



# PHAROS – Business Navigator

by United Nations Industrial Development Organization

*strategic enterprise and investment risk management, executive education*



The table on the right shows the total number of sales and total customer revenue for the customers and number of months selected in the table on the left. The graph on the left shows, for the customers selected in the table on the left as follows:

- Monthly revenue for the months selected in the table;
- Monthly number of sales for the months selected in the table;
- Average monthly revenue per sale for the months selected.

The graph on the right shows for the selected months as follows:

- Monthly revenue for the customers selected in the table;
- Monthly number of sales for the customers selected in the table;
- Average monthly revenue per sale, calculated for the customers.

The measurements provided by Pharos makes it possible to analyse marketing and sales efficiency, customer purchase patterns, the importance of individual customers to the company's business in a given period and other issues necessary for determining effective customer policy. All these become possible by entering common invoicing data.

## 7. BENCHMARKING MODULE

The objective of the benchmarking module is obtaining information about absolute and relative change of major business indicators for some selected date compared to any reference date in the past. The information is calculated accordingly to indicator formulas used in Pharos and Produce Plus and presented in graphs, tables and benchmarking reports.

### Business Results Benchmark Report

#### 1. Description



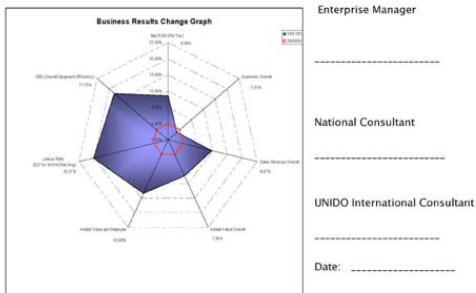
Enterprise name	Latin Foods Ltd.
General Manager name	Felipe Rodriguez
Address	Aparado Postal 1484
Country	Uruguay
e-mail	rodrigez223@yahoo.com
Phone:	+51-345806
Industrial sector	Food
Sales Revenue average, annual	\$1,385,000
Personnel average over the period, persons	150
Benchmark reference date	26/06/04 16:47
Benchmarking date	28/01/05 11:23
Pharos source dataset	C:\UBPSW\Pharos\Latfood
Produce Plus source dataset	C:\XLLSuite\Produce Plus\2000\Latfood.mdb

#### 2. Key Performance Indicators (KPI) change

#	Indicator	Actual	Averaged
1	Net Profit (Pre Tax)	+ 14,73%	+ 8,56%
2	Expenses Overall Cuts	+ 3,20%	+ 1,31%
3	Sales Revenue Overall	+ 15,76%	+ 9,67%
4	Added Value Overall	+ 11,47%	+ 7,34%
5	Added Value per Employee	+ 17,19%	+ 13,40%
6	Labour Ratio	+ 28,21%	+ 20,21%
7	OEE (Overall Equipment Efficiency)	+ 8,53%	+ 4,70%

Current business results are calculated and presented in relation to reference date results. Averaging period = 3 months

#### 3. Radar graph of change



The module allows entrepreneurs obtaining the estimation of change for the following indicators: Net Profit (Pre Tax), Expenses Overall, Sales Revenue, Overall Added Value, Overall Added Value per Employee, Labour Ratio, OEE (Overall Equipment Efficiency). The measurements are calculated in two formats: actual and averaged. The duration of averaging period can be varied by managers between 1 and 12 months.

The output information is available in tables, graphs and business report document (only relative figures). The absolute monetary data available in graphs supports managers in internal analysis of results while information about relative change available in benchmarking report can be used in outside presentations to various third parties (banking, investors, industrial associations, etc). All indicators are presented in the radar graph providing for overview of change at a glance.

The benchmarking helps enterprise management and business consultants with easy evaluation of main business indicators facilitating identification of corrective actions. It can be effectively used for supporting evaluation of credit risks before and after the investments as well as in policy making.

The benchmark reporting provides for further implementation of real time clusters performance monitoring in regions, countries or industrial sectors. Simple statistical analysis of data for multiple enterprises facilitates effective and improved quality of policy making for industrial development.

## UTILITIES

Pharos has several utilities providing options for customization:

- Advanced data import/export of the Pharos database to/from external software e.g. accounting, production planning, etc.
- Planning of production, preparing decision options for enterprise developments, making simulations of impacts
- Including or excluding inflation from the calculations
- Setting business targets
- Adding other languages for working in multilingual environment (Arabic, Czech, English, French, Russian, Slovak, Spanish, etc)
- Printing reports in table and graph forms

## WHO CAN USE PHAROS?

Being able to provide quickly and easily, an overview of an enterprise and to assist in carrying out independent, in-depth analysis is what distinguishes Pharos as an effective personal tool for **owners, managers, investors, bankers and business consultants.**

It is a **unique practical training tool** as well for assisting in strategic and operational business management in vocational training and higher education. Pharos is a powerful learning aid, capable of supporting a variety of **training and educational** objectives.

