



Charting the course for your enterprise solution

Services Oriented Business Metrics Case Study & Examples

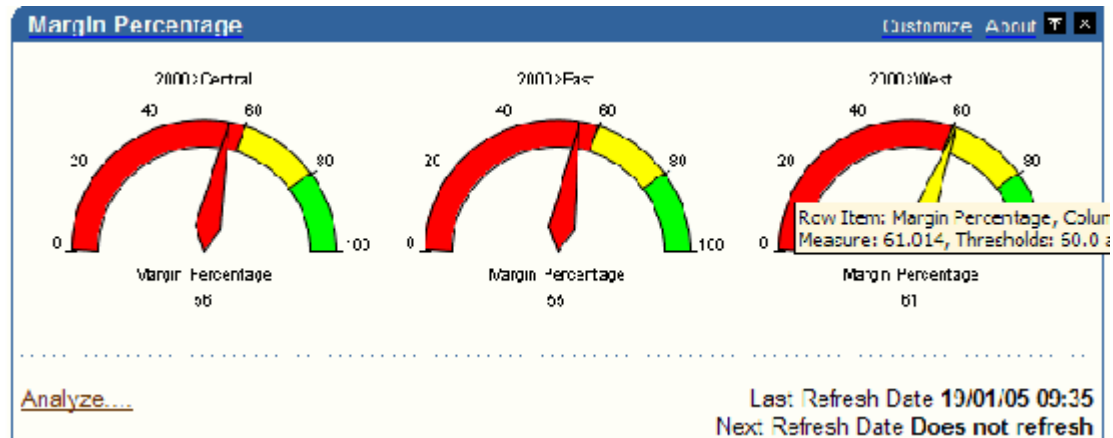
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- Case Study – Standardizing Services Metrics in High Tech/Software Industry
- Metric Definitions
- Common Metrics in Services Industries





Cardinal Point Solutions, LLC

- National Practice since 1997
- Boston • Chicago • San Francisco
- Privately held, debt and venture capital free
- Over 45% growth 3 of last 4 years

- Business minded technology experts driven to prove the value of a specialized consulting partner
- Roots from methodology and people of Big Six mixed with speed and solution orientation of boutique consulting firm

- Oracle Partner
- PeopleSoft Pioneers
- Solution focused service provider
- Serving mid-market through Fortune 500
- 100% reference-able customer base





- Major High Tech services organization spent millions of dollars implementing ERP solution. Upon go-live, they had streamlined and automated their business processes, but management was not getting any real value from the data.
 - Executive management team expected that they would be able to access and evaluate the ERP data to assist in driving strategic direction for sales, hiring, and growth.
 - Line level managers expected better visibility to drive everyday business decisions.
 - Required visibility of key metrics at their fingertips on a daily basis in an automated dashboard format.



- Dashboards containing the Organizations Top Metrics geared towards assisting all levels of management in measuring and sustaining the services organization's growth
 - Required Portal Display
 - Details Drill-down to Management reports
 - Sophisticated Security to segment data by user and data only pertaining to user



- Team consisted of PM, Technical Developer with ETL skills and BI development skills, Functional Consultant to provide Data Modeling and Report/Dashboard design assistance.
- Focus group consisting of RVP's that would be able to work directly with EVP to define requirements
- Test group consisting of RVP's, Consulting Managers, and Project Managers (Closest and most familiar to the actual Project data)



- 26 week project plan
 - Two month period defining key metrics with Focus Group
 - One month development of content in Data Warehouse
 - One month testing and prototyping BI Tool to finalize design
 - Two weeks to develop out complex security requirements
 - One month Test period (unit and UAT)
 - One month of phased roll-out to accommodate change management issues in regions with significant report changes



- Change Management #1 issue in standardizing metrics
 - Must be supported and enforced by executive management
 - Will not accept any customized/non-standard reports from regional teams
- ERP system data was not structured appropriately and in some cases not capturing the data needed to complete metric calculations
 - Required business process re-engineering & Data Quality initiatives
 - Reconfiguration of some key data elements
 - All of this could have been avoided if BI team was part of ERP implementation
- Upon go-live some regions' utilization dropped more than 10%
 - Regions given probationary period to bring utilization numbers to 80% range



