

A BPM Partners eBook



Performance Management:
The Next Generation
The Official Guide

November 2017

© 2017 BPM Partners, Inc. All material contained in this document remains the property of BPM Partners and cannot be published or duplicated without the express written consent of BPM Partners, Inc.

Table of Contents

| | |
|--|----|
| Introduction | 3 |
| Performance Management: The Next Generation Explained | 4 |
| Comprehensive | 4 |
| Connected..... | 8 |
| Collaborative..... | 11 |
| Cloud-based..... | 13 |
| Specific Next-Generation Capabilities | 17 |
| Vendor Certifications..... | 18 |
| BPM Partners 'Next Generation Ready' Certified Vendors | 19 |
| Additional Next Generation Resources..... | 19 |
| About BPM Partners | 19 |

Introduction

Business performance management systems (often abbreviated as BPM or EPM or CPM systems) have been utilized by companies of all sizes and across all industries since at least the early 1980s. These systems have achieved high levels of success and customer satisfaction. Today they are no longer the province of pioneers and early adopters, but have moved into the mainstream of key business systems alongside general ledgers and ERP systems. Performance management, far from remaining static, has evolved over the years to both address changing business requirements and take advantage of the latest advances in technology. A number of recent changes have come together to significantly expand the reach and capabilities of these systems, laying the foundation for the Next Generation of Performance Management.

The over-arching definition and purpose of performance management has not changed:

Business Performance Management enables an organization to plan, monitor, and execute on its strategy.

- ❖ BPM is a set of integrated, closed-loop management and analytic processes, supported by technology, that address financial as well as operational activities.
- ❖ BPM is an enabler for businesses in defining strategic goals, and then measuring and managing performance against those goals.
- ❖ Core BPM processes include financial and operational planning, consolidation and reporting, modeling, analysis, and monitoring of key performance indicators (KPIs) linked to organizational strategy.

The Next Generation of Performance Management essentially builds on what has gone before to expand the breadth, depth and overall reach and impact of these systems:

The next generation of performance management solutions supports initiatives that are **company-wide** and **inclusive** of everyone who can contribute or benefit from performance data that enables the successful execution of **strategic, financial, and operational** plans. The terms that best describe the next generation of solutions are comprehensive, connected, collaborative, and cloud-based.

The potential impact of next-generation performance management? Enterprises that are more strategically aligned, with streamlined and collaborative processes that reduce errors and deliver "one version of the truth", executives with a more holistic view of the business, Finance and operations working together, and a company-wide performance culture that ultimately should lead to an improved bottom line.

Performance Management: The Next Generation Explained

The next generation of performance management will be comprehensive, connected, collaborative, and cloud-based. Let's examine the features and benefits of each of these elements of the next generation.

Comprehensive

Being more comprehensive is really the key factor in the next generation of BPM systems, and it drives the need for the other aspects. A comprehensive performance management system goes beyond Finance and provides a holistic view of the entire company. Executive management can get a better understanding of the real impact of decisions as they ripple through the organization.

Likewise, users outside of Finance can begin to understand how the results of their actions flow up to corporate. Most importantly, personnel company-wide can now input and retrieve information related to their performance. The benefits of this approach are many. As users closer

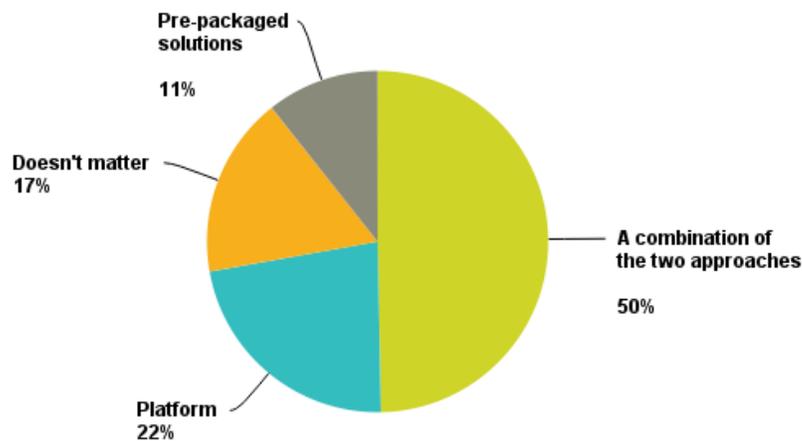


to the front lines participate and supply data, the accuracy of forecasts should increase. They can also view how their performance compares to their plans and take corrective action if appropriate. Not to be overlooked: the greater ownership and accountability this approach fosters. Collecting and disseminating performance data company-wide is the first and most important step to creating a true performance culture.

