



Datron's Story: Meaningful Measures—Infusing Company Values into a Balanced Scorecard

A Case Study | 2010

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Virtually every company has them: mission, vision, and value statements. At some companies, they are cursorily reviewed during annual strategic planning sessions. Others prominently display their professed values in lobbies and on Web sites. But seldom do companies incorporate their values into the very essence of their management and measurement systems. Datron World Communications has done this in an unusually tangible manner – and has reaped remarkable business benefits from the effort, including a more than tenfold increase in annual revenues.

Background

In 2004, Art Barter became CEO of Datron World Communications, a then \$15MM division of a public company that provides tactical communication equipment for global military and public safety applications. When the parent company began looking to sell the division, Barter stepped in and purchased the division because he believed it had enormous potential – if he could transform the way it was managed.

Barter's first change was to rethink the way success was to be measured. Rather than emphasize short-term financial results, which is what he'd seen dominate his nearly 20 years of prior experience within various public companies, he wanted to encourage Datron's leaders to act based on what was ultimately best for the long-term health of the company, its employees, and its customers. To provide the right direction, the team articulated a clear, concise mission for the company: to positively impact people's lives today and in the future, to leave people better off than they were when they first met Datron.

Redefining What Was Measured

But how do you actually progress toward this rather broad and sweeping mission? Not surprisingly, it all started at the top. Barter began to incorporate a style of management called "servant leadership," which is based upon trust, role modeling ideal behaviors, and inspiring employees to achieve their potential. Another big change was what he decided to measure – as well as what he decided **not** to measure. Rather than laying out specific short-term revenue growth targets, he told his people "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."

That's not to say that Barter didn't want to measure people or hold them accountable. In fact, he **elevated** the importance of measurement by measuring only what was truly meaningful and what would drive people to act in a way that would support the new mission.

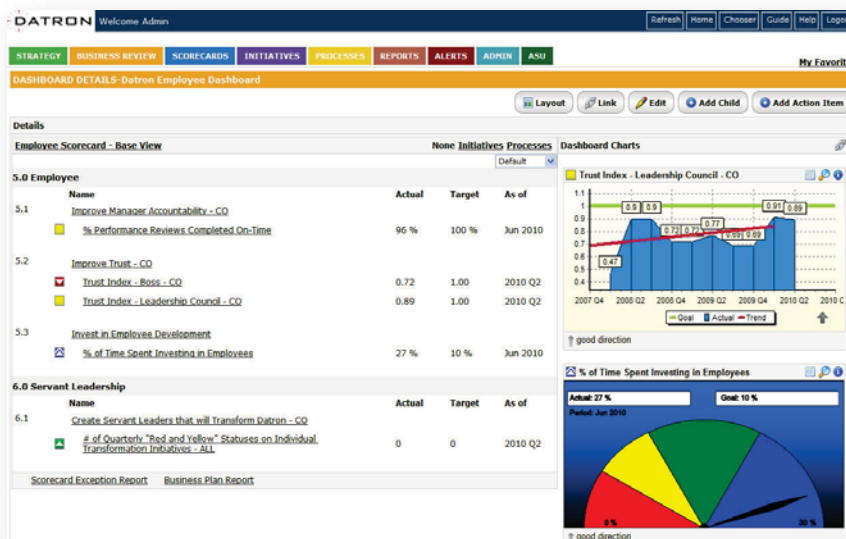
But Barter recognized that just picking a new strategy and some top-level measures would not result in its being executed. He believed that in about two thirds of Datron's departments, "there was a real disconnect between the strategic level and the active level for day-to-day operations. We needed help moving to the execution phase."

Leveraging Technology to Operationalize Strategy

In 2007, Datron sought out an execution tool that would allow them to measure their results in a continuous way and to build a new performance measurement discipline across the company. They narrowed their options down to include ActiveStrategy and two other vendors. In the end, Datron chose ActiveStrategy because the ActiveStrategy team demonstrated a deep understanding of performance management methodologies, because of the system's ease of use, and because ActiveStrategy's software best supported the type of Balanced Scorecard framework that Datron wanted to put in place.

ActiveStrategy provided an integrated approach, helping Datron build and refine their scorecards and dashboards, while also helping automate them in ActiveStrategy Enterprise software. This included refining the content on their top-level Balanced Scorecard, tweaking strategic objectives, measures, and targets to best reflect Datron's mission, as well as fine-tuning the current strategic and operational plan that would help guide progress. Lower-level scorecards were created by cascading key objectives and measures from the top-level scorecard, to which objectives and measures specific to the scorecard owner or department were added. This helped ensure that all department scorecards reflected the same strategy and the overall mission, as well as the work that needed to be accomplished within that particular area. This helped Barter clearly communicate throughout the organization what was expected and how each employee would be measured.

