

► 1.1 MANAGEMENT SUMMARY

KEY FINDINGS

- Corporate Performance Management (CPM) joins the discipline of Business Intelligence (BI) with enterprise budgeting and planning to give the organisation a window onto performance: the ability to compare expectations with reality – what was predicted or planned to actual performance.
- The recent spate of investment in BI tools has not been matched with an adequate focus on data management and data quality.
- A significant percentage of organisations are infested with inconsistent or erroneous data. They are also likely to be oblivious to its presence.
- No single piece of data or information should be surfaced via a CPM solution unless it is accurate and reliable. This may necessitate an initial data quality project, as a precursor to CPM deployment.
- Organisations must recognise that performance has multiple dimensions, necessitating a series of views on performance to achieve a truly reflective picture.
- We are predicting further associated growth in the data warehousing market, as organisations revisit their clumsy initial attempts with a view to deploying a data platform that is both flexible and reliable.
- Even with a solid data foundation, it can be a challenge to isolate genuine trends and activity from the background ‘noise’.
- Our contention is that there are too many solutions and applications on the market branded as CPM but which fail to do anything more than support limited performance measurement.
- CPM is designed to abstract application-specific, piecemeal attempts at financial and operational performance management to a suitable level.

One of the staggeringly primitive problems facing organisations is the difficulty they have accurately answering even the most basic of questions. The larger and more distributed the organisation, the more complex this challenge becomes. A significant percentage of businesses would struggle to correctly quantify the number of suppliers they have, let alone ascertain which were the most profitable or reliable. Similarly, when it comes to performance measurements, businesses typically struggle to reach a single ‘version of the truth’. These are the symptoms to what is a growing epidemic. The sheer fact of the matter is that most organisations have significant cultural, process, and technology issues when it comes to information handling and reporting. These issues have been ignored for as long as is possible, but the combination of regulatory compliance and the drive for increased process and performance visibility means that action is now unavoidable.

Conceptually, CPM is relatively straightforward; at the highest level it delivers a series of metrics that allows the organisation to achieve an accurate and balanced view of performance. It recognises that the various elements of the business will need subtly different interpretations of performance, based on their specific goals and targets, which will blend internal and external views, and financial and non-financial (operational) measures.

However, this conceptual simplicity belies the complexity that is required to successfully support a CPM solution over time. In order to be effective, CPM solutions have to be driven by the overall corporate strategy. Whilst this strategy may not change from day-to-day, the solution has to be suitably adaptive to react to changes in the market and business landscape in order that the organisation can minimise threats and maximise opportunities. Too many IT investments have the effect of ‘straightjacketing’ the organisation: CPM’s challenge is to deliver business flexibility without sacrificing control.

CPM is not going to take all of the organisation's problems away. However, the disciplines that are required to properly implement and use CPM will enforce positive change within the business, particularly with regards to getting consistent business definitions and a shared understanding of the relevant business processes.

Business Issues

The problem with the notion of performance is that it tends to be seen in binary or two-dimensional terms. Targets are either hit or missed, revenues are above or below budget. Performance is too fluid and complex to be thought of in this way and such attempts to constrain it lead to problems. Organisations must therefore recognise that performance has multiple dimensions, necessitating a continuum of performance views to achieve a truly reflective picture.

However, CPM is more than just about measuring performance. There is an important distinction to be made between performance measurement and performance management. A measurement is a static indicator – for example, you can measure sales from one week to the next. However, such measurements are not enough on their own to manage a sales strategy, which requires a combination of controls, discrete and continuous indicators, plans, targets, and tactical decisions. Our contention is that there are too many solutions and applications on the market branded as CPM but which fail to do anything more than support limited performance measurement.

Critically, not only does the view of performance change from subject-to-subject, but from person-to-person. Two individuals may have entirely different views of performance when considering the same object or concept. What this means is that within an organisation there will be different interpretations of performance, which may appear to be at odds with one another (quality versus productivity), but need to be supported and balanced within the overall CPM framework.

The discipline of management forms the essence of strategy execution. Management also infers a level of control. In its simplest form, such control may be a simple yes/no decision. Thus, for many of the trivial aspects of day-to-day management, we have come to rely on automation, whereby the rules governing simple decisions are hard-coded into applications and systems in order that processes can execute more rapidly and with reduced human resources. Whether the controls are handled by an application or directly by an individual, the key to successful management is clearly access to accurate information, free from 'noise'.

