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**Business Performance Management
Using Business Intelligence**

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Thinking Outside the Box for Outstanding Results

Business Performance Management (BPM)

- What is **BPM**?
- Organizations struggle to manage the execution of strategic goals
- BPM is a series of business processes designed to optimize the development, execution and management of business strategy
- Also known as:
 - Corporate Performance Management
 - Enterprise Performance Management



Poor Financial Performance Management

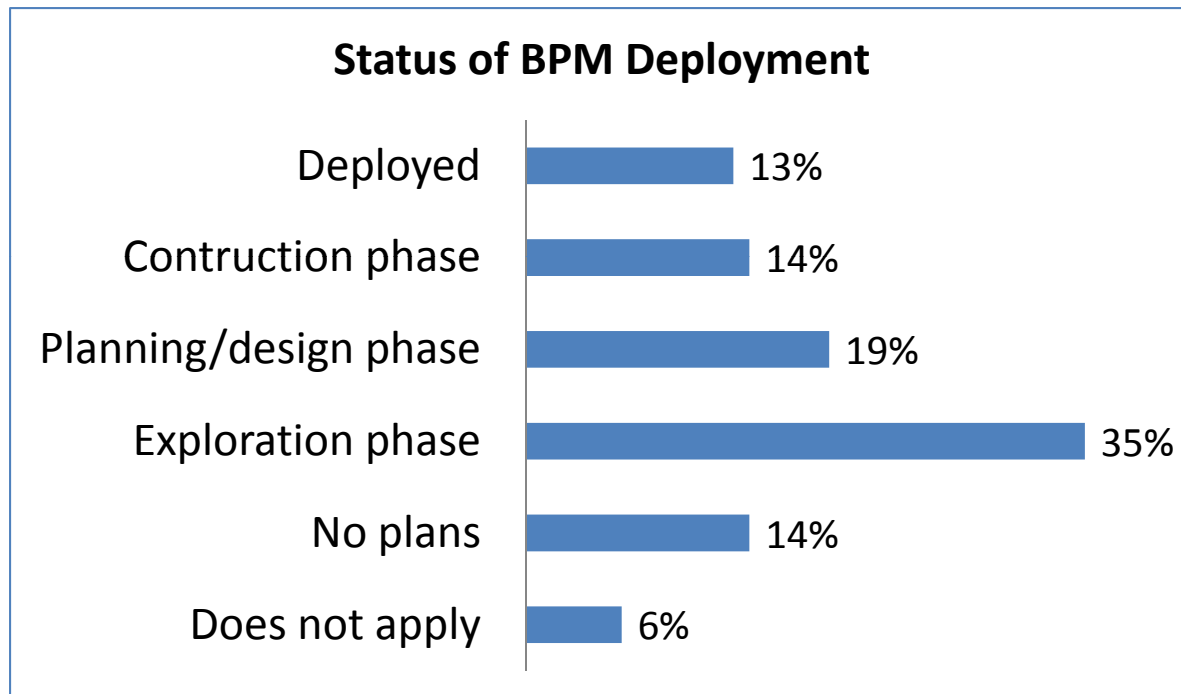
- Survey results – 60% limited adoption of BPM
 - 52% of midsize companies take three months or more to complete their annual budgets
 - Fewer than 50% of managers with spending authority even participate in the budgeting process
 - 53% rely solely upon the finance team for all forecasting
 - 28% of a manager's time is wasted on low value added activities
 - 78% of finance teams are still using MS Excel as their primary budgeting and forecasting tool
 - Only 41% are using graphical dashboards and scorecards in their reporting process
 - Finally, a shocking 45% have not rebuilt their forecasting model in three years or more



Source: Adaptive Planning, "Business Performance Management Survey Reveals 60% of Finance Departments Have Not Adopted Best Practices" (December 11, 2006)

Adoption of BPM

Are companies really using BPM?



BI/BPM market growth 4.2% in 2008.

Spending \$57 billion by 2009.



