

TDWI report series

March 2004

Best Practices in Business Performance Management: Business and Technical Strategies

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Drivers

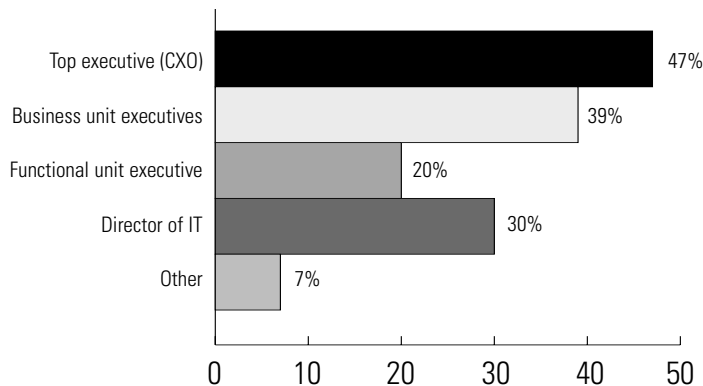


Illustration 12. A top executive is the most likely driver of a BPM solution. Percentages don't equal 100 percent because users could select more than one answer. Based on 360 respondents.

Strategic Value and Satisfaction

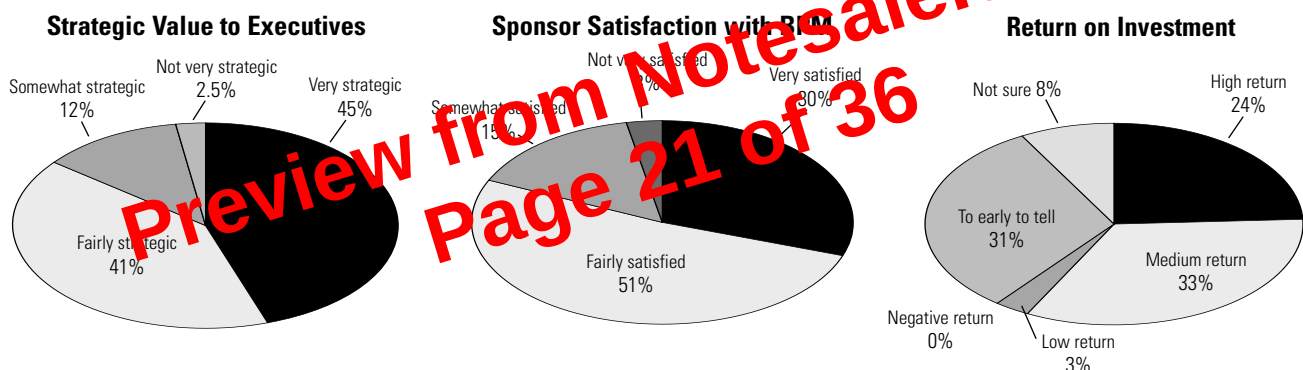


Illustration 13. Based on 360 respondents.

Getting Started with BPM

One of the biggest challenges with BPM is knowing where to start. Meg Dussault, director of product marketing at Cognos, says organizations initially deploy BPM in one of three ways:

- **“Big Bang” Enterprise Approach.** Here, the executive team implements strategic change throughout the enterprise in a top-down manner enabled by BPM and other software.
- **Cross-Functional Approach.** These projects are driven by enlightened financial and operational executives who want to optimize critical business processes that cut across functional areas, such as CRM initiatives that involve coordinating multiple “front office” and “back office” processes.
- **Functional Approach.** Here, a functional leader in human resources, administration, or another area implements BPM to enhance management control and improve performance rather than implement new strategies or initiatives.

How Effective Are Your KPIs at Changing Employee Performance?

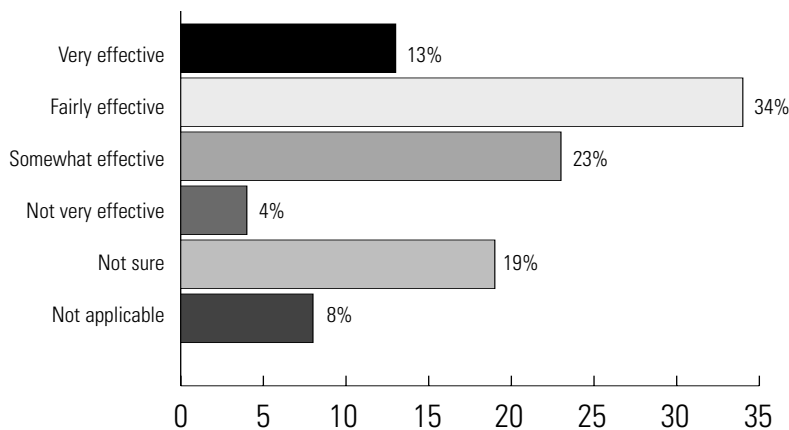


Illustration 17. Based on 360 respondents who have deployed a BPM solution.

