Fragmented Platforms Impede Performance Management

Unified solutions are necessary but not easy to find

White Paper

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Ventana Research
1900 South Norfolk Street, Suite 280
San Mateo, CA 94403
info@ventanaresearch.com
(650) 931-0880
www.ventanaresearch.com

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The Mission of Performance Management

As a business professional, you are constantly bombarded by the message that it is important to improve performance. Unfortunately, you aren't reminded anywhere nearly as often of the importance of managing it.

And you must manage performance. Coping with the ever-increasing pressure to meet and exceed expectations while still executing within the constraints of risk and governance controls is no easy task, and it calls for performance management across finance, operations and IT. In the best of all worlds, you would have a single management system that would make it easy for you to understand the relevant metrics, optimize performance and ensure that it aligns to the organization's strategy and plans. Having such a system would make logical sense – but most organizations have not yet achieved this level of maturity.

Most organizations' system infrastructures have grown in fits and starts, in response initially to the needs of local business units and then to centralized IT's efforts focusing on the operational infrastructure. The results are that applications are everywhere and data silos abound across the organization, housing multiple versions of the same information and creating complications obtaining data when needed. Indeed, investments in dedicated information systems that once seemed like a good idea now may be seen as impediments to growth. The same can be said for the continued reliance on inappropriate tools such as spreadsheets and on myriad separate business intelligence (BI) technologies.

Yet growth must happen. So the question senior executives must now address is how to grow in a way that supports both the optimization and the management of performance.

Business intelligence and performance management have emerged as key intertwined technologies to address the challenges of business growth and managing performance. But if it is not implemented and utilized effectively, BI can be part of the problem as easily as part of the solution. While it can provide invaluable insights to guide both financial and operational management, BI can also be yet another disparate system with its own proprietary data storage and poor links to other enterprise systems. When multiple BI tools are used to deliver separate capabilities, it is difficult to enable efficient processes for performance management. While investments in isolated BI and performance management tools may contribute to achieving both transformation and innovation, in many organizations loosely coupled technologies also contribute to inefficiencies and disconnects in managing performance.

Disparate systems contribute to inefficiencies in managing performance.

Large vendors of enterprise applications and platforms – Oracle and SAP typically are the first names that come to mind – have made many attempts to support business intelligence and performance management within their platform frameworks, but historically they have not fully met the demands of customers for better integrated –

and thus more effective – business technology for performance management. In an acknowledgement that their internal development efforts have failed, these vendors recently have tried to respond to this demand – and to retain customer loyalty and extend their brands – by buying software companies dedicated to BI and performance management. Oracle's acquisition of Hyperion and SAP's purchase of Business Objects, which account for more than $10 billion combined, demonstrate the extent of investment they are willing to make to fully participate in this market by assembling suites of offerings that they can present as the best way to meet your needs.

But while vendors' marketing literature may not discuss it, consolidation is not free from risk for existing and acquired customers as well as new ones. No provider can quickly or easily deliver technology integration. Consider that each acquired company had its own roadmap for technology consolidation and integration, as did the acquirers for their own business intelligence and performance management offerings. Moreover, each of these acquired organizations had made acquisitions of its own to expand its portfolio of capabilities, and thus its array of tools and applications itself may be less than fully integrated. The inevitable result is fragmentation of the technology platforms that provide capabilities intended to manage performance.

Until major acquisitions are integrated, a common platform for supporting performance management will remain unrealized.

This is important to understand because these changes in the vendor landscape affect how likely it is that you'll be able to buy a uniform platform that will support the requirements of performance management. Such a platform should create a unified environment that provides a common set of capabilities.

At the moment, you can't get such a platform from most of the large ERP providers. Until they completely digest and integrate their major acquisitions, rationalize the different approaches they represent and as a result are able to deliver a set of tightly coupled applications, their vision of a common platform for supporting performance management will remain unrealized.

Fragmentation Impedes Progress

It's easy to see the value of a uniform platform on which you can collect and use information that supports performance management. It is the basis for a common set of tasks and a way to streamline your management and assessment processes. Ventana Research's performance management process, PerformanceCycle™, brings together the three key steps – align, optimize and understand – that all organizations working to manage and improve performance must pass through. For perspective on the situation, let's look at some common steps in all performance management processes.

