

Successful Enterprises Use Performance Management

The Right Software Enhances Understanding





Introduction

For the past decade, companies have invested in performance management systems in the belief that setting objectives and measuring performance against them will make a difference in how well an organization performs.

Our research confirms that setting quantified targets, measuring results and rewarding performance does correlate highly with business success. Software designed for performance management thus can support better management of processes, sustain higher-quality data and provide deeper insights than general-purpose tools.

Based on research involving more than 10,000 businesses worldwide over the past decade, this e-book has been written as a supporting asset for those who seek to justify, bolster or make an investment in performance management systems that support decision-making and deliver visibility into outcomes and risk companywide.

Research sources cited in this e-book are listed on page 14 and are available for purchase.

Performance Management Supports Success

Companies that use performance management are more successful than those that don't.

Businesses have adopted performance management systems to collect, monitor, analyze and report information in the belief, borne out by both experience and our research, that setting quantifiable objectives and measuring results against those objectives will improve performance. Finance departments use performance management systems to sharpen budgeting and forecasting, while business units responsible for planning use them to create plans, set objectives, measure performance, mitigate risk and stay in compliance.



Requirements for Success



To be successful, performance management requires a measurement culture from senior executives on down and the appropriate information technology to support it.

Performance management is a dynamic undertaking. Markets change quickly, so the business must be able to adapt both objectives and their measurements. It also must be able to easily integrate disparate enterprise data to ensure accuracy and consistency.

Top-tier performance management software will include a robust set of self-service capabilities such as:

- scorecards
- dashboards
- analytics
- reporting

The best performance management suites also provide the ability to integrate strategic and long-range planning with budgeting functions. They use automation and workflows to speed processes and support governance. They utilize advanced techniques such as in-memory computing to provide faster answers and predictive analytics to enable more informed decision-making. They support mobility and self-service, so the system is available to anyone, anytime and anywhere.

Takeaway: Successful performance management relies on robust technology and a measurement culture built on consistently timely and accurate data.

Make Data Accurate, Consistent, Timely...

... and accessible. Benchmark research conducted by Ventana Research consistently correlates data quality with an enterprise's performance.

Accuracy, consistency, timeliness and accessibility – the components of data quality – are best addressed by having a single integrated dataset. This can be in the form of a data warehouse or a central data hub where all enterprise data is collected.

Effective performance management nearly always requires both operational and financial data from multiple enterprise systems. Having immediate access to such a broad set of data can improve an array of processes that boost company performance. An integrated set of enterprise data makes possible accurate, consistent, timely and accessible information. This is important because according to the research, 60% of midsize and larger companies integrate six or more systems and 26% integrate more than 20.



Takeaway: Performance management systems must be able to bring together data from multiple sources accurately and consistently in a timely manner.

Process Automation Increases Effectiveness

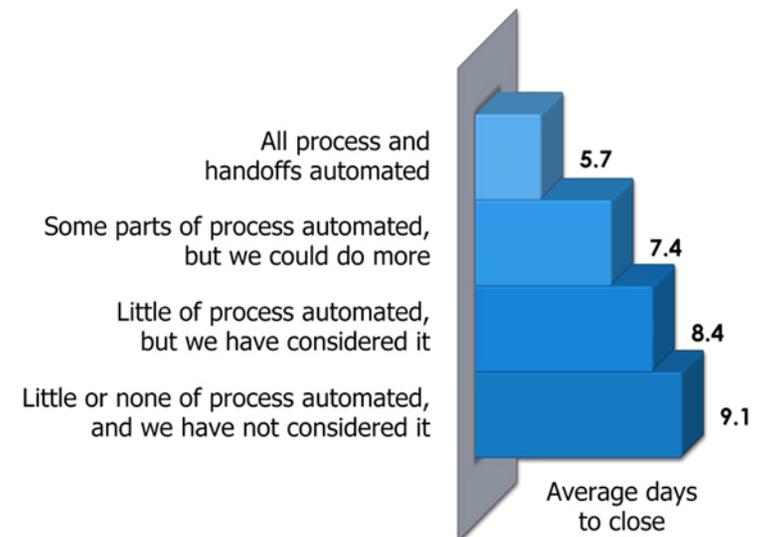
Business software that automates repetitive functions provides a tremendous advantage. Beyond the obvious benefit of time savings through efficiency, there is a human factor:

Automating rote tasks frees highly skilled professionals to create value by focusing on those tasks that require judgment and analysis.

