



Business Intelligence - An Oxymoron?

An ACT Case Study Using Microsoft's BI Tools

"There is no way some software is going to convince me that my top sales guys aren't also my most profitable. I've been doing this for forty five years and I know my business!"

CEO, Major Liquor Distributor



THE PROBLEM...

CEO's are expected to know their business; yet sometimes our perception can be clouded by what we think we know.

In this case study, one CEO learns that his forty-five years of experience was not enough information to accurately determine his top sales performers or his losing performers.

THE OBJECTIVE...

The objective is simple in business; know what your profits are and where they're coming from. Yet for a CEO of a major national liquor distributor, his view of performance was based on one sole criterion – volume.

A new CFO that was hired by the CEO, however, had different objectives. He was mandated to maximize profits and he suspected that what was known and accepted as Gospel wasn't necessarily the truth.

He set out to determine how accurate his suspicions were with a Business Intelligence tool from Microsoft. After all, this was the reason he was hired, even if it meant blowing away everyone's prior perceptions.

THE SOLUTION...

When it comes to Business Intelligence tools, there are as many choices as flavors at the local ice cream shop. The decision was guided, therefore, based on the current tools being utilized by the client; SharePoint, Exchange, Office and .Net.

The natural choice then was Microsoft's Business Intelligence platform. Perfectly aligned with SharePoint, data could be streamed to their B2B portal, internal management portal and be pulled into Excel for further review and manipulation.

THE RESULTS...

ACT listened to the CFO's thoughts on what he wanted, what he suspected, and what he wanted to prove or disprove and set to work.

Culling several years' worth of sales data from the ERP, CRM and other silos took some time, but in the end, the cleaned data could be loaded and then explored for trends, corollaries and results using Microsoft's Business Intelligence toolset.

The results were eye opening to say the least. As suspected by the CEO, the top sales reps were in fact those that sold the most volume. No doubt about it, their sales numbers were significantly higher than the rest of the teams.

However, once overhead, commissions, car expenses, entertainment and benefits were factored into the equation, the results changed dramatically. The top performers were actually losing money. Add in incentives such as trips and cash prizes and the results made the CFO's stomach turn.

Suddenly, "Things had to change and fast!" demanded the CEO.

"I couldn't believe my eyes. Forty-five years of "knowing" how my business profits were derived and these guys just shot them down. I suddenly realized I'd been rewarding sales people for losing money. And the more they lost - the better I paid them!"

CEO's Thoughts After BI

THE LESSON...

This case clearly demonstrates that we don't always know what we think we know. This client's mid-performers were actually their most profitable, and their top performers were losing money with each quarterly sales cycle.

What this single analysis proved in their organization was that they were rewarding the wrong behavior – sell volumes of liquor at the end of the quarter to make quotas and numbers. But it didn't take into consideration profitability – at least not TOTAL profitability.

With a redesign of the compensation plan focusing equal emphasis on volume and profits, this client saw immediate profit growth of 12% and longer term growth a year later of more than 15%. That's not bad when your profits are slim to begin with.

This client also saw a sea-change in their sales people's attitudes towards giveaways and entertainment. Instead of giving everyone anything they wanted, they reserved their best items for their best customers and in the end grew those customers as well.

Business Intelligence can be used in many ways to understand trends, correlations and even the obvious faster and more efficiently than in the past. Moreover, it can either confirm or dispel those myths we've grown to accept as facts.

Either way, there isn't a company in **Business** that can't become more **Intelligent** about theirs.

ACT Consulting Group . . .

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