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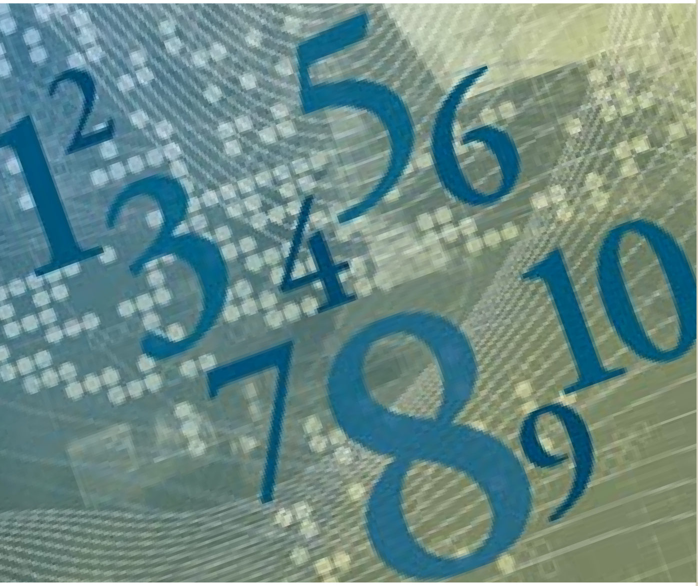
TEN MISTAKES TO AVOID

When Implementing Business Performance Management

By Karen Degner



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THE DATA WAREHOUSING INSTITUTE

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FOREWORD

Nine out of 10 companies fail to implement their business strategies, according to Robert Kaplan and David Norton (founders of the Balanced Scorecard). Only 22 companies have consistently appeared on *Fortune*'s list of 100 best companies since its inception in 1998. World-class performance takes more than a killer strategy and efficient operations—it takes great execution.

Business performance management (BPM) is a framework that optimizes the execution of an organization's strategy. It consists of a set of integrated processes, supported by technology that enables organizations to communicate, monitor, measure, and manage performance against goals.

BPM is also about realizing the full potential of your business intelligence (BI) through enabling technologies such as performance dashboards, data warehousing, operational BI analysis, and reporting. BPM drives organizational alignment through activities such as portfolio management, the Balanced Scorecard, strategy mapping, cascading, and key performance measurements.

BPM is a discriminator in the market.

ABOUT THE AUTHOR

Karen Degner is managing principal of BPM Paradigms, LLC (www.bpmparadigms.com). She is a trusted advisor and educator focused on business performance management (BPM) and business intelligence (BI). Ms. Degner brings a unique perspective through her wealth of real-life experience and know-how in both the public and private sectors, and her blend of expertise in BPM, BI, program, portfolio, and project management, along with the enabling technologies. She enjoys a proven record of success with over 15 years' experience utilizing her value-based, phased, "road map" approach. You can reach her at kdegner@bpmparadigms.com.

MISTAKE ONE: LACK OF EXECUTIVE INVOLVEMENT

"An army of a thousand is easy to find, but, ah, how difficult to find a general."

• CHINESE PROVERB

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Lack of executive involvement in BPM is the kiss of death. BPM is a way of life, and it cuts up, down, and across organizational boundaries. It can dramatically change the way budgets are allocated, initiatives are funded, and resources are managed. It aligns activities such as strategic planning, business process management (the "other" BPM), operations, IT, and financial management. By its very nature, it requires leadership and influence to drive change throughout an organization. Without visible executive involvement, BPM will not be taken seriously and will soon face mortal difficulties.

Different groups have different goals, some of them conflicting. In the absence of explicit strategic direction, priorities are left to the interpretation of individuals. This results in a costly lack of focus, which ultimately creates barriers to the very integration and alignment foundational to BPM. It's imperative to keep the big picture in mind and assist early adopters, usually finance or operations, to avoid introducing functional bias.

Think global; act local. Engage executives in the identification of strategic critical success factors and associated key performance indicators. Each subsequent phase should be in alignment with those objectives. This will help ensure that tactical steps will be taken within the overall strategy. BPM can begin at any level where there is an objective to meet and a budget to manage. Start small, educate, and demonstrate early value.

MISTAKE TWO: UNDERESTIMATING THE IMPACT OF CULTURE

"If you're ridin' ahead of the herd, take a look back every now and then to make sure it's still there."

