

PROFILES IN PLANNING: MANPOWER INC.



INNOVATION IN ACTION
SERIES

PROFILE BY
VENTANA RESEARCH

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Manpower, Inc.

Cognos Enterprise Planning
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V E N T A N A
R E S E A R C H

Aligning Business and IT to Improve Performance

Ventana Research Headquarters
1301 Shoreway Rd, Ste. 208
Belmont, CA 94002
info@ventanaresearch.com
(650) 631-0800

Ventana Research Europe
2nd floor, Berkeley Square House
Berkeley Square, W1J 6BD London
europe@ventanaresearch.com
44 (0) 20 7887 6012

Introduction

Ventana Research wrote a series of profiles based on in-depth interviews with Enterprise Planning customers. Budgeting and planning is a core topic on our research agenda because it is a fundamental requirement for effective Performance Management. We find companies that adopt dedicated planning applications are able to transform planning from a time consuming annual ritual with limited business benefits, to a process that takes less time, adds value and improves performance. These profiles are aimed at senior level finance officers who want to increase the effectiveness of their organization, or simply make the budgeting process more efficient.

Ventana Research interviewed eight companies that purchased Cognos Enterprise Planning to improve their planning and budgeting process: Ace Hardware, AmeriPath, Courts plc, Deluxe, Hollister, Lucent Technologies, Manpower and Pilgrim's Pride. All of the companies interviewed wanted to eliminate the inefficiencies and difficulties that go with using spreadsheets in planning and budgeting; all of them achieved additional, substantial benefits. In addition to the important time and labor savings gained by adopting Cognos Enterprise Planning, these eight companies collectively were able to:

- Control expenses more effectively and intelligently during challenging economic times.
- Achieve greater accountability through higher participation in the planning and budgeting process by business managers.
- Increase agility in adapting to changing conditions.
- Deepen visibility into the business to improve decisions.
- Ensure managers use resources effectively by applying internal benchmarking.
- Enhance the accuracy of their planning and budgeting process.

In short, these companies took a time-consuming, nearly universally loathed exercise, and began to transform it into a value-generating process.

Summary of the benefits and business areas deployed:

	Pilgrim's Pride	Hollister	Lucent Technologies	Manpower	Ace Hardware	Courts plc	AmeriPath	Deluxe
Benefits from Planning								
More efficient process	•	•	•	•	•	•	•	•
Deeper visibility; insight	•	•	•	•	•	•	•	•
Higher participation	•	•	•	•	•	•		•
More effective process			•	•	•	•	•	•
Greater accuracy	•	•	•	•	•			•
Improved agility	•					•		
More accountability		•	•	•		•		•
Better coordination	•	•	•					•
Reduced working capital		•	•					
Higher profitability; reduced costs				•	•			

Business Areas Deployed

Finance/Admin	•	•	•	•	•	•	•	•
Marketing/Sales		•	•		•			
Manufacturing/production		•					•	
Distribution		•			•			

The following profile is an excerpt of the entire "Profiles in Planning" report – highlighting how Manpower, Inc. used Cognos Enterprise Planning and realized demonstrable business value from its investment. The full report with all eight company profiles is available at www.cognos.com/profilesinplanning. The full report provides additional analysis and commentary as well as suggested next steps to get the most value from your budgeting and planning process.

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MANPOWER, INC.

Industry: Services - Help Supply Services [SIC 7363/NAICS 561320]

Locations: North America

Initial deployment: October 2000

Current users: Approximately 1,000

Applications:

- Expense budgeting

Innovations:

- Broader participation in planning; reforecasting twice annually at area level; staff sharing marketplace

Benefits:

- Improved profitability; greater management effectiveness; better accountability through broader participation; shorter planning cycles with less overhead; greater budgeting accuracy; deeper insight into operations

Company Description

Manpower is a human resources services company providing office and industrial staffing in professional, technical, and specialized fields. It also offers employee testing, selection, training and development services. The company has more than 3,900 offices in 63 countries, with the largest operations in the United States, France and the United Kingdom. The company, with about 21,400 full-time equivalent employees, is organized and managed primarily on a geographic basis.

Manpower's strategy has been to leverage its recognized global brand in a highly fragmented business by reliably providing customers skilled employees and offering high-value workforce management solutions. Repeatability of proven processes, efficient process execution, and financial controls are three important components to successfully executing this strategy. Manpower sees applying information technology productively as a critical component to its success. Revenues in 2002 were \$11.8 billion when the company assigned approximately 1.6 million temporary workers worldwide.

The temporary employment services market is highly competitive: worldwide there are about 15,000 companies at any given time in the business, although only a handful operate at the national level, and a majority are single office operations addressing small geographic and/or niche skills requirements. Large staffing organizations such as Manpower must have a proven methodology for identifying the knowledge, skills, abilities, and personal characteristics of a worker and then matching these to an employer's requirements.

