Management Cockpit

Managing companies effectively and efficiently based on relevant information

June 2012
"There are a growing number of people who are no longer informed due to the excess of information."

Rudolf Augstein (*1923), German journalist, editor of "Der Spiegel"
## Proposals on the subject of the Management Cockpit

<table>
<thead>
<tr>
<th></th>
<th>Proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reliable management information is an indispensable necessity for effective and efficient management of companies</td>
</tr>
<tr>
<td>2</td>
<td>In times of increasing complexity and growing data quantities, management information has to be filtered out and used to develop an integrated management model</td>
</tr>
<tr>
<td>3</td>
<td>This type of management model can only be developed and then rolled out top-down - taking management requirements into account and in line with best practices</td>
</tr>
<tr>
<td>4</td>
<td>A management model based on the Management Cockpit has to be applied pragmatically and in a user-friendly manner - new technologies offer new options</td>
</tr>
<tr>
<td>5</td>
<td>When applied and deployed stringently and consistently, the goetzpartners Management Cockpit is the ideal tool for managing companies</td>
</tr>
</tbody>
</table>

Source: goetzpartners, 2wmedia
Paradigm shift

In many companies a paradigm shift is required to develop the historically evolved reporting system further and create a KPI-based management instrument.

**Typical reporting system**

- Large number of different departmental reports - often blurred in terms of interfaces with matrix organisations
- Lack of a universal KPI system
- Varied data sources
- Manual and decentralized reporting (Excel lists, PowerPoint presentations)
- Focus on historical data - lack of projections and risk assessments

**goetzpartners Management Cockpit**

- Establish a consistent reporting logic
- Build a consistent data model
- Focus on management-related information
- Develop risk and projection models
- Implement a user-friendly online platform which is available at all times

Source: goetzpartners, 2wmedia
goetzpartners approach (1/2)

The goetzpartners Management Cockpit is based on the management information required in the future rather than the data available today

<table>
<thead>
<tr>
<th>Top-down approach</th>
<th>Universally binding</th>
<th>Use as management instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Set up project team to develop reporting logic</td>
<td>• Consistently embed as a binding reporting system</td>
<td>• Use KPI for staff leadership</td>
</tr>
<tr>
<td>• Centrally define information and management requirements</td>
<td>• Cascade KPI along line organization</td>
<td>• Develop measures in case of goal deviations</td>
</tr>
<tr>
<td>• Closely involve managing directors/board</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**User-friendly implementation**

- Web-based implementation
- User-friendly application design

Source: goetzpartners, 2wmedia
Driver trees can be used to develop a consistent KPI system

**Value contribution** = \( \frac{\Omega}{\text{net assets}} \times \frac{\text{EBIT yield}}{\text{capital costs}} \) (before tax)

**Group**
- **EBIT**
  - Value contribution = \( \frac{\Omega}{\text{net assets}} \times \frac{\text{EBIT yield}}{\text{capital costs}} \) (before tax)

**Operational unit**
- **Sales**
  - **Sales new products**
  - **Sales \( n \)ew products**
- **Sales \( \Omega \) existing products**
- **\( \Sigma \text{PER} \)**
- **Calculation according to internal specifications and defined goals**
  - **Production center costs** (e.g. technology)
  - **Cost of service objects**
  - **Overhead costs** (e.g. law)
  - **PM costs**
  - **Corporate center costs**

**Costs per production center**

**Source:** goetzpartners, 2wmedia

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[1] Virtual sales unit (cost allocation via project cost center)
[2] \( \frac{\text{fixed assets}}{\text{net assets}} + \frac{\text{net current assets}}{\text{net assets}} = \frac{\Omega}{\text{net assets}} \)
[3] EBIT yield = EBIT/\( \frac{\text{net assets}}{\text{capital costs}} \)
[4] Definitions still to be developed
[5] Customer service in some cases also profit center with ext. sales
[6] Anticipated ARPP (Average Revenue per Product) over the last 3/6 months
[7] In relation to products with "real" new clients who have not ordered any services for six months
Structure of the Management Cockpit (goetzpartners example)

Management Cockpits are adapted individually to the client but always have the same fundamental structure:

1. **Finance KPIs**
   - Finance KPIs in line with the company’s reporting system.

2. **Operational KPIs**
   - Operational KPIs in line with the company’s value chain (operational and administrative areas).

3. **Initiatives**
   - Larger initiatives (e.g. product launches, production relocations or similar).

4. **Culture**
   - KPIs on corporate culture (e.g. staff satisfaction).

Source: goetzpartners, 2wmedia
Cockpit view

Central KPIs are shown in a clearly structured cockpit view

Traffic light logic
- Individual definition of target deviations
- Illustration of exceeded targets

Source: goetzpartners, 2wmedia
Filter function

The Management Cockpit enables information to be conveniently filtered according to various criteria such as regions or company units.