• WILL ROGERS

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Culture is the most underestimated obstacle to BPM. Culture in an organization is a living, breathing entity. It's guarded, nurtured, and ingrained in its tribal members. Count on it.

The intensity of cultural resistance to change depends on the collective sense of urgency and the degree to which the change is perceived as threatening to the norm. An organization is better positioned for BPM if it already has a "performance" culture with established programs such as Six Sigma or TQM. However, even those who agree that change is needed will have different opinions of the trouble and the solution. In the absence of counterbalance, resistance typically begins at lower levels as static in hallways, and ultimately results in sabotage. Strong executive commitment, the buy-in of mid-management, and community involvement are vital. Develop training, communication, and change management plans early. People need to understand why change is necessary, both for the organization and for them personally. Thus, BPM education is critical to successful adoption.

Criticism is welcome; cynicism is not. Resistance also brings opportunity. Critics expose obstacles, which frequently results in better plans. Change is not a spectator sport. Create a guiding coalition of stakeholder representatives. Identify "informal" leaders—field people who are widely respected—and get them involved. Publicize early victories and short-term wins.

MISTAKE THREE: NOT MATURING BI TO BPM

"No one can whistle a symphony. It takes an orchestra to play it."

• H.E. LUCCOCK

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Paradoxically, many people are still confused about the relationship between BPM and business intelligence (BI). A few don't see a correlation; some don't see a difference; most don't mature it. Many still see BI as a "reporting system" and an IT project. By not maturing the BI-to-BPM relationship, organizations won't realize the full ROI, potential, and power of their BI investments. Worse yet, they will fail to leverage a strategically significant asset.

BI is built on a data refinery with applications and technologies to facilitate information access in support of decision making and to help ensure that the organization is "doing things right." Financial, operational, and diagnostic measures, performance dashboards, and reports are flourishing. They provide tremendous value, quick wins, excitement, and unparalleled visibility. However, without the strategic element, it's not BPM. BPM takes BI further by integrating a framework that optimizes the execution of an organization's strategy. BI is about visibility; BPM is about visibility and alignment. Alignment occurs when all activities bear a direct relationship to strategy. BPM is a competitive edge.

There is a common belief that the strategic component is just too tough to tackle. Don't believe it. Begin by educating executives on the power of BPM. Capture strategic objectives and identify their critical success factors, associated goals, and performance measures. In addition to the tremendous strategic value of BPM, it's an exceptional communication instrument and a unique team-building tool.

MISTAKE FOUR: PROLIFERATION OF ANALYTICAL SILOS

"How am I going to live today in order to create the tomorrow I'm committed to?"

• **ANTHONY ROBBINS**

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In many ways, BI is the victim of its own success. Any department can have a data mart in a quarter or two. The payoff is big, especially if the organization takes advantage of one of the prepackaged analytics that now spin off transactional systems. While well-intentioned and cost-effective at a local level, frustrated executives struggle to reconcile different versions of the truth while trying to observe and manage performance company-wide. Reconciling disparate silos is labor-intensive and increases risk. BPM requires the view of an enterprise data warehouse (EDW).

There is risk in moving too quickly to an EDW without a good foundation in place. One pitfall is the belief that a point-solution, prepackaged analytic can be expanded to support an EDW. Domain-specific prepackages are fairly hard-wired. Another challenge is the continued proliferation of independent data marts that don't consider strategic alignment in their design. The catch-22 is that it may be unrealistic to halt their growth while putting the EDW in place. It is possible, however, to be sure every tactical step is taken within an overall strategy.

Educate executives on the value of BPM and the EDW. Establish a cross-functional team of business and IT representatives. Build a value-based, phased implementation road map. New data marts can be mandated to follow corporate strategic standards and MDM to preposition them for eventual migration into EDW-dependent data marts. Established data marts should plan for reengineering. A chartered BI center of excellence (COE) facilitates communication and knowledge management, and can expedite time to value.

MISTAKE FIVE: NOT PLANNING FOR DATA QUALITY AND MASTER DATA MANAGEMENT (MDM)

"The bitterness of poor quality lingers long after the sweetness of meeting schedules is forgotten."

