

INSIGHTS**Drilling Down to the Root Cause:***Business Intelligence drives effective Corporate Performance Management***A shift in CPM thinking**

In the world today, the only consistent thing is change — and the rate of change is phenomenal. The business marketplace is shifting daily, and in order to progress or even keep up, you need the right information at your fingertips to make the appropriate critical moves. For the most part, even the rather sophisticated Corporate Performance Management (CPM) dashboards of today are only providing insight for leadership at the macro level. Today's business climate calls for a new approach that will provide the depth of insight needed to truly understand the underlying causes and effects of change on your corporation.

Business Intelligence (BI) is about getting insight down to the root level in real time. While the type of high-level data typically provided by dashboards and scorecards may provide some insight to which you can react, proactive management decisions will help your company get ahead. However, this shift from reactive to proactive behavior requires the ability to look much deeper into your organization. This level of insight, through business intelligence, is a key cornerstone for effective corporate performance management. To achieve your performance goals and outthink the competition, Business Intelligence, supported by a solid business analytics strategy and platform, must be the foundation for your organization's CPM strategy.

Imagine a world where you can:

- Improve your time to market with innovative products derived from leading insights into your consumers' buying trends
- Increase your bottom line profits with insight into customer relationships and trade promotion activities
- Improve your top-line growth by tracking and adjusting loyalty programs and identifying cross- and up-sell opportunities
- Reduce your overhead and cost of goods sold through optimized demand and supply chain performance
- Unleash a flexible executive powerhouse team that can swiftly adapt to market changes

If implemented on a dynamic and scalable business intelligence platform, and based on the right intelligence, CPM can propel your company into the future.



Next generation CPM in action

In order to illustrate the fact that CPM supported by an agile business intelligence platform can produce substantial business benefits, let's examine the cases of some real companies who are early adopters of next generation CPM. The following stories reveal how companies have used BI to address business issues and achieve a higher rate of profit and efficiency.

Case study #1 Forecasting: Streamlining to Become "World-Class"

The Pepsi Bottling Group (PBC) – the world's largest manufacturer, seller, and distributor of Pepsi-Cola beverages – faced the challenge of accurately forecasting and budgeting sales from 300,000 daily deliveries provided by over 100 manufacturing facilities.¹ Bruce Matzner, Director of Corporate Planning, said, "As a company we were well regarded for our marketplace execution, transactional efficiency, and the sophistication and capability of our IT systems, but some of our performance management systems and processes needed improvement. In 2003, we were a Fortune 200 company with approximately \$10 billion in revenue, 100 manufacturing facilities, 300,000 daily deliveries, and 65,000 employees, yet in some cases, we were forecasting manually on spreadsheets. We needed to transform our processes and capability – to become world-class."

The challenges PBC faced were three-fold: standardize and integrate planning and forecasting systems and processes around the world, influence business performance rather than just measure it, and eliminate the manually intensive Excel-based planning and forecasting processes. To address these issues, PBC embarked on an intense Business Intelligence implementation in support of CPM. Matzner said, "We wanted new tools that provided sophisticated capabilities to help our local finance teams spend more time on driving operational and financial results rather than just entering data on spreadsheets." PBC chose a number of Hyperion products including Hyperion Planning, Smart View, Essbase, and Business Rules. The solution was built on a foundation ranging from POS to syndicated data, and integrating and driving accuracy of the data as a primary accountability of this process. By embracing this CPM program, PBC was able to standardize and integrate planning and forecasting systems, leverage end-user MS-Excel expertise, consolidate reporting solutions, and automate manual tasks.

The result was a drastically streamlined annual operating plan and standardized planning activities, all with the same amount of IT resources. "We're spending less to develop and maintain our new worldwide systems and processes than we were paying to maintain our legacy MS Excel VBA tools for the U.S.," Matzner said. "Additionally, our IT team is motivated by the personal development opportunity of learning new tools and leveraging a dynamic software application instead of maintaining a static toolset."

"Having seen many advanced BI solutions across many CP companies, without a doubt, the Pepsi model is very robust and clearly is a differentiator for Pepsi," says Thomas Bornemann, Managing Partner, Consumer Products at Clarkston Consulting. "It relies heavily on detailed POS and syndicated data which is not easily assembled, but through a tremendously focused effort over the past years, it represents a model for how BI can be done."

Case study #2 Finance: Getting Beyond Excel Spreadsheets

If your finance department is currently budgeting and forecasting using a series of Excel spreadsheets, you're not alone. However, these primarily Excel-based, manual processes are largely ineffective. Not only do they require a small army of accounting personnel, but they quickly absorb large amounts of time from business executives who should be focused on making decisions from the data rather than "playing the numbers game." Generally, they lead to the formulation of isolated decisions that often become obsolete as soon as the budget is approved. By using a common platform, business intelligence automates the budgeting process significantly improving efficiency.

