

Abstract

Southern Gardens Citrus, a subsidiary of United States Sugar Corporation, competes in an increasingly consolidated and competitive market for not-from-concentrate orange juice. In 1995, Tristan Chapman, Southern Citrus vice-president and general manager, believed the Balanced Scorecard could help align the organization, provide performance feedback, and highlight areas for improvement. Since implementing the Balanced Scorecard, the results have been outstanding. Southern Gardens Citrus is now the lowest cost supplier of bulk not-from-concentrate orange juice in the citrus industry. Chapman notes: "The Balanced Scorecard has been the key to our organization's success. It provides a perfect framework for achieving positive business results." Squeezing profits out of every orange, SGC is now one of the most efficient juice producers in the world.

The Balanced Scorecard helped Southern Gardens Citrus achieve the following:

- In 1995, Southern Gardens supplied 0% of the NFC (not-from-concentrate orange juice) private label market and was in last place among bulk NFC suppliers. Today, Southern Gardens supplies 60% of the NFC private label market and is considered the benchmark for bulk NFC suppliers.
- Within four years of scorecard implementation, Southern Gardens became the lowest-cost supplier of bulk NFC in the citrus industry.
- Winner of the Kroger Outstanding Supplier award in 1996, 1998 and 1999.
- Tropicana Supplier of the Year 2001.
- Number one among Florida citrus processors for "Extractor Utilization" in 1997, 1998, 1999, 2000 and 2001.



Background

Encompassing 32,000 acres of citrus groves, Southern Gardens Citrus (SGC) is the nation's most technologically advanced citrus processing plant. With 230 full-time employees and another 60 employed seasonally, Southern Gardens' groves produce over seven million boxes of Valencia and Hamlin oranges each season. The citrus plant processes over 19 million boxes of oranges, producing more than 120 million gallons of not-from-concentrate and frozen premium quality orange juice annually. Using state-of-the-art technology and assuring consistently high quality juice, Southern Gardens supplies more than 60% of the nation's private label not-from-concentrate orange juice.

Southern Gardens is a subsidiary of United States Sugar Corporation and competes in a lowest-cost supplier market for not-from-concentrate orange juice. They felt price pressure from offshore (especially Brazilian) competitors with lower labor costs and needed a tighter strategic focus for their business. In addition, the vice-president and general manager, Tristan Chapman, felt that SGC lacked enough hard data on how they were performing—data he felt they needed in order to manage change.

One of Southern Gardens' equipment suppliers, FMC, was using the Balanced Scorecard. In 1995 they introduced it to Chapman, who decided it could help Southern Gardens to accomplish three goals:

- Align the organization with its overall mission
- Give excellent feedback on the organization's level of performance
- Provide focus on areas that require improvement
- Chapman also chose the Balanced Scorecard because it:
 - Motivates employees to act in ways that increase the company's value to the shareholders
 - Rewards all team members who are accountable for performance.
 - Enables Southern Gardens to attract and retain outstanding employees



Mobilize

Tristan Chapman, Vice-President and General Manager of Southern Gardens Citrus, sponsored the use of the Balanced Scorecard after FMC, an equipment supplier, introduced their own corporate scorecard to him. Brasington Beakley, Juice Operations Manager, also played a strong role in implementing the scorecard.

Chapman felt some urgency to introduce the Balanced Scorecard because the orange juice industry was consolidating and Southern Gardens had not gained a foothold in either the not-from-concentrate or bulk concentrate supplier markets. (SGC started their production plant in January of 1993).

To build a scorecard leadership team, Chapman organized the plant of more than 150 employees into 10 operating teams, each team with a manager who operates within the Balanced Scorecard framework. In addition, he organized the shared services functions at the plant level (Safety, Quality, Continuous Improvement) into teams. A few shared services (HR and IT) are still housed within the parent company (U.S. Sugar).

Construction of the scorecard started in June 1995 and was implemented the following October. Nineteen ninety-five became the baseline year for subsequent performance comparisons.



