



Microsoft® Office
**Business Scorecard
Manager 2005**

Use Scorecards and Dashboards to Measure,
Monitor, and Drive Agile and Responsive
Sales Performance

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Executive Summary

This paper examines how an advanced scorecarding solution can help overcome the common challenges faced by many sales organizations, including:

- Pipeline management.
- Alignment with and adapting to changes in corporate strategy.
- Setting team and individual goals.
- Measuring performance.
- Responding to fast-moving competitive environments.

It describes the benefits of cross-corporate information sharing, of early, regular visibility into key performance indicators (KPIs), and of sales activities that seamlessly reflect strategic objectives. This paper illustrates the increased agility and insight gained through a scorecarding application that has advanced dashboarding capabilities, which helps to define, communicate, and maintain focus on strategic objectives. You will discover that scorecarding is a low-risk, high-impact, intuitive, non-disruptive, easily-integrated solution, as well as a strong unifying force and productivity tool for geographically remote and dispersed sales teams. You will get answers to the most common questions regarding scorecards and dashboards in a sales environment and learn the value of layering a scorecarding application on top of existing sales management tools. Finally, this paper introduces Microsoft® Office Business Scorecard Manager 2005 as the ideal application and most competitive solution to provide strategic pipeline insight. For more information about Business Scorecard Manager 2005, see <http://www.microsoft.com/office/solutions/scorecards>.

Background

The strength of a sales organization relies in large part on effective pipeline management. The more transparent the pipeline, the more effective the sales team is likely to be. But is pipeline visibility enough? Even if you know what's coming down the pipeline, you might have difficulty interpreting what effect it will have on the strategic imperatives of an organization. And, while many sales operations are already well served by sales data, it isn't to translate that information into fast, corrective action. Customer relationship management (CRM) systems are widely used to provide sales efficiencies and improve performance, but they tend to operate in a vacuum, without incorporating external data or wider corporate goals. CRM systems also typically focus only on transactions such as recording sales calls, without the analysis tools to enable better strategic and tactical decision-making.

Effective alignment of sales performance metrics with corporate strategy is essential for successful pipeline management. Equipped with meaningful, actionable sales information in the proper strategic context, organizations gain considerable insight into, and value from, their sales pipelines. When data is customized to the interests of the team or individual, it suddenly becomes a valuable and dynamic performance tool, instead of a dreaded administrative nuisance. Corrective action becomes quicker, clearer, and more responsive with the capacity to exchange

relevant sales information in real time throughout the organization. This all affects profitability. Successful organizations depend on their sales operations to produce accurate and timely forecasting in order to hit financial targets. Inaccurate or unresponsive forecasting adversely affects a company's financial health, and actions that contradict strategic objectives risk steering the organization off course.

Facing the Pipeline Challenge

Most sales operations today are confronted with a high level of complexity. Multiple sales channels, with scattered and frequently inconsistent information sources, have added layers to the process of performance measurement and become a barrier to effective data analysis. With the proliferation of direct and indirect sales channels such as resellers, telesales, and the Web, it has become more challenging to achieve the level of pipeline efficiency and visibility required to make accurate forecasts, measure performance against goals, and make appropriate corrections quickly when the market landscape inevitably changes. An intuitive, collaborative tool that dynamically pulls together critical information from disparate sources would go a long way toward overcoming this challenge, and that is the impetus behind scorecarding in the sales arena.

Scorecarding and Personalized Dashboards

The Gartner Group estimates that at least 40 percent of all Fortune 1000 companies are now using the balanced scorecard methodology as an analytical business management tool.¹ Scorecarding begins with the notion that analysis based on financials alone is inherently limited, providing only an historical view of performance prior to the moment of assessment. In contrast, balanced scorecarding goes beyond financial data to link corporate strategy with line-of-business (LOB) action. This is because scorecards typically report on organizational performance in both financial and non-financial terms, according to Key Performance Indicators (KPIs). Corporate strategy tends to encompass efforts from across the entire organization, from finance to sales to operations, so scorecards and their constituent KPIs must also span that distance.

Scorecards are designed to convert mission and strategy into specific, measurable goals and to monitor progress towards their achievement. The conventional scorecard signals important changes or exceptions using graphical traffic light indicators of red, yellow, and green in order to summarily represent performance status. This methodology supports the performance-driven closed loop of defining strategy, monitoring performance, analyzing, collaborating, taking action and promoting feedback that drives successful operations.