- Organizations typically assess the historical performance of a business process, a department or an activity through reports or a dashboard that use data from various functional areas of the organization.

- They make ongoing adjustments to sales forecasts and supply chain plans to meet shifts in customer demand and the competitive environment. These changes usually are done not in a single business intelligence system but rather in separate forecasting or planning systems or sets of spreadsheets.
- Reasonable organizations strive to understand the impact on operational objectives and corporate goals of any changes they are considering. These goals and objectives may be stored in a number of different formats and locations, among them dedicated scorecards or presentations.
- They analyze potential impacts of decisions and adjust current plans to reset expectations and align the organization with them.

Of course, this entire process can be repeated until the needed information is found or optimal results are delivered. These steps are not undertakings to be done once a year or only each fiscal quarter; they are normal elements of business management that occur on a daily and weekly basis. If your organization cannot support these steps simply and on demand without needing significant extra effort, you likely have a fragmented set of processes and technologies for performance management.

Fragmentation can be more than just a technology problem. Silos of people using their own applications and information stores can undermine the principles of performance management. So can lack of a single shared language. Thus, it is critical to make sure that a common set of business terms is utilized for performance management across the organization, in order to minimize misinterpretations in dialogue.

And it is important to understand the roles of key players; in the absence of effective visibility across the business, the performance management results will be suboptimal. It is not uncommon, for example, to have market research or analytic groups who pride themselves on their credentials and statistical competencies and command high stature in both strategic and operational decision-making. In addition, teams of business analysts are deployed throughout organizations to support management and business processes and are responsible for performing more routine analytic tasks. As a result, key business decisions may be made without collaboration between the different groups, impeding organizational performance.

Fragmentation challenges in business are exasperated by the technology dilemma.

But the fragmentation challenges in business can be exasperated by the technology dilemma. Without a tightly integrated, functional and unified platform that will support the “understand, optimize and align” steps of performance management efforts, organizations do not have available the most efficient way to evaluate and calibrate future business and technology investments. Technology fragmentation may not always be obvious, but this situation – which includes many overlapping tools, disparate technology interfaces and no integration of information and metrics from reports, dashboards and plans – can be found in almost all organizations.

It can be complicated and costly to support your organization’s performance-driven needs when the technology supplier of your supposedly common platform is rapidly changing its products, its platform and even its roadmap for the future. Thus, it is vitally important to evaluate the quality of the platform on which rest the tools that are supporting your organization's range of performance management requirements.

Evaluate for Yourself

Identifying fragmented performance management platform offerings can be difficult. The vendors have aggressive targets for revenue and customer growth, leading to pressure on their sales staffs to sell larger packages or more than one of their products. Hence you wind up in the crosshairs of extreme marketing, replete with words like "complete," "unified," "integrated" and other characterizations that aren't precise or technically accurate and more often than not are really matters of opinion. This cloud of obfuscation is spread by sales organizations to make purchasing, deployment and integration sound easy.

We cannot in this paper offer a substitute for the guidance of a knowledgeable individual in making choices about the broad set of technologies. But we can suggest some key questions you should ask to sharpen your search for effective performance management. For example, are you pursuing a single vendor because doing so will yield the lowest price? Will the vendor commit to deployment schedules and promise to deliver benefits in the time frame you specify? If the vendor answers yes to these questions, can the vendor point you to clients that will testify to their satisfaction?

A healthy skepticism here is important. Can you actually achieve an integrated environment with disparate tools? If not, how do you weigh the fragmentation challenges of the vendor's technology and the amount of implementation consulting required, which could heavily outweigh the cost of the software? Also, as you examine the total cost, consider the maintenance fees and costs that will result from overlapping administrative capabilities across platforms.

