



THE COMPUTERWORLD HONORS PROGRAM

CASE STUDY

LOCATION:
*Universal City, California,
United States*

YEAR:
2006

STATUS:
Laureate

CATEGORY:
*Media, Arts
and Entertainment*

NOMINATING COMPANY:
Microstrategy

ORGANIZATION:

NBC Universal

PROJECT NAME:

Universal Studios Hollywood Performance Management

Summary

Universal Studios Hollywood (division of NBC Universal Parks and Resorts) initiated a project that would provide its line managers and senior management with real-time key performance indicators while also transforming the Finance and Information Technology groups into a world class organization. By implementing an integrated solution using MicroStrategy (Business Intelligence) and Geac MPC (Performance Management), the theme park eventually automated 9 out of 10 reports, provided transparency to leading and lagging indicators and reduced the bottom-up budgeting build process time by over 50%. Greater focus on value added activities and real-time visibility to key performance metrics resulted in more effective variable staffing models throughout the park, an increase in back-of-house job satisfaction and greater financial returns for the company overall.

Introductory Overview

Following an acquisition by Seagram in 1995, capital infusion enabled Universal Studios Hollywood (USH) to evolve into the world's largest studio and theme park. However, while there was significant investment in front-end operating systems, minimal investment in financial and decision support systems resulted in substantial growth in both finance and IT personnel to keep up with the high demand for operational performance visibility. Additionally, a threat by a major competitor with the introduction of another theme park (Disney California Adventure) in an already mature market space, made it imperative to arm the organization with great analytical tools and resources to proactively manage the business. With the unfortunate events of September 11 and the aftermath that followed for the travel, leisure and entertainment industry, having scenario modeling abilities and flexible forecasting methods become even more apparent.

USH chose to implement a suite of integrated solutions to provide its operators, senior management and corporate stakeholders with visibility to both operational and financial performance. The goal of the project was simple: automate, standardize and simplify using technology where possible to alleviate the dependency on Finance and IT to generate and manage report building while also helping to make better, faster decisions. The difficulty was while USH is one entity, it is comprised of several distinct businesses (Food Service, Merchandise, Environmental Health &



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Safety, Operations, Entertainment and Property Management) with 300+ individual profit/cost centers, each driven by slightly differing global drivers.

Moreover, given the cyclicity of the leisure and entertainment business, it was imperative for USH to make assumption changes based on upcoming promotions, corporate sponsorship deals and macro-economic factors to anticipate both the year to go performance as well as be able to staff to near-term weekly projections while assessing the results (actual vs. forecast). The greatest challenge of scenario modeling was the ability to forecast the anticipated labor staffing requirements for 14 union agreements across the distinct businesses and evaluate the customer spend across profit/cost center to a daily level. Doing so in a timely and accurate fashion was a key to success. While good spreadsheet models had some of this capability, consolidation was cumbersome and silo development across businesses often resulted in differing assumptions or initial inputs. Moreover, the fragmented nature prevented the ability to make centralized global changes to see the impact to the business as a whole when the need arose.

USH chose to implement Geac MPC to serve as its central budgeting, financial reporting and consolidation mechanism to quickly make changes in attendance or park hour assumptions and provide Senior Management with new performance targets in minutes vs. days or weeks. These daily budgets were then seamlessly uploaded to a Microstrategy data warehouse facility, which served as the primary source for operational self-service reporting for the line managers. While Geac MPC would receive information from one source system (SAP R/3), MicroStrategy would incorporate transactional detail from 10+ sources that also fed SAP at an aggregate level. Since in both cases the source systems fed SAP, financial and operational reports were closely tied except in cases of accruals, a typically financial exercise to close the books.

The result was daily management reports delivered via push and pull mechanisms to key operational leaders and Senior Management and a reduction of over 50% time spent on the budget build and consolidation process. With the use of MicroStrategy to provide visibility to actual performance and use of Geac MPC to develop the annual budget, latest estimate and ongoing forecasts to measure the business performance, 90% of all reports were automated. This led Finance and IT to become a value-add vs. cost drain to the organization overall. Suddenly, much more time was spent on analytics vs. data gathering. Additionally, while the goal of the project was not compliance, the transparency to source systems on a high frequency basis also provided the necessary documentation and sign-off for Sarbanes-Oxley Sections 303 & 404.

Benefits

There are both tangible and intangible benefits. Access to leading and lagging metrics, key performance indicators and an ability to run scenario models have enabled USH to proactively manage the business. Faster decision making as a result of readily available information has assisted in increasing customer spend, growth in high yield products and categories and driven efficiency in variable labor staffing. Guest satisfaction has also continued to grow even as the market has matured. The ROI is estimated in the millions.

The project has also fundamentally changed the culture and “business as usual” at USH. The concept of “one source of truth” and both standardization and transparency to source system information have also created greater accountability and ownership by line managers. Moreover, the reduction of non-value added activities has increased Finance and IT employee morale. According to one financial analyst in the organization, “Before the tools, days were spent on data



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gathering from various sources in order to perform business trend analysis. Now the analysis occurs in a matter of minutes.” Another financial analyst shares the sentiment stating, “The tools dramatically reduced the required time to develop Monthly Business Review decks from a 1 day process to a matter of minutes - Big value add!”

