Corporation José R. Lindley: Balanced Scorecard Implementation

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RESUMEN

La Corporación José R. Lindley es una de las organizaciones más importantes que operan en el país, con una prestigiosa trayectoria en el mercado de gaseosas a través de su marca líder Inca Kola. Esta empresa se ha caracterizado por mantenerse a la vanguardia del sector, el cual en los últimos años se ha mostrado altamente competitivo.

Con la finalidad de mantener su liderazgo, hacer frente con éxito al difícil entorno del mercado local e incursionar en nuevos mercados internacionales, la Corporación José R. Lindley se ha preocupado constantemente por incorporar filosofías y herramientas de gestión que le permitan asegurar su sostenibilidad en el tiempo, con una visión de futuro. En este sentido, decidió implementar un Balanced Scorecard (BSC), como una herramienta para medir y mejorar su productividad y eficiencia, en el marco de su estrategia corporativa. En otras palabras, el BSC le facilitó monitorear el grado de acierto en la puesta en marcha de su estrategia.

En este contexto, el caso ilustra cómo se realizó el proceso de implementación de un BSC en la Corporación José R. Lindley, mostrando la complejidad del proceso que involucró recursos financieros y una dedicación importante de la organización, en especial provenientes de la Alta Dirección y del área de Sistemas de Información para el Soporte Tecnológico.

Asimismo, el caso muestra cómo es posible traducir una estrategia en un grupo de objetivos y medidas concretas, a través del BSC. En función a la relación causa-efecto, vincula los objetivos, con sus respectivos indicadores, iniciativas estratégicas y planes de acción correspondientes.

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Palabras clave: cuadro de mando integral, sector de bebidas gaseosas, implementación de la estrategia, indicadores de desempeño.

ABSTRACT

José R. Lindley Corporation is one of the most important organizations that operates in the country with a prestigious tradition in the market of sodas trough its leader brand “Inca Kola”. This enterprise has as its main character keeping in the vanguard of the sector, demonstrating a high competitive level in the recent years.

With the aim of keeping its leadership, facing successfully the difficult environment of the local market and entering international markets, José R. Lindley Corporation has constantly worried about incorporating management philosophies and tools that allow guaranteeing its sustainability in the time with a vision about the future. In this sense, it decided to implement a Balanced Scorecard (BSC), as a tool to measure and improve its productivity and efficiency, in the framework of its corporative strategy. In other words, the BSC facilitated monitoring the degree of accuracy in the implementation of its strategy.

In this context, the case illustrates how the process of the implementation of a BSC in José R. Lindley Corporation was performed, showing the complexity of the process that involved financial resources and an important dedication of the organization, specially those ones who comes from the High Direction and the Information Systems Area to provide technological support.

In addition, the case shows how it is possible to translate a strategy into a group of objectives and specific measures trough the BSC. Based on the cause-effect relation, it links the objectives with its respective indicators, strategic initiatives and corresponding plans of action.

Key words: Balanced Scorecard Soda’s sector, implementation of the strategy, performance indicators.

The dream that José Lindley had in 1910 to open a small soda plant in Rímac, Lima, Peru, is still a live in the great Corporación José R. Lindley. Its star product, the prestigious Inca Kola soda brand, has attracted the preference of most Peruvians since 1935, when it was launched into the market. It has positioned itself in the very heart of consumers as it is widely related with national identity, and longed for by the increasing number of Peruvians living outside the country.

The firm’s growth and development was based upon the Lindley family’s effort and their philosophy to keep ahead in the soda sector. In the past years, this sector has become one of the most competitive within the Peruvian market, as a result of aggre ssive commercial strategies displayed by the different brands. This competition has grown more intensive since 1999, when the biggest traditional brands (of which Inca Kola was a leading one) became immersed in intensive and dynamic publicity and promotional campaigns. It also became involved in a price war, which was generated in the attempt to cope with the new competitive strategies used by small brands, mainly from the inside of the country, whose value proposal aimed at offering remarkable low prices.

Under this scenario, Manuel Salazar Corvetto, the General Manager at Corporación José R. Lindley, in an attempt to maintain leadership in the sector and to enable the firm to be more competitive, hires the services of London Consulting Group at the beginning of 2001. They were requested to conduct a comprehensive review of all the business processes and recommend the overall restructuring of the firm.

London Consulting Group worked closely with the staff from all the firm's areas to implement the processes needed to improve the marketing system, recover lost sales, and prepare technical organizational manuals for each area, so that they could help optimize the staff's performance. At the same time, another team was formed to identify the improvements that will serve to attain fast savings without investment. This was all supplemented by the development of a managerial skills workshop for all top and middle managers from Corporación José R. Lindley S.A. (Corporación José R. Lindley S.A., 2001a).

As a result of this work, a Managerial Indicators System was created for all management areas to follow on a weekly and monthly basis. The implementation of a *Balanced Scorecard* system was also initiated in order to measure and improve productivity and efficiency throughout the organization, so that the firm could maintain its leadership in the sector in 2001 (Corporación José R. Lindley S.A., 2001b).

Four years have gone by since the beginning of this implementation and Manuel Salazar reflects upon the relevance of this decision, as well as its implications for the future.

A LITTLE OF HISTORY

In 1910, a British couple who had just arrived in Peru, José Robinson Lindley and Martha Stoppanie de Lindley, as well as their eight children: Martha, Victoria, Ana, José, Nicolás, Alfredo, Antonio and Isaac, established a firm that elaborated and processed soda in a modest building of 200 m^2 in the district of Rímac, one of the oldest of the city of Lima, the capital of Peru. This was a soda factory called Santa Rosa de José R. Lindley e Hijos S.A., named after the main saint of the city of Lima.

Soda production was performed through an artisan process carried out by the entire family. In 1918, the firm purchased the first semi-automatic machine, which allowed a remarkable productivity increase. By 1928, the firm's site measured an area of approximately 1.400 m^2 and all processing equipment had been renewed. Its growth was a reflection of the high acceptance that their products had in the market.

Publicity campaigns started a few years later in 1935, using the mass media resources available at that time. Then, the brand that would made the firm famous was launched with the slogan *There is only one Inca Kola and there is nothing like it.* Up to this point, soda names had been taken after the fruits they were made of, such as Orange Squash or Lemon Squash, but the firm decided to look for a brand and a formula that could not be associated to flavors directly identified with fruit. Inca Kola was a product consisting of different Andean citric fruits, and had a pleasant unidentifiable flavor. It was bottled in plain glass bottles labeled with paper.

In 1945, José Lindley's youngest son, Isaac Lindley, took charge of the firm and promoted the sales of Inca Kola nation-widely. In 1948, he bought the first fully-automatic machine and increased production up to an average of 36 bottles per minute. In addition, he was very concerned about the welfare of his workers and wanted them to feel as part of the Inca Kola family. With this in mind, he developed production workshops for the worker's wives and summer schools for their children.

In the following years, technological innovations continued for product processing and bottling. Paper-labeled bottles became glass bottles printed with the Inca Kola logo and an Inca image (the pre-Hispanic emperor in Peru) in high relief. Likewise, new more demanding control, hygiene and quality regulations were introduced following the advances of the time.

Since 1972, Inca Kola has covered the entire Peruvian territory and its success motivated the Lindley organization to continue modernizing its industrial process; thus, new machinery was acquired, state-of-the-art technology was applied in its critical processes and the installed capacity was increased. Its advanced machinery allowed bottling between 400 and 1.000 units per minute. And its evolution continued. In 1983, PET plastic bottles of 1-liter, 1 ½-liter and 2-liter capacity were launched, and in 1996, the acquisition of a German bottling line called Krones allowed an increase of the average bottling up to 1.000 bottles per minute for the medium-sized product.

In 1997, the different firms forming the Lindley Grup, which carried out the different parts of the production process, joined to establish Corporación José R. Lindley.

In 1999, Corporación José R. Lindley made a strategic alliance with Coca Cola Company, by which the multinational company acquired 50% of the corporation, and agreed to enlarge Inca Kola's distribution and to initiate its distribution in the international market. This information is more detailed in the Strategic Alliance section.

By 2001, the Corporación José R. Lindley had already transformed into a firm with state-of-the-art technology. US$10.5 million were invested in new bottling equipment that year.

In 2004, Corporación José R. Lin dley acquired *Embotelladora Latinoamericana* (ELSA), which was in charge of Coca Cola's manufacturing and management in Peru, and assumed its activities since then. Through this acquisition, the Lindley Corporation strengthened and consolidated its leadership in Peru, and Coca Cola entrusted its strategic partner to be in charge of its operating bottling activities.

During the past years, work has been done to restructure the marketing and distribution areas, which has allowed the system to be improved, and now, 90.000 outlets are being served in Lima.

Appendix 1 depicts some of the images that illustrate the firm's historical evolution.

During the year 2005, it was able to maintain the ISO 9001 and ISO 14001 certifications that it had managed to obtain in 2001. And, it also completed the internal and external audits for quality management and environmental management in its eleven industrial plants. In addition, it initiated the construction of effluents treatment plants at the Rímac, Zárate and Callao factories, aiming at reaching environmental excellence in its operations and a culture of quality that could benefit all its consumers (Sociedad Nacional de Industrias, 2006). At present, it develops its production operations within an area of 20.000 m^2. In relation to this, Manuel Salazar states that "before the year 2010, a new mega plant will be built that will demand a US$60 million investment; this infrastructure will gather the five existing plants and new machinery."