In order to be effective CPM needs to be implemented as a closed-loop system, with the necessary elements of feedback, control, and external inputs. Without this level of integration and synchronisation the CPM solution runs the risk of stepping out of phase with the business, with alarming results. The solution will continue to be used as the basis for setting strategy and managing performance against goals – however, the control mechanisms will no longer bring about the desired results, further widening the gap between CPM and the operational reality. Of course the converse of this is a solution that remains in sync with the business playing an important role in both identifying the need for business change and then ensuring that the change is implemented and managed as required.

CPM needs to be further broken-down to be able to reflect the different types of decision made within an organisation. Continuous, calculated measures are ideally suited to display as a Key Performance Indicator (KPI), whilst small, routine decisions based on discrete measures tend to be taken on an individual basis and can make use of thresholds, alerts, and business activity monitoring to automate the process, with new re-purposed data written back to the underlying database. Achieving such levels of automation in this manner should be seen as one of the long-term goals of CPM.

Given CPM's ambition to become a strategic tool used to support the decision-making process by delivering information pertaining to business performance, data quality becomes imperative. Unfortunately, organisations do not tend to be proactive about data quality, leaving it to run amok in their systems and warehouses. It is only when things go wrong that its impact is felt. Retrospectively addressing data quality problems is expensive and time-consuming, therefore our advice is clear: organisations looking to deploy CPM must have complete confidence in the data that it will exploit – this may necessitate an initial data quality project as a precursor to CPM implementation.

Technology Issues

CPM blends BI with elements of planning, budgeting, and appropriate-time monitoring. Most organisations will have elements of BI in place to help them analyse and understand historical performance and identify trends. They will also make varying use of budgeting and planning tools to layout the desired future direction of the business – to predict or steer future performance. CPM joins these two disciplines, giving the organisation a window onto performance – the ability to compare what was predicted or planned to what actually happened. The goal is to achieve a series of views of business performance, across operational activities and departments, in doing so creating a link between the strategy of the business and the execution of that strategy.

One of the key technical challenges for CPM is to integrate and take advantage of the organisation's existing IT assets. There are a number of levels on which this integration is required. Most obviously, it relates to the re-use of existing software assets (BI, budgeting, planning, etc.). However, CPM vendors need to realise that integration requires more than just standards support; solutions are often required to work alongside competing offerings and support other elements of CPM in a best-of-breed approach. Quite whether this is the most appropriate strategy to pursue is certainly not for the software vendors to dictate, and thus more openness is to be encouraged. The goal is to have a flexible CPM architecture that allows the organisation to introduce and adapt to new elements of IT infrastructure easily.

CPM integration is bi-directional – not only should a CPM solution integrate and reuse existing IT assets, but CPM capabilities should be made available as services to be consumed by relevant technologies. For example, by placing a dashboard tab on the corporate portal, having performance metrics available within applications, or even writing modified budget/forecasting data to underlying applications. This aspect is perhaps even less well exploited by vendors at the moment and is undoubtedly an area for future development.

CPM needs to foster a metrics-based method of managing business operation by embedding fundamental business logic relating to how routine decisions are made and abstracting control to a higher level. However, there is no point having a functionally-rich solution that supports a 'manage by metrics' approach if the metrics themselves are measuring the wrong things. Keeping KPIs in sync with corporate strategy is a significant challenge; resolving it is all about getting people to take ownership of information and the consequences of changes therein.

When it comes to achieving and sustaining data quality, the time for finger pointing and blame allocation has gone. The fact of the matter is that organisations have to clean up their data – using CPM as a mechanism for achieving it would therefore seem to make sense. After all a CPM solution built on poor data is worse than no CPM solution at all. Absolute data quality and accuracy therefore needs to be at the heart of CPM. This may yet prove to be the most complex and intricate aspect of implementing a mission-critical CPM solution. As a consequence, we are predicting further growth in the data warehousing market, as organisations revisit their clumsy initial attempts with a view to deploying a data platform that is both flexible and reliable.

BI plays a pivotal role in CPM solutions. Whilst some areas of functionality may not be seen as compulsory, it is almost impossible to conceive a CPM solution without BI. The foundations of BI – ad hoc query, reporting, and analysis – are used in conjunction within CPM in order to accurately measure both operational and financial activity and performance, providing the necessary context against which decisions can be made. Finally, the BI market is responsible for the development of some of the most sophisticated dashboard technologies and strategies available.