While the two applications and their integration have been applied specifically to USH, the benefits are certainly transferable globally, regardless of industry or size. Gaining visibility to key metrics, automation of reporting and migration of a culture from reactive to proactive are qualities all leaders aspire to have in their organizations. The implementation of these tools have redefined how the business is run and has become the de facto standard, far exceeding the initial expectations when the project was first chartered.

The Importance of Technology

Technology was a key enabler to this organizational transformation. Prior to the use of MicroStrategy to view actual performance (detail transactions from Point of Sale Systems) or Geac MPC (creation of detailed budgets), USH was forced to use the general ledger and spreadsheets for all reporting and analysis requirements. Aside from getting information that was aggregated and non-timely in many cases, the effort to convert data (download, pivot, map and format queries) into reports consumed most of Finance and IT’s available time. Prior to the project, it was estimated that the groups spent over 80% of their time data gathering. Once the technologies were in place, time spent on data gathering was essentially eliminated, allowing for deployment of resources to value-add activities such as ad-hoc improvement projects and analysis. Geac’s open back-end allowed integration with existing SQL Server, Informatica ETL processes and stored procedures used by MicroStrategy. Likewise, the flexibility of MicroStrategy’s report writer enabled line managers and Senior Managers, many of whom where not tech-savvy, to utilize and build their own reports on the fly (self-service). Without both of these technologies, it would have been nearly impossible to have changed these processes.

Originality

Neither the use of Business Intelligence tools or Corporate Performance Management tools on their own is an original concept. However, the integration of the two applications to solve operational reporting, financial reporting, scenario modeling, budgeting and forecasting was a unique aspect to the project and the industry.

USH’s seamless integration of a traditional BI application (MicroStrategy) with a performance management tool (Geac MPC) resulted in the eventual partnership between MicroStrategy and Geac.

Success

The project has certainly exceeded expectations. While it was initially chartered to improve visibility to performance and alleviate the dependency on Finance and IT, it has radically transformed the way USH evaluates and manages the business. Visibility to key performance metrics has armed Senior Management with the tools to make better and faster decisions. The tools have also provided greater accountability and ownership from line managers. According to the one Attractions Manager, “MicroStrategy allows me to manage my labor on a daily basis, mak-



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ing course corrections on the fly. Prior to this tool, it would literally take days to research an issue – normally the week was shot before we were able to react. Now, I'm able to research any anomalies instantly, making course corrections on a daily basis. I don't know how we survived before....." Moreover, the tools have assisted Finance and IT to redefine their value proposition to the organization. Rather than acting as a pair of hands, they now auspiciously function as business partners. As the Operations Director describes, "The tools allow me to easily and quickly review my budgets as well as the results of "what if" scenarios that Finance runs for me. This is literally light years ahead of our old budgeting process where we were just forced to accept Finance numbers, without understanding the individual components that made up the totals."

For the 300+ MicroStrategy users and 40+ Geac MPC users, these tools have added an improvement in the type of work that is done as well in work-life-balance. According to the Finance Director, "The tools have brought greater clarity to our forecasting processes, allowing us to model each venue individually. This provides the operators with a realistic output that captures unique venue attributes such as closures, vacancy rates and scheduled overtime. When you are working with 40+ venues, this is an extremely powerful tool that allows Finance to provide accurate and complete financial forecasts and sensitivity analyses, in a timely manner – something we couldn't even dream of with our old Excel spreadsheet tools." As a result, the organization is able to do more with less at a fraction of time prior to the project. According to one financial analyst, "Overall, it saved us a lot of time gathering and verifying data. More time is now spent on analysis and allows us to react more quickly and make better business decisions." In a post-mortem of the project less than a year after the go-live, it was estimated that over 80% of Finance's time was spent on analysis vs. data gathering.

Difficulty

The project faced both internal and external challenges. Many of these challenges are typical to transformation projects of this type, while others seem to be unique to the environment and time period of the organization. Executive sponsorship, strong project championship and project management skills were the easy part. The challenge seemed to be in dedicating the best and the brightest in the organization to help lead the project in their respective areas. While the project was at center stage, getting time from subject area experts was difficult due to a number of external factors. After the events of September 11, the state of the business fundamentally changed. Travel was at historic lows and as the business model changed so did the requirements of the business and ultimately the project. Another event that prevented dedicated resources was a pending merger with General Electric (NBC Division), which required unplanned time constraints to due diligence work and changes in roles and responsibilities as processes evolved.

Internal factors such as change management also played a part. Faced with a spreadsheet culture and history of data gathering, resistance to change was anticipated. A change management team was created and change agents were seeded throughout the organization. Nonetheless, discussions about jobs being eliminated or redeployed once reports were automated were at center stage. Remarkably, buy-in at the grass root level was stronger than middle management. Loss of control, technical inadequacy and transparency caused fear and anxiety. These obstacles were addressed with structured training, reengineering processes and redeployment. In some cases, attrition resulted in flattening of the organization and new career opportunities.