Appendix 2 presents the corporation's individual annual financial statements for the 1999-2005 period. The main fixed assets of the partnership are located in the industrial plants of Lima, Callao, Jauja, Trujillo, Arequipa, Cusco, Iquitos, Sullana and Ica. In 2005, Corporación José R. Lindley's social capital went up to over US$181.550 million.

A STRATEGIC ALLIANCE

When Corporación José R. Lindley perceived that it would be very difficult to withstand for any longer the unequal battle with its main competitor in Peru, Coca Cola Company, it started searching a foreign partner that will capitalize the firm in order to multiply the rather reduced presence of Inca Kola abroad. It was precisely Coca Cola Company the firm that became its strategic ally from 1999.

Coca Cola Company acquired 50% of the corporation as part of an agreement that would increase its force in the Latin American market by expanding Inca Kola's distribution through Coca Cola's distributor (ELSA) to the few areas in Peru where it had not reached yet and to the international market. In this way, Coca Cola Company acquired full rights of the Inca Kola brand outside Peru, 20% of Inca Kola's bottling plant in Lima and 50% of Inca Kola in Peru.

In this respect, Mr. Salazar states: "Coca Cola's basic contribution to José Lindley is its international experience, technical issues and quality control; as for other aspects, (brand) competition continues." Furthermore, John Lindley, the President of Corporación Lindley, comments: "Coca Cola was the best image partner capable of expanding the 'national flavor' soda further around the world."

In addition to this alliance, which started in 1999, Corporación José R. Lindley acquired Embotelladora Latinoamericana (ELSA), Coca Cola's producer in Peru, in 2004, expecting to transform the soda market in Peru. Appendix 3 details the location of Corporación José R. Lindley's distributors in Peru.

As for exports, Inca Kola has a relative presence in the United States of America and in some Andean countries. Manuel Salazar remarks that this issue belongs exclusively to Coca Cola, "that up to this date, it has 'marketed' the product in its 30 divisions around the world." Nowadays, it is sold in Chile, Central America and the United States, where it has three plants in Los Angeles, Florida and New Jersey; it is distributed from these sites to Asia and Europe. It is worth mentioning that before the alliance, the Inca Kola brand had already been sold abroad around 1970, but its presence was really boosted through the alliance.

PRODUCTS

The corporation's social aim is to be dedicated to the formulation, manufacturing, bottling, selling, distribution and marketing of fruit juice, carbonated soda, gasified drinks and non-gasified drinks (with or without syrup), fruit pulp and juice for the production of nectar and soda. It also distributes third-party products, stores and transports goods in general, manufactures all kinds of disposable packaging, and has entered the agriculture and agro industry.

In 2005, market shares of the products manufactured and marketed by the corporation were the following: gasified drinks 59,1%; water, 26%; nectars, 44%; and isotonic drinks, 15%.

As for gasified drinks, 59,1% was mainly obtained through the main brands, Inca Kola and Coca Cola, which had a share of 23% and 22%, respectively. Corporación José R. Lindley produces and markets the Inca Kola, Inca Kola Diet, Crush, Canada Dry and Bimbo brands, as well as the Coca Cola, Cola Light, Fanta, Sprite and Kola Inglesa brands, which are bottled at ELSA, now part of the corporation. It must be noted that Inca Kola is manufactured and market in glass returnable bottles, non-returnable glass, returnable plastic and cans; while Coca Cola is produced and marketed in plastic non-returnable bottles and dispensers.

In relation to mineral water, the brands it produces and markets are San Luis, San Antonio y Bonaqua; the one with the highest sales is San Luis. At the end of 2005, a new type of flavored mineral water, Dasani, was introduced in the market, with varieties going from lemon non-gasified drinks and active citrus slightly gasified drinks to mineral water without gas; all coming in several packaging sizes.

As for nectars, the Frugos brand is manufactured and marketed in non-returnable glass formats and tetra pack containers. Frugos is considered the leading brand in the Peruvian market.

The company only produces and markets Powerade as an isotonic drink.

A LEADER IN SEARCH OF A LARGER MARKET

There are several characteristics that condition the performance of the soda industry in Peru; perhaps, the most important is the relation established between the local bottling factories and the companies that hold the brands, which are normally transnational. These latter ones offer the first ones their franchises for the elaboration, marketing and distribution of their products in given areas of the country.

Manuel Salazar remarks: “Inca Kola is one of the few- not to say the only one- sodas in the world that has sold more than Coca Cola in a national market." In 1994, Inca Kola took the lead of the Peruvian market and since then it has maintained its first place in spite of the competitors' millionaire campaigns.

In 2002, Corporación José R. Lindley concentrated 26% of the market in Peru with Inca Kola, as shown in Figure 1.

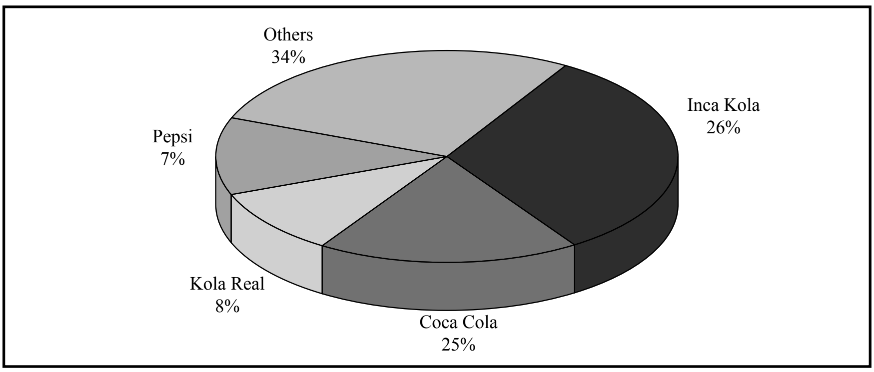
That same year's studies of last consumption statement placed Inca Kola on the first place with 37%, followed by Coca Cola with 25%. By then, a brand originated in the provinces, Kola Real[1], occupied the third place with 16%, although it had limited publicity and distribution.

According to recent information corresponding to the city of Metropolitan Lima for the period 2003 to 2005, Inca Kola's leadership continues as shown in Figure 2; it can be seen that Coca Cola increasingly approaches closer share levels to the leader in the capital's market. This brand also belongs to the corporation.

The decline in internal demand between the years 1998 and 2002, as well as the great-scale introduction of the so-called "b-brands" (cheap brands), such as Kola Real that in 2005 reached 12,7% of the market in Lima, exacerbated competition within the soda sector; thus, encouraging a price war, seriously affecting profitability margins and pushing some firms out of the market. Under these circumstances, Corporación José R. Lindley was forced to rethink and establish strategies that would allow it to keep its leadership.

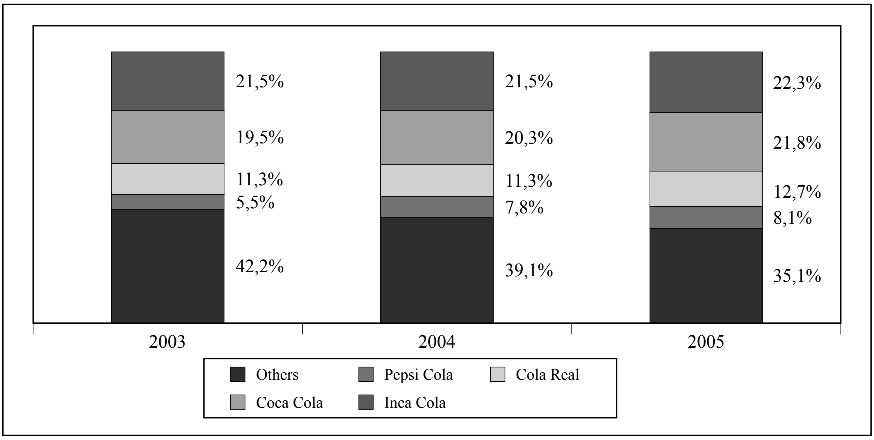
Manuel Salazar, General Manager of José Lindley, comments on the proliferation of cheap soda produced by small bottling factories in provin-

Figure 1. Peruvian Market Share per Brands



Source*: Conde, 2003.*

Figure 2. Sales Shares in Metropolitan Lima per Brands



Source: *CCR S.A.*

ces, which have taken an important percentage of the local market due to the economic crisis. He states the following: "There are two markets: one of franchises and one of lower prices. If low-priced sodas disappear, consumers will not buy franchised sodas due to their low income, so the competition is between them."

From these words, it may be inferred that Mr. Salazar thinks that these small competitors are only covering a market segment that did not consume soda before.

STATE OF THE SODA MARKET IN PERU

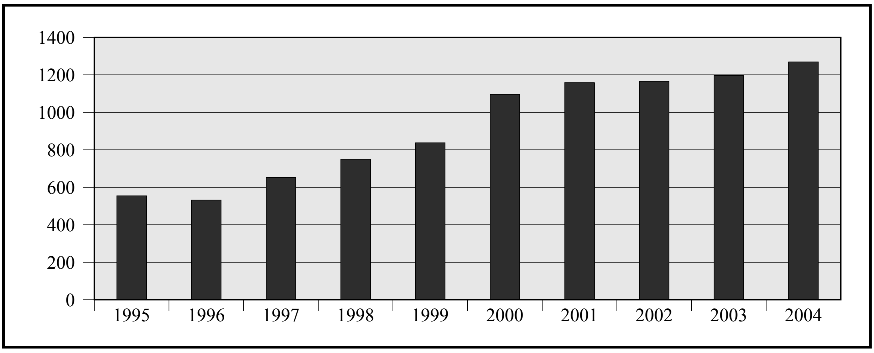
Annual sales for soda in 2002 were calculated in US$350 million. As for production volume, it has been estimated that the sector has been growing at an average pace of 10% annually. This growth is attributed both to the launching of new presentations that matched the preferences of the diverse socioeconomic layers, and to significant price reduction that the industry underwent during the past years.

