



Using StatTools™ to Unlock the Potential of KPI Reporting

Taking KPI analysis and reporting to the next level

Dr Paul Walsh

(02) 9931 9376, 0412896866

paulw@agsm.edu.au

Today Show 20th March 06

Russel Crowe and Peter Holmes a Court successfully bid for 75% ownership of South Sydney Rabbitohs for \$3M.

When asked what his business motive was, Holmes a Court said profit was not his major KPI.

His major KPI was the *proportion of football games won*. He said over the last 16 years the Rabbitohs had only won 1 in 4 games.

Drowning in Data ?

SAP

ORACLE Try & Buy

PEOPLE Soft

CUSTOMERS **PEOPLE**

FINANCIAL **INNOVATION**

www.dashboardspy.com

Measure (On-time deliveries) - Microsoft Internet Explorer

On-time deliveries

Scorecard:	Scorecard	Element Type:	Measure
Value:	92.00 percentage	In Charge:	
Description:	Percentage of on-time deliveries		

Indicator and History Chart

On-time deliveries

98 90 92 94 96 98

percentage

On-time deliveries (Actual, Q3 2000)

100.00 percentage

96.00 percentage

94.00 percentage

93.50 percentage

92.00 percentage

90.00 percentage

85.00 percentage

80.00 percentage

75.00 percentage

70.00 percentage

Q4 1999 Q1 2000 Q2 2000 Q3 2000

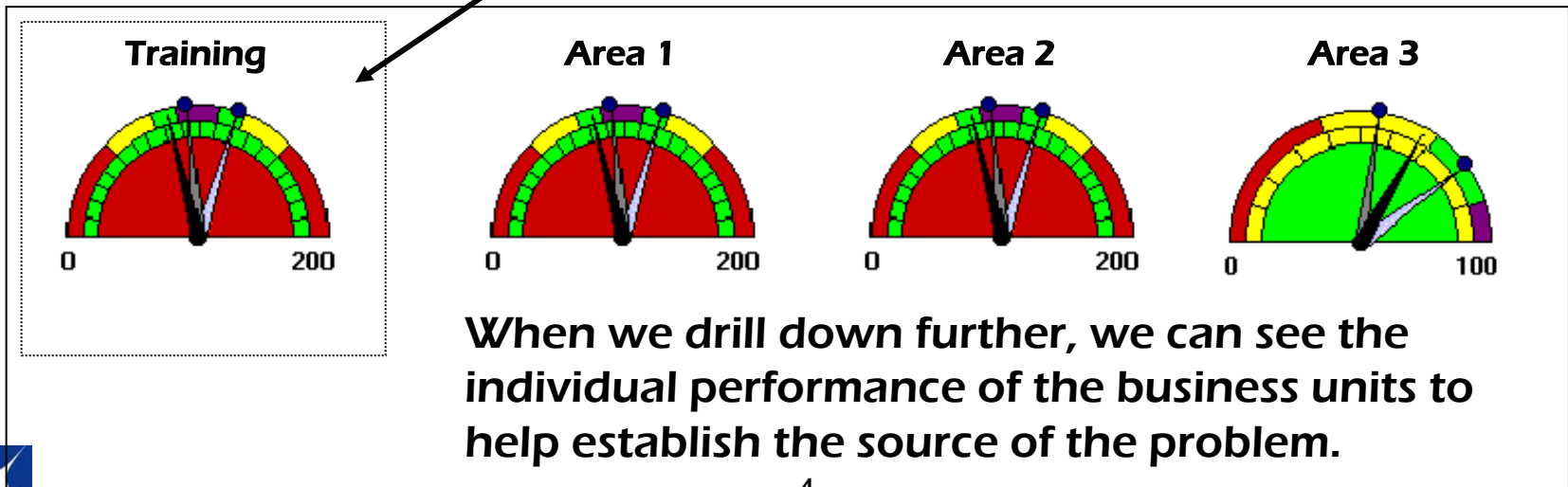
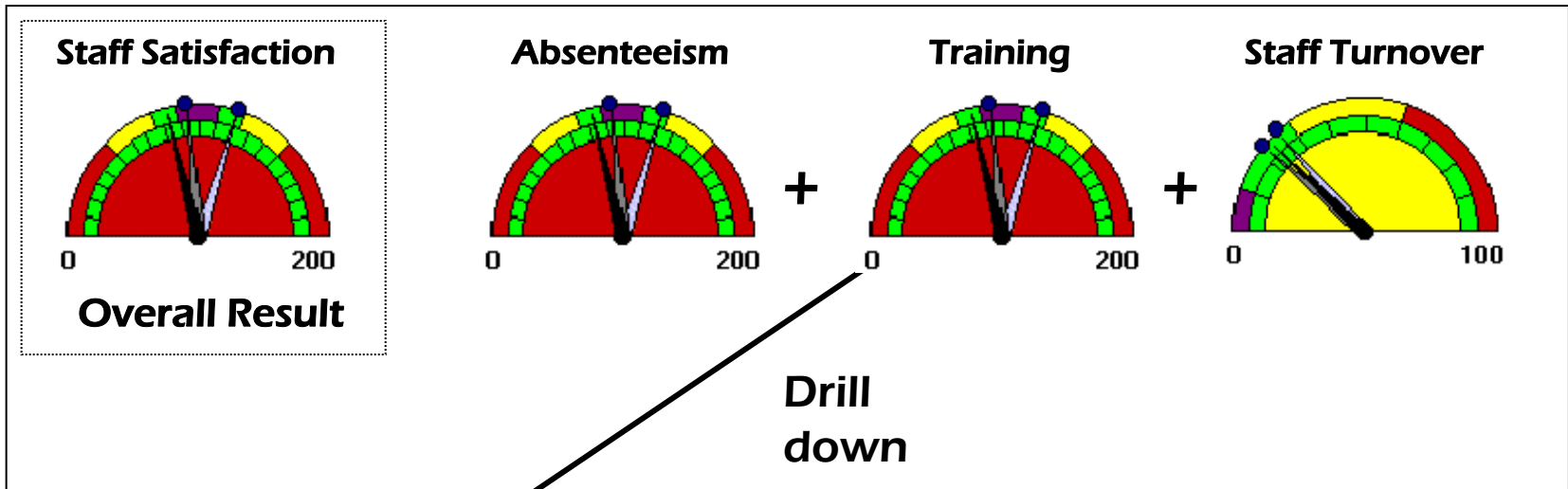
Legend: Excellent (Green), Satisfactory (Yellow), Poor (Red), Actual (Blue)