What is required to make performance management systems more comprehensive? It comes down to the ability to access, analyze, and act on a broader set of information, specifically operational data. The system will have to access additional source systems. Users in departments throughout the company will have to do their part by adopting and using the performance management system. To help ensure buy-in the system must include specific functionality to provide benefits to these departments. The best way to get employees to join in and use a new system is to build in ease of use, along with capabilities that were not previously available.

Since it is unlikely that a single, monolithic software solution can meet the requirements of all departments and functions throughout the company, a new approach was indicated. Most, but not all vendors have moved to a model where they offer a core packaged solution combined with a marketplace of downloadable specialized apps (*see Figure 1*).

Some vendors position their product as a platform with a marketplace of solutions/apps while others offer more traditional pre-packaged solutions. Which approach do you prefer?



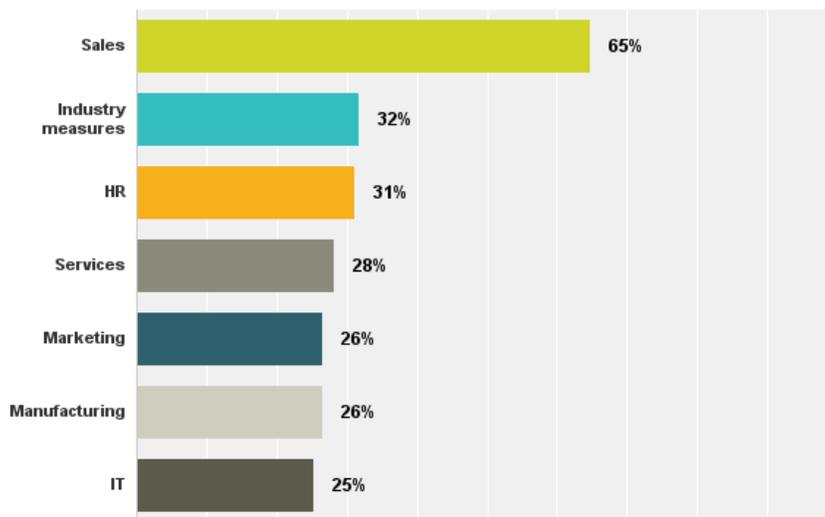
Source: BPM Partners 2017 BPM Pulse Survey

Figure 1. The desire for platforms combined with a robust foundation.

As next-generation systems move into new departments and expand the types of user needs they address, even within Finance, vendors must find a way to quickly and easily deliver new targeted solutions. A platform approach with downloadable solutions or apps could accomplish this. BPM Pulse Survey respondents take that a step further and seek a combination approach. This translates into the preference for a robust, pre-packaged core solution that serves as the foundation for a library of specialized applications. Most vendors that seek to deliver next-generation solutions employ this model.

As these more comprehensive performance management systems outgrow the confines of Finance, where do they head next? The focus tends to be on areas of greatest potential return, or those which have unique challenges that aren't being addressed. These company-wide systems don't expand from Finance to "everywhere" on day one. They usually take a phased approach. One particular function stands out as most likely to be addressed first as organizations move beyond Finance; *see Figure 2.*

Which areas are you focused on for operational analysis (select all that apply or None)



