

CHAPTER

1

Microsoft's Performance Management Strategy

There's no doubt that today's information era brings exciting opportunities to drive business performance. Information has never been more accessible, nor has it ever been less expensive. People need only do a quick Internet search to find pages and pages of Web sites, blogs, and documents that can provide them with all manner of information.

But as much as information has been a help in driving organizational performance, most of us today feel inundated by information. This situation directly affects how we make decisions. It drives our ability to achieve our own goals and objectives and affects how well we can execute them across teams inside and outside our organization. Ultimately, the way we use information has an impact on our organization's overall performance.

Only a few years back, the challenge was that people didn't have the capability to get to the information—the tools they had access to were rudimentary and limited; there were not enough data connections or network bandwidth, and often the information was locked behind firewalls. Today's challenge is the exact opposite. In fact, it has now become hard to corral the right information in time to help us do our jobs better.

The challenge for organizations, teams, and individuals today is to find a way to harness the power of information and make it work to their collective advantage.

Traditional Approaches to Business Intelligence

Business intelligence (BI) is not a new topic in the high-tech world. Since the first data warehouses and structured query languages were developed decades ago, people have been trying to find a way to make use of all the data

4 Part I ■ Performance Management and Microsoft PerformancePoint Server

and information they generate. As is the case with any immature technology, development and advancement has come in fits and starts. And as is usually the case, first came the general tools, such as SQL, to help access and aggregate the data. Then came the toolsets — specialized for industries and verticals, roles and functions, processes and certain-sized organizations — all to meet the same general need but focused on specific niches where the problem was most acute, and the market opportunity the greatest.

As is the case with most technologies, such as enterprise resource planning (ERP), when the software solutions became more advanced, it made more sense to start aggregating tasks again under one roof and one vendor. And one by one, the specialty vendors were bought, sold, and integrated into the larger BI vendors — let's call them pure plays. And while they too have now been bought, sold, and integrated, their legacy lives on and their approach has had a significant impact on how companies ultimately access, analyze, and share information.

For many years, these BI companies have talked a great deal about the overall market growth, penetration, and market opportunity they saw in front of them. Vendors rallied behind the idea that BI represents a lot of opportunity, that only about 20 percent of a typical organization uses BI, and that they were designing tools to access the other 80 percent. Then they'd release a new version of the product, and find themselves with the same users and the same penetration into a company. Why was this?

The problem with traditional BI approaches lies in the fact that they're ultimately able to access only a fraction of the information that people today need to become more productive and make better decisions. Traditional BI approaches are tied to the ERP system, the data warehouse, customer relationship management (CRM), and the many different transactional systems that they have all over the organization.

They're hard to use — and harder to maintain — and are often restricted to a few people or groups in the organization. Usage of the new system often peaks during the first few weeks after training, and eventually everyone drifts back to what they were using before, leaving the original 20 percent of the user population using a tool that was designed for 100 percent. Most often, the BI tools people are given don't reflect how they want to use information and make decisions.

Most BI tools make people conform to the tool's way of using information rather than the opposite, ultimately inhibiting productivity. Many people reading this book may have been to a BI training session in the past — and after a few weeks of trying to figure out how to go beyond the "basic" usage level of the system, have often gone back to their spreadsheets and "back of the napkin" calculations. Only the hard-core analysts — the people who are required to spend all their time with the data every day — are left. They're the ones who are willing to change the way *they* work since their jobs often

Chapter 1 ■ Microsoft's Performance Management Strategy 5

depend on it. But analysts represent only a fraction of the total employee base in an organization. While analysts feel informed enough to make the right decisions, the rest of the organization often operates on hunches and gut feelings.

In *Drive Business Performance*, this dilemma is referred to as the “Analytical Paradox”:

While analysts have the analytic capabilities to derive insights, they lack the ability to directly act upon these insights. Conversely, while employees have the ability to take action, they often lack the ability to derive insights by themselves. The result is that business analysts' request queues are overloaded on a daily basis, and employees end up making decisions which lack insight, timeliness, or both. This situation makes it impossible for organizations to quickly recognize and act upon changing market conditions — to be agile.¹

Business intelligence should reflect the way most employees use information — not the other way around. When it does, everyone in the organization can be empowered to make better business decisions. Putting BI capabilities in everyone's hands enables these critical decisions to be made locally, which makes them more relevant and immediate. It's this velocity of decision making that drives productivity and ultimately business performance.