Mobilize

Strategic Management

Chapman and his team believed strongly that while a corporate Balanced Scorecard is important, the passion to pursue a well-defined purpose with appropriate guiding principles is just as important. To that end, he and his managers established a set of “core values” as the “fifth perspective” on their scorecard. These values have their own measures and targets, just like the other four perspectives.

Coupled with the company’s mission to “Continuously improve and become the low cost supplier of high quality citrus products to our customers, while maximizing returns to our shareholders,” the values answer the question: “By what principles do we choose to operate this business?”



Translate

Corporate Strategy

Southern Gardens operates in a simple market: orange juice. They specialize primarily in “not-from-concentrate” juice, a market segment that has relatively higher profit margins compared to juice concentrates. Nevertheless, not-from-concentrate products are still commodities. This requires the company to pursue an operational excellence strategy with a heavy focus on productivity and quality. Specifically, Southern Gardens set a goal to become the lowest cost provider in its chosen segment of the orange juice market.

For the year 2001, Southern Gardens Citrus established the following five strategic goals:

1. Increase sales of NFC by 50M gallons.
2. Secure 2/3 of fruit supply on a long-term basis.
3. Achieve an integrated cost of production per pound solid of \$X.
4. Continuously improve processes, products and lower costs.
5. Continue to improve human resource, technical and operational skills as a competitive advantage.



Translate

Corporate Balanced Scorecard

Southern Gardens has essentially two scorecards:

- A corporate Balanced Scorecard (BSC) for strategic direction consisting of five perspectives or focus areas
- A separate Bonus Scorecard, which shows the specific measures for each BSC objective. The Bonus Scorecard measures performance for bonus compensation purposes.

Below is SGC's corporate scorecard.

Southern Gardens Citrus Processing Balanced Scorecard At-A-Glance as of 5/31/02											
Perspective	#	Key Metrics	2001-02 Goal	Scoring Criteria					Actual Results		
				1	2	3	4	5 Goal		6	7
Financials	1	Total Unit Cost								X	
	2	Budget Management	< 5% Over Budget								
Internal Measures	1	Juice Yield	Total Yield > 107.5%							X	108.25%
	2	Total Oil Recovery	Total Oil Recovery > 60% available	X							55.5%
	3	TPM	Scheduled Compliance > 80%			X					79%
			PM Compliance ≥ 80%							X	91%
Customer	1	Shipments within Specification	≥ 97.3% within Micro Spec			X					97.22%
	2	Loading Cycle Time	Trop NFC < 2 Hours					X			1.9 Hours
			OOS NFC < 2.25 Hours						X		2 Hours
			OM < 2.5 Hours	X							4.1 Hours
	3	Customer Service	Customer Partnership Plan			X					Target
Core Values	1	Safety	90% VPP Compliance								
	2	Teamwork & Attitude	1 Skiplevel Meeting								
	3	Productivity	10 Processes Improved							X	37
	4	Quality	Supplier Partnership Review				X				Complete
			Sterling Self Assessment					X			Complete
Innovation & Learning	1	Training	40 Hours of Personal Development Training								
	2	Continuous Improvement	Identify 5 Improvements in Each of the 5 Categories							X	100%



Make Strategy Everyone's Job

Chapman and his team created a communications program by which the corporate scorecard was introduced to every employee. This consisted of involving everyone in the development, alignment, and communication process of forming and implementing the yearly scorecard.

Personal Scorecards

The annual review and revision of the corporate Balanced Scorecard is completed between July and September. Relatively few changes are made in the financial and production outcome measures that drive Southern Gardens' not-from-concentrate juice market niche. However, each year's strategic goals for coping with market changes are translated by cross-functional management teams (one per scorecard perspective) into specific objectives and measures for bonus purposes. At this point, departmental teams and individuals translate those "bonus scorecard" goals into personal/team objectives—their own scorecards.

Balanced Paychecks

Southern Gardens instituted a system of bonuses for all employees. Before 1996, all of these bonuses were awarded on the basis of individual performance. Then, from 1996 to 1998, the plant instituted a 50-50 combination of team and individual bonuses. This seemed okay at first and conformed to the prevailing expert view (and corporate compensation trend) that team-based performance incentives were the way to go. However, the hourly employees gradually grew to dislike this system. While they liked individual bonuses, they felt that team measurement was out of their control.