> **It is easy to identify technology fragmentation – if you ask the right questions.**

Do not be misled by fancy demonstrations and what might appear to be a uniform, integrated set of products. Don't confuse the flexibility of dashboards and portals with true product-level integration of information that can be used to manage performance. Ask, and be sure you understand, what levels of effort, time and skill will be required to build and maintain these disparate environments. Also, how do you ensure that you can support end-to-end and wall-to-wall performance management processes? Count the number of products required and determine the amount of administration, maintenance and training for IT and business to ensure you understand the overhead. Don't forget to try to perform the activities and tasks of performance management across all the products.

As always, the devil is in the details. It is easy to identify technology fragmentation if you ask the right questions of the supplier or undertake to analyze this for yourself. You could look at this from the usage or administration angle, for example, to determine the level of integration required. And operationally, there are requirements for installation, configuration, data modeling, user preparation and readiness of business usage. In both these areas, you can scrutinize what vendors say about their products and role-play what it will be like to actually use the technology on a daily and weekly basis. The results should be a better understanding of what education and training would be required as part of the total cost of ownership.

Cost and Impact

The pace of business continues to accelerate, and being both responsive and proactive is necessary to succeed in any market. If you are not able to assess your performance and respond to market changes by quickly updating plans and forecasts, how can you allocate resources effectively to meet or exceed your goals and objectives? Having a shared operating environment and a common business context can speed up improving your performance not just by hours but in many cases by days and weeks. That is, having technology for performance management that can operate at the same speed as your people and processes can empower you to support your business objectives more effectively.

On the other hand, technology fragmentation can lengthen your turnaround time in moving from strategic decisions to operational actions. Moreover, being unable to collaborate effectively to determine what is best for the business can limit the effective utilization of business resources. Fragmentation of information and having teams of people on separate platforms both mitigate against effectiveness. Can your people get information in a self-service manner as easily as using an ATM, or do they need intermediaries to find out what is happening in the business? To be sure, you can deal with these obstacles by utilizing organizational resources to address the limitations of a fragmented platform, but is that the most productive use of resources? Ventana Research believes it is not; we recommend instead making technology choices that will provide visibility and consistency across the organization and enable you to determine the best possible outcomes.

Our research indicates that significant resources are needed to support fragmented performance management platforms.

Then there are the costs technology fragmentation creates for the IT function. Money spent on maintaining multiple systems and their conduits and interfaces can add up quickly, as can the costs of training and consultants required to supply a sufficient level of competency. Our benchmark research indicates that the additional resources needed to support fragmented technology platforms are significant; they can inflate your budget by a substantial six figures.

Take the Right Steps

In planning to update your strategic and operational decision support systems – that is, the systems that support performance management – identifying the right steps to avoid a fragmented platform should be among your top priorities. We recommend that you take these three steps to mitigate potential problems.

1. Understand the structural and functional differences between fragmented and unified platforms.
2. Do your own work to analyze how the details of the technology choices you're considering will impact your organization.
3. Based on that analysis, project the cost and risk of each choice.

Vendor hyperbole can be seductive, and so the danger of making the wrong decision about a strategic supplier is great. As an expedient measure, the large ERP and CRM providers have bought existing performance management products that will need to be integrated with their systems. It will take time for this transition to deliver all the business capabilities required for success. Managing performance consistently is harder when you have to cope with the overhead and inefficiencies of dealing with many products that were not designed to interoperate.

The impact of adopting fragmented solutions and platforms for performance management will be measured in your time to act or respond and in the costs of failing to delivering timely enough information to support taking action and making key business decisions. Mitigating this impact requires determining the right criteria for evaluating platforms and applications to ensure that they are designed for usage across your business, not just for developers or database administrators, and will suit your performance management needs.

About Ventana Research

Ventana Research is the leading Performance Management research and advisory services firm. By providing expert insight and detailed guidance, Ventana Research helps clients operate their companies more efficiently and effectively. These business improvements are delivered through a top-down approach that connects people, processes, information and technology. What makes Ventana Research different from other analyst firms is a focus on Performance Management for finance, operations and IT. This focus, plus research as a foundation and reach into a community of more than 2 million corporate executives through extensive media partnerships, allows Ventana Research to deliver a high-value, low-risk method for achieving optimal business performance. To learn how Ventana Research Performance Management workshops, assessments and advisory services can impact your bottom line, visit www.ventanaresearch.com.