

Butler Group ▶
a **Datamonitor** Company



Business Intelligence

Corporate Performance Management

April 2009

SECTION 1: Management Summary

► 1.1 MANAGEMENT SUMMARY

CATALYST

Corporate Performance Management (CPM) has been born out of the need to proactively manage performance for business optimisation. CPM can play an important role in controlling costs, optimising resources, and ensuring that business units are adding value. Business Intelligence (BI) has a crucial part to play in performance management, by presenting information in a timely and easily consumed fashion, and in providing the ability to reason and understand the meaning behind performance information through discovery, analysis, and ad hoc querying.

KEY FINDINGS

- BI deployments are driven by competitive pressures, rapidly changing market conditions, regulatory requirements, and the need for better risk management.
- The notion of performance management has become increasingly connected to the BI market of late.
- CPM is first and foremost a business initiative which requires an inclusive approach that encourages broad participation and adoption across the enterprise.
- BI and CPM solutions should offer flexibility to enable a best of breed approach towards deployment.
- Ease of use and other end-user considerations are of paramount importance when considering Performance Management solutions.
- Data quality and integration is still a major issue for BI and CPM, as most enterprise applications still have their own, siloed view of corporate data.
- The integration of Enterprise Search technology into BI platforms extends the reach and range of existing investments across the enterprise.
- Mashups are a natural adjunct to the BI world, as are widgets and gadgets.
- Effective collaborative Business Intelligence is the key to achieving and sustaining competitive advantage.
- Software as a Service will offer hesitant organisations a relatively low-risk path to Performance Management.

ANALYSIS

Introduction

Butler Group last published a Report on Corporate Performance Management (CPM) in June 2004. At the time, CPM was seen as providing a new approach to business control and planning. Although much has happened since, the primary role of CPM and the basic sentiments expressed then remain unchanged. However, in the intervening years competitive, operational, and regulatory pressures on organisations have increased, technology has moved on, the CPM market has grown and consolidated, and options for deployment of software have increased.

Since 2004, the notion of performance management has become more closely connected to the BI market and it continues to have a number of different guises. Depending on the vendor slant, Enterprise Performance Management, Business Performance Management, and Business Performance Software may be the term of choice. We will use Corporate Performance Management (CPM) or just simply Performance Management (PM) in this Report, to distinguish this software segment from other unrelated areas.

The basic tenet of CPM is that BI products and solutions can be extended to incorporate budgeting, planning, and monitoring, in order to provide a holistic view of company performance across operational activities and departments – establishing a link between strategy and associated performance metrics. At a high level, CPM also helps to overcome some of the issues regarding the scope or understanding of BI, which is frequently misinterpreted: ask people what they understand by BI and they will typically respond with “reports, queries, and analysis”, when there is far more than this needed for ‘businesses’ to operate with greater ‘intelligence’. Although BI accurately describes what the technology is trying to achieve, the term’s legacy frequently restricts its use to relate to these basic fundamentals. CPM, rather than just focusing on creating reports, handling queries, and carrying out analysis, offers what BI has always promised. It enables organisations to measure and monitor performance across the business, but it also links this into business cycles and strategies that govern their overall direction.

Business Issues

CPM recognises that whilst the so-called ‘enterprise’ applications can help organisations improve inherent processing and workflow capabilities, they offer little with regard to increasing enterprise-wide efficiency. This is the source of the frustration and disappointment that has accompanied many Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) application deployments. The days of analysing data and information from these operational silos are over as, without exception, organisations need to aggregate information across different departments and business functions. Thus, the remit for intelligence tools and technologies has grown, and this demand is being increasingly addressed through CPM.

CPM refers to the use of proactive management interventions to optimise overall financial performance, based on the ability to track key performance indicators over time and predictively model the impact of significant business events and alternative courses of action. Clearly this is a somewhat ambitious goal, but several of the leading BI vendors, including IBM, Oracle, and SAP, offer solutions intended to help organisations move in this direction.