In the 1985-2002 period, the apparent total consumption of soda (national production plus imports, minus exports) registered an average annual growth rate of 9,6%. Consumption went up from 557 million liters in 1995 to 1.272 million liters in 2004, as shown in Figure 3.

Consumption levels are mainly determined by the population's growth, acquisition capacity, price, taste and preference patterns, and weather.

Nevertheless, in spite of the increase of production volume, Peru still

Figure 3. Soda Consumption in Peru (in millions of liters)

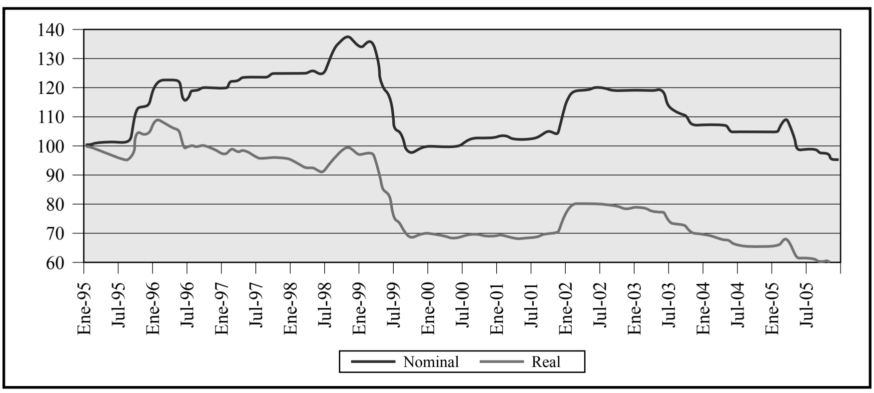


Source*: INDECOPI (2005). With data taken from the Ministry of Production of Peru and INEI*

shows a consumption level per capita below that of the region: 40 annual liters against 69,2 annual liters, which is the regional average (Banco Wiese Sudameris, 2002). According to a recent research done by INDECOPI (2005), between 1995 and 2004, consumption per capita rose from 21,9 to 46,2 liters, with an average annual increase rate of 7,9%. This is widely surpassed by Venezuela (62,0 liters), Chile (89,6 liters), Argentina (71,0 liters), Brazil (67,2 liters) and Mexico (121,80 liters) (INDECOPI, 2005).

The price of soda has gone down by 23% since 1999, as a result of the introduction in the market of the "b-brands". According to the above mentioned study, the nominal price

Figure 4. Soda Price Index (in %)



Nominal: Jan; Real: Jul

Source*: INDECOPI (2005). With data taken from INEI* index for soda has shown an irregular trend in the past years. However, the real price index clearly shows a decreasing trend. Between January 1995 and October 1995, for instance, the nominal index recorded an average monthly decreasing rate of 0,04%, whilst, the real index presented a monthly decreasing rate of 0,41%, as shown in Figure 4.

According to data taken from JP Morgan, Peru is one of the countries in the region where soda is cheaper. A greater demand and the introduction of new brands are enabling a greater expansion of the operations of some firms in foreign markets. This is the case for Kola Real, which has already entered the market in Ecuador, Venezuela, México and Guatemala.

Traditional entrance barriers in this market were the use of brands, the capital required for operations, and distribution channels. Now, these barriers seem not to be working; for instance, investments costs are lower. *Table 1* presents brand offer and its corresponding producers and/or bottling plants for the year 2005.

Table 1. Main Soda Brands Marketed in the Local Market

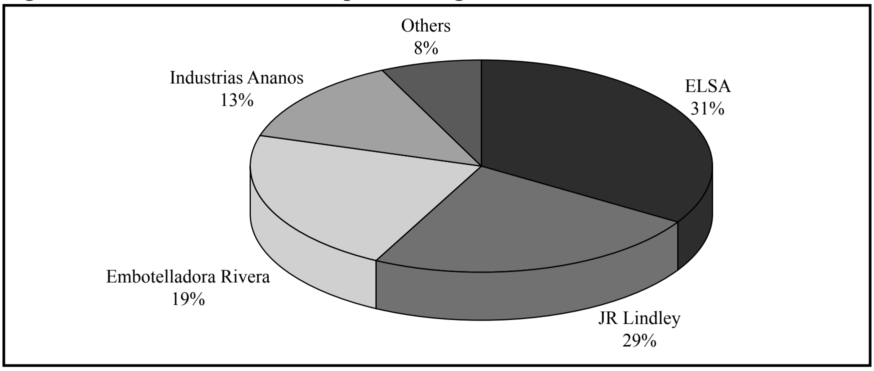
Producer	Brands
ELSA[1/]	Coca Cola, Coca Cola Light, Fanta, Sprite, Kola Inglesa.
J.R. Lindley[2/]	Inca Kola, Inca Kola Diet, Crush, Canada Dry, Bimbo.
Ajeper	Kola Real, Big Cola, Sabor de Oro.
Ambev	Triple Cola, Concordia, Pepsi, 7Up, Mirinda.
Don Jorge	Don Isaac, Perú Cola

[1/ 2/] *At present merged in Corporación José R. Lindley (November, 2005).*

Source: *INDECOPI (2005). With data taken from several firms and the Ministry of Production in Peru*

In addition, the market share in the Peruvian market per bottling enterprise for 2002, is shown in Figure 5.

Figure 5. Peruvian Market Share per Bottling Firm



Source: *Conde (2003).*

Moreover, tax load for this sector is very high because soda is imposed a 17% tax on selective consumption (ISC), one of the highest in the region (Edilcex, 2005). This constitutes a serious problem because the demand for soda is elastic, and therefore, tax cannot be transferred to the consumer.

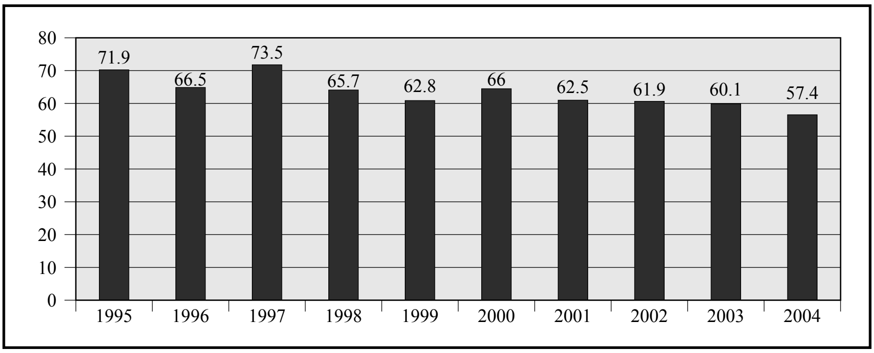
Soda makes up near 1,9% of the basic family basket. At present, the Peruvian market presents an interesting growth potential due to the reduced consumption per capita of this product, versus the other countries in the region, as noted before (Banco Wiese Sudameris, 2002).

During the past years, the installed capacity of the sector has reached in average 64,8%, which means an average idle installed capacity of 35,2%. However, used capacity has been decreasing at an annual average rate of 2,48% between 1995 and 2004, and during the last year it reached 57,4%, as shown in Figure 6. Therefore, firms could cope with a higher demand (INDECOPI, 2005).

BALANCED SCORECARD IMPLEMENTATION

The *Balanced Scorecard* (BSC) translates a firm's mission and strategy into a set of understandable performance measures (indicators), so that the strategy could be understood, communicated and measured; thus, serving as a basis for all the activities. Moreover, the indicators allow monitoring the accuracy level of strategy implementation (Kaplan & Norton, 1996). In order to respond to the firm's vision and strategy, the BSC uses four business perspectives:

Figure 6. Capacity used in the soda sector 1995-2004[1/] (in %)



[1/] *The data available does not allow the distinction of the production of soda with sugar and without sugar, or that of water, so the data refers to all of them.*

Source*: INDECOPI (2005). With data taken from the Ministry of Production of Peru*

- A financial perspective that establishes the financial objectives that must be attain in order to satisfy the shareholders' interests.

- A customer perspective that establishes the objectives that will permit to meet the customers' needs in order to reach the established financial aims.

- An internal processes perspective that establishes the processes in which excellence needs to be achieved in order to satisfy customers.

- A learning and growth perspective that establishes the way in which the firm must learn and innovate to attain all the goals proposed in the other perspectives.

BALANCED SCORECARD EVOLUTION IN CORPORACIÓN JOSÉ R. LINDLEY

Manuel Salazar remarks:

> In order to implement the Balanced Scorecard, Corporación José R. Lindley underwent a process of maturity, where an Integrated Dashboard was first developed and named Managerial Control Panel (…) [which] consisted of 253 managerial indicators. They were classified in three levels: Corporate, oriented towards the measurement of the overall Corporation's goals; Managerial, oriented towards the measurement of the business and support units' goals, that is to say, at functional level; and Operational, oriented towards the measurement of the specific objectives of strategic operations.

