



Define Measure Manage

Business Performance Management
Corporate Balanced Scorecard
BSC - Demo

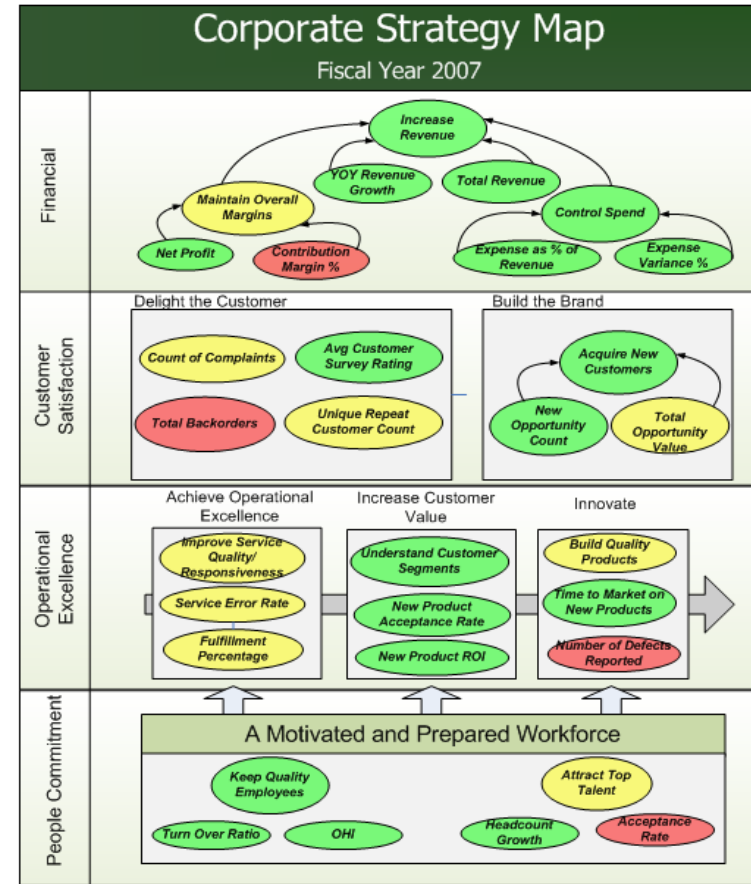
Corporate Balanced Scorecard Demo

Microsoft Office PerformancePoint Server 2007 provides employees with critical visibility into the factors impacting their business, allowing them to make decisions and take actions that drive better business outcomes. This application empowers the broadest number of employees—executives, managers, and front-line employees—to contribute to plans and have better access to tailored information, helping them take actions that improve customer relationships, reduce costs, and increase revenues. Progress can be monitored and analyzed through personalized scorecards through the familiar and easy-to-use Microsoft Office environment.

Office PerformancePoint Server 2007 also enables businesses to broadly deliver performance management capabilities across the organization by rapidly bringing together the power and ease of use of Microsoft Office and the performance, scalability, and security of Microsoft SQL Server. Customers are able to extend their Microsoft investment and reap the benefits of an application that is easy to use and less costly to deploy than traditional solutions.

In this demo, we'll move through several of the key components of PerformancePoint, including dashboards, and PerformancePoint integration with the Microsoft Office System. All of this will be shown in the context of a corporate planning scenario, where a Chief Financial Officer and a General Manager do some research into contribution margin and headcount issues that affect the bottom line performance of the company. Using PerformancePoint, they will be able to analyze the business objectively, and perform some what-if modeling to determine the right solution to correcting the issue at hand.

	Plan	Target	
Financial Performance			●
Increase Revenue			●
Maintain Overall Margins			▲
Net Profit	18.00%	15.00%	●
Contribution Margin	64.44%	66.00%	◆
YOY Revenue Growth	22.00%	15.00%	●
New Product Revenue	\$2,463,887	\$2,000,000	●
Control Spend			●
Expense as % of Revenue	12.00%	10.00%	●
Expense Variance %	3.00%	1.00%	●
Customer Satisfaction			▲
Count of Complaints	127	200	▲
Total Backorders	5,000	1,000	◆
Avg Customer Survey Rating	7	3	●
Unique Repeat Customer Count	785	1,000	▲
Acquire New Customers	3,547	3,000	●
New Opportunity Count	446	300	●
Total Opportunity Value	\$1,443,989	\$2,000,000	▲
Operational Excellence			●
Improve Service Quality/Responsiveness			▲
Service Error Rate	3.00%	6.00%	▲
Fulfillment Percentage	55.00%	60.00%	▲
Understand Customer Segments			●
New Product Acceptance Rate	33.00%	25.00%	●
New Product ROI	12.00%	10.00%	●
Build Quality Products			▲
Time to Market on New Products	33 weeks	23 weeks	●
Number of Defects Reported	978	2,000	▲



















Strategy Map

Corp BSC Demo – Chief Financial Officer

Managing an organization across multiple management matrixes and across geographies calls for a performance management solution that is flexible, intuitive and allows for clear visibility into Key Performance Indicators or KPIs across the organization.

















This is really what this performance dashboard gives me. On the left, my corporate scorecard shows the main drivers of my business. It allows me to drive a discipline of execution against four main initiatives: **Financial Performance**, **Customer Satisfaction**, **Operation Excellence**, and **People Commitment**. On the right, my Strategy Map allows me to add better context to how these metrics affect each other.

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Customer Satisfaction			
Count of Complaints	127	200	
Total Backorders	5,000	1,000	
Avg Customer Survey Rating	7	3	
Unique Repeat Customer Count	785	1,000	
Acquire New Customers	3,517	3,000	

Corp BSC Demo – Financial Analysis

For example, here I can see that Contribution Margin (CM) is correlated to Maintain Overall Margins and Increase Revenue stats. This helps me better communicate the corporate context within which these performance metrics live in.

In the example of MYR process, what matters to me as a CFO is the ability to set targets for specific metrics and make sure that once these targets flow down the organizational chart, each division knows exactly how to develop their forecast at their level to achieve these objectives.

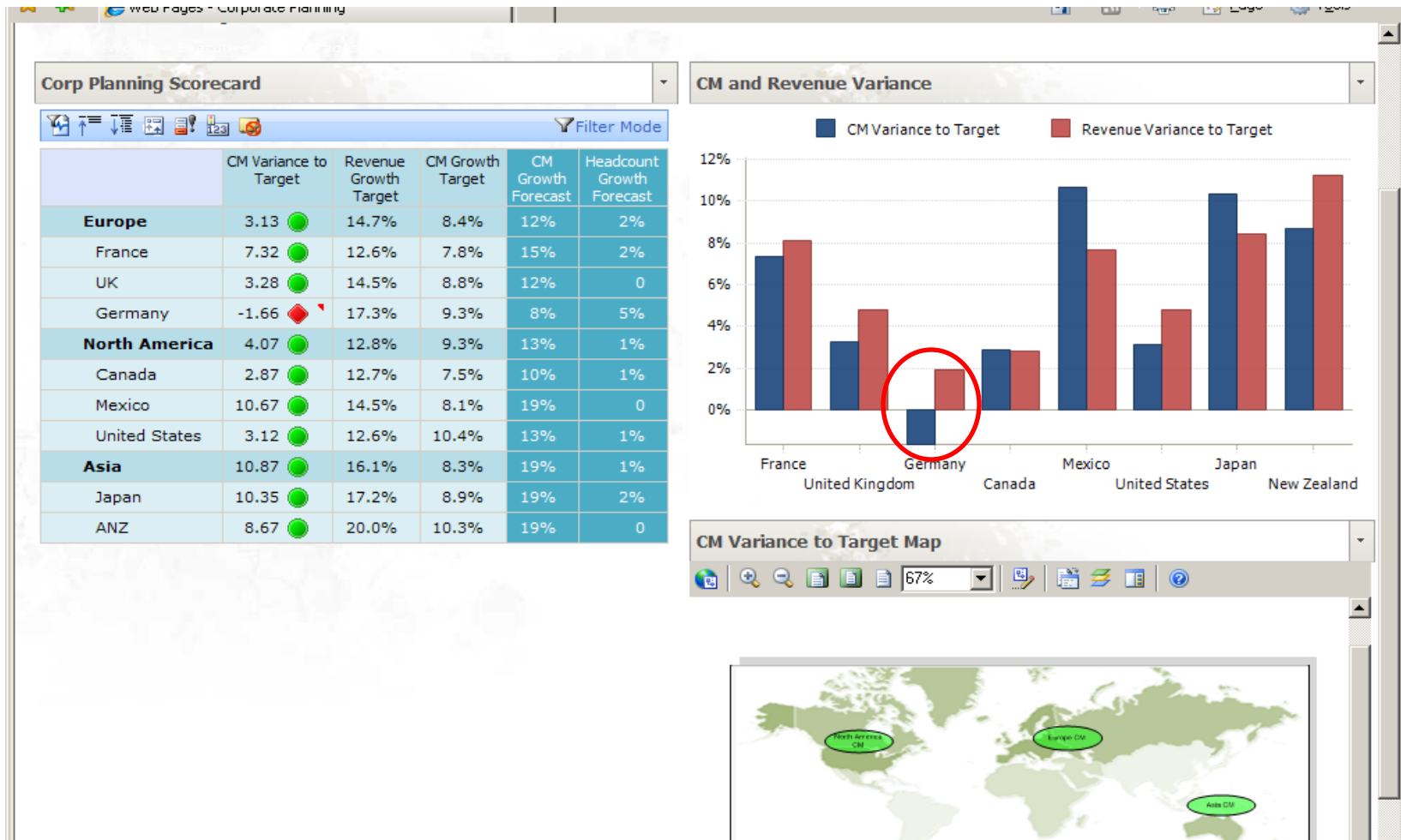
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Corp BSC Demo – Financial Analysis, Plan vs. Target

