



Rapid scorecarding for Consumer Products

Five simple steps to building an effective scorecard

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“Not everything that can be counted counts, and not everything that counts can be counted.”

Albert Einstein

Abstract

As the business environment grows more complex— and the financial stakes rise ever higher — an increasing number of global consumer products organizations are adopting IBM Cognos® business intelligence solutions. Among the most popular and productive features of these systems are scorecards, which can consolidate data from multiple sources into a coherent view of company performance that can be trusted by individuals throughout the organization. This white paper describes the advantages of good scorecards and provides five tips for creating good ones.

Overview

For consumer products companies worldwide, today’s business climate is complex and competitive. Consumer products companies are under intense pressure to improve customer service, bring innovative new products to market and increase business speed and agility, while being mindful of regulatory and legal compliance.

From the executive suite to the shop floor, managers juggle a variety of priorities, and must assign a value to each one based on their relative importance and the interaction among the processes that drive them. Then they can integrate these elements into a strategic plan and communicate the plan throughout the rest of the organization.

This is the core value of scorecards.

Business problems

Business problems

Scorecarding with IBM Cognos 8 Business Intelligence (BI) can help organizations consolidate performance data from disparate sources into a coherent system that people can trust. They can create their own view with scorecards that help them firmly pinpoint opportunities and roadblocks in key functional areas.

Scorecarding helps business users, from the shop floor to the top floor, quickly find answers to common questions, regardless of the data source, such as:

- How has this metric performed in the past? How is it trending?
- Who is involved in solving this problem? Have corrective actions been put in place?
- What are the factors driving the performance?
- What other processes or metrics are affected?
- What are the details behind this metric? How is it calculated?

Business drivers

Scorecarding 101

Scorecarding with IBM Cognos 8 BI allows you to link decisions made by individual employees to corporate strategies and goals. It provides users at every level of the business with access to relevant reports, analysis and alerts, helping them understand their metrics and the factors that drive their performance. It can scale easily from tracking a few individuals to specific operating subsidiaries, and from discrete geographic regions to the entire enterprise. It can manage performance using methodologies like Balanced Scorecard, Six Sigma and Total Quality Management.

And while many scorecard initiatives suffer from lack of adoption by middle managers, IBM Cognos 8 BI scorecards provide the kind of drill-down capability and relevant tactical information that middle managers find highly useful—improving the chances for enterprise-wide success.

“We recommend that all supply chain BI initiatives start with Balanced Scorecard measurements. We also recommend that SCOR results be displayed in the Balanced Scorecard business process perspective. By doing this, executives will be able to evaluate supply chain BI results within the company’s performance management framework and manage within a proven reference model that provides linkages to strategic goals.”

Ventana Research

Business drivers

Scorecarding is a proven approach for monitoring, measuring and managing performance at a tactical or strategic level for an organization, a team, or individual employees. At the tactical level, employees and managers use scorecards to monitor performance against targets for discrete, specific projects. At the strategic level, scorecards can be part of a corporate-wide performance management system that executives use to map the overall corporate strategy and communicate it throughout the organization.

A scorecard is a list of key performance indicators (KPIs), or metrics, that present current performance data for a business process or strategic goal against target values. Most metrics feature a corresponding color scheme and trend arrow that indicates whether that performance is on, above or below target and whether performance is trending up or down.

Most scorecards, such as those used in Balanced Scorecard implementations, use a mix of financial and non-financial information, leading and lagging (financial) indicators and corresponding strategy maps. Other may be industry-specific, such as supply chain performance management. According to Ventana Research, “The best way to measure process effectiveness is to organize your supply chain BI measures according to a standard performance measurement reference model.

Reference models integrate the well-known concepts of benchmarking and process measurement.”²

Scorecarding 101

The best-known reference model for managing supply chain performance is the Supply Chain Operations Reference (SCOR) model, created by the not-for-profit Supply Chain Council (www.supply-chain.org). This model contains standard descriptions of management processes and characterizes management practices and standard metrics that benchmark best-in-class performance.

