

A Balanced Scorecard Journey

By Gail S. Perry

Co-Author of *The Institute Way*

Karen Ponce, CEO of Shat-R-Shield, has a mantra: "As President, my job is to work ON the business, not IN the business."

I've known Karen for a couple of years now so as the 2010 holidays approached, I sent an email to Karen to see how things were going.

Her response certainly got my attention!

"Hi Gail - things are going well. **We netted more income in 2010 than in the history of the company.**"

Clearly, working ON the business pays off.

I asked Karen if she'd be willing to share her company's experience and in January we sat down to talk.

Shat-R-Shield is a 40-yr-old manufacturer specializing in plastic coated shatter resistant lamps for the food and consumer products processing and packaging industries. Translation: their product ensures that your food, cosmetics and personal care products do not contain shards of shattered glass from overhead lamps and lights in factories / assembly plants.

Ten years ago, Karen introduced the discipline of strategic planning into the business because she realized the importance of having the entire organization work toward common goals. Over the next few years her team incorporated components of various strategic planning models and implemented elements such as Vision, Mission, SWOT analysis, BHAGs, and Customer Value Propositions. They also set targets for the company and selected initiatives to try and meet their corporate goals. Soon the company began to realize the benefits of strategic planning and wanted to take it a step further.

In 2005, Karen and the management team began to focus on process improvement and attended some training at a local university in which they first learned about the concept of a KPI balanced scorecard and decided to try the approach.



Working ON the Business

"We went through the basic steps and it was a bit crude, but a good foundation," Karen said. "Over the next 3-4 years, we were successful because for the first time we were measuring things that were really important across the entire company. But it was way too much – we had over 20 objectives."

They learned a lot however because for the first time Shat-R-Shield was **measuring performance**. Some of their measures included net profits, cost per unit, and sales per employee. Of course, these were mostly financial measures. Shat-R-Shield had a more difficult time finding measures for the Internal Process and Learning & Growth perspectives of their operational KPI scorecard and ended up with less meaningful output measures such as number of process improvement projects completed and number of training events. This meant the company was performing these tasks, but it didn't reveal if the results were successful.

But in spite of the challenges, they realized benefits from becoming a **measurement managed business**. For example, they learned how many dollars they should earn for every dollar in sales and marketing spent and they watched it monthly. They also knew their cost per unit and monitored it, as well. And because they could now measure some things precisely, **messed targets resulted in swift action**.

Two years ago, the company began to position itself for aggressive growth by reorganizing and adding three new Vice-Presidents to the executive team. But Karen had trouble teaching her new executives how to use the company's operational balanced scorecard. **To her new team members, it just seemed to be a set of metrics without any clear logic behind it.**

And this is when I first met Karen. She called to ask me about refresher training so she could better explain the balanced scorecard management framework to the rest of team. After she and her CEO attended our training course, she decided to "outsource the explaining" and sent the rest of her team to the Balanced Scorecard Institute for training. **"And THAT,"** she said, **"was the turning point. They came back FIRED UP! They saw what this tool could do for them and literally came back with a fire in their bellies."**

Through the training, Karen realized her current balanced scorecard was simply an operational KPI scorecard. The reason it was "hard to explain" was because it was not an integrated balanced scorecard strategic planning and management system.

Consequently, Karen decided to start over and build a **strategic balanced scorecard**. In June 2010, the new balanced scorecard effort was launched and **by the end of 2010, they had netted more income than in the history of the company.**

So, what's in store for 2011? Karen and her team are currently revising their strategic balanced scorecard to support their goal of doubling the company's sales over the next 5 years. And they are involving more people than ever in the planning process to ensure strategic alignment.

Their new balanced scorecard is now refined to include only eight strategic objectives. And the team quickly realized they needed to take immediate action to improve performance in the Learning & Growth and Internal Process perspectives in order to support rapid growth. As a result, they are now focused on three major strategic initiatives:

- Optimize the Business Systems
- Improve Process Management
- Improve Product Development

In addition to forming integrated teams to effectively execute these initiatives, Shat-R-Shield is currently in training to cascade their strategic organization wide scorecard throughout the company to ensure clarity and alignment are in place to achieve the 5-year growth strategy.

Karen readily shares her philosophy with other executives on how to successfully guide and grow a business: *"Executives get so caught up in the day-to-day running of the business that they don't work ON the business. As President of the company, I should spend 80-90% of time working ON the business. And implementing a cascaded and aligned **balanced scorecard strategic planning and management***



Shat-R-Shield's Progression

2001 – Implemented Strategic Planning

2005 – Implemented KPI (Key Performance Indicator) operational scorecard to manage performance

2010 – Implemented an integrated Strategic Planning & Performance Management System

*system is time well spent working ON the business because it **gives clear direction and guidance to those I entrust and empower to work IN the business.***

About the author

Gail S. Perry is co-author of *The Institute Way*. With a career spanning over 30 years of strategic planning and performance management consulting with corporate, nonprofit, and government organizations, she enjoys speaking, training, and writing, sharing her experience with others. She currently is the Vice President at Credera.

About Shat-R-Shield

Shat-R-Shield is the original manufacturer of the most reliable shatter-resistant, shatterproof lamps and light bulbs that has been providing safety coated products for over 30-years and established the shatterproof lighting industry. Currently, millions of Shat-R-Shield lamps and lighting products are on-the-job worldwide for a wide variety of industries seeking the most reliable and most cost-efficient worksite protection. Shat-R-Shield's mission is to provide their customers the highest quality services and safety-coated products that meet or exceed their expectations.

About the Balanced Scorecard Institute (BSI)

BSI provides consulting, training, and professional certification services to organizations worldwide related to strategic planning, balanced scorecard, KPI/performance measurement, and strategic project management.

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