The combination of budgeting, planning, and forecasting forms the other key functional area of CPM. This aspect is typically not as clear-cut, due to the variety of ways that organisations approach it. For example, budgeting alone is a complex aspect of business – some organisations will use highly advanced financial models and even statistical analysis when undertaking a budget review, whilst others will rely on an Excel spreadsheet and a couple of macros. We therefore see it as important that a CPM solution does not impose a strict framework with regards to such forward-looking elements of the business.

Market Issues

Smaller organisations often get left out in the first wave of technology development as vendors target their latest software at large enterprises, in the hope of attracting commensurate licensing deals. Not only may smaller organisations find themselves priced out of the market, but vendor offerings can also be too broad and feature-rich for their requirements. Furthermore they may lack the in-house experience to be able to adequately customise the software to meet their needs or not wish to resort to expensive systems integrators.

It is from such issues that we are seeing a general trend towards the provision of more focused, vertically-oriented CPM solutions. The basic premise being that many of the pressures and issues that are facing organisations do not shift substantially from area to area. Indeed, within key industries and markets there can be a high degree of repetition with regards to how aspects of systems and technology are configured. Rather than placing the onus on each customer to find the configuration resources, we are encouraging vendors to look to focus on embedding their experience with customers in key market sectors into targeted solution offerings.

Overall, the CPM market is a moving feast and you may be inclined to reach the perfectly logical conclusion that you are best off waiting for a year or so for the boundaries and responsibilities to become more clearly delineated. This is not the case. In many markets and vertical sectors, the requirements for some kind of CPM solution are very real and pressing. Holding off for another year is not really an option, especially when the drivers are legal, as is the case with compliance:

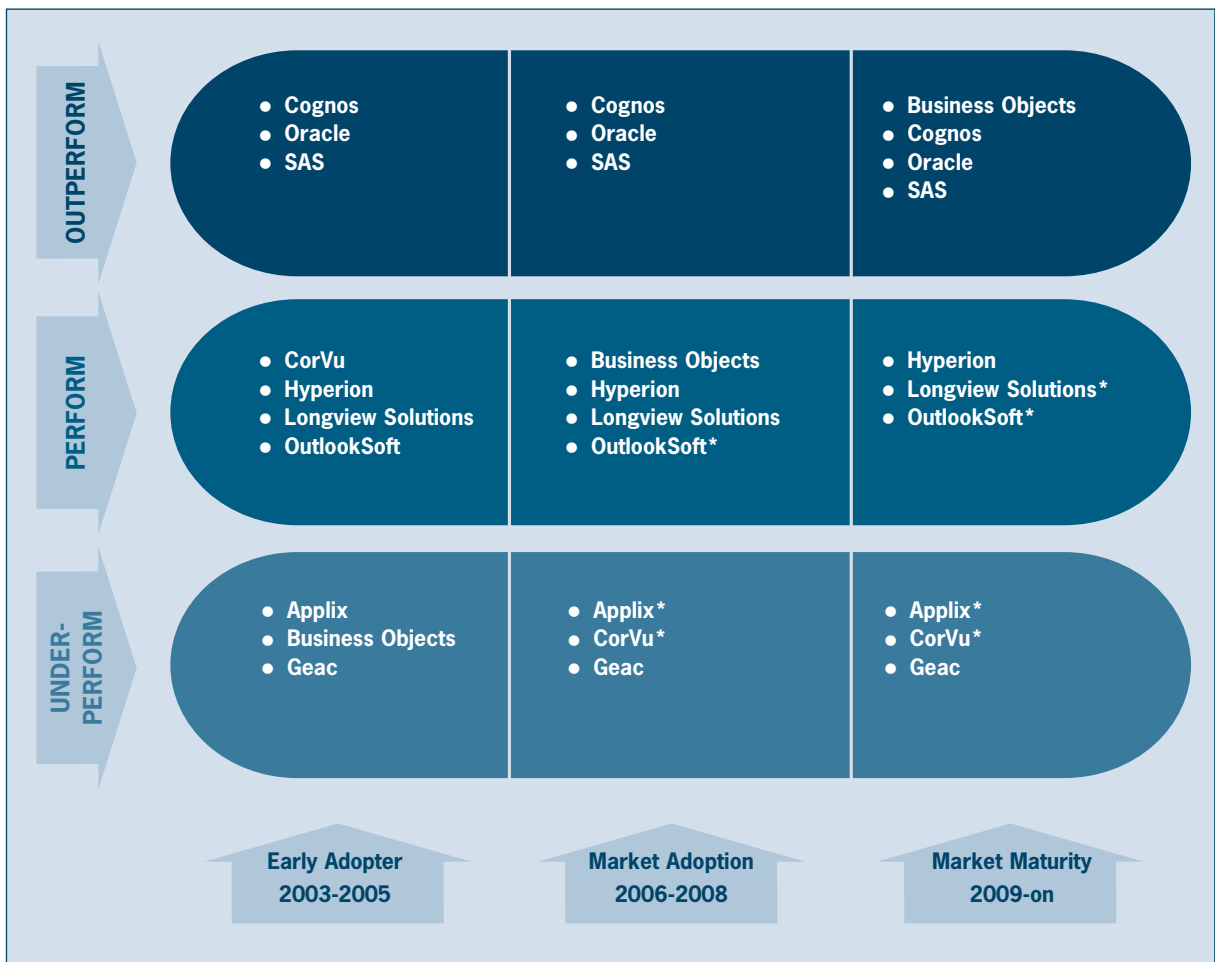
Compliance – Whilst it would be incorrect to view CPM as a compliance solution – as compliance is multifaceted and complex, and requires the co-ordination of numerous technical and non-technical resources – CPM is able to support the transparency of process that is an essential part of a compliance strategy. What is more, CPM forces organisations to examine critical compliance-related areas; issues such as data quality, data accuracy, data retention, and accountability. Be warned, this increased visibility and process transparency can cause issues – it will not be welcomed at all levels within the organisation as it unmasks inefficiencies, problems, and mistakes.