If I look at Contribution Margin, for instance, I can see that my corporate target – the top-down target that I have set with the management team is over 64.4% - more specifically 66%. However I can see that its indicator is RED.

This says that, according to the divisions' forecasts, the corporate target simply won't be met. This is NOT an option for me. As a CFO I have to understand where the disconnect is between corporate target and the divisional forecasts and I need to fix it.

What matters to me now is to see why, based on the forecasts that the divisions communicated back up, my CM target shows red.



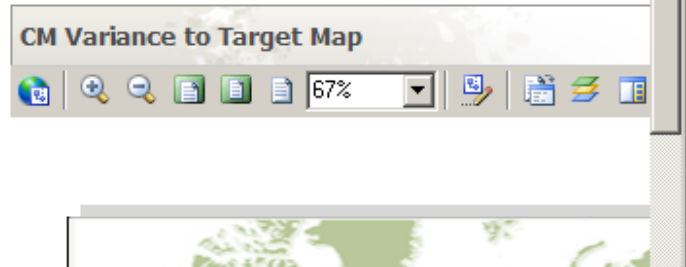
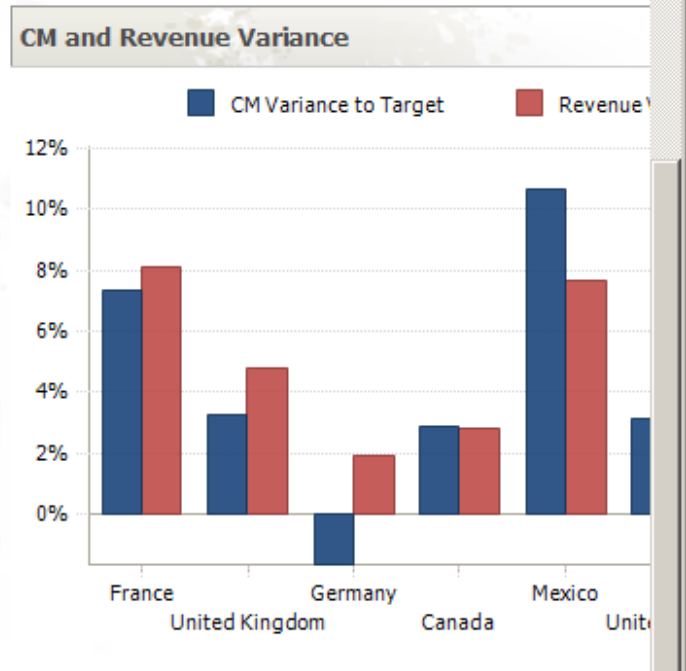
Corp BSC Demo – Drivers that affect Contribution Margin

I want to know more about this CM issue and by clicking on this metric I navigate to the corporate planning scorecard that provides better insight into the drivers that affect contribution margin targets globally.

Right away, I notice that Germany is experiencing some issues. Their CM indicator is Red because of 2 factors really:

Their CM growth forecast is lower than the expected target for their division (in the scorecard). Target is 9.3% - they forecast 8%. I can see here in the graph how bad this is. Everybody else is planning to meet or exceed their target. – Germany is not.

Corp Planning Scorecard					
	CM Variance to Target	Revenue Growth Target	CM Growth Target	CM Growth Forecast	Headcount Growth Forecast
Europe	3.13 ●	14.7%	8.4%	12%	2%
France	7.32 ●	12.6%	7.8%	15%	2%
UK	3.28 ●	14.5%	8.8%	12%	0
Germany	-1.66 ◆	17.3%	9.3%	8%	5%
North America	4.07 ●	12.8%	9.3%	13%	1%
Canada	2.87 ●	12.7%	7.5%	10%	1%
Mexico	10.67 ●	14.5%	8.1%	19%	0
United States	3.12 ●	12.6%	10.4%	13%	1%
Asia	10.87 ●	16.1%	8.3%	19%	1%
Japan	10.35 ●	17.2%	8.9%	19%	2%
ANZ	8.67 ●	20.0%	10.3%	19%	0



Corp BSC Demo – Source of Contribution Margin Deficiencies

So clearly there is a factor that is driving Germany’s margins down. I can see what that factor is in the scorecard: it is Headcount. Germany is not following the guidelines set by corporate – instructions were “up your margins, but don’t increase costs such as HC”. So there you have it – corporate sets the guidelines and boundaries not to cross and now it is going to be up to Germany to justify why they want to hire people or even better, resolve this margin issue and still work within the corporate targets.

Web Pages - Corporate Planning

PerformancePoint Scorecarding -- Webpage ...

Corp Planning Scorecard

Filter Mode

	CM Variance to Target	Revenue Growth Target	CM Growth Target	CM Growth Forecast	Headcount Growth Forecast
Europe	3.13	14.7%	8.4%	12%	2%
France	7.32	12.6%	7.8%	15%	2%
UK	3.28	14.5%	8.8%	12%	0
Germany	-1.66	17.3%	9.3%	8%	5%
North America	4.07	12.8%	9.3%	13%	1%
Canada	2.87	12.7%	7.5%	10%	1%
Mexico	10.67	14.5%	8.1%	19%	0
United States	3.12	12.6%	10.4%	13%	1%
Asia	10.87	16.1%	8.3%	19%	1%
Japan	10.35	17.2%	8.9%	19%	2%
ANZ	8.67	20.0%	10.3%	19%	0

Comment regarding: "-1.66"

[Add Comment](#)

CM Variance

ADVENTURE- WORKS\administrator 10/7/2008 6:15:12 AM

I took a look at your forecast. We need to hit the Contribution Margin target no matter what. Headcount seems to affect your margins significantly, making your forecast out of band with the rest of the organization. Please modify your projections.