Mr. Aldo Neyra, Systems Manager, who was in charge of implementing the *Balanced Scorecard,* adds:

> … when we started, strategic planning was not yet linked to the definition process and to the follow-up of the managerial indicators in the Managerial Control Panel. During a second stage, there was an attempt to align the indicators with the business's strategic goals, which resulted into a feedback process. Finally, the BSC methodology was adopted, executing the entrepreneurial Strategic planning first; and then, implementing it with the help of the BSC-E (Balanced Scorecard Extended) technological application.

It is worth mentioning that before the *Balanced Scorecard* was implemented, the corporation was working on strategic projects, such as Activit based Costing, which besides permitting to link the firm's needs and priorities, it offered a sustained frame for resource management, as well as exposing the differences in quality practices through the segments and departments. Aldo Neyra maintains that the implementation of this tool contributed to identify important opportunities for improvement, which brought substantial savings to the firm after their application (Corporación José R. Lindley, 2001).

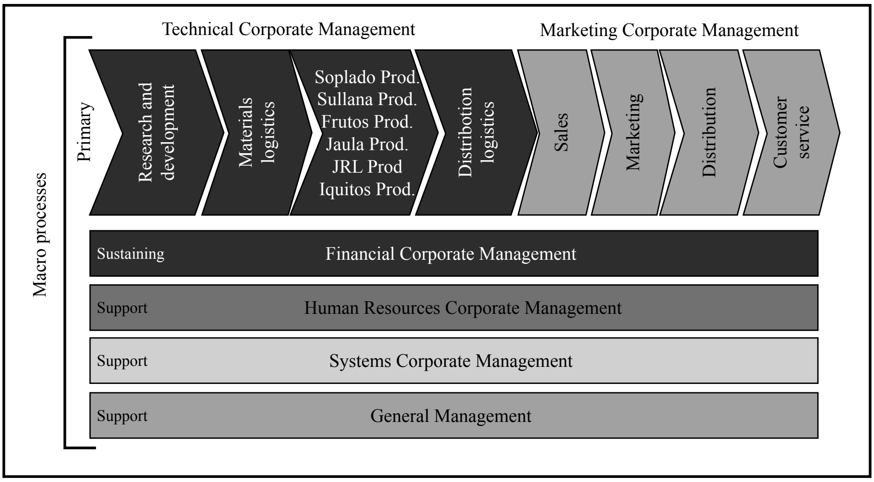
The ERP SAP R/3 was also implemented and resulted in the following benefits: integration of computing applications to facilitate corporate decision-making, improvement of business processes due to the decrease of manual loading, establishment of a working scheme oriented to the Continuous Improvement of Processes, and better costs control through the detailed analysis of the firm's operations. Figure 7 shows the corporation's organization.

DEVELOPMENT OF THE BALANCED SCORECARD ELABORATION PROCESS

The corporation's strategic management model in 2000 was basically sustained by the firm's Sales budget and Expenses and Investments budget. However, the BSC elaboration process required an integral entrepreneurial vision of the business into the future, which forced the restructuring of the corporation's strategic framework. In other words, an Entrepreneurial Strategic Planning was required in order to define the managerial indicators.

The corporation's strategic framework was initiated by reviewing

Figure 7. Organization of Corporación José R. Lindley



Source: *Corporación José R. Lindley S.A. (2003a)*

the business's definition, so as to clarify the reasons for the existence of the firm, as well as its future projection. The organization's mission, vision and values were reviewed and this was in charge of the Management Committee, which was formed by the General Manager and all the firm's Managers.

The firm's vision was established as:

> a leading and profitable organization that manages the non-alcoholic drinks business all over Peru, with projection into the Andean region. The firm's mission was defined in the following way: To meet the needs of thirst satisfaction, self-reward, meal enjoyment and food supplementing by efficiently producing and distributing non-alcoholic beverages and nectars of the highest quality brands, strengthening our staff's competency and promoting team work (Corporación José R. Lindley, 2005a).

For this purpose, the following values were established for the organization: commitment (assuming assigned tasks with responsibility and motivation), identification (valuing the organization and its culture, tradition and products), quality (achieving excellence throughout the value chain and promoting continuous improvement), integrity (acting with ethics, solidarity, environmental and social responsibility), productivity (working with operative and administrative efficiency at all times), and innovation (applying creativity across all the operations).

After reviewing the business definition, a strategic analysis was conducted in the firm in order to identify the strategic position and potential that would orient future actions, evaluating the corporation's external and internal environment, and finally, establishing the Strengths, Weaknesses, Opportunities and Threats Matrix (SWOT). This analysis sought to identify the strong and weak points influencing the firm's actions; both, the ones it could handle directly as they represented variables under the responsibility of the internal management, and those it could not handle as they belonged to the external environment. The analysis of the SWOT matrix allowed the definition of strategic initiatives, followed by the immediate application of the Delphi[2] method to select and prioritize those initiatives in order to define their relative relevance, and establish priorities based upon it.

The strategic objectives stemmed from these prioritized initiatives, defining the corporation's strategic map, which was elaborated by using the concepts included in the Balanced Scorecard. This is how the strategic objectives were organized according to the four map perspectives: finance, customers, internal processes, and learning and growth;

and the relation cause-effect among them was also defined. Later on, the strategic map for 2005 will be shown as an example.

Next, the budget corresponding to each of the strategic macro objectives of the business was allocated, taking into account the initiatives involved. Thus, the strategic framework defined for the corporation was linked to the specific requirements of concrete resources needed for the attainment of each strategic objective; thus, linking strategic planning with its later execution.

The corresponding managerial indicators and the goals they were willing to achieve were defined in order to closely follow up the attainment of the strategic objectives. The managerial indicators are ratios established to measure results in quantitative form, by which the level of achievement for each objective can be known. When these are compared to their corresponding desired goals, the deviation degree that may have been generated from what was intended can be clearly identified and this will allow immediate actions for correcting such deviation. Conductive indicators were established to evaluate the objective achievement for the learning and growth and internal processes perspectives, as well as result indicators related to the objectives of the client-based and financial perspectives.

Finally, detailed plans were defined for each of the strategic initiatives in order to establish, with greater clarity and accuracy, the courses of action needed to execute each strategic initiative. This involved the elaboration of specific programs, and the appointment of people in charge, terms and resources.

Many people from the corporation participated in all these processes, all of which were organized in several groups, such as the Managerial Committee, a Facilitators Committee, and various Work Teams per Operative and Functional Management.

STRATEGIC MAP

The *Balanced Scorecard* at Corporación José R. Lindley focused on the four perspectives that sustain this methodology, and the corresponding Strategic Map was established. Different key areas were developed within each of the perspectives and the specific objectives were specified. These were related under a cause-effect approach, in such a way that logical coherence could be established upon the implication that each specific objective had for the attainment of the expected results of greater level.

Indicators were established for each of the proposed strategic objectives in order to measure performance, follow up its evolution and take corrective measures for deviation. They became a powerful tool for strategy management.

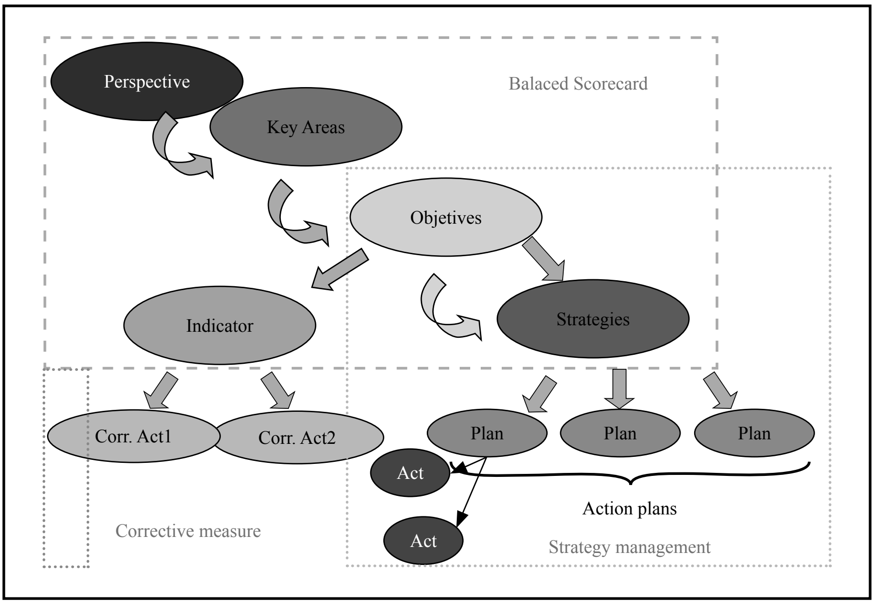
Likewise, each strategic objective was associated to the strategic initiatives, which in turn were detailed with specific plans and actions.

It is in this way that the *Balanced Scorecard* established the following hierarchy: perspectives, areas, strategic objectives, indicators with their corresponding corrective measures accordingly to the observed deviations, and strategic initiatives with their corresponding action plans. This can be clearly viewed in Figure 8 that represents the hierarchy and the BSC-E application modules implemented at Corporación José R. Lindley, which translated the issues established into a strategy.

The Strategic Map is annually reviewed and updated according to the results of an analysis that guides the priorities to be taken every year. This is why the strategic map became a dynamic tool that facilitated the understanding, measurement, evaluation and correction of deviations from the strategy.

In order to achieve this, most managerial indicators and their corres-

Figure 8. Hierarchy and BSC-E Technology Application Modules



Source: *Corporación José R. Lindley S.A. (2003a)*

ponding goals are reviewed monthly; although, some indicators are reviewed on a daily or weekly basis, especially the operative ones; similarly, all initiatives are reviewed once a month.