View Settings

Recent Events

View Date Description

Global, national & local drill-downs are now all possible



The Senior Management Roundtable of The Future

The Management Cockpit®

Atos Origin Asia Pacific
 8 Temasek Boulevard
 #07-01 Suntec Tower Three
 Singapore 038988
 Tel: 65 333 8000
 Fax: 65 832 2600

Offices in Asia Pacific
Atos Origin Australia
 Tel: 61 2 9166 3212
 Fax: 61 2 9166 3332

Atos Origin China
 Tel: 86 21 6354 1088
 Fax: 86 21 6347 9607

Atos Origin Hong Kong
 Tel: 852 2280 6000
 Fax: 852 2280 6767

Atos Origin India
 Tel: 91 22 829 2900
 Fax: 91 22 829 2744

Atos Origin Japan
 Tel: 81 3 5683 8744
 Fax: 81 3 5684 1917

Atos Origin Malaysia
 Tel: 60 3 793 2866
 Fax: 60 3 793 2965

Atos Origin Singapore
 Tel: 65 333 8000
 Fax: 65 832 2600

Atos Origin Taiwan
 Tel: 886 2 2314 2500
 Fax: 886 2 2314 2825

Atos Origin Thailand
 Tel: 66 2 382 0935
 Fax: 66 2 382 0966



An Innovative Solution developed by neurologists and organisational scientists that:

- Turns your vision into results
- Links your strategy and objectives to operational actions
- Leverages the power of human intelligence in your board room meetings
- Focuses attention on critical targets and results
- Provides a live control of your business
- Supports a rapid changing and learning environment

www.atosorigin.com

Part of this information was obtained from: www.managementcockpit.com and www.sap.com

The Management Cockpit® is a registered SAP AG trademark, originally created by Professor Dr P. Georges-Gold and delivered by N.E.T. Research.

