

**Keynote:**  
**How to Implement Corporate Performance  
Management (CPM), Pervasive BI & ROI:  
Hard & Soft**

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# Topics

- **What is Business Intelligence (BI)?**
- **Corporate Performance Management (CPM), Key Performance Indicators (KPIs), Scorecards**
- **What is Pervasive BI (PBI)**
  - Benefits of PBI
  - Hard & Soft ROI of PBI
  - PBI case studies
  - How to implement PBI
- **Observations for success in PBI**

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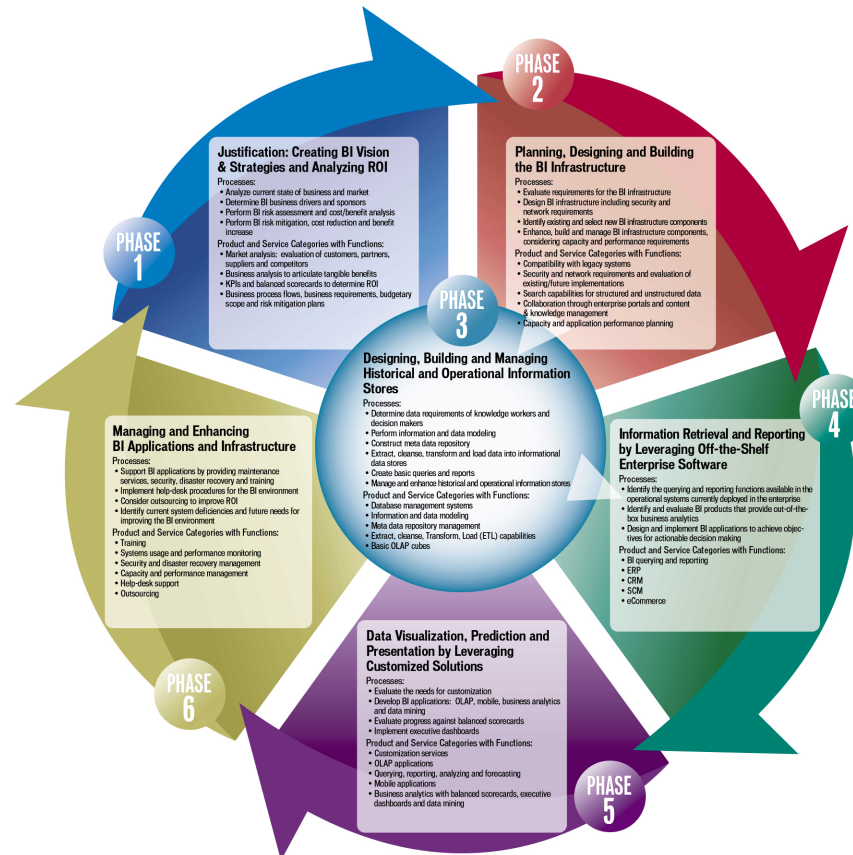
# Business Intelligence Navigator

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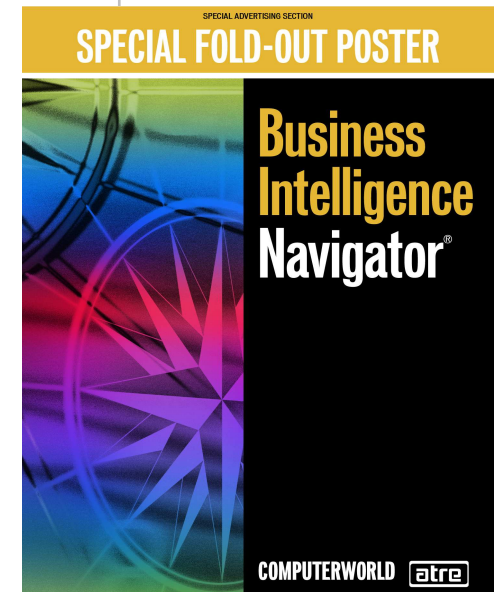
Atre BI Methodology