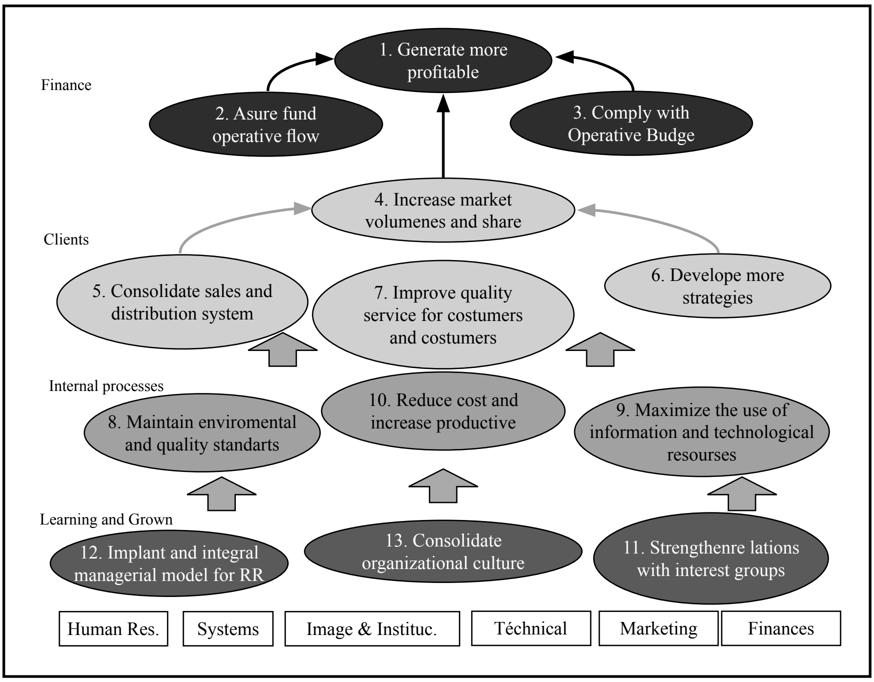
Some examples related to one part of the developed systems are presented in order to achieve a better understanding of the *Balanced Scorecard* implemented by Corporación José R. Lindley.

One example of the 2005 strategic map is shown in Figure 9, in which you could visualize the four perspectives. Every Corporate Management (pointed out at the bottom of the graph) has objectives and plans aligned with the strategic objectives signalized on the map.

The objectives in each perspective are described below:

- *Finance:* the aim of this perspective is to generate more profitability in the firm, so specific objectives were established, such as ensuring the fund operative flow and complying with the established Operative Budget.

Figure 9. Strategic Map of Corporación José R. Lindley



Source*: Corporación José R. Lindley S.A. (2003b)*

- *Clients:* Among the objectives of this perspective, we have: increasing market share and volumes, consolidating the sales and distribution system, developing strategies for new business opportunities and improving service quality for clients and consumers.

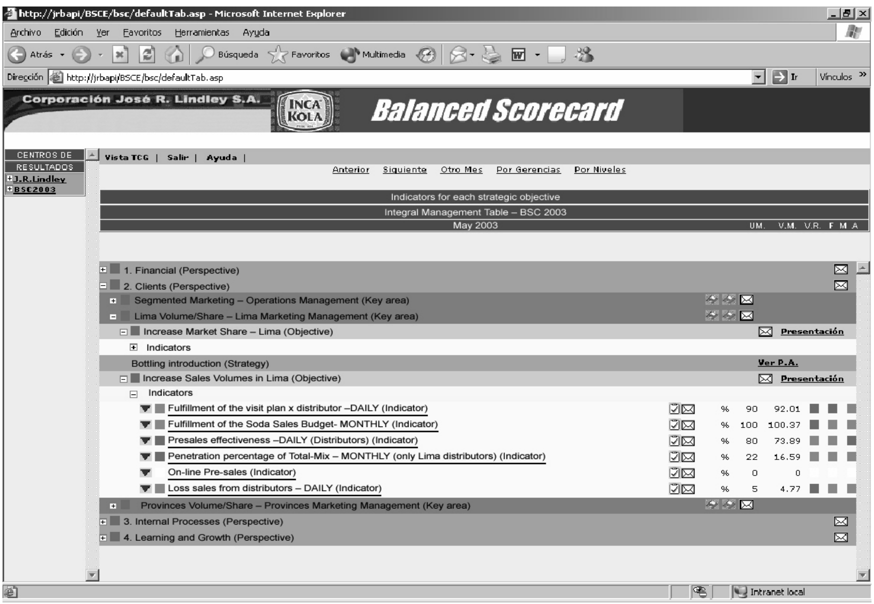
- *Internal Processes:* They focused on three key objectives: maintaining environmental and quality standards, maximizing information use and technological resources, and finally, reducing costs and increasing productivity.

- *Learning and Growth:* They aimed at strengthening relations with interest groups, implementing the Human Resources Integral Managerial Model, and consolidating organizational culture.

The managerial indicators, strategic initiatives and action plans were developed in detail based on the strategic maps, all of which together correspond to the *Balanced Scorecard's concepts.* Figure 10, extracted from the BSC-E system, shows a detailed example of managerial indicators based on the corporation's strategy for the year 2003.

As it may be observed, the four perspectives are defined at the first level: 1. Finance; 2 Clients; 3. Internal Pro-

Figure 10. Managerial Indicators



Source*: Corporación José R. Lindley S.A. (2003a)* cesses; and 4. Learning and Growth. These perspectives correspond to the traditional structure of an Integrated Dashboard.

At the second level and within each perspective, the key areas are defined. In the example in Figure 10, the key areas for the Client perspective can be seen disaggregated. These key areas are:

- Segmented marketing – Operations Management
- Lima Volume/Share – Lima Marketing Management
- Provinces Volume/Share – Provinces Marketing Management

At the third level, and within each key area, the strategic objectives are defined, which are precisely the ones illustrated in the corresponding Strategic Map. In the example in Figure 10, the disaggregated strategic objectives of the Lima Volume/Share – Lima Marketing Management key area can be appreciated, corresponding to the Client's perspective. These strategic objectives are:

- Increase market share in Lima
- Increase sales volumes in Lima

At the fourth level, and within each strategic objective, the managerial indicators are defined, which are the ones that enable the measurement of the objectives' achievement level in quantitative form. In the example in Figure 10, the disaggregated managerial indicators for the strategic objective can be appreciated: incrementing sales volumes in Lima corresponding to the key area Lima Volume/Share – Lima Marketing Management belonging to the Client's perspective. These managerial indicators are:

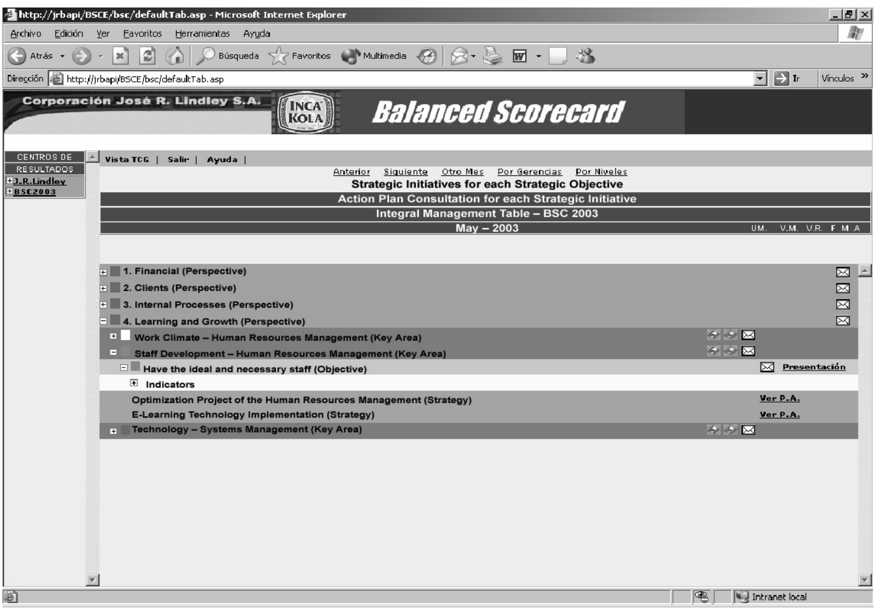
- Fulfillment of the visits plan per distributor - daily
- Fulfillment of the Soda Sales Budget - monthly
- Pre-sales effectiveness – Daily
- Percentage of the total mix penetration (distributors) – Monthly
- Increase of sales volumes in Lima (only Lima distributors)
- On-line Pre-sales
- Lost sales from distributors – Daily

As explained before, the managerial indicators are ratios that measure each indicator's achievement quantitatively. Each of these ratios respond to a formula, which is usually expressed in percentage values, as illustrated in the graph. Although, it could also be expressed in unitary time values or other measurements, according to what is more convenient to measure.

As in most of the cases, for the Balanced Scorecard of Corporación José R. Lindley, a traffic light system has been established, which consists in marking with colors (green, yellow and red) the level of achievement reached by each indicator, in permanent comparison with the initially proposed goal. Thus, if the indicator's value is at similar or higher levels of the goal, the traffic light will be in green light indicating that the objective has been achieved. If the indicator's value is lower than that of the goal but at acceptable levels, the traffic light will be in yellow, indicating that although the goal has not been reached, it is in progress and some improvement actions may be needed. Finally, if the indicator's value is below the goal at levels below those acceptable, the traffic light will be in red indicating an emergency situation in need of immediate corrective measures.