As an example, switching budgeting from using labor-intensive spreadsheets to a dedicated application frees analysts to do what they're trained to do: create models and analyze them.

Automation speeds processes as well. Ventana Research has found that by fully automating the financial close process, companies on average can save two full days over those that have automated little or none of it.

Automation Speeds the Financial Close



Takeaway: Automation saves time and frees that time for higher-value opportunities.

Workflows Enhance Performance



Workflows improve results by delivering consistent processes, smoother execution and better control.

Standardization

Using workflows, organizations can standardize roles, responsibilities, rules and routings to ensure that tasks are performed in a consistent manner and that collaboration is guided by rules and processes governing handoffs.

Visibility

Workflows make it easier to administer processes because those in charge can monitor the status of every step while automated reminders and alerts keep everyone on schedule.



Governance

Workflows provide stronger governance by ensuring that reviews and approvals take place before the task is complete.

Takeaway: Workflows simplify administration and ensure compliance to improve performance.

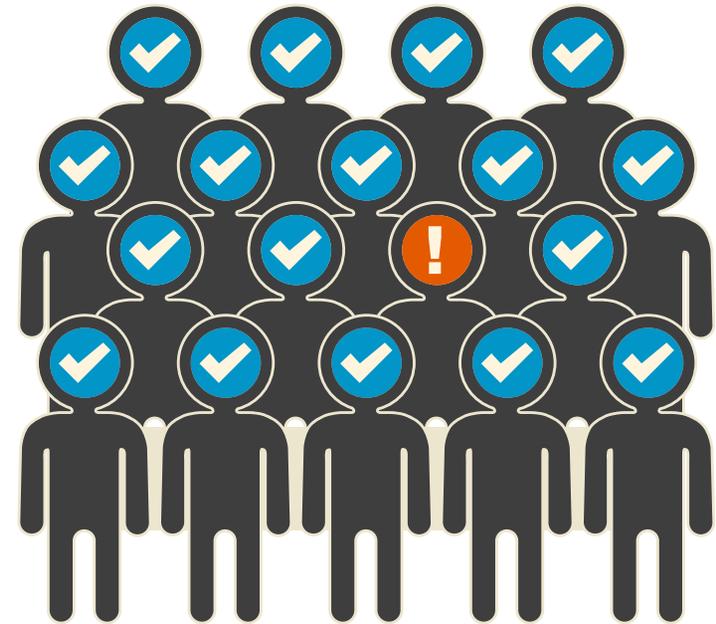
Systems Enable Management by Exception

Performance management systems are designed to streamline administration.

They automate reporting and alerts, enabling executives and managers to focus on exceptions that require their attention.

Performance management systems make organizations more responsive because everyone automatically receives the information he or she needs. Well-designed systems provide automated alerts when attention is required and make it possible to drill into the data to discover the underlying causes of the issue.

Advanced methods such as predictive analytics can be used to monitor business trends and provide alerts when conditions predict that results are likely to turn out differently than expected.



Takeaway: Performance management systems streamline processes and help companies become more responsive and adaptable to change.

