

Unified Performance Management

The Key to Successful Performance
Management

White Paper



V E N T A N A
R E S E A R C H

Aligning Business and IT To Improve Performance

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Pursuing Optimal Performance

The rapid pace of business today requires organizations to do everything possible to provide members of their workforce with the information and tools they need to successfully complete their tasks as fast as possible while still choosing the right action or making the best decision. But this same pace makes accomplishing this challenging; changes and updates can slow work in a 7x24 environment where every minute counts. Nonetheless, not making improvements to information and technology can mean unacceptable delays in taking the necessary action or making a decision.

Thus, pursuing a strategic approach to managing and optimizing business performance – what has come to be called *performance management* – must be a top priority. While technology for performance management has increasingly been deployed over the last decade, for many organizations it has remained an interesting or desirable luxury rather than an important strategic investment. Now, however, in the face of extreme pressure to both be lean and deliver results, organizations are re-examining their priorities and moving performance management improvements closer to the top of their strategic planning lists.

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Successfully implementing performance management first requires an understanding that it is not just a technology deployment but rather a substantial shift to a new working paradigm. Managing performance requires that business and IT, working collaboratively, develop a vision of how to integrate information and technology to improve the performance of the organization's people and processes, and then act on that vision. Using common performance management tools and systems efficiently is just as critical to the success of the business as using a common set of applications for accounting and human resources (ERP) and marketing and sales (CRM), and arguably more so.

Performance management uses technology that is designed to ensure the effective use of consistent information. Deploying these systems thus is a key step toward the optimization of business – if, that is, they are used consistently throughout the business. In other words, the key to effective performance management is a unified approach built on modern technology, from user access and security to definitions of metrics and key performance indicators. Organizations simply cannot advance using outdated tools; the landscape is littered with the remains of businesses that attempted to make process improvements or improve the competencies of their people while continuing to use spreadsheets and email as management tools. While these technologies are useful for personal productivity, they fail badly as the connective tissue of a collaborative enterprise approach. This is an instance

where saving money might seem penny-wise but is pound-foolish; improving performance management is critical to the business results of organizations.

Unified Performance Management is Essential

Achieving desired returns through performance management does not happen automatically; it must be pursued in a focused, deliberate manner. In essence, it is the process of utilizing an organization's people, information and technology to achieve specific goals and objectives. In this unified performance management approach, business use and technology will synergize. On the business side, this means there will be a common set of business methods for defining strategy, plans and initiatives; on the technology side, there will be a common method to connect to data sources, the semantic layer and capabilities to author and consume performance-related information.

Technology plays an essential role in enabling performance management in providing the capability to use information to minimize latency in an organization. But merely enabling each business unit or function to apply technology to its own store of information is not performance management; in fact, it contributes to a siloed Tower of Babel situation that more likely than not will impede the attainment of organizational goals. This situation can be recognized easily in organizations using multiple systems that each

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relies on its own definitions and measurements to generate similar reports. This approach inevitably increases frustration and leads to decisions that are not aligned to common goals.

A business must operate and plan using a single unified view of its key data – the proverbial single version of the truth. With that in place, unified performance management is best supported by having all business units use a common set of technology-enabled capabilities, which will reduce costs and time as individuals do their part to understand and optimize performance continuously. Having everyone

operate with the same easy-to-use tools on a unified platform across the enterprise not only ensures common methodologies are used but places individual efforts in the context of the strategic goals of the organization. This can help mitigate the risk of errors in the creation and use of goals and objectives aligned to the metrics and key performance indicators associated with them.

It's the rare organization today that accomplishes that, though. Most operate with siloed technologies and so waste time and effort trying to make sure an individual has the right information.

Emerging from this situation requires two successive understandings. The first is that addressing a problem or need by just purchasing additional tools for one department or deploying more technology for specific tasks is shortsighted and counterproductive. The second is that unifying performance management is critical. Ultimately, having the fanciest charting or latest bells and whistles is far less important to accomplishing business goals than having a common working platform that also is flexible enough to support a broad range of activities in performance management.