- Filtering along different criteria allows "deep drilling"
- Reflection of company structures, e.g. countries or business units

Source: goetzpartners, 2wmedia
Step-by-step analysis

Detailed information can be selectively drawn on, based on summary overviews

Overview lists
- Sortable lists allow convenient identification of positive and negative areas
- Example
  Sorting of goetzpartners project lists according to profit margins to identify profitable and unprofitable projects

Further details
- Additional detailed information on the area in question can be accessed via the lists
- Example
  Profit margins shown on a monthly basis to identify trends

Source: goetzpartners, 2wmedia
Test access

The link below provides test access to the goetzpartners Management Cockpit

managementcockpit.goetzpartners.com

Source: goetzpartners, 2wmedia
## Effects

The introduction of the Management Cockpit has several effects at the same time.

<table>
<thead>
<tr>
<th>Effect Number</th>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Identification of levers</td>
<td>- Identification of success-critical KPIs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Identification of causal mechanisms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Quantification of success factors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Creation of transparency in terms of performance and potential</td>
</tr>
<tr>
<td>2</td>
<td>Creation of a valid database</td>
<td>- Identification of lacking data</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Identification of inconsistencies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Guarantee data comparability based on standard definitions</td>
</tr>
<tr>
<td>3</td>
<td>Reduction of reporting effort</td>
<td>- Focus on relevant information</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Elimination of redundant reports or reports which are not required</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Simplification of processes by means of tool support</td>
</tr>
<tr>
<td>4</td>
<td>Provision of leadership information</td>
<td>- Provision of the necessary information for efficient and effective leadership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Ad-hoc availability of information via intelligent devices (e.g. tablet PC)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Implementation of a consistent leadership process</td>
</tr>
</tbody>
</table>

Source: goetzpartners, 2wmedia
The Management Cockpit is implemented by 2wmedia as a web application which is generally hosted in the client infrastructure.

- **Client systems**
  - ERP
  - CRM
  - [...]
  - [...]

- **Internet / intranet**

- **Output devices**
  - Provision of data via internet or intranet
  - Access via PCs or mobile devices (authorisation concept) depending on client preferences (confidentiality)

Consolidation and storage of data from a variety of sources (automated as far as possible)

Source: goetzpartners, 2wmedia
### Technical implementation | Adaptation options

Implementation is carried out in close collaboration with the client.

<table>
<thead>
<tr>
<th>Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Adaptation of application to client's corporate design</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>User-friendliness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Intuitive user guidance following established systems of logic</td>
</tr>
<tr>
<td>• Client-specific details incorporated</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Availability everywhere on any device with internet capability (Cloud approach)</td>
</tr>
<tr>
<td>• Optionally with only online or offline availability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Integration in existing systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Link to existing systems by agreement with client</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Individual security concepts</td>
</tr>
<tr>
<td>(in-house vs. external hosting / online vs. offline availability / access via internet, VPN or physical networks / user concepts)</td>
</tr>
</tbody>
</table>

Source: goetzpartners, 2wmedia
## Procedure

A Management Cockpit can be introduced in three to four months

<table>
<thead>
<tr>
<th></th>
<th>Review</th>
<th>Design</th>
<th>Realization</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Review</td>
<td>Design</td>
<td>Realization</td>
<td>Implementation</td>
</tr>
<tr>
<td></td>
<td>Analysis of business model</td>
<td>Design reporting model</td>
<td>Program front end</td>
<td>Technical roll-out</td>
</tr>
<tr>
<td></td>
<td>Specification of reporting requirements</td>
<td>Design data model</td>
<td>Coordinate with client</td>
<td>Optional:</td>
</tr>
<tr>
<td></td>
<td>- Who?</td>
<td>Coordinate data availability</td>
<td>Program back end</td>
<td>- Communication</td>
</tr>
<tr>
<td></td>
<td>- What information?</td>
<td>Create mock-up</td>
<td>Tests</td>
<td>- Training sessions</td>
</tr>
<tr>
<td></td>
<td>- In what format?</td>
<td>Create authorization</td>
<td>Approval by client</td>
<td>- Coaching</td>
</tr>
<tr>
<td></td>
<td>- How often?</td>
<td>concept</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(independent of data availability)</td>
<td>Coordinate with client</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benchmarking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Check against existing reporting system</td>
<td>Coordinate with client</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coordination with client</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Analysis of business model
- Specification of reporting requirements
  - Who?
  - What information?
  - In what format?
  - How often?
  (independent of data availability)
- Benchmarking
- Check against existing reporting system
- Coordination with client

- Design reporting model
- Design data model
- Coordinate data availability
- Create mock-up
- Create authorization concept
- Coordinate with client

- Program front end
- Coordinate with client
- Program back end
- Tests
- Approval by client

- Technical roll-out
  - Optional:
    - Communication
    - Training sessions
    - Coaching