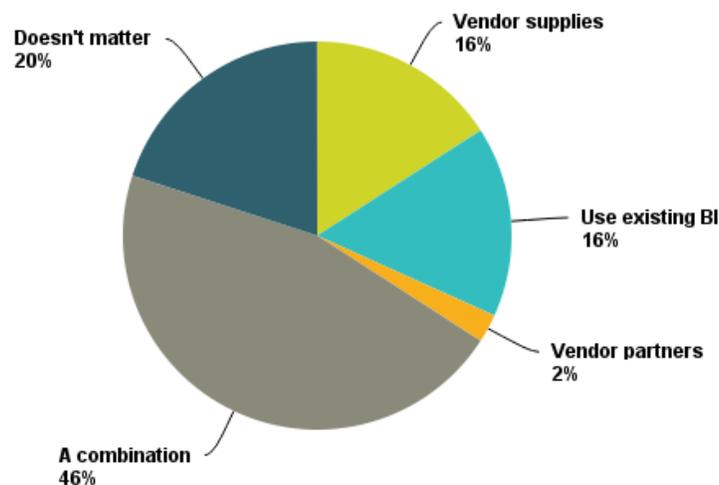
Source: BPM Partners 2017 BPM Pulse Survey

Figure 2. Sales is the initial focus for operational analysis.

Sales is the first department for organizations to focus on as they move beyond Finance. The reasons are obvious. The Sales numbers are already a key part of the performance management system and expanding the level of detail is a logical progression. Additionally, any improvement in either Sales results or forecast accuracy can have a major impact on the company's bottom line. Each company is likely to see a different mix of operational areas as high priority, based on where performance management can help improve revenues or reduce expenses. Of course, areas where it is painful to get accurate data and a true read of current performance will also be targeted.

The expansion of performance management beyond Finance and into operational areas requires more powerful analysis and modeling capabilities. Many vendors offer specialized apps for key operational areas such as Sales Performance Management for Sales, but some areas have yet to be served by available solutions. This creates a role for user-friendly tools that facilitate the creation of custom analytic solutions. The increased data volumes resulting from this company-wide expansion lead to the need for enhanced data visualization capabilities to highlight potentially important trends and deviations. As a result, performance management systems should be integrated with third-party business intelligence (BI) solutions, or provide their own BI capabilities. The market's preferred approach to delivering BI capabilities is illustrated in *Figure 3*.

For business intelligence (BI) and related analytics/data visualization which approach do you prefer?



Source: BPM Partners 2017 BPM Pulse Survey

Figure 3. Flexibility in terms of BI approaches is preferred.

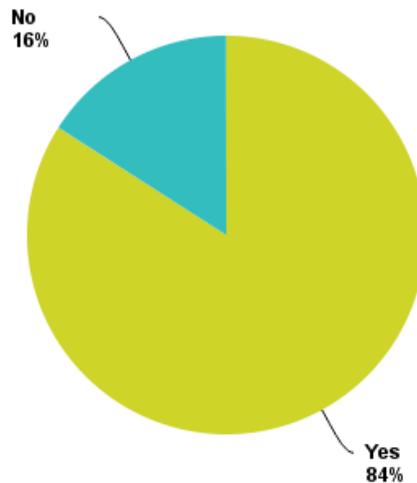
As the graphic above indicates, the largest group would prefer a combination of BI approaches. More specifically, organizations or departments that have standardized on a third-party BI solution would like to see it supported by the core performance management system. Other companies or groups, that do not already have a BI solution in place, would like a performance management solution that provides its own basic analysis and data visualization capabilities. As the next generation expands into more operational areas, these analytical tools will become even more important.

Connected

As performance management reaches more users in more departments, the number of systems it will need to connect with will grow as well. While most vendors have pre-built links to the most popular financial systems, the wide range of operational systems in some industries makes it less likely that the vendors can provide all the necessary links out of the box. As a fallback, it is important for vendors of next-generation BPM to offer robust extract, transform, and load (ETL) utilities that are also easy to use. The frequency of data transfers in operational areas may vary considerably from that of Finance. Some operational data may need to be updated daily on a near-real time basis. Connectivity with the Microsoft Office suite is equally important outside of Finance. Many departments have been using a collection of spreadsheets for information tracking and analysis, as well as reporting, in lieu of having an actual system. Next-generation solutions must have relatively seamless, robust, connectivity with a wide range of transactional systems and Microsoft Office. The specific connectivity needs are examined in *Figures 4 and 5*.