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# Corporate Performance Management (CPM)=Business Performance Mgmt (BPM)=Enterprise Performance Mgmt (EPM)

- **CPM requires:**

- Two major components of an organization: business processes & customers
- Common understanding of priorities of business processes and key performance indicators (KPI)
- Effective integration and communication of information across the enterprise
- Visibility mechanics and technology

- **Business processes:** formulation of process objectives for times, costs, and quality for measurable performance indicators

- **CPM** encompasses methodologies, metrics, business processes and systems used to manage the business performance of an organization

# CPM – What It Is and What It Is Not

## ● What it is:

- An institutionalized management process that aligns strategy to execution
- An information platform that improves performance
- A way to know where your business is and why it's there
- Essential to the ongoing success of your business
- Executive commitment, sponsorship, and oversight

## ● What it's not:

- A new business process
- An “off the shelf” IT product
- A standard
- Same for every enterprise
- A quick solution to old problems!
- Something that should be put off!
- A “silver” bullet!



# CPM: Basic Capabilities

- **Integrated planning**
- **Budgeting**
- **Forecasting**
- **Reporting**
- **Score carding**

# What is Business Intelligence? No Process Intelligence No Business Intelligence!

- **Interrelationship between CPM and BI:** by using the “improved” business processes, methodologies, metrics and technologies creation of “intelligence” with information for better run organization is business intelligence
- Concentrate on two major components of any business: business processes (Not just Data as in Data Warehouse!) and customers
- Streamline operations
- Shorten product development cycles
- Maximize value from existing product lines and anticipate new opportunities
- Create better, focused marketing, as well as improve relationships with customers, employees, share holders, partners and suppliers alike
- Consider appropriate measures for evaluating hard ROI: how can you improve it if you can't measure?

# Something is BI to Someone!

- Business Intelligence (BI)
- Business analytics
- Business Performance Management (BPM)
- Corporate Performance Management (CPM)
- Enterprise Performance Management (EPM)
- Business Activity Monitoring (BAM)
- Key Performance Indicators (KPIs)
- Dashboards
- Scorecards
- Data warehouse
- Query & reporting
- Enterprise reporting
- Production reporting
- Ad-hoc analysis
- Portals
- Data mining
- ETL
- Data visualization
- Olap
- Etc., etc.