Source: Wayne Eckerson, "Best Practices in Business Performance Management: Business and tactical Strategies" (TDWI Report Series, The Data Warehouse Institute, 2004)

BPM Framework

- BPM involves 2 primary goals:
 1. Facilitate the creation of strategic goals
 2. Support the subsequent management of the performance and progress to those goals



BPM – Performance Management Systems

- Underlying BPM is a performance management system
- Compares actual results against objectives
 - Raw numbers are meaningless without a comparison
 - Example: Sales person has a close rate of 50%
 - What if the average close rate is 80%?
 - Now there is meaning behind the numbers



Source: Turban, Sharda, Aronson & King, "Business Intelligence, a Managerial Approach," (Pearson Education Inc. New Jersey, 2008)

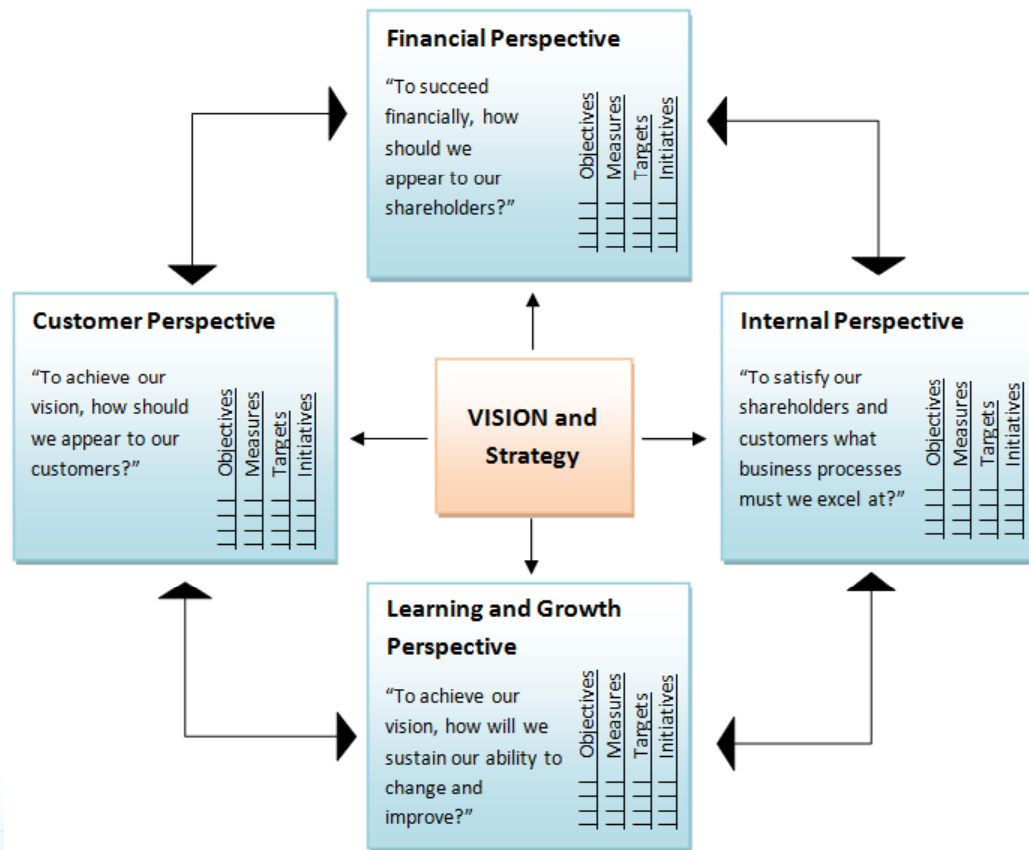
BPM – Performance Management Systems

- To be effective, performance management measures should:
 - Focus on critical success factors (key activities to remain successful)
 - Be a mix of past, present, and future
 - Balance the needs of all stakeholders
 - Start at the top and flow down
 - Have targets based on research and reality rather than be arbitrary



BPM – Balanced Scorecard (BSC)

- The most popular performance management system is a balanced scorecard.



BSC Development

1. Develop your strategic foundation
 - Values, Mission, Vision
2. Develop your strategic assessment
 - External environment
 - Industry environment
 - Balanced Scorecard SWOT
(Strengths, Weaknesses, Opportunities, Threats)
3. Define your strategic destination statement
4. Align strategies and actions in a strategy map
5. Select metrics and set targets
6. Implementation
7. Roll-out and strategic reviews



BSC Development Case

Fabrikam, LLC is a distributor of telephone equipment and electronics to small and midsize companies in the United States.

1. Develop your strategic foundation

- Vision: To become the market leader in telephone and electronics distribution in the United States.
- Mission: Fabrikam listens, understands, and delivers the best ways to move our customers ahead in their business.
- Values: Core value is “respect people”

The logo for Fabrikam LLC features the word "Fabrikam" in a bold, yellow, sans-serif font, with "LLC" in a smaller, white, sans-serif font to its right. The text is set against a dark blue, rectangular background with a glowing, digital grid pattern.