A BI solution must have the flexibility to work the way that most employees do. And in looking at the way in which they do their jobs on a daily basis, we can categorize the use of BI into three main contexts: personal BI, team BI, and organizational BI.

Personal, Team, and Organizational BI

First, most often people use BI personally — just for themselves. This could be an Excel spreadsheet that they put together to see if a calculation still makes sense based on the ballpark numbers they received in an email. It could be a visual diagram that they created, a project plan that lets them know if they have the right resources to get the job done on time and under budget, an Outlook task list, a call sheet, a production report, and so forth. Whatever it is, it's not being shared with the board of directors, or maybe not even with their boss. It's for them, individually — and it's likely in the form of some sort of document or spreadsheet that they use to make themselves more productive.

Second, people work in teams. Employees can do all the individual analysis they want, but their own tasks should ensure that the team's goals and objectives are met as well. Even a sole proprietor has relationships with vendors, customers, and consultants — in most cases, individuals have to consider their impact on the rest of the team — whether they are part of a sales team in a retail store, a foreman on a factory line, and so on. The nature of team collaboration requires a business intelligence environment that

6 Part I ■ Performance Management and Microsoft PerformancePoint Server

allows individuals to work better within their group, or even across groups, to share information, and to ensure that everyone is on the same page. Team BI means that all individuals know where they stand with the most up-to-date information. They can make the right decision to help the team achieve its goals. More importantly, when we speak about teams, we mean to include the broadest possible definition of what constitutes a team. A team can range from the few colleagues who sit beside you in the row of offices on your floor or it can mean other people in the organization who do the same job that you do but whom you never have met. These people are not likely to ever be in the same place at the same time or even to know each other. But they're highly dependent on having the right information at the right time so that they make the right decision for the customer. Team BI means linking your teams together wherever they are, arming them with the right tools, and allowing them to share, collaborate, and manage information.

The last dimension is the corporate, or organizational, dimension of business intelligence. This represents the larger strategic goals and objectives set by the company, such as net profit, top-line revenue, and market share — the numbers that the entire organization is working to achieve. Teams may have different goals within this larger goal, but in this context, all teams are pushing towards the same objective. This type of BI is often developed and maintained centrally by the IT function so that everyone in the organization knows where they stand relative to their role in helping the company achieve its goals.

In order to support what people do on a regular basis — for themselves, their teams, and their companies — business intelligence needs to be thought of as a continuum of functionality required to help employees achieve their productivity and performance goals. The more formal part of BI — the corporate goals and objectives — influences what teams and individuals do. Personal and team BI are driven by the many knowledgeable workers across the organization and their needs for agility, speed, and empowerment.

In order for BI to reach its potential in organizations, it must have the flexibility and functionality to extend from the individual employee to the team and to the organizational level, while accommodating the different use cases and needs across the organization. Fundamentally, the ability to deliver on the promise of BI across the organization depends on three important factors: strong functionality, an integrated solution, and a scalable economic model.

Functionality

While far-reaching functionality is the most common item evaluated in a BI purchase decision, it is also critically important that a BI toolset provides tailored functionality for all the different users in the organization. If a BI suite offers so much functionality that it is too complicated for average users, or

Chapter 1 ■ Microsoft's Performance Management Strategy 7

doesn't have enough horsepower for power users, the toolset will not be used. Further, the tool must be flexible enough to adapt to the needs of a diverse group of users. Flexibility and modularity are of paramount importance in selecting BI applications, as one size most definitely does not fit all when it comes to the needs and requirements of a diverse employee community for BI.

Aside from the analysts who work in different departments throughout the organization, most of employees don't spend their days inside a BI system — or an ERP, CRM, or supply chain management system. People work outside of the structured technology environment for much of the day — they meet customers, they respond to emails, they are out on the factory floor. But at those times when they need business intelligence, they need it immediately — they can't afford to interrupt the flow of their workday to learn a new tool or process. People need the BI system to adapt to what they are doing at the time and what they need the information for. That puts a huge emphasis on a full range of functionality that addresses both the power users — or employees who will spend most, if not all of their day in the BI environment — and those employees who will spend just a fraction of their time there. People don't want two different systems or two different interfaces or two different platforms to maintain for these user groups; they want one. And that's why an integrated BI solution is so critical.

