

Gerber Case Study #17: Implementation of Results Management System to Facilitate Growth

Background

Gerber was founded in 1939 and is located in Portland, Oregon. The company began as a small manufacturer of stainless steel kitchen cutlery and by the early 1960's had transitioned into a niche sporting and tactical knife business. Gerber was acquired by Fiskars, a Helsinki-based public company, in 1988 and it remains in their portfolio today.

Two new executives (President and VP of Sales and Marketing) were installed at the company in 2001 to establish a more professional and aggressive approach to running the then \$48 million business. The executive team quickly established a number of market-facing strategic initiatives (focus and investment on upgrading talent, new product development, brand marketing, and supply chain) that enabled a 60% growth in revenue over the next four years.

The company promoted its existing VP of Sales and Marketing to President in late 2004. Over the next six years, he and the rest of the organization continued to build on the previous strategic priorities, made four acquisitions, divested two businesses due to a change in corporate direction, implemented a few lean-related projects, and surpassed \$115 million in annual global revenue in 2010.

Problem

In 2011, however, as the President began to prepare for the formal strategy review and 5-year planning process, he and the leadership team began to see concerning symptoms resulting from the significant growth the company had achieved over the past decade. These symptoms included, but were not limited to, organization deficiencies, cross-functional disconnect from strategic priorities, reactionary management environment, core processes inefficiencies, waning employee engagement, slowing growth, and inconsistent execution. In their own way, each of these symptoms were negatively impacting performance. While previous lean projects of limited scope were an effective prescription for a specific function or process inefficiency, they were not sustainable and did not support the most important cross-functional work that needed to be done to serve the company's customers.

In short, organizational constraints, coupled with the rate and nature of marketplace change, were creating complications that were quickly outpacing the existing ad hoc management system and tools.

Solution

As part of its Vision 20/20 initiative, Gerber engaged Mass Ingenuity to facilitate the implementation of a new and enterprise-wide management system. Mass Ingenuity's Results Management System™ would allow Gerber to harness the full capabilities of the organization and to prepare it for its next growth stage.

The work, involved the President as sponsor, the tier 1 executive leadership team and the tier 2 key managers. Building Gerber's Results Management System included refinement of the company's shared vision, mission and values, establishing high-level operating objectives, key goals, and outcome measures that would define success. The team built a Fundamentals Map consisting of operating and supporting core processes that were aligned with applicable cost / quality / time process measures. In addition, Scorecards were created for all outcome and process measures to provide real-time "red / yellow / green" visual performance indicators.

A Breakthrough Map was also developed to identify capability enhancement and / or new strategic opportunities with corresponding detailed work plans. Next, structured problem-solving training was provided to imbed data-driven root cause analysis in order to support overall process improvement that saved money, improved customer satisfaction, and strengthened employee engagement.

Gerber's leadership team then implemented the discipline of regular data-driven business reviews. The team extracted a subset of the scorecard outcome measures to guide weekly update meetings and to drive a more forward-thinking mindset. Employee surveys were conducted before, during, and after implementation. Additionally, the team implemented a formal quarterly target review meeting that served as the forum for a regular check-in on all measures and breakthrough plan progress.

Results and Impact

Payback on the investment in the Results Management System was evident even before the implementation was complete. Over the course of the next three years, Gerber achieved the following significant results:

- 1) **Employee Engagement:** Involving tier 2 key managers in the process from the start achieved a strong sense of ownership and commitment to a new way of working. Employee surveys indicated a significant improvement in engagement scores between pre and post implementation. Post implementation, the company earned AON Hewitt's "Best U.S. Employer" award with an overall score of 75% -- +7 points higher than pre-implementation and +16 points higher than the AON composite U.S. average of 59%.

- 2) **Cost Reductions:** Refinements in core processes (procurement, manufacturing, inventory management, quality management) and utilization of process measures to drive action, allowed the company to identify and generate more than \$1.5 million in savings which was then re-invested back into product development, marketing, sales, and employee lifecycle initiatives.
- 3) **Incremental New Revenue:** Strategic Breakthrough Initiatives related to product category / brand portfolio development, improved sales management approach with key customers / prospects, and entry into new distribution channels / geographic markets, generated more than \$15 million in new revenue.
- 4) **ROI:** In the end, a 10:1 ROI ratio was achieved from cost reductions alone. The incremental profit earned on the new revenue returned a higher average given that the SG&A increased minimally over that period of time as the company realized the benefits of streamlined processes and root-cause problem-solving, both of which required less resources to manage.
- 5) **Parent Company Response:** Gerber leadership utilized the Fundamentals and Breakthrough Initiative Maps, and Quarterly Target Review scorecards, at monthly employee town hall meetings, monthly business unit updates with Fiskars corporate personnel, and at various Board meetings. Feedback from company employees, corporate leadership, and Board members was extremely positive as to the visual nature of the materials and the conciseness with which audience-relevant information could be communicated.

Quote from Jason Landmark, Executive Sponsor and President

“The evolving market environment, changing competitive landscape, and increasing business complexity are unrelenting consumers of finite organizational resources. Our work with the Mass Ingenuity team, and implementation of the Results Management System, provided a comprehensive framework that struck the right balance between “order and freedom” -- disciplined process workflows, metrics that drove action, line of sight accountability for decision-making and problem-solving. It created a positive internal-control environment that allowed us to devote more time and energy on the external-facing challenges and growth initiatives, which exceeded our expectations across the board.”