- BI Should ALWAYS be a part of the ERP Implementation
 - Saves significant amount of time and rework on the back end to make up for data issues after go live
- ERP Technical Teams should understand BI concepts to ensure customizations, configuration, and business processes will not create additional work effort during future BI projects
- Executive Team must support BI effort or costs and adoption will be significant issues



- Standardize measurements across the entire organization.
- Timeliness - Timely visibility into business enabled better management decisions leading to a competitive advantage.
- Usability - User friendly application, and provided daily monitoring to the management teams.
- Data Quality - Importance of data quality and ownership
- Top down KPI's



Metrics and Dashboards Definitions





- **Enterprise metrics**
 - i.e. Profitability

- **Organizational metrics**
 - i.e. Project Profitability

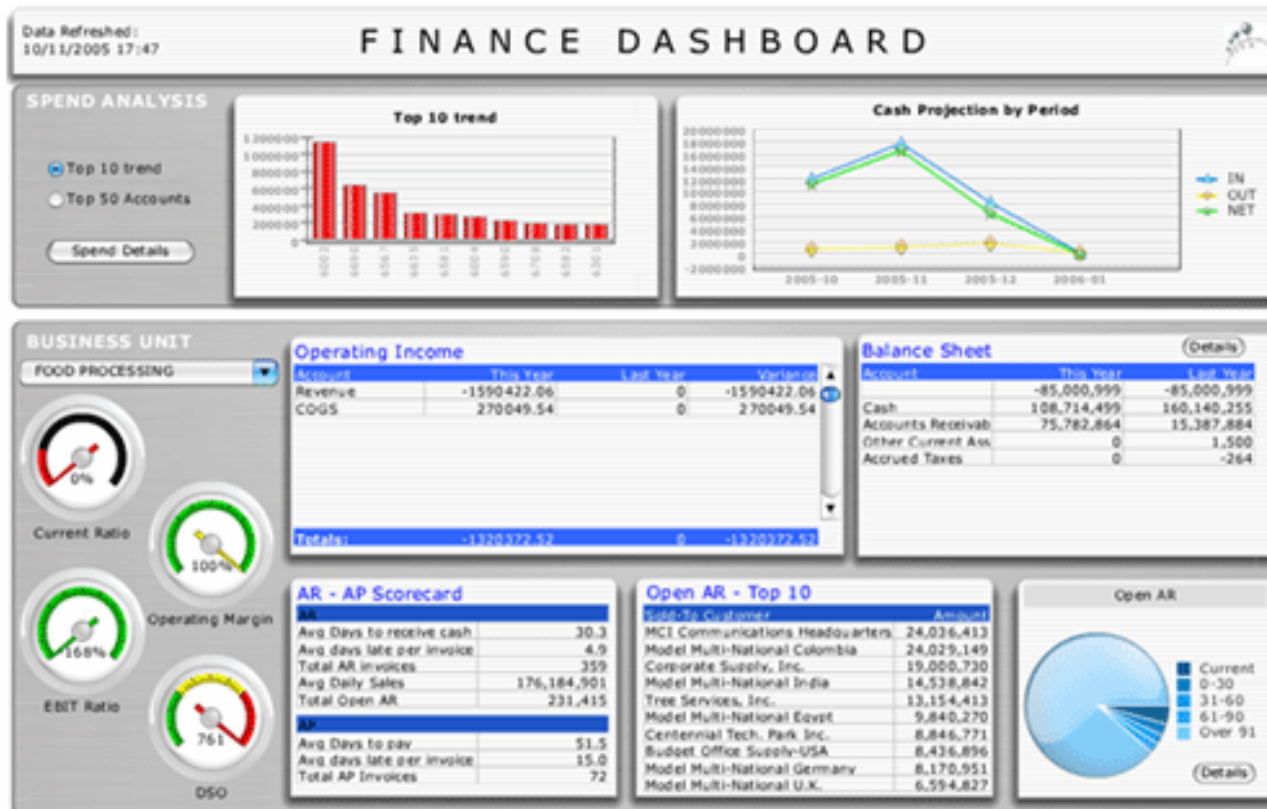
- **Process metrics**
 - i.e. Days Sales Outstanding