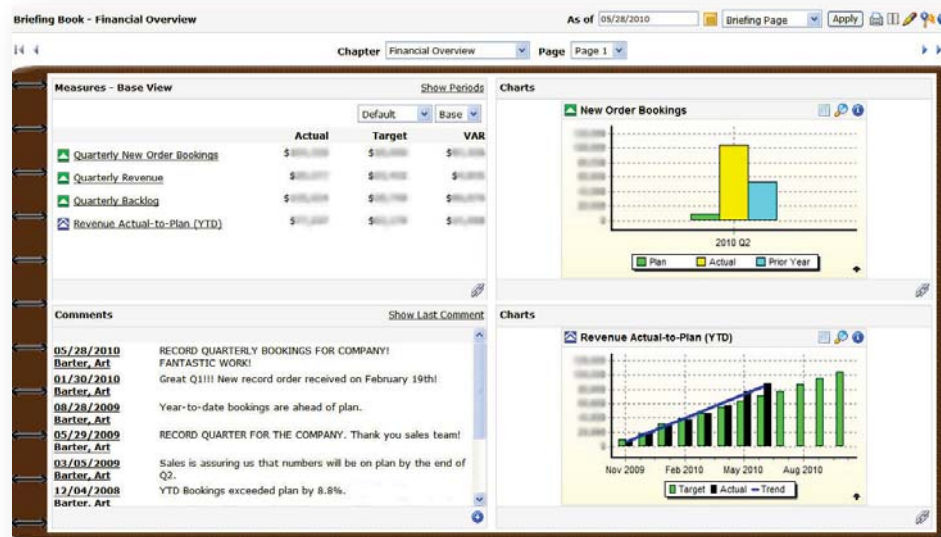
All of this content was loaded into ActiveStrategy Enterprise web-based software, which is designed to automate scorecards, dashboards, and all related performance information. Datron chose ActiveStrategy's on-demand, or Software-as-a-Service, version of the software, so they didn't need to worry about installing anything on their own servers or users' PCs. Each user simply accesses his or her own ActiveStrategy scorecards and dashboards via a secure web login, so Barter and his team can see the latest performance information whenever they need to – no matter where they are in the world. Implementing the software and populating the initial scorecards took Datron about 90 days.



Having this new software in place made it possible to focus on the right measures at the right levels of the organization and to expose the lower-level causes that could otherwise prevent the company's strategy from being successful. "This is an area that we improved dramatically during 2007 when we bought ActiveStrategy 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 had, engineering projects we were working on. It was all number-related and it didn't give us an easy way to find explanations for variances or to get to root causes." ActiveStrategy Enterprise software helped Barter and his team create that elusive tie between the strategy and the operational plans.

The software lets Barter and others on his team click either up or down through their measure hierarchies, allowing them to see causal relationships and lower-level drivers of important outcomes. Individual names are listed next to measures and related performance information, including improvement initiatives and action items, so it's clear who is responsible for performance and what is being done.

The entire management team now reviews performance using the software on a monthly basis. It has become a single, "go-to" source that allows everyone to see exactly what the priorities are, what current performance levels are, how performance has been trending over time, what projects are underway, and who is responsible. "With ActiveStrategy, we have stoplights on 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 blues – which means we're doing better than plan – then I can send out pats on the back."



Measuring the Difficult to Measure

Rather than focusing solely on typical financial measures like quarterly revenues and profit growth, Barter measures things that most companies would say are far too difficult to measure: trust, character, competence, and leadership, for example. As Sheri Nasim, Datron's Director of Strategic

& Operational Planning puts it: “Many companies build measurement into their culture, but very few build culture into their measurement.” Since these and other drivers of culture aren’t typically measured, the team had to develop ways to track and assess them.

One example that they devised was a series of questions that are now asked regularly across the entire company, including: “Do you trust your boss?” and “Do you trust management?” These straightforward questions allow only yes or no responses, since Barter believes that trust can’t be measured in degrees. It’s either there or it’s not. And when he found that the levels of trust of the management team were low, he and his team went to work to understand what the causes of distrust were and what changes could be made to build up this critical characteristic. This “trust index” is tracked on Datron’s scorecard in ActiveStrategy Enterprise software, as are the incidences of individual managers exhibiting servant leadership.

Barter shares the current trust index, as well as other important operational and financial measures such as orders, shipments, and cash flow, with his entire staff. He believes this openness builds trust and allows everyone to see where problems exist and contribute to their solution. “Every month we sit down with managers, and once a quarter we review the scorecard with all employees. Our employees see the same information that my executive management team sees. I think that’s really helped with trust.”

Seeing a red stoplight on a dashboard means we need to improve, so it’s something we should talk about, not shy away from or try to hide.” Communicating these changes openly helped, as did the trust index itself. Seeing the management team take action when trust issues were identified made a big impact. Not only did the trust index rise when employees saw change occurring, but the effectiveness of the employee base rose too. Barter found that there was an unmistakable correlation. “We entered 2010 with record backlog, no debt, a strong balance sheet, and less than 3% turnover. We’re experiencing the financial impact of trust.”

What Other Results Have Been Achieved?

Barter and his team have come a long way since his initial decision to steer Datron in a new direction. With the help of ActiveStrategy, they’ve created a robust, automated performance measurement framework that reflects both the mission and the values of the company. They use the framework to make daily decisions, keeping the health of the company as well as the values in constant sight. They cascaded the framework down all the way to individual employees, making the goals and performance data transparent, accessible, and actionable. They’ve reduced internal friction between departments, increased cooperation and trust among employees, and have improved the company’s ability to serve their customers.

In addition to the impressive gains they’ve seen internally, Datron attributes their steadily increasing stream of new business to their effective integration of their mission into their management practices, as well as the way they’ve been able to “operationalize” their strategy with the help of

ActiveStrategy Enterprise software. This year, they expect to hit close to \$200MM in new orders which is almost 13 times the sales levels they saw before the new mission was in place and integrated into their management framework.

Barter states, "positively impacting the lives of others, serving those we come into contact with, and focusing on the needs of others first has provided returns for our company beyond our own expectations. The journey has been priceless!"