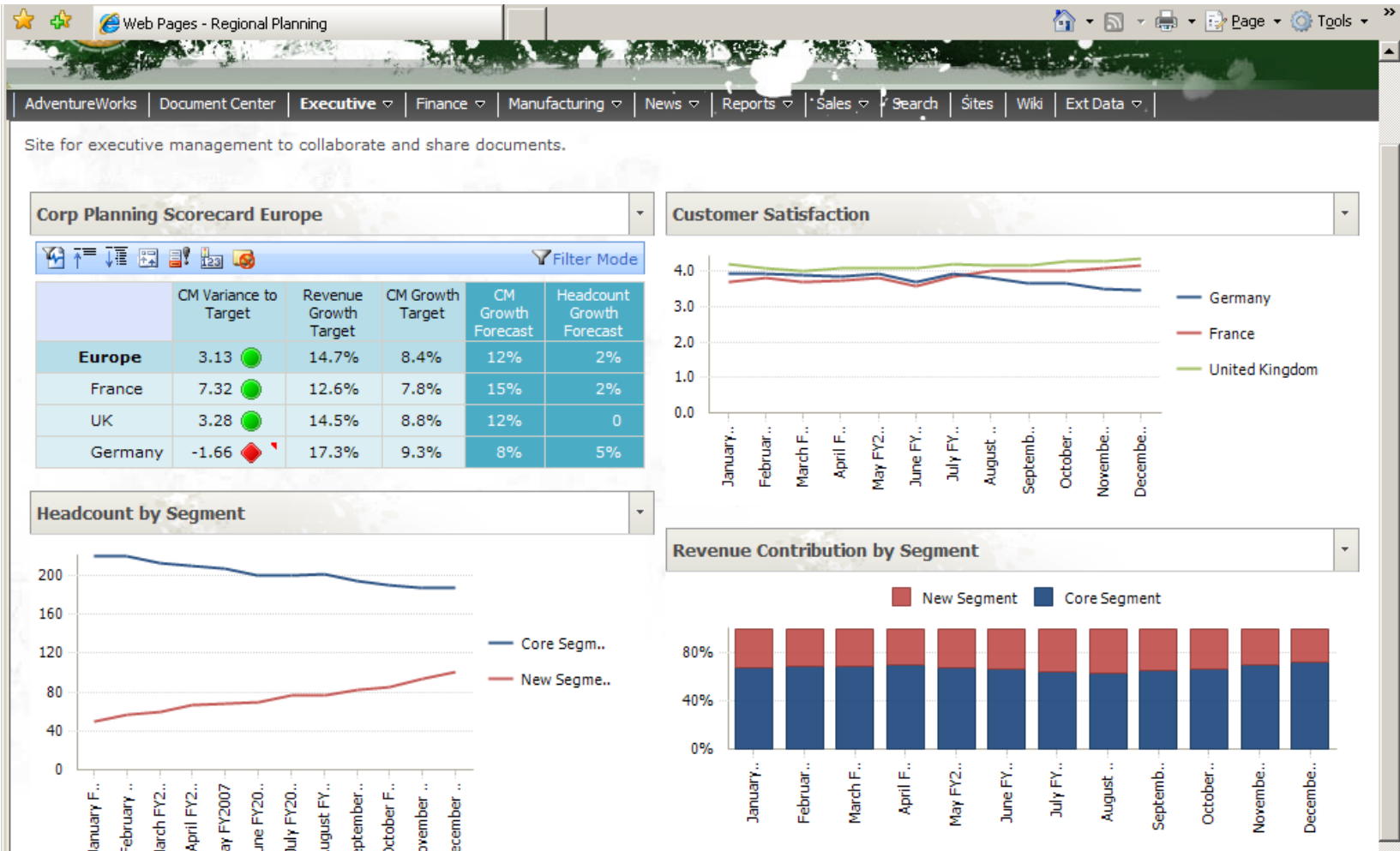
Close

Corp BSC Demo – Analysis and Communication

To make sure that these guidelines are further communicated, I'm adding an annotation for the German GM to look at next time he opens his performance dashboard.

It reads: "Margin Issues: I took a look at your forecast. We need to hit the Contribution Margin target no matter what. Headcount seems to affect your margins significantly, making your forecast out of band with the rest of the organization. Please modify your projections"

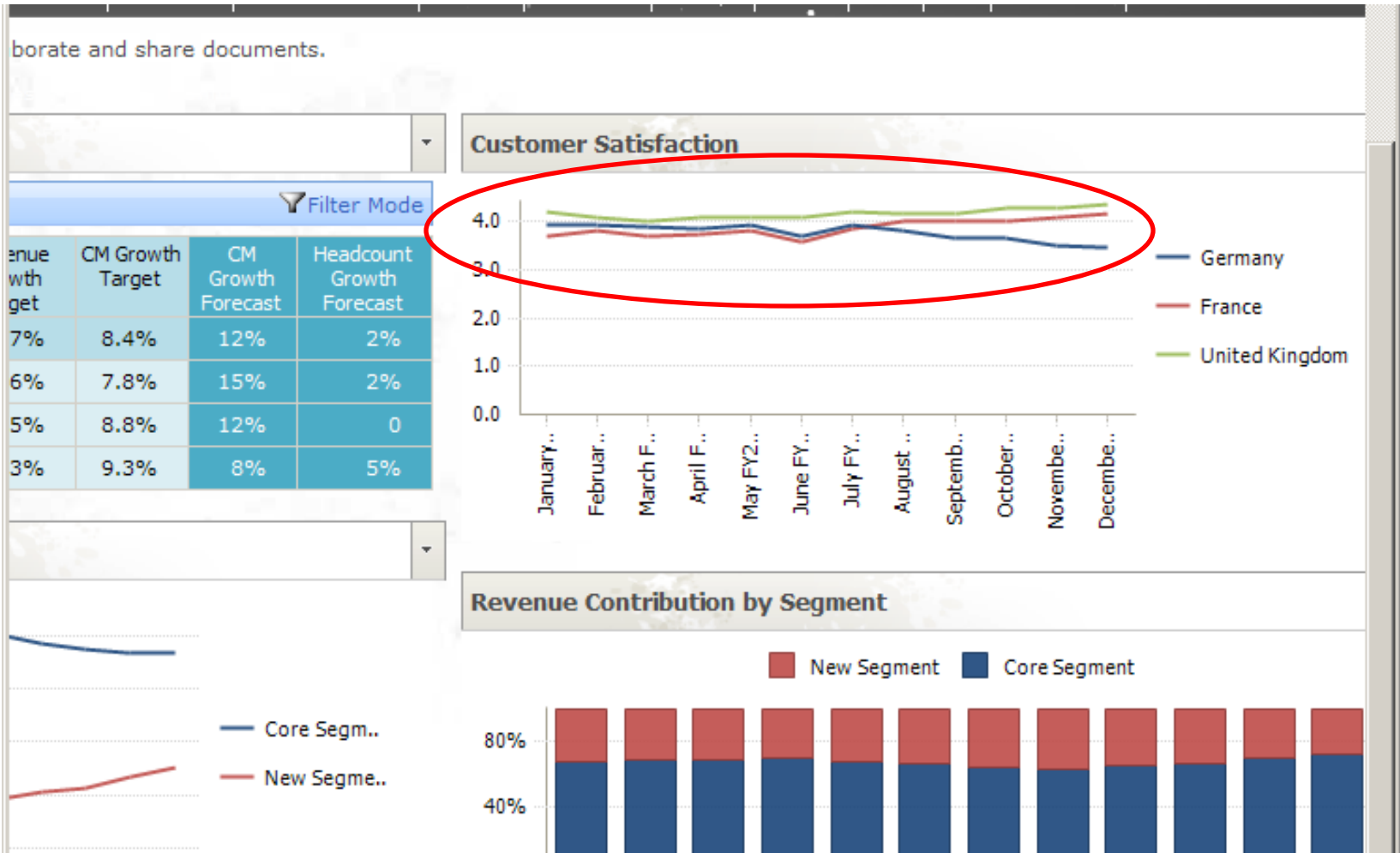
Now I expect the German General Manager to look at his performance dashboard and actively work on resolving this issue.



Corp BSC Demo – Germany General Manager

I am looking here at my personalized dashboard for Germany. I want to make sure that my forecast doesn't stand out with the rest of the organization but I notice an annotation on Contribution Margin. Clearly my CFO needs me to focus this.

This is really going to cause me some trouble. I have my own local issues to deal with. I understand the corporate objectives for maintaining margins but in my geography – customer satisfaction has been a big issue. In fact, the reason why I had planned to hire more heads was to take care of my customer satisfaction issues.