- **Activity metrics**
 - i.e. Unapproved time

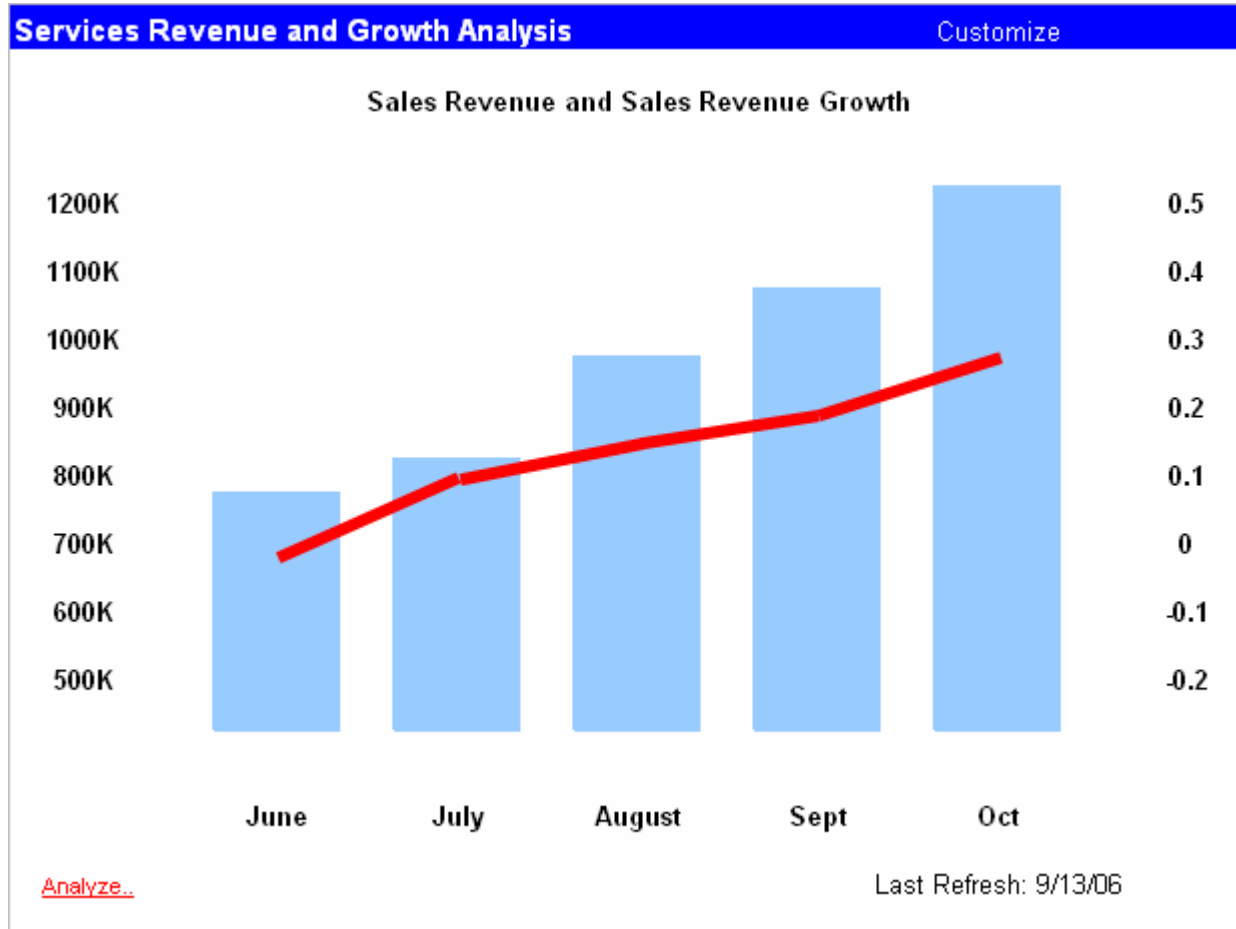
What is a dashboard?



A dashboard is a highly visual user interface designed to display metrics and focus attention on trends and exceptions.



