

# Managing for Results

## Justifying Business Intelligence and Business Intelligence Practices

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# Agenda

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- ◆ Challenges
- ◆ Opportunities
- ◆ Case Studies
- ◆ Common Threads
- ◆ Dimensional Templates

# What is the Promise of BI and BP?



Where you stand depends on where you sit.

Finance

Reinventing analysis in finance

Sales

Aligning sales with corporate goals

Marketing

Searching for the ultimate sweetspot

Purchasing

Freeing up the most cash the fastest

Manufacturing

Winning in the plant

Distribution

Solving problems in the delivery system

HR

Building core competencies

# Challenges

Finance

Sales

Purchasing

Human Resources

# Main issues in Finance



- ◆ “Analysis” is concentrated in the finance department.
- ◆ Finance is **consumed** by end-of-period processes.
- ◆ 80-90% of those **not in Finance** have accountability for 100% of the business but have little visibility to the levers that actually drive the business.
- ◆ Very little analysis is actually completed in Finance.
- ◆ Finances view is often **limited** to three business groupings: the chart of accounts, time, and location.



## Think about the hidden stories in finance:

12 periods,  
500 expense accounts,  
200 organizational units.  
Tracking 6 key indicators

**7,200,000 combinations**  
*(try distributing this on paper)*

# Issues in Sales



## 1. Corporate and Sales are not aligned

Corporate is profit-centric, Sales is revenue-centric.

## 2. Crippled Productivity

The cost of working with information cripples productivity.

## 3. Weeks are spent preparing reports

The average salesperson and sales manager spends weeks each year preparing business reviews and management reports on actuals, forecast, and pipeline.

# # of Facts in Sales Conversations



## District Manager

**150 Customers**

20 products  
30 time periods  
6 indicators

250,000 facts

## Salesperson

**30 Customers**

20 products  
30 time periods  
6 indicators

50,000 facts

## Customer

**1 Customer**

20 products  
30 time periods  
6 indicators

2500 facts

**How can I be efficient or effective when...  
conversations easily evolve upward from 2500 to 250,000 facts?**

# Issues in Purchasing



## 1. The negotiating game

Purchasing management needs the tools to understand their position with suppliers prior to negotiation.

## 2. Inventory balances and movement

Purchasing manager's don't have a good picture of their inventory. There is no easy way to spot surpluses or duplication of inventory

# Issues in HR



## 1. The 2<sup>nd</sup> largest provider of info to managers

A tall marching order, especially when HR is not well funded.

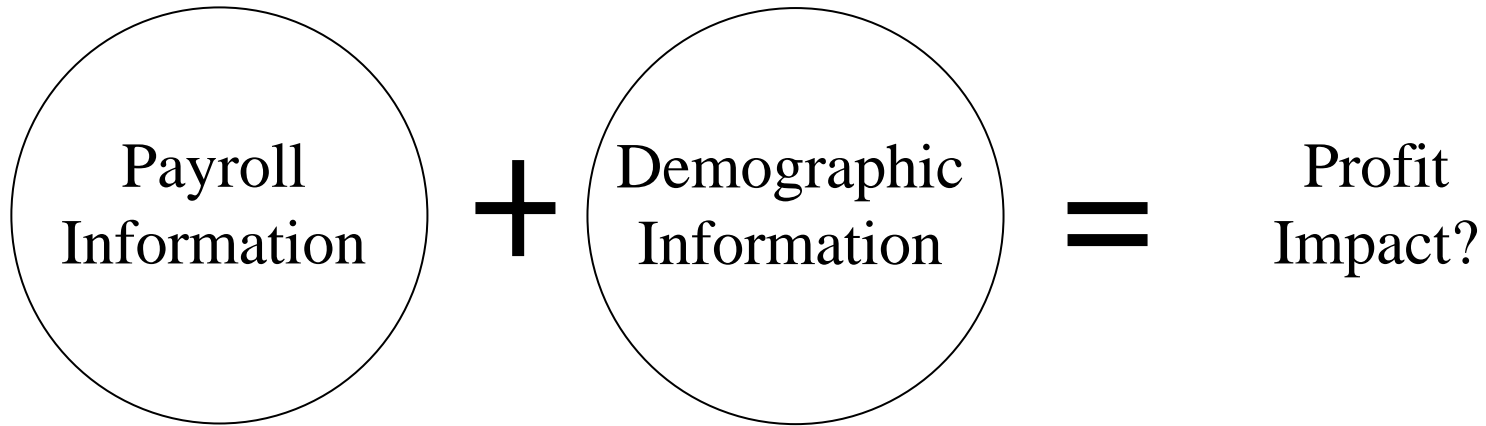
## 2. Tighter budget, no mandate as an info provider.

No supporting staff of analysts on hand.

## 3. HR tracks information directly related to productivity.

Skill is only one example. What about educational background, years in job, salary level, performance rating?

# The HR Impact on Profit



**Employees are one of the largest costs to all firms.**

How to effectively align the organization's shape with strategic imperatives?

# Opportunities

Finance

Sales

Purchasing

Human Resources

# Finance Opportunities



## 1. Address the sweetspots and free up Finance

*Analysis time can be cut from man-days to minutes.*

## 2. Work simplification

*A large number of steps in assembling paper reports and re-keying of information into spreadsheets is eliminated.*

## 3. Common information base

*Providing a common base to the finance team allows all parties to work with the same information until the next periodic update.*

# Opportunities in Purchasing



## 1. Impacting net profit

Purchasing controls the materials line on the income statement. Any reductions in COGS drop right to net profit.