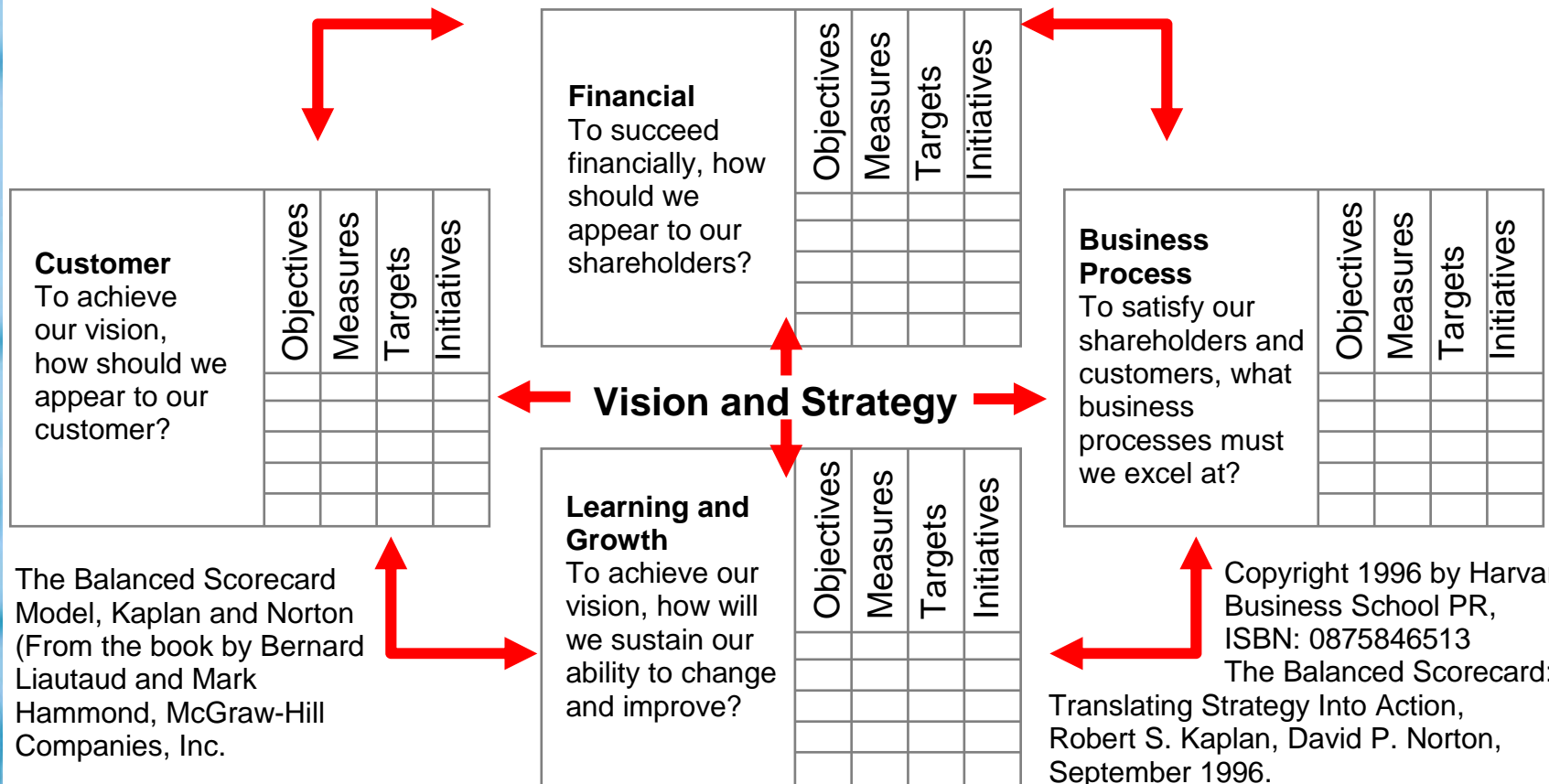
## Define Key Performance Indicators (KPIs) and Prepare a “Balanced Scorecard”

- KPIs fundamentally indicate whether an organization is meeting its stated objectives
- A KPI has to be relevant to the performance of the organization as a whole- one needs to set boundaries on the organization-multiple divisions?
- KPIs are interrelated – they don’t stand alone (e.g. debt to equity ratio, asset turnover, profit margin)
- An enterprise performance dashboard is based on meaningful and well defined KPIs

# What is a Scorecard?

- A Scorecard is a set of key performance indicators (KPIs), or metrics, that present current performance data for a business process or for a strategic goal against target values
- **Purpose:**
  - To focus the business on the key tactical objectives, metrics and goals that will drive this year's translation of the Vision and the strategy
- **Details:**
  - Multiple perspectives (buckets of similar objectives, metrics and goals)
  - The non-financial perspectives should have a cause and effect relationship with the financial perspectives
  - Main perspectives are finance, customer, business processes and learning & growth
- **Potential challenges:**
  - Maintaining balance across the multiple perspectives
  - Developing a few, important objectives and metrics
  - Ensuring a mix of cause and effect and decomposition metrics
  - Incorporating the multiple dimensions of a matrix organization (business units, functions, processes)