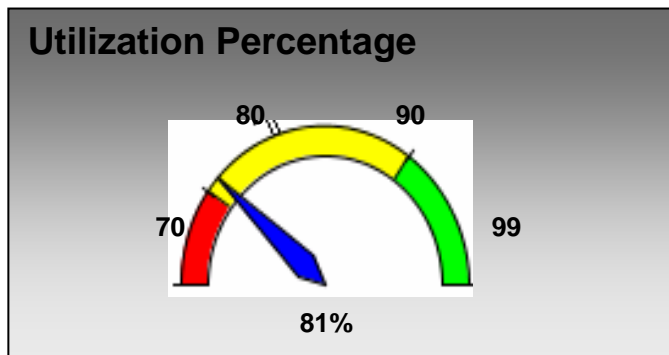
Standard Services Industry Metrics





Utilization/Optimization – Analysis of Consulting Staff working on Billable Projects. One of the more complex metrics that can vary significantly from organization to organization in criteria for calculation.

$$= \frac{\text{(Time Booked to Internal R\&D + Billable Project)}}{\text{Available Hours for Evaluated Period}}$$



Uses:

- mgmt reports
- employee bonus
- hiring/staffing decisions
- finance team

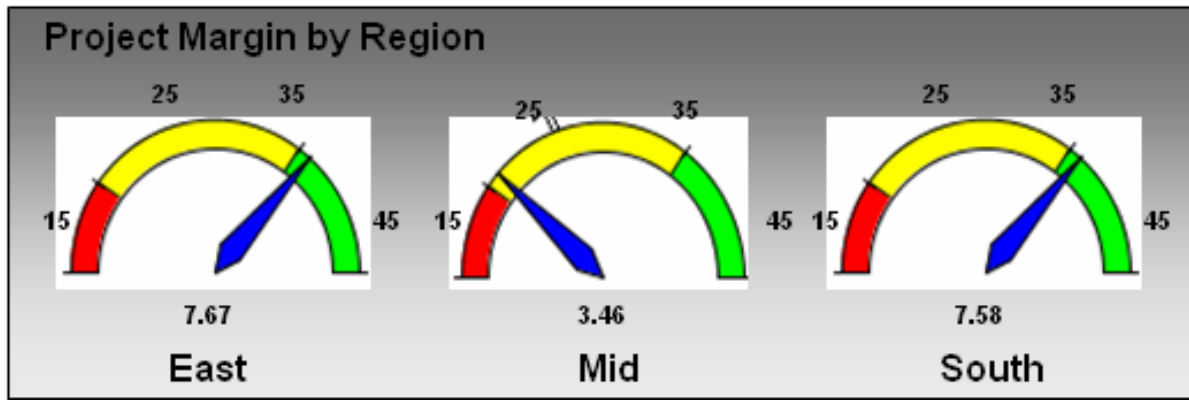
Standard Metrics



Project Profitability and Margin – Analysis developed to identify the cost, revenue, and profit of a project or group of projects

$$\text{Total Profit} = \text{Total Revenue} - \text{Total Costs}$$

$$\text{Project Margin} = \frac{\text{Total Profit}}{\text{Total Revenue}}$$



- Uses:**
- mgmt reports
 - employee bonus
 - finance team



Employee Profitability – Analysis developed to identify the relationship between the costs and revenue generate by an employee

Employee Profitability =
Booked Employee Revenue - Standard Costs

Employee Margin =
Employee Profit

Booked Employee Revenue

Uses:

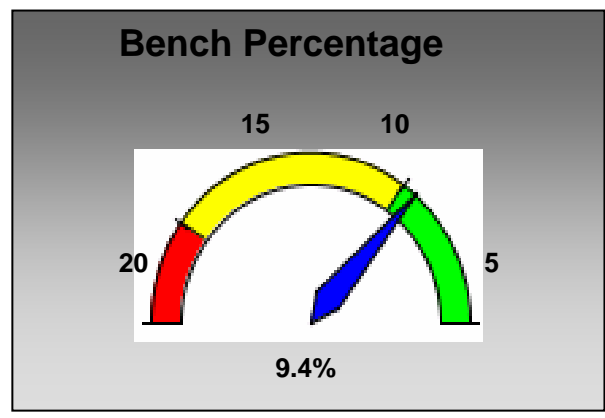
- sales commissions
- mgmt reports
- revenue sharing



Bench Percentage

Measurement of unstaffed consultants in comparison to total available billable staff.
Current view.