Manpower must place the appropriate emphasis on recruitment and retention of temporary workers or marketing to clients, depending on economic conditions of a given market. Outside the United States and Canada, the company has to contend with a highly regulated market for temporary services. Other countries limit the use of temporary help, impose stringent reporting and licensing requirements, govern the legal relationship between the firm and its employees, and so on.

Our Findings

Manpower shows how Cognos Enterprise Planning can be used to enhance a company's ability to manage its bottom line through a downturn. By broadening responsibility for expense planning throughout the organization and increasing accountability, the company was able to remain solidly profitable throughout the economic downturn despite a significant decline in revenue. We found that the software enabled the company to change their planning and budgeting process to improve management effectiveness. Manpower has shorter planning cycles requiring fewer people to execute, while at the same time, the process is more accurate and offers deeper visibility into spending.

Background

Planning and Budgeting at Manpower

We spoke with Mike Steinmetz, Senior VP Finance, and Vivian Adashek, Manager US Accounting, who has been at Manpower for eight years. Manpower's budgeting and planning team includes Senior Financial Analysts and Financial Analysts. The operational planning process is distinct from budgeting (the company does not use Cognos Enterprise Planning for this part of the process) and is completed before the budget is assembled. Manpower's operational planning is done before the financial plan/budget. The discussions and goals set in the operational plan then drives the budgeting process, which is led by field and headquarters functional vice presidents. The annual budgeting cycle is completed in two months. The company reforecasts/re-budgets twice a year at the end of months four and eight, although not at the same level of detail as the annual. Currently the reforecast is at the area manager level, but not yet at the branch manager level (which is being contemplated).

Vivian - It's a whole process of communication. Branch managers do their input, and then the area managers meet with them, discuss their budgets and input their numbers and the VPs do the same thing with the area managers. Finance is involved in the process. We sometimes act as consultants helping them with their budget. At each iteration we freeze the numbers and management looks at it and give feedback. Once that is complete, we do the iterations.

Vivian finds the integrated workflow capability and status tracking to be very helpful in managing the process.

Vivian - The workflow is so nice because we're able to see who's contributed and who hasn't even started budgeting.

Our research indicates that the status-tracking feature in Cognos Enterprise Planning is an important feature for companies attempting to substantially increase the number of people involved in planning/budgeting. It enables those in charge of managing the submissions to spend less time keeping on top of where contributors are in the process – a feature that gets increasingly important as companies use Cognos Enterprise Planning’s ability to gather information widely and frequently. Administrators also can get out ahead to avoid having to deal with late submissions.

Ventana Research believes that one reason why companies do not fully understand the magnitude of the problem with traditional planning and budgeting approaches is that the impact is diffused. There is no one big “Aha!” that makes the process lengthy and complicated. Eliminating unnecessary steps in the process is important to making the planning more effective. Status tracking is just one of many little things that simplify administration and promotes more effective planning and budgeting.

The Purchasing Decision

Manpower purchased the software for strategic reasons. Management wanted to move the front line people away from a purely financial approach – an annual exercise of playing with numbers – to getting them to think strategically about the business.

Mike - When we purchased [Cognos] Planning it was a drive from the top to change the way we planned. When we started this process, it was an annual financial exercise. People didn’t necessarily link the budget to an operational plan so we had an initiative to get beyond people taking last year’s number and adding four percent to it. What do we have to do in our operational plans to change the results of our organization? We were really driving from the top down organizational level to get people to understand that the budget is a way of developing an operational plan and to think strategic for a while. It’s just in the last few hours of the process that you translate that into numbers. We had the belief that the plan is not just a financial exercise. It pushed fiscal ownership down throughout the organization.

The decision to purchase Cognos Enterprise Planning was made in September 2000 by the US accounting group (approved by the CFO) following a formal six-month evaluation process. The company evaluated three other leading packages aimed at the higher end of the market. Manpower had been using spreadsheets to collect the data and Microsoft Access to pull the numbers together. The annual budgeting process took three to four months to complete with all of the iterations that were performed. The process was tedious and time consuming:

Vivian - The finance team spent four days [on each iteration] consolidating, tying out, and checking the accuracy of the budget. There was a lot of overtime. We would do about six iterations in all. The system worked OK, but [using Cognos Enterprise Planning] is much better.

There was an informal business case presented that showed that Cognos Enterprise Planning would produce sufficient benefits to justify the purchase – i.e., faster consolidation of the individual budgets, easier reporting, etc. Manpower has received these benefits. Those contributing to the budget can see the impact of their data or changes that they make immediately, as can everyone else up the line. This has not changed the end-to-end length of the budgeting cycle, but people now spend less time processing the numbers and therefore spend more time thinking about what they mean.

