

Corporate performance management as a new way in directing companies

Jozef Mihok¹ a Jaroslava Vidová

Korporácia riadenia manažmentu a nová cesta pri riadení firmy

This contribution deals with the problem of the economical efficiency of management company's. Managing of the company's performance and efficiency is very important. We would like to present a modern methodology, whose name is Corporate Performance Management. CPM is an integrating conception, which connects the business methodologies as the Balanced Scorecard, the Economic Value Added, the Activity Based Management and the ISO 9000 to one, all-concern control system.

Key words: Corporate Performance Management, performance, efficiency, CPM system, CPM system value

Introduction

The definition of the Corporate Performance Management - CPM is consistent since industry analysts Gartner Research introduced it in 2001. The CPM is an umbrella term that describes all of the processes, methodologies, metrics and systems needed to measure and manage the performance of an organization.

Many companies and major public sector organizations have embraced the vision of CPM. They understand the value of enabling and engaging everyone in an organization to manage the organization's performance. They are deploying technologies and solutions to make that vision real. Approximately, more than 70 % of companies that adopted some sort of CPM program generated high impact improvements in the key performance metrics.

The CPM is moving from a vision to the practice now due to three major factors:

- Organizations have a squeezed efficiency out of operations through **ERP – Enterprise Resource Planning** systems and are now looking for an information as a strategic and competitive weapon.
- Legislation is driving a new era focused on a good governance. Companies are progressing from the regulatory compliance, providing a greater visibility and transparency as a corporate competitive differentiator.
- Underlying technologies necessary for the CPM have matured.

The next level of competitive advantage and the next breakthrough in the productivity will come from companies better connecting their people with the business, its vision, strategy, and performance. In that way, the organization as a whole can focus on a single outcome, winning the race. This statement captures the essence of CPM.

Spirit of CPM

The CPM means an integration and automation of:

- Scorecarding,
- Business intelligence, including the financial reporting and the consolidation,
- Planning.

These technology areas are a key to the **CRM – Customer Relationship Managemens** value in letting organizations the answer the essential business decisions. While people may have any number of decisions to make during a business day, they depend on answers to these fundamental questions:

- How are we doing?
- Why?
- What should we be doing?

The scorecarding, the business intelligence, the financial consolidation, and the planning technologies answer the questions. These answers must be based on a common understanding of metrics, data dimensions,

¹ doc. Ing. Jozef MIHOK, PhD., Ing. Jaroslava Vidová, Katedra manažmentu a ekonomiky, Strojnícka fakulta, Technická univerzita v Košiciach, B. Němcovej 32, 042 00 Košice, Jozef.Mihok@tuke.sk, Jaroslava.Vidova@tuke.sk
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data definitions, and views of the organization. Drawing answers from different, disconnected tools can cloud the window into the organization's performance.

The CRM's real value is found in the seamless way decision makers can move among these fundamental questions.

A company has the highest level of integration and technology excellence of any vendor for the scorecarding, business intelligence, and the planning. Coming in the second half of 2005, the company's newest software offering the actually hardwires scorecarding as a part of the single business intelligence architecture. Its development roadmap calls for similar hardwired integration for planning in the near future.

The CPM System

Components of the CPM system, like the ERP or CRM system, are common in any Management Information System as the software, business processes, users and the hardware. The ERP system is more than a sum of its parts or components. Those components interact to achieve a common goal, in the ERP's case, the streamlining and improving the organizations' business processes. The components of the CPM interact to deliver more than the parts, in this case, the values of information delivery, the performance oversight, and the greater performance effectiveness. [2]

