084.991	0,39
Pernambuco	0,17	2.865.016.000	30.604.985.965	5.202.847.614	0,55	3.177.688.000	34.270.481.345	5.825.981.829	0,55
Piauí	0,17	544.159.000	6.646.338.837	1.129.877.602	0,48	612.352.000	7.906.046.387	1.344.027.886	0,46
Rio de Janeiro	0,19	10.409.118.000	147.286.961.965	27.984.522.773	0,37	11.180.564.000	163.297.742.937	31.026.571.158	0,36
Rio Grande do Norte	0,17	1.016.366.000	10.776.015.830	1.831.922.691	0,55	1.186.565.000	11.907.063.461	2.024.200.788	0,59
Rio Grande do Sul	0,17	7.441.493.000	92.010.556.993	15.641.794.689	0,48	8.988.843.000	108.739.391.421	18.485.696.542	0,49
Rondônia	0,17	626.047.000	6.970.920.969	1.185.056.565	0,53	865.536.000	8.678.004.483	1.475.260.762	0,59
Roraima	0,17	123.889.000	2.146.507.502	364.906.275	0,34	134.411.000	2.556.569.569	434.616.827	0,31
Santa Catarina	0,17	3.902.169.000	48.995.185.340	8.329.181.508	0,47	4.684.610.000	58.764.581.951	9.989.978.932	0,47
São Paulo	0,18	37.292.972.000	429.139.910.382	77.245.183.869	0,48	40.289.405.000	489.009.882.878	88.021.778.918	0,46
Sergipe	0,17	689.975.000	8.433.633.885	1.433.717.760	0,48	764.509.000	9.731.540.805	1.654.361.937	0,46
Tocantins	0,17	416.081.000	5.081.139.790	863.793.764	0,48	548.664.000	6.558.015.129	1.114.862.572	0,49

State	2004				2005			
	Observed Sales tax revenue (R\$)	State Value added	Theoretical Sales Tax revenue	Beta	Observed Sales tax revenue (R\$)	State Value added	Theoretical Sales Tax revenue	Beta
Acre	257.212.000	3.625.682.030	616.365.945	0,42	331.512.000	4.107.741.395	698.316.037	0,47
Alagoas	973.291.000	11.652.742.519	1.980.966.228	0,49	1.100.364.000	12.751.064.892	2.167.681.032	0,51
Amapá	184.420.000	3.594.857.194	611.125.723	0,30	240.529.000	4.057.648.828	689.800.301	0,35
Amazonas	2.612.640.000	24.917.462.186	4.235.968.572	0,62	3.002.409.000	27.844.083.778	4.733.494.242	0,63
Bahia	7.132.795.000	68.061.815.359	11.570.508.611	0,62	7.830.843.000	78.215.073.412	13.296.562.480	0,59
Ceará	2.994.081.000	32.415.042.942	5.510.557.300	0,54	3.144.615.000	36.235.762.161	6.160.079.567	0,51
Espírito Santo	3.732.003.000	32.486.855.751	5.522.765.478	0,68	4.635.617.000	37.852.526.256	6.434.929.463	0,72
Goias	3.978.086.000	42.687.532.233	7.256.880.480	0,55	4.223.690.000	44.750.932.535	7.607.658.531	0,56
Maranhão	1.191.859.000	19.692.062.360	3.347.650.601	0,36	1.464.279.000	22.869.834.725	3.887.871.903	0,38
Mato Grosso	3.285.239.000	32.992.411.649	5.608.709.980	0,59	3.444.403.000	33.391.985.135	5.676.637.473	0,61
Mato Grosso do Sul	2.349.042.000	18.213.460.609	3.096.288.304	0,76	2.666.872.000	18.431.548.945	3.133.363.321	0,85
Minas Gerais	13.221.765.000	155.933.801.088	28.068.084.196	0,47	15.637.857.000	167.301.425.746	30.114.256.634	0,52
Pará	2.405.769.000	32.325.971.657	5.495.415.182	0,44	2.851.873.000	35.262.827.701	5.994.680.709	0,48
Paraná	1.144.547.000	13.459.796.029	2.288.165.325	0,50	1.336.562.000	15.061.554.084	2.560.464.194	0,52
Paraná	7.824.124.000	107.658.587.143	19.378.545.686	0,40	8.759.645.000	110.878.890.376	19.958.200.268	0,44
Pernambuco	3.667.071.000	38.154.169.622	6.486.208.836	0,57	4.313.803.000	42.936.306.579	7.299.172.118	0,59
Piauí	761.714.000	8.827.128.882	1.500.611.910	0,51	902.277.000	9.964.514.468	1.693.967.460	0,53
Rio de Janeiro	13.051.843.000	185.628.641.956	35.269.441.972	0,37	13.396.583.000	208.508.193.075	39.616.556.684	0,34