Focus on performance – The pressure being placed on business units is intense; they are being challenged like never before to demonstrate exactly how and where they are creating or adding value to the organisation as a whole. Business managers and executives therefore are demanding CPM to get access to performance data in order to track activity and co-ordinate future strategy. Where traditional performance management solutions have failed is in an inability to strike the right balance between global visibility and departmental management. This has resulted in solutions that are either piecemeal or overly generic in nature. CPM should therefore support granular performance management within the realm of a properly-governed solution.

Flexibility and change management – Change is fraught with danger – and the more rapid the change the greater the potential risk. CPM puts in place a framework for top-level change management, incorporating critical elements such as scenario planning, risk analysis, and optimisation. In this way a desired change in strategy can be implemented rapidly without undue risk, and reflected in amended measurements, targets, and goals. Performance against this strategy can then be continually monitored. Such controls are vital when it comes to tracking what is planned or promised with what is actually delivered. This is particularly true for compliance and establishing closer financial controls.

Butler Group Corporate Performance Management Lifecycle Positions

Butler Group’s vendor ranking and assessment model groups suppliers into *Outperform*, *Perform*, and *Under-perform* categories, and shows the predicted progress through the three major market phases of Early Adopter, Market Adoption, and Market Maturity.



* By this stage, we feel that these vendors will have entered into partnerships or acquisitions in order to bolster their market presence.

Solution Performance Table

Rating	Company/Solution	Butler Group Opinion
Outperform	Cognos Cognos – CPM	Cognos provides solutions that are strong on integration and are delivered on the back of the technology that it acquired following the acquisition of Adaytum.
	Oracle Corporation Oracle CPM	Oracle's CPM solutions exploit deep-seated technology capabilities combined with deployment expertise.
	SAS Corporate Performance Management	SAS has been able to demonstrate its ability to bring robust, focused solutions to market, delivering a strong CPM solution that has both functional depth and breadth.
Perform	CorVu Corporation CorStrategy 5.0	Extensive core CPM facilities, but lacks an ETL/data management strategy.
	Hyperion Business Performance Management (Version 1)	Following the Brio acquisition, the Hyperion solution offers a wide-ranging collection of core CPM services that can be leveraged to provide an end-to-end performance management solution.
	Longview Solutions Khalix 3.4	Longview Solutions provides a financially-focused offering that has been designed specifically to drive performance with speed, visibility, and financial integrity.
	OutlookSoft Corporation Everest (Version 4.1)	A pure-play CPM product set that on close inspection proved itself to be capable of delivering strong performance management functionality.
Under-perform	Applix Applix TM1	Applix's strategy of providing solutions that address the needs of financial departments is far too insular in its approach to CPM.
	Business Objects Business Objects Enterprise 6	Certainly not deficient on the BI side, but is incomplete due to a lack of direct enterprise planning functionality.
	Geac Geac® Performance Management™ 6.03	Broad solution set, found to be lacking in key areas such as activity-based costing and risk management.