A dashboard enhances the scorecarding application by fully utilizing the computer desktop in combination with other relevant information: unstructured data, collaborative tools, charts and graphs, as well as other scorecards. Dashboards provide a comprehensive view for data communication and analysis, displaying trends in the form of graphs as well as providing the user

¹ Balanced scorecard methodology SearchCIO.com
http://searchcio.techtarget.com/sDefinition/0,,sid19_gci347160,00.html

with additional contextual information for decision-making. In a larger dashboard view, a user can expect to have collaborative tools like e-mail, contact management, and instant messaging, all tightly integrated with the scorecard. Note that not all scorecard applications incorporate dashboards to display and communicate information.

Layering Scorecards on Top of Existing Metrics

A variety of tools and methods are used by organizations to manage different aspects of sales operations. CRM software is designed to store client contacts and manage the sales pipeline. Spreadsheets have been popular as a means of tracking past performance as well as forecasting. Many organizations use both in some kind of unstructured combination and, while there are clearly benefits to both methods, each has its limitations and inconsistencies in measuring, monitoring, and driving agile sales performance aligned with strategic objectives. The addition of scorecarding and dashboarding can multiply the positive impact of these efforts.

Spreadsheets As Sales Tools

In many companies, the sales force uses a spreadsheet-driven process to track historical performance data and typically uses these results as a means of making future sales projections. This method of analysis has helped focus sales executives on specifics, such as a product line's past performance, regional fluctuations, and previous trends by vertical or by channel. However, spreadsheets alone lack the qualitative information and business logic that is found in advanced scorecarding solutions and is necessary to provide invaluable context. Also, manual processes do not result in quality trending information that can help predict pipeline performance and revenue projections. Often prepared individually by members of the sales team, spreadsheets are labor-intensive, error-prone, and unlikely to be updated frequently enough to provide significant value. A spreadsheet-centered approach also frequently lacks a common methodology and versioning controls, necessitating further analysis by sales management or centralized support staff in order to extract information that is meaningful across an entire sales team, region, or product group. In that case, by the time the data is clarified and finally available in a usable form, the marketplace is likely to have moved on and the opportunity passed.

CRM Practices

Some companies have adopted CRM applications to provide them with insight into customer purchasing habits and related information in order to better inform the sales process. Typically CRM software provides a linear reporting and transactional system, offering a single view of the customer, past interactions, and purchasing information. This methodology can provide the sales representative with some insight into how a client thinks, feels, acts, and spends, but unlike a scorecard-based performance metrics solution, it does not make a rigorous link between corporate goals and specific activity to better serve the client and increase corporate profitability. CRM alone is typically unable to assess the overall status and health of the business, and decision-making support is limited to tactical measures.

As with spreadsheets, the response to CRM data can often be intuitive and not related to the strategic objectives of an organization, leading to a disconnection between sales activity and corporate goals.

Sales Performance Metrics with Scorecards and Dashboards

In contrast to other tools and methodologies, an effective scorecarding solution is part of an enterprise-wide collaborative strategy. It links customer information to business process and makes the sales response more agile, relevant, and efficient for both customer and corporation. Most importantly, it can be layered onto existing sales automation applications, building on past investment in data gathering tools as well as on the information that was previously collected.

Like spreadsheets and CRM solutions, scorecards and dashboards also inform the sales force, but their capabilities extend far beyond traditional methods by aggregating data in its most useful format, as well as defining and measuring sales objectives. Additionally, with the help of integrated collaborative tools, scorecards and dashboards align sales efforts with the rest of the organization, helping to ensure that everyone is working toward the over-arching strategic objectives. For example, the sales impact of a new marketing campaign can be monitored by all authorized constituents around the world and across all departments. Everyone would see the same data in customized formats from a Web-based dashboard, and then be able to communicate across the various geographies and departments within the same tool. It is a system that supports data analysis by the sales force and often causes users to notice a reduction in the time spent maintaining and updating reports.

Using scorecards and dashboards, companies can achieve a performance-driven closed loop of insight, strategy, monitoring, collaboration, execution, and feedback, designed to be equally beneficial to the individual user, the sales organization, and the enterprise as a whole.

Because an effective scorecarding solution operates in a collaborative environment, the flow of information is multi-directional. Instead of the typical one-way flow of information from the sales force towards service departments such as Accounting, Marketing, Production and HR, account-related insight and input from multiple sources drives better sales performance. A powerful scorecarding solution provides contextual information regarding sales performance against objectives, as well as insightful and immediate suggestions for remedial action. And, because of its multi-layered approach, it addresses the unique needs of the individual, allowing each user to extract information based on interest and to drill down to the most relevant level of supporting detail. When users personally experience the benefits of the solution and see its direct effect on sales performance, the system rapidly gains momentum and widespread user adoption. As an added benefit, the use and acceptance of a scorecarding solution fosters discussion of corporate goals and policies.

