



ART BARTER
CEO

Datron World Communications

INDUSTRY:
Communications equipment

COMPANY SIZE:
\$100 million

System Setup

G/L:
SightLine

Performance Management:
ActiveStrategy

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For an extended version of this Q&A — including a discussion of Datron's approach to "servant leadership" — find the online version at www.bpmmag.net

When Trust Is King

IN 2004, Art Barter was the vice president of finance for Datron World Communications, a division of Titan Corp. in San Diego that produced military communications equipment. When Titan began looking to sell the division, Barter himself stepped in. He believed in the company and its people — and in an approach to management that de-emphasizes the numbers. By focusing the organization's attention on optimizing its service to those whose lives it touches, rather than on its financial position, Barter has achieved remarkable growth in spite of himself.

BPM Magazine: *Once you purchased Datron, how did you go about changing the company's performance management processes?*

Art Barter: It started with developing a new vision for the company. At that point in my career, I had close to 20 years' experience in public companies, in various positions, where the focus was always on quarterly results, growing profits, shareholder value, etc. In that experience, I learned that corporations tend to make very short-term decisions, which tends to make leaders self-serving. I've met a lot of leaders who didn't care about the people who worked in their company; all they cared about were their bonuses and what they wanted to get out of the company during a specific time frame.

My management team and I decided that we didn't want to operate our company in a short-term environment. We wanted to operate it in an environment where we were able to make decisions on what was best for the company, not only in the short term, but also on a long-term basis. We wanted to have a very high trust level with employees; we wanted our employees to know we cared about them and their families. During the first year, we put together a mission and purpose that was very short and to the point. Our purpose is to positively impact people's lives today and in the future, to leave the folks that we deal with better off than they were when they first met Datron.

BPM: *How does the idea of positively impacting lives play out in the manufacture of military communications equipment?*

Barter: Well, for example, we have a customer who's the signals officer for the police force in

Zimbabwe, who was asked to control demonstrations there. His desire is to control those demonstrations through the use of communications equipment and not through the use of bullets. Those are the customers we like to help; we can make a positive difference in that country by allowing them to have peaceful demonstrations and elections.

BPM: *How do you translate Datron's purpose, which is a little amorphous, into strategies and planning for your company's operations?*

Barter: It's interesting. When we sat down in our first year to do a strategic plan, my staff asked me, "How do you want to see the company grow?" I said, "I'd like to take care of customers." They said, "But how much do you want to grow every year?" And I said, "I'm not going to tell you that. You're never going to hear me say, 'This year we're going to grow 20 percent.' What I'd like you to do is go find customers that we can help and impact their operations in a positive way with our equipment. If we're out there taking care of customers, then we'll be blessed with the revenue that goes with it." If you had interviewed me in our first year of operation and asked me, "Where will you be in four years?" I probably would have said, "We're going to be lucky to be \$20 million." And today we're pushing close to \$100 million annually. We don't set revenue growth goals for the organization. We say, "Let's go serve our customers. Let's go live our purpose and our mission and take care of people." The rest takes care of itself.

BPM: *How do you plan, then? Do you have a budget for managing expenses?*

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Barter: Yes, we do. We have an operational plan that we put together every year, based around a revenue forecast that comes out of our sales group. We use that operating plan to manage the business every day.

BPM: *What's your budgeting process?*

Barter: Our sales team's in Florida, and we usually spend a couple of weeks together, discussing our products and what we have

Barter: Yes. Everybody knows where we are in terms of orders, shipments, profits, and cash flow. Every month we sit down with managers, and once a quarter we share the financials with all employees. This is an area we improved dramatically during 2007 by implementing new software. Before that, we had our standard financial reports: income statement, balance sheet, cash flow, a list of the bookings we received, the backlog we

Everyone understands what the goal is. When I talk about on-time delivery, everybody knows what that measure looks like. Everyone understands the initiatives that we're working on. They know the people who are working on those teams. Everybody gets behind us, and the results are just amazing.

BPM: *How do you determine which key measures to keep a close eye on?*

Barter: The big measure we use for tracking revenue is monthly bookings — how we are doing on new orders against plan. In the international marketplace, that can be a little bumpy, so we also look at how we're doing in forecasting our bookings, how close we're coming to the forecast from six months earlier. If bookings are below plan by 30 percent, we know revenue is going to be below plan down the road, and the team makes adjustments to expenses.

On-time delivery to our customers is an extremely important metric. We also focus on cash. We have a cash report that the executive team reviews every week. For a private company, cash is king. Believe it or not, as we've grown this business, the most we've ever borrowed was about \$2 million, and we paid that off within a month of borrowing it. We've been able to grow this business with cash that we generated internally, which gives us all kinds of flexibility in the marketplace because we have no debt hanging over our heads.

BPM: *Are you making better decisions thanks to your dashboards?*

Barter: Yes. We're able to focus on areas of concern and spot problems early. One example I have relates to our engineering projects. Early this year, all our engineering projects were running late. So in our all-hands meeting, I did a one-page briefing book that showed the projects, which were all red, and the booking status, which was yellow. I said, "Guys, these two are inter-related. If we don't get these projects done, we're going to continue to be behind plan in bookings." That helped the engineering staff see their impact on bringing in new

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and what they need. We'll talk about what engineering efforts need to be completed during the year to support where the sales team wants to go — what the market needs. And we'll talk about what we can afford to do in those engineering plans and when we can have them available.

