



Next Gen *pa*<sup>™</sup>

# **The New Decision Science for the Executive Suite**

August, 2006

# Overview

Today's Executive Suite Goal:

- To better understand, value, predict and manage business performance.

The Objective:

- To identify new formulations, reports and tools that can provide valuable insightful information beyond classical financial reporting and analysis.

The Need:

- A structured and consistent decision science capable of providing a single view of integrated human and financial information that is able to identify improvement opportunities for optimizing enterprise performance.

# Historical Decision-Making

There's really nothing new in the decision-making toolbox.

- Rehashing same information/data but with a new “look”
- Accounting is historical - it hasn't changed much since Shakespearean times (400 years)
- Focus remains on income statement, balance sheet and historical data as decision making tools
- Actionable plans still based on historical data
- Cost cutting is generally the first line of defense
- Business Intelligence software still requires user design and definition; lots of variation and cost

# Execs Know “Something” Is Missing

Current financial decision-making tools:

- Broadly speaking, not well or consistently defined
- Don't link human activity and external competitive data to corporate financial results
- Can't pinpoint whether to cut cost or invest to drive sustainable bottom line results and impact growth

# Executive Suite Challenges

Today's executive is tasked with:

- Bringing new insight and solutions to basic business challenges
- Understanding the human element on a financial statement
- Determining how well the company is performing relative to industry competitors
- Better understanding, valuing, predicting and managing solid business performance

# Corporate Performance Analytics

New Tools for the Executive Toolbox...

- Next Gen *pa*<sup>™</sup> Corporate Performance Analytics is the missing “*something*” - a business MRI
- Provides Exec Suite with an *edge* - ability to make superior strategic decisions based on more insightful information than income statement, balance sheet and other historical data
- Provides ability to observe and analyze *patterns* of results both current and trending over time

# Performance Analytics Capabilities

- Determines *your corporate horsepower output*.  
Is your company best in class, below average and why!
- Determines *what internal business unit is the best performing*, has the highest people leverage or horsepower; best performing business model and why.
- Determines *how well* your company is performing relative to industry competitors<sup>1</sup> expressed in terms of Key Performance Analytics Indicators!

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1. Based upon availability of industry data and participants.

# Performance Analytics Capabilities

- Determines *where* company should focus its improvements efforts - top line (productivity and revenue generation), middle line (expense and/or investment), bottom line and why.
- Calculates *in hard dollars* the improvement opportunities and/or the cost if nothing is done.
- Determines if staff re-alignment/allocation is warranted, and if so determine the *optimal size* the company should have per revenue projections and performance targets.

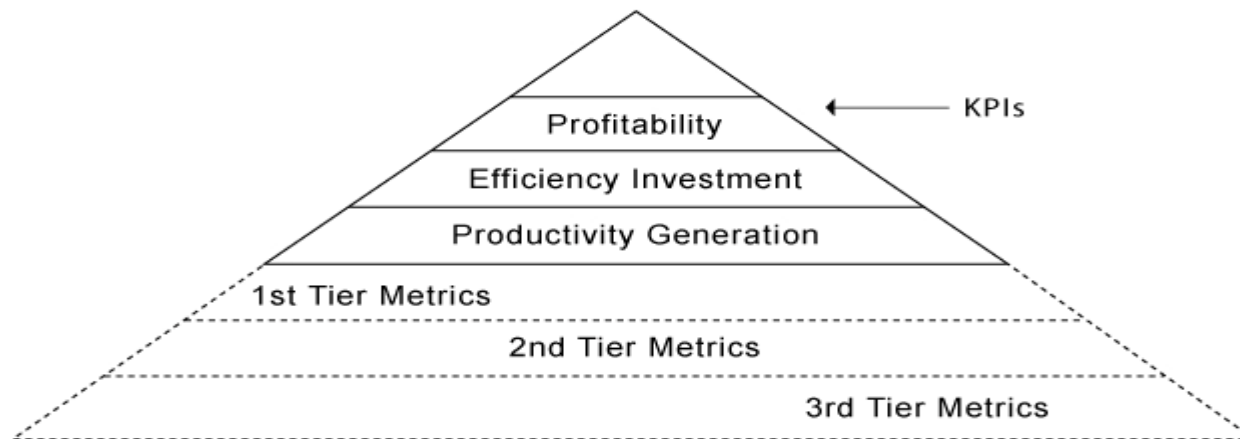
# Why Use Performance Analytics?

- The Analytics process provides a *single well-defined view* of integrated human and financial data to understand what drives company financial performance
- It is the diagnostician capable of analyzing the *human impact* on the bottom line
- Enables comparative analysis of diverse companies and units-including *disparate size* comparisons
- When used with current financial reports, greatly expands the *scope and insights*
- Next Gen *pa*<sup>™</sup> is a *window to the corporate soul* you have yet to look through ...