**Source:** goetzpartners, 2wmedia
## Success factors

Six success factors should be taken into account when introducing the Management Cockpit

<table>
<thead>
<tr>
<th></th>
<th>Management guidance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>• Cockpit is used to meet management information needs</td>
<td>• Positioning of cockpit as a binding reporting and management tool</td>
</tr>
<tr>
<td></td>
<td>• Focus on key management information</td>
<td>• Continuation of other databases / reports to record and administer detailed information</td>
</tr>
<tr>
<td></td>
<td>• Data availability is disregarded</td>
<td>• Definition of information required</td>
</tr>
<tr>
<td></td>
<td>• Manual input of missing information at the start of introduction</td>
<td>• Successive completion and increase of data quality</td>
</tr>
<tr>
<td></td>
<td>• Application of a separate tool</td>
<td>• Automated data match as far as possible</td>
</tr>
<tr>
<td></td>
<td>• Management Cockpit is increasingly linked to ERP and other systems</td>
<td>• Implementation of planning and review meetings based on the data in the Management Cockpit (KPIs and &quot;deep drilling&quot; on the top 10 issues)</td>
</tr>
<tr>
<td></td>
<td>• Availability at all times</td>
<td>• High degree of acceptance</td>
</tr>
<tr>
<td></td>
<td>• Use as leadership instrument</td>
<td>• Consequent action in the event of deviations (countermeasures)</td>
</tr>
</tbody>
</table>

Source: goetzpartners, 2wmedia
Why goetzpartners and 2wmedia?

The Management Cockpit developed by goetzpartners and 2wmedia creates the prerequisites for efficient and effective company management

**Business expertise**
- goetzpartners offers extensive business expertise from numerous consultancy projects
  - Strategy
  - Leadership
  - HR
  - Controlling
- Embedding of Management Cockpit in the goetzpartners' business transformation approach

**Technical and communication expertise**
- Supplementary expertise provided by 2wmedia
  - Development of complex web applications
  - User-friendly design
  - Communication concept taking into account the client's corporate design guidelines

**Extensive experience**
- Experience in joint introduction of Management Cockpits in various
  - sectors
  - company sizes (200 to over 70,000 staff)
  - functions (restructuring, sales, HR, real estate, marketing, finance, etc.)
  - project situations

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Tailoring the Management Cockpit to client requirements

Secure and user-friendly set-up of cockpit

Efficient implementation

Source: goetzpartners, 2wmedia
## Selected references

goetzpartners and 2wmedia have already implemented several Management Cockpits

<table>
<thead>
<tr>
<th>Client</th>
<th>Project scope</th>
<th>goetzpartners’ role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global technology company (&gt; 70,000 staff)</td>
<td>Implementation of various cockpits as part of a restructuring program</td>
<td>- Implementation of a budgeting cockpit for countries and business units</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Creation of a cockpit to manage personnel measures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Creation of a cockpit to administer a real estate portfolio</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Set-up of a cockpit to manage a comprehensive headcount restructuring</td>
</tr>
<tr>
<td>SME - kitchen manufacturer (1,900 staff)</td>
<td>Implementation of a sales cockpit</td>
<td>- Implementation of a sales management as a part of a project to optimize marketing control</td>
</tr>
<tr>
<td>German telecommunications company (≈ 2,000 staff)</td>
<td>Implementation of a Management Cockpit</td>
<td>- Implementation of a Management Cockpit as an instrument for strategic management</td>
</tr>
</tbody>
</table>

Source: goetzpartners, 2wmedia
About goetzpartners and 2wmedia

**goetzpartners** is a leading independent European consulting company that combines M&A (mergers & acquisitions) advisory and management consulting under one roof. With this unique service offering goetzpartners advises companies along their whole value chain, thus creating sustainable value for them. The Group is represented with offices in Munich, Düsseldorf, Frankfurt, London, Madrid, Moscow, Paris, Prague, Shanghai and Zurich, and maintains international cooperation ventures. goetzpartners Management Consultants concentrates mainly on the fields of strategy, operational excellence, and business transformation. goetzpartners Corporate Finance focuses on M&A advisory services. goetzpartners is “Hidden Champion 2012” in the field of corporate finance and management consulting (Hidden Champions study of Prof. Fink)

**Service Line Business Transformation**

Service Line Business Transformation supports clients in the holistic transformation of their companies or company segments. In collaboration with management, central cornerstones are developed in the areas of strategy, organization and culture and implemented with close involvement of staff. The aim of transformation projects is not just one-off reorientation but to create structures and a culture to promote ongoing change. Here, goetzpartners draws on an extensive range of tools to ensure a smooth transformation process.

**2wmedia**, based in Munich, is an innovative agency for internal and external corporate communication. With many years of experience and a high level of implementation expertise, 2wmedia creates excellent online and offline media, impressive events and perfectly adapted technical solutions, providing consultation for clients and partners on business development and all communication issues.

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