The Pain of Pipeline Management

The number one sales priority is to hit revenue targets but there are other related, and sometimes opposing, KPIs such as profit margin, product mix, and new versus repeat customers. A sales

target is only effective if it reflects corporate objectives. The key to achieving strategically aligned sales targets is real-time visibility into the entire sales pipeline, providing accurate and comprehensive information that leads to timely updating of sales forecasts and redirection when needed. Slow reaction times, inadequate communication, and lack of insight are often the root causes of a struggling pipeline, impacting the ability to hit targets and therefore affecting profitability.

A robust scorecard solution offers all members of the sales team the ability to focus on the pipeline and ensure it is filled to quota and aligned with the broader corporate objectives at all stages of the sales cycle, from cold call to deal closure. It empowers all members of the team to identify and act on missed opportunities, wasteful overlaps, gaps in market coverage, non-strategic product mixes, and competitive promotional initiatives. Pitfalls like eroding margins are brought to the forefront in real time so that the entire team can collaborate and take urgent corrective action by changing sales strategies and tactics. Additionally, management teams gain actionable insight using scorecards and dashboards to measure customer satisfaction, identify sales training and recruiting requirements, track targets, sales costs, incentive plans, as well as identify top performers.

The success of a sales engagement also depends on its profit margin, and price discounting has always been a contentious issue between sales and finance teams. With a scorecarding solution, each sales person can be held accountable to a defined quarterly margin. For example, if a sales representative is expected to maintain an average profit margin of 30 percent on US \$500,000 in quarterly revenue, then the scorecard can help monitor the progress toward those two goals. A single US \$200,000 sale in the first month certainly helps reach the revenue target, in which case the scorecard revenue indicator would be green. However, if the customer is given an above-average price discount in order to win their business, then the profit margin scorecard indicator might be red, and future sales would obviously have to make up the shortfall at higher sales margins.

While the aforementioned individual salesperson's dashboard might show green for revenue and red for profit margin, the collective sales team might have an entirely different status for the same two metrics because of other individuals' performances. The roll-up functionality of a scorecarding solution enables sales team leaders and executives to see the big picture, while the drill-down functionality enables them to identify what, or who, is causing a margin or revenue problem.

When sales teams are geographically dispersed, or product focus varies among regions, or team members are responsible for widely differing channels, then timely, effective communication and collaboration take on a heightened importance. Effective scorecarding applications focus on insight, analysis, and collaboration, thereby increasing transparency and accelerating the decision-making process. Individuals can use the scorecard's metric tree structure to analyze sales performance, for example, at geographical, product, or account levels; to compare current with past performance; and to make informed decisions about future results.

In today's highly competitive marketplace, sales organizations cannot afford to ignore the benefits of performance metrics. The deployment of a sales scorecard solution is essential to aligning with

strategic corporate objectives, avoiding unnecessary exposure in the enterprise, and relieving common sales challenges by providing the following benefits:

- Ensuring maximum pipeline insight and the appropriate mix of sales contacts, from cold calls to closed deals.
- Aligning strategic direction with tactical execution and not allowing one to overshadow the other.
- Assessing and measuring pipeline health across all sales divisions to ensure meaningful comparison.
- Monitoring all of the critical elements of the sales line of business, for example revenue, product sales, pipeline health and maintenance, lead generation, and trending.
- Achieving effective data analysis by region, by quarter, and so on, especially when source data might be widespread.
- Promoting collaboration across the sales organization and with other departments to ensure that information and ideas are shared throughout.
- Selling through multiple sales channels, such as resellers, online, telesales, and direct.

Structured and Unstructured Data

Typically, sales force automation solutions focus on structured data to build a picture of the past. Data is compiled to indicate the volume and value of sales, the number of leads generated, and the total number of prospects in the pipeline. Statistics measure the length of the sales cycle, and each of these pieces of structured information is broken down further to provide a more detailed picture according to the following specific criteria:

- Country
- Area
- Region
- Team
- Individual
- Product
- Channel
- Vertical
- Client
- Time period
- Plan
- Historical performance
- Promotional activity

In all types of meetings, written correspondence, and documentation, structured data is often given context by the unstructured data that supports it. A reduction in sales to a particular customer might have resulted from a change in key decision makers, a period of promotional activity by a competitor, or problems with the supply chain. Many existing sales force automation solutions fall short in their inability to take unstructured data into account to the extent that is necessary to make informed business decisions. Unstructured data is often communicated only to the people who attended the meeting, took part in the conference call, or were included on the e-mail circulation list. Considering that 80 percent of corporate information is stored in the form of documents and other unstructured data, it is clear that companies cannot afford to ignore its impact on business performance.