Rio Grande do Norte	1.394.630.000	13.707.533.602	2.330.280.712	0,60	1.616.466.000	15.755.505.999	2.678.436.020	0,60
Rio Grande do Sul	9.637.938.000	119.702.912.522	20.349.495.129	0,47	11.382.938.000	123.742.470.649	21.036.220.010	0,54
Rondônia	1.057.534.000	10.009.906.751	1.701.684.148	0,62	1.243.724.000	11.459.351.306	1.948.089.722	0,64
Roraima	150.919.000	2.612.901.701	444.193.289	0,34	184.571.000	2.946.196.662	500.853.433	0,37
Santa Catarina	5.258.225.000	68.497.218.086	11.644.527.075	0,45	5.829.455.000	74.581.636.874	12.678.878.269	0,46
São Paulo	45.922.207.000	537.929.639.630	96.827.335.133	0,47	51.001.254.000	611.900.605.981	110.142.109.077	0,46
Sergipe	873.013.000	10.953.455.762	1.862.087.480	0,47	1.010.710.000	11.994.956.298	2.039.142.571	0,50
Tocantins	606.392.000	7.553.380.375	1.284.074.664	0,47	675.782.000	8.210.248.156	1.395.742.187	0,48

State	2006				2007			
	Observed Sales tax revenue (R\$)	State Value added	Theoretical Sales Tax revenue	Beta	Observed Sales tax revenue (R\$)	State Value added	Theoretical Sales Tax revenue	Beta
Acre	360.904.000	4.387.840.158	745.932.827	0,48	391.857.000	5.275.896.894	896.902.472	0,44
Alagoas	1.281.320.000	14.111.769.093	2.399.000.746	0,53	1.401.858.000	15.968.133.177	2.714.582.640	0,52
Amapá	287.868.000	4.897.816.499	832.628.805	0,35	313.439.000	5.621.276.484	955.617.002	0,33
Amazonas	3.359.632.000	32.976.485.848	5.606.002.594	0,60	3.712.040.000	34.974.190.298	5.945.612.351	0,62
Bahia	8.604.177.000	82.503.142.301	14.025.534.191	0,61	8.940.621.000	95.161.303.223	16.177.421.548	0,55
Ceará	3.755.799.000	40.589.960.478	6.900.293.281	0,54	3.917.618.000	44.169.215.215	7.508.766.587	0,52
Espírito Santo	5.091.607.000	42.644.847.621	7.249.624.096	0,70	5.878.468.000	48.444.100.238	8.235.497.041	0,71
Goias	4.698.622.000	50.310.218.839	8.552.737.203	0,55	5.230.965.000	57.506.603.867	9.776.122.657	0,54
Maranhão	1.827.931.000	25.705.277.211	4.369.897.126	0,42	2.003.109.000	28.320.626.670	4.814.506.534	0,42
Mato Grosso	3.496.669.000	30.966.598.794	5.264.321.795	0,66	3.886.764.000	37.907.561.788	6.444.285.504	0,60
Mato Grosso do Sul	3.009.798.000	20.702.290.879	3.519.389.449	0,86	3.500.612.000	23.924.943.838	4.067.240.452	0,86
Minas Gerais	17.018.047.000	187.587.762.331	33.765.797.220	0,50	19.333.203.000	210.228.598.531	37.841.147.735	0,51
Pará	3.308.268.000	39.828.430.019	6.770.833.103	0,49	3.666.973.000	44.460.481.189	7.558.281.802	0,49
Paraná	1.532.786.000	17.875.094.400	3.038.766.048	0,50	1.677.914.000	19.934.584.129	3.388.879.302	0,50
Paraná	9.263.658.000	119.521.334.930	21.513.840.287	0,43	10.085.503.000	141.661.856.930	25.499.134.247	0,40
Pernambuco	4.864.103.000	47.650.603.712	8.100.602.631	0,60	5.415.683.000	53.313.219.076	9.063.247.243	0,60
Piauí	1.068.985.000	11.385.112.242	1.935.469.081	0,55	1.176.108.000	12.602.634.266	2.142.447.825	0,55
Rio de Janeiro	14.804.974.000	233.778.324.688	44.417.881.691	0,33	15.671.288.000	250.855.802.869	47.662.602.545	0,33
Rio Grande do Norte	1.913.542.000	18.040.074.610	3.066.812.684	0,62	2.006.233.000	20.238.242.012	3.440.501.142	0,58
Rio Grande do Sul	11.813.299.000	135.612.451.676	23.054.116.785	0,51	12.257.685.000	153.732.796.220	26.134.575.357	0,47