Are spreadsheets still used to supplement the core system?

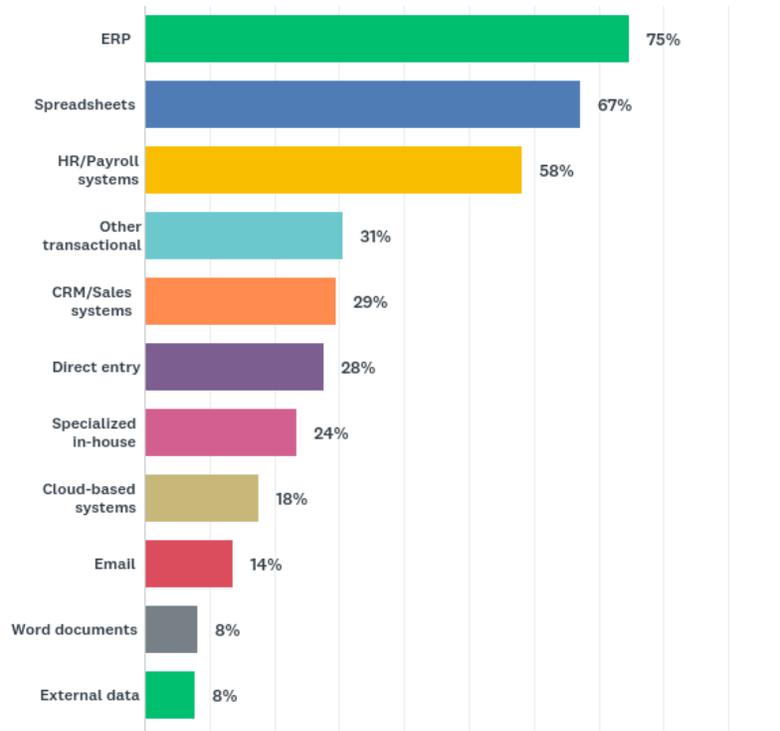


Source: BPM Partners 2017 BPM Pulse Survey

Figure 4. Spreadsheets aren't going away.

The performance management vendor mantra used to be “throw away your spreadsheets”. Over time they learned that was not what users wanted to hear and changed their message to “we can help you leverage your investment in spreadsheets”. It’s fortunate that vendors got the message because, as the graph above indicates, over 80% of users of performance management systems still want to keep their spreadsheets. Whether it’s simply due to the familiarity and comfort of working in a spreadsheet environment, or the fact that certain data or models only exist in those spreadsheets, users will not give them up any time soon. That is one reason it is critical for next-generation solutions to be tightly integrated with the Microsoft Office suite as these systems move into new departments and more users are brought on board. Many of those departments and users have been relying on spreadsheets for some aspects of their own data tracking as well as analysis and reporting.

Where does the data that you are reporting on come from (in addition to the data created in your performance management system if you have one)? (select all that apply)



Source: BPM Partners 2017 BPM Pulse Survey

Figure 5. Connectivity with a wide range of data sources is needed.

It's not just spreadsheets that performance management systems need to connect to. There are many operational data sources that are transactional in nature that performance management systems will need regular updates from. In the Finance area it has been general ledger and ERP systems that provide the actuals data that is utilized to evaluate performance. As performance management expands beyond Finance there are a range of source systems that need to be connected to provide actuals data. Unlike the typical monthly updates from the Finance source systems, these operational systems may need to provide updates on a more frequent basis, and perhaps even in a near real-time mode. Next generation solutions will need to make it easy to connect to a growing list of source systems, while also allowing for a more frequent data update process and potentially the related storage of weekly or daily information.