Fabrikam LLC



BSC Development Case *Fabrikam*

2. Develop your strategic assessment

- External environment (**PESTEL**)
 - **Political:** Indirect government contracts
 - **Economic:** Recession
 - **Social:** Retailer support gains loyalty
 - **Technological:** Ease of use technology
 - **Environmental:** Going green
 - **Legal:** Technology standards



BSC Development Case *Fabrikam*

2. Develop your strategic assessment *cont.*

- Industry Environment –Porter’s 5 Forces

1. Substitute Products: Low – diverse product line

2. Entry of New Competitors: Low – high capital barrier

3. Competitive Rivalry: High – many distributors

4. Consumer Bargaining Power: High – large clients

5. Supplier Bargaining Power: Low– many suppliers



BSC Development Case *Fabrikam*

2. Develop your strategic assessment *cont.*

- Balanced Scorecard SWOT analysis

| Straw Strategy: Grow to #1 distributor of telephone and electronics in North America | | | | |
|---|---|--|--------------------------------|----------------------|
| | Strengths | Weaknesses | Opportunities | Threats |
| Financial | Debt free Strong margins | Capital IT spending | Government grants | Recession |
| Customer | Reach Existing base Techies | Retention Customer service Acquisition | Enhanced features | Competitors |
| Internal Processes | Frequent software release Power ideas | Quality control Training | Productivity Available data | Disparate systems |
| Learning and Growth | Open to new technologies | Lack of BPM | Microsoft SQL BI Skillset | Change |

BSC Development Case *Fabrikam*

3. Develop your strategic destination statement

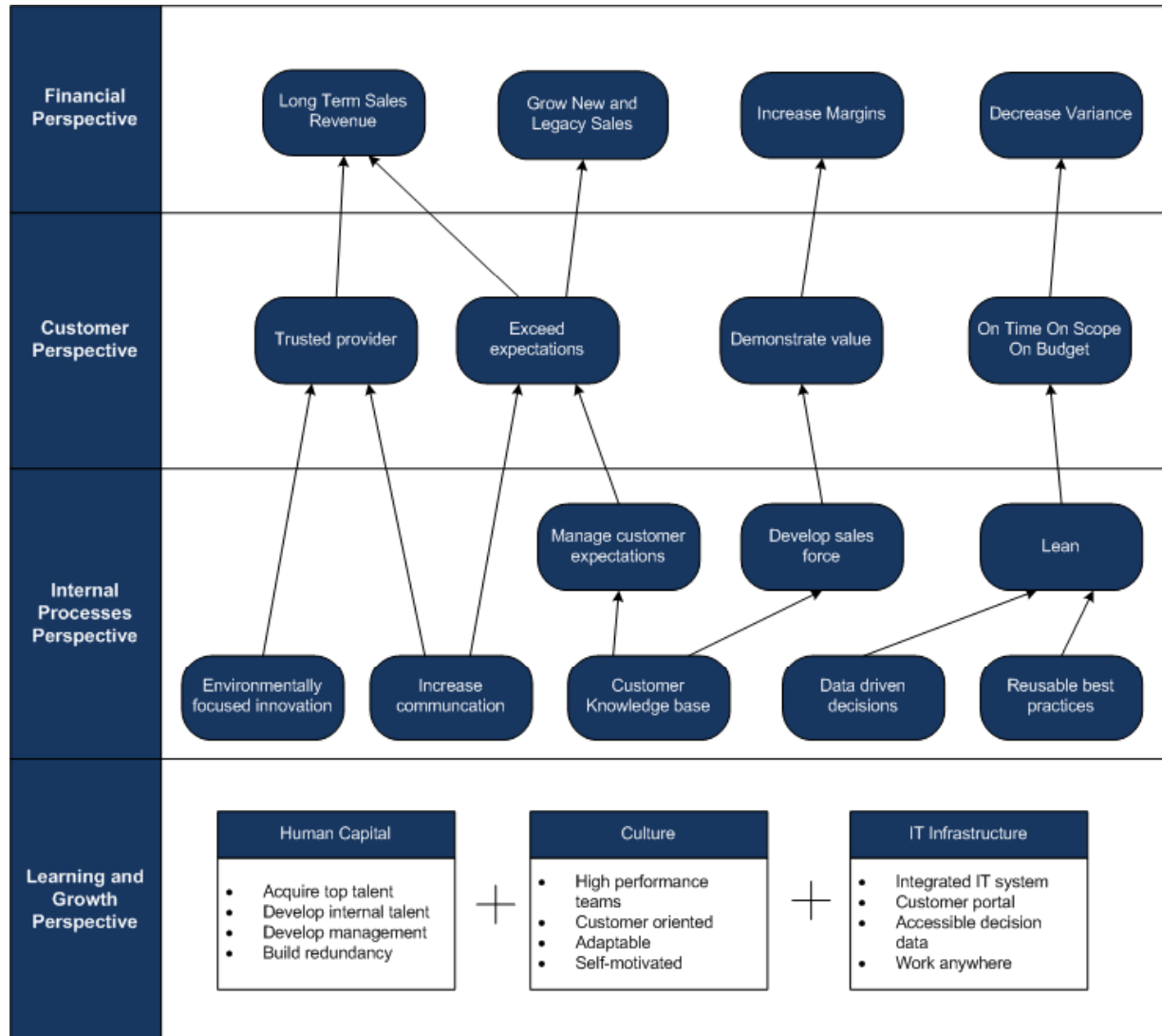
- “Can you say what your strategy is?” *David Collins, Michael Rukstad (April 2008).*
- Vision statement with specific timeframe with specific offerings to specific customer profiles.
- Essential when developing a strategy map.