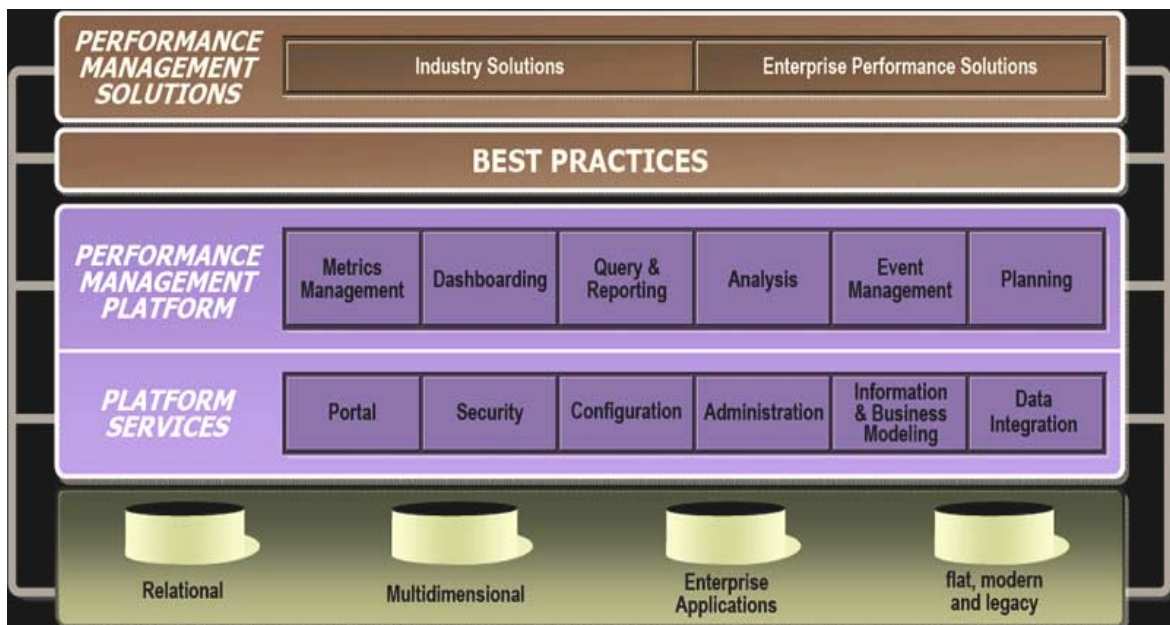


Fig. 1. The CPM system [8].

The corporate performance management system has elements shown in Figure 1, which are described in the following parts.

Performance Management Solutions

The Solutions' level includes the Industry Solutions and the Enterprise Performance Solutions. What makes them solutions is their necessary interplay of answers to the three basic CPM questions: How are we doing, why, and what should we be doing.

- **Industry Solutions** are different for each industry because each industry has a number of specific challenges that are "sweet spots" for the corporate performance management. For example, the manufacturing includes:
 - o Supply chain planning,
 - o Manufacturing performance management,
 - o Aerospace, defense management scorecarding and dash boarding.
- **Enterprise Performance Solutions** are more general rather than specific to many companies and industries. They include:
 - o Financial Consolidation solution can adapt to serve the needs of a multinational operating in several countries.

- **Enterprise Planning Solutions** include:
 - o Risk analysis,
 - o Strategic financial planning and forecasting,
 - o Sales planning and forecasting,
 - o Expense planning and control,
 - o Headcount and compensation planning,
 - o Capital expenditure planning,
 - o Sales compensation.
- **Enterprise Performance Applications** is oriented on key operational areas of every business:
 - o Finance,
 - o Operations,
 - o Customer,
 - o Workforce.
- **Scorecarding** is built to support scorecarding methodologies, such as the Balanced Scorecard. Its reporting and scorecard software will also support initiatives such as the Six Sigma.
- **Reporting, analysis, and data solutions** are mapping report elements to common data sources that provide a head start to a CPM solution, letting companies leverage their data assets more effectively.

Performance Management Platform

The Performance Management Platform is integrated and automated scorecarding, business intelligence, and planning capabilities forming a the software platform for the CPM.

- Scorecarding as a technology is about metrics management. It means setting targets, linking together metrics that have an effect on each other, and making metrics dynamic so that people can use data to see why a metric trends up or down.
- Business intelligence means giving any person any report, drawn from any data. It means a seamless experience of such business intelligence capabilities as reporting, analysis, dashboards, queries, and the alerts and notifications of business activity management.
- Planning as a technology means the seamless integration of budgeting, modeling, planning, forecasting, and financial reporting. [6]

A CPM platform is these elements working together. Metric targets are drawn from forecasts. Metric trends link with underlying reports. You can query and analyze planning data. Reporting can draw upon all of your company's data resources.