Implementation and Roll Out

The initial roll out of an expense budgeting application took place in September 2000 and took one month to complete. It required two outside consultants from the vendor, as well as participation by Manpower's US accounting group and some IT staff on a part-time basis. The consultants were used to devise the first application/model. Training has been straightforward, requiring only a one, two-hour training session for end users.

Manpower elected to take a conservative approach to deploying Cognos Enterprise Planning. In its first implementation, it limited the scope of deployment of the software to about a 150 people (a few in headquarters and only VP level members of the field organization). The company elected to do a small initial deployment as a "beta" implementation, rather than rolling the system out all at once.

Vivian - We did it to make it easier to be successful and it worked out well. The next year we added area managers (another 100 people) as well as some customer account executives in headquarters so they could budget at the account/customer level. That was an entirely new application. The sales organization at headquarters drove that application, partly because of the success of the initial roll out. The following year we added branch managers (the lowest level of the field organization for finance) which were another 500 people.

Currently Manpower has about 1,000 users. Manpower's incremental deployment method may be the right approach for companies that want to have an internal proof point to overcome resistance to a new system or to work out kinks in training and communication before deploying it company wide.

We have learned that typically companies find that the initial deployment of an application is just the first step. The budgeting process, the way it is managed and the design of the application, often evolve in the following years.

Vivian - You learn from the year before what worked, what didn't work and what could be better. How much more or less detail you need in some areas. The changes are based on the analysis that we do during the year and how easy it is to do with the information we received.

Our research indicates that training employees to use Cognos Enterprise Planning is – like any business tool – important to ensure it is used successfully and productively. Manpower’s case illustrates that to achieve the most effective use from deploying the software broadly throughout the organization, companies must think about the skills available and the skills that will be required. Ventana Research advises prospective and existing users to consider both user interface and training requirements in addressing this issue.

Mike: The biggest challenge in using the software was training our users, not so much on the software, but on the budgeting concepts. Also, our users are scattered around 38 states so we had to make the models very simple and train 700 to 800 users through Net meetings demo-ing it, answering questions, that sort of thing. The first year was training on budgeting concepts as much as it was the model. It took us a couple of years to get us where we are today. And we still have a ways to go. When we started this process three and a half years ago we thought if we got to where we’re at today we’d be successful. But the bar always raises itself. I guess that’s good.

We have found that as companies begin to spread responsibility for the Cognos Enterprise Planning process more broadly through the organization, it is not unusual for them to discover that the process can be improved over multiple cycles as they find ways to improve and refine the process to meet objectives. As Manpower illustrates, the objectives also can become more ambitious over time.

Benefits

Improving Management Effectiveness

Manpower shortened its planning cycle and reduced the number of people crunching numbers at headquarters. But for Mike Steinmetz the payoff was not in time saved or less money spent on the process – it was managing the company better.

Mike - The planning cycle has generally been shortened and we’re able to pull it off with a lot fewer people. We came from a position of not having much of the planning process to having a pretty rigorous planning process. We now have the ability to get information real time. Instead of accumulating data, time is spent analyzing it. The value [of using Cognos Enterprise Planning] is what you do with the budget - it’s not how much time the finance department saved. There will be savings, but the power is its ability to get alignment around the business - it forces upwards and downwards communication so that local managers have the opportunity to communicate what they expect they will be able to do with their business upwards. It helps the VPs and GMs communicate their expectations downwards.

Increasing Accountability

Ventana Research also finds that the benefit from using Cognos Enterprise Planning is increasing accountability in the planning and budgeting process. Usually this is because the first time users are playing an active part in the process.

Vivian - Not only was the field organization not accountable, the budget was really a guess on our part, not really knowing what their plans were. Deploying Cognos Enterprise Planning has definitely increased accountability. It increased importance of planning for those that hadn't really been thinking about it. If you're going to increase your sales, are you adding more customers, are you going to be able to replace some existing ones that might go out of business? Thinking of the plan and putting numbers to that plan is new – they weren't thinking about it that way.

Mike - Where we really get the benefit from the forecasting is now the ownership and accountability are at lower levels of the organization. We went from planning at the upper level of the organization all the way down to our branch office level. We went from not very many planners to over 1,000 planners. I now have 1,000 people with goals and objectives that have the ability to monitor how they're doing against their plan. People that do all the work and make all the hard decisions are the front line people. If they don't prepare the budget, they don't have the same alignment with the overall goals. There's more alignment and agreement throughout the organization.

Ventana Research finds that the disconnect between the creation of the budget and the people that are actually going to execute the plan is not uncommon in larger organizations that use spreadsheets as their primary method of collecting and collating planning information. Companies that rely on spreadsheets for the budgeting process, particularly those that have a large number of cost centers, often wind up limiting the "dialog" between the finance department and operating units in order to simplify and streamline the process. Some do not solicit information from the units (Manpower's old approach), which limits accountability and therefore management effectiveness.