Fabrikam will expand to the top 10 markets in North America by 2012 by offering a portfolio of enhanced telephone and electronics for commercial clients with net revenues of \$25 to \$500 million who want to offer higher standard products.



BSC Development Case *Fabrikam*

4. Align your strategies and actions in a strategy map



BSC Development Case *Fabrikam*

5. Select metrics and set targets

| Theme: Long term sales growth – enhanced telephone and electronics | | Objective | Measure | Metric | Targets | | | | Initiatives |
|--|---|-----------------------------------|-----------------------------|-------------------------------------|---------|------|------|------|--|
| | | | | | 3m | Yr1 | Yr2 | Yr3 | |
| Financial Perspective | | Grow and sustain long term sales | Customer activity | Rev \$ growth in long term accounts | 5m | 10m | 12m | 15m | Raise price Enhance product line |
| | | Become trusted providers | Customer request for advise | # of positive customer feedbacks | 15 | 40 | 45 | 50 | Future customer advisory committee |
| Internal Processes Perspective | | Enhance product line | Customer Satisfaction | # of positive satisfaction surveys | 500 | 2000 | 2500 | 3500 | Effort allocation toward product line features |
| | | Enhance communication | Customer service backlog | # of customer in backlog (ave) | 30 | 20 | 17 | 15 | 24/7 service line for customers Employee training |
| Learning and Growth Perspective | <ul style="list-style-type: none"> Acquire top talent Develop internal talent Develop management Build redundancy | Integrated process support system | SLA | % on time and on scope | 80% | 85% | 87% | 89% | Business intelligence system, supplier portal, employee portal |

BSC Development Case *Fabrikam*

6. Implementation

- Translate initiatives into projects
 - Identify major projects for each strategic theme
 - Define project dependence and sequence
 - Identify resource requirements
 - Identify dependence on other initiatives



BSC Development Case *Fabrikam*

Fabrikam: BSC implementation

Initiative – Product line effort toward enhanced features

Project – New catalogue: Enhanced telephone and electronics with high efficiency, high value, low resource consumption

Resources – More IT spending, employee training, customer service reps, supply chain managers

Dependencies – customer service initiative, product acquisition initiative



BSC Development Case *Fabrikam*

7. Roll out and strategic reviews

- Create a culture focused on strategy
 - Each employee
 - Measure your progress toward company goals
- Deliver the BSC to key personnel
 - Corporate intranet such as SharePoint
 - Centralized report center such as Business Portal
 - E-mails, blogs, shared drives etc.
- Strategic review meeting
 - Forward-looking performance of the organization
 - “Learnings” and best practices
 - Quarterly



Conclusion

- Many companies already track these metrics
- Too often companies place too much weight on financial metrics without paying attention to aspects that affect the financials
- A Balanced Scorecard can help improve an organizations strategy execution but it can also improve operations and bottom line profits