FOCUS | CLIENT | VISION



Typical Deliverables of KPI Analysis

1. Early warning of changes in performance
2. Assessing performance against targets
3. Comparing the performance of two or more business units that report the same KPI
4. Relationships between two or more KPIs
5. Separating and validating the key value drivers from amongst the trivial many. (Validating Balanced Scorecard KPIs)
6. Forecasting future performance.
7. Exception Management. Detecting rogue performance versus business as usual.
8. Process monitoring and control

We Have Identified 8 Knowledge Areas to Support Business Needs

	<i>Business Need Addressed</i>	<i>Knowledge Area</i>
1	<ul style="list-style-type: none"> • Early warning of changes in performance 	<ul style="list-style-type: none"> • Recognising trends, shifts and other patterns in KPIs
2	<ul style="list-style-type: none"> • Assessing performance against target to identify strengths and weaknesses 	<ul style="list-style-type: none"> • Graphical and numerical methods to summarise performance
3	<ul style="list-style-type: none"> • Identifying best practice by comparing the performance of two or more business units that report the same KPI 	<ul style="list-style-type: none"> • Testing for differences in performance across groups
4	<ul style="list-style-type: none"> • Understanding cause and effect in the business by quantifying the relationships between KPIs 	<ul style="list-style-type: none"> • Correlation analysis and diagnostic tests
5	<ul style="list-style-type: none"> • Identifying the key value drivers from amongst the many drivers of performance. Balanced Scorecard validation. 	<ul style="list-style-type: none"> • Model building to link lead and lag indicators
6	<ul style="list-style-type: none"> • Forecasting future performance for resource planning decisions 	<ul style="list-style-type: none"> • Forecasting time-based performance data, including period and business cycles.
7	<ul style="list-style-type: none"> • Exception Management. Appropriate responses to once-off events versus business as usual. 	<ul style="list-style-type: none"> • Identifying extreme peaks and troughs in performance
8	<ul style="list-style-type: none"> • Performance management of key business processes in the areas of cost, time, customer satisfaction and risk 	<ul style="list-style-type: none"> • Process monitoring and control methods