• **KATHLEEN BYLE**

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BPM is a framework for the successful communication and execution of strategy. An accurate and timely 360 degree view of the business is essential. In addition to regulations such as Sarbanes-Oxley, stakeholders are demanding greater transparency, auditability, and accountability. Core to this is confidence that the BI infrastructure provides timely, credible, comprehensive, enterprisewide information. The cost to the business for poor and inconsistent data can be enormous. In a 2006 TDWI Best Practices report, *Master Data Management*, 83 percent of respondents reported that their organizations had suffered problems due to poor master data. BI was deeply affected; 81 percent of respondents reported that BI functions suffered.

MDM is critical for meeting these information demands, regardless of the data original source. Implementing MDM involves business process modeling, data mapping, cleansing, consolidation, reconciliation, migration, and the development of a master data plan, best resulting in the population of an enterprise data warehouse.

MDM is not for the faint of heart. Determining the systems of record, data ownership, stewardship, and standards requires consensus if they are to be accepted across organizational boundaries. The development of a permanent governance team to include both business and IT members is recommended. Executive commitment is paramount.

These activities, along with metadata management, will set the foundation for organizations to confidently monitor and manage the business proactively, while responding to stakeholder demands with world-class execution.

MISTAKE SIX: SUB-OPTIMIZING THE POWER OF THE KEY PERFORMANCE INDICATOR (KPI)

"Not everything that counts can be counted, and not everything that can be counted counts."

• **ALBERT EINSTEIN**

W. Edwards Deming is often misquoted as having said: "You can't manage what you can't measure." What he actually said is that one of the seven deadly diseases of management is running on visible figures alone. While KPIs are a tremendous and vital tool in BPM, in the end, it's people who make the difference. The KPI is still one of the most powerful levers organizations can "pull" to drive behavior. In reality, however, the power of these levers is rarely realized. Most organizations have too many measures, and the measures they have are often not the right ones. The best symptom of this is a lack of user dependence on the measures and their waning enthusiasm over performance dashboards. Strategic, operational, and tactical (or diagnostic) KPIs are all vital to BPM. Most organizations capture financial and operational KPIs on dashboards early. They rarely include strategic KPIs. In the uncommon case where strategic measures are captured, they are rarely cascaded for alignment to the operational, tactical, or financial metrics.

KPIs should focus on those aspects of organizational performance that are critical for the current and future successful execution of strategy. Strategic measures let organizations know whether they are doing the right things. The Balanced Scorecard is one of the best and most frequently used methods for communicating strategy and associated factors critical to successful execution. There are usually one or two objectives for each scorecard perspective, and there are usually one to three measurements per perspective. This rule generally applies at each level as it cascades through the value chain. Operational and tactical measures let organizations know if they are doing things right. As for the number of operational and diagnostic (or tactical) KPIs, most organizations can monitor 80 percent of key activities with 6 to 10 performance measures.

MISTAKE SIX (CONTINUED)

KPIs can be lagging or leading indicators. Lagging measures look in the rearview mirror and measure outcome. Measurements of the drivers of outcome are leading measures. Since leading measures can predict outcome and facilitate proactive course adjustment, they are extremely valuable. Ironically, like strategic measures, leading measures are underutilized.

KPIs communicate what's important (outcome) and allow organizations to make proactive course adjustments (drivers of outcome). Use them wisely.

MISTAKE SEVEN: FAILING TO APPLY THE "THREE THREES"

"The fewer data needed, the better the information.… [A]nything much beyond what is truly needed leads to information blackout."

• PETER DRUCKER

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Getting the right information to the right people at the right time is the lifeblood of BPM. Timely access to credible, actionable information in support of a proactive, performance-based culture is essential. The end user experience must be intuitive and robust. Seamless ease and guided analysis has to meet the demands of diverse skill levels, roles, natural queries, attention spans, and every rung of the organizational ladder. "Show me what I need, and only what I need, when I need it." Anything less will undermine adoption.

TDWI's director of research and services Wayne Eckerson said it best in *Ten Mistakes to Avoid When Creating Performance Dashboards* (Q1 2006). He describes his "three threes" concept, which aligns with the informational essentials of a BPM framework:

Three Applications. Each performance dashboard contains three applications woven together in a seamless fashion: a monitoring application, an analysis application, and a management application.