The following is the description of a detailed example of strategic initiatives and action plans based upon that established in the corporation's strategy for the year 2003, and which can be seen in Figures 11 and 12 extracted from the BSC-E system.

Figure 11. Strategic Initiatives



Source: *Corporación José R. Lindley (2003a)*

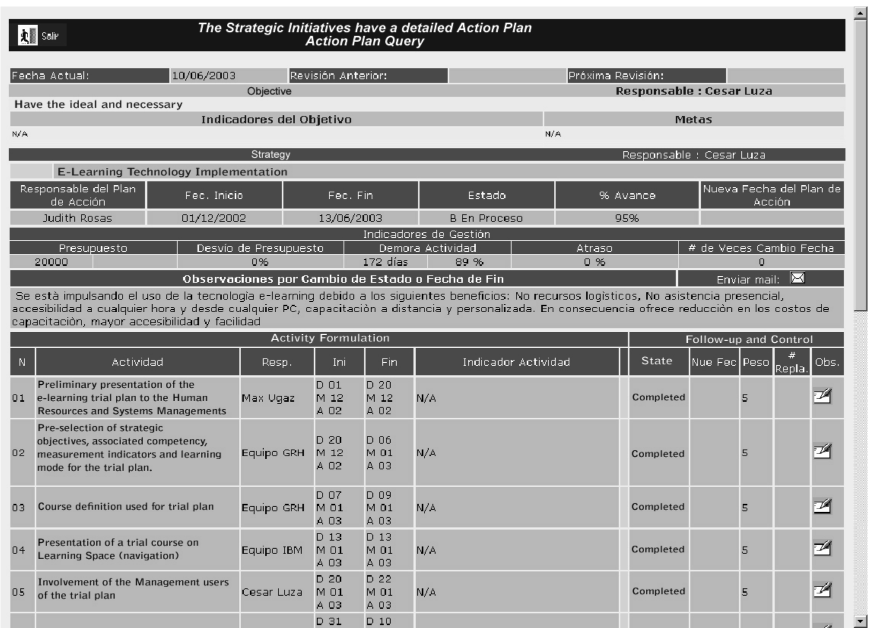
The strategic initiatives needed to reach the strategic objectives are defined within each strategic objective. In the example, for the strategic objective related to having the ideal and necessary staff, belonging to the Staff Development – Human Resources Management key area and corresponding to the Learning and Growth perspective, the following strategic initiatives have been established:

- Optimization project for the Human Resources Management
- Implementation of E-learning technology

Each of the strategic initiatives has its corresponding action plan, which is a program or activity needed to attain the strategic initiative. The following graph shows the action plan associated to the strategic initiative of: *e-learning* technology implementation, allocation of the people in charge of each of them, timetables, progress level or condition.

The Managerial Committee, a Facilitators Committee and several work teams for each operative and functional management participated in this definition process. The frequency of review and updating of indicators and goals was variable: daily, weekly

Figure 12. Action Plans


Salir

The Strategic Initiatives have a detailed Action Plan
Action Plan Query

Fecha Actual:	10/06/2003	Revisión Anterior:		Próxima Revisión:	

Objective — Responsable : Cesar Luza

Have the ideal and necessary

Indicadores del Objetivo	Metas
N/A	N/A

Strategy — Responsable : Cesar Luza

E-Learning Technology Implementation

Responsable del Plan de Acción	Fec. Inicio	Fec. Fin	Estado	% Avance	Nueva Fecha del Plan de Acción
Judith Rosas	01/12/2002	13/06/2003	B En Proceso	95%	

Indicadores de Gestión

Presupuesto		Desvío de Presupuesto	Demora Actividad		Atraso	# de Veces Cambio Fecha
20000		0%	172 días	89 %	0 %	0

Observaciones por Cambio de Estado o Fecha de Fin — Enviar mail:

Se está impulsando el uso de la tecnología e-learning debido a los siguientes beneficios: No recursos logísticos, No asistencia presencial, accesibilidad a cualquier hora y desde cualquier PC, capacitación a distancia y personalizada. En consecuencia ofrece reducción en los costos de capacitación, mayor accesibilidad y facilidad

Activity Formulation						Follow-up and Control				
N	Actividad	Resp.	Ini	Fin	Indicador Actividad	State	Nue Fec	Peso	# Repla.	Obs.
01	Preliminary presentation of the e-learning trial plan to the Human Resources and Systems Managements	Max Ugaz	D 01 M 12 A 02	D 20 M 12 A 02	N/A	Completed		5		
02	Pre-selection of strategic objectives, associated competency, measurement indicators and learning mode for the trial plan.	Equipo GRH	D 20 M 12 A 02	D 06 M 01 A 03	N/A	Completed		5		
03	Course definition used for trial plan	Equipo GRH	D 07 M 01 A 03	D 09 M 01 A 03	N/A	Completed		5		
04	Presentation of a trial course on Learning Space (navigation)	Equipo IBM	D 13 M 01 A 03	D 13 M 01 A 03	N/A	Completed		5		
05	Involvement of the Management users of the trial plan	Cesar Luza	D 20 M 01 A 03	D 22 M 01 A 03	N/A	Completed		5		
			D 31	D 10						

Source: *Corporación José R. Lindley S.A. (2003a)*

or monthly. Initiatives were reviewed every month.

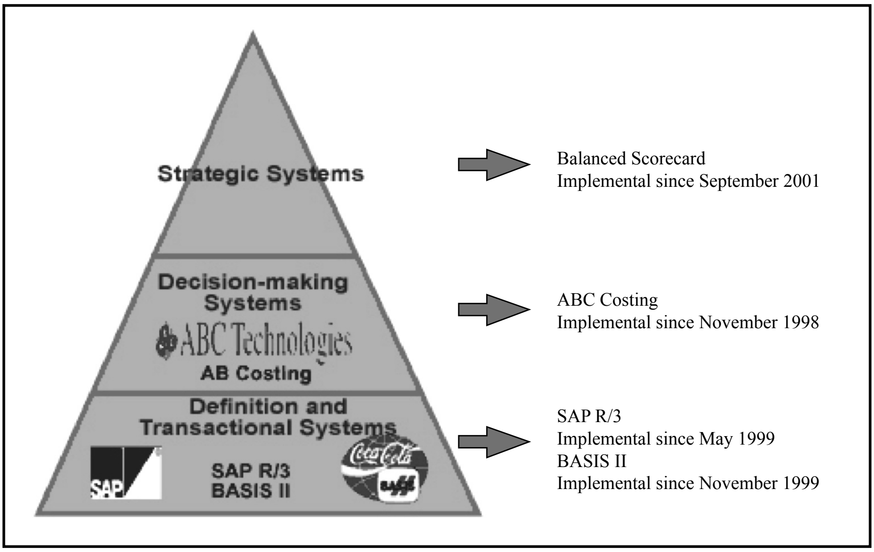
BSC-E TECHNOLOGICAL APPLICATION

Aldo Neyra, Systems Manager, comments: "The technological application supporting the strategic map was implemented based upon the established objectives: the system called BSC-E (Balanced Scorecard Extended) is a software that enables to translate all the strategic planning process into a follow-up and control system." The system was implemented in June 2002 and its technological architecture is shown in Appendix 4.

Corporación José R. Lindley has integrated all its business processes along the supply chain with the ERP SAP R/3 system. In addition, it has integrated its client-distributors all around the country through its information systems, setting up the largest Intranet of the soda industry in Peru.

Hence, all business processes are systematized, from the acquisition of raw material to the placing of products at the outlets, through purchasing management, warehousing, production, plant maintenance, distribution and sales. Likewise, all support processes, such as accounting, finance and human resources, are also integrated. Figure 13 shows the corporation's systems architecture.

Figure 13. Systems Architecture



Source: *Corporación José R. Lindley (2003c)*

The *Balanced Scorecard* obtains data input in two ways: through an automatic interface from the transactional systems (ABAP/4 and RPG ILE programs), and manually, updated by users in charge.

The system has automatic tasks oriented towards the validation of the plans' effect operation establi shed upon the obtained indicators. In case of divergence, e-mail alerts are sent on plan and goal fulfillment. (Corporación José R. Lindley, 2002, 2003a, 2003b, 2003c).

BALANCED SCORECARD IMPLEMENTATION AND UPDATING

As described so far, the implementation of the *Balanced Scorecard* represented the Strategic Map structuring and the corresponding Integrated Dashboard, which is formed by the strategic managerial indicators system based on the established Strategic Planning. They were all supported by the BSC-E application.

As part of the implementation, it was necessary to align the organization with the strategy by translating the planning into individual operative plans performed by each Area Head or Manager. Their fulfillment is measured within the annual process of Performance Measurement, by which efforts within established levels are rewarded through the benefits and compensation system.

This process involves 130 officers who have defined and committed Action Plans in the Annual Performance Commitment (CAP), which is agreed at the beginning of the period. During the year, the Action Plans' progress is systematically monitored through the support of another technological application (*Project Server)*, which operates under a Web environment and enables direct updating of progress by the officers in charge, and real-time control by the person above them.

The corporation's top management has a monthly specific meeting (Monthly Results Meeting) to review the fulfillment progress of the main plans and programs, according to the established indicators and goals by using a standard format.

The implementation of these processes can be improved; thus, improvements are constantly introduced. One aspect sought is the generation of the highest possible level of automation of data loading, so that it facilitates review and analysis work, without distracting the managers and officers' time in operative tasks that do not add any value.