***“If you cannot draw your strategy
map on a napkin, it is too
complicated.”***

*Brett Knowles,
President,
pm2*

SCOR is based on five core management processes:

1. *Plan*—Processes that balance aggregate demand and supply to develop a course of action which best meets sourcing, production and delivery requirements.
2. *Source*—Processes that procure goods and services to meet planned or actual demand.
3. *Make*—Processes that transform product to a finished state to meet planned or actual demand.
4. *Deliver*—Processes that provide finished goods and services to meet planned or actual demand, typically including order management, transportation management and distribution management.
5. *Return*—Processes associated with returning or receiving returned products for any reason, which extends into post-delivery customer support.

The SCOR model provides a framework for looking at the entire supply chain to determine how to best meet the customer’s requirements. On a daily basis, logisticians gather critical data, such as order backlog, order fill time and days of inventory stock, that, when measured against leading metrics, can provide the means to improve performance. IBM Cognos has created a SCOR Metrics Blueprint that includes over 400 predefined metrics from the Supply Chain Council.

The ultimate goal of scorecarding is to focus everyone in the organization on the same metrics. Corporate performance targets can be aligned with floor activities, with measured results and drill-down analysis, and the entire organization can be structured to promote process ownership.

The Solution

Performance Management & Measurement (pm2) is an independent performance measurement consulting firm founded by Brett Knowles. Brett has been working in this area for over 15 years and is a former vice president of The Balanced Scorecard Collaborative. Brett's experience includes the initial research work on the Balanced Scorecard and his team has built over 2,000 scorecards for private and public sector organizations from around the world.

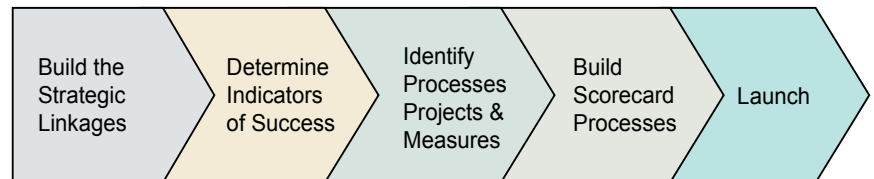
Setting up a Balanced Scorecard appears to be a great intellectual quest; what a wonderful challenge— to figure out the critical aspects of your organization and how to measure them. The problem is this: no matter how many people you put on a scorecarding team, you will still only have access to a tiny portion of your organization's wisdom. More often than not, you will miss the critical aspects of your organization's success.

A trick to creating a great scorecard is to “rough it in” first, just like building a house. Use the team to create the framework for a great scorecard, like the framing of a house, and then quickly release it to the organization with a request for them to provide the details around the roughed-in scorecard.

In the house metaphor, the scorecard team members are just the framers— putting up the wood frame of the structure. The organization's job is to put in the plumbing, electricity, walls, paint, wallpaper and so on. The following presents pm2's five simple steps to a fast, effective scorecard.

Five simple steps to fast, effective scorecards

There are five distinctly different tasks that provide the breadth of understanding required for a scorecard and performance measurement process. The trick, like framing a house, is to build the whole structure's framework quickly in order to make it self-supporting. If you pause too long between any of the steps, the entire program fails, as the organization begins to “tweak” elements of the scorecard before the overall structure is built and understood.



Step 1: Build the strategic linkages

Step 1 calls for capturing the existing strategy and documenting it in a new way, called a strategy map. The strategy map is the “secret sauce” that is a requirement for all great scorecards.

Drs Kaplan and Norton, authors of *The Balanced Scorecard* and *The Strategy-Focused Organization* and other bestsellers, frequently quote a Fortune magazine article revealing that 90 percent of strategies fail— not because they are weak, but merely because they are not executed. Given such a high failure rate, the most important gain for your organization will come through the execution of your existing strategy – not through devising a better strategy.

Do not allow your scorecard project to get sidetracked into another “strategic planning” activity. Take whatever strategy your organization is actually using and capture that. (After using the scorecard for six months, you will have enough information to have an informed strategic planning discussion.)

A strategy map describes what the organization needs to do to be successful. In building a simple map showing the relative importance of strategic objectives, the senior team is able to create alignment across their areas and an overall game plan, without committing to specific actions, performance levels or ownership. The strategy map becomes a risk-free tool to engage the leadership team in agreements about the way forward.