For example, when organizations set out to adjust their plans for products and services from marketing and selling them to servicing customers, they should be able to do so using a common, shared set of information. If the demand for a product changes, then marketing and sales should make adjustments that are immediately reviewed by operations and financial management. They should determine impacts and whether changes to the adjustments are needed to maintain profitability. Once they're approved and plans are updated, tools that are part of the common environment will notify manufacturing and procurement of the changes to their specific plans. In this simple cross-enterprise example, the ability to operate within a common planning and performance environment with consistent metadata and metrics can streamline interactions and decisions.

Another example: An organization may be seeking to unify its performance measurement and goals focused on its customers, in an environment where selling and service are activities handled by sales and contact centers respectively. Instead of each department performing similar tasks but having its own system, the organization can supply one common system to simplify activities, reduce costs and improve performance, thus providing a method to eliminate duplication of efforts and reduce time to action.

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Unified performance management is essential for any organization seeking to improve its competitiveness and bottom-line performance. A common platform that provides capabilities for performance management simplifies collaboration, aligns processes in the various business units and frees the organization to focus on making the right business decisions and taking the right actions at the pace at which the organization chooses to operate.

Unified performance management involves bringing people and collaboration into the processes of performance management to ensure that every aspect is discussed directly or electronically. Integration and agreement on the steps to be taken to establish unified performance management – steps that must include technology – are essential.

Typically, these steps are setting goals and objectives, establishing plans to achieve those goals and targets from the bottom up and the top down, and measuring performance toward the goals through analysis and reporting. Each of these steps involves integration of information and utilization of shared capabilities.

Key Points of Integration

Determining what performance management-focused activities you perform and how you do them is a unique exercise that requires prioritization of the activities that are to be improved. Whatever the focus, though, integration will be needed of an array of tasks associated with three process steps: understanding, optimizing and aligning performance to the expectations of management. In today's organization these steps are handled across a wide array of reporting, calculation, communication, presentation and purpose-built applications that do not work together well, do not provide an integrated business context, and do not address the state of performance and the potential to improve it.

Arriving at the best outcome will require strong leadership and processes to determine which choices are in the best interests of the company.

Lacking that integrated context, it is impossible to measure performance to plans enterprise-wide and to determine whether new targets need to be set and communicated. Thus, the enabler that is the integration of measuring, planning and targeting performance is a key element of what makes performance management valuable and essential to every organization. No matter if the initial focus is to be reporting, analysis, planning or goals and objectives management – the needs are the same for every business: a common

set of capabilities that are shared across a unified platform. By providing common capabilities, organizations can communicate about performance management more seamlessly. But this integration does not happen of its own accord; the challenge facing every organization is whether it is willing to do the work to make it easier to see how to make improvements.

Unfortunately, beginning an assessment of technologies and tools for performance management all too often brings forward more political bickering than consensus. As is the case in any discussion of existing technologies and processes where change will potentially occur, some will voice resistance. In fact, for many it quickly becomes about power – about who will shape the debate, who will lead the effort and how decisions will be made. Business wants to determine what applications it uses while IT wants to decide how any technology different than what is already deployed will fit into existing environment. Of course, existing vendors will be championed by existing sponsors who are looking to leverage their current relationship and what they already know about how to negotiate pricing. Clearly, arriving at the best outcome will require strong leadership and processes to determine

which choices are in the best interests of the company in enabling the integration of performance management uniformly across the organization.

Do Something About It

Coping with the politics and fairly assessing existing efforts to determine where improvements should be made will require an effective team consisting of both business and IT professionals. Build this team ensuring you have participants from different levels of business – analysts, managers, directors and vice presidents, people who can bring to the table front-line experience in supporting performance management. These individuals should be able to articulate how daily, weekly and monthly activities like reporting, analysis, planning and collaboration actually operate. IT can facilitate the process by actively listening and documenting what is needed by business to facilitate performance management and the information and technology resources needed to accomplish that.

Assess existing or proposed new technologies to determine their sophistication and capabilities.