On the other hand, alternatives for new service platforms are checked periodically, so that they can provide more added value.

Currently, corporate officers are reviewing the support platform in order to automate even more the data load coming from the different transactional systems with the support of new technological tools (*Reporting Services)*.

The established indicators are being improved, so that they can better reflect the fulfillment of the strategic objectives established.

For the 2005 period, it was decided to implement individual *Balanced Scorecards* for each Management based upon the strategic alignment defined at central level, which implied the involvement of a greater number of officers in the use of support methodology and application; this implied additional training and instruction processes.

Alongside the above mentioned, it was necessary to develop specific indicators for the *Balanced Scorecard* of each Management and to disaggregate the data loaded in the corporate *Balanced Scorecard.* A process of greater complexity was generated, which provided the benefit of involving the organization's main groups in the implementation of the strategy.

The *Balanced Scorecard* implementation at Corporación José R. Lindley considered the following factors:

- Involvement of the top management as the project's sponsor, demanding total commitment.
- Systems Area performing as an agent of change.
- Formation of the project's organization team, including a facilitator per functional management.
- Consistent transactional information registered in the firm's systems.
- Permanent use of the *Balanced Scorecard* as a control tool of the firm at all levels, either strategic or operative.

BALANCED SCORECARD IMPACT

Aldo Neyra comments that managers consider that the implemented *Balanced Scorecard* is their strategic tool, which allows them to carry out the planning and follow-up of the whole firm because it registers and shows on-line the behavior of the managerial indicators related to the planned strategic goals and objectives. It made possible a better alignment between the strategic objectives and the operative plans, a greater participation and commitment of the officers in charge of the operation along the managerial process, and the possibility to acknowledge in a direct and individual manner contributions done by officers to the attainment of the organizational objectives. As Mr. Manuel Salazar, the corporation's General Manager, puts it:

> … the Balanced Scorecard is a tool that has enabled us to conduct a closer follow-up of the problems that generally arise in the various areas of the firm, thanks to the indicators that we have developed. This allows us to improve all these aspects and avoid the repetition of previous complications; thus, controlling a high percentage of the situation within the corporation…

The corporation's top management identify the following benefits gained through the implantation of the *Balanced Scorecard:*

- Establishment of bidirectional communications of the strategic priorities and of the corporation's organizational performance.

- Establishment of an integral measurement system that controls and tracks all the firm's processes through managerial indicators in order to monitor the fulfillment of the objectives established; thus, the *Balanced Scorecard* has become the firm's command and monitoring center.

- Process-oriented organization and results-based culture.

- Formulation, implementation and control of the corporation's Strategic Plan through the *Balanced Scorecard.*

- Strategy linked with operations (at detailed level, for instance, commercial managerial indicators).

- Immediate response to deviations of the operative performance versus the established goals (through managerial indicators).

- Performance management model based upon objectives, which uses the *Balanced Scorecard* as a support tool for staff's results-based reward.

- Conversion of the corporation's great amount of data into useful information for decision-making.

In concrete terms, since the implementation of the *Balanced Scorecard* in Corporación José R. Lindley up to date, the most important indicators have shown a favorable evolution at the four basic perspectives' level. Just to mention some examples, market share has increased, the managerial effectiveness index for distribution shows a superior efficiency level, the level of production losses has become reduced, the response time for attending requests of the Systems area has reduced; all of which impacts favorably in the firm's economic and financial results.

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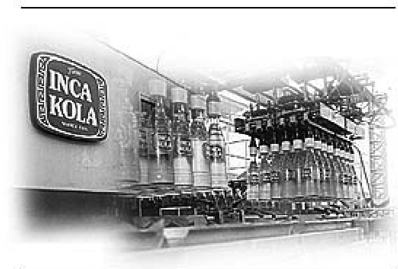
APPENDIX 1. PHOTOGRAPHS OF THE HISTORY OF CORPORACIÓN JOSÉ R. LINDLEY

Founders: The Lindley Family

Don Isaac Lindley

Old botles



Modern Inca Kola

Sales Force

Inca Kola's modern image

Source*: Corporación José R. Lindley (2005b).*

APPENDIX 2A. ANNUAL FINANTIAL SYSTEM (IN THOUSAND OF NUEVOS SOLES[1/])

General Balance (to December 31st, 2005, 2004, 2003, 2002, 2001, 2000 and 1999)

Account	2005	2004	2003	2002	2001	2000	1999
Assets							
Current Assets							
Cash and Banks	21.320	55.366	3.838	2.880	6.747	13.143	2.510
Negotiable Values (Accumulated net provision)	0	0	0	0	0	0	0
Receivable Trade Accounts (Accumulated net provision)	42.939	31.962	24.646	19.396	28.597	23.998	14.082
Receivable Accounts from Related	15.032	26.492	16.981	9.208	0	0	920
Other Receivable Accounts (accumulated Net Provision)	41.913	4.084	15.582	3.911	0	0	16.763
Inventory (Accumulated Net Provision)	74.244	37.241	29.896	25.194	24.556	31.376	37.448
Assets for Derivative Finantial Instruments	0	0	0				
Prepaid Expenses	2.339	23.872	716	1.192	1.181	1.208	3.378
Total Current Assests	**197.787**	**179.017**	**91.659**	**61.781**	**61.081**	**69.725**	**75.101**
Non- Current Assests							
Long-term Receivable trade accounts	2.815	0	361	402	1.145	1.512	0
Long-term Receivable accounts from related	0	49.583	0	0	0	0	0
Other Long-term receivable accounts	0	503	0	0	0	0	0
Inventory	0	0	0				
Permanent Invstment (Accumulated Net Provision)	4.470	480.526	10.472	14.322	2.459	0	92
Assets for Derivative Financial Instruments	0	0	0				
Real Estate Investments	0	0	0				
Real Estate, Machinery and Equipment (net depreciation and Accumulated devalorization)	365.891	153.009	144.994	152.269	157.021	189.026	219.978

Account	2005	2004	2003	2002	2001	2000	1999
Intangible Assets (net write-off and Accumulated devalorization)	39.197	20.783	22.955	27.600	36.636	0	0
Income Tax and Deferred Assts Participation	23.182	17.210	21.310	17.320	15.825	2.519	0
Goodwill	305.554	0	0				
Other Assets	19.257	11.782	10.684	17.826	10.268	50.243	4.816
Total Non Current Assets	**760.366**	**733.396**	**210.776**	**229.739**	**223.354**	**243.300**	**224.886**
TOTAL ASSETS	**958.153**	**912.413**	**302.435**	**291.520**	**284.435**	**313.025**	**299.987**
Liability and Equity							
Current Liability							
Bank Overdraft	1.632	0	0				
Bank Loans[2/]	23.567	120.541	5.563	25.794	39.541	96.035	61.820
Trade Payable Accounts	124.630	38.618	42.393	29.819	25.225	17.608	36.707
Payable Accounts from Related	45.098	85.887	0	0	0	0	0
Other Payable Accounts	57.295	29.146	10.042	10.892	9.951	39.991	13.552
Current portion of long-term Debts	5.889	71.235	41.976	10.760	8.231	2.443	22.006
Liabilities for derivative Finantial Instruments	11.562	4.532	0				
Total Current Liability	**269.673**	**349.959**	**99.974**	**77.265**	**82.948**	**156.077**	**134.085**
Non-current Liability							
Long-term debts	281.686	266.617	86.990	94.283	78.686	16.987	24.774
Payable Accounts from Related	0	0	0	0	0	0	0
Liabilities for Derivative Financial Instruments	0	17.711	0				
Deferred Income (net)	0	17.029	0	0	0	0	0
Income Tax and Deferred Liability Participation	39.018	21.649	21.310	17.320	15.825	11.468	12.183
Total No-current Liability	**320.704**	**323.006**	**108.300**	**188.868**	**177.459**	**184.532**	**171.042**
Total Liability	**590.377**	**672.965**	**208.274**	**266.133**	**260.407**	**340.609**	**305.127**
Contingency (Should only be shown when existent)	0	0	0	0	0	0	0
minority Stake	0	0	0	0	0	0	0
Net Equty							
Capital	580.981	118.340	210.039	205.921	202.478	321.887	258.349

Account	2005	2004	2003	2002	2001	2000	1999
additional Capital	0	223.083	0	0	0	0	0
Investment Shares	71.966	11.954	21.207	20.791	20.444	38.772	37.170
Unfullfilled Results	0	0	0				
Revaluation Surplus	0	0	0	0	0	0	0
Legal Reserves	4.335	118	112	110	108	2.230	2.129
Other Reserves	0	0	0	0	0	0	0
Accumulated Results	-289.506	-114.047	-137.197	-124.170	-116.054	-234.396	-168.703
Accumulated Effect from foreign currency re-exchange	0	0	0				
Total Net Equity	**367.776**	**239.448**	**94.161**	**102.652**	**106.976**	**128.493**	**128.945**
TOTAL LIABILITY AND NET EQUITY	**958.153**	**912.413**	**302.435**	**291.520**	**284.435**	**313.025**	**299.987**

1/ *In 2005, The average exchange rate was of US$1.00 = 3.30 nuevos soles.*

2/ *In 2002 and previous years, this item included bank overdrafts*

Source*: Conasev*

APPENDIX 2B. ANNUAL FINNANCIAL STATEMENTS (IN THOUSAND OF NUEVOS SOLES[1/])