The ability of organisations to answer the most basic of questions about their performance depends on collation, integration, and analysis of corporate data. The larger and more distributed the organisation, the more complex this challenge becomes, so much so that, for example, a significant percentage of businesses would struggle to correctly quantify the number of suppliers they have, let alone ascertain which were the most profitable or reliable. Similarly, when it comes to performance measurements, businesses typically struggle to reach a single ‘version of the truth’. These are the symptoms of a growing epidemic. The reality is that most organisations have significant cultural, process, and technology issues when it comes to information handling and reporting. These issues have been persisting for a long time, but the combination of regulatory compliance and the drive for increased process and performance visibility means that action is now unavoidable.

Conceptually, CPM is relatively straightforward; at the highest level it delivers a series of metrics that allow the organisation to achieve an accurate and balanced view of performance. It recognises that the various elements of the business will need subtly different interpretations of performance, based on their specific goals and targets, which will blend internal and external views, and financial and non-financial (operational) measures.

However, this conceptual simplicity belies the complexity that is required to successfully support a CPM solution over time. In order to be effective, CPM solutions have to be driven by the overall corporate strategy. Whilst this strategy may not change from day to day, the solution has to be suitably adaptive to react to changes in the market and business landscape in order that the organisation can minimise threats and maximise opportunities. Too many IT investments have the effect of ‘straightjacketing’ the organisation: CPM’s challenge is to deliver business flexibility without sacrificing control.

CPM is not going to take all of the organisation’s problems away. However, the disciplines that are required to properly implement and use CPM will enforce positive change within the business, particularly with regard to getting consistent business definitions and a shared understanding of the relevant business processes.

Technology Issues

Technology forms an important part of any CPM programme. Many organisations have tried to implement their CPM strategies using only documents and spreadsheets, but found that they needed a purpose-built tool to automate CPM processes. CPM technology typically offers functionality to support elements of budgeting, planning, monitoring and measuring, and analysis of performance. There is a good deal of overlap with Business Intelligence (BI) applications and that is why many BI software vendors are also CPM vendors.

CPM solutions will differ drastically in shape, size, and function. The architecture of the solution will depend on a range of factors such as the scale of the business, volume of data, level of IT sophistication/existing infrastructure, and commitment to CPM, etc. One of the key technical challenges for CPM is to integrate, and take advantage of, the organisation's existing IT assets. There are a number of levels on which this integration is required. Most obviously, it relates to the reuse of existing software assets (BI, budgeting, planning, etc.). CPM integration with other software has been made easier with increased take-up of standards by vendors. However, integration requires more than just standards support: solutions are often required to work alongside competing offerings and thus more openness is to be encouraged. The goal is to have a flexible CPM architecture that allows the organisation to introduce and adapt to new requirements and software solutions easily.

The take up of Service Oriented Architecture (SOA) by vendors has also helped deliver componentised elements that are easier to integrate and call upon as needed. The layered architecture of a typical CPM solution separates the information access layer from the applications and the processing engine, and then separates all of these from the data access and data integration underbelly of the solution. Potential customers should consider their integration and scalability requirements at each layer of the application.

When it comes to achieving and sustaining data quality, the time for finger pointing and blame allocation has passed. The fact of the matter is that organisations have to clean up their data – using CPM as a trigger for achieving it would therefore seem to make sense. After all a CPM solution built on poor data is worse than no CPM solution at all. Absolute data quality and accuracy therefore need to be at the heart of CPM. This may yet prove to be the most complex and intricate aspect of implementing a mission-critical CPM solution.

BI plays a pivotal role in CPM solutions. Whilst some areas of functionality may not be seen as compulsory, it is almost impossible to conceive of a CPM solution without BI. The foundations of BI – *ad hoc* query, reporting, and analysis – are used in conjunction within CPM in order to accurately measure both operational and financial activity and performance, providing the necessary context against which decisions can be made. Finally, the BI market is responsible for the development of some of the most sophisticated dashboard technologies and strategies available. The combination of budgeting, planning, and forecasting forms the other key functional area of CPM. This aspect is typically not as clear cut, due to the variety of ways that organisations approach it. For example, budgeting alone is a complex aspect of business – some organisations will use highly advanced financial models and even statistical analysis when undertaking a budget review, whilst others will rely on an Excel spreadsheet and a couple of macros. We therefore see it as important that a CPM solution does not impose a strict framework with regard to such forward-looking elements of the business.