Collaborative

The ability to easily collaborate is a key requirement for the next generation of performance management systems. With an increased number of users and more departments involved in performance management, vendors must provide tools to



facilitate collaboration. Collaboration itself can take many forms. It could be as simple as being able to share a file securely and selectively within the system, or as complex as a threaded discussion around a particular performance result. Being able to view the plans of other departments as you prepare your own is a necessary part of the collaboration process as well. Users should be able to supply commentary – for a particular value or

entire schedule submission – that can then be viewed as the data flows upstream. This is another element of sharing of knowledge and data. For collaboration to be truly useful, the right people must receive the right information at the right time. Two other elements are also key to support collaboration: workflow and ease of use.

Built-in workflow functionality contributes to ease of use by pointing people in the right direction, but it also manages the steps and related statuses for key processes. Without a capable workflow engine it would be difficult, for example, to manage the submission process for an annual plan. In a comprehensive next-generation system, the number of users can grow from under one hundred in a typical Finance focused system, to hundreds or thousands. Without the ability to easily monitor the submission status of a large number of users and then take appropriate action, the process could easily go off track. At a more detailed level, the plan itself needs to be routed to the appropriate manager for review and approval. Once approved, it is important that the original contributors can no longer modify their submission. Workflow has always been an important component of performance management, but with next-generation systems it becomes critical.

This brings us back to ease of use. To be successful and properly used, next-generation systems require exceptional ease of use. Today there is wide variability in perceived ease of use for the leading performance management solutions as illustrated in *Figure 6*.

Rate your satisfaction with your vendor for 'ease of use' on a 1 to 5 scale (5 is best):



Source: BPM Partners 2017 BPM Pulse Survey

Figure 6. Customer ease of use ratings vary significantly from vendor to vendor.

Each column above represents a different vendor's ease of use rating. While most companies recognize that ease of use is crucial for system adoption and growth, their assumptions about vendors' ability to meet this need are not based on facts. One group believes all modern systems must be easy to use, especially after viewing a polished demonstration. Another group, usually those companies looking to migrate from existing legacy systems, has low expectations for ease of use based on their past experience. The ease of use scores for performance management products cover a wide range. Therefore it is important to utilize objective ratings such as those from the BPM Pulse Survey when evaluating a vendor's true ease of use. These ratings are especially meaningful when looking for a next-generation system that can only deliver on its full potential when it is embraced and adopted company-wide.

Cloud-based

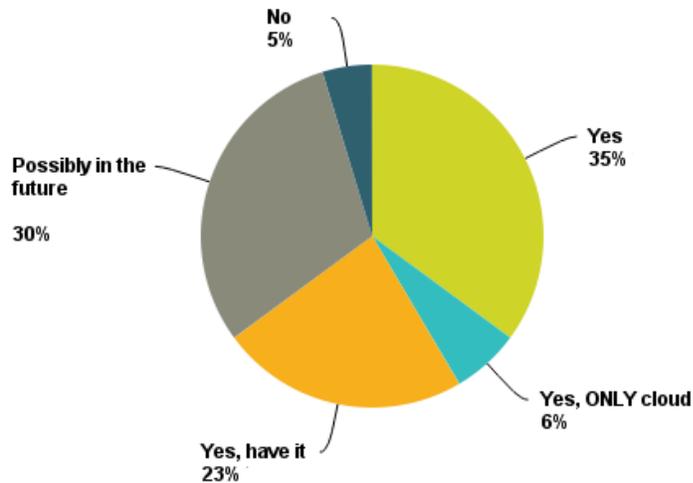
Without using the cloud as their delivery platform, next-generation solutions could not easily reach all the relevant users across a company. There would also probably be fewer companies moving forward with performance management itself. Cloud-based solutions can be easily accessed by any authorized user from any location and from almost any device. While this benefits traveling executives, it is also essential when trying to involve employees who are spread throughout a company's global network of offices, plants, and field sites. The additional users and operational data that next-generation solutions support could potentially create scalability challenges. At some point, additional processing power or storage could be required. For legacy on-premises solutions, this would require the involvement of IT to purchase and install additional hardware. This could be a disincentive to expanding the use and related benefits of performance management systems. With cloud-based systems, the vendor typically handles the burden of monitoring usage and providing the required processing power and storage. This more seamless process allows for the natural growth of your system usage.