Rondônia	1.332.706.000	11.547.615.212	1.963.094.586	0,68	1.441.555.000	13.299.312.992	2.260.883.209	0,64
Roraima	221.393.000	3.382.024.817	574.944.219	0,39	269.158.000	3.828.051.038	650.768.677	0,41
Santa Catarina	6.168.785.000	81.545.694.834	13.862.768.122	0,44	6.822.626.000	91.316.493.233	15.523.803.850	0,44
São Paulo	57.788.447.000	674.633.197.879	121.433.975.618	0,48	63.192.391.000	760.062.403.752	136.811.232.675	0,46
Sergipe	1.146.646.000	13.489.952.448	2.293.291.916	0,50	1.204.150.000	15.168.235.447	2.578.600.026	0,47
Tocantins	722.275.000	8.677.496.012	1.475.174.322	0,49	788.432.000	10.082.064.480	1.713.950.962	0,46

State	2008				2009			
	Observed Sales tax revenue (R\$)	State Value added	Theoretical Sales Tax revenue	Beta	Observed Sales tax revenue (R\$)	State Value added	Theoretical Sales Tax revenue	Beta
Acre	400.292.000	6.192.846.223	1.052.783.858	0,38	429.221.000	6.796.592.742	1.155.420.766	0,37
Alagoas	1.614.352.000	17.443.097.084	2.965.326.504	0,54	1.697.015.000	19.083.784.656	3.244.243.391	0,52
Amapá	353.147.000	6.318.478.875	1.074.141.409	0,33	417.908.000	6.898.974.821	1.172.825.720	0,36
Amazonas	4.619.595.000	37.997.891.622	6.459.641.576	0,72	4.378.853.000	41.718.719.501	7.092.182.315	0,62
Bahia	10.238.561.000	105.384.126.607	17.915.301.523	0,57	10.142.840.000	121.416.444.757	20.640.795.609	0,49
Ceará	4.719.283.000	52.733.413.586	8.964.680.310	0,53	5.134.390.000	58.011.560.034	9.861.965.206	0,52
Espírito Santo	7.001.267.000	55.507.963.889	9.436.353.861	0,74	6.670.459.000	54.181.732.784	9.210.894.573	0,72
Goiás	6.143.391.000	65.849.876.884	11.194.479.070	0,55	6.717.040.000	75.551.837.419	12.843.812.361	0,52
Maranhão	2.350.325.000	34.619.080.340	5.885.243.658	0,40	2.514.517.000	36.066.719.548	6.131.342.323	0,41
Mato Grosso	4.736.302.000	47.591.384.052	8.090.535.289	0,59	5.016.124.000	51.279.103.171	8.717.447.539	0,58
Mato Grosso do Sul	4.346.913.000	27.888.020.250	4.740.963.442	0,92	4.278.743.000	31.258.498.622	5.313.944.766	0,81
Minas Gerais	23.214.306.000	245.323.348.907	44.158.202.803	0,53	22.348.797.000	252.340.214.771	45.421.238.659	0,49
Pará	4.182.093.000	52.777.444.492	8.972.165.564	0,47	4.530.126.000	52.466.108.432	8.919.238.434	0,51
Paraná	1.927.353.000	23.090.588.251	3.925.400.003	0,49	2.100.909.000	25.926.300.743	4.407.471.126	0,48
Paraná	11.766.971.000	154.630.700.022	27.833.526.004	0,42	12.335.639.000	166.369.380.156	29.946.488.428	0,41
Pernambuco	6.208.668.000	60.109.745.837	10.218.656.792	0,61	6.866.445.000	67.326.440.027	11.445.494.805	0,60
Piauí	1.402.557.000	14.956.543.045	2.542.612.318	0,55	1.587.309.000	17.005.741.353	2.890.976.030	0,55
Rio de Janeiro	17.835.540.000	290.149.962.480	55.128.492.871	0,32	19.100.299.000	301.539.436.403	57.292.492.917	0,33
Rio Grande do Norte	2.256.485.000	22.404.978.793	3.808.846.395	0,59	2.417.496.000	24.700.118.835	4.199.020.202	0,58
Rio Grande do Sul	14.825.154.000	172.252.264.776	29.282.885.012	0,51	15.086.671.000	188.902.505.633	32.113.425.958	0,47
Rondônia	1.674.607.000	15.916.991.731	2.705.888.594	0,62	1.783.231.000	18.068.774.941	3.071.691.740	0,58
Roraima	300.763.000	4.502.607.551	765.443.284	0,39	350.982.000	5.153.137.612	876.033.394	0,40
Santa Catarina	7.943.664.000	106.990.500.986	18.188.385.168	0,44	8.528.362.000	113.332.404.318	19.266.508.734	0,44
