

How to Perform Driver Analysis in SAP PCM 7.5



Applies to:

SAP BusinessObjects Profitability and Cost Management 7.5. For more information, visit the [Enterprise Performance Management homepage](#).

Summary

This article provides an introduction to Driver Analysis and Cost Analysis and illustrates the steps to perform this.

Author: Shahin Ali and Vivek Madhav
Company: Infosys Technologies Limited
Created on: 1 December, 2010

Author Bio

Shahin Ali is a Software Engineer at Infosys Technologies Limited. He has worked on SAP BW and SAP PCM for over a year.

Vivek Madhav is a Lead Consultant with the SAP BI & EPM practice at Infosys. He has been leading the PCM track of SAP EPM CoE. In this position, he has worked extensively on PCM modeling for activity based costing scenarios. He is a SAP-certified BW consultant with over nine years of experience in providing analytics solution in finance, costing, procurement and CRM.

Table of Contents

What is Driver Analysis?	3
What is the purpose of Driver Analysis?	3
How does Driver Analysis work?	3
How to perform Driver Analysis?	4
Prerequisite	4
Step 1: Start a new analysis	4
Step 2: Enter target driver data	5
Sample data:	5
Step 3: Perform Analysis	6
Step 3.1: Perform Driver Analysis	6
Step 3.2: Perform Cost Analysis	6
Step 4: Copy the results	6
Effects of Driver Analysis	7
Conclusion	8
Related Content	9
Disclaimer and Liability Notice	10

What is Driver Analysis?

Driver analysis is a powerful simulation feature of SAP BusinessObjects Profitability and Cost Management 7.5 (SAP PCM). It enables business to analyze the effects of operational drivers on the financials and profitability of the company. Operational drivers that business routinely controls can broadly be classified into Resource Drivers (measure of resources consumed by activities) and Activity Drivers (measure of activities consumed by cost objects).

What is the purpose of Driver Analysis?

The driver analysis feature in PCM allows setting new business targets, assess new operational drivers (these are the drivers that business can control) to meet those targets and finally use the simulation to generate the changes required in their input resources and foresee its impact on final cost and profitability.

If we take an example, let's say a manufacturing company has a target to become more responsive to their clients. One of the possible ways is to reduce the order fulfillment time. At operational level, this would result in production in smaller batches thus increasing the number of production orders. Number of production orders is an activity driver here. Driver analysis, in this scenario helps simulate the new cost at cost object (product and customer level), the new input cost and the corresponding changes in the required resources. Based on the result, business can take an informed decision on the extent of order fulfillment time and its impact on the cost based on the corresponding cost-benefit analysis.

How does Driver Analysis work?

SAP PCM already has an operational model that analyzes the input expenses and revenue taking an activity based costing approach. In driver analysis, SAP PCM reverses the calculation engine - the assignments and rules defined in this model. What it means is - the drivers (resource driver, resource driver split, activity driver or/and service driver) become the input and everything else (input expenses and revenue, output costs and the other drivers) become the output as depicted in Figure 1.