Three Generations of Balanced Scorecard

Scope of Organisational Needs

Manage Strategic Readiness

Clarify and Execute Strategy

Organisational Health Check



Scope of Organisational Change

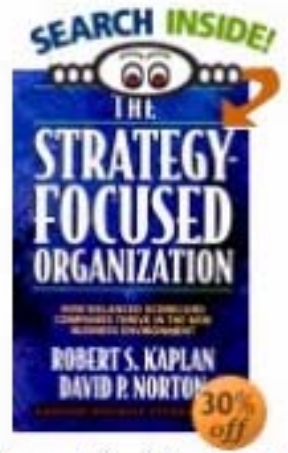
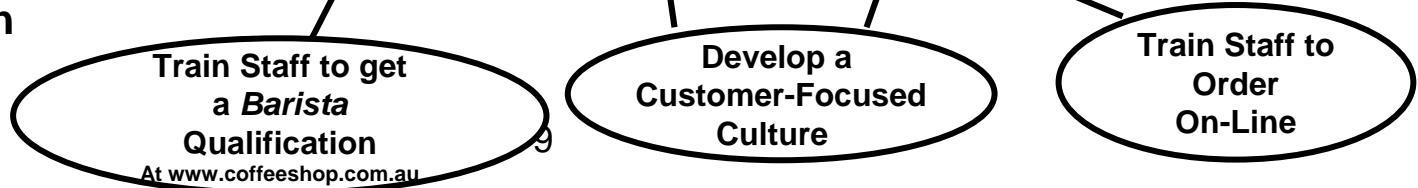
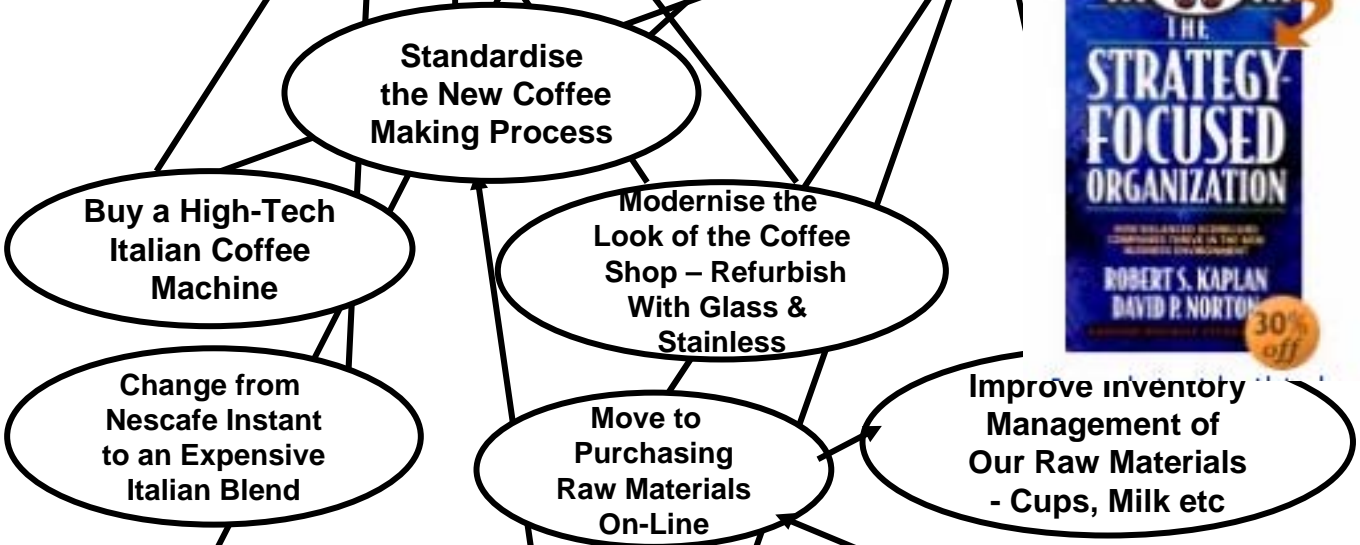
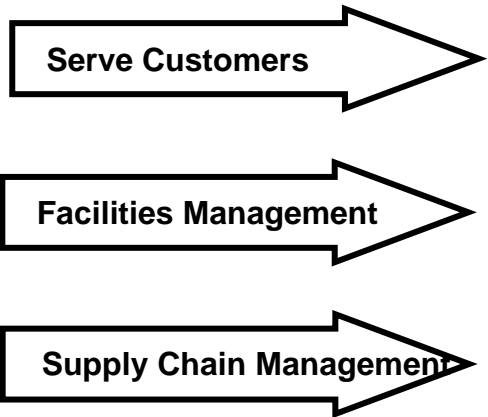
Financial