it difficult for a retail store to prevent stock-outs of fast-moving items—a key performance measure for them. “We’ve seen our staff take unexpected action to boost a metric that turned out to undermine other measures,” Maddock says.

6. KPIs Empower Users

There is no sense monitoring performance if organizations don’t empower users to take action and incent them to fix problems. TDWI’s research shows that more than one-third of organizations (37 percent) with BPM solutions have restructured incentive systems to reinforce KPIs. In addition, almost two-thirds (65 percent) have redesigned business processes either before or after deploying a BPM solution to reinforce desired outcomes. (See illustrations 18 and 19.)

Most practitioners don’t recommend tying incentives to new KPIs. The KPIs need to be tested to ensure that the metrics won’t produce an unexpected backlash or unintended consequences. “We don’t want people to say, ‘I don’t believe in that goal or target,’” says HPS’ Summerhayes. “Only when we believe a metric is institutionalized enough at all levels of the organization will we begin working with human resources to tie compensation to it.”

Restructure Incentives and Processes to Empower the User

Wait before Tying Compensation to KPIs

Have You Restructured Incentive Systems to Reinforce KPIs?

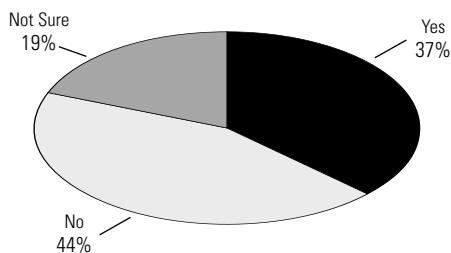


Illustration 18. Based on 360 respondents.

Did You Modify Business Processes?

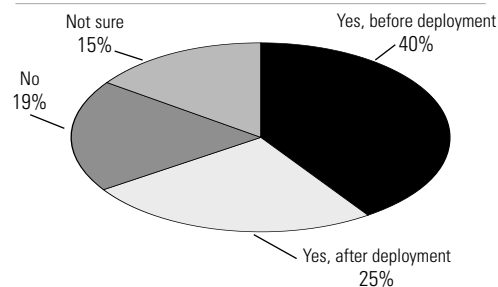


Illustration 19. Based on 360 respondents.

"BPM Exposes Hidden Data, and Forces Users to Share Data"

Senior executives also are the only ones who can change corporate culture that has rewarded information hoarding rather than information sharing. "The BPM puts data in the open that used to be hidden and this is not easy for many people," says Farrah Foroushani, project lead at New United Motor Manufacturing. "Senior executives need to play an active role to change the way people are thinking."

Delivery Formats. Delivering KPIs in a form that users can easily consume is also important. Most users respond positively to graphical dashboards or scorecards embedded in corporate portals and require little if any training in how to use them. But not all users can access the Web and some prefer other formats.

For example, field technicians at Direct Energy receive their scorecards in a paper format when they meet with managers every week. Officers at Toyota Motor Sales also prefer to receive scorecards in a paper format. "Some officers have been around for 20 or 30 years and that's what they're comfortable with. Some divisional officers are more apt to go online to receive their reports," says Mike Elsesser, national technology manager, at Toyota Motor Sales.

Drill to Detail. It is also critical to provide users with enough information to take action. The most common BPM analytical techniques are links to detailed reports and interactive charts (that also presumably link to detailed reports). More than half of BPM users today offer these capabilities and more than 90 percent plan to offer these within 12 months. Other critical functionality are alerts, continuous planning and budgeting, and links to individual transactions. (See illustration 26.)

Business Processes. Another key to driving usage is to ensure that BPM solutions support existing business processes and facilitate communication among users. Planning applications need to give users the opportunity to revise forecasts in response to market activity and reallocate resources to meet objectives. Scorecarding solutions need to give users the opportunity to comment on KPI values.

"We let users attach comments to any metric at any level so they can raise any issues they feel are important. We really want to engender communication around metrics," says HPS' Summerhayes.