As the organization learns and needs to refine its strategy or direction, the strategy map becomes the tool to capture and communicate those changes. Building the strategy map is work for the senior team within the area being

scorecarded. The measurement team may or may not be invited to sit through the session.

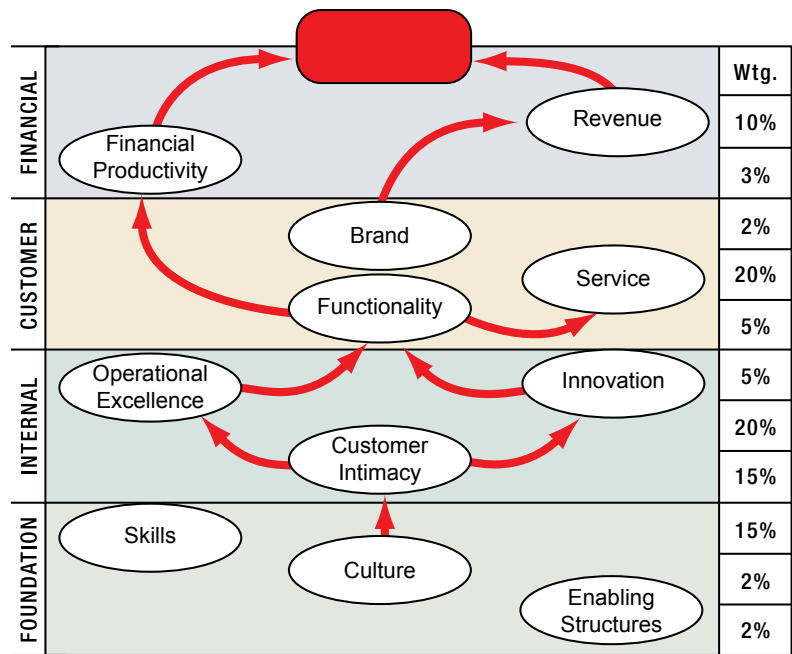
Step 2: Determine indicators of success

Good scorecards start off with indicators— not measures. What is an indicator? Think of “miles per gallon”. It is an indicator of the car’s performance, but does not try to diagnose specifically what might be wrong. Low mileage might be caused by poor engine performance, soft tires, or bad driving technique.

Many of our clients use employee absenteeism as an indicator of employee satisfaction. It is not precisely accurate, but many organizations have discovered that unhappy employees tend to take more sick days. Periodically they will check the indicator with a more rigorous analysis— say an employee survey – to ensure it is still a good proxy.

By using indicators, not measures, a number of benefits can be realized:

- *Better breadth of scorecard coverage* with fewer indicators. Because the indicator covers a wide range of possible causes, a single indicator provides wide coverage (for example, absenteeism might be caused by poor management, organization changes, or reduced rewards).
- *Ability to start using the scorecard right away.* There are always indicators available in the organization that can be immediately used in the scorecard. It is important to select indicators after you have built the strategy map. An organization would not adjust its strategy just because there were no obvious measures. Make sure that you do not confuse the two concepts.



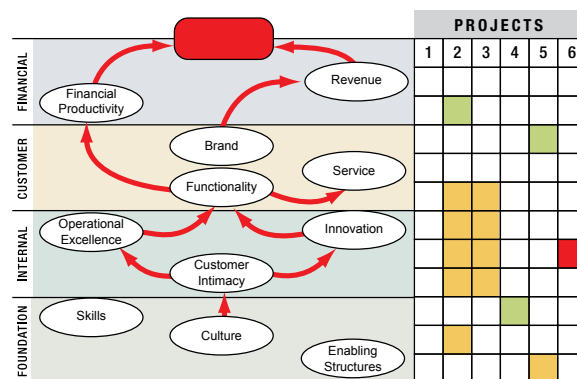
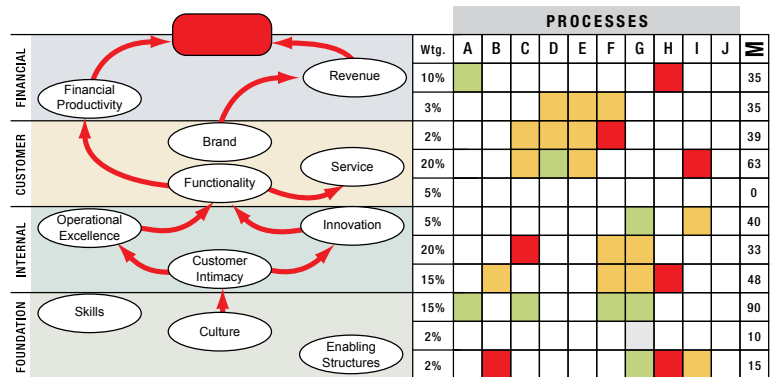
Step 3: Identify processes, projects, and measures

