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From whiteboards to dashboards: why digitally-transformed businesses make better decisions

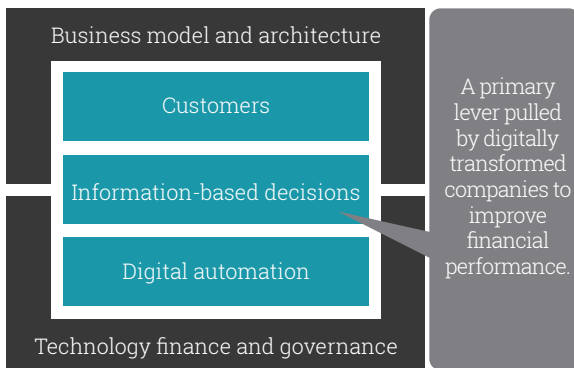
It's easy to understand that you can make better decisions based on the availability of timely and supporting information. But companies have not been able to do that until relatively recently. The difference today is that the amount of data that can be collected, stored, processed, analyzed, and communicated is essentially unlimited, and it can all happen instantly.

So, why not have key information available at your fingertips right as it's happening, such as what's selling, who's buying it, how profitable it is, and how fully it's stocked? Digitally transformed companies do.

The most effective, digitally-transformed companies have mastered how to make information based decisions – one of the three primary levers that digitally transformed companies are pulling to improve performance when supported by the right business model and enterprise architecture, coupled with a business focused mind-set for investing in and governing technology related decisions (figure 1).

As stated in *Harvard Business Review*, "companies that have what we call a culture of *evidence-based decision making* have all seen improvements in their business performance—and they tend to be more profitable than

FIGURE 1: AN EFFECTIVE FRAMEWORK FOR DIGITAL TRANSFORMATION



Source: AlixPartners

companies that don't have that kind of culture." They accomplish this by having one undisputed source of decision data, giving real-time feedback to decision makers through systematic scorecards and by constantly refining business rules that are automated and that facilitate information-based decision making.¹

As Debbie Morris, chief financial officer (CFO) of Apria Healthcare, puts it: the financials are the result of what everybody does, but they don't necessarily provide insight into what led to that result.² Morris says data analytics are changing the way organizational decisions are made, that everyone needs visibility into what drives the results, and that the information has to come from one version of the truth.

The challenge many companies have lies in properly determining what information is key. That challenge typically results when business and information

technology are unable to figure it out together. In 2006, clothing company Guess installed a business intelligence platform, but it wasn't until 2012 that—after following merchants around to learn about their daily needs—the chief information officer managed to convince the business to adopt the platform. The result? Performance improvements, fewer meetings, and head count reductions.³

Business and technology leaders must learn to speak a common language and must work together to make sure the whole company understands exactly what's meant by *success-critical data* and how to run operations with access to it.

Whiteboards to dashboards is an effective way to deliver those understandings. Brainstorming at the whiteboard with business executives yields the insights to create the dashboards that will reveal the key information for improving business operations if acted upon. Moving toward dashboard-driven operations can happen very quickly from there.

The first step is to clarify the essential data and how best to visualize and disseminate it before determining the source data and organizing it into a central data warehouse. The next step is to create a prototype for discussion, which can be converted into a bridge solution. Installing extract, transform, and load (ETL) software makes near-real-time data available so that the business can start making information-based decisions (figure 2).

FIGURE 2: WHITEBOARDS TO DASHBOARDS PROCESS

Phase 1	Phase 2	Phase 3	Phase 4
Information gathering	Static prototype	Bridge solution	Permanent solution
<ul style="list-style-type: none"> • Various interviews to develop mock-ups • Workshop session to finalize mock-ups of ultimate dashboards 	<ul style="list-style-type: none"> • Data collection, mapping, and creation of offline prototype • Workshop using prototype to agree on and set new operating procedures 	<ul style="list-style-type: none"> • Operationalization of prototype with automatic updating • Operations change management with scorecards and controls 	<ul style="list-style-type: none"> • Bridge solution serves as a blueprint for determining best approach to a permanent solution

Source: AlixPartners

¹ J. W. Ross, C. M. Beath, and A. Quaadgras, "You May Not Need Big Data After All." Harvard Business Review, December 2013, <https://hbr.org/2013/12/you-may-not-need-big-data-after-all>.

² "For Apria Healthcare CFO Debby Morris, Data Analytics Brings Greater Visibility." *CFO Journal, Wall Street Journal*, February 17, 2015, <http://deloitte.wsj.com/cfo/2015/02/17/for-apria-healthcare-cfo-debby-morris-data-analytics-brings-greater-visibility/>.

³ J. W. Ross and A. Quaadgras, "Guess?, Inc.: Engaging the Business Community with the "New Look of Business Intelligence." MIT Sloan Center for Information Systems Research Briefing, Volume XIII, Number 8, August 2013.