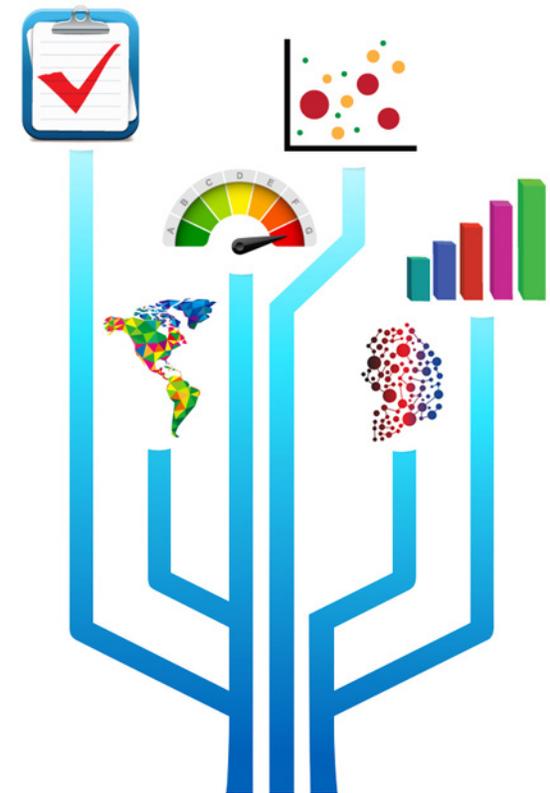
An Integrated Financial PM Suite is Essential

An integrated system that brings together planning, budgeting, forecasting, analysis, financial consolidation, reporting, scorecards and dashboards for the entire company is more efficient than having to make separate products work together.

When these applications are connected to a single integrated technology platform that has a single data source that doesn't require data to be moved, everyone shares the same information. This makes it easier for executives to monitor the most up-to-date results and quickly drill down to identify the sources of variances. Moreover, the data needed for consolidating, closing and preparing financial statements is consistent and in one place, so speed and accuracy improve.

Having forecasts from one business unit easily available for another also improves the precision and relevance of the planning processes.

Research shows that 8 out of 10 participants view the ability to immediately link all of their company's financial and business plans as important or very important for improving its performance.



T**akeaway:** Integrated platforms and applications deliver efficiency and accuracy. Businesses that have them recognize their value.

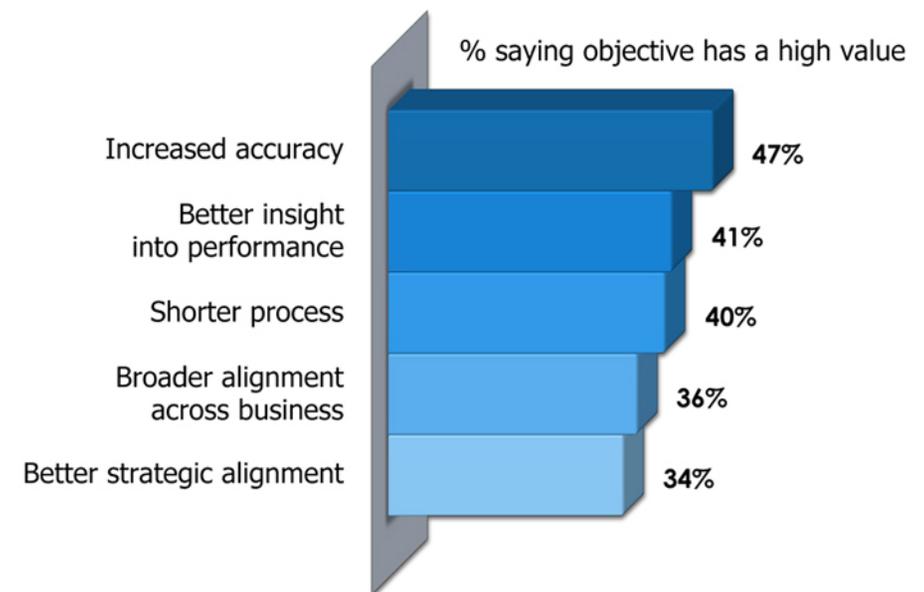
Connect Strategic Planning & Budgeting

Research conducted by Ventana Research shows that about 50% of companies have a system that enables them to integrate strategic and long-term planning with operational and budgeting processes.

These processes are almost always performed at different intervals by different sets of people, but there's value in having them connected. Integrating long- and short-term plans makes companies more agile.

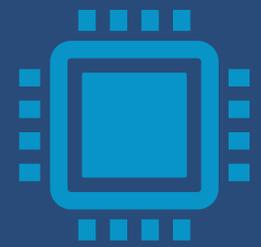
Benchmark research by Ventana Research shows that **two-thirds of companies that can fully or mostly integrate their plans can react immediately or soon enough when business conditions change.** In contrast, just 22% of those whose plans are only somewhat integrated or not integrated at all can react as quickly.