The promise of the scorecard is the translation of strategy into action. An important deliverable from any scorecard process must be the linkage between strategy and what we do – the processes and projects we work on from day to day. During the third step, the scorecard team should produce a short list of core processes, identify which ones are critical to each Strategic Objective on the strategy map, and then rank the processes’ ability to support that objective. This will allow the organization to identify the strategic impact of each process. Processes that have a high weighting but provide poor support are performance risks for the organization.

Likewise, all significant projects should also be ranked based on their impact in improving the performance around each strategic objective. Ideally, projects will provide support around the identified weak processes; if not, the organization has a misalignment between projects and strategic need. It is not

unusual to find that 40 percent to 60 percent of existing projects do not link to any strategic objectives. Those projects should be stopped right away, so as not to divert resources from the projects that will help execute the strategy.

By the end of Step 3 the team will have a rough-cut risk analysis illustrating the “execution gap”– the gap between what the strategy calls for and the capabilities of existing processes and projects. In this illustrative chart, the team can clearly show the risk profile by strategic objective. Typically, we invite the senior team in to review the findings from Steps 2 and 3 (indicators, strategic objective risk profile and projects recommended for suspension).



Step 4: Build scorecard processes

In order to receive all the benefits that scorecarding offers, management needs to learn some new techniques. The scorecard needs to slowly become integrated with other existing processes, such as accountabilities and financial planning, and some efforts need to be made in shifting the organization's mindset to a performance-based culture.

Processes need to be designed for the monthly gathering of data and objective owner commentaries. Step 4 calls for designing where the data is to come from, who writes the commentary, when it is due and how it is published. On the management process side, as Drs Kaplan and Norton describe in *The Strategy-Focused Organization*, you will need to begin making "strategy a continuous process" and making "strategy everyone's job."

Central to this is the addition of a new type of quarterly management meeting – a Strategic Management Process– in which the strategy map and weighting are reviewed to ensure that they are constantly tracking the best way forward for the organization. Based on the work done in Step 3, the organization can begin linking the strategy down to the team or individual level by assigning accountability for each supporting process and project, which in turn is linked to each strategic objective.

Step 5: Launch

It is important to get the scorecard into the hands of the organization as soon as possible. Launching the scorecard has three components: developing a presentation to be given to the entire organization (repeatedly), getting management to openly support the scorecard, and getting agreement on the next steps.

Scorecarding with IBM Cognos 8 BI enables organizations to manage the business through a network of metrics, thresholds, histories, and accountabilities.

The end result

Scorecard users are able to identify problem areas in the organization, ensure alignment of key stakeholders, and communicate strategy across the organization through enterprise scorecards. The end result is the ability to:

- Align employees around organizational strategy and execution. Employees understand what they are responsible for and how their performance contributes to the overall performance of the organization.
- Make targeted, prioritized information easily accessible. Scorecards provide the means for people at all levels of the organization manage their own performance.
- A scorecard is always on, always current, and always factual. As the organization gains a better understanding of the scorecard, and what individual impact has on local performance and organizational performance, confidence increases in its ability to track and manage performance. As individuals see a scorecard as a way for them to identify issues and validate them with senior management, they are able to justify changes in budgets, headcounts, and other matters.
- Bring clarity and transparency. Organizations have visibility into the business processes and activities that are important to their mission and program goals. They are able to exploit information to monitor issues, get early warnings when things are not tracking to plan, and manage performance against expected outcomes.
- Communicate critical success factors. Everyone has access to relevant information. This ensures employees understand critical success factors and their role in organizational success. This is communicated throughout the organization at the same time from the same system.
- Enable rapid response to shifts in strategy. Strategies continually shift. Management tools need to accommodate change. A scorecard is not static. With greater insights into the drivers of organizational success, you can adapt the scorecard to reflect this and changing priorities