Beginning in 1999, bonuses once again were awarded on an individual basis. Nevertheless, SGC continued to collect team-based measurements report them for day-to-day management of production processes. This data later became the basis for team-based non-cash recognition, which the hourly employees began to prefer even more than individual recognition.



Make Strategy Everyone's Job

Balanced Paychecks

According to SGC's vice president and general manager, Tristan Chapman, "Tying compensation with the Balanced Scorecard is an excellent way to reward individuals and teams for achieving corporate objectives. This piece has withstood the test of time mainly because we have been responsive to feedback and made adjustments where needed.

The measurement basis for the bonus awards is the Bonus Scorecard. This consists of Balanced Scorecard-based measures with three levels of performance for each measure. It is possible to earn less or more than the target-level bonus, based on designated "threshold" or "excellent" levels, respectively.

As an example, an 8% bonus (based on annual salaries) might be allocated for hitting 100% of the targeted performance levels associated with various bonus scorecard metrics.

Bonus Scorecard - Key Measures

<p><i>Financial</i></p> <ul style="list-style-type: none"> ● Total unit cost per lb. Solids ● Budget variance <p><i>Internal Measures</i></p> <ul style="list-style-type: none"> ● Juice yield ● Total oil recovery ● Total Productive Maintenance (TPM) <p><i>Customer</i></p> <ul style="list-style-type: none"> ● Percent shipments within specs ● Loading cycle time ● Customer service 	<p><i>Core Values</i></p> <ul style="list-style-type: none"> ● Safety ● Teamwork and Attitude ● Productivity ● Quality <p><i>Innovation & Learning</i></p> <ul style="list-style-type: none"> ● Training ● Continuous Improvement
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Make Strategy Everyone's Job

Non-Cash Rewards

Southern Gardens has a variety of programs for recognizing teams and individuals. Among these non-cash recognition initiatives are both scheduled and unscheduled approaches.

One unscheduled form of recognition is the SPOT program. This stands for "Spontaneous Planned Organizational Tribute"—an on-the-spot award of a certificate of recognition by a manager. Any employee (manager or non-manager) can authorize a SPOT award to be given to another employee for meritorious achievement. A t-shirt, cap, or a gift certificate to a local restaurant or small cash award may accompany the SPOT recognition certificate.

A scheduled form of recognition is the annual "Employee Appreciation Ceremony," an all-company meeting that involves a number of different recognition awards. Following is a brief description of each.

The Innovation Award

Two or three Innovation Awards are given each year to individuals or teams for ideas that worked when implemented.

Cross-Functional Team Award

This award is given to any cross-functional team, temporary or long-term, which generates a major accomplishment. For instance, the cross-functional safety team at Southern Gardens received this award for creating the conditions that generated a full year of service without a loss-time accident, something that had never happened before.

Perfect Attendance Award

As its name implies, this award goes to those workers who have not missed a day of work or been tardy in the past year.

Five-Star Award

In this "People's Choice" award, hourly employees nominate and vote on individuals who, in their judgment, exemplify the Core Values of Safety, Teamwork, Attitude Quality, and Productivity.



Make Strategy Everyone's Job

Non-Cash Rewards

The High Performer Award

Each member of the plant's 10 Area Teams is rated on four of the five core values. These four are collectively known as the "STAQ" values, and include Safety, Teamwork, Attitude, and Quality. The ratings on each individual are quantified as far as possible. However, the team leader and the shared service people with whom an individual interacts together generate some of the ratings as a matter of judgment.

Based on the sum of these ratings for each individual in an area team, the one with the highest sum is honored as a "High Performer" for that team.

Employee feedback on the non-cash rewards indicates that they may be more motivating and generate fewer hard feelings when recognition from management is generated for contributions by teams rather than individuals. Singular contributions are often difficult to prove, and sometimes unacknowledged individuals feel that they helped create outcomes for which someone else is recognized.