Business processes and their associated information must be a key focus of the team's work. What sets of information do specific users and performance management processes need? Where are there information-related inefficiencies, instances where establishing commonalities could make processes more efficient and effective? For example, in many organizations individuals acquire information from a report, move it manually into a spreadsheet for processing and analysis, then copy results into presentation slides and then into email. Each of these steps involves manual effort, shifting context and taking time to prepare information for review. And each transition is a potential entry point for errors that introduce further costs and time lost.

With an understanding of the process and information issues, assess existing or proposed new technologies to determine their sophistication and capabilities. Does the proposed common platform require one server or multiple disparate servers to support the range of reporting, planning, analytics capabilities? Does it support centralized administration and security management? Can it support the several specialized function capabilities needed as well as enable planning and at the same time support productivity tools like Microsoft Office?

Once you examine the capabilities of the technology and platform to see if it can support the range of desired performance management capabilities, you will have to ask what will be required to transition from your existing environment to a new one. It will not be sufficient just to replace one component and incrementally add another – your goal is to create an environment that provides common support for activities in performance management. The seamless transition from one task to another is where time is regained and the context of the information and analytics is kept together. Look for a transition that results in simpler, more effective methods

for performance management that save money and reduce inaccuracies and time to action or decision.

Part of establishing a business case for change is establishing the specific benefits that can be achieved by investing in a unified platform for performance management. This means knowing the methods that are currently used and what can be achieved faster and better with new investments. But beyond efficiency, what's also required is making it possible through the change to improve outcomes. Doing this means ensuring that collaboration and improvements are found continuously by business, which is responsible for the performance of the organization.

Of course, in a sound business case costs must be examined as well; simplifying to a common platform should reduce the resources and time required to develop, administer and maintain performance management. You should be able to reduce your server maintenance payments and also eliminate redundant tools for reporting, dashboards and the like.

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What If You Do Nothing?

Any change that will impact existing business processes is risky. But how risky? How can you have a strong level of confidence without having done an examination of possible approaches?

And as part of that, what are the implications of not taking action – of doing nothing? Just avoiding action will not avoid risk; indeed, it potentially will increase it. These are important questions to ask.

Answering questions such as these, which must be part of an evaluation process, require a baseline of current organizational effectiveness. Establishing such a baseline can be as simple as summarizing the results of sales, customer services, manufacturing, and field service, combined and compared to goals in a periodic financial performance assessment.

But that is only a start. Once it is determined that your organization did not hit its performance measures, a closer examination of departments and divisions will be required. The tool of choice at this stage is root-cause analysis to determine what might – or, indeed, might not – have happened. Such an analysis can raise any number of questions: For example, should changes to operations have occurred to avoid unnecessary operations and resulting costs? Or why weren't specific opportunities addressed quickly enough?

On this latter point, the notion that minimizing organizational latency is a critical success factor for performance management has been discussed for some time. But how do you mobilize your organization to reduce the latency? Failing to do so – not examining how to reduce the time between receiving the information and analytics for making a decision and taking actions – risks jeopardizing your financial and operational performance.

Reducing this and other performance management-related risks in your organization is entirely up to you. In theory. In practice, though, are you really about to risk taking no action – to stand by and let your competitors gain further traction on your position in the market? Who is going to be held responsible for inaccurate decisions that relied on the disparate systems and silos of information? So the question really is not whether to proceed with unified performance management, but how to go about it. Unifying and streamlining performance management could help improve not only the management but also the operations and business performance of your organization. It's up to you.

About Ventana Research

Ventana Research is the leading benchmark research and advisory services firm. We provide expert guidance to help organizations manage and optimize performance – to become not only more efficient but more effective. Our unparalleled insights and best practices guidance are based on our rigorous, research-based benchmarking of people, processes, information and technology across business and IT functions worldwide. The combination we offer of benchmark research, thorough market coverage and in-depth knowledge of hundreds of technology providers means we can deliver business and technology education and expertise to our clients where and when you need them. Ventana Research provides the most comprehensive analyst coverage in the industry; more than 2.5 million business and IT professionals around the world benefit from Ventana Research's insights. To learn how our benchmark research and assessment and advisory services can improve your organization's performance, visit www.ventanaresearch.com.