A good scorecarding solution should support both structured and unstructured data, using them both efficiently to inform real-time business decisions. In a dashboard framework that is easily accessible to the entire sales team, a scorecard provides a single focus for all informational materials – both structured and unstructured – that assist the sales effort. By facilitating better drill down, it also allows users to access the information that is most relevant to them, resulting in sharper business judgments. Nowhere is this more important than in the sales arena, where many of the elements of the client interface are not immediately quantifiable. Types of unstructured data include:

- Information on the client's stage in the prospect chain – from cold to closed.
- Identification of key decision makers, competitors, pricing issues, and so on.
- Incentive, bonus, and commission updates.
- Market research and statistics.
- Strategy and mission maps.
- Policy guidelines.
- FAQs.
- Sales scripts, pricing models, and specification sheets.
- Presentation templates.
- Marketing collateral.

Familiarity Breeds Adoption and Action

The most crucial element of any new methodology lies in its application. If a sales team does not or will not use the metrics and tools provided, the information cannot translate into profitable action. Although the market currently offers a number of scorecarding solutions, many require the acquisition of new skills to master unfamiliar software, and some are not compatible with existing methods of measuring sales performance that organizations already have in place. When comparing alternative scorecarding solutions, user-friendliness is an important gauge of the likelihood of widespread adoption by a sales team. Questions to ask include:

- Is the organization already familiar with the interface and tools, or will additional training be necessary?
- What are the information delivery capabilities of the software – and in practical terms, who will use the application outside of the senior management team?
- Can I layer the scorecard application on top of my existing sales LOB applications?
- Is the scorecarding system Web-based and accessible to the entire team from any location?
- Does it incorporate a dashboard, and how easy is it to customize information to serve the specific needs of each individual?
- What level of drill-down is possible and what level of detail can the individual user extract?

An intuitive Web-based scorecarding solution that makes use of familiar software tools such as graphing and spreadsheet applications will likely ensure that adoption in the field is fast and enthusiastic.

Microsoft Office Business Scorecard Manager 2005

The Microsoft Office Business Scorecard Manager 2005 is designed to extract maximum value from the scorecarding model. It provides insight exactly where and when it's needed and leads to a closed-loop of strategy, monitoring, collaboration, action, and feedback. Leveraging existing investment in both platform and tools, Business Scorecard Manager allows sales operations to make optimum use of a scorecarding and dashboarding solution, and delivers highly reliable and efficient database performance in addition to employing collaborative and data visualization tools to make the most of the results. Due to the tool's user-friendly dashboard design and rich integration with the Microsoft Office software suite, the information is easily accessible to the entire team and convertible into graphical reports, charts, and presentations. Business Scorecard Manager allows actions to be driven by fact rather than intuition and enables sales teams to link performance metrics to strategy in ways that promote positive future results and reflect past outcomes. Business Scorecard Server:

- Leverages easy-to-use, familiar, and cost-effective software and tools from Microsoft Office, encouraging rapid, accurate, and sustained implementation.
- Employs a clear graphical interface for unambiguous interpretation of data (red light/green light system of alerts). For example, a disproportionate focus on a non-core vertical might produce a graphical alert to all affected parties, prompting drill-down through data and suggested remedial action based on historical data, KPIs, and desired outcomes.
- Is fully Web-enabled, which results in instant relay of the same message to multiple remote locations using a universal medium, offering real-time visibility into key business trends. For example, a sales manager could use Office Web Components to publish a Microsoft Office Excel® document showing recent competitive promotional activity in the South Region to a Microsoft SharePoint® Products and Technologies-based Web site that can be viewed by the entire sales force. In addition, the sales team could view a Microsoft Office Word document prepared by the marketing team that suggests activity to counter competitive attacks.

- **Introduces flexibility by encouraging individual definition of objectives, as well as measurement, monitoring, and management of sales performance. A mixture of Microsoft Office Excel charts, Microsoft Office Visio® diagrams, and Microsoft Office PowerPoint® presentations can be displayed to suit individual learning and viewing styles.**
- **Maps and links sales information to the strategic objectives of the organization, creating a strategy-focused operation and encouraging the use of information to measure and optimize the sales engine, or to drive new initiatives.**
- **Provides personalized and timely information to match each sales executive's role and responsibilities within the organization and enables a customized business view, allowing users to take informed, independent action.**
- **Allows drill down and around to the lowest level of supporting detail using executive dashboards, empowering all layers of the sales structure to act appropriately.**
- **Reconnects information with the business processes that create it to help run them more effectively and efficiently.**
- **Enables different views of data and reports and deep, easily executable analysis to provide a highly-customized business tool with measurable value. For example, data can be given contextual meaning by adding diagrams created in Visio, spreadsheet information that exists in Excel, a PowerPoint deck that facilitates a timely presentation to a client, or a geographical dimension that uses Microsoft MapPoint®.**
- **Supports both structured and unstructured data, which promotes a balanced and informed decision-making process. Business Scorecard Manager presents structured data as well as documents, spreadsheets, links, and other unstructured data.**
- **Permits both manual and automated actions based on the incoming data and defined thresholds or targets.**
- **Layers over traditional sales LOB applications to protect financial and training investment and leverage existing data.**