## TRAINING PROGRAMMES FOR ENTREPRENEURS

Pharos along with Produce Plus and FIT software © UNIDO are used as a component of Training Programmes for entrepreneurs and management of Small and Medium-sized Enterprises (SMEs) in improving their productivity, competitiveness, business performance, exports to global markets, quality of production and management, increasing capacity of meeting the change, globalization and sustainability.

- The Capacity Building Programmes allow introducing best continuous improvement practices by SME performance management and business intelligence training. The implementation is made in collaboration with the national institutions supporting development of entrepreneurship, SME capacity, certification and training.

- Contacts: UNIDO, GOLEM IMS GMBH, Vienna, Austria
- Website: [www.win2biz.com](http://www.win2biz.com), e-mail: [info@win2biz.com](mailto:info@win2biz.com)

## Introduction

Pharos, the "business navigator", is simple and easy-to-use, yet sophisticated, PC software for business performance measurement, benchmarking and management of industrial enterprises. It's six major lighthouse indicators—Costs, Performance, Quality, Competitiveness, Product Contribution and Customer Sales — make possible comparing current results to pre-defined business targets. The indicators were selected to concentrate on the most important information for managers.

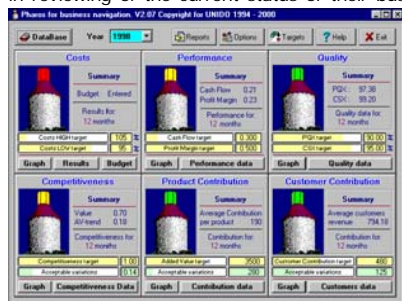
Working with Pharos does not require any special qualifications or knowledge of theoretical business concepts. The software is used in a package assisting entrepreneurs, shareholders, consultants, investors or credit risk officers in evaluating company performance over time, comparing the results by benchmarks. The benchmarking feature allows for quick business results evaluation against any date in the past and supports consulting, policy making, investment and innovation monitoring.

Pharos is an excellent executive education and training tool helping in increasing knowledge capital, improving business performance results.

Pharos along with Produce Plus and FIT are components of complete suite of UNIDO Business Performance Measurement, Management and Benchmarking Software for entrepreneurs.

## BASIC FEATURES

Pharos software helps managers measuring and monitoring several key business performance indicators (KPI) and using this information to have better control over the activities and business results. It assists executives in reviewing of the current status of their business, preparing important operational and strategic decisions, benchmarking results.

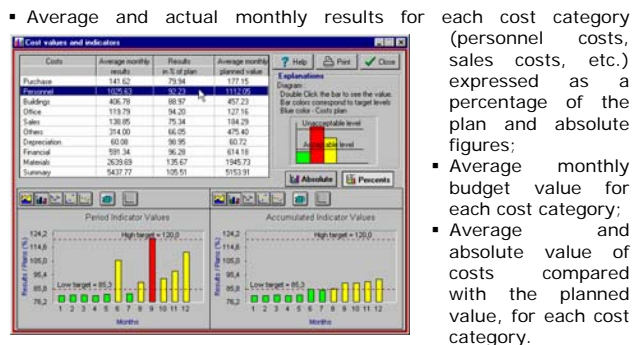


Unlike traditional accounting packages, Pharos makes it possible to identify emerging problems and provides managers with key indicators in a form that is easy to interpret. The **Pharos philosophy** is based on the idea of Kaizen - continuous improvement. The attractive and easy-to-understand presentation of indicators makes possible measuring enterprise performance continually based on business performance targets set by the management itself. Current results can be compared to the target values to evaluate performance at anytime and thus provide feedback for a reward programme. It is also possible to adjust initial assumptions if necessary.

### 1. COSTS

In the "Costs" module, the total averaged expenses of the enterprise, from the beginning of the year up to the current month, are compared with the estimated budget. The colour of the light in the lighthouse depends on the position of the averaged expense value in relation to the upper (above-budget) and lower (below-budget) target values, which are defined by the manager. The "Costs" module makes it possible to monitor different cost categories and identify cost drivers.

