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Business Intelligence Concepts, Tools, and Applications

Week 4: Business Performance Management Systems

Lesson 1: Business Performance Management

Business Performance Management

- Learning Objectives
  - Define the main BPM BPM components
  - List the four phases of the BPM cycle and the product categories that support each phase
  - Explain how organizations typically deploy BPM

Business Performance Management (BPM)

- BPM refers to processes and tools for measuring, monitoring, and managing business performance
- It is also known as
  - Corporate Performance Management (CPM by Gartner Group)
  - Enterprise Performance Management (EPM by Oracle)
  - Strategic Enterprise Management (SEM by SAP)

Components of BPM

- According to Colbert (2009), a BPM encompasses three key components.
  - A set of integrated and closed-loop processes for managing financial and operational activities
  - Tools for defining strategic goals and measuring performance against the goals
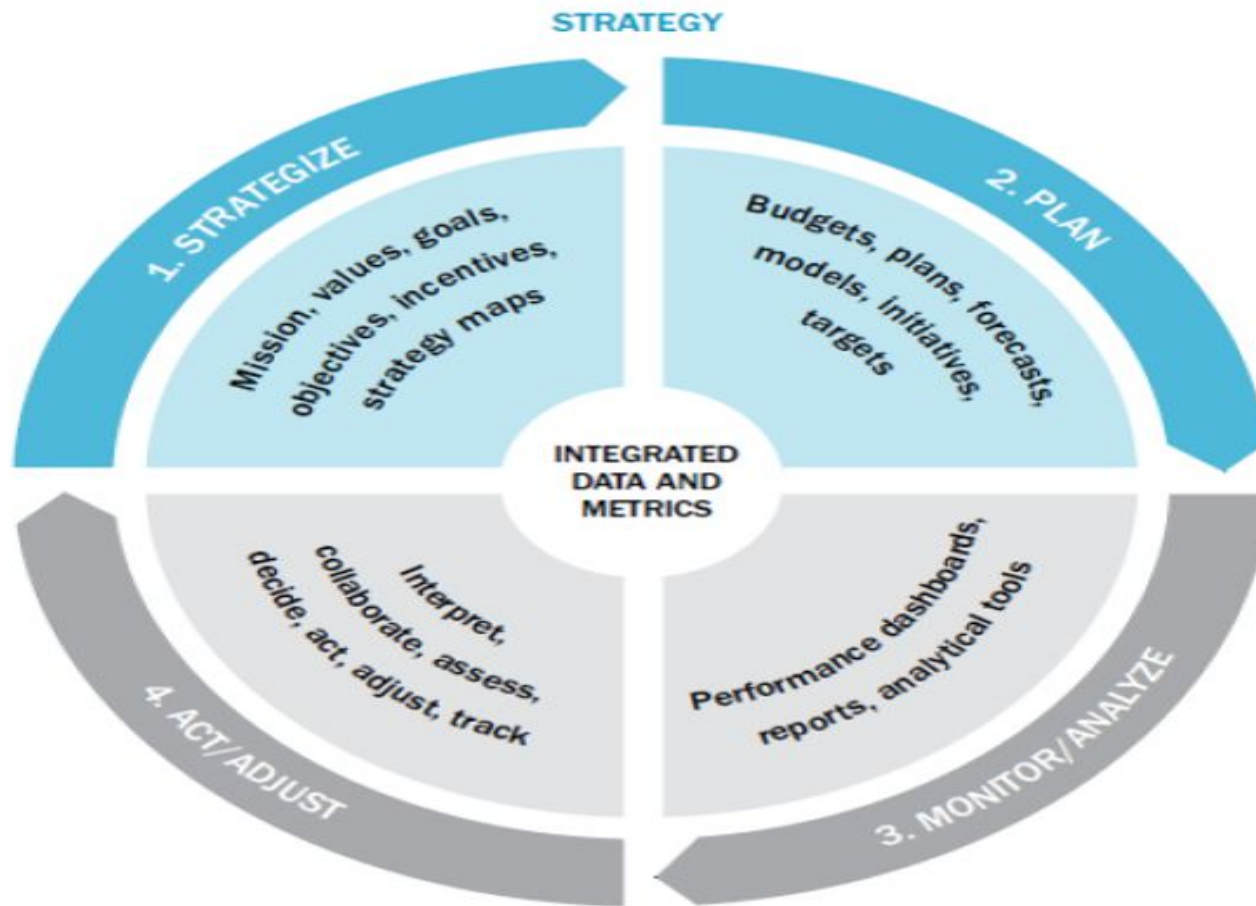 - Tools for monitoring set of key performance indicators (KPI) linked to organizational strategy

BPM Product Categories

According to Hagerty and Verma (2007) BPM can include the following product categories

- **Planning, budgeting, and forecasting (PBF)—**Contribution, aggregation, manipulation, and approval of the financial plan on a periodic or continual basis

- **Financial consolidations and reporting—Legal** and statutory consolidation systems along with more generalized financial statement generation capabilities

- **Financial analytics and dashboards** —Profitability applications, role-specific dashboards, metrics, and specific financial analytics for detailed financial processes

- **Financial governance, risk management, and compliance** (GRC)—Governance and control requirements that include national and/or international regulations, such as SOX or International Financial Reporting Standards (IFRS)

- **Scorecards and strategy** —Methodology-based scorecards (such as The Balanced Scorecard) and strategy management applications

BPM Cycle

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Strategize
Where do we want to Go?

