



Driving Business Performance with Performance Management

Driving Business Performance with Performance Management— A Microsoft White Paper

Guy Weismantel, Microsoft Corporation
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Executive Summary

Today's cutthroat business environment demands an active approach to dealing with the most pressing business challenges. But with the proliferation of information and endless sources to access that information, it can be harder than ever to make the right business decision. To meet that challenge, a discipline within the business intelligence market, called performance management, has emerged to help employees throughout the organization manage, analyze, and apply this information to help drive business results.

But significant obstacles often stand in the way of achieving the promise of performance management. These challenges can include: untimely and untrusted data, not getting the information in time or in the right format, and the inability to analyze the information to determine the best course of action to take.

By taking a more forward-looking view of the operations of the business, employees at all levels of the organization are able to access, analyze, and share information more seamlessly. Ultimately, this empowers individuals, allows teams to collaborate and share data, and it aligns the entire organization so everyone is working towards achieving the same goals.

In this whitepaper, we'll examine the key components of successful performance management solutions, focus on the pitfalls of undertaking these initiatives, and outline how Microsoft can help you and your team overcome these challenges and drive business performance.

The Issue Today

Most managers and executives in today's corporations would probably not be surprised at the results of a recent Balanced Scorecard Collaborative survey, which indicated that an overwhelming majority, 95% of a typical workforce, does not understand its organization's strategy. In addition, the survey uncovered other alarming realities: 90% of the organizations surveyed fail to execute their strategies successfully and 86% of the organizations surveyed spend less than one hour per month even discussing strategy (1).

These are examples of fundamental reasons why there is often such a disconnect between what an organization is trying to accomplish, and what the employees think they can accomplish. Essentially individuals lack access to key information that would better align these efforts and help all parties make better business decisions.

To address these shortcomings, employees at all levels of the organization are increasingly turning to performance management applications. The hope is that these solutions will help them take a more forward-looking view into their operations and that they will be empowered to take action to address challenges. But often times, asking someone within the organization to define the term "performance management" can be akin to asking someone to define "art." The typical answer, in both cases, is "I know it when I see it."

To give us a common starting point, let's define performance management as the combination of your employees throughout the organization, the key processes used by these employees to run the business, and finally, the applications used by individuals to execute and optimize business strategy and operations.

Let's dig into this a bit further. We want to determine how these three elements come into play and how they come together to help your employees get the information they need to be better connected to the key strategies that drive your businesses forward.

Your People

First, it starts with your people. It's your employees, or the people throughout our organization to whom you want to connect to your strategy. (The Balanced Scorecard Collaborative indicates most of us are not doing this today). Empowering information workers and employees throughout the organization with trusted information that allows more local decision making is often the driving factor in a successful performance management initiative. And when you have local decision making, this often increases both the relevancy of the decision making, as well as the immediacy of the decision making. This combination is the key element in achieving the benefits of performance management today.

Business Processes

Next, your key business processes. Processes are a central component to driving business performance. Now while every company has their own way of doing things, or ways in which their industry works, the basis of achieving the goals of performance management lies in an organization's ability to map their "way" or process of doing things correctly into the performance management system. There's a "way" to communicate strategy throughout your organization, and there's a "way" to ensure that an individual's goals are aligned with the goals of the company. Ensuring these "ways" are repeatable, sustainable, and well defined is a key component of a performance management project.

Applications Used

Lastly, it's important to define the technology, or the applications used by individuals, and how these applications are integrated with daily business processes. Technology forms the wrapper of all performance management projects. While you must include both your people and your processes in the equation, the technology that empowers people, teams, and entire organizations forms the core of what drives business performance today. And that's where the power of performance management solutions from Microsoft comes into play.

Our integrated and complete technology and applications allow you to get a full view of your company's operations, providing key insights and information that will give you a competitive edge in the marketplace.

The Three Key Performance Management Challenges

In working with business leaders across all disciplines-- finance professionals, sales managers, operations and IT directors--we find that there are three main challenges in using information effectively and tying it together with your company's strategy.

Trusting Your Data

The first is the challenge of gathering all the information you need into one place so that it can be used to make a decision. The best looking dashboard, the most impressive graphics or reports—none of it matters if you don't trust the data in front of you. When you query project managers as to the reason why performance management and business intelligence projects fail, one of the main reasons is that users don't feel that the solution integrates all the information they need to make a business decision. Thus, the cornerstone of successful performance management is to ensure you have a solid data management and integration strategy.