Strategy Map

Customer

Process

Learning & Growth

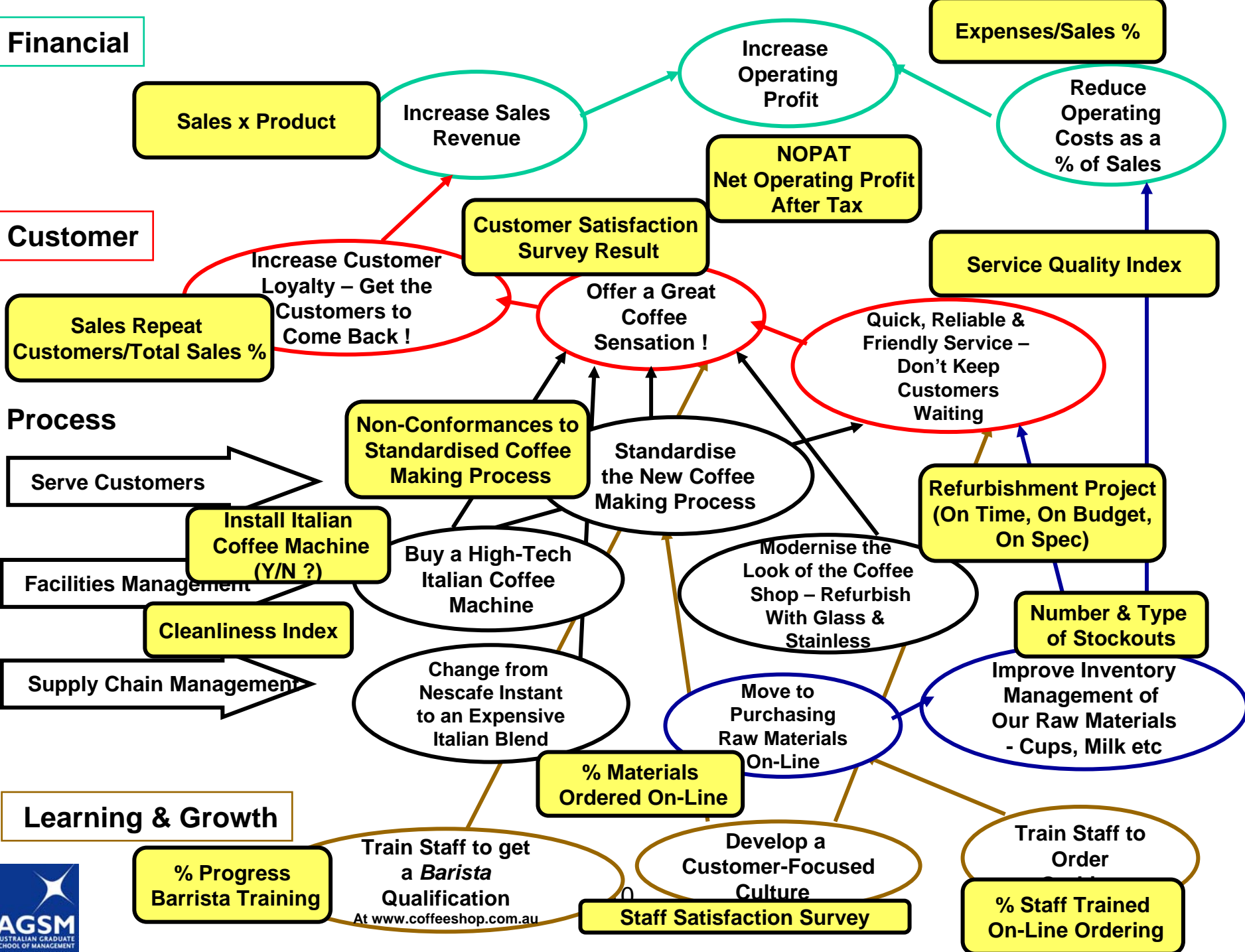


Financial

Customer

Process

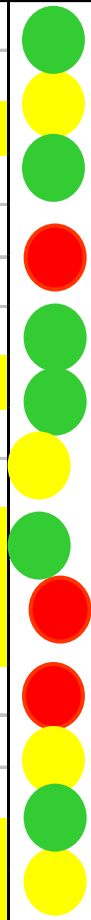
Learning & Growth



Second Generation Balanced Scorecard (2001)

Perspective	Corporate Objective	KPI
Financial	Increase Profit	NOPAT
	Increase Sales	Sales x Product
	Manage Expenses	Expenses/Sales %
Customer	Customer Loyalty	Sales Repeat Customers/Total Sales %
	Great Coffee	Customer Satisfaction Survey
Process	<i>Supply Chain</i>	Inventory Management
		Number & Type Stockouts
		Past-Use-By Waste
<i>Service</i>	Best Service	Service Quality Index
	Modernisation	Install Italian Coffee Machine
<i>Facilities Mngt</i>	Clean Facilities	Cleanliness Index
		Standardise Coffee Making
		Refurbishment Project
Learning & Growth	Recruit, Train & Retain	Staff Competency Profile
	Right People	Staff Satisfaction Survey
		% Progress Barrista
		% Trained On-Line