F-Secure Corporation, an antivirus and intrusion prevention vendor, is one company who was bogged down in a counter-productive analysis system.² Managers were tracking information and producing reports with a variety of cumbersome applications including Excel and other custom developed forms. The results were far from productive, as they often disagreed over whose reports were more accurate to support senior management's decision-making process. To address this disparity and enhance profitability, F-Secure needed a flexible, easy-to-use solution that integrated with its existing SAP systems to report on global sales performance in a timely manner. Additionally, since the company operates in seven



countries worldwide, the system had to offer multilingual support so that reports could be created, read, or altered in each location. The company turned to Cognos, a business intelligence and CPM leader, for help in implementing an enterprise reporting solution.

F-Secure CFO Taneli Virtanen said their partnership with Cognos has allowed F-Secure to “build a long-term information strategy and lay a foundation for driving performance.” Virtanen said, “Cognos is enabling us to improve our corporate performance because we now have a single version of the truth in our sales operations. Standardizing on Cognos allows us to reduce costs... and senior management is now able to spend more time on analyzing the numbers, instead of arguing if the numbers are correct.”

The best benefit by far, however, is the ability to view meaningful data and make critical decisions. With its enterprise reporting solution securely in place, managers and decision-makers at F-Secure can instantly access, analyze, and report on the performance of international sales channels as well as analyze sales data to identify trends and areas for improvement. Thanks to CPM, managers at F-Secure can spend their time making profit-growing decisions instead of arguing over figures.



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Case study #3 Mergers & Acquisitions: ***From Many to One***

The economic landscape today is yielding a growing number of mergers and acquisitions. When two companies merge, the first goal is the swift consolidation of financial data to measure the financial impact. Additionally, leadership teams need to obtain full visibility into consolidated sales performance, inventory trends, and supply chain performance to reap the benefits of the merger and achieve the expected increase in shareholder value. For companies in strong growth mode, a scaleable, flexible CPM solution with tools for quick visibility into the combined financials of the affected organizations becomes even more critical.

Consider the story of Maple Leaf Foods, Canada’s largest food processing company.³ The company’s active growth strategy, while yielding numerous acquisitions of other businesses, required a performance management strategy based on a scaleable, dynamic, and flexible technology platform. The acquisition process left Maple Leaf with many practical challenges, including how to best manage global consolidation, reporting, sales analysis, and performance monitoring. A large-scale solution was in order, so Maple Leaf deployed a Business Intelligence product from Hyperion called Enterprise to manage its active growth initiative and keep pace with a highly competitive industry.

To address the specialized needs that come with business acquisitions, Maple Leaf implemented a data warehouse to allow for standardized financial reporting, data extraction, transformation and integration. The far-reaching plan yielded multi-faceted benefits, including: supports company growth through rapid consolidation of acquired companies’ financials; adapts easily to changes in organizational structures; provides detailed data/profitability analysis to grocery retailers facilitating strong customer relationships; streamlines financial reporting for timely compliance with external regulatory bodies; and increases productivity by providing key performance metrics to management. Using this solution, Maple Leaf was able to get new companies into its reporting structure in less than one month. Maple Leaf is now able to consolidate the businesses from a legal, management, and tax perspective so it can create different combined views as businesses are organized.



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Another problem that rapid growth can cause is information overload. In the case of PerkinElmer Inc., a health sciences research, development, and manufacturing company, a half-decade's worth of intense merger and acquisition activity resulted in a business intelligence infrastructure that was insular, siloed, and of dubious value.⁴ PerkinElmer turned to Business Objects SA for help in consolidating its discombobulated BI holdings. Using software to report against and analyze data from its data warehouse as well as a consultancy and a systems integrator, PerkinElmer consolidated the once siloed information into several marketing, sales, product, and services data marts. CIO Matthew Catillo said the result helped put the information into a useable form. "We've grown through a number of mergers and acquisitions and we've had a number of reorganizations and consolidations, so getting a real view into the performance of our products was essential."

A period of mergers and acquisitions is exciting in terms of profit and revenue, but it can be overwhelming from an information standpoint. By using a business intelligence strategy to consolidate data warehouses, both Maple Leaf and PerkinElmer were able to better leverage measurement and minimize offline time caused by logistical headaches.

Case study #4 Customer Intimacy: Creating Better Retailer Relationships

At most grocery and mass retailers, Kellogg's is not considered a category captain; however they believed they could add more value than that of an ordinary category validator position often assigned to this manufacturer. In order to provide more for their customers, Kellogg's began an initiative to measure their customer insights. They believed that providing retailers more information about how consumers make decisions should promote overall category growth.