If the costs are unacceptable (the colour of the lighthouse is red), Pharos can provide the manager with the following information for analysis:



### 2. PERFORMANCE

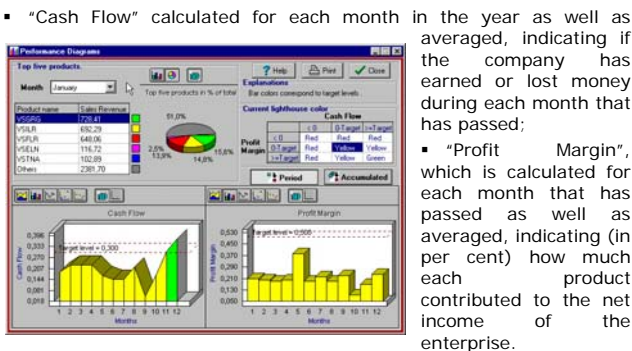
The colour of the lighthouse in the "Performance" module depends on a combination of two indicator values—"Cash Flow" and "Profit Margin"—and their position in relation to the corresponding upper and lower targets set by the manager. The indicators considered as most representative in evaluating the business performance are as follows:

- Cash flow;
- Profit margin (as a reflection of the company's profitability);

- Ranking of each of the top five products and "Others" (all the other products combined), by sales revenue, for the previous period.

Pharos allows measuring of the performance by calculating top five products along with "Others" (all the other products combined), in terms of their sales revenue, for each month that has passed. The performance of each of the six entries is displayed in a table (in absolute values) and in a pie chart (as a percentage of the total for all products).

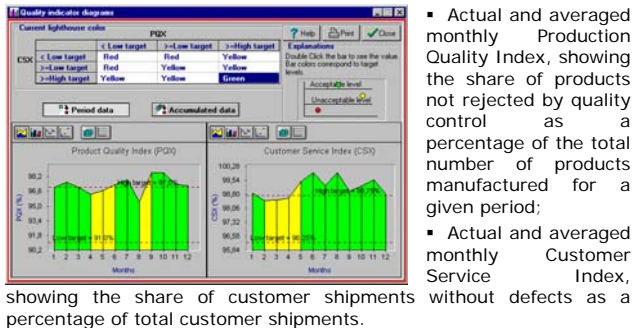
The module also provides the manager with the following graphs:



### 3. QUALITY

The quality is addressed by two main separate issues such as the "Production Quality" and the "Customer Service Quality" and their indexes position in relation to the corresponding upper and lower targets set by the manager which results in change of the lighthouse colour in the "Quality" module. The Product Quality Index represents production quality within the enterprise, which is usually is internal issue and not visible to its customers. The Customer Service Index indicates how customers view the quality of products shipped to them and indicate problems and losses caused by customer claims.

The "Quality" module provides management with the following information:



### 4. COMPETITIVENESS

Pharos operates on the assumption that being competitive means providing products and/or services of a quality that satisfies customers' demand. This approach allows using only internal enterprise data for estimations. It was selected as a simplest solution considering principal problems related to other options relying on collecting information about internal performance of all major competitors of a particular enterprise.

Being competitive also implies having a satisfactory profit level. Therefore, two factors were selected to determine the colour of the lighthouse in the "Competitiveness" module: the extent to which product or service quality satisfies customers' demand and the extent to which the profit level is satisfactory.

The profit level is reflected in the Competitiveness graph, which shows:

- Monthly and averaged competitiveness values, a comparison of added value and total cost, based on data for a given period;
- Averaged competitiveness value, a comparison of added value and total cost, based on data averaged from the beginning of the year to the current month.

The colour of the lighthouse in the "Competitiveness" module depends on a combination of these two indicator values—"Customer Service Index" and



"Competitiveness" — and their position in relation to the corresponding upper and lower targets set by the manager.

In addition, Pharos compares the added value and profitability (added value compared with variable costs) of the five most profitable products and "Others" (all the other products combined) in tables and in pie charts. The comparison is made for each month that has passed as well as by average values.

### 5. PRODUCT CONTRIBUTION TO BUSINESS

It is important for any manager to know which products contribute most to the profitability of an enterprise. The colour of lighthouse shows the result of comparing actual averaged added value for all products in the "Product Contribution" module to corresponding target value. In addition the manager is provided with the averaged and monthly added value for all enterprise products as well as for each of the top five products. This data is ranked by profitability, added value and sales revenue.

### 6. CUSTOMER SALES



The "Customer Sales" module provides entrepreneurs with important basic information regarding sales, its trends for particular customers and overall, ranking of customers by sales, number of business transactions, the average value of one transaction. The indicator values are calculated for each customer and selected period. The colour of the lighthouse in this section depends on comparison of actual averaged data to corresponding targets as defined by the manager. The input data is common and simple.

The resulting data is available in both table and graph formats. The table on the left (see print screen) shows the total number of sales and total customer revenue for the months and customers selected (highlighted).