Platform Services

The platform services are the underlying integration layer for the CPM technologies. Integrating or ensuring commonality among these elements ensures a seamless experience for people using the CPM system. The Platform Services consist of:

- Portal - open to easily integrate with existing portals such as the IBM's Websphere and SAP's Netweaver.
- Security - common security with single sign-on to leverage existing applications.
- Configuration - remote, one-time deployment and configuration.
- Administration - remote control and management of the system.
- Information and business modeling - centralized control to ensure information resources are captured and made available based on the business need.
- Data integration - using a direct access, extraction, transformation, and loading, or enterprise information integration data extraction approaches, It can unite a disparate, stovepipe information. This delivers a consistent view of the business.

CPM System Value

A key value of the CPM system is delivering the preservation of the senior management intent. Preserving the intent calls for:

- Information delivery - Understand the business.
- Performance oversight - Manage the business.
- Performance effectiveness - Improve the business.



Fig. 2. CPM System Value [8].

The CPM system value is illustrated in Fig. 2. It consists of three levels, which are described in the following parts.

Information Delivery

Underpinning CPM is the communication of information and strategy—not just one-way, and more than two-way—rather, in multiple directions. The information delivery provides everyone with the information and strategic context they need to do their work. It's about getting the facts and making the informed decisions. With a CPM system, you can deliver the direct access by decision makers throughout the organization to a consistent, actionable information.

When everyone can access any report drawn from any and all relevant data, it is established a fundamental level of communications with the business. You can make decisions, and then let results communicate the effectiveness of your decision. The CPM systems create feedback loops not only between the senior and the line management; they create feedback loops among all decision-makers and the organization affected by their decisions. This information delivery system is critical as a primary-value step in the CPM. With the information delivery, you help everyone to understand the business.

Performance Oversight

The performance oversight is about providing those who are not directly on the shop floor with an information they need to stay connected to the business. It provides these more senior decision-makers with the levers they need to optimize the business. A CPM system delivers an aggregate view of operations that allows the management to optimize current practices, within established constraints.

Preserving the management intent is critical because the senior decision-makers are ultimately responsible for actions and results of the organization. The oversight has two components:

- • Were actions taken that support management's direction?
- • Were other actions taken that don't fit with management's direction?

In this way, the performance oversight is about managing against goals, defining the accountability, and enabling the measurement.

The effective systems of the controls, accountability and the measurement through metrics, inclusive planning and timely reporting ensure the management can discharge its oversight requirements. With the oversight, you help decision-makers to manage the business. Through the information delivery, you have put everyone on the same page. The oversight lets you to distribute the accountability and responsibility and to transparently see the results.

Performance Effectiveness

The performance effectiveness is about executives having all necessary information when they make long-term decisions about the strategic direction of the company. It is also about the strategic planning, removing constraints, and the helping the executive level to set new targets and goals. The gains promised by a CPM vision are realized by the automated and integrated CPM system. [5]

The CPM aligns and links plans with metrics with an underlying information. In this way, it does more than other approaches such as the Balanced Scorecard, driver based budgeting, or any other single initiative. The management can model its desired future, set the plans to reach it, monitor its progress along the way,

and gain an insight from day-to-day results to adjust the course. It is vital that the executive management has the agility to change the business through the strategy formulation and planning.

At this level, CPM is all about giving the management and senior executives an automated, systemic means to improve the business. People are aligned, understand their responsibilities, and through the performance effectiveness, you can move the company as one entity towards its future goals. [3]

Conclusion

Most companies are already on their performance management path. Investments in ERP or CRM put them there. Executives have determined the key drivers of their business. Managers distribute better reports. Changing the budget approach from disconnected spreadsheets to flexible rolling plans is a part of the performance progress.

Where companies go next on the CPM path will differ, and how quickly they implement the whole platform will vary. Tomorrow companies will need ways to ensure the oversight and greater effectiveness. This reflects our long-term view of customer relationships. Shorter reporting times, or quicker financial closings are not the endgame. A better performance is.

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