



Customer Profile

Hilton Hotels Increases Stakeholder Value with CorStrategy

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A Premier Performance Management Solution for Hospitality

Hilton Hotels Corporation is recognized internationally as a preeminent hospitality company. The company develops, owns, manages or franchises more than 2,000 hotels, resorts and vacation ownership properties. Its properties include many of the world's best known and most highly regarded hotel brands including Hilton®, Conrad™, Doubletree®, Embassy Suites Hotels®, Hampton Inn®, Hampton Inn & Suites®, Hilton Garden Inn®, Hilton Grand Vacations Company® and Homewood Suites by Hilton®. In 1997, Hilton adopted the Balanced Scorecard methodology to translate strategy into action, and to align daily tactical activities with strategic objectives. Leading to improved profitability, customer satisfaction rates, and customer loyalty, the Balanced Scorecard has empowered Hilton Hotels to remain the hospitality industry leader.

In the late nineties, Dieter Huckestein, president for the hotel division of Hilton Hotels Corporation, decided to implement a Balanced Scorecard system throughout the organization. The methodology was implemented to align hotel operations with strategic objectives, driving fulfillment of organizational goals. A vehicle to execute and communicate corporate strategy while improving profitability, the Balanced Scorecard offers a robust performance framework for performance monitoring and initiative tracking. This has since developed from a spreadsheet-based quarterly report to a comprehensive, 100% web-based enterprise performance management solution.

In the early stages of scorecard adoption, Hilton developed static spreadsheet reports with metrics color-coded in red, yellow, and green. With over 300 properties, it was next to impossible to sustain the Balanced Scorecard system in spreadsheets. As a result, Hilton decided it needed a complete enterprise performance management solution. In August 2000, after evaluating a number of performance management and Balanced Scorecard software products, Hilton chose the CorVu CorStrategy application. Upon evaluation of the available packaged solutions, Hilton realized that CorVu was so easy to customize and there would be no need to consider a homegrown solution. Combining Hilton's hospitality operational expertise with CorVu's sophisticated performance management software, the two companies developed a powerful web-based enterprise performance management solution for hospitality.

As part of Hilton's performance management initiative, the company worked with CorVu to develop a Balanced Scorecard solution for the hospitality industry, offering delivery of timely online, personalized and actionable business intelligence to hotel management, field-based area vice-presidents and executives at its corporate offices. Now even individual hotel managers are armed with powerful performance information, which links and aligns their operational activities with the corporate strategy.

Explains Huckestein, "The Balanced Scorecard has become an integral part of our operating philosophy. It's embraced by all our brands system-wide and motivates team members to achieve higher levels of performance by keeping everyone focused on results. Now it is fortified with enhancements such as 'drill-down' reports so each operating department can track its own individual scorecard by allowing hotels the ability to instantly extract and aggregate relevant financial, customer and team member loyalty data while comparing performance with industry benchmarks and the competition."

One year later, Hilton International, responsible for the brand and properties outside the United States, employed CorVu to automate its Balanced Scorecard. Hilton International managers utilize CorVu to track Customer Service Quality Performance, compare performance ratings with other hotels, and share best practices with other managers. By monitoring guest satisfaction, mystery guest customer ratings and staff questionnaires, Hilton aims to remain the preferred choice within the hotel industry. The CorVu application retrieves Hilton's Customer Service Performance data directly from its Guest Satisfaction Tracking System.

"The combination of Hilton's operational expertise and the CorVu solution provides a robust Hospitality Scorecard application," explained Anthony Harris, chief executive of Hilton International. "Since the Balanced Scorecard is an integral part of Hilton's operating philosophy, we chose the premier Balanced Scorecard application."

Dr. Robert Kaplan, Harvard Business School professor and co-creator of the Balanced Scorecard framework, observed, "Hilton has already achieved considerable benefits from its powerful application of the Balanced Scorecard methodology. By partnering with an outstanding solution software vendor, it will become the management technology leader of the hospitality industry."

He went on to say, "An effective Balanced Scorecard should tell the story of a company's strategy. Hilton's scorecard does this and more by making strategy a part of everyone's everyday job. Now, through automation, Hilton can cascade the Balanced Scorecard solution throughout the enterprise and create a new management system focused on strategy implementation. This should enhance its already formidable position."

The Balanced Scorecard rubric has helped Hilton to achieve the highest operating profit margins versus its competitors. Beyond the financial realm, Hilton's internal customer loyalty and brand measures have steadily improved throughout the years since the adoption of a Balanced Scorecard approach. For example, the independent American Customer Satisfaction Index conducted by the University of Michigan Business School and the American Society for Quality ranked Hilton and its family of brands as number one in customer satisfaction in the hospitality segment in May 2000. Hilton currently tracks a number of industry and competitor benchmarks within CorStrategy, to measure how it is doing against the competition. The application is used by General Managers at all properties, as well as by Regional Managers and hotel owners. The solution incorporates information that has been collected not only internally but also from third party vendors that provide such data as guest survey and mystery shopper information.

Key information technology components of the Hilton Enterprise Performance Management system include robust business intelligence functionality, direct connection to heterogeneous data sources, daily performance reports, online performance portfolios, flexible scoring at all scorecard levels, interactive cause-and-effect diagrams, strategy modeling, integrated initiative management, and collaborative communication. It was very important for the system to be 100% web-based because Hilton needed to integrate the system into its portal.

The CorVu solution has already improved customer ratings and profitability, helped to achieve greater levels of operational effectiveness, maximize revenue, increase customer loyalty levels, and increase the power of the Hilton brands. The system is essential to keeping management on top of performance; principal users include the president, senior level executives, hotel managers, and other operations managers, with over 3,000 users in total.