FIGURE 3: DASHBOARD-DRIVEN FUNCTIONAL AREAS

Growth	Customer analytics and management	Marketing optimization	Salesforce effectiveness	Omni-channel Platform	
Margins	Customer and product profitability	Sales and operations planning (S&OP)	Pricing and promotions		
Expenses	Spend management	Supply chain	Labor and rates requirements	Information technology (IT)	Financial planning and analysis (FP&A)

Source: AlixPartners

FIGURE 4: TRADITIONAL VERSUS DIGITAL GROWTH DRIVERS

Growth	
Traditional	Digital
<ul style="list-style-type: none"> Decentralized customer management Aggregate-level understanding of marketing and sales force effectiveness Separate back-office fulfillment functions for different sales channels 	<ul style="list-style-type: none"> Single view of customers and performance Knowing which marketing initiatives and sales efforts get customers to buy more Integrated back-office operations with one face to the customer

Source: AlixPartners

FIGURE 5: TRADITIONAL VERSUS DIGITAL MARGIN IMPROVEMENT CAPABILITIES

Margins	
Traditional	Digital
<ul style="list-style-type: none"> Misunderstanding of true profits by viewing customers and profits only at gross margin levels Antiquated cross-functional cooperation to match sales with supply and production Pricing decisions not based on numerous real-time factors and one-size-fits-all promotions 	<ul style="list-style-type: none"> Full costing to true bottom line and accurate knowledge of where money is made and lost Integrated sales-and-operations-planning and financial-planning processes that align demand, supply, and capacity to achieve best results Algorithm-driven pricing capabilities with considerations of promotional return on investment at granular levels

Source: AlixPartners

FIGURE 6: TRADITIONAL VERSUS DIGITAL EXPENSE MANAGEMENT CAPABILITIES

Expenses	
Traditional	Digital
<ul style="list-style-type: none"> After-the-fact information on spending and status of supply Human resources not connected with needs of operations at every given moment Lack of insight into operational planning for the financial bottom line 	<ul style="list-style-type: none"> Controlled spend decisions with contemporaneous transparency into entire supply chain Continuously updated productivity needs and the corresponding levels of employees, skills, and rates required to meet them Leveraging real-time information that systematically updates operating plans and financial forecasts, including use of predictive modeling

Source: AlixPartners

A dashboard-driven operations management system gets set up to manage the business, covering the major functional areas that drive earnings (figure 3). And when you properly capture and systematically analyze the levers affecting those drivers, dramatic results can be achieved. And making information-based decisions will really improve performance over traditional operating methods.

Companies that have achieved digital excellence have grown revenue far better than their industry peers have (figure 4).⁴ They have acted and continue acting upon deep insights into each customer and the ways specific marketing initiatives and salespeople generate more sales along with seamless operations that best serve their customers.

Companies that have both digital excellence and operations excellence have grown profit far better than their industry peers have (figure 5).⁵ They understand true profitability and take advantage of it through highly integrated operations and analytics.

Digitally transformed companies manage their expenses better by making systematic information-based decisions across departments that are facilitated by streamlined and automated FP&A functions (figure 6).

Now, let's take a closer look at how taking decisions based on profitability and value affected one business.

CASE STUDY

A semiconductor manufacturer that had been reactive and disjointed created a seamless flow between functions to fully connect its decision-making process, which is now comprehensive and strategic.

It set up an operations management system (OMS) to show the complete picture, thereby enabling the company to determine exactly which customers to serve, with which products, in which markets, and with which operating model. The business now operates on a single platform, with a coordinated sales and operations planning process linked to profitability and R&D. And the CFO describes the OMS as the *commercial engine of the company*.

A cross-functional leadership team oversees the OMS. Not only does the system generate historical profitability views, but it also provides highly valuable forecasts by applying its sensitivity analysis capabilities to look at future scenarios and options.

The key to success is a robust underlying data warehouse. Data analytics linked functional modules and replaced siloed, manual decision making. The backbone is a bottom-up cost and profitability model. All of this led to a customized supply chain perspective and embedded costing capability. And the information gleaned from the process is used for making more-effective and more-sophisticated R&D decisions.

The sequence begins with full product costing, made more effective by digital analytics. This is crucial to becoming able to understand profitability and obtain a fully loaded net margin. Demand is forecasted and matched with supply, optimizing plant and equipment scheduling; and the production decisions taken then maximize profitability.

The company now uses a **systematic monthly process flow**.

- **Demand** is estimated based on customer actions, account planning, promotions, and competitor data.
- **Capacity** is estimated based on existing use of equipment, remaining production capacities, lead times, and distribution capacities.
- **Supply and demand** is matched based on data analytics and management working sessions in which adjustments are made and agreements are reached about production capabilities and forecasting.
- **Production forecasting** is interfaced with the product profitability module to perform scenario modeling and assist with production meetings to make production decisions that maximize profitability.
- **Research and development** is prioritized based on a robust understanding of where more capacity is needed and/or when overcapacity should be dialed down.
- Finally, executive-level **decisions** and sign-off on how to best optimize production take place.

⁴ G. Westerman, D. Bonnet and A. McAfee, "The Advantages of Digital Maturity." MIT Sloan Management Review, November 20, 2012.

⁵ Ibid.

And the result? Significantly improved, recurring—and incremental—annual profit.

Companies without well-managed sales and operations planning functions tend to operate by instinct. A product optimization module can enable them to balance commercial and operational interests, and decision tools and scorecards can enable them to make efficient decisions and to track the results. Plus, their prioritizing of high-margin products and revenue growth means they can achieve their business goals.

There will always be a role for management skill and experience—and gut feeling. But truly understanding, analyzing, and acting on the wealth of data inside each and every business are transformative actions that bring real, valuable results. [A](#)



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