Using the Tools

After the strategic plan and tracking mechanics are in place, sales operations uses Business Scorecard Manager to analyze performance, get proactive notifications and alerts, and align tasks to drive actions as part of a business performance initiative.

For example, a sales representative can see at a glance how his discounting behavior stacks up against the rest of the team. Have aggressive price cuts simply resulted in margin erosion, or is the volume upswing significant enough to justify the promotional activity? Is the activity in line with corporate objectives? By accessing the 'Divisional Discounting Policy', the individual sales representative can make sure that his actions fall within the current guidelines. Individual pipeline enquiries are simple, and provide a graphic overview of where the bottlenecks lie. Perhaps a particular sales representative has many prospects over 50 percent of the way through the sales cycle but no cold calls or early prospects in progress. Maybe the mix is good but the verticals represented in the pipeline don't correspond with the new strategic direction of the company.

Using Business Scorecard Manager, the pipeline is easily and clearly transparent to anyone who is authorized to view it.

A sales manager will take a different view of the information required. Starting with a high-level perspective, she might be interested in viewing profitability-per-sale at country or regional levels before drilling down to review individual performance levels. She might also be interested in divisional sales training initiatives, levels of achievement demonstrated by individual team members, and any correlation with performance against quota.

A critical element of any sales approach is the ability to turn data into a visually compelling success story, whether for internal consumption or presentation to a client. Because Business Scorecard Manager harnesses the familiar tools of the Microsoft Office System, graphical charts, reports, and presentations are just a short step away from the data viewed on a scorecard.

Traditional performance measures have often required sales professionals to manually provide figures to central support departments in order to inform the business process. This practice has rarely been reciprocal, leading to resentment and a pronounced dislike of paperwork in most sales departments. Because Business Scorecard Manager uses SharePoint Products and Technologies collaboration technologies, which facilitate multi-directional exchanges of information, data can now flow in any chosen direction, and the sales force can benefit from actionable insight and notifications from other departments like Manufacturing, Financial, Marketing and HR, as well as other sales channels.

Conclusion

Effective pipeline insight and action is essential to the strength of any sales operation and underpins the financial well being of the enterprise. Effective use of performance metrics is vital to successful pipeline management. However, as sales complexities increase and information sources become more scattered, it has become increasingly challenging to achieve the true levels of pipeline insight required to forecast accurately, align sales action with corporate strategy, and keep track of the urgent sales issues that require fast reactions.

Scorecarding and dashboarding methodology supports the performance-driven closed loop of insight, strategy, monitoring, collaboration, execution, and feedback that fuels the intelligence-based culture of a successful organization. While the scorecard application models, measures, and analyzes a business strategy according to KPIs, a dashboard provides the user with a personal data snapshot, enabling customized drill down and promoting timely corrective action relating to the user's line of business.

The most crucial element of any new application is its implementation. If a sales team does not use the metrics, the information loses its value. To be effective, a scorecarding solution cannot be limited to a layer of management or an elite group of decision makers. It must be universally accepted, easy to use, collaborative, and capable of layering onto existing sales automation software where appropriate.

Effective scorecarding and dashboarding solutions combine structured and unstructured data, and use them both efficiently to inform real-time business decisions. As part of an enterprise-wide collaborative strategy, scorecards link information to business process and make the sales response more agile, relevant, and efficient for both customer and corporation. A scorecarding solution enables actionable insight and helps users make better decisions, articulate goals and objectives, provide companywide pipeline insight, and combine analysis with action.

Business Scorecard Manager is designed to extract maximum value from the scorecarding model. It leverages existing investment in platform and tools, and it delivers efficient database performance with familiar collaborative and data visualization tools to help ensure widespread adoption and make the most of the information it uncovers. Business Scorecard Manager is designed to empower all business professionals so that they can perform to their utmost potential and deliver outstanding results, and in today's competitive environment, it is results that count.

For more information about Business Scorecard Manager 2005, see <http://www.microsoft.com/office/solutions/scorecards>.