When examining the collaboration requirement of next-generation solutions we focused on the need for ease of use. Cloud-based solutions enhance ease of use in several ways. The most obvious way is the reduced reliance on IT for system installation and upgrades. While you still must abide by IT requirements and protocols, there is no software to install and the vendor manages the upgrade process according to user preferences. This reduced IT demand enables more companies that otherwise would be IT resource-constrained to move ahead with performance management. From an ease of use perspective these systems are designed for Finance self-sufficiency when it comes to administration and management of the solution. For the average end user cloud-based systems are viewed as easier to use than their predecessors as well. Most of these next generation cloud-based solutions come with a modern, clean and intuitive interface. The vendors aren't burdened with the baggage of legacy system vendors that have to support multiple prior versions and/or maintain interface familiarity to appease the members of their customer base that are reluctant to upgrade to the latest version. Also, with everyone on the same version, cloud vendors can provide support more efficiently.

With Finance self-sufficiency, general ease of use, access from any device and any location, scalability, and pricing models that offer a lower-cost of entry the cloud is really the only viable delivery platform for the next generation of performance management solutions. This aligns with the market momentum and growing preference for cloud-based performance management (*see Figures 7-9.*).

Would your organization consider a cloud-based solution for performance management (sometimes referred to as software as a service/SaaS, on demand, hosted)?

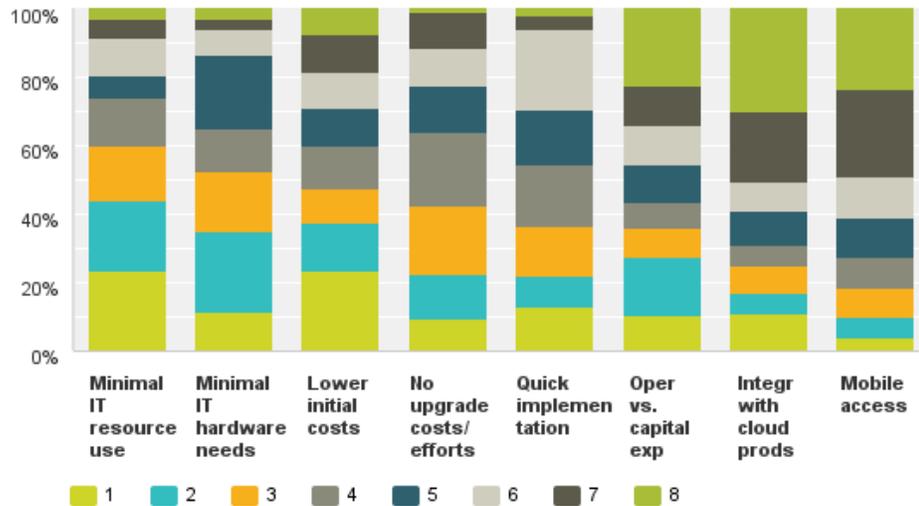


Source: BPM Partners 2017 BPM Pulse Survey

Figure 7. Cloud-based solutions are being considered by the majority.

Just a few years ago, many companies were hesitant to include cloud-based solutions in their evaluation process. The tide has now turned. Cloud-based solutions are included in the majority of performance management vendor evaluation projects today and in most cases they are the preferred choice. Of the remaining holdouts, a significant subset say their company's reluctance to consider cloud might fade over time. Only a small fraction remain actively opposed to cloud-based performance management. As next-generation systems become the norm, the demand for on-premise solutions will decrease.

Rank these cloud benefits in order of importance with 1 being the most important:

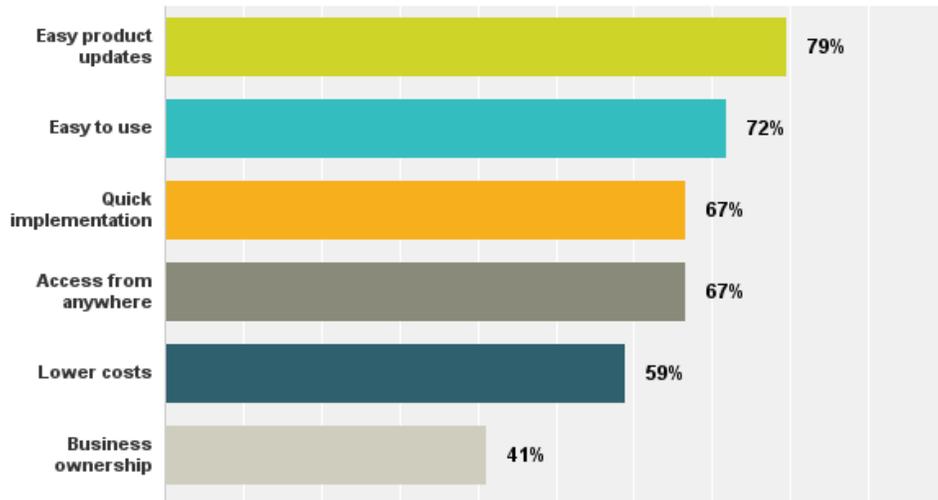


Source: BPM Partners 2017 BPM Pulse Survey

Figure 8. Reduced demand for IT resources is seen as key benefit of cloud solutions.

Prospective purchasers of cloud-based performance management see the reduced demand for IT (both resources and hardware) as one of the most important benefits. Not far behind are lower initial costs, which are primarily due to reduced hardware and consulting requirements, as well as subscription pricing. Ease of upgrading rounded out the top half of identified benefits. Reduced reliance on IT benefits both overall performance management adoption and the company-wide rollout of next-generation solutions.

What benefits have you received from your cloud-based performance management system? (select all that apply)



Source: BPM Partners 2017 BPM Pulse Survey

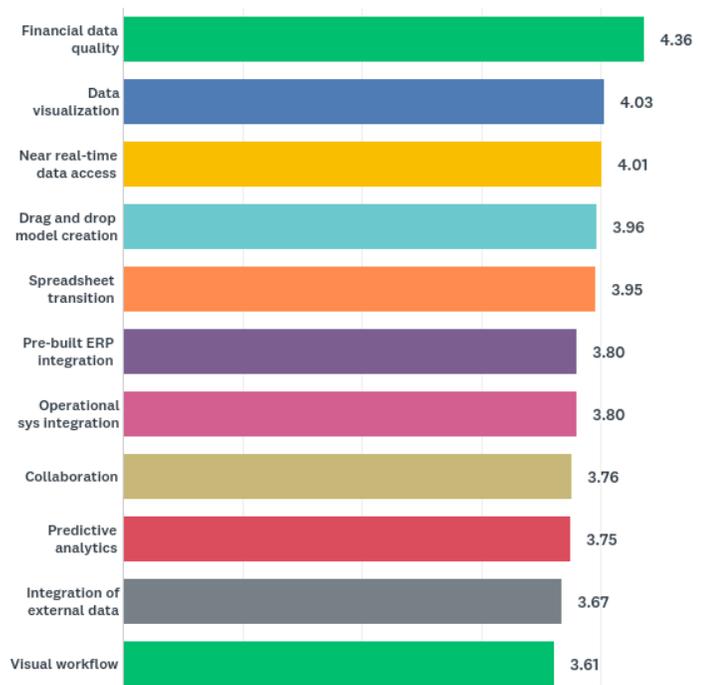
Figure 9. Cloud-solution owners value the ease of use and updating.

Owners of cloud-based performance management are most pleased with the ease of use and the easy upgrade process. The quick implementation is also noted, because it reduces both the consulting costs as well as the overall time to payback. End users also appreciate the ability to access the system from anywhere. They find the overall costs to be lower than comparable on-premise offerings. All of these concrete, proven benefits are vitally important to the success of the next generation of performance management. The ease of use, business ownership, lower costs, and easy access of cloud-based solutions greatly reduce the barriers to rolling out next-generation systems to all appropriate users across the company.

Specific Next-Generation Capabilities

While we have reviewed the major components of the next generation of performance management at a high level, it is important to note that users have requested specific features which are included as part of next-generation solutions. Let's briefly examine some of those and their ties to the next generation in *Figure 10*.