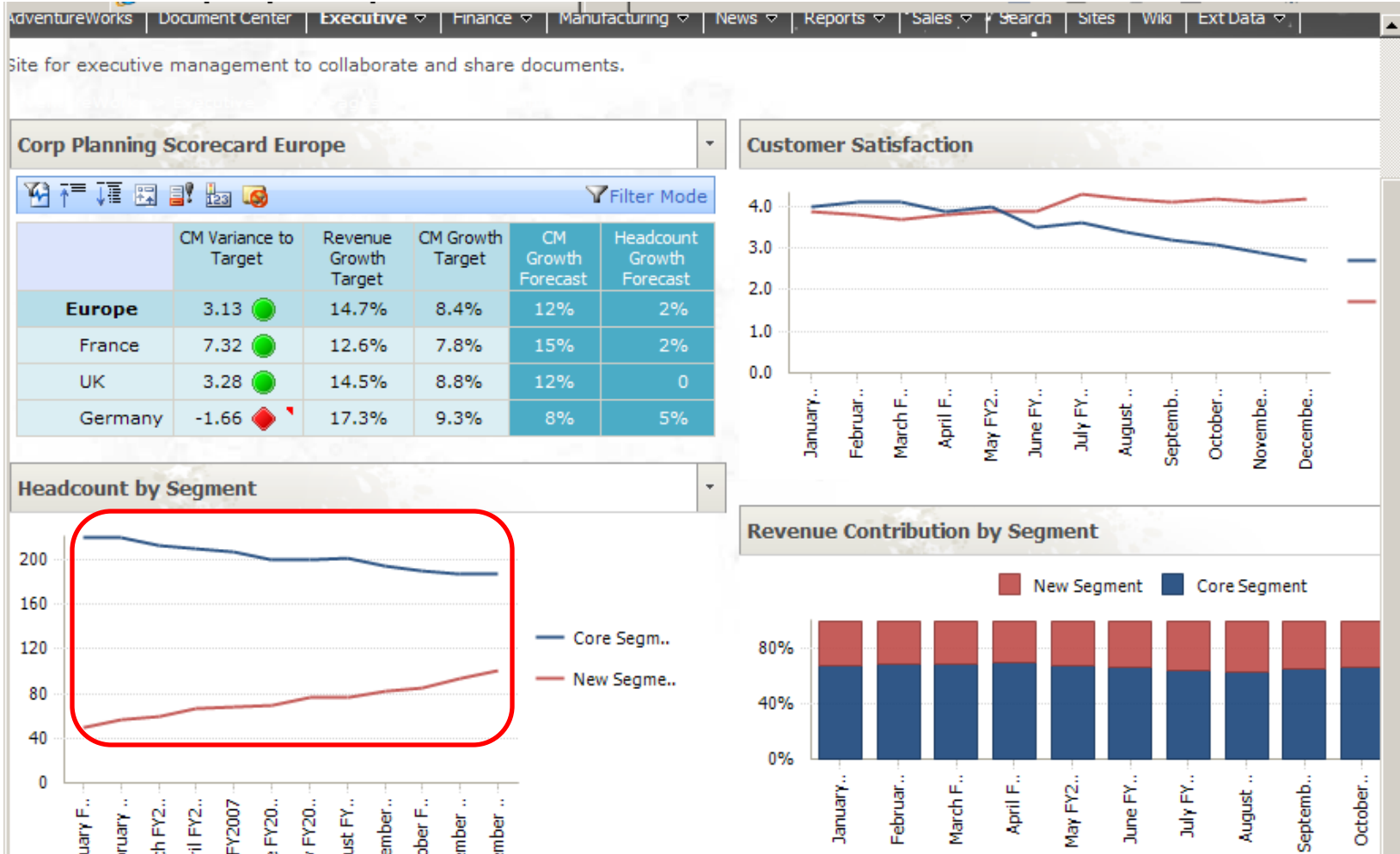


Corp BSC Demo - Analysis and Planning

I believe that if I can focus more heads to raise customer sat, it will help with my revenue and margin long term.

Now customer sat is such a big issue that I have personalized my dashboard to focus on customer sat related metrics.

When I compare myself to my peers in France and the UK, I can really see that Germany is the worst performer of all European countries regarding customer sat. I started the year pretty well at 3.9 but ended as the worst performer at 3.4

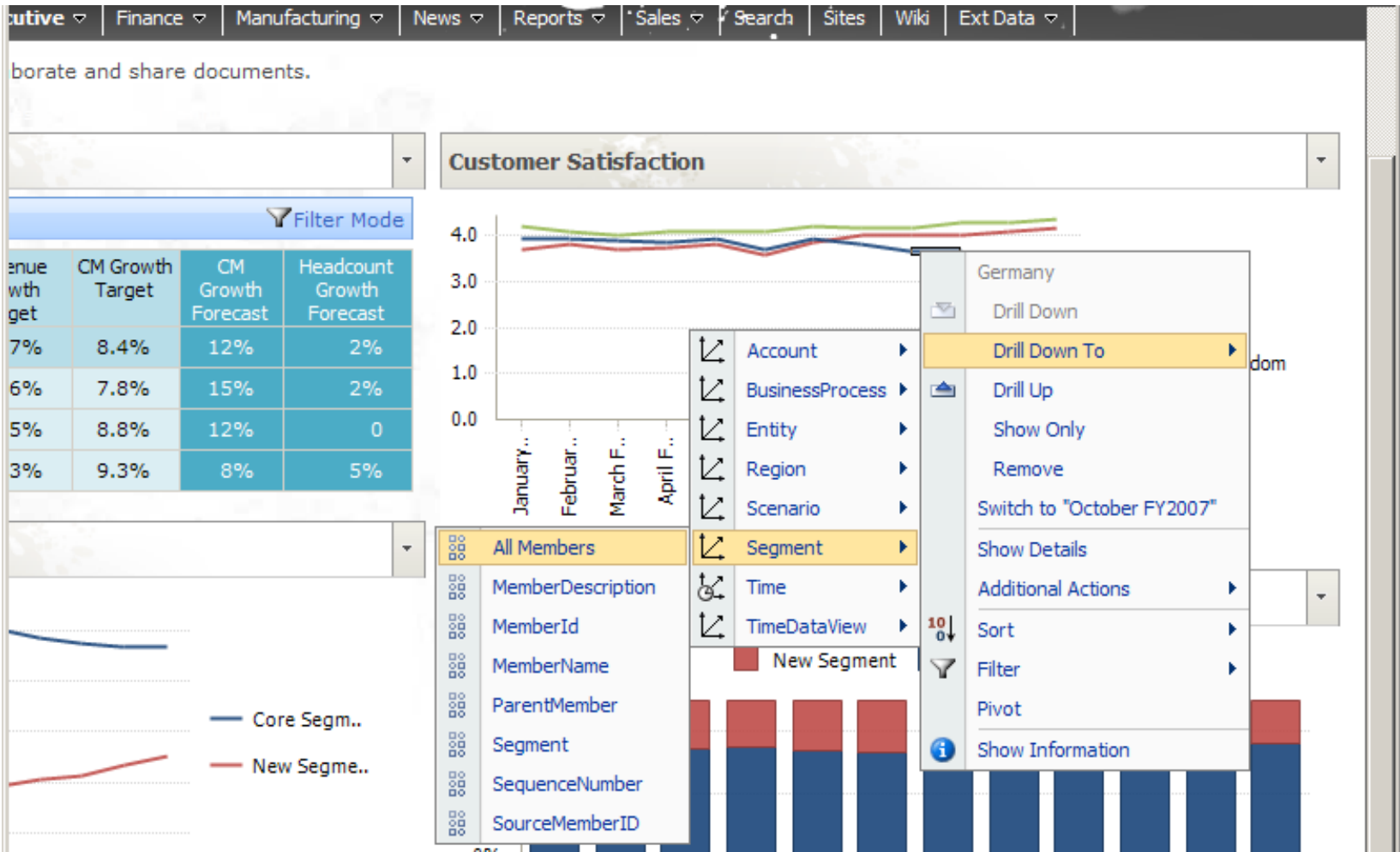


Corp BSC Demo – Analysis and Planning

A way for me to plan on solving this issue in the coming year would have been to hire more heads. However, I just found out that I simply cannot do that. This forces me to think about my business a little differently. Where do I start? First off – what have I been doing throughout the year?