Deeper Visibility into Operations

One important benefit from deploying Cognos Enterprise Planning is greater visibility into operations. We found connecting with the field operations has increased senior level executives' ability to gauge how well the company is doing against its objectives.

Vivian - Getting better information from the field people has made a huge difference to understanding what's happening. Better information at all levels and the timeliness of the communication that we give to them and they give to us makes a difference makes a big difference. If there are unusual trends, we get faster feedback. We didn't have something to facilitate that before.

And it has enhanced the level of dialogue between headquarters and the field operations:

Vivian - At corporate we're more aware of how the field and corporate are working together. It's part of the increasing focus on planning. The tool has helped that happen.

Staying Profitable Through the Downturn

Manpower rolled out Cognos Enterprise Planning to its branches and immediately received positive feedback from the field. Employees found it easy to use. They also were able to focus more clearly on the levers that drove profitability because they were working with explicit numbers in a model they understood well. While Mike noted the precise dollar payoff is difficult to measure accurately, he observed that the company was able to remain profitable while others in the same business were not. The reason was straightforward. In theory the front line managers knew what controlled the profitability of their individual branch. In reality, by being able to do what-if analysis and see the results immediately, they were able to understand more clearly which levers to pull month by month to reach their profitability targets. They could see the impact of selectively increasing billing rates, cutting administrative costs, reducing headcount, and so on. According to Mike, this enabled them to make better decisions more consistently.

Mike - Throughout this whole downturn we've been able to manage our SG&A to remain profitable. We've faced three years of very depressed revenue levels and pressure on our margins, yet because we have a tool to manage and monitor our progress versus plan and the ability to project out into the future, we're able to react to what's happening in our marketplace quickly and reduce expenses accordingly to maintain profitability. Many other companies in our business have not.

Greater Accuracy

Manpower also illustrates that using spreadsheets limits accountability and accuracy. In the opinion of Ventana Research, this is an inherent problem of using spreadsheets by themselves to collect and consolidate information from large numbers of users.

Vivian - Because it's not as much of a manual process, people have more confidence in the accuracy of the numbers in the budget.

"You can have a rough estimate fast or wait a while for a precise number" has been the usual trade off for management information systems. The problem that Vivian saw with spreadsheet-based budgeting systems is that they took a long time to produce numbers that did not inspire faith on the part of management.

Making Better Use of Time and Information

Most companies that Ventana Research has studied that have abandoned spreadsheet-based planning and budgeting report some degree of time savings, both in terms of time elapsed (i.e., the number of weeks between the start and completion of the budgeting process) and the time on task. Companies that once had employees working frantically until all hours of the night to make a deadline, report that this is almost always eliminated. However, Manpower is typical in downplaying this aspect. The real benefit it points to putting the time available to better use – using it to do more analysis and including more people in the discussion.

Vivian - You spend less time consolidating and more time analyzing the data. You start broadening the circle of participation. [Cognos Enterprise Planning] becomes more of a priority in the organization and it becomes more accurate.

Using Planning to Improve Resource Allocation

Manpower's CIO, Peter Stockhausen, drove one innovative use of the software. Because of the slow economy, Manpower's IT group needed to stretch the capacity of its entire staff. The solution was to establish financial incentives for managers to share resources: if a functional manager's direct support works on a project in another area, the manager's budget is credited with the full amount of salary and benefits for the entire period the employee is working elsewhere. Cognos Enterprise Planning is used as the application for keeping track of the resource sharing, largely because it is already an integral part of the budgeting process, but also because its accessibility and ease of use.

Vivian - We found a way to use Cognos Enterprise Planning so [managers that shared resources] could see the credits month-to-month, and whether they were meeting or beating their budget. We were able to implement it better in the budget process using [Cognos Enterprise Planning]. It was an interesting way to use the tool that helped make this new approach to sharing workers successful.

The Bottom Line

Ventana Research found Manpower's use of Cognos Enterprise Planning has enabled it to spend the time it devotes to budgeting more effectively by broadening participation and making the process much more useful to management in executing its operating plan. Manpower's case illustrates:

- Greater participation and increased accountability along with greater understanding of cost drivers enables companies to achieve better results in difficult economic environments
- Planning and budgeting can be used to enhance management effectiveness
- Cognos Enterprise Planning can increase the efficiency of the process - reducing time spent on the budget and decreasing the number of people necessary to complete it
- Human factors - the need for training, skills assessment, and culture - are important aspects to take into account in how the applications are designed and rolled out

In addition, the case shows that companies can phase in their adoption of the tool over time rather than take a "big bang" approach.

The full "Profiles in Planning" report with all eight company profiles including Ace Hardware, AmeriPath, Courts plc, Deluxe, Hollister, Lucent Technologies, Manpower and Pilgrim's Pride is available at <http://www.cognos.com/profilesinplanning>

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