Traffic Light Reporting



Validating the Right KPIs in Your Balanced Scorecard

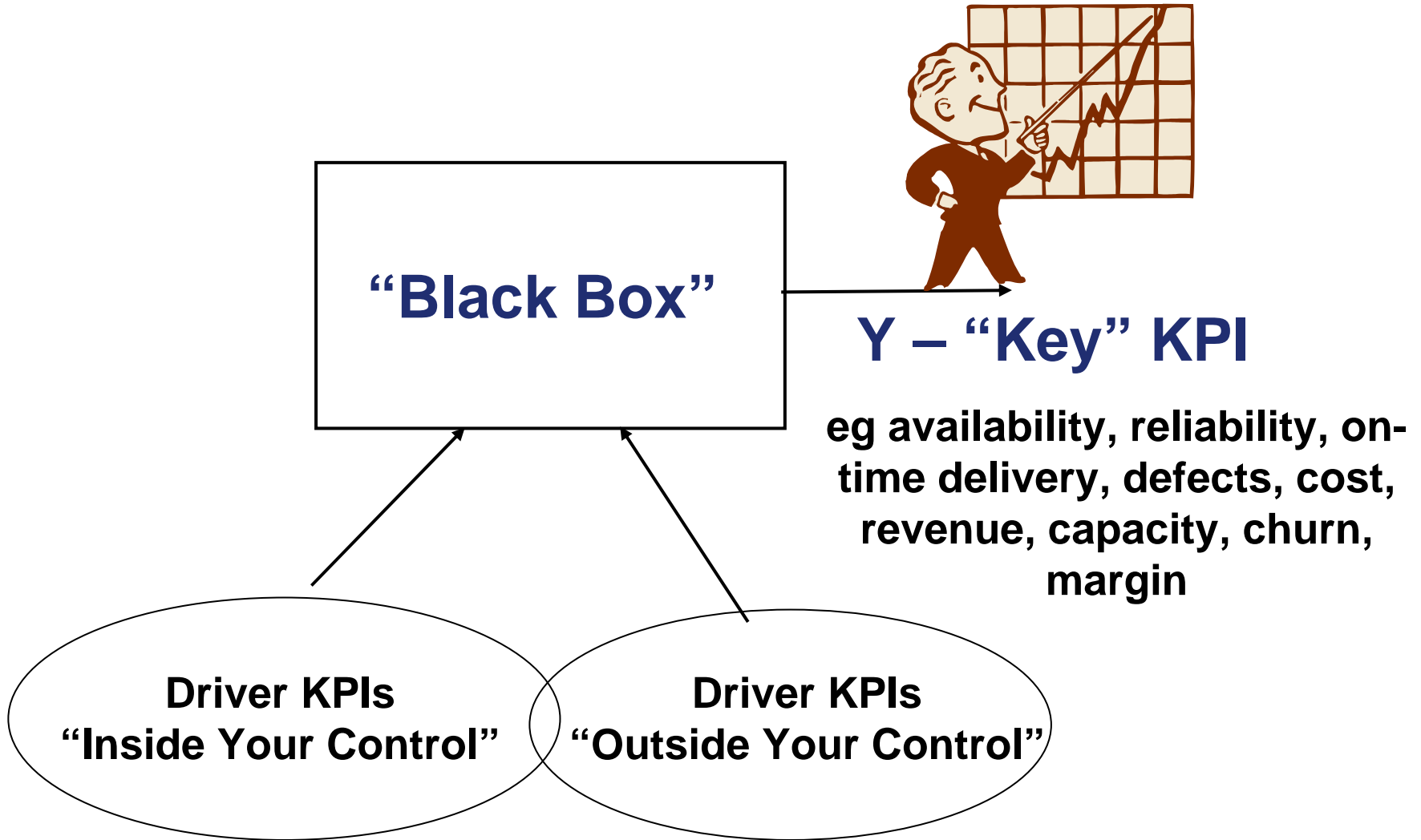
Behavioural Validation

- Observe the behaviour that a KPI is supposed to encourage. Eg KPI = call abandonment rate; Objective = better customer service; but ... Behaviour = spend as little time with the customer on the phone as possible when there is a queue waiting ????