Well - in Germany, I do business in 2 market segments: a Core Market Segment and New Market Segment.

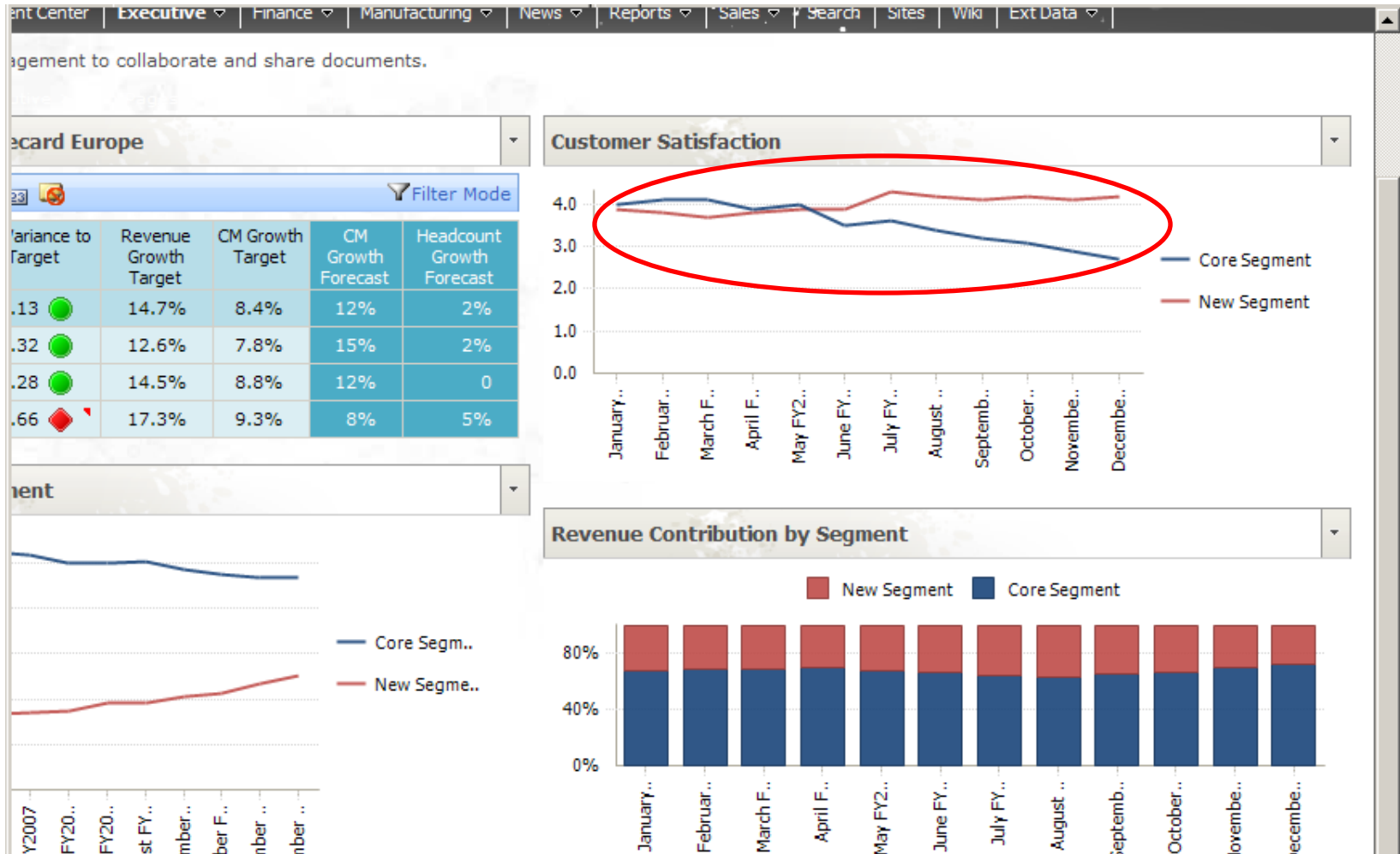
As I can see in this graph, during the past year my new market segment (in red) contributes anywhere between 25 to 35% to my overall revenue.



Corp BSC Demo – Head Count impact on Customer Satisfaction Analysis

I have been investing in the New Market Segment, by shifting heads from Core to New throughout the year, because New has been identified as an area of growth for my business and I wanted people to focus on it.

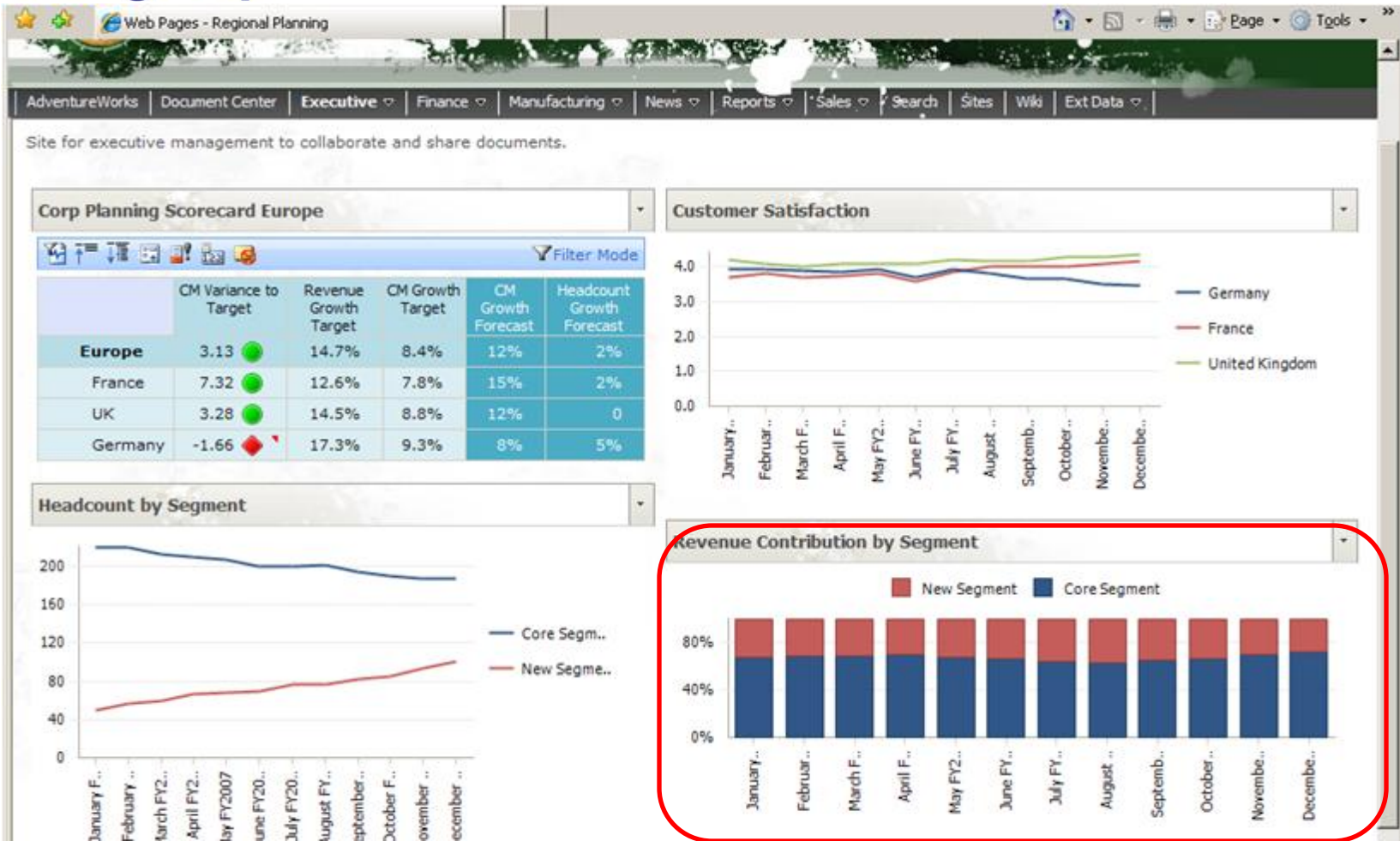
Now it really seems that this effort hasn't contributed much to my customer satisfaction issue. Germany is now the worst of all countries – and that's across both New and Core markets.