Market Issues

Overall, the CPM market is a moving feast and you may be inclined to reach the perfectly logical conclusion that you are best off waiting for a year or so for the boundaries and responsibilities to become more clearly delineated. This is not the case. In many markets and vertical sectors, the requirements for some kind of CPM solution are very real and pressing. Holding off for another year is not really an option, especially when the drivers are diverse, ranging from strategic to operational to legal – as is the case with compliance. CPM is able to support the transparency of process that is an essential part of a compliance strategy. What is more, CPM forces organisations to examine critical compliance-related areas: issues such as data quality, data accuracy, data retention, and accountability.

Traditionally, smaller organisations often get left out in the first wave of technology development as vendors target their latest software at large enterprises, in the hope of attracting commensurate licensing deals. Not only may smaller organisations find themselves priced out of the market, but vendor offerings can also be too broad and feature-rich for their requirements. Moreover, they may lack the in-house experience to be able to adequately customise the software to meet their needs or not wish to resort to expensive systems integrators. The CPM market is a little older today than when our last Report was produced. In the intervening years, the rise of the digital enterprise and the commoditisation of BI have helped change vendor attitudes somewhat. We are starting to see BI and CPM brought within the reach of more organisations, fuelling demand from the mid-market. A report by Datamonitor, called "Understanding Adoption of Business Intelligence Solutions", published in June 2007, found that the growth of demand from Small to Medium Businesses (SMBs) was one of the principal factors driving medium-term market growth for BI. Many BI vendors are aware of these trends and are already targeting the mid-market. The competition for this sector has already resulted in better BI performance for lower prices. Microsoft's recent change of BI strategy, that led to the scorecarding, analytics, and dashboarding capabilities of Microsoft Office PerformancePoint Server being included with Microsoft Office SharePoint Server Enterprise Edition, is increasing pressure on other vendors to adjust their prices and to come up with better solutions for the mid-market.

The market pressure for price and performance is also changing the way that BI is delivered: there are more packaging options available to customers including BI appliances. An appliance is a pre-packaged application that comes bundled in a streamlined hardware package, and is delivered as an easy-to-deploy solution. We already have the IBM Cognos Now! appliance which is aimed at the mid-market. Another option is BI/CPM on-demand or delivered on a Software as a Service (SaaS) basis where costs are linked to usage instead of annual software licence fees. There is also renewed interest in Open Source Software (OSS) with some experts predicting that soon most software packages will have an OSS element in them.

As with other sectors of the software industry, the BI market over the next two years will undoubtedly be influenced by the current economic downturn, which Butler Group believes will have three principal effects: firstly, many organisations will turn to BI to gain real business insight; secondly, organisations will review their existing deployments with a view to increasing benefits; and thirdly, there will be new or additional investment made in BI technology to improve organisational performance and to gain intelligence-driven risk management capabilities. BI vendors will, of course, act to make the most of the recession-generated demand for reliable and timely management information and also to take advantage of the increased focus on risk management, particularly in the financial sector.

Post 2008, we expect to see organisations attempt to square the circle of isolated risk management and turn to BI in their attempt to become more proactive in addressing risk-related issues. This would entail better and more granular access to financial and operational data from across the enterprise with increased emphasis on regular reporting.

We also expect business managers to make better use of self-service capabilities for reporting and drill-through functionality so that they can interrogate business data when they want, how they want, and in the context that they want.

The Decision Matrix

The Decision Matrix explores the competitive dynamics within the CPM market and helps businesses select a vendor based on its technology strength, reputation among customers, and impact in the market. The Decision Matrix provides a comprehensive and transparent view of vendor capabilities in the performance management market and presents advice on which vendors should be explored, considered, or shortlisted. The results are summarised in the table below – vendors are listed in alphabetical order within each category.