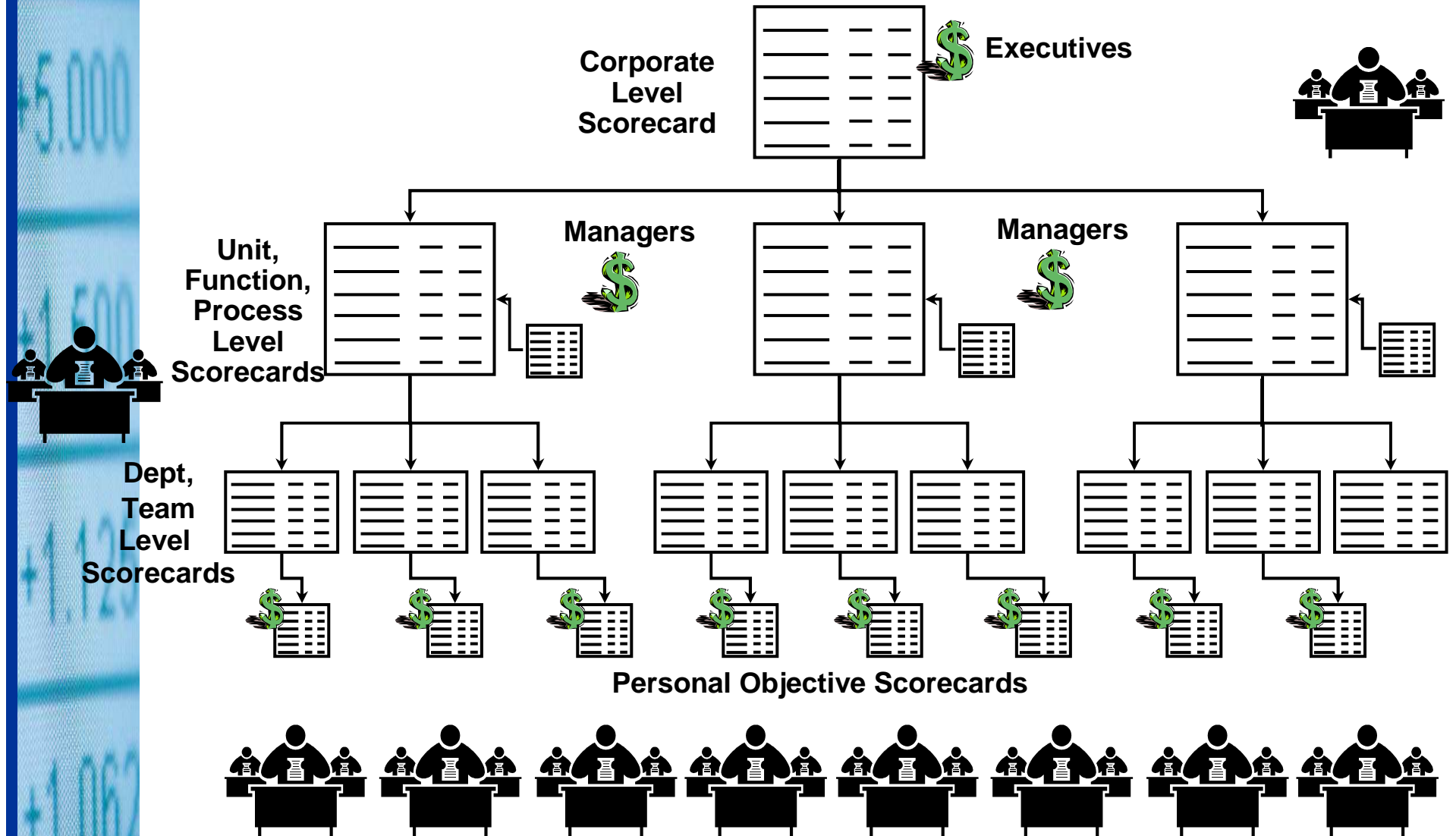
# A Balanced Scorecard Model: Balanced Scorecards, Use a Mix of Financial and Non-financial Information, Leading and Lagging Financial Indicators, and Corresponding Strategy Maps



The Balanced Scorecard Model, Kaplan and Norton (From the book by Bernard Liautaud and Mark Hammond, McGraw-Hill Companies, Inc.