Profit and Loss Statements

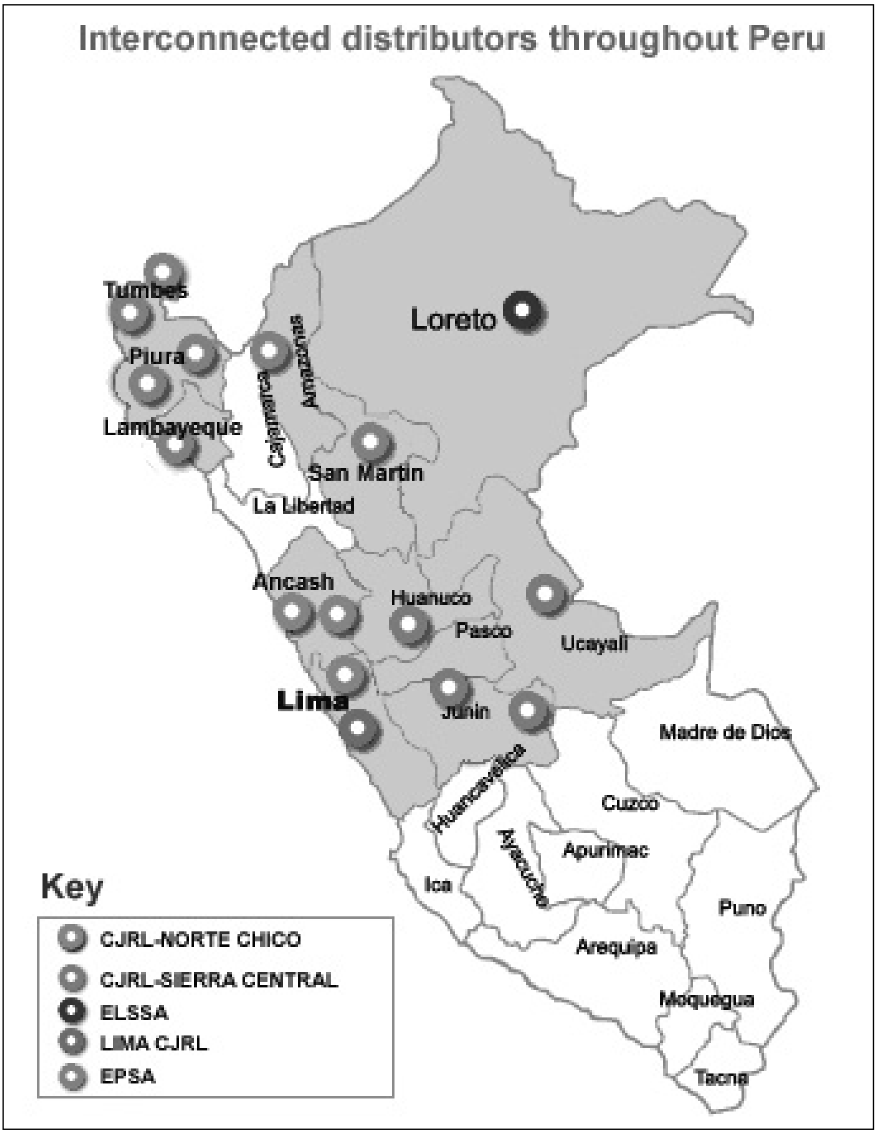
Account	2005	2004	2003	2002	2001	2000	1999
Operacionale Income							
Net Sales (Operational Income)	**753.722**	**357.158**	**265.391**	**257.400**	**225.245**	**222.430**	**224.167**
Other Operational Income							
Total Gross Income	**753.722**	**357.158**	**265.391**	**257.400**	**225.245**	**222.430**	**224.167**
Sales Costs (Operational)	-550.262	-286.803	-189.574	-180.041	-166.427	-157.390	-143.240
Other Operational Costs							
Gross Earning	203.460	70.355	75.817	77.359	58.818	65.040	80.927
Operational Expenditure							
Sales Expenditure	**-136.014**	**-47.068**	**-39.278**	**-37.963**	**-48.471**	**-62.971**	**-67.665**
Administrative expenditure	**-78.224**	**-33.229**	**-29.481**	**-26.030**	**-31.933**	**-30.705**	**-33.241**
Provision for assests Devalorization Loss							
Operational Earnings	-10.778	-9.942	7.058	13.366	-21.586	-28.636	-19.979
Other Income (Expenditure)							
Financial Income	4.546	2.220	240	1.408	1.622		
Financial Expenditure	**-59.593**	**-27.738**	**-13.551**	**-14.345**	**-15.656**	**-15.827**	**-18.540**
Shareholding on the results of subsidisry and affiliated under the equity sharing method	**1.247**	**-47.951**	**-4.136**				
Profit or loss for derivative financial instruments	**4.273**	**-22.243**					
Other Income	**63.001**		**3.874**	**3.535**	**1.054**		
Other Expenditure	**-104.460**	**-17.093**	**-7.606**	**-10.732**	**-27.943**	**-16.875**	**-32.732**
Accumulate Effect for changes in accounting policies							
Results for inflation Exposure		**44.776**	**3.577**	**625**	**214**	**801**	**-5.239**
Results Before Extraordinary Expenditure, Participation and Income Tax	**-101.764**	**-77.971**	**-10.544**	**-6.143**	**-62.295**	**-60.537**	**-76.490**
Participation of current and deferred workers	**7.622**	**-1.109**	**228**		**3.057**	**338**	**-170**

Account	2005	2004	2003	2002	2001	2000	1999
Current and deferred Income Tax	**19.731**	**-3.330**	**617**		**8.335**	**916**	**-460**
Results before Extraordinary Expenditure	**-74.411**	**-82.410**	**-9.699**	**-6.143**	**-50.903**	**-59.283**	**-77.120**
Extraordinary Expenditure (net participation and Income Tax)							
Results before Minority Stake	**-74.411**	**-82.410**	**-9.699**	**-6.143**	**-50.903**	**-59.283**	**-77.120**
Minority Stake	**1.081**						
Net Earning (Lost) From the period	**-73.330**	**-82.410**	**-9.699**	**-6.143**	**-50.903**	**-59.283**	**-77.120**
Preferred Stock Dividends							
Net Earning (lost) Attributable to non-preferred shareholders	**-73.330**	**-82.410**	**-9.699**	**-6.143**	**-50.903**	**-59.283**	**-77.120**
Basic earning (loss) for common shares	**-0.1123**	**0.681**	**-0.043**	**-0.03**	**-0.23**	**-0.1964**	**-0.36**
Basic earning (loss) for investment shares	**-0.1123**	**0.681**	**-0.043**	**-0.03**	**-0.23**	**-0.1964**	
Diluted earning (loss) for common shares	**-0.1123**	**0.681**	**-0.043**	**-0.03**	**-0.2182**	**-0.1964**	
Diluted earning (Loss) for investment shares	**-0.1123**	**0.681**	**-0.043**	**-0.03**	**-0.2182**	**-0.1964**	

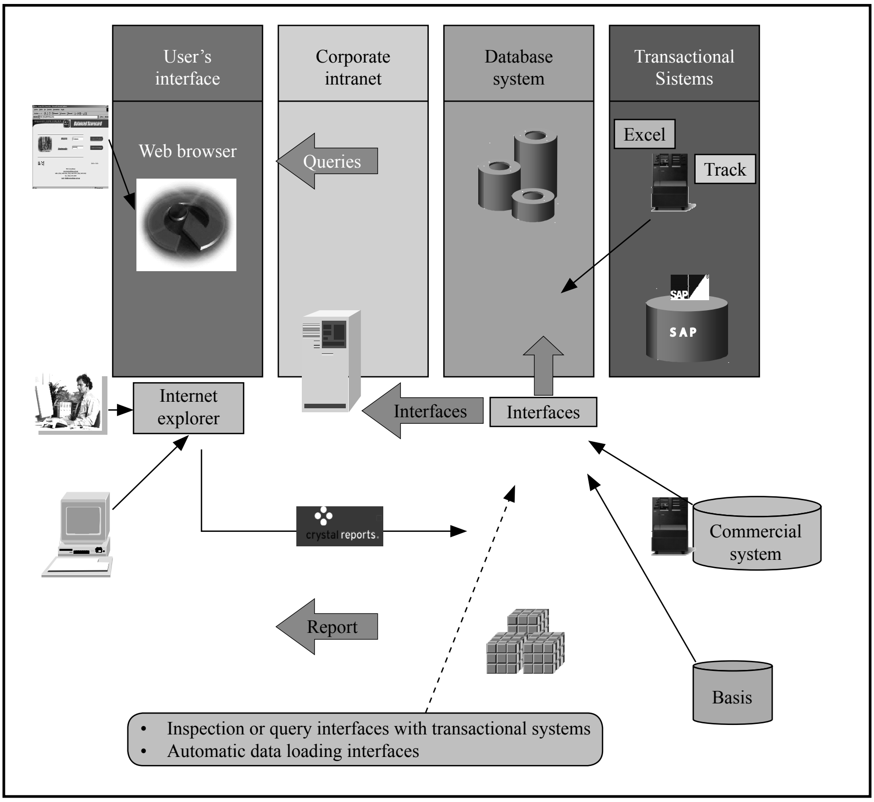
[1/] *In 2005, the average exchange rate was of US$1.00 = 3.30 nuevos soles.*

Source: *Conasev*

APPENDIX 3. GEOGRAPHICAL LOCATION OF DISTRIBUTORS



APPENDIX 4. TECHNOLOGICAL ARCHITECTURE OF THE BSC-E APPLICATION



Source: *Corporación José R. Lindley S.A.(2003a)*