# Key Performance Indicators-KPIs

Next Gen *pa*<sup>TM</sup> includes content driven metrics that are leading indicators of financial performance.

Next Gen *pa*<sup>TM</sup> Performance Pyramid



Productivity Generation Factor: Revenue divided by FTEs.

Efficiency Investment Factor: Total operating expense divided by FTEs.

Profitability Factor: Profit (EBIT) divided by FTEs.

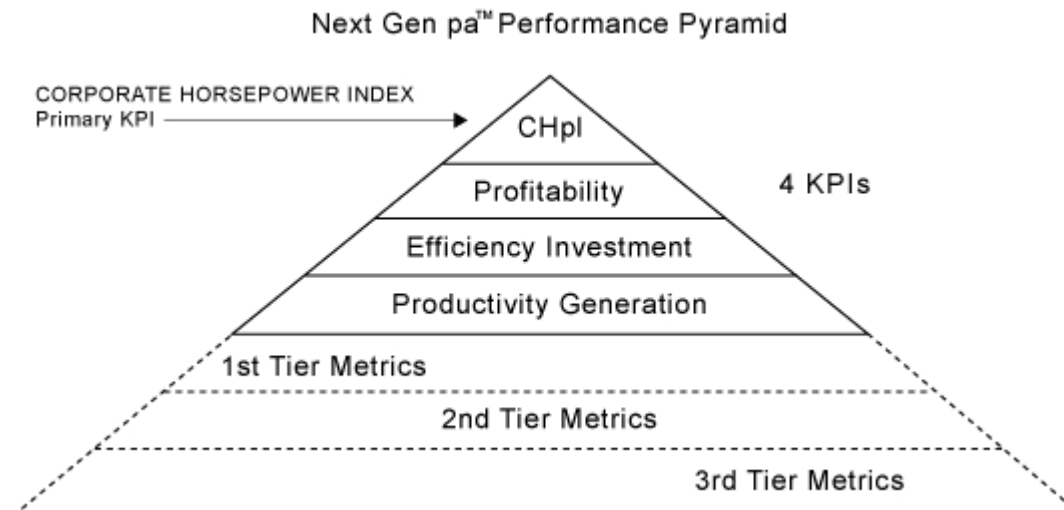
# Key Performance Indicators-KPIs

Unlike classical financial reporting, KPIs integrate financial and human data.

- SBL selected metrics are *linked to financial results* in Key Performance Indicators.
- *Understanding* the metrics and their inter-relationships that drive these KPIs is the basis for strategic decision-making and improvement planning.
- The logic behind understanding and applying analytics is *based heavily on outcomes* and results of investments and decisions, *not just cost focus*.

# Corporate Horsepower Index-CHpl

*The CHpl is the primary Key Performance Indicator executives have been looking for to pinpoint the impact human activity has on financial outcomes, and it is based solely on hard financial data obtained from the G/L.*



# Corporate Horsepower Index-CHPI

The Corporate Horsepower Index can display how well your company is performing relative to internal business units and/or industry competitors.<sup>1</sup>



1. Based upon availability of industry data and participants.

# Next Gen *pa*<sup>TM</sup>: The New Decision Science for the Executive Suite

John Boudreau, formerly of Cornell University and now with USC, recently wrote that *finance* is the decision science for accounting, and *marketing* is the decision science for sales. ([Talentship](#), Boudreau and Ramstad, 2002.)

- *Corporate Performance Analytics* is the new decision science for the executive suite.

# Next Gen *pa*<sup>TM</sup>: The New Decision Science for the Executive Suite

The “something” that’s been missing in the decision-making process is now available using the structured decision science of Next Gen *pa*<sup>TM</sup>, *Corporate Performance Analytics*.

Next Gen *pa*<sup>TM</sup>: A system of quantifying and linking human impact to financial outcomes, the analysis of which provides opportunities for improvement, identifies leading indicators of performance, and measures results in applying solutions that link to and improve those outcomes.

# Next Gen *pa*<sup>TM</sup>: The New Decision Science for the Executive Suite

Corporate Performance Analytics enables executives to make *unprecedented* strategic decisions.

# Next Gen *pa*<sup>TM</sup>: Getting Started

## Service Package A:

- Corporate Only
- Includes time based Analytics report (past 3 years financials), complete analysis, on-site executive de-brief session
- Industry data research is optional
- Multiple on-site meetings are optional

## Service Package B:

- Includes everything in Package A
- Corporate plus multiple business units (up to 6)
- Can be customized to include more units and on-site executive sessions

## Service Package C:

- Participation in an Industry Consortium
- Includes Service Package B features