$$\text{Bench Percentage} = \frac{\text{Unstaffed Consultants}}{\text{Total Available Billable Staff}}$$



- Uses:**
- direct line consulting mgmt
 - sliced by competency
 - hiring/staffing decisions



Bench Forecast

Forecast of Bench Percentage over a future period of time

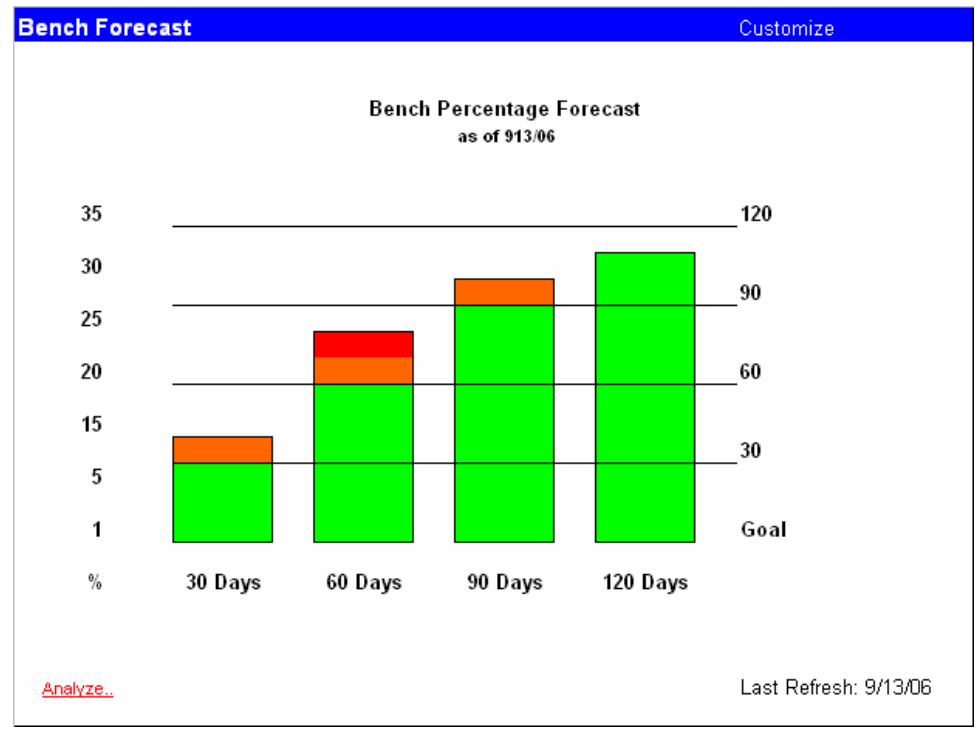
Use the Start and End date of individuals staffed on a project to calculate bench percentage.

Example:

An individual that is staffed from 1/1/06 – 3/1/06

*Bench Forecast is run for 30 days out on 1/31/06
– this individual will show as staffed and will not cause an increase in Bench Percent*

*Bench Forecast is run for 90 days out on 1/31/06
– this individual will show as partially not staffed and will cause an increase in Bench Percent*





Third Party Staffing Analysis

Total Percentage of billable staff that is provided by a third party. This is critical to track due to typically lower margins on third parties.

$$= \frac{\text{Total number of Third Party Staff}}{\text{Total Number of Direct and Third Party Staffed Consultants}}$$



Regular Days Sales Outstanding

Regular DSO measures the time it takes to collect your receivables. It will provide you with a clear understanding of your internal collection efficiencies.

To calculate your Regular DSO, three pieces of information are required:

Total Receivables

Total credit sales for the period analyzed

The Number of days in the period analyzed

Regular DSO = (Total Receivables/Total Credit Sales) x Number of Days



Best Possible Days Sales Outstanding

Using only the current portion of receivables, the Best Possible DSO yields insight into delinquencies. As a measurement, the closer your regular DSO is to the Best Possible DSO, the closer your receivables are to the optimal level.

To calculate your Best Possible DSO three pieces of information are required:

Current Receivables

Total credit sales for the period analyzed

The Number of days in the period analyzed

Best Possible DSO = (Current Receivables/Total Credit Sales) x Number of Days



Q & A

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