Three Layers. The performance dashboard consists of three views or layers of information: a monitoring layer, an analysis layer, and a detailed information layer. This allows users to peel back layers of information to get to the root cause of a problem.

Three Types. There are three major types of performance dashboards: operational, tactical, and strategic. Each applies the three applications and layers in slightly different ways.

MISTAKE EIGHT: TAKING THE "FIELD OF DREAMS" APPROACH

"If you build it [they] will come."

• "THE VOICE"

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In response to growing demand for information (or in response to an excited executive), many IT teams consolidate transactional data into a centralized "data warehouse" without the involvement of the business community or MDM planning. This usually includes the conversion of existing reports into standardized tools. (It is only fair to mention they commonly do this with the blessing of a business community that is too busy to be involved in an "IT" project.) In an effort to be everything to everyone and provide for every possibility, it's not unusual to see a complete replication of the transactional environment. Upon release, adoption is limited to a handful of "super users." While well intentioned, what results is a technical solution that won't support a dynamic business environment or BPM. The lack of modeling and MDM will further inhibit key activities such as trend and predictive analysis (see Mistake 5).

Most BI and BPM initiatives don't fail partway through; they fail at the beginning. There is high risk in moving forward without putting the right foundation in place. It requires considerable involvement from both the business and technical teams. The development of an enterprisewide BI/BPM solution needs to be approached strategically. Take the time to educate executives, IT, and business users on the maturity road maps of BI, BPM, and the enabling technologies. Develop a prioritized, phased plan within an overall enterprise strategy. Returns will be far greater, even in the short term.

MISTAKE NINE: INADEQUATE KNOWLEDGE MANAGEMENT

"The measurement of success is not whether you have a tough problem to deal with, but whether it's the same problem you had last year."

• J.F. DULLES

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BPM is a closed-loop system of communication, alignment, and continuous improvement. While an invaluable tool, it is still the quality of people's actions that will make or break the execution of strategy. Opportunities for improvement are seriously undermined when best practices, processes, and documentation are primarily on the laptops, desktops, and in the heads of subject matter experts. In the absence of a knowledge management (KM) program, this knowledge is available only to those who know whom to ask, rarely gets leveraged, and will eventually walk out the door.

If we only knew what we know. Organizations need KM programs to harness and leverage knowledge throughout the organization. Core to this program is a quality KM repository with easy access for all. Business and IT should partner to leverage content management and collaborative enabling technologies. This will also facilitate regulatory compliance, reduce risk, and lower cost.

Many organizations form professional communities around individual processes, procedures, technologies, and operations. People around the organization submit content and recommendations to the respective community teams for qualification and identification as a reuse or best practice. Content has a life, and the professional community should "evergreen" the content and the process.

As with all programs, KM programs and activities need to be continuously prioritized, measured, monitored, and managed against organizational strategy and goals.

MISTAKE TEN: FAILING TO INSTITUTIONALIZE BPM

"We can't solve problems by using the same kind of thinking we used when we created them."

• ALBERT EINSTEIN

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To say organizations have failed to institutionalize BPM as a way of life may be a little disingenuous, since few organizations have been involved in mature BPM long enough to provide solid evidence. However, one can reasonably extrapolate this outcome from key lead indicators such as compulsory alignment of organizations and resources with strategic goals. This includes the cascading of strategy maps, objectives, performance measurements, ownership, and accountability throughout all levels of the organization. If budgets, resource plans, initiatives, hiring, training, and reward systems are not driven by line-of-sight, quantifiable evidence of linkage to strategic goals, it's an early warning that BPM will not survive long-term.

Executive commitment must be ongoing and relentless. Change management, performance management, and continuous improvement must be ingrained in the culture. As discussed in Mistake 2, the length of time required to institutionalize BPM as a way of life depends on how different it is from the current norm. BPM should be treated as a program with objectives, goals, and measures that demonstrate alignment and report progress. Strategies and objectives must themselves be constantly refreshed.

One way to help institutionalize BPM is to establish an office of strategic management (OSM) and designate a strategy management officer. The OSM can be staffed by a small number of influential and experienced people. This organization assists in sustaining focus on BPM and strategy execution. The OSM keeps active the continuing drive to becoming a performance-based and strategy-focused organization.

TDWI RESEARCH

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