Rate the importance of each of these tools/capabilities to performance management (5 is most important)



Source: BPM Partners 2017 BPM Pulse Survey

Figure 10. Next-generation solutions incorporate specific market-requested capabilities.

Prospective and existing users have identified a list of important capabilities that they would like to see in their performance management systems. Next-generation solutions meet most of these needs today and will most likely address all of them over time. Financial data quality, near-real time access, pre-built ERP integration, operational systems integration, spreadsheet transition, and integration of external data are all integral to a connected solution. Data visualization, predictive analytics, and drag and drop model creation are key features that belong in comprehensive solutions. Visual workflow and collaboration, highlighted specifically, are also essential elements. The cloud, which has been covered separately, is of course the remaining key element.

Vendor Certifications

Most organizations embarking on a new (or replacement) performance management initiative today want to make sure that their technology purchase will support their needs for many years to come. Even if they are not ready to take full advantage of all the features a next-generation solution offers, they want to know that those features will be there when they need them. To help organizations find solutions that can meet their current needs as well as be ready for tomorrow’s requirements, BPM Partners has established the Performance Management Next Generation Ready certification program. A set of consistent criteria is used to evaluate vendors against their abilities to provide the next-generation capabilities outlined in this eBook. Vendors that meet the criteria are provided with a certification badge they can display on their website and in other marketing materials. An up-to-date listing of certified vendors is also maintained on the BPM Partners website. There is no cost to vendors to have their products certified.

| Next Generation Requirement | Vendor Measurement |
|-----------------------------|--|
| Comprehensive | Solution needs to demonstrate ability to address needs beyond Finance by offering at least two of the following: operational modeling, operational analytics, advanced analytics, data visualization and business intelligence, platform with library or marketplace app solution delivery model. BPM Partners evaluates the product for these capabilities. |
| Connected | Vendor needs to provide tight integration with Microsoft Office components and offer pre-built connectors for key financial and operational source systems. BPM Partners evaluates the product for these capabilities. |
| Collaborative | Product needs to offer collaboration tools, workflow, and be easy to use. BPM Partners evaluates product for workflow and collaboration capabilities. Ease of use is determined by achieving a BPM Pulse ease of use customer satisfaction rating of 4.0 or better out of 5 (or the equivalent from a recognized independent research study). |
| Cloud-based | 50% or more of current sales must be for their cloud version. This number is provided to BPM Partners by vendor management and validated by field experience. |

BPM Partners ‘Next Generation Ready’ Certified Vendors

Vendors displaying this badge offer performance management solutions that are comprehensive, connected, collaborative, and cloud-based as confirmed by their adherence to the criteria specified in this eBook. As a certified vendor, they are an appropriate choice for any organization looking to evaluate leading solutions that can meet market requirements today and be ready to meet expanded needs tomorrow. Keep in mind that certification does not guarantee that the vendor is the best fit for your specific business requirements, only that they offer the capabilities required of a next-generation solution. The most up-to-date listing of all certified vendors can be found [here](#).



Additional Next Generation Resources

BPM Partners makes its expert knowledge, research, and methodology for performance management vendor selection and deployment available through the following offerings:

- [First Hour Free Consultation](#) to set you on the path to successfully choosing the right next generation solution for your unique business requirements
- [BPM Pulse Research Study Results](#) to benchmark your requirements and plans
- [Vendor Landscape Matrix Research Report](#) to help develop your vendor shortlist
- [Fixed-Fee Vendor Selection and Deployment Services](#) to ensure a rapid, risk-free and cost-effective performance management project

All of these resources can also be accessed here: <http://www.bpmpartners.com>

About BPM Partners

BPM Partners is the leading independent authority on business performance management (BPM) and related business intelligence solutions. The company helps organizations address their budgeting, planning, financial reporting, regulatory compliance, profitability optimization, key performance indicator (KPI) development, and operational performance challenges with vendor-neutral experts who can guide companies through their BPM initiatives from start to finish while both reducing risk and minimizing costs. For further details, go to <http://www.bpmpartners.com>. Follow BPM Partners on Twitter [@BPMTeam](#).