Common tasks for the strategic planning process:

- Conduct a current situation analysis
- Determine the planning horizon
  Conduct an environment scan
- Identify critical success factors
- Complete a gap analysis
- Create a strategic vision
  Develop a business strategy
- Identify strategic objectives and goals

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Plan
How do we get there?

- Operational planning
  - **Operational plan:** plan that translates an organization's strategic objectives and goals into a set of well-defined tactics and initiatives, resources requirements, and expected results for some future time period (usually a year).

- Operational planning can be
  - Tactic-centric (operationally focused)
  - Budget-centric plan (financially focused)

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Monitor/Analyze
How we are doing

- A comprehensive framework for monitoring performance should address two key issues:
  - What to monitor?
    - Critical success factors
    - Strategic goals and targets
    - …
  - How to Monitor?
    - …

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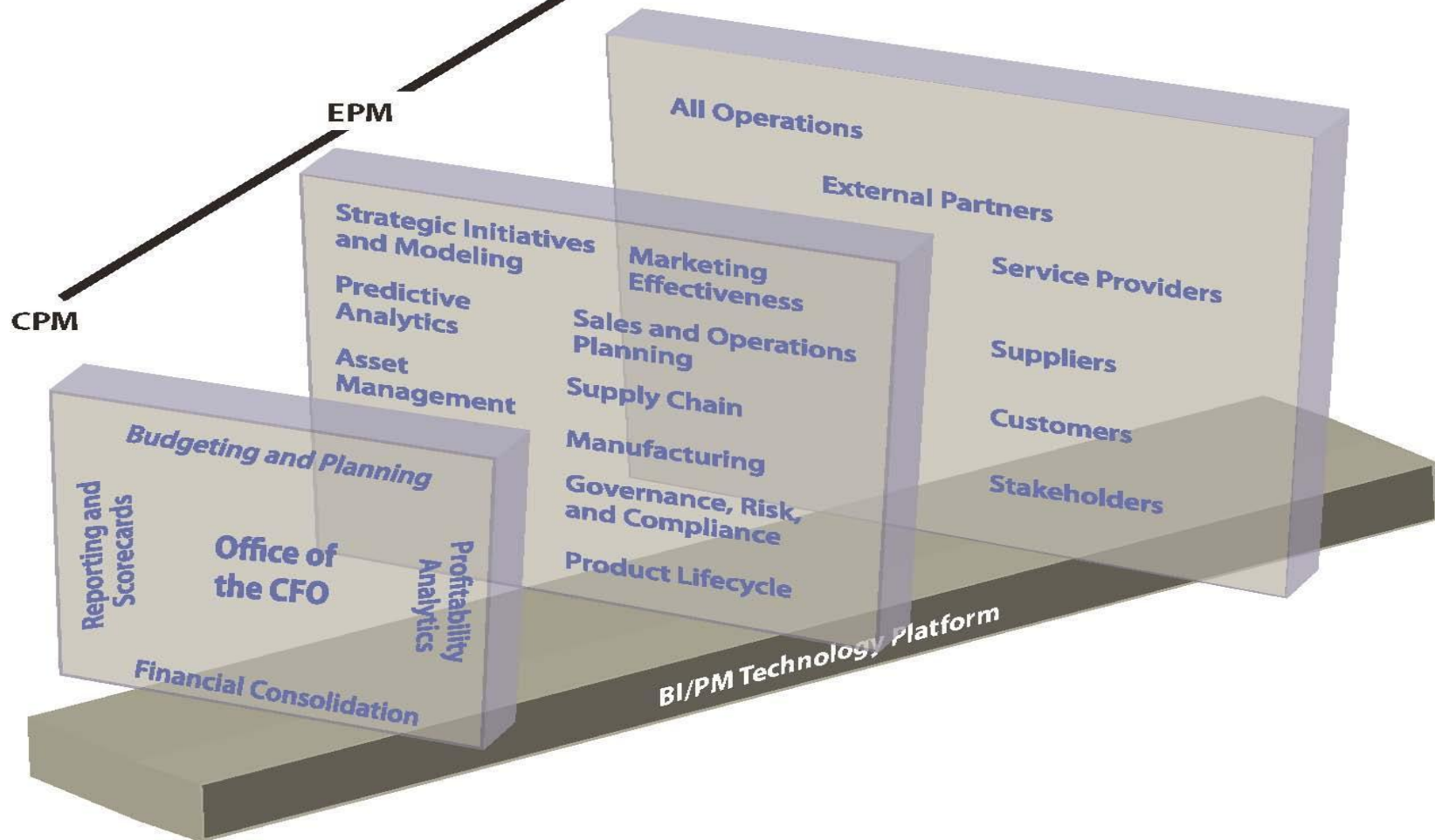
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Act and Adjust: What Do We Need to Do Differently

- Success (or mere survival) depends on new projects:
  - creating new products,
  - entering new markets,
  - acquiring new customers (or businesses), or
  - streamlining some process.
- Many new projects and ventures fail!

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The performance management continuum Pervasive PM

Adopted from Hagerty, J and Verma K. "CPM Market Landscape: Office of the CFO is Hot again". AMR Research Knowledge, and Performance Management, 2007 Technology and Vendor Landscape, Subset Market, Services Report.

Getting Started with BPM

- Organizations initially deploy BPM in one of three ways:
  - Functional Approach
  - Cross-Functional Approach
  - Big Bang" Enterprise Approach

Source TDWI www.dw-institute.com