And today, the number of data sources used to make a business decisions are not decreasing—in fact they are proliferating inside and outside your organization. Whereas before the challenge was accessing data, or paying for access, or having the bandwidth to access the data, today the challenge is just the opposite. It's everywhere. And much of it is not controlled by you. Of course, the information in the ERP system and company databases is controllable. But there are so many more information sources available to your employees today than just the structured ones in your IT infrastructure. Blogs, wiki's, an endless number of websites and search results—these are all data sources that drive key business decisions throughout your organization today.

So how do you make sense of each one of these disparate pieces of information? This is where business intelligence and performance management comes into play. The essence of business intelligence, or BI as it's commonly called, exists to help you make sense of the many data sources both within your organization, as well as those outside the organization, to help you make the right decisions to impact the organization.

Delivering the Information

Next, you need to be able to access, analyze, and share information throughout the organization. This is commonly accomplished through a process called "information delivery." It sounds fancy, but it really isn't. Information delivery can take the form of a report out of your financial or ERP system, a dashboard built on an Excel spreadsheet, or a table built off an Access database. Anything that helps portray specific information about your business operations can be tagged as part of the "information delivery" mechanism within an organization.

But just having this information doesn't ultimately help you make a better business decision, or help you tie these decisions into the company strategy. At the end of the day, the information has to be "actionable" — that is, you have to be able to use the information to change something in your organization to actually see any results. We see two ways of doing this — and this is where performance management projects drive an incredible return on investment for organizations today. There are several characteristics of "actionable" information.

First, it must be in the right format for you to use it. It seems like quite a simple concept, but in many cases, business intelligence and performance management vendors produce static, hard to use information that requires you to change the way you work and access data. Our view is that the data should fit into how you already work today. This increases the data's usability. In some cases, just seeing a number on a report, or a trend line in a dashboard is enough—you see the data, and continue on your day. But in other cases, you want to know more—the "why" questions as we call them: "Why are sales trending downward?" "Why is our DSO down by 10 days this quarter?" "Why do we always have out-of-stocks for this particular product?" The "why" questions often require a wholly different type of interaction with the information.

Often times, it's the analysts in your organization who want to see the information in the report, but they also need the ability to interact with data and ask questions about it. And if the reports you're producing do not provide enough detail as to the underlying trends or reasons behind the data, they will not be used. The ability to go beyond just a report is a key feature of business intelligence, and it is a hallmark of Microsoft's offering.

Next, for information to be actionable, it must be timely. This means that you are able to locate and deliver the information before it's too late—and in time to make the right decision

and execute on the company strategy. And in today's BI and performance management environments, a person wants that data earlier and earlier, faster and faster. There is a strong shift in requirements for data moving toward real-time access. Even daily and weekly data updates are in many cases no longer acceptable to most enterprises.

Lastly, for information to be actionable, it needs to come in the right format in order to be used. Back in the day of the "green bar" reports, and "green screen" computer terminals, information came in one format, and everyone had to comply with this, change our processes, and change the way we operated since the information was so limited and controlled. Boy, how times have changed!

The cornerstone of the Microsoft performance management solution for our customers is our ability to provide timely, integrated data in the format that best fits the user's need; so employees, teams, and entire organizations can easily get into details and understand where they are, where they're going and where they've come from.

Analyzing Information—Linking Performance to Strategy

By now, business intelligence and performance management dashboards have become commonplace in most applications, even in consumer technology like the Xbox 360. From this gaming console, users can see a dashboard that details scores, overall performance, and rankings for a game. It seems that dashboards are everywhere!

But back in the business world, dashboards are often the portal through which business managers at all levels of the organization can tie goals and objectives to strategy and direction. But don't be fooled by what you see in the fancy graphics and innovative new visualization tools that let you know if you're on track to achieve your goals. Often times these great looking dashboards gloss over the big black cloud in the middle—the "why" questions—"Why is this metric off target?" "Why is this other metric way above target?"

Being able to answer these questions provides the link to strategic alignment from the executive level to the line level in a closed-loop process, and answering those questions requires people to be able to get down into details. You need to understand owners, the root cause and whether you're talking about compliance or you're talking about the ability to have a strategic approach to driving a core set of metrics and managing key business drivers. The Bottom line? You absolutely need to have trust in your data.

Strategy becomes actionable at the point in time it is connected to the actual plan, whether it's a sales plan, and operational plan, or the financial plan or budget. So if everyone's clear about what the strategy is and what the activities look like to accomplish those goals, they can mapped back to strategic investments, to budgets and to shareholders. And whether that means looking at the strategic plan and asking "What does my capital expense look like?", or "What does the departmental forecast look like and how do I measure it in a scorecard?" The ability to ask and answer these questions in a closed loop process provides the type of transparency you need to make those metrics actionable and transparent across the whole of the organization.