Copyright 1996 by Harvard Business School PR, ISBN: 0875846513  
The Balanced Scorecard: Translating Strategy Into Action, Robert S. Kaplan, David P. Norton, September 1996.

# Tying Organizational Strategy to People: Pervasive BI



Full deployment from the very top management to the people in the "trenches"

# Your Customer Base

- **It is 2008 and do you know where your customer base is?**
  - Make five classes of customers
  - How do you measure profit per customer?
  - How do you measure loss per customer?
  - Profit from getting rid of loss leaders

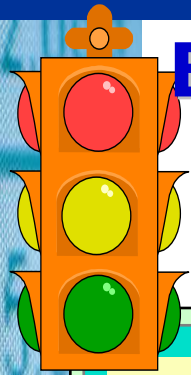


# Pervasive BI and Its Benefits

- **Pervasive BI:** decision making with BI for thousands & thousands of workers – where it makes sense! This may not be appreciated by every worker – but most of the workers will welcome it!
- Workers at all levels, are equipped with analytics, alerts, and feedback mechanism necessary to perform their job well
- Every worker becomes an “entrepreneur” managing himself/herself and is evaluating his/her own performance on an ongoing basis. Empowerment!
- “Relevant” data is supplied to the workers at “right time” and not necessarily always “real time”
- Hard ROI are usually quantitative measures
- Soft ROI are usually qualitative measures such as: improved information dissemination, improved information access, propagation of knowledge etc.

# ROI: Any BI Application Has to Satisfy at Least One of the Criteria of the Cost-Benefit Analysis: 1,2,4,5 Could Provide "Hard" ROI & 3 Could Be "Soft" ROI





# Basic Risk Assessment Matrix

Technology	Experienced with mature technology	Product or organizational experience lacking	New technology, little organizational experience
Complexity	Simple - minimal workflow impact	Moderate, some workflow impact	Mission critical, extensive reengineering
Integration	Stand-Alone	Limited	Extensive
Organization	Solid internal support	Supportive to a large extent	Little internal support
Project Team	Experienced, business-driven, talented, great attitude	Business-driven, talented, good morale	No experience or technology focus, bad attitude
Financial Investment	Possible ROI within a very short time	Possible ROI within several months	Possible ROI within a few years

**VARIABLE**

**LOW**

Green = low risk –  
Go ahead with the project



**RISK**

Yellow = medium risk –  
caution, proceed slowly



**HIGH**

Red = high risk –  
stop, reevaluate  
before proceeding

## How to Implement Pervasive BI?

- **Management has to communicate with the workers:**
  - Actionable strategies or so called initiatives
  - Not only “fuzzy” “leadership messages”
  - Workers have to be able to translate the strategies into day-to-day work
  - Workers should be able to judge themselves whether they are meeting the objectives set by the management or not

# Hard ROI of Pervasive BI in Various Industries

- **Mortgage banking:**

- Increase in the number of “qualified” mortgages closed for same resources used
- % reduction in loan fulfillment cost
- % reduction in loan cycle time
- To follow up: % reduction in defaults  
% reduction in money losses

- **Insurance business:**

- Predictive modeling: lawsuits: the cost of litigation is going to be \$XXXXXXXXXX.XX based on previous similar cases. Settle out of court!



# Hard ROI of Pervasive BI in Various Industries

- **Life insurance:** estimates of profitability by customers, by types of policies, by geographical areas, by brokers
- **Banking:** customer profiles: profitability per branch, per types of accounts, types of customers and churning, profit bringing customers and loss generating customers
- **Hotel industry:**
  - Future estimates based on the past promotional offers and results per season, per demographic areas, per gender, per business travelers vs. Vacationers
  - Future estimates based on the past trends in vacationers' stays: length, recreational facilities use, restaurants' use
- **Communications industry**
  - Predicting fraud patterns: originating fraud locations, destination locations of fraud, times of the day, of the week, of the month: how to prevent it or at least minimize it