An Integrated Solution

Achieving the promise of business intelligence requires the ability to pull data from virtually any data source, and the system must work well with line-of-business applications and desktop productivity tools, as well as email, portals, and document repositories.

Additionally, using the right tools and applications ensures that employees can use that data in the way they want to in order to make decisions rapidly and efficiently. They need applications and tools that range from personal to team, organizational, and corporate tools, with a familiar look and feel, integrated with elements of the employees' unstructured world such as email and documents.

Functionality and integration have quickly become the requirements for pervasive business intelligence and performance management. Many companies are now faced with the following dilemma: Now that the space has become consolidated and all vendors seem to have parity, why would I choose one over the other?

Microsoft's economic model is a strong differentiator because it helps companies move beyond their limitations. It is an asset that Microsoft has developed not only for business intelligence but also for just about anything the company sells.

8 Part I ■ Performance Management and Microsoft PerformancePoint Server

The Economic Model

Microsoft was recently recognized as a leader in the BI space. While the recognition is recent, it rests on decades of work done on BI software as well as the BI model. From a software standpoint, the innovation in SQL Server and Office (Excel and SharePoint) as well as the recent release of PerformancePoint Server (PPS) point to this leadership.

In addition to software, Microsoft's unique approach can help companies reap the benefits of pervasive performance — improving performance throughout the organization. Microsoft's approach to BI and performance management can be summarized in a simple formula.

A Simple Formula

Here's a simple formula that illustrates the Microsoft value proposition:



PM Is Good

The first premise of “why rely on Microsoft for performance management (PM)?” is that you believe that measuring what you manage, managing what you measure, and making data-driven decisions are all good things.

In an ever-increasing competitive, global economy, companies are tasked with continuing to compete at a world-class level — what got you here won't keep you there. Shareholders continually seek to see improved performance, and the competition continues to increase capabilities and value.

This is the starting point — these tenets are the foundation of the premise that Microsoft PM may be of value. Managing performance can only be of value if we value improving performance to begin with ... hardly a controversial view.

IWs Are Everywhere

The difference with Microsoft's approach to PM is really in this component of the formula — the premise that people are making decisions throughout the entire organization, not just in the upper 1 to 5 percent of the organization where PM tools have historically been provided.

There are sometimes jokes about the lack of creativity in marketing from BI and PM software vendors — they all use the same language. “The right

Chapter 1 ■ Microsoft's Performance Management Strategy 9

information, at the right time, in the right format" is central to everyone's value proposition.

Two points that we think that are worth noting here are:

- "Better information" doesn't matter if results aren't improved — improved company performance is the whole reason for this entire endeavor of BI/PM.
- Empowering all employees requires a different approach, and this approach is what truly separates Microsoft from other vendors. Microsoft has always made the claim that information workers exist throughout the entire organization — and it is Microsoft's ability to serve this community that sets it apart.

Perhaps Randy Benz, CIO of Energizer Holdings, says it best in *Drive Business Performance*:

*We used to have a view that only the top management members could deliver significant impact — we called these folks the "difference makers" and our IT efforts were geared toward getting information only to this select few. But not anymore. Now, we're aiming our efforts towards the hundreds of people across the organization who make the thousands of day to day decisions that really make the difference in business performance. We're getting new capabilities out to these "difference makers" across the enterprise — and recognizing wide scale increases in our effectiveness and impact."*²

Increase ROI, Decrease TCO

This point seems self-evident ... and is also part of the standard marketing work of any vendor. Increasing the return on investment (ROI) for a customer of any technology is critical for any customer to be willing to make the investment ... and reducing a customer's total cost of ownership (TCO) is equally important.

Why would a customer lay out thousands or millions of dollars, pounds, euros, yen, or the like without knowing that they would get a greater return for the investment?

Changing the cost model is not new to Microsoft. In fact Bill Baker, Distinguished Engineer, Microsoft — the man who led Microsoft's entry into BI and the more recent PM push — continually makes this point:

Traditional inhibitors to the broad adoption of performance management have been high costs associated with implementations, complex tools and user interfaces that require costly and time-consuming training for employees, and confusion over disparate systems and tools for the various capabilities, including planning, budgeting, forecasting, analytics and scorecarding. Performance management tools and processes have also been siloed or stovepiped traditionally, meaning that they sit outside the day-to-day business processes of most employees.