Rating	Company Product	Butler Group Opinion
Shortlist	IBM IBM Cognos 8 BI	With the acquisition of Cognos, IBM has established itself as one of the leaders in the BI and CPM market. IBM Cognos 8 BI is a comprehensive and performant set of applications that uniquely brings together BI and CPM functionality in one product with an integrated architecture.
	Oracle Oracle EPM System V.11.1.1	Oracle consolidated its position in the CPM market through its acquisition of Hyperion in 2007 to become a leader in this segment. Oracle EPM System offers an extensive collection of products for end-to-end CPM including best-in-class planning, monitoring, reporting, and data management capabilities.
	SAP SAP BusinessObjects Enterprise Performance Management Solutions Release 7.0	The acquisition of Business Objects has catapulted SAP to the forefront of the BI industry. SAP BusinessObjects Enterprise Performance Management Solutions Release 7.0 (EPM) is a replete package comprised of many products and technologies. It represents the culmination of a series of acquisitions over a three-year period, with Business Objects being the most significant.

Continued on next page...

...continued from previous page

Rating	Company Product	Butler Group Opinion
Shortlist (continued)	SAS SAS® for Performance Management	As an independent BI vendor, SAS continues to deliver a stable and focused approach towards BI and CPM developments. SAS® for Performance Management offers end-to-end CPM capabilities supported by SAS's comprehensive range of BI solutions and advanced analytics.
Consider	Information Builders WebFOCUS Performance Management Framework v5	Information Builders is a prominent vendor in the BI market that has recently moved into the performance management space. WebFOCUS Performance Management Framework (PMF), version 5, provides a strong portfolio of solutions that is more focused on operational performance management than the traditional financially oriented variety.
Explore	Actuate Actuate 10 and Actuate Performancesoft Suite	Actuate is a provider of reporting solutions and so can sometimes be compared unfavourably with those vendors offering full BI suites. It delivers CPM capabilities through its Performancesoft Suite, supported by Actuate 10, its major reporting platform. Uniquely amongst the vendors considered in this Report, Actuate also delivers hosted CPM and supports BIRT, an open source reporting application.
	Microsoft Microsoft Office PerformancePoint Server 2007	Microsoft has had a presence in the BI market for some time but Microsoft Office PerformancePoint Server 2007 was its first end-to-end packaged solution that was designed and developed specifically for CPM. However, the packaged nature of the solution was not to be – its key functionality will soon only be available as part of Microsoft Office SharePoint Server Enterprise edition.

This Report reveals:

- The role of Corporate Performance Management (CPM) in controlling costs and optimising the use of resources.
- How Business Intelligence (BI) provides the foundation for CPM initiatives.
- Which scorecarding methodologies can be used to underpin CPM.
- How collaborative BI is the key to achieving and sustaining competitive advantage.
- Why executive buy-in and end-user engagement are prerequisites for CPM initiatives.
- How the integration of Enterprise Search into BI platforms extends the reach of existing investments.
- Why poor data quality and lack of integration are still major barriers to effective CPM.
- How Software as a Service will offer hesitant organisations a lower-risk path to Performance Management.

Butler Group
a **Datamonitor** Company

Analysis without compromise

Headquarters:

Shirethorn House,
37/43 Prospect Street,
Kingston upon Hull,
HU2 8PX, UK

Tel: +44 (0)1482 586149
Fax: +44 (0)1482 323577

Australian Sales Office:

Butler Direct Pty Ltd., Level 46,
Citigroup Building, 2 Park Street,
Sydney, NSW, 2000,
Australia

Tel: +61 (02) 8705 6960
Fax: +61 (02) 8705 6961

End-user Sales Office (USA):

Butler Group,
245 Fifth Avenue, 4th Floor,
New York, NY 10016
USA

Tel: +1 212 652 5302
Fax: +1 212 202 4684