Occasionally, organizations find it necessary to get rid of old reports and information sources before users are willing to adopt the BPM solution. "Most of our KPIs are widely adopted but some are competing with existing reports," says Foroushani. To address a similar problem, HPS shut down 16 various reporting systems, saving \$3.6 million in the process.

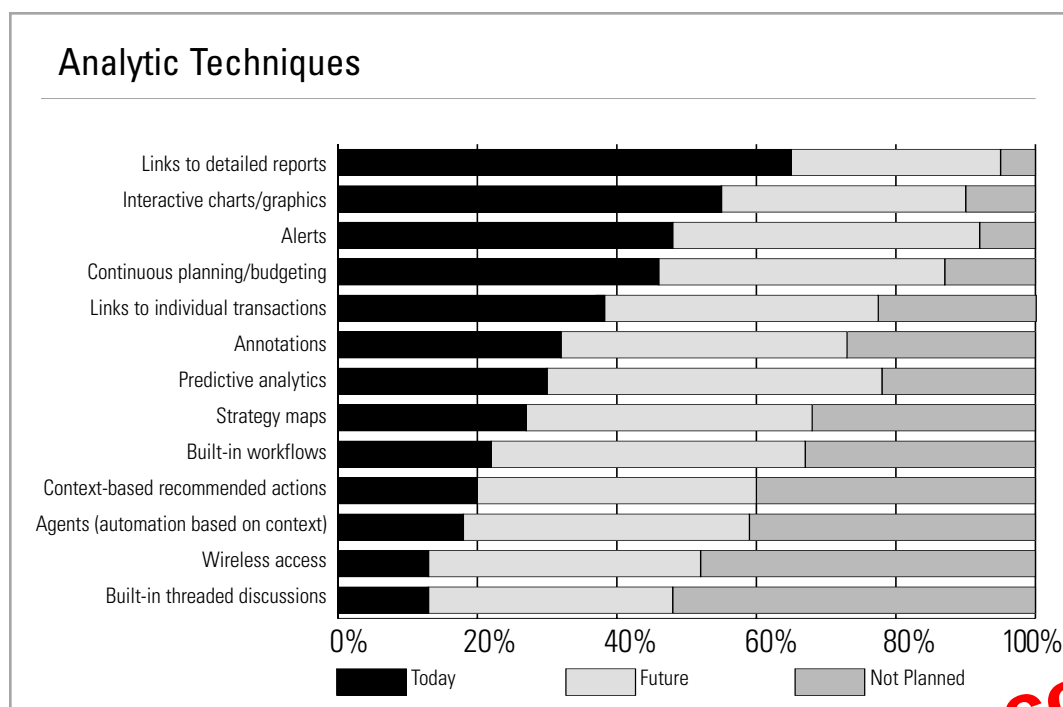


Illustration 26. The chart shows that BPM solutions support a range of analytic techniques. Based on 276 respondents.

Conclusion

BPM Delivers Competitive Advantage. Given the current economic climate, increased financial pressures, and the evolution of information technology, it's no surprise that BPM is gaining traction now. It provides organizations with a key competitive edge, helping them cement their new found efficiencies with greater organizational effectiveness.

BPM will succeed because it automates strategy execution and enables good management. Without strong management, organizations ultimately fail. BPM raises the bar for good management by applying information technology to the execution of business strategy. This will serve to separate leaders and laggards in every industry at an accelerated pace. The advent of new regulations, such as the Sarbanes-Oxley Act, will also hasten the implementation of BPM.

BPM as a Communications Vehicle. The most compelling element of BPM is that it provides executives at all levels a mechanism to communicate strategy, allocate resources, and proactively monitor their groups' progress towards meeting goals and objectives that they've set forth. BPM puts the corporate strategy in front of every worker on a daily basis in the form of performance metrics that are geared to the tasks, processes, projects, and resources for which they're responsible. Because the metrics are tied to operational data, workers and executives can take action to catch problems before they escalate out of control. BPM finally puts teeth into strategy.

Like any new information technology, challenges abound with BPM. But organizations that have tackled other information-based initiatives have already learned many of the lessons needed to succeed with BPM. The key is to gain top-level commitment and ensure that the business drives the initiative from start to finish. Without the business in control, the BPM initiative won't deliver the organizational and cultural changes needed for success.

**The Future of BPM
Belongs to BPM-Savvy
Organizations**

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