

Why performance management systems should be enterprise-wide

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A McKinsey survey recently found that boards spend around 11% of their meetings talking about performance management. Performance management is a board-level strategic issue to be sure. In my view “cross-company Performance Management” (PM) is more important to business success than “cross-company BI”. However, I have struggled to find empirical evidence to back up my opinion. A German company is now delivering this proof.



Gerhard Jahn is the SONAX CIO and Controller. SONAX is number one in the car care products market in Germany and ranks among the top five in Europe. It is a medium-sized company with 450 staff which has experienced double-digit growth in many areas in recent years.

SONAX believes much of its success can be attributed to a performance management strategy that is executed using IBM Cognos 8. This system is used by one out of every two administrative employees. SONAX uses the IBM Cognos 8 BI platform to monitor its financial and sales operations in 80 countries and to guide management decision-makers across the organisation. 60 new applications have been developed on the IBM Cognos 8 BI platform in just the last 12 months.

In my technical paper “Delivering Performance Management solutions”, I put forward the case that performance management is not just about software, but it extends to cultural changes as well. SONAX confirms this view and is living proof. SONAX uses Cognos Metrics Studio scorecarding to transform its company strategy into concrete and measurable indicators in such areas as customer satisfaction and product complaints.

“SONAX has developed a holistic approach to performance management based on sound business principles. Our data warehouse, our ERP system and IBM Cognos 8 are helping us to achieve our objectives. IBM Cognos 8 is preparing the way for the implementation of our corporate strategy,” explains Jahn.

SONAX has five key scorecards, one for each of the two parent companies, SONAX and Hoffmann MINERAL, and three for SONAX’s subsidiaries. IBM Cognos 8 data is available via an internal portal. When users log in, they first see their own personal index card and the index card activity.

SONAX has more than 10 years experience with balanced scorecards and, using IBM Cognos 8, SONAX can link different scorecards and combine them in a sequence. This helps SONAX to integrate all the company’s decision-making units into a complete company-wide performance management cycle.

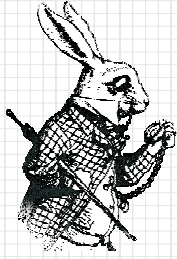
Cross-company performance management enables faster and better management decision-making as managers gain immediate access to

a ‘single data version of the truth’. Universal data availability and data accuracy gives managers the assurance and confidence to make timely and high quality decisions. IBM Cognos 8 also increases transparency for employees, allowing them to understand how and why decisions were made. This transparency has a strong positive effect on staff motivation.

SONAX has been certified for the international quality standard ISO 9000 for many years. IBM Cognos 8 is the basis for a cross-company quality management system, says Jahn. The company uses siliceous Earth, a unique mixture of quartz and kaolin as a core component in their car care products. To protect the environment and help nature return to its original state, the company is reforesting the mining areas. The performance indicators developed in IBM Cognos 8 measure the effectiveness of the reforestation after mineral mining and ensure environmentally friendly production.

Product innovation is also very important at SONAX. The Research and Development department uses performance management to derive new formulations for car care products and to test the quality and reliability of new product recipes. “SONAX has developed a project management system that takes original product ideas through to pilot production,” explains Jahn. Employees are at the heart of this innovation process. IBM Cognos 8 gives employees feedback about the results of product suggestions and details development plans over the medium term.

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Alongside “hard” ROI metrics, SONAX is also focusing on “soft” factors—including improving the quality of management decision-making. Decision making is based on a balanced combination of all three human aspects—head, heart and gut feeling. Most importantly, however, management decisions are now underpinned with factual foundations provided by the performance management system.

IBM Cognos 8 is converting data into decision-making knowledge for SONAX. “IBM Cognos 8 is helping SONAX to make rapid decisions and switch between strategy, planning, controlling and reporting at the touch of a button. IBM Cognos 8 is our new key to success”, states Gerhard Jahn “and we’re happy about that”.

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