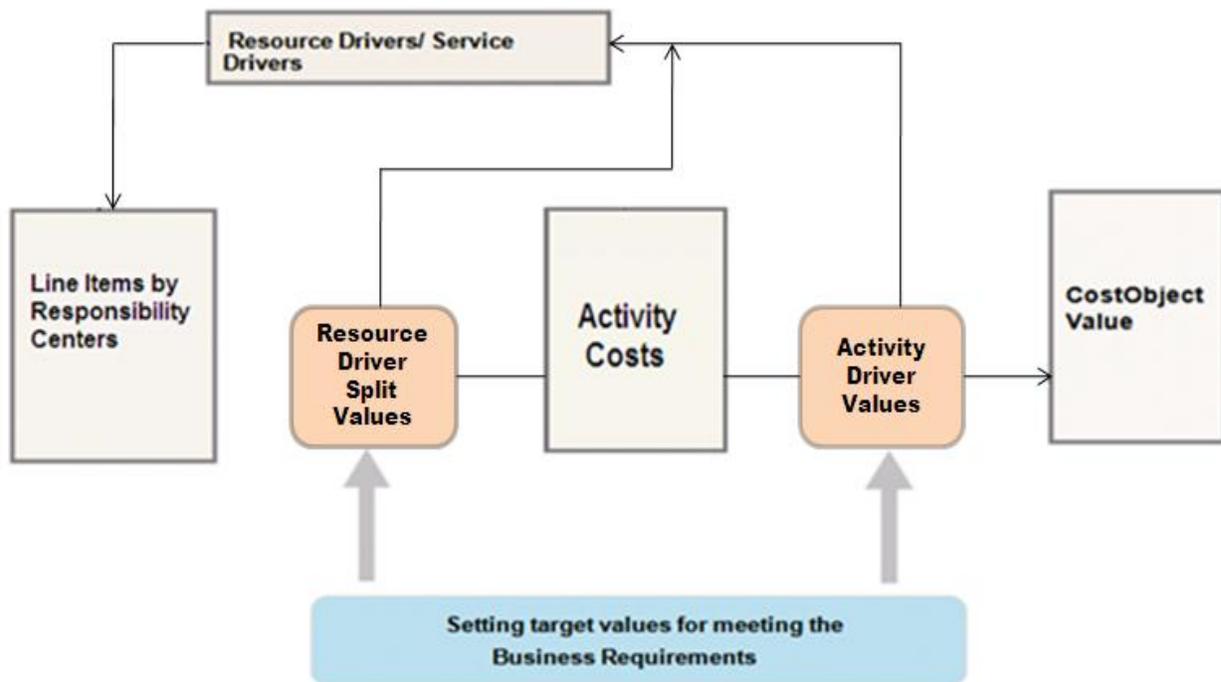


Figure 1: How does Driver Analysis works?

How to perform Driver Analysis?

Driver Analysis is a multi-stage process. The following sections describe each of the steps with screenshot.

Prerequisite

A PCM model along with data should be available which is used as the source version.

Step 1: Start a new analysis

Driver analysis starts with an existing version of model, referred to as source version. A source version has to be selected, while the driver analysis version can be selected or created as shown in figure 2. Driver analysis version operates differently from the source version.

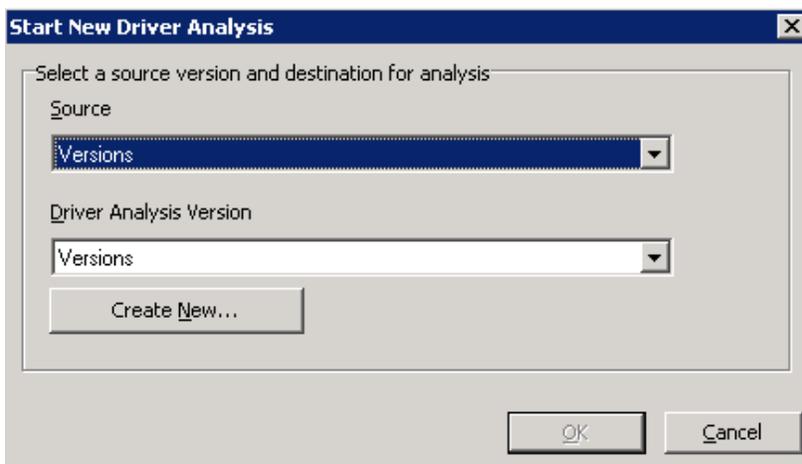


Figure 2: Start New Driver Analysis

There will be separate icons to identify Source version and Driver Analysis version. In Figure 3, Budget.01 is the source version and Simulation.01 is the Driver Analysis version.

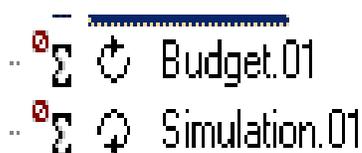


Figure 3: Icons for Source version and Driver Analysis version

Step 2: Enter target driver data

In this step, target value for the drivers can be set. Below is the list of drivers for which target value can be set and the corresponding grid:

Driver	Corresponding Grid
Activity drivers	ActivityDriverTargetValue
Resource drivers	ResourceDriverTargetValue
Resource driver splits	ResourceDriverTargetSplit
Service drivers	ServiceDriverTargetValue

Table 1: Drivers for which target driver value can be set

Sample data:

In this example, a manufacturing company is considered which manufactures three products namely 3 strips, 2 strips and 1 strip. EEM1, EEM2, HE1 and HE2 indicates customers, who have placed orders for these products. Further to this, the company wants to simulate impact of increase in number of production orders on input expenses and output costs. In this example, target values for Activity Driver – number of production orders is entered for the simulation.

The Source version data for performing Driver Analysis is shown in Figure 4.

	EEM1	EEM2	HE1	HE2
3 Strip	100	0	300	400
2 Strip	300	100	100	500
1 Strip	300	0	400	500

Figure 4: Original activity driver values for number of production orders

Activity Driver Target Value for number of production orders is entered as shown in Figure 5. This has been done using the ActivityDriverTargetValue grid for the Driver Analysis version.

	EEM1	EEM2	HE1	HE2
3 Strip	200	0	350	500
2 Strip	400	200	140	550
1 Strip	400	0	450	600

Figure 5: Target activity driver values for number of production orders

Step 3: Perform Analysis

In a driver analysis model, calculation operates in reverse and is controlled by two phases of operation:

Step 3.1: Perform Driver Analysis

Perform driver analysis ignores costs and operates solely with drivers, calculating the backward influence of activity driver targets on resource drivers and service drivers.

Step 3.2: Perform Cost Analysis

Cost analysis is part of driver analysis and it uses the output of driver analysis to calculate the new cost object values. Cost analysis continues the reverse calculation by evaluating the change in input costs that the altered driver values would require based on unit rates established from the source version.