Paul Carr, the Technical Services Manager, notes that a recognition award system usually needs to be adjusted every four years or so—sometimes more frequently, depending on the degree of negative feedback generated. He estimates that when a significant minority—perhaps a fourth—of those involved begins to disagree with an award, it needs to be overhauled. Otherwise, their negative feelings can impact their motivation to focus on positive business outcomes. In addition, the negative feelings are soon shared with others and can impact overall perceptions.



Results

- In 1995, Southern Gardens supplied 0% of the NFC (Not-from-Concentrate orange juice) private label market and was in last place among bulk NFC suppliers. Today, Southern Gardens supplies 60% of the NFC private label market and is considered the benchmark for bulk NFC suppliers.
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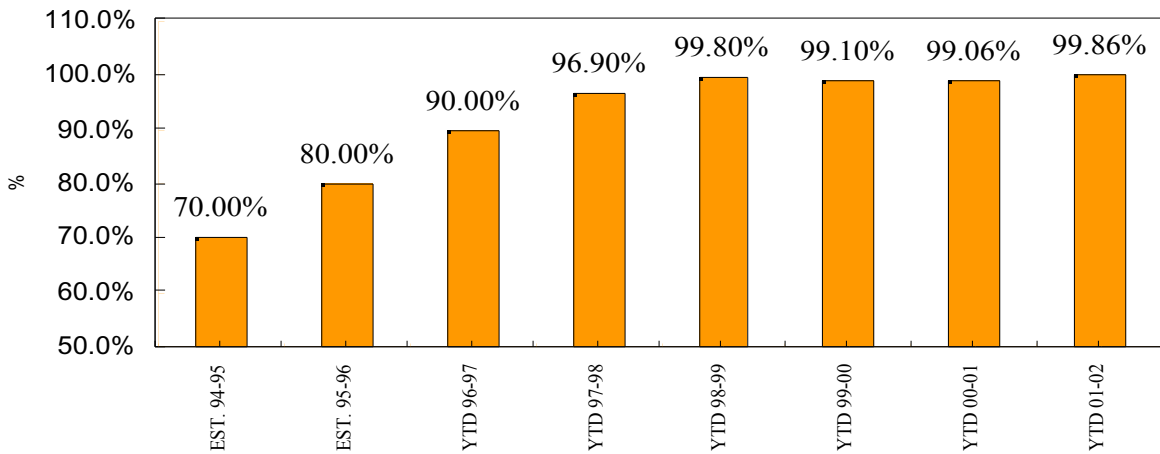
Southern Gardens Citrus is leading its peer group in the orange juice industry on a variety of fronts. Some sample results from each of their five perspectives are illustrated on the next few pages.