For a specific retailer, Kellogg's undertook a study to determine why they were underperforming in a particular store. By linking consumer profile data, including lifestyle and life stage information, to the sales data in the region, Kellogg's was able to learn why sales were down at that retailer in comparison with competitors. They then guided the retailer in not only understanding the competition but also in examining the store-level sales data and used it to create movement in the underperforming categories.

This is a direct example of how both manufacturers and retailers can use consumer data to develop innovative insights into the market through business intelligence. Kellogg's and their customers were able to increase revenue and profitability through a comprehensive business intelligence strategy and approach.

Understanding CPM and the current state of your business

Every business organization has some form of performance management process, application, and procedure, so the problem with CPM is not that organizations aren't doing it - regardless of where you are on the spectrum of sophistication, you are undoubtedly performing some facet of CPM today. The question is - are you using BI to help you make decisions that successfully shape your future? As the core function of management at all levels in an organization, CPM should be more than just a daily routine of reviewing dashboards. While some corporations are utilizing an entirely manual process to facilitate their performance management, others have employed business intelligence not only to streamline the process but also to provide the ability to glean deep insight that makes performance management more meaningful and effective.

Why should Business Intelligence be the foundation for Corporate Performance Management? In a Consumer Goods and Retail Report, Xtropian CEO writes, "The management of critical information in the consumer packaged goods industry, where information is as much a commodity as cereal or soap, and where consumer preferences shift rapidly, is particularly challenging."⁵ In this dynamic environment, your measurement capabilities and integration tools must be able to quickly respond to changing demands. Only a progressive, flexible and scalable business intelligence platform can provide the ability to delve deeply into the organization from a data perspective and reveal the root causes and effects of specific factors. Without the ability to access and understand the data that resides below the high level dashboards, performance management can not evolve to provide actionable insight that can set a company apart from its competition.



From wishful thinking to reality: Creating a CPM strategy

The myriad of questions that need research and well-founded answers in order to implement an effective performance management strategy may seem endless. The research firm Gartner defines performance management as “the methodologies, metrics, processes, and systems used to monitor and manage the business performance of an organization.” Gartner’s definition lists systems last, and rightly so, since they are the least important component of a corporate performance management initiative. Why? Today, literally a plethora of technologies exist that can address these business issues. The difference in effectiveness lies in how they are chosen and implemented, and how the business processes are rebuilt around them to optimize their use. This can be summarized in one key word: *strategy*.

When determining the best course to take, the waters may appear muddied, as there are many challenges to tackle. The most important issues arguably are not those of technology, but revolve instead around determining performance criteria, alignment with corporate goals and vision, consistent management, and choosing a partner with deep industry expertise to assist you in your implementation. By focusing on those issues when implementing your strategy, your organization will be able to use business intelligence to gain a competitive edge.



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There are several steps you should include in developing your corporate performance management strategy:

- 1** Determine the goals that need to be reached in order to maximize stakeholder value.
- 2** Determine how to measure the progress of those goals at each level in the organization.
- 3** Measure the goals you have deemed appropriate.
- 4** Adjust as needed based on changes in performance, the market and industry, and the goals themselves.
- 5** Establish predictive metrics that will help you drive the proactive decision making needed to improve your future performance

In addition to obtaining management’s buy-in and ensuring alignment throughout the organization, the strategy’s success depends upon finding the right starting point and effective execution. The first step should be an assessment of current performance measurement processes and the available tools and enabling technologies, resulting in the identification of areas needing the most attention and fastest change. Defining the scope of each initiative and establishing an implementation roadmap in line with the strategy will provide quick results with high visibility.

Avoiding meaningless measurement

Often, well-intentioned strategies can lead to a patchwork of disconnected, ill-aligned performance measurement initiatives and/or applications, which may provide a baseline of information but fall short of the goal by being more reactive than predictive. These initiatives do not return the value of their investments and can actually hinder corporations in their efforts to meet corporate strategy goals and objectives. In fact, according to a Consumer Goods and Retail Report, Forrester Research has reported, based on a survey of 40 financial and operational managers at Fortune 500 U.S. and European firms, that 63 percent of C-level executives are unable to make the right strategic decisions because of poor visibility into internal operational data.⁶

So how do you avoid this pitfall? The challenge to optimal performance management is two-fold: first, you must determine the right metrics and second, define how the information will be used. These two components are the most critical of the strategy.



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Metrics aligned with corporate goals

To ensure you don't fall into the trap of meaningless measurement that will not drive you forward to better performance, you must ask yourself the right questions and carefully consider the answers.

- What should we measure? Why?
- When, where, and how should we measure it?
- What do we benchmark the results against?

These are critical decisions, for without the right answers, management will not have the information needed to make well-informed decisions in a timely manner. The key is to ensure that each of the performance indicators is appropriately aligned with the organization's corporate goals. This requires that the corporate objectives and goals are first defined, communicated, understood, and applied from the top down throughout the organization.