Corp BSC Demo – Head Count impact on Customer Satisfaction Analysis

What would be great is for me to find out what my customer satisfaction #s are for each market segment so I can further gain insight on this subject. That's exactly what I do here by using this graph.

Wow – so really shifting headcounts to the New Market Segment hasn't paid off at all. My New Segment customer sat #s are hitting a plateau but my Core customer satisfaction numbers have really been taking a plunge!



Corp BSC Demo – Head Count impact on Customer Satisfaction Analysis

This may be because in the New Segment, support is a little different from the Core Market Segment. That’s because in the New Market Segment, the team gets less requests, and a lot is handled online. In the Core Market Segment, the team gets more requests and inquiries are a lot more sophisticated.

Now, this worries me further when I look at my revenue contribution by market segment. My Core segment contributes to a large portion of my revenue. I can see that through this chart, Core has been the main revenue generator for my region. About 65-75% throughout the year.

Corp BSC Demo – Analysis, Planning and Forecasting

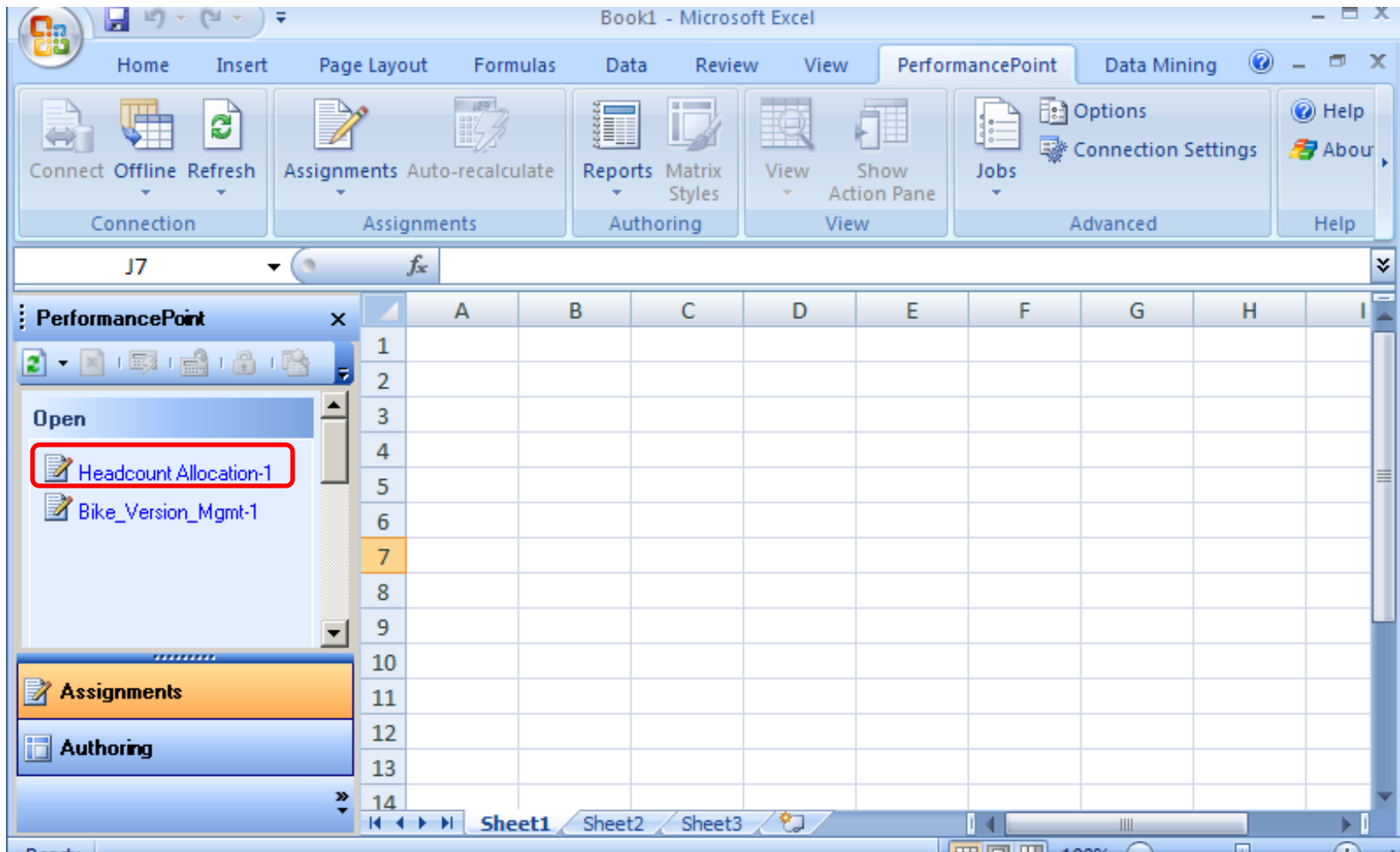
Further – the New Market’s revenue contribution has been decreasing throughout the year. So, my first forecast suggested hiring more heads to solve the customer sat issue. My assumption was that hiring more heads, taking better care of customers, would increase my customer sat, and my revenues and my margins will go up.

Given the corporate mandate, my best solution NOW is to re-assign Heads back to my Core business so I can focus on defending my strong revenue base there. In order to do this, I would need to use a forecast application that is both flexible but also allows me to work with information in the corporate context.

What I would like to do is see what a reallocation of HC back from New to Core would look like and how it would help me align better to the corporate target for margins.

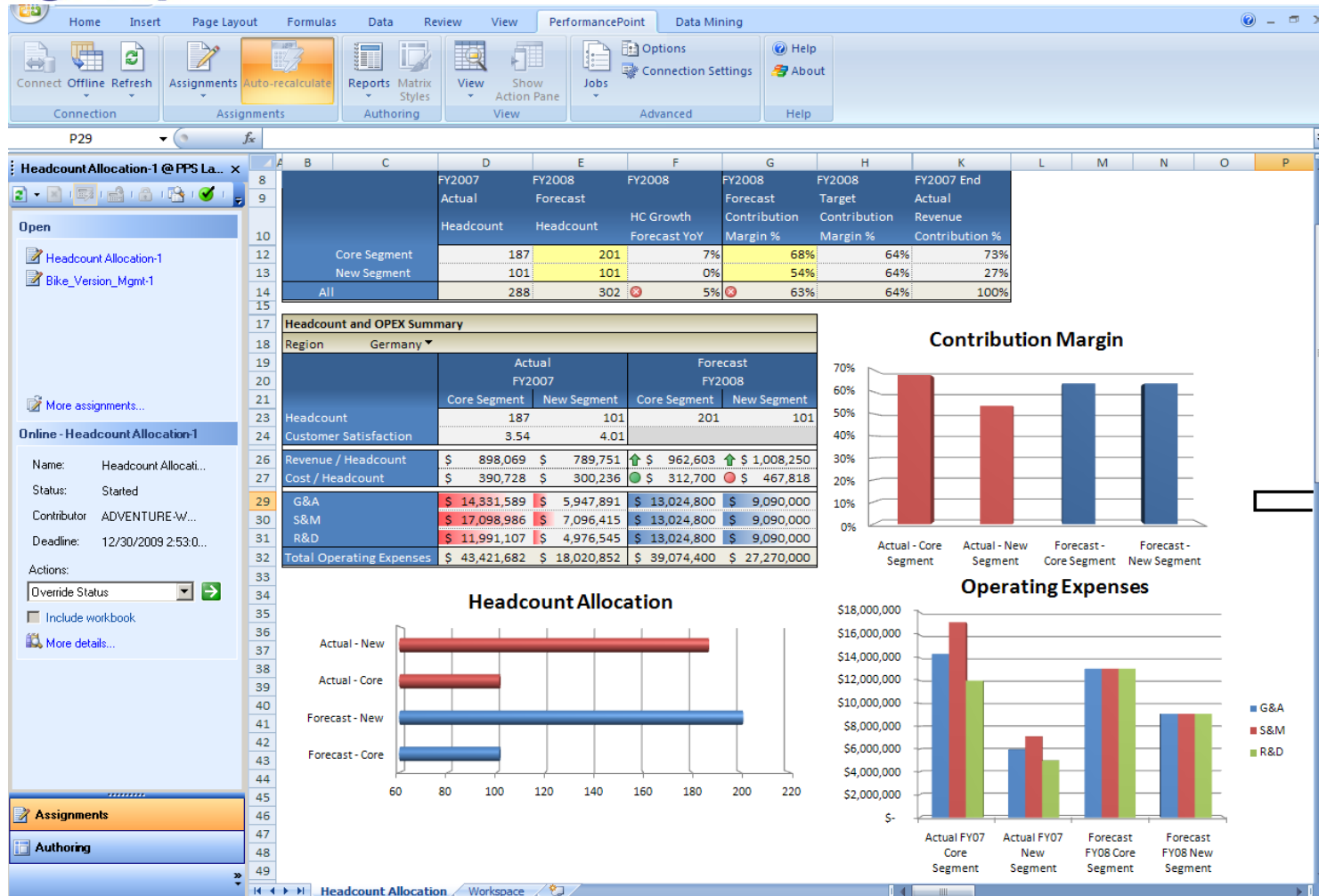
That flexibility and that agility are found in Excel. Excel is a great interface for allowing forecast owners like me to interact with information. It is an application that I’m already very familiar with.

