

# Businesses Seriously Look at Performance Management

**By Craig Schiff**

Business performance management (BPM) is a set of integrated, closed-loop, management and analytic processes, supported by technology that address financial and operational activities. BPM enables a business to define strategic goals and then measure and manage its performance against those goals. The core BPM processes include financial and operational planning, consolidation, reporting, analysis and monitoring of key performance indicators (KPIs) linked to organizational strategy.

Coming out of 2003, there are more solution choices in the BPM marketplace than ever before -- our 2004 review of the marketplace netted more than 60 vendors, where in 2003 there were only 40. One reason for the growth in BPM options is that many vendors are entering the BPM market, whether with new products or old ones with refocused messaging. Several new vendors have focused on dashboards as their entry point. Another is that the major ERP vendors are extending their transactional offerings into BPM.

We are in the midst of a major uptick in BPM initiatives. More executives are claiming familiarity with the components and benefits of BPM. More companies claim to have or plan to have a BPM project, another overall positive indicator for the industry. Companies without plans for BPM often lack funding or an executive sponsor, indicating that they see value in BPM but have internal issues in the way.

Performance management continues to be the primary motivation for an increasing number of solution purchases. Corporate executives point to painful and slow budget processes, questionable data accuracy and integrity, and the painfully slow monthly closing process. Government regulations play a role, but not many claim they have a BPM initiative simply because of Sarbanes-Oxley. Companies are using Sarbanes-Oxley as an opportunity to review existing business processes

and systems to go beyond compliance: doing what they need from a business performance perspective for their business, while doing what they must for government. Even so, compliance often plays an important role in getting these projects funded.

One phrase seems to strike a chord in all who hear it -- "one version of the truth." BPM provides consistent accurate data throughout the enterprise. Developments in BPM technology are spurring integrated business processes and organizational management methodologies that are resulting in significant, measurable change. Early adopters of BPM systems are achieving top-quartile performance results in a range of areas: finance and accounting, budgeting, financial reporting, planning, consolidations, and performance measurement, to name but a few.

There is a lot of confusion in the BPM market and a healthy dose of skepticism. Companies are still gun shy, remembering the hard lessons learned from the implementation of enterprise applications like ERP and CRM. These projects were launched with grandiose promises -- and disappointment quickly followed as projects ran over budget and behind schedule. In many instances, end-users never fully adopted the new systems, undermining the projects' return on investment and missing the mark expected by key stakeholders. Unlike ERP, BPM does not need to be "fraught with peril;" rather, there are specific strategies to planning and implementing BPM that can make a drastic positive impact on not just the success of the project, but also on the reputation of the executive leading the initiative.

The upside to being the BPM implementation executive sponsor is significant. The challenge is in developing and executing on a BPM plan that is appropriate for a corporation's specific goals. It is important to recognize that BPM is not a "one size fits all" solution. On the customer side, there has been a parallel increase in the rate of

adoption. Our BPM Pulse Survey noted that 39 percent of respondents had a BPM solution in progress and another 24 percent were going to start in the next 12-plus months. BPM will hit its stride in the next 12 to 18 months, with more companies recognizing the benefits and implementing BPM successfully to strengthen their business focus and competitiveness.

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