



Lawson Opportunity Analyzer

Opportunity Analyzer is a key enabler within the Lawson enterprise performance management (EPM) methodology for continuous business process improvement.

Opportunity Analysis

An opportunity analysis enables senior management to define which strategic initiatives are required to achieve strategic objectives for growth and profitability. It enables management to:

- Select operating target areas relevant to achieving each strategic object;
- Select and target KPIs that support the strategic objectives;
- Identify best practices that support the targeted KPIs;
- Identify strategic initiatives (themes) to implement these best practices.

Powered by Opportunity Analyzer, there are three stages in implementing an opportunity analysis—map, target and plan. Each stage is undertaken largely at half-day workshops attended by process owners and senior business managers. To use time effectively, Lawson undertakes some preparatory work, including entering the subject company's current business processes into Opportunity Analyzer. A comprehensive business review can be finalized within four to six weeks.

The following summarizes the content of each stage.



Map:

The value base (expressed in monetary terms) is defined and divided into high-level target matrices such as:

- Customer markets and products grouped to highlight differences in needs and requirements, such as lead times, product availability, ordering methods and margin erosion;
- Sales revenues and gross margins by customer market and product groupings;
- Cost structures allocated by company function and business process;
- Business processes split into activity groups;
- Costs allocated to the activity groups;
- Working capital identified throughout the supply chain, focusing on inventory, accounts receivable and accounts payable.

Target:

This stage identifies the most promising target areas from the targeting matrices and covers:

- The most important key performance indicators (KPIs) selected from those suggested by Opportunity Analyzer;
- Improvement targets by KPI agreed upon from three ambition levels (scenarios); that is, aggressive targets, main targets and conservative targets;
- Resulting profitability effect calculated for each opportunity;
- Best practices, suggested by Opportunity Analyzer, that should be used to achieve the targets. Opportunity Analyzer also identifies which M3 enterprise application components enable these best practices.

Plan:

This stage enables:

- Prioritizing of improvement themes aimed at implementing best practice.
- Ranking of opportunities to be realized in the themes. Ranking is based on a process driven profitability (PDP) rating in order to assess how each opportunity affects the business benefit areas of increased gross profit, lower costs and working capital.
- Calculation of the profitability of the themes based on net present value, internal rate of return and payback time. The time-phased benefit opportunities of the project according to the opportunity analysis are factored in, in addition to the total costs of ownership.



The PDP Model

The PDP Model, developed by Lawson, is a specialized variant of the DuPont model (see Editor's Note). PDP measures the return on working capital, and also compares and prioritizes the effects of different opportunities. The model has been "softly designed" to enable it to be easily adapted to an enterprise's own concepts and definitions.

Key profitability components within PDP include:

- **Increased sales volumes:** increased sales efficiency, improved responsiveness, better product availability;
- **Increased prices:** increased up-sell, reduced margin erosion;
- **Lower cost of goods sold (COGS):** lower costs for the processes affecting COGS e.g. make process;
- **Lower selling, general and administrative (SG&A) costs:** lower costs for the processes affecting SG&A e.g. deliver, source, plan, return processes;
- **Reduced working capital:** improved inventory control, improved customer invoicing, improved supplier financing and optimized fixed operating assets.

Editor's Note

The DuPont model is an internationally accepted return on investment (ROI) model. It is a fast and convenient financial measure that helps management understand the relationships between profit, sales and total assets. In particular, the model shows how businesses generate profit and how well a company uses assets to generate sales.

About Lawson

In 2006, Lawson Software and Intenia merged to form the new Lawson. We deliver software and implementation services to 4,000 customers in the manufacturing, distribution and services industries across 40 countries.

Our Financials, Human Capital Management, Supply Chain Management, Business Intelligence, Asset Management and industry-specific solutions help customers streamline processes and enhance their business performance. And by radically simplifying the process of deploying and using our applications, we help customers reduce costs while increasing their flexibility.

Why Lawson? Because simpler is better.



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