Statistical Validation

- Model building. Are the current KPIs in Customer, Process and Learning & Growth driving the Financial KPIs?

The General Problem is To “Select” or “Validate” the Key Value Drivers of an Important KPI



Store 24 Case Study – Key Points

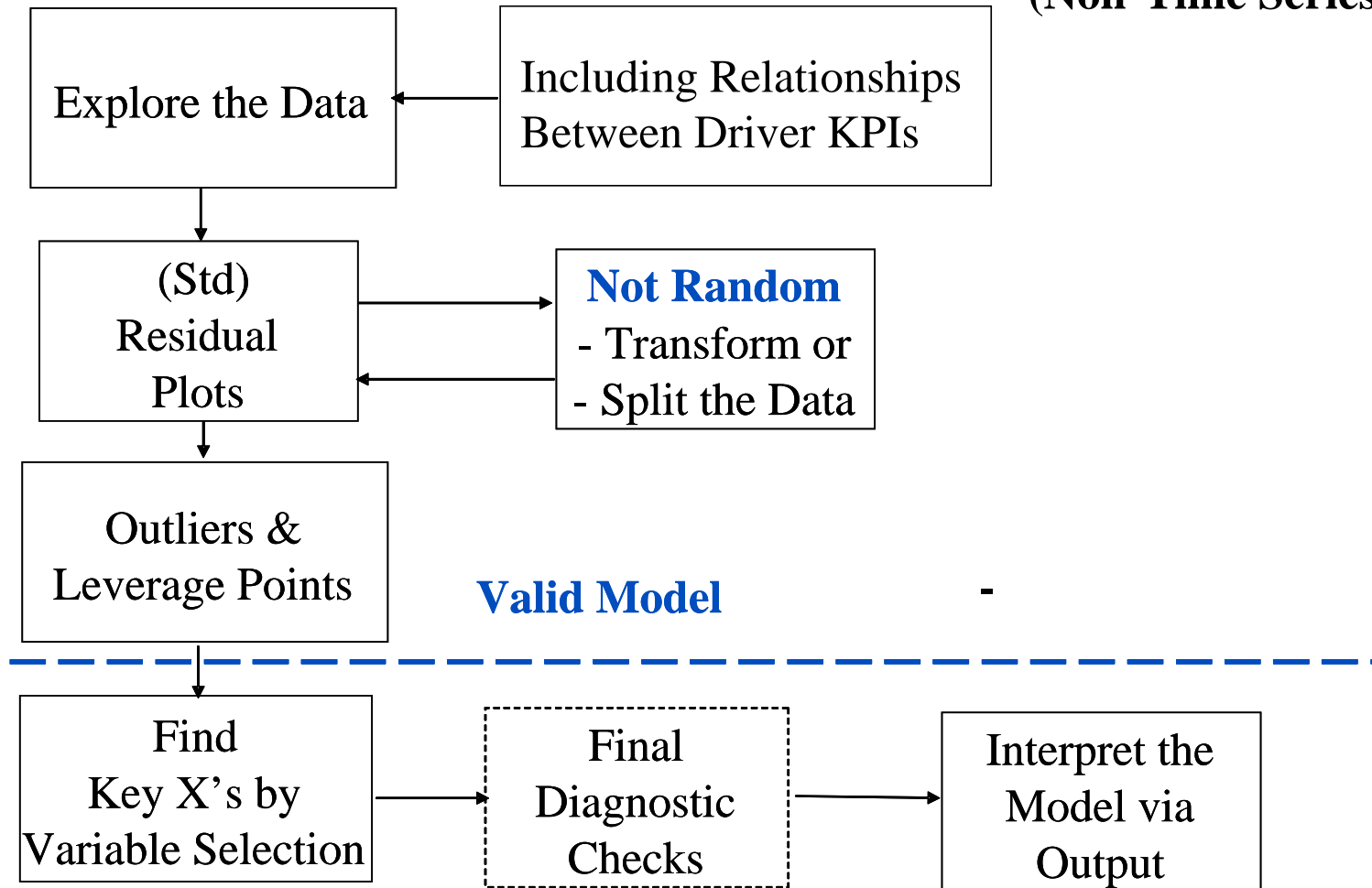
- Traditional strategy – Cause You Just Can't Wait – cleanliness, efficiency, freshness
- 1998 Ban Boredom – differentiation strategy – greater loyalty
- 2000 – Ban Boredom not working but financials OK. Abandon Ban Boredom – flawed or poorly executed? Needed buy-in from managers and right customer interactions.
- Ban Boredom – “end caps” contained high margin products
- Tracked metrics:
 - (1) Balanced Scorecard
 - (2) External Environment
- Validation:
 - (1) What was key to driving Future Controllable Contribution
 - Did the BSC have the right metrics
 - (2) Was Ban Boredom working or not?