Now, I can see here that PerformancePoint Server functionality has been tightly extended through Excel. I can see the ribbon on the top and I also see here, ‘the action pane’, the area that will allow me submit my forecast once I’m done.



Corp BSC Demo – Connecting Excel to Corporate Database

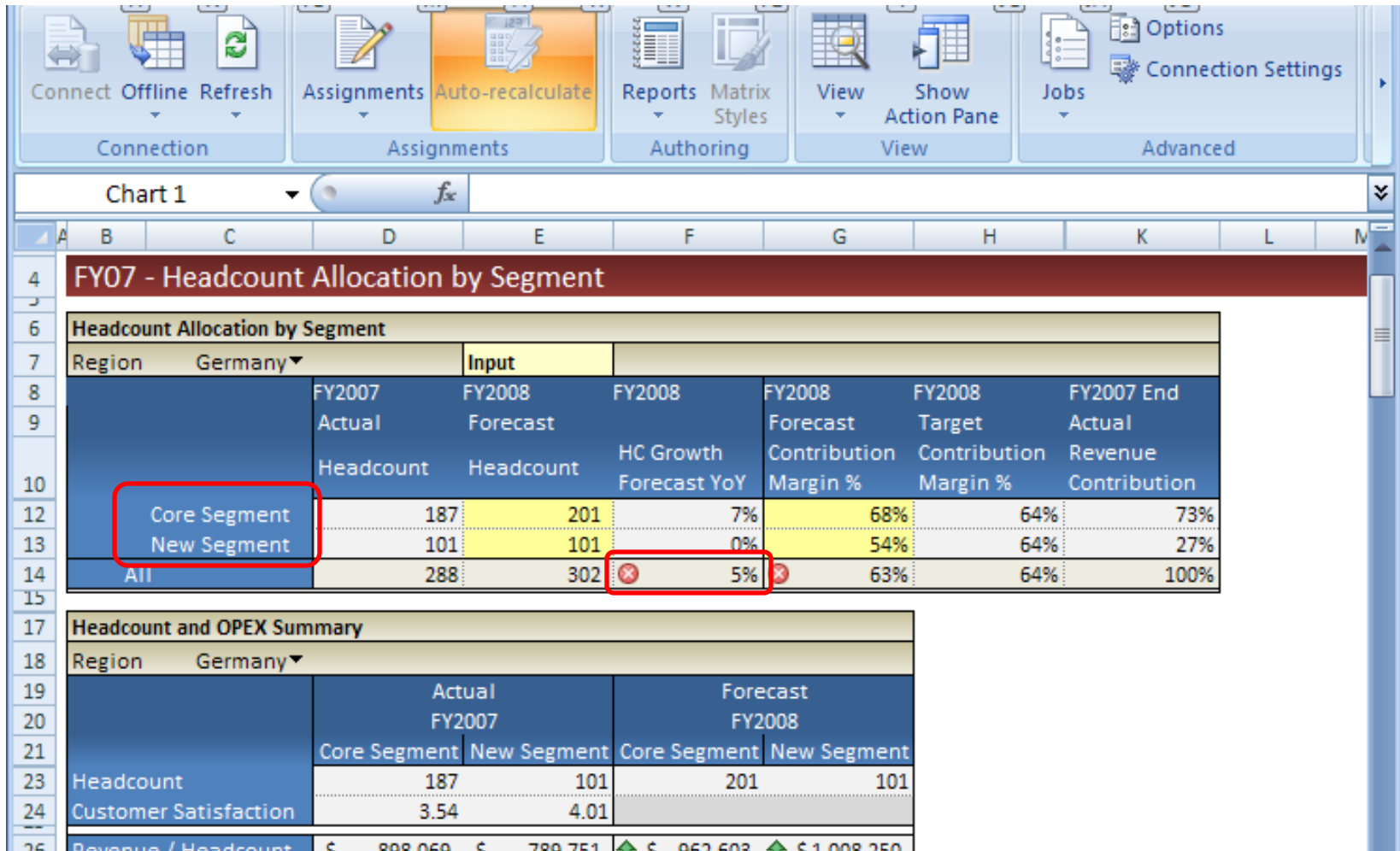
Now, I can see here that PerformancePoint Server functionality has been tightly extended through Excel. I can see the ribbon on the top and I also see here, 'the action pane', the area that will allow me submit my forecast once I'm done.



Corp BSC Demo – Analyzing with Excel

In this form, I have information that is relevant to me – as the owner of Germany numbers – I can see a filter here for German information. The numbers in the cells are not hardcoded numbers. They are the result of business logic that is run and managed centrally by PerformancePoint Server.

So – in addition to using a great application that I am already very familiar with, I know now that the numbers in front of me are coming from corporate and they are the right numbers for me and for the process I am currently involved in – the forecast process.



FY07 - Headcount Allocation by Segment						
Headcount Allocation by Segment						
Region	Germany		Input			
	FY2007 Actual	FY2008 Forecast	FY2008 HC Growth Forecast YoY	FY2008 Contribution Margin %	FY2008 Target Contribution Margin %	FY2007 End Actual Revenue Contribution
Core Segment	187	201	7%	68%	64%	73%
New Segment	101	101	0%	54%	64%	27%
All	288	302	5%	63%	64%	100%

Headcount and OPEX Summary				
Region	Germany			
	Actual FY2007		Forecast FY2008	
	Core Segment	New Segment	Core Segment	New Segment
Headcount	187	101	201	101
Customer Satisfaction	3.54	4.01		

Corp BSC Demo – Planning with Excel

What's in this form? First off – I recognize my 2 businesses here – Core and New. I can see:

My HC numbers from last year. My requested forecast numbers for this year. I can also see my forecasted HC YoY growth of 5% and my forecasted contribution margin.

The issue here is for me to reallocate heads appropriately and lower this number here. Now, all the information here is managed centrally, it is truly specific to my role in my geography. In fact, PPS manages the security of all these #s down to the cell. For instance, if I wanted to change last year's actual HC numbers, PerformancePoint would simply not allow me to do that.

Headcount Relocation Planning

On the bottom of this form – I have information that is related to my actual and forecast information for HC and customer satisfaction.

I'm able to find some of the same #s here as well as from the form above. However – these numbers are coming from the underlined business model and are not local to Excel.

This allows me to trust the validity of the information and it allows my company to drive consistency across the different levels of the organization.