## 2. Impacting the balance sheet

If inventory can be reduced, corresponding amounts of cash will be freed up on the balance sheet.

# HR Opportunities



## 1. Human Resource Administration

*Payroll + Demographic information is powerful.*

## 2. Increase the rate at which HR managers can do their job.

*The benefits to HR managers are nearly the same as those for finance managers.*

# Case Studies

## Dimensional Modeling & Results-Based Orientation

### In Application

# Case: a major air freight carrier



- ◆ Distributed P/L statements on green-bar to 75 operating units around the world.
- ◆ Wanted to eliminate the distribution costs, provide better analytical capabilities, and provide earlier access to data.
- ◆ Six weeks later... a new web-based process was in production that tied to the penny with the former process.
- ◆ Payback period: 3 months

# Case Study: a financial services firm



- ◆ Nine regions, 300 salespeople selling financial services products (mutual funds, annuities, etc).
- ◆ Needed access to information regarding broker and product sales.
- ◆ Key questions:
  - ◆ Which products are we selling the most? Least?
  - ◆ Who has sold my products in the last six months?
  - ◆ Who sold them last year who hasn't sold this year?
- ◆ Initial project took six months to implement. Additional phases have led to a multi-year effort that provides 35+ cubes to the business.
- ◆ Company has grown from \$1B to \$4B in five years.

# Case Study: a distribution company



- ◆ Had purchasing data from 80 sites that existed as independent information “islands”
- ◆ The company spend profile was literally **invisible**.
- ◆ A project was launched to consolidate key data into a datamart.
- ◆ Project required three months to implement the technology.
- ◆ Within six months (now t+9), the company had benefited from \$600,000 in supplier rebates from ONE supplier.
- ◆ Costs: \$10,000 software + \$50,000 development

# Case Study: an HR consulting firm



- ◆ Was seeking to fundamentally change the compensation plan to include individual, team, and company incentive levers.
- ◆ Needed access to HR demographics information that combined headcount, payroll data, and demographic information as part of the project.
- ◆ Information was provided in a BI-ready format.
- ◆ New compensation plan implemented within six months of its original concept.

# Common Threads

Each of these cases were approved when there was  
“no money in the budget.”

# Common linkages between the studies...

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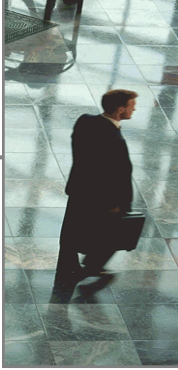
## The process is always the same...

- About funding
  - Securing funding is always linked to helping the organization achieve its strategic imperatives
  - There is always money if there is a clear business benefit with a payback in a specified time period... even if... \_\_\_\_\_, even when... \_\_\_\_\_.
- About the sponsor
  - The sponsor states the benefits in terms of the business value
  - The sponsor has a clear vested interest in creating success
  - The sponsor finds you, not visa versa
- About the project
  - Incremental
  - Short term deliverables
  - Solves a specific tactical problem that has a strategic impact.
  - Time critical
  - Much pain

# Dimensional Templates

## Launching Points for Business Intelligence Applications

# Managers "Think" in multiple dimensions...



WHEN	WHO	WHAT	WHERE	RESULT
Time Periods	Sales Org	Products	Channel	Indicator
YTD	Country	Bus Unit	Channel	Revenue
Q3	Region 4	Prod Line	<u>Customer</u>	Units
<u>Sept</u>	District 3	<u>Brand</u>		Cost
	<u>Bob Smith</u>	SKU		<u>Margin</u>

What manager's see.

Where the action is.

*The concept of multidimensional analysis turns out to be one of the primary challenges of business.*

# Income/Expense Statement



Time Periods	Income Statement	Organization	Percent of Plan
Year	Revenue	Divisions	> 120%
Quarter	COGS	Departments	111-120%
Month	SG&A		100-110%
	Other Income		90-99%
	Other Expense		< 90%
	EBIDT		
	Depreciation		
	Tax		
	Net Profit		

## Key Performance Indicators

Plan • Actual • Rolling Forecast • Plan Variance • % of Plan

# Sales Analysis



## Time

Periods	Organization	Products	Customers	Locations
Year	Sales Divisions	Product Lines	Sales Rank	World Region
Quarter	Sales Districts	Brands	<u>Range</u>	Country
Month	Sales Reps	Products	Top 10	Location
		SKUs	Top 11-100	
			etc.	
			Customer	

## Key Performance Indicators

Revenue • Ordered Units • Change Orders • Sold Units  
Discount \$ • Discount % • Average Selling Price

# Supplier Scorecard



Time	Suppliers	Materials	Operations	Terms	JIT Performance
Year	Suppliers	Materials	Region	FOB	Early
Quarter		Brands	Plant	COD	On time
Month		Products	Warehouse	CIF	Late
					Not JIT

## Key Performance Indicators

# of PO Lines • \$ Value • Lead Time • Average Lead Time • % accepted • % complete • % on-time • % 1-2 days late • % 3-7 days late • % > 8 days late

# HR Demographics



Time	Org	Location	Position	Pay	Job	Earn	Ded	
Periods				Group	Code	Code	Code	+
Year	Division	Area	Class					
Quarter	Dept	Region	Title					
Month		Office						

Diversity  
Payplans  
Age Range  
LOS Range  
Sex  
Education

## Key Performance Indicators

Plan • Actual • Headcount • Rolling Forecast • Plan Variance • % of Plan

# Summary

Challenges  
Opportunities  
Case Studies  
Common Threads  
Dimensional Templates