10 Part I ■ Performance Management and Microsoft PerformancePoint Server

Office PerformancePoint Server 2007 was designed to address and wipe out these inhibitors, enabling performance management across the enterprise, not just for the CFO and financial analyst.

We plan to introduce Office PerformancePoint Server 2007 at an attractive per-user price point, pricing and licensing the performance management application for broad adoption. Probably the single most important differentiation from competitive offerings is that the complete capability set that includes scorecarding, analytics, planning, budgeting, forecasting, consolidation and financial reporting is delivered through Excel and other pervasive Microsoft Office products. These are the productivity tools that CFOs, financial analysts and information workers live in every single day. This limits or altogether eliminates the need for expensive training on complicated front-end business intelligence and performance management tools, and ensures that performance management is part of the rhythm of the business, not a process that lives outside it.’³

This approach has helped many companies think about their deployments differently. Although BI and PM could have been considered as departmental projects in the past, this new economic approach allows companies to expand the reach of their initiatives. This trend is particularly relevant to the ROI and TCO discussion.

As companies realize that all employees make decisions that have an impact on the company’s bottom line, and that better results come from better information, the return on investment of empowering more employees grows. While in the past, companies might have empowered a few people — who, as discussed earlier, represent only a small fraction of the decisions made — these companies now have the opportunity to empower all.

This type of requirement calls for a different cost model and one that cannot be addressed by older and more traditional approaches to BI and PM. As Allen Emerick, Director of IT at Skanska, describes it:

We believe that business intelligence is for every individual in the organization because every individual needs to be able to make better, more informed decisions. . . . Microsoft business intelligence allows us to do that — and we have 2,000 employees using the solution. We expect to expand that to most of our 4,000 employees. We could never have done that with Hyperion.⁴

This model benefits companies, Microsoft, and its large ecosystem of partners. Phil Morris, CEO of Mariner, a Microsoft Gold partner summarized this best:

We are seeing a surge in deployments of Microsoft’s BI solution from our customers. They are finding that they can enable BI throughout their organizations by expanding their Microsoft BI footprint only minimally, building on the investments in Microsoft that they’ve already made. We are also seeing our

Chapter 1 ■ Microsoft's Performance Management Strategy 11

customers replace their BI pure-play solutions with Microsoft's solution, for no more cost than what they used to pay for the BI pure-play vendors' annual maintenance fees alone. With the Microsoft BI solution, they report overall cost savings and high user acceptance rates because employees are able to access, share and collaborate using the familiar interfaces of Word, Excel, SharePoint, and Outlook.⁵

Indeed, it is particularly true that Microsoft can meet the requirements of increasing the ROI and decreasing the TCO component of the equation based on their existing licensing model with customers.

And their customers have been looking to consume their BI/PM offerings in the same way. For the new PM offerings, Microsoft is taking a similar approach to what they did with the now large base of customers who are currently using their SQL BI platform. We will discuss Microsoft's pricing and licensing strategy for BI/PM in more detail later.

Beyond Microsoft's economic model and the benefits this brings to partners and companies alike, it is also important to note that Microsoft is in the business of information workers at its very core.

The Information Worker – The Core of Microsoft's Business

Peter Drucker coined the term "knowledge worker" in his book *Landmarks of Tomorrow*, published in 1959, to refer to the transition of the type of work that would be done by American laborers going forward within the century, moving from manual labor in factories to knowledge work.

Microsoft uses the term "information worker" to describe the large number of employees throughout an organization. It can be argued that there are more "information workers" than "knowledge workers."⁶ However we will use these terms interchangeably throughout this book. Jeff Raikes, president of Microsoft's Business Division,⁷ described an information worker as "anybody who is an active participant in a business information flow or business information process."

The Information Worker business unit delivers about \$18 billion in revenue to Microsoft annually, or around one-third of its total revenue, and Microsoft's service and attention to this community are unparalleled. In addition to a development team that is focused on the user interface (UI) and that was responsible for developing the Office Fluent user interface, Microsoft's Office development organization has a dedicated user experience group called the Office Design Group, which focuses on the usability and design elements of the Office user interface.