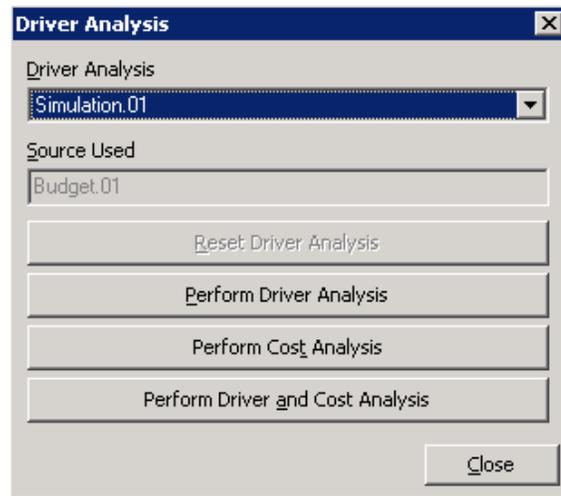


Figure 6: Driver Analysis window for selecting required steps to perform

One can perform driver analysis and cost analysis together using 'Perform Driver and Cost Analysis' as shown in figure 6. Alternately he can perform driver analysis first followed by cost analysis using the appropriate buttons. This gives user a chance to analyze the effect of driver analysis and cost analysis separately. In this case, it should be noted that the driver analysis must be complete before cost analysis is started.

Step 4: Copy the results

As a final step, we have to copy the final data into standard normal version. Often this will be the original source Version from which our Driver Analysis version was created.

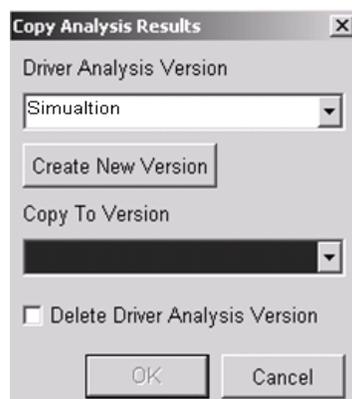


Figure 7: Copying Driver Analysis version

Effects of Driver Analysis

Driver analysis suggests new values for multiple data like input expense and revenue, activity costs, cost object values, contribution margin, other drivers etc.

In this example, only one activity driver value (number of production orders) was changed. This has affected the corresponding resource driver value, resource driver splits, activity cost, line item values and cost object values. The effect on the line item values and cost object values are shown for better understanding. The Line Item Values by Responsibility centers (input expenses) for the original version before performing Driver Analysis was as shown in figure 8.

	1. Direct Labour	2. Indirect Labour	3. Facilities
1. Sales	0	90,000	4,000
2. Production	345,000	250,000	56,000
3. Quality	0	75,000	7,000
4. Delivery	0	50,000	7,000
5. Post Sales Supp...	0	35,000	2,000

Figure 8: Line

Item Values before Driver Analysis

The updated Line Item Values by Responsibility centers (input expenses) after performing driver analysis are shown in figure 9.

	1. Direct Labour	2. Indirect Labour	3. Facilities
1. Sales	0	90,000	4,000
2. Production	351,571	279,954	56,000
3. Quality	0	75,000	7,000
4. Delivery	0	50,000	7,000
5. Post Sales Supp...	0	35,000	2,000

Figure 9: Line

Item Values after Driver Analysis

The Cost Object Values for the original version for the combination of customers and products is shown in figure 10.

	3 Strip	2 Strip	1 Strip
DEM1	27,430	65,363	75,267
DEM2	0	47,750	0
HE1	162,776	38,327	108,053
HE2	155,952	113,100	126,981

Figure 10:

Cost Object Values before Driver Analysis

The updated Cost Object Values (final costs) for the target value of activity driver is shown in figure 11.

	3 Strip	2 Strip	1 Strip
DEM1	27,391	65,292	75,179
DEM2	0	47,586	0
HE1	200,605	38,222	107,880
HE2	155,606	112,958	126,806

Figure 11: Cost

Object Values after Driver Analysis

As shown in this example, the Line Item Values (input expense) is adjusted to align the model as per the new activity driver target. Similarly the Cost Object Values (final costs) also get modified as per the target activity driver. In the similar way the changes to the various output fields can be assessed.

Conclusion

Driver analysis is a powerful simulation technique in the hands of management. This feature enables the management to simulate multiple what-if analyses before making a decision. Driver analysis also enables Driver based planning.

Driver based planning is a planning methodology to plan and manage the true drivers of organizational financial success. Its purpose is to deliver to the management a more accurate picture of future business performance, using key operational activities that drive corporate performance.

Related Content

For more information, visit the [Enterprise Performance Management homepage](#).

Disclaimer and Liability Notice

This document may discuss sample coding or other information that does not include SAP official interfaces and therefore is not supported by SAP. Changes made based on this information are not supported and can be overwritten during an upgrade.

SAP will not be held liable for any damages caused by using or misusing the information, code or methods suggested in this document, and anyone using these methods does so at his/her own risk.

SAP offers no guarantees and assumes no responsibility or liability of any type with respect to the content of this technical article or code sample, including any liability resulting from incompatibility between the content within this document and the materials and services offered by SAP. You agree that you will not hold, or seek to hold, SAP responsible or liable with respect to the content of this document.