Profile in performance

Profile in performance: Mark Anthony Group

Based in Vancouver, BC, the Mark Anthony Group (MAG) is a privately-held manufacturer and distributor of fine wines, premium beer and specialty beverages. With offices and distribution centers located across North America, MAG depends on a team of external partners to produce, distribute and sell its products. With so many partners and locations involved at different stages of the production life cycle, MAG initially deployed IBM Cognos ReportNet to ease reporting, and then chose to migrate to IBM Cognos 8 BI to enable its sales force to gain full, real-time access to the information in their customer database.

Challenges faced

The Canadian alcoholic beverage industry is highly regulated by various branches of provincial and federal government bodies. This level of regulation allows distributors such as MAG to purchase customer and competitor information directly from the government that is otherwise unavailable at this level of detail and accuracy.

With a sizable number of SKUs and products, mixed with federal information on competitors, distributors and bottlers, MAG had a growing database to manage and maintain. The organization needed to allocate more of its staff's time to growing its business and increasing profitability through intuitive and integrated BI sales tools.

“Our biggest challenge was managing the immense amount of data we have and getting the right data over to our sales force,” says Michael Der, BI Systems Manager, Mark Anthony Group. “We needed to distribute our information in a timely manner.”

Strategy followed

MAG set out to find an integrated BI tool that would guarantee the data it had purchased from the government was available off-site, and ensure that its sales

and marketing teams were receiving up-to-date and accurate information in the field. In early 2004, the company was looking for a Web-based reporting environment to eliminate running reports from a local client.

“In the beginning, we just wanted to use the information that we were buying from the government. We invested a lot into that data and it’s one of our most valuable assets,” recalls Der. “But a lot of the time we weren’t using it to the fullest capability. We wanted to provide our users with the tools to get data they could turn into useful information to close large deals.”

As part of evaluating technologies in 2004, MAG had two key requirements in mind for its ideal BI solution— a strong analysis capability, and scalability. MAG looked at IBM, Crystal Reports, and Microsoft®, ultimately deciding on IBM Cognos ReportNet for its maturity in the market and its ability to allow users to manipulate the information to their advantage.

“We also liked the way Cognos products are supported by Cognos Consulting, Training and Support,” states Der. “We needed to make sure that there was a strong community of users out there so that if we needed support or access to a knowledge base, it would be available not just today, but in the future.”

After its success with IBM Cognos ReportNet, MAG decided to upgrade and standardize with IBM Cognos 8 BI. In 2007, the company began a migration to IBM Cognos 8 BI. After an 8-week process, the company seamlessly moved its reporting infrastructure into the new environment.

“One of the reasons that we chose to migrate to Cognos 8 BI, was to take advantage of Cognos 8 Go! Mobile,” states Der. “We eventually want all of our US field sales teams to access reports on their mobile devices through Cognos 8 Go! Mobile. We see the mobile solution as a simpler and more cost-effective alternative, opposed to having our field team carry laptops to access information in their customer sites.”

MAG decided to migrate simultaneously to IBM Cognos 8 BI, and from SQL 2000 to SQL 2005. During the migration, IBM Cognos Professional Services assisted MAG in restructuring its data model. Users also participated in fast-track training, hosted by IBM Cognos Education in Vancouver, B.C. In preparation for the upgrade, MAG had also purchased IBM Cognos DecisionStream and called in IBM Cognos Professional Services to assist in the report migration.

Currently, MAG has over 125 power users trained on the IBM Cognos solutions and runs nearly 100 reports daily, depending on the business unit—manufacturing, distribution and logistics of its Mike’s Hard Lemonade products, or the agency import wine business. In addition to field sales support, MAG uses IBM Cognos 8 BI in inventory planning to determine the amount of glass or paper they need to buy for the packaging of their products. Now, MAG runs IBM Cognos 8 BI on Windows 2003 and SQL 2005 servers. The company’s ERP runs on MFG Pro ERP from a UNIX® server.