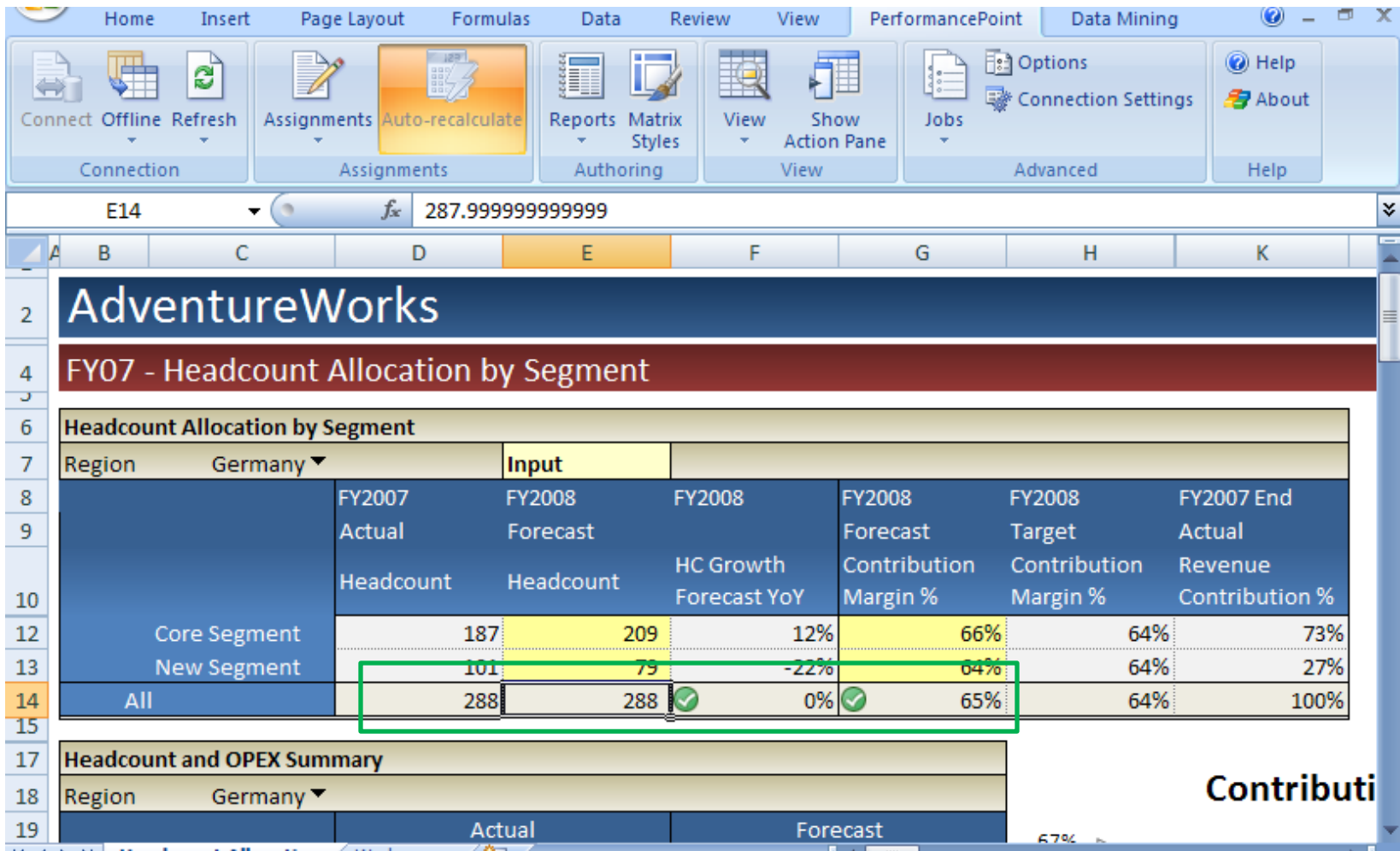
As discussed earlier – the issue here is headcount and the consequence headcount has on my margins. In order to hit the right number, I have to figure how to best allocate heads across my markets.

So how am I going to do this? I could simply go in and enter information in the cells based on my gut feel. Note that PerformancePoint Server has highlighted the cells representing the business drivers of my forecast- here in yellow.

What if I shifted half of the heads from New to Core? I could do this here.

However – Heidi, who runs the New Market Segment, is going to ask why I took these heads away.

As I'm working within the corporate context and have to conform to corporate objectives, I have to make choices that makes sense for my people in my geography. Here is what I could do. I could reallocate heads based on revenue contribution. If core contribute to 73% of my revenue – then it should get 73% of my HC. This is a logical explanation based on revenue contribution. Let's run a what-if here to see what happens.



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Region	Germany	Input					
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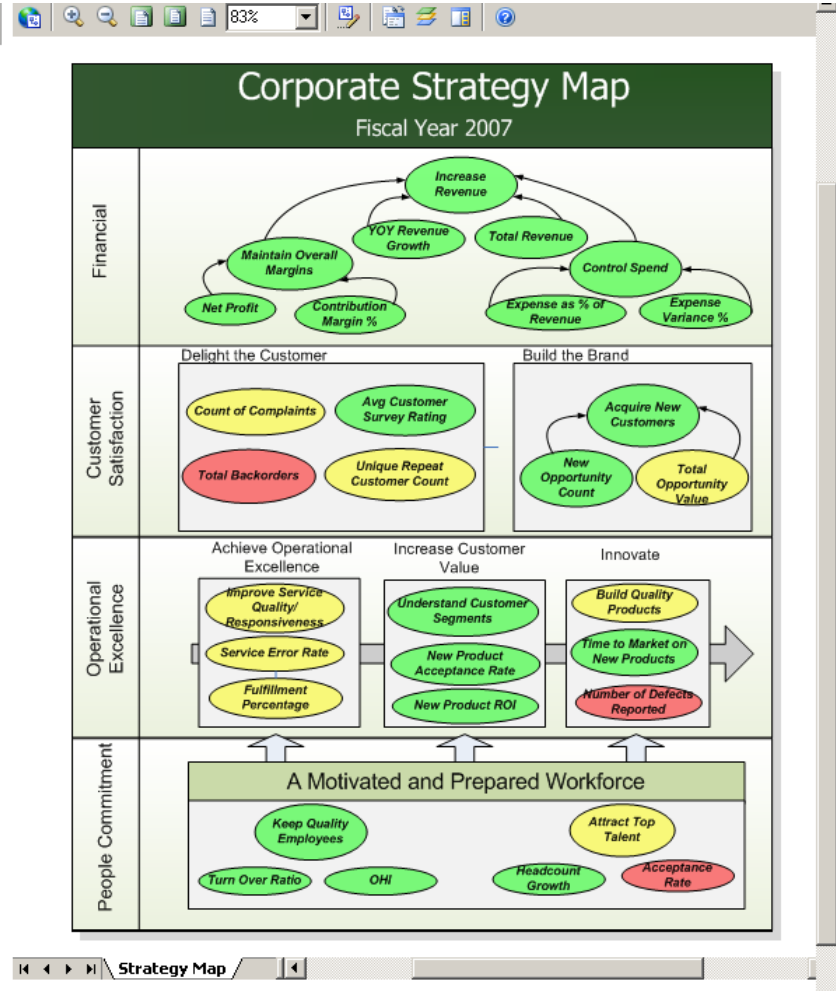
Corp BSC Demo – What it Analysis with Excel

So – this solves my HC growth and margins. This is great flexibility on my end – while I’m still working with numbers and logic aligned to the corporate context.

Strategy Map Scorecard

Filter Mode

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Financial Performance			●
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New Product ROI	12.00%	10.00%	●
Build Quality Products			▲
Time to Market on New Products	33 weeks	23 weeks	●



Corp BSC Demo – From Data, to Insights to Decisions

The ability to do all this – Monitoring performance, analyzing in detail specific issues and modifying the course of my business is how any customer could use PPS.

In this simple example, both our CFO and GM went from data, to insights and finally to decisions – aligned to the corporate context.

Contact us today to schedule a presentation and discuss your particular requirements



Info@cmlgroup.com