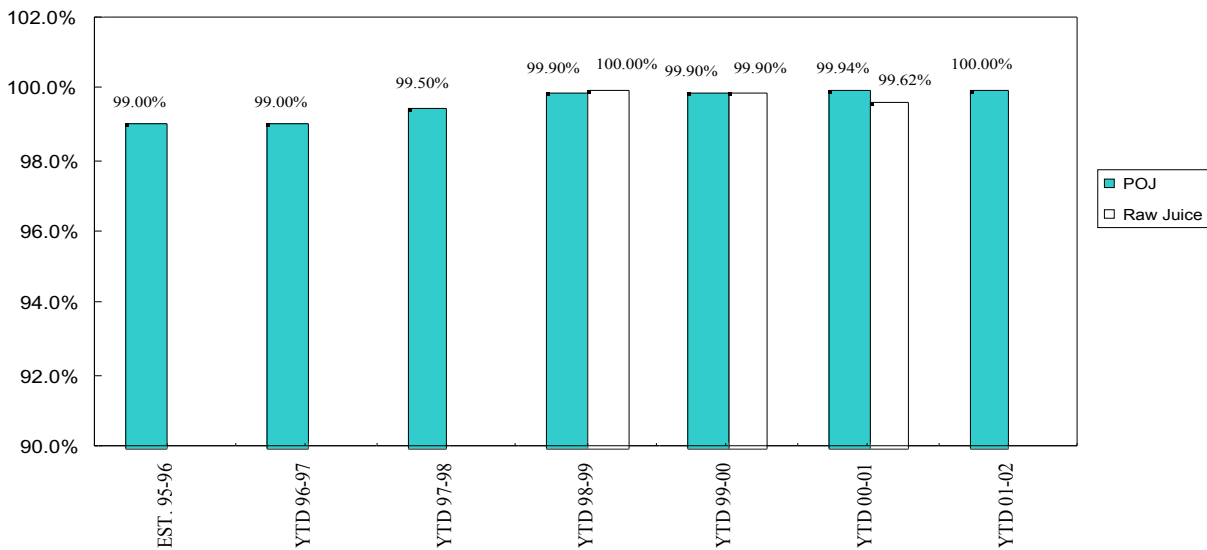
Results

Customer – Percent Shipments within Specification, Loading Cycle Time and Customer Service