Top Reasons to Change the Planning Process



Takeaway: Integrating strategic planning with budgeting makes organizations more responsive to change.

The Right Technology is Essential

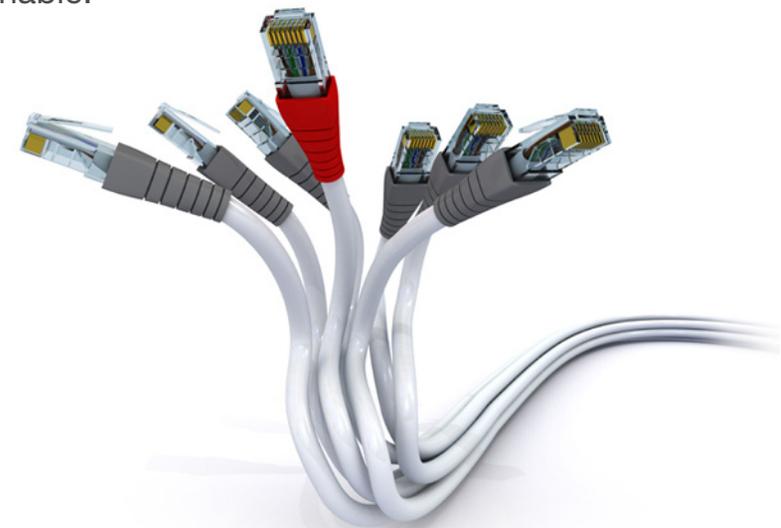


Technology is essential for making performance management work. It automates the necessary monitoring, measuring, analytical and communications processes. Predictive analytics and in-memory computing have made performance management more dynamic and actionable.

Companies that accurately measure and reward performance do better in terms of productivity, profitability and growth.

Companies looking to update or install performance management software should consider the value of using an integrated suite. This can be a more practical approach because it eliminates the chaos of multiple applications and disjointed spreadsheets. They should consider cloud-based systems to facilitate rapid implementation and their ability to integrate systems across diverse geographies.

And they should consider how the right technology choice can help expand while limiting the need to add overhead.



Takeaway: You need both the right data environment and the right software to make performance management practical.

Build a Strong Foundation



The right technology foundation is essential for an effective, flexible and adaptive performance management system.

Our research consistently confirms that there is a strong correlation between data accessibility and the quality of results from performance management and analytic software.

- Look for a system that can immediately access real-time and in-context information from a single, integrated source rather than from scattered set of applications and data stores.
- A strong IT foundation is scalable – designed to grow as your business expands in size, scope and location.
- Mobility is essential to be competitive. A corporation's IT systems must enable access to company systems, information and analytics at any time from anywhere.
- Cloud-enabled systems offer advantages in supporting dispersed users and offer better scalability to rapidly growing companies.



Takeaway: The right IT platform facilitates effective performance management and analytics.

Repeated research by Ventana Research confirms that companies that have invested in performance management systems are being rewarded through better performance. The companies that have done best are those in which the efforts have the support of top management, that have a culture that believes in measurement and that have chosen to use an integrated system connecting planning, budgeting, forecasting, financial consolidation, reporting, scorecards and dashboards.

Having an integrated set of accurate and consistent data and platform to support performance management applications including analytics and compliance tools promotes trust in the numbers, thereby fostering the measurement culture needed for effective performance management.

This e-book cites research from the following reports, which are available for purchase from Ventana Research at www.ventanaresearch.com.

Ventana Research Benchmark Research Report, *Long-Range Planning: Steps to Develop a More Effective Process*, 2013

Sponsored by

Ventana Research Benchmark Research Report, *Trends in Developing the Fast, Clean Close: Refining Financial Processes and Systems for Best Execution*, 2012

Ventana Research Benchmark Research Report, *The Evolution of Information Management: Trends, Technologies and User Requirements*, 2012

Ventana Research Benchmark Research Report, *Trends in Integrated Business Planning: Using Technology and Information to Create a More Effective Process*, 2012



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