The user experience research team conducts research to inform the design of the entire Office suite, and works with the Office development teams and UI designers to help create usable software that is designed to meet the needs of information workers. Over the years, the team has developed a deep and

12 Part I ■ Performance Management and Microsoft PerformancePoint Server

thorough understanding of the broad range of Office customers. The close connection between the usability research and design ensures that the UI design is tested and informed by customer research.

The team uses a variety of methods to test the user interface, including in-lab studies in which people are observed using Office to perform specific tasks, eye-tracking studies using equipment that actually lets the team see where people are looking on the screen as they use the programs, and workplace observation where the team watches people use Office and talks to them about their experience using Office. To gain deeper insight into people's levels of satisfaction with the Office Fluent user interface, the research team conducts focus groups and large-scale surveys. These types of research were extremely useful in helping the team develop a clear understanding of the sources of dissatisfaction that were most often expressed as "bloat" and address them in Office 2007.

The Customer Experience Improvement Program (CEIP) is a voluntary, opt-in program that collects anonymous information about errors, system performance, and frequency of command usage. The analysis of this broad, rich instrumentation data marked a significant advance in Microsoft's ability to understand and react to real-world use and scenarios.

As with most instrumentation systems, Microsoft has no insight into users' goals or the specific words, numbers, or objects that make up most of a user's content. But, looking across multitudes of users and analyzing how frequently commands are accessed and from where in the UI, they began to understand overall usage patterns. Microsoft used these general patterns to further inform their understanding of how commands were being used: how many people used a feature, how frequently it was used, and from where in the UI it was typically accessed. With observational and personal feedback data, Microsoft is able to begin to identify areas which, if improved, would have the greatest impact, plus it has gained insights into what those improvements might be.

The research is ongoing and continuous. For the launch of the 2007 Office system, this team conducted extensive research to continue to ensure a deep understanding of the information worker:

- Since Office 97, they have engaged 5000+ people in in-lab studies to evaluate the usability of Office.
- They have 26,000 hours of video-taped usage (Office 2000 to Office 2003). If you wanted to watch the tapes of every usability lab study they've done on Office 2000, XP, and 2003, it would take you over 3 years.
- For Office 2003 alone, they spent 3,500+ hours observing people use the software in their workplaces and in the teams' labs.

With this amount of customer feedback and involvement, the information worker community itself actually plays a key role in defining the very offerings Microsoft delivers and ultimately uses. Given the revenue impact of, deep

Chapter 1 ■ Microsoft's Performance Management Strategy 13

relationship with, and size of this community of Microsoft users, it is clear that the information worker is core to Microsoft's business. In summary, when customers buy business intelligence and performance management from Microsoft, they benefit from the software, the unique economic model, and the unparalleled experience the company has in the information worker's world.

Regardless of which component of the equation you optimize for — whether you care more about “PM is good,” optimizing for the total number of information workers you want to enable with PM capabilities, or the degree to which you want to increase ROI or decrease TCO — Microsoft's value becomes increasingly apparent.

Summary

In this chapter, we covered some of the key fundamentals of Microsoft's performance management and business intelligence capabilities.

We talked in detail about the traditional approaches to business intelligence and how Microsoft's unique approach to personal, team, and organizational BI can help your organization provide business intelligence for all types of uses.

Finally, we covered some of the key differentiators of the Microsoft value proposition and addressed what makes Microsoft a great source to help you address all your performance management and business intelligence needs, such as its economic model and its core knowledge of the information worker's world.

Notes

1. Bruno Aziza and Joey Fitts, *Drive Business Performance: Enabling a Culture of Intelligent Execution* (Wiley, 2008).
2. Ibid.
3. See www.microsoft.com/presspass/features/2006/dec06/12-05performancepoint.aspx.
4. See www.microsoft.com/presspass/features/2007/may07/05-09BusinessIntelligence.aspx.
5. See www.microsoft.com/presspass/press/2006/sep06/09-22BIMomentumPR.aspx.
6. See www.directionsonmicrosoft.com/sample/DOMIS/update/2002/10oct/1002iwfonc.htm.
7. See www.microsoft.com/presspass/exec/jeff/default.aspx.