So I look at the support that goes into the sales effort, and I say, "This is what the engineering teams can do to support you." Then they go off and say, "With that support, now I can lay in plans on when I think I can win business in certain countries with certain customers." They lay out a revenue plan by country, by customer, by year, for the next five years; that's a rolling five-year plan. Once we have that, I turn it over to the CFO, and he works with our executives and their teams to turn it into an operating plan for the next 12-month period. We look at what kind of capacity we're going to need in the next 12 months to support the sales plan. If we see a big bump in revenue, like we did this year, that means we're going to have to launch a new capital campaign to bring in more equipment or more facilities. We use this process to plan our head count as well.

BPM: *Do you keep an eye on the financials as the year progresses?*

had, engineering projects we were working on. It was all numbers-related, and it didn't give us an easy way to find explanations for variances or to get to root causes.

But in 2007 we bought ActiveStrategy. With ActiveStrategy, we have stoplights in our dashboards that make it so much easier to spot areas of concern. If I see that a metric is red, I'm going to focus on that metric and read status reports for it. If I see blue — which means we're doing better than plan — then I can send out pats on the back through e-mail or give people a phone call.

BPM: *How much difference has this made for Datron?*

Barter: If I look back over the last four years, the weakness we've had is in execution. We have great plans, but we have a tough time executing. We've grown unbelievably, but there's a lot of turmoil that goes with growth. Having dashboard software has allowed us to focus on the important things in our planning. Instead of trying to do a lot of different things, we say, "Let's be good at these three or four things. Let's understand what impacts results in measurable ways, and let's stay focused on those things, instead of trying to do 10, 15, or 20 things that we think *might* impact the results."

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business. Now the engineers are focused, and they've finished some programs that have helped us gain about \$40 million worth of business. That's a very real result.

BPM: *Has your company's emphasis on positively impacting people's lives affected your approach to performance management?*

Barter: Yes, definitely. I make it a point to let employees know that Art Barter cares about them and their families. I'm here to help people be successful in life. Part of helping employees succeed is building their trust in their managers and in the company. To do that, you have to be transparent. If people catch wind that what you're telling them isn't true, your credibility goes in the tank.

We don't spin the numbers; we tell people the truth and help them accept that truth, whether it's good or bad. When I talk about the financials in an all-hands meeting, I use ActiveStrategy because that's our database. I don't create PowerPoints; I don't adjust data. If we have a tough quarter and cash is thin, and we have to put off some expenditures, folks aren't surprised. Usually they say, "Art, you should have done this a couple months ago. Let's make this change."

BPM: *Does presenting information directly out of the database of performance information give meetings a different dynamic?*

Barter: Very different. For some measures, I actually attach the detail in a document that comes off another system. So in the meeting, I can go click on that attachment and show the detail. Our employees see the same information that my executive management team sees. We all use the same database. I think that's really helped with trust.

BPM: *What benefits have you achieved by building trust with employees?*


Barter: I look at what I call a trust index. Every six months, I ask employees, "Do you trust your boss? And do you trust management?" Then I ask managers, "Do you trust each other?" From the results of this survey, we put together the trust index. When the trust index rises, we're earning the trust of

employees. They know that we care. And we've found an interesting correlation. In the fiscal year that ended last October, we saw amazing decreases in the labor content that goes into our product. We've doubled in growth, and our labor content has gone down about 25 percent. Seeing this made me sit back and realize, there's productivity that goes along with this. When people are happy and know that we care, they're going to care about Datron and our purpose here. And they're going to take care of business. We're experiencing the financial impact of trust.

BPM: *Does employees' trust in management affect relationships with customers?*

Barter: Yes, I believe it does. Employees who deal with customers feel empowered to take

Asia. When we first started selling to them, we provided a handheld radio that was advanced beyond what they'd been using. We provided training, but the soldiers had a difficult time learning to use them. After about a year, the general we were working with said, "I have a problem. Eighty percent of my military can't read or write their own language. With the radios you provided, I need to teach them to read before they can use the radios. I need a very simple radio that isn't as complicated for my troops to operate." So I asked him to list the five most important things he wanted in a handheld radio. He came back with the list, and we developed a radio that met his needs. When that radio was ready, we got on a plane, went in country, and met personally with the general to deliver him the first radio off that



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care of those customers. Whatever the issue may be, they're empowered to address it. If a customer is having problems with a radio on the ground and calls our customer service department, that group knows we're going to stand behind them 100 percent. They can take care of the problem and use every resource in this company to fix it — and not only to fix it, but to stay in contact with the customer, keeping them apprised of what we're doing, what we're not doing, and the time frames that we're doing it in. When a customer gets that type of response from a company halfway around the world, it really makes a difference.

BPM: *Do customers recognize, and appreciate, your company's management approach?*

Barter: They do, and I can give you an example. We provide tactical communications equipment for a military in eastern

line. He's never had any other company do that for him. He was thrilled that somebody cared about what he needed. Our product is going over gangbusters right now in that country because we took the time to listen, we cared about what that general's problems were, and we invested in R&D to help him solve those problems.

BPM: *How could this translate to another business? How could a manager in a public company build trust in the organization?*

Barter: The key is that they have to care about their employees and let that care show. That means investing time; it means stopping and talking with people when they have problems and celebrating when there are successes. Once people understand that you really care — that you're not just using them to get results — they'll bend over backwards for you.

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