When considering performance metrics, be sure to drive beyond simple financial measures to include operational key performance indicators (KPIs) such as inventory movements and levels, lead times, quality measurements, and service levels. This can best be accomplished through a corporate performance strategy that is based on the principles of the balanced scorecard methodology. The four quadrants of the balanced scorecard as developed by AMR Research are:

- Financial perspective
- Customer perspective
- Internal business perspective
- Innovative and learning perspective

Creating actionable insight

Once you have determined your performance criteria and collected the data, you will have taken a big step forward. However, the large volume of data can be overwhelming. How do you sift through the data to determine how to best use it? This is where analysis comes into play. To move from mere data to actionable insight is not easy. The data must be organized and processed using analytical statistical methods. By collecting data and making it useable, decisions are made on fact, not theory.

The first step in creating actionable knowledge is generating information by putting data in context to other elements of data, which requires a certain level of strategy and infrastructure. For example, by determining that your business partner is also a customer, you have turned two facts into information. This step is the beginning of knowledge, which is the ability to connect the dots between seemingly unrelated pieces of information.

While intrinsically valuable to some degree, individual data elements are most relevant when they culminate into information that can be translated into action. When gathering intelligence concerning a user's data requirements and the development of a delivery mechanism to push information to that user, focus on providing the most relevant information at the optimal time and in the best format so that action can be taken. A report – online or on paper, real-time or batch – ultimately must achieve this goal.

We established that to reap the most value from information, it must line up with corporate strategy and that you must define what, how, when and where to measure data. Additionally, we determined that you must have the right tools in place to gather the data and present it to the right person in a timely manner and in the appropriate format. However, regardless of how insightful the data is, the only way to impact the business is to actually *take action* based on the information received. Be sure your organization creates an environment that assigns, holds accountable and rewards its people based on how they apply the information gleaned from the CPM process.



Managing with consistency

Another key to optimal return on your CPM endeavor is to manage performance consistently, thoughtfully, and with intentional alignment throughout the organization and across all functions. Gathering the right data and statistics is not an over-night process. To reap the benefits of business intelligence, your company must be committed to seeing the process through—not by implementing an application alone, but by changing the way the organization thinks. CPM is enabled by technology, but it begins with a philosophy. By adopting this mindset, information will be of increasing value and usefulness as you develop more relevant strategies for today's business environment.

Choosing the right partner

Partnering with a company that has deep industry knowledge and understands your challenge can help you increase your success as you create your CPM strategy and implement business intelligence. Outside assistance can be quite valuable as you outline and work to achieve your strategic goals. Look for a company with a proven track record of expertise in your specific industry, as well as one that is objective, however knowledgeable, in their approach to software. Strong expertise in change management and re-alignment of business processes is key to ensuring your endeavor will be effective. Lastly, drawing on an outside company's objectiveness and knowledge of the strategies and approaches to implementing CPM will minimize the task of building your business intelligence function, freeing you to focus on your job.



Be sure your organization creates an environment that assigns, holds accountable and rewards its people based on how they apply the information gleaned from the CPM process.

Conclusion

Getting ahead in today's constantly changing business environment requires a new approach. Your company is counting on you to make proactive decisions that will successfully impact the future success of your company. You are counting on the right data to make those decisions on fact, not speculation. Incorporating business intelligence into your corporate strategy will better equip you to make not only proactive but also strategic decisions by providing you with a deeper level of insight. Your corporate performance management strategy should:

- Be fully aligned with corporate goals
- Include a scaleable, dynamic business intelligence platform
- Avoid meaningless measurement through the careful selection of metrics
- Strive to create actionable insight through proper analysis of the data
- Capitalize on industry best practices and proven methodologies by selecting the best vendor partner
- Apply measure and reward progress consistently
- Support stronger decision making

Building your company's CPM program on a solid business intelligence strategy enabled by a dynamic business intelligence platform will help you achieve the insight you need to stay ahead of the competition.

For more information, visit: www.clarkstonconsulting.com

About Clarkston Consulting

Clarkston Consulting is a different kind of management and technology consulting firm. We deliver a unique experience for market leaders within the Consumer Products and Life Sciences industries. Considering professionalism, expertise, and value as prerequisites, we take service a step further through our unyielding commitment to the success of people as individuals, both our clients and our employees. By combining integrity, adaptability, and a whatever-it-takes attitude, we have achieved an extremely high rate of referral and repeat business and a client satisfaction rate of 97% over the past five years as measured by the Conference Board.

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- ¹ Hyperion Business Solutions, "The Pepsi Bottling Group Sweetens Performance Management with Hyperion Planning," 2006.
 - ² DM Review, "F-Secure Standardizes on Cognos Business Intelligence," 2005.
 - ³ Hyperion Business Solutions, "Global Food Processing Company Streamlines Acquisition Process and Manages Rapid Growth Using Hyperion," 2006.
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