

Performance Management Isn't Only for Executives

Improving Operations and Sharing Strategy throughout the
Enterprise

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Value in Aligning Performance

Performance management is a strategy and a set of methodologies and processes for managing the performance of the organization and its business network; its purpose is to achieve a common set of goals and objectives. At its core, then, performance management is about aligning day-to-day processes and activities with organizational strategy. This makes it of obvious value to savvy executives and finance professionals: It communicates to all stakeholders an agreed-upon strategy and helps align the organization around it. It provides the framework for measuring results and taking corrective action when necessary. And it increases



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both visibility and predictability, two characteristics often lacking from management of the organization's performance.

Many performance management efforts begin with business intelligence (BI), but while BI is an important capability for measuring performance, it alone is insufficient. That's because most business intelligence processes are historically focused. In addition, business intelligence often focuses on individual processes while performance management aligns processes with strategy and goals.

It is important, however, to integrate BI applications and analytics with planning

and forecasting processes and applications. Doing so enables the establishment of key performance indicators (KPIs), which are components of performance management. Managing performance involves setting targets for those KPIs, creating metrics to track them and regularly measuring progress toward those targets. Balanced scorecards and strategy maps also are common tools for managing performance.

Beyond the Executive Suite

Since the performance to be managed is defined by an organization's strategy, performance management often is deployed to executives. However, extending its processes and techniques into the lines of business makes sense. There is value for a company in letting people know what they are working toward and how they are being measured and evaluated; confining performance management to the executive level deprives line employees of feedback and guidance that will enable them to contribute optimally to the organization's goals. Our Business Intelligence and Performance Management research shows there is interest in performance



management across 10 different lines of business functions where at least half had completed or planned performance management projects.

While the typical approach of enabling performance management from the top down makes sense in some situations, in other cases performance management can begin at the bottom, starting with a set of individual KPIs that are developed with an awareness of the higher-level organizational strategy. Once developed at one level or in one business unit, the performance management framework, processes and technology are transferable across the organization.

The tools used for performance management matter. Fewer than half (42%) of the participants in our benchmark research on Business Intelligence and Performance Management reported being satisfied with their performance management efforts. In order to support performance management effectively in the lines of business, evaluate any existing processes and tools. If a variety of tools are found, consider reducing their number and standardizing those that remain. In any case, move away from spreadsheets for performance management as they can introduce errors and inaccuracies and cause significant delays. Instead, choose tools designed to support performance management that are easy to use and reliable and will provide the robust infrastructure and manageability, adaptability and reliability required of enterprise IT initiatives.



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Defining the right types of metrics is essential. Develop rich performance measures such as utilization rates rather than simple aggregates such as total hours. Effective measures are often expressed as ratios such as units produced in a given time period or cases successfully resolved out of all cases handled. Consider also KPIs for process efficiency, compliance, risk management, governance and sustainability; all these elements are increasingly important to enterprise strategies.

The structure of each KPI should include a measure and the associated target for the metric expressed as a range. In evaluating and reporting on KPIs, the range will help users

understand not only if the value is “acceptable” but whether it is closer to the low end or the high end of the range, and thus where their performance fits on the scale of excellence. The reporting of KPIs also should indicate the trend vs. prior periods. If a KPI is at the low end of “acceptable” and is trending downward over time, it could be a cause for concern even though it is good enough at the



moment. Strategy maps, another essential element of performance management, provide context to these KPIs. They help users understand which metrics support which organizational objectives and the relationships among KPIs. But note that strategy maps work best when they're periodically revalidated to ensure that they are in fact focused properly.

Organizations can derive the most value from performance management by applying it broadly. Identify a champion to promote it to the lines of business to encourage broad adoption, which will maximize the value to the organization. Equipped with the proper KPIs and tools to help construct, manage and report on KPIs, all parts of the organization can understand their performance continuously and how it aligns with the overall strategy.

While performance management often finds a home in the executive suite and the finance department, don't restrict your deployments to those functions. Use the information in this research perspective to help your organization understand and apply performance management across the entire enterprise.

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