OM Shipments' Chemical Specifications % within Specification

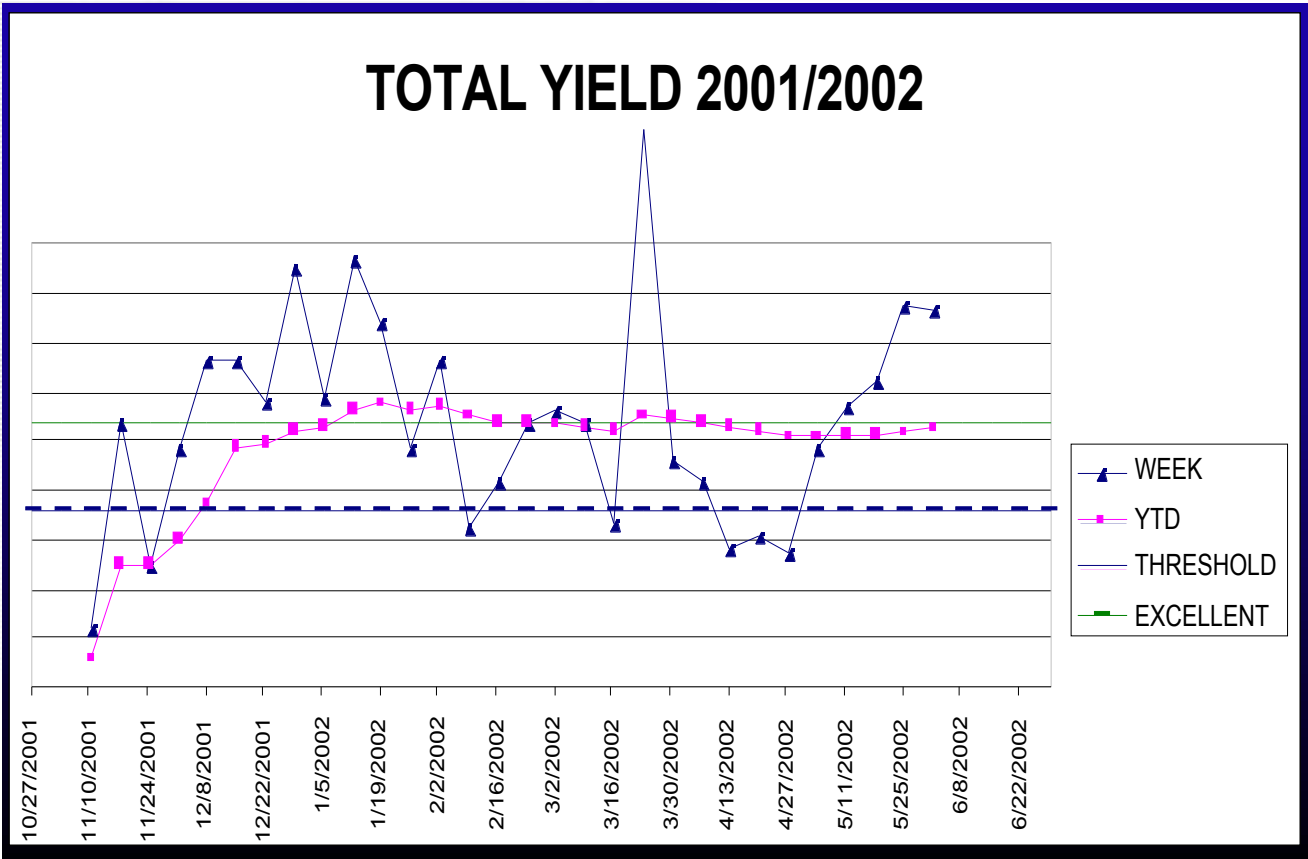


NFC Shipments' Chemical Specification % within Specification



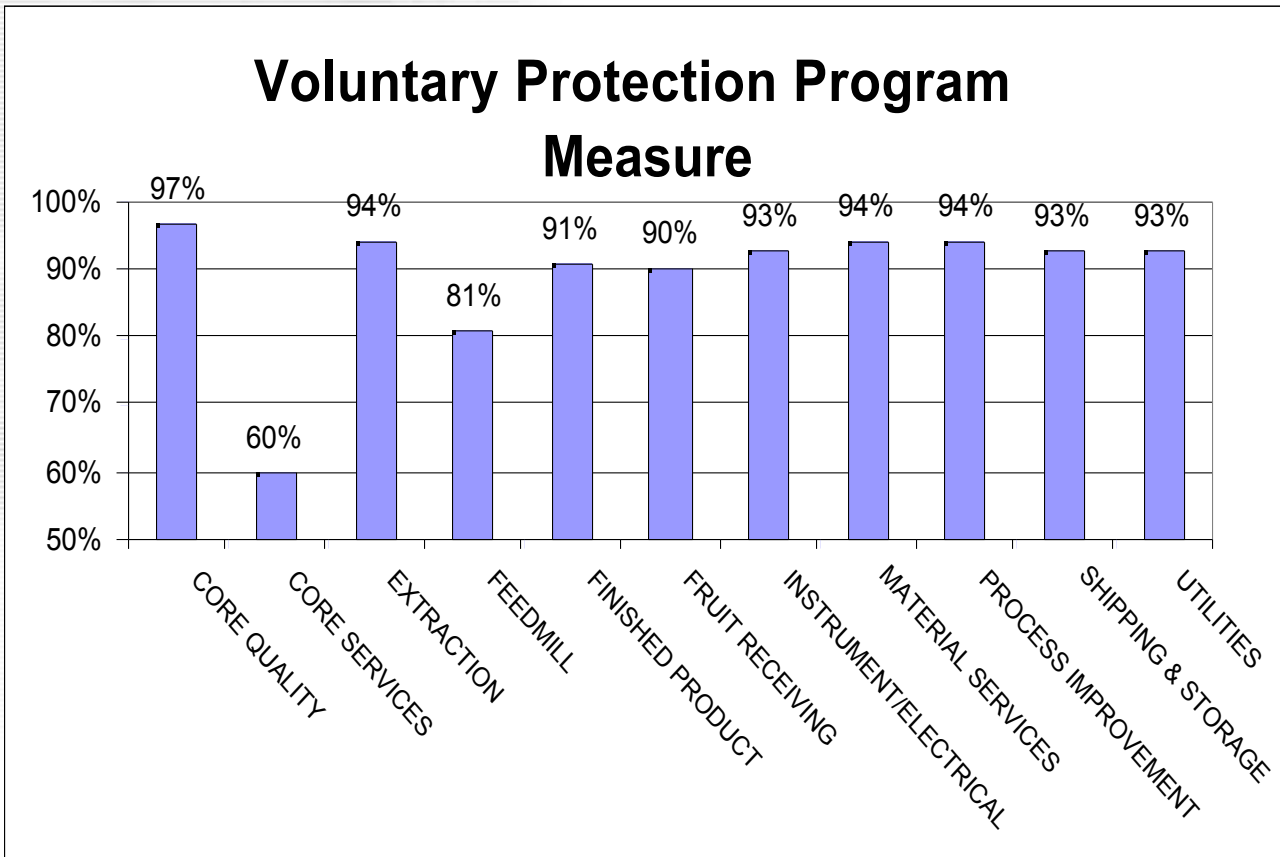
Results

Internal – Total juice yield, total oil recovery and TPM



Results

Core Values – Safety, Teamwork/Attitude, Productivity and Quality



Results

Innovation and Learning – Training and Continuous Improvement

Continuous Improvement Report			
As Of 5/29/02			
Improvement Reports By Category		Received	Completed
Safety / Environmental		47	16
Quality		48	32
Teamwork / Attitude		14	6
Productivity		39	10
Maintenance / Engineering		28	12
Not Accepted	23	Total	176
		176	76
Category		SAVE	
Safety / Environmental		\$26,219	
Quality		\$495,939	
Teamwork / Attitude		\$46,080	
Productivity		\$664,175	
Maintenance / Engineering		\$158	
Due Date Compliance	100%	\$1,395,144	
Balance Scorecard			
Threshold	X	Develop a Improvement Team	
	X	Develop a meeting schedule	
	X	Roll out the revised process 12/31/01	
Target	X	Identify 5 opportunities in each of the 5 categories	
	X	Develop a process for prioritizing 1/31/02	
	X	Revise the current system for tracking 3/31/02	
Excellent	X	100% of I.R.'s are completed per the required timing	



Results

User Reactions

"It [the Balanced Scorecard] works really well. It keeps the company and the employees in alignment with the strategy of the corporation. One thing you need to realize is the importance of involving people from the beginning. It's much more effective when everyone is brought into the conversation. Managers and team leaders are involved in the translation of strategy into the BSC. Corporate develops the strategy. Managers and team leaders work together to do the translation."

Brasington Beakley
Juice Operations Manager

"The Balanced Scorecard has been the key to our organization's success. It provides a perfect framework for achieving positive business results. In our case, Southern Gardens Citrus was able to grow market share in an industry that was consolidating."

Tristan Chapman
Vice-President and General Manager



Governance

Tristan Chapman, Vice-President and General Manager, set up two scorecards as part of his governance system:

1. A Corporate Balanced Scorecard for overall direction.
2. A Bonus Scorecard, consisting of key measures to which bonuses are linked.