Store24's Balanced Scorecard

Financial	Sales Revenue Margin Controllable Contribution EBIT
Customer	Transaction Volume In-Store Comment Cards
Process	Ban Boredom - Audit Score Cause You Just Can't Wait - Audit Score
Learning & Growth	Managerial Skills - Rating 1-5 on key dimensions Crew Skills - Average skill rating across non-management employees

The Multiple Regression Approach

(Non Time Series Data)



The Measurement and Management of Strategic Change

the measurement and management of strategic change

A GUIDE TO ENTERPRISE PERFORMANCE MANAGEMENT

The Measurement and Management of Strategic Change draws together key concepts from the strategy, measurement and change fields to describe the process of enterprise performance management. The text begins by examining strategy through the lens of globalisation and the competitive forces that shape modern business.

Predicated on the guiding principles that strategy informs measurement and measurement drives employee behaviour, it introduces Kaplan and Norton's Balanced Scorecard as the key management system for driving strategic change. While much of the text is devoted to the emerging field of performance measurement, it recognises that measurement by itself is insufficient. The text recognises the key role change management plays in the successful execution of strategy when scorecards are deployed throughout a firm.

FEATURES OF THE BOOK

- It has been organised into six parts. The first five contain concepts and definitions, commentary, case studies, review questions and references. The sixth part consists of four illustrative case studies.
- The integration of strategy, performance measurement and change management is a major strength. These areas have often been treated as disparate topics in management texts.
- It sensitises the reader to cultural issues that affect change in different countries (e.g. East vs. West differences) and shape the characteristics of enterprise performance management in different cultural settings.
- It highlights that enterprise performance management is a continuous process of *activating* performance reviews, strong leadership to *influence* and encourage staff engagement, and organisational *learning* to close performance gaps at the strategic and operational levels.

AUTHORS

DR PAUL WALSH, *Australian Graduate School of Management, University of New South Wales*

DR PETER LOK, *Australian Graduate School of Management, University of New South Wales*

ASSOCIATE PROFESSOR MARC JONES, *Graduate School of Management, Macquarie University*

PEARSON Education Australia

To explore the latest resources visit www.pearsoned.com.au

the measurement and management of strategic change
A GUIDE TO ENTERPRISE PERFORMANCE MANAGEMENT
PEARSON PRENTICE HALL

the measurement and management of strategic change
Paul Walsh, Peter Lok and Marc Jones

Key Takeaways



Thank You

Financial

Increase Sales Revenue

Increase Operating Profit

Reduce Operating Costs as a % of Sales

Customer

Increase Customer Loyalty – Get the Customers to Come Back !

Offer a Great Coffee Sensation !

Quick, Reliable & Friendly Service – Don't Keep Customers Waiting

Process

Serve Customers

Standardise the New Coffee Making Process

Facilities Management

Buy a High-Tech Italian Coffee Machine

Modernise the Look of the Coffee Shop – Refurbish With Glass & Stainless

Supply Chain Management

Change from Nescafe Instant to an Expensive Italian Blend

Move to Purchasing Raw Materials On-Line

Improve Inventory Management of Our Raw Materials - Cups, Milk etc

Learning & Growth

Train Staff to get a *Barista* Qualification
At www.coffeeshop.com.au

Develop a Customer-Focused Culture

Train Staff to Order On-Line