Increasingly, organizational leaders are looking at the key drivers of the bottom line and operational excellence, as they look to understand how these drivers impact profitability. For many high performing organizations, using analytics provides a business and operational focus in a pre-built environment that allows them to turn information into action and tie it back into the strategy. No longer "driving out of the rear view mirror," these organizations are now able to understand the key drivers of their financial and operational activities.

The Microsoft Performance Management Solution

Leading companies working with Microsoft today use performance management in order to better align to and execute on their strategic objectives. By enabling employees, teams, and entire organizations to monitor, analyze, and plan, customers can provide a consistent tie to their corporate strategy and take advantage of better decisions. Let's take a closer look at how this is accomplished through Microsoft performance management solutions.

While some technology vendors rely on a multitude of products, and user interfaces to accomplish the objectives of a performance management project, Microsoft delivers the key capabilities needed by business users today with one product—Microsoft Office PerformancePoint Server 2007.

Monitor the Things That Matter

Built on the industry leading technology from Microsoft in SQL Server and Microsoft Office SharePoint Server, Office PerformancePoint Server 2007 includes the ability to utilize scorecards and metrics, conduct analysis to any level within the organization, and develop plans, budgets, and forecasts that cascade throughout the entire company. From supporting formalized scorecarding methodology, such as the Balanced Scorecard from the Balanced Scorecard Collaborative, to assessing budgets vs. actual results through cascading KPI's, PerformancePoint Server's one constant is that it allows users to drill into deeper levels of detail and get the information they need to make a better business decision.

We all know that the data you want to roll up doesn't all end up in the same place. One of the key capabilities of PerformancePoint Server is the ability to bring disparate data sources together. Whether it's structured or unstructured data, PerformancePoint Server combines it into what your users see as a unified picture. For instance, you may have actual numbers coming from a SQL Server database, but you may store targets in an Excel file; one of the things PerformancePoint Server provides is the ability to display those two separate figures seamlessly together as one key performance indicator, or KPI, in a scorecard.

PerformancePoint Server brings in capabilities that tie together strategy with action, such as a critical component of a performance management project, like strategy maps. Strategy maps make it easy for everyone to see performance for the metrics they are responsible for, but while also making it easy to understand how those metrics contribute to higher levels of objectives and performance across the organization.

Turn Hunches into Insight with Analysis

But as we've seen, providing a user with the ability to monitor performance is not enough. One of the key activities in performance management projects involves providing context and analysis that empowers employees to turn a hunch, a thought, or a guess, into actual insight.

PerformancePoint Server provides the contextual information and views that help users analyze the hunches they have so that they can make sound decisions about how to take action. That analysis can range from viewing reports and charts, to drilling down on graphics and dials in a dashboard. The product includes the capabilities to analyze information throughout the organizational hierarchy—to drill up, down, even sideways where you can pivot from analyzing product information to geographical information with the click of a button.

Align Goals and Objectives with Plans and Budgets

Planning is a business process that often times has the most impact on driving business performance. From the strategic plan, to the operating budget and the forecast, to

management reports and consolidations, PerformancePoint Server 2007 provides the capability to consolidate multiple sources of information, including financial and non-financial data, needed to make critical business decisions. By mirroring the Microsoft Excel environment, PerformancePoint Server users have a familiar interface which reduces training costs, and immediately increases usage and adoption of the product.

Conclusion

Improving business performance is no easy task. And ensuring that your employees are able to link your strategy to execution requires a comprehensive plan and an end-to-end technology approach.

There are three main challenges in using information effectively and ensuring this information is tied to your organization's strategy. The first is to gather all the information you need in one place—information that exists within the four walls of your company, as well as the information that resides outside of your organization.

Next, you need to be able to access, analyze, and share that information across your organization, in the right format, in the right timeframe for people to use, and in a way that fits their current processes. This could be information delivery through a report, through a graph, or through a dashboard.

But just having access to information isn't enough. The information has to be "actionable" — you have to change something in your organization to actually see any results. We accomplish this at Microsoft by delivering a fully integrated performance management solution that allows users throughout the organization to monitor, analyze, and plan their key activities and ensure the work being done by can be easily traced and fully aligned to the corporate strategy and objectives.

References

1. Balanced Scorecard Collaborative Study on Executive Strategy Management

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