## Soft ROI of Pervasive BI in Various Industries

- **Mortgage banking:**

- Increase in customer satisfaction
- Dashboard includes security restrictions for different management levels
- Consistent reports of queries

- **Financial services company:**

- Consolidation of certain data stored in multiple locations into a single source
- Concise, intuitive, actionable recommendations on course of action with reports of queries
- Dashboard includes capability to drill down through multiple levels to view each level in more detail

## Observations for Success in BI

- IT should be playing the role of “assist” in making goals – not aiming to “score” goals
- IT staff should take classes in behavioral patterns of humans
- Major 5 types of users: IT, power users, business users, casual users, operational users
- 5 P’s of BI: people, passion, perseverance, prioritization, production
- How do you make the users “give up” their spreadsheets? – no way! Build your applications around the spreadsheets!

## Observations for Success in BI

- Watch out for the BI vendor who says their product will be the perfect solution without asking what the problem is!
- Don't trust any tool vendor who says "you don't have to do anything anymore "
- Move slowly – focus on the solution and not on the tool!
- Don't change the business process at the same time when you implement the bi solution
- Keep focus – perform like a "heat seeking rocket"

## Observations for Success in BI

- Determine “soft” ROI and “hard” ROI
- Determine “Key Performance Indicators” and find correlation between KPI’s and ROI
- Dashboards with KPIs will be automated
- Can you come up with reduced operating costs?  
It is a bit easier to estimate operating costs as compared to estimating profits
- Once BI solution is implemented go back and measure ROI – at least “hard” ROI

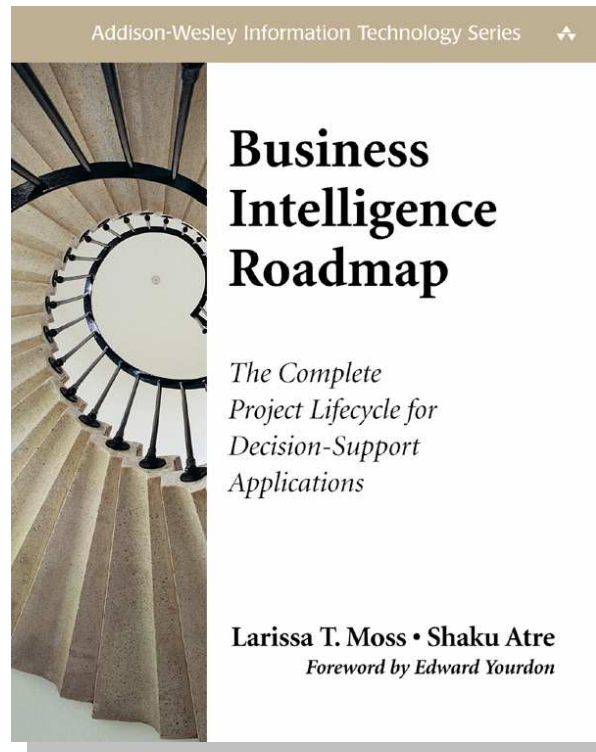
Reference: The How and Why of Balanced Scorecarding by Leo Voskamp, DMReview: October, 2003 – ©Copyright 2003 by the Thompson Corp. and DM Review



## When is the Probability for BI Application Success High?

- Very high level sponsor: CFO, COO, CIO (because at this level they usually have a mandate, clout and money)
- BI application has a specific focus
- Users work side by side with IT to assess requirements and provide at least five levels of priorities
- Implementation plan consists of incremental deliverables – after every predefined short interval a deliverable is completed
- It is recognized that not the technology but the staffing is going to be the biggest challenge!

# Shaku Atre's Latest Book



***“Business Intelligence Roadmap – The Complete Project Lifecycle for Decision Support Applications”***

**Larissa T. Moss, Shaku Atre (Addison-Wesley)**

Credit for partial adoption to: *Business Intelligence Roadmap: The Complete Project Lifecycle for Decision-Support Applications* by Larissa T. Moss and Shaku Atre, Copyright 2003 Addison-Wesley.