The key project leaders and designers for the Hilton Enterprise Performance Management system include senior level executives at Hilton. As aforementioned, Dieter Huckestein was an early champion of the Balanced Scorecard initiative at Hilton, and the scorecard system was developed internally with the help of CorVu consultants. Currently, Hilton's Director of Performance Management, Scott Farr, oversees system management and updates, however each user plays a role in the management of the system, as their input is integral to performance results.

"With over 3,000 users, we chose a solution which is very easy-to-use and quite intuitive," commented Farr. "If you can right click, you can use the system. With a 100% web-based solution, it is very easy for us to scale according to user requirements. After evaluating a number of scorecard vendors, we chose CorStrategy & CorBusiness, because these applications offer a comprehensive enterprise performance management solution. We knew that CorVu had a robust application, and enough experience in the performance management arena to get the job done."

Whereas most vendors offer limited metrics views or static reporting, CorStrategy offers a 100% web-based enterprise performance management solution with integrated strategy management, scorecard, and budgeting. CorVu offers a low risk entry point, extensible growth path, and the RapidROI program supported by a knowledgeable, proactive consulting staff. Hilton was able to get its initial domestic project up and running quickly and then deployed globally. Currently, Hilton has over 400 scorecards, with 3000 users, at over 300 international locations.

Since the Hilton Enterprise Performance Management system is accessible via a web portal, the company required a 100% web-based solution. "Our performance management architecture required a highly flexible, and customizable solution," added Scott Farr. "Regional and enterprise scorecards needed to roll-up data from individual hotel scorecards, enabling us to determine performance-based employee compensation. Also, CorVu was one of the first vendors to be certified by the Balanced Scorecard Collaborative, which weighed heavily on our decision."

With direct connection to many data sources, CorVu automatically pulls performance management data from a number of systems on a schedule. CorStrategy delivers daily performance reports, scorecard presentations, and online performance portfolios to senior management, providing them the information they need to make better business decisions. The scorecards are dynamic, offering the ability to drill into underlying analyses and reports for further detail. Since implementing this system, the Balanced Scorecard methodology has been embedded throughout all of Hilton Hotels.

Seamlessly integrated, CorStrategy and CorBusiness offer a robust enterprise performance management solution. In addition, CorBusiness collects performance management data directly from Hilton's databases and data warehouses. Hilton had great difficulty with disparate data; one of the key challenges that it overcame was to coordinate a company wide effort to bring this data together and standardize an approach for data integrity. This was not only a benefit for the project, but the Balanced Scorecard soon became known for being the most reliable and comprehensive company wide information source.

The initiative began by addressing scorecards for the Operations Department of Owned and Managed properties only. This has since evolved to include scorecards for specific departments such as Sales & Diversity and also to incorporate franchise properties. Once the original structure was laid out and implemented, a large portion of what had been developed could simply be copied and edited to accommodate new scenarios. As a result, tremendous amounts of development time have been saved, and development has been standardized so that administration is very simple.

Users access the scorecard via the web, where it is integrated with their Business Plan and other Company applications - access is very straightforward. Mobile devices were not part of the original design, but are slated to be included in the future. Hilton anticipates an expanded online user base, and it plans on providing additional Balanced Scorecards and briefing books to users via their browsers.

Farr added, "The Balanced Scorecard program has allowed us to expand accountability to the individual level for every team member of our organization. The web-based platform allows team members to check how they are doing in terms of their own individual measures in real time. Whether they sit in a corner office or work for housekeeping, team members now have a clear view of how their daily activities link to the company's overall health - and ultimately their own paycheck."

The Hilton Enterprise Performance Management solution is deployed on one Windows NT Server, which supports all system development and maintenance; a second Windows NT server hosts the web site, which is accessed via Hilton's extranet. CorVu is deployed in a Windows based 3-tier environment for development and to produce .html Balanced Scorecards and Reports. The Internet is used for all Balanced Scorecard and Graphical Analysis data access. All users access CorVu through a browser to a central IIS web-server using their assigned Hilton extranet login. Information is updated centrally on the server, and users access this information from their browser. Mobile users also access the system via a browser. Users can be anywhere with a browser, and access Hilton's fully functional Balanced Scorecard system.

The Hilton Enterprise Performance Management solution has helped the company satisfy a significant need for standardized and centralized hotel information. This has provided several other reporting opportunities, as well. Once it was known that the information was readily available, requests flowed in. This has created other areas of opportunity within the organization for additional scorecarding and business intelligence requirements. The solution has significantly changed how Hilton interacts with its third party vendors, allowing automation of many of the third party vendor data gathering and information analysis processes in many areas as opposed to the previous manual exchange. For example, vendor data exchange processes, such as with Guest Survey and Mystery Shopper Information, have been greatly simplified.

Hilton has reaped the following benefits two years after Balanced Scorecard implementation:

- Hilton Hotels' market revenue index increased from 104% to 106% *
- Guest loyalty climbed from 48% to 53% and post-stay loyalty rose 12% *
- Guest satisfaction rose to 6.25 on a 7-point scale
- Customer retention increased 6% to 56%
- Revenue per available room (RevPAR) increased 2.7%.
- EBITDA margin for Hilton was 300 basis points above the industry average *
- Hilton has delivered a 3% higher profit margin than other full-service hotels. Over the past two years this increase has translated to a 100% increase in stock price. *

** The figures were noted in the Balanced Scorecard Collaborative Hall of Fame Case Study on Hilton Hotels Corporation.*

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