“I don’t think we can ever say we are finished with BI because we are always looking at ways to use it differently,” says Der. “We tell our users, if you can dream up a way to look at the numbers differently, then we can use it. We want to encourage users to raise questions. If it is quantity-based, we are confident we can get that information.”

Benefits realized

“We are pleased with the way Cognos is working for us,” states Der. “Giving our users the ability to manipulate the information from our database has been an advantage for us. Especially with the amount of information that we produce, we are able to take advantage of that capability. Building analysis models from our own data wasn’t enough, we needed to manage the competitive information and identify gaps in our business as well.”

With IBM Cognos 8 BI, MAG has been able to accelerate the delivery of business-critical information to its sales force, giving team members full insight into their customer accounts and also the ability to identify which accounts are potential customer wins.

MAG is also using IBM Cognos 8 BI to measure critical success metrics like the amount of additional customers the company is gaining. This measurement used to take place on a monthly or quarterly basis, but can now be obtained weekly, so the company can view the amount of additional points of distribution they are gaining on a week-by-week basis. “We’ve always had data, but it wasn’t easy to derive this information from it,” states Der.

Der sums up his IBM Cognos experience, “We rely heavily on Cognos 8 BI to get our information out to our sales team. We are able to push our reports out to them, rather than have them access the reports online. That’s been a big benefit for us and reduces the amount of time that they’re spending in front of a computer. With this real-time access, our sales team has a leg up on the competition, and they can use this tool to increase the size of their accounts and even close major deals.”

Conclusion

Conclusion

With multiple delivery channels, market specialization, high-profile mergers and acquisitions, growing compliance requirements and rising operational costs, consumer products organizations are increasingly turning to IBM Cognos software to help make sense of their high-stakes and complex business landscape. Many of the world’s leading consumer products companies already choose IBM Cognos solutions, including 19 of the 20 largest.

For consumer products organizations, both large and small, we offer:

The right technology and solutions

IBM Cognos integrated performance management software and services let the world’s most progressive consumer products companies:

- Leverage their existing investments by aggregating data from transaction systems (SAP, Oracle, Manugistics, etc.) and other sources across the organization, creating a single, integrated performance management framework— for rapid decisionmaking.
- Analyze customer, product, market and channel profitability.
- Move beyond cumbersome, error-prone spreadsheets for key plans like sales and operations planning (S&OP) with flexible, connected software to reconcile sales and demand forecasts with supply chain and production plans, and to test multiple cost scenarios.
- Identify the source of production issues and take corrective action.
- Comply with legislation (SOX) and regulatory requirements (OSHA, EPA).

The fastest methods

IBM Cognos Performance Blueprints help Consumer products companies quickly address planning and performance management process areas that need attention. IBM Cognos Performance Blueprints consist of targeted, pre-built data, process and policy models based on proven best practices in Consumer products operations, sales, marketing and finance. They include:

- Sales and Operations Planning (S&OP) Performance Blueprint
- Trade Promotion Management Performance Blueprint
- Supply Chain Operations Reference Model (SCOR)
- Performance management experts

When you make an investment in IBM Cognos software, IBM Cognos Software Services makes a commitment to you: to bring the full range of our personnel, resources and expertise to your deployment to help you achieve the next level of performance. Our Professional Services, Education and Support services help you accelerate deployment, promote strong user adoption and increase your competitive advantage.

Next Steps

About IBM Cognos BI and Performance Management

IBM Cognos BI and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

Want an even faster route?

IBM Cognos local partners offer a fast, experienced alternative for creating scorecards and fulfilling other Performance Management needs. Reach out to IBM Cognos partner pm2 for their Rapid Scorecarding service, or contact your local IBM Cognos sales representative to find seasoned IBM Cognos consultants in your local area that can help ensure your organization takes the right first steps toward a performance management culture.



For more information

- For more information on our solutions for consumer products, visit ibm.com/software/data/cognos/solutions/insurance/ibm.com/cognos
- For more details on our solutions, to schedule a one-on-one demo, or to request a local IBM Cognos Business Partner, speak to your IBM Cognos sales representative or call 1-800-426-4667.

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