São Paulo	74.373.238.000	826.579.518.575	148.784.313.343	0,50	78.572.177.000	911.386.464.279	164.049.563.570	0,48
Sergipe	1.340.654.000	17.592.377.692	2.990.704.208	0,45	1.431.626.000	17.780.074.819	3.022.612.719	0,47
Tocantins	915.704.000	11.896.000.133	2.022.320.023	0,45	938.135.000	13.368.354.881	2.272.620.330	0,41

State	2010				2011			
	Observed Sales tax revenue (R\$)	State Value added	Theoretical Sales Tax revenue	Beta	Observed Sales tax revenue (R\$)	State Value added	Theoretical Sales Tax	Beta
Acre	575.436.000	7.743.151.571	1.316.335.767	0,44	585.837.000	8.051.170.354	1.368.698.960	0,43
Alagoas	2.080.200.000	21.931.908.444	3.728.424.436	0,56	2.272.831.000	25.661.076.517	4.362.383.008	0,52
Amapá	487.382.000	7.677.360.760	1.305.151.329	0,37	510.612.000	8.349.997.536	1.419.499.581	0,36
Amazonas	5.555.220.000	49.985.442.494	8.497.525.224	0,65	5.919.879.000	53.898.254.404	9.162.703.249	0,65
Bahia	12.142.989.000	135.692.583.036	23.067.739.116	0,53	13.231.412.000	139.724.228.085	23.753.118.774	0,56
Ceará	6.148.950.000	68.263.621.590	11.604.815.670	0,53	6.794.824.000	77.476.158.015	13.170.946.863	0,52
Espírito Santo	6.964.845.000	67.507.137.167	11.476.213.318	0,61	8.560.649.000	78.921.353.270	13.416.630.056	0,64
Goias	8.170.085.000	84.767.679.209	14.410.505.466	0,57	9.875.178.000	96.285.035.004	16.368.455.951	0,60
Maranhão	2.948.126.000	40.453.629.197	6.877.116.963	0,43	3.412.368.000	46.544.852.676	7.912.624.955	0,43
Mato Grosso	5.336.867.000	53.024.950.009	9.014.241.502	0,59	5.814.671.000	64.245.603.706	10.921.752.630	0,53
Mato Grosso do Sul	4.641.114.000	37.821.305.579	6.429.621.948	0,72	5.413.880.000	42.737.278.370	7.265.337.323	0,75
Minas Gerais	27.187.513.000	307.864.863.845	55.415.675.492	0,49	29.219.113.000	339.422.667.370	61.096.080.127	0,48
Pará	5.175.262.000	71.043.457.430	12.077.387.763	0,43	5.728.144.000	80.822.018.595	13.739.743.161	0,42
Paraná	2.525.758.000	28.561.136.670	4.855.393.234	0,52	2.824.625.000	31.718.428.587	5.392.132.860	0,52
Paraná	13.870.377.000	187.262.983.054	33.707.336.950	0,41	15.961.798.000	204.265.004.576	36.767.700.824	0,43
Pernambuco	8.411.014.000	81.629.313.739	13.876.983.336	0,61	9.925.874.000	88.505.952.506	15.046.011.926	0,66
Piauí	1.919.740.000	19.610.652.953	3.333.811.002	0,58	2.088.225.000	21.974.731.095	3.735.704.286	0,56
Rio de Janeiro	23.001.955.000	344.405.424.838	65.437.030.719	0,35	25.154.567.000	395.073.168.902	75.063.902.091	0,34
Rio Grande do Norte	2.842.084.000	28.542.768.540	4.852.270.652	0,59	3.178.453.000	31.880.137.729	5.419.623.414	0,59
Rio Grande do Sul	17.893.313.000	219.048.034.969	37.238.165.945	0,48	19.502.930.000	227.717.100.265	38.711.907.045	0,50
Rondônia	2.181.944.000	20.816.534.418	3.538.810.851	0,62	2.594.488.000	24.673.028.009	4.194.414.761	0,62
Roraima	410.892.000	5.818.275.200	989.106.784	0,42	421.493.000	6.408.415.821	1.089.430.690	0,39
Santa Catarina	10.366.271.000	130.617.897.831	22.205.042.631	0,47	12.514.406.000	143.352.466.444	24.369.919.295	0,51
São Paulo	92.316.756.000	1.036.697.979.473	186.605.636.305	0,49	107.426.893.000	1.108.825.963.532	#####	0,54
Sergipe	1.851.549.000	21.377.091.941	3.634.105.630	0,51	1.998.490.000	23.413.201.172	3.980.244.199	0,50
Tocantins	1.120.113.000	15.780.468.377	2.682.679.624	0,42	1.270.239.000	16.455.536.910	2.797.441.275	0,45