In connection with the Bonus Scorecard, cross-functional teams of managers were organized and made accountable, one team for each of the five scorecard perspectives that Southern Gardens established. These perspectives included not only the traditional four from the Kaplan-Norton model (financial, customer, internal, and innovation & learning), but also a fifth perspective or focus area called “core values”.

Chapman assigned one cross-functional team of managers to “own” each perspective. Brasington Beakley, SGC Juice Operations Manager describes how this works. “Normally we review and revise the scorecard in about two months, starting in July and finishing in September. We’ll take a situation in the market, develop a strategy, then we’ll build a team around each focus area and ask ‘what are the internal measures that we should focus on?’”



BSCol Hall of Fame

Balanced Scorecard Collaborative Hall of Fame winners have achieved breakthrough performance largely as a result of applying one or more of the five principles of a Strategy-Focused Organization: mobilize change through executive leadership; translate the strategy to operational terms; align the organization to the strategy; make strategy everyone's job; and make strategy a continual process.

Other selection criteria are: implement the Balanced Scorecard as defined by the Kaplan/Norton methodology; present the case at a public conference; achieve media recognition for the scorecard implementation; produce significant financial or market share gains; and demonstrate measurable achievement of customer objectives. Hall of Fame honorees are nominated by the Collaborative's in-house experts and are personally selected by Balanced Scorecard creators Dr. Robert Kaplan and Dr. David Norton.

About Balanced Scorecard Collaborative

Balanced Scorecard Collaborative, Inc. (BSCol) is a new kind of professional service firm dedicated to the worldwide awareness, use, enhancement, and integrity of the Balanced Scorecard (BSC) as a value-added management process. Led by Balanced Scorecard creators Drs. Robert Kaplan and David Norton, BSCol provides consulting, conferences, training, publications, action working groups, software certification, and online services. For more information, please call us at 781.259.3737, or visit us on the web where you can join Balanced Scorecard Online for the latest insight and resources at bscol.com

