IBM®

PROMISE:
enabling decision areas that drive performance

The Performance Manager Series

INTRODUCTION

The new business book, ***The Performance Manager***, can help you turn the growing information-intensity of your job from a challenge to a competitive advantage. Its thesis is simple—rather than sifting through all the data your organization may produce, if you pay attention to certain sweet spots, you will make better decisions, create better goals, and set better plans about issues that truly drive your company. We're pleased to offer you this chapter for **Information Technology** departments drawn from the book.

The Performance Manager, *Proven Strategies for Turning Information into Higher Business Performance* looks at the partnership between decision-makers and the people who provide the information that drives better decisions. It offers suggestions for 42 decisions areas, or information sweet spots, taking into account your need to not only understand data, but also plan and monitor your performance. These decision areas are organized by the eight major functions of a company: Information Technology, Human Resources, Operations, Product Development, Sales, Marketing, Finance, Customer Service, plus an over-arching section for Executive Management. You will find five of these decision areas in this paper.

Each chapter introduces key challenges and opportunities companies face in the specific function. ***The Performance Manager*** then dives into each decision area, illustrating the core content of the corresponding information sweet spot. These are organized into two types of measures: goals and metrics, and a hierarchical set of dimensions that allow you to look at the information from a variety of vantage points.

Each decision area then offers advice on who beyond the specific function would benefit from seeing the information (e.g., Marketing should see Sales pipeline targets) to make better performance a truly cross-organizational exercise. We hope you see the value in this white paper and investigate other functional areas and their decision areas, or take our offer for the whole book, ***The Performance Manager***.

We acknowledge and thank the great thinkers at Business Intelligence International, PMSI, and the IBM Cognos staff and customers who offered their insights to make this publication possible.

Enabling Decision Areas that Drive Performance

This book synthesizes countless, varied company experiences to construct a framework and approach that others can use. The information sweet spot was the cornerstone concept of *The Multidimensional Manager*. Sweet spots, business intelligence, and multidimensional managers were the keys to the book's profitability promise.

These three insights are still fundamental to the promise of *The Performance Manager* and the need to leverage information assets to make high-value decisions that:

- Enable faster revenue growth
- Further reduce operational expenses
- Maximize long-term asset returns

➔ and therefore deliver sustainable competitive advantage.

If anything, these three insights are even more critical to success today.

Insight 1 revisited: *The information sweet spot ➔ More "sweet" required today*

In 1996, we wrote that "the most valuable information for corporate decision-making is concentrated in a relatively small number of *sweet spots* of information that flow through a corporation." The driving logic was the relative cost of acquisition and delivery of information versus the value and importance of that information. While this cost/benefit consideration is still valid, four factors require today's decision-making information to be defined, refined, and repackaged in even more detail than ten years ago:

1. ***More:*** There is simply much more information available today. The term "data warehouse" is no accident. Companies collect massive amounts of transaction data from their financial, supply chain management, human resources, and customer relationship management systems. Early on, often the problem was finding the data to feed business intelligence reports and analytics. Today, data overload is the greater challenge.

2. ***Faster:*** Information flow has become faster and more pervasive. The Internet, wireless voice and data, global markets, and regulatory reporting requirements have all contributed to a 24/7/365 working environment. Today's company is always open for business. Managers are always connected. Time for analysis, action, and reaction is short, especially in the face of customer demands and competitive pressures.

3. ***Integrated:*** Work has become more interactive and collaborative, requiring more sharing of information. This means integrating information across both strategic and operational perspectives as well as across different functional and even external sources.

4. ***Enrichment:*** Effective decision-making information requires more business context, rules, and judgments to enrich and refine the raw transaction data. Categorizations and associations of this data create valuable insights for decision-makers.

Insight 2 revisited: *Managers think multidimensionally ➔ Managers perform within iterative and collaborative decision-making cycles*

Ten years ago, many multidimensional managers tended to be "power users" who were both willing and able to navigate through a variety of information to find the answers they needed. These users were adept at slicing and dicing *when*, *who*, *what*, and *where* to better understand results.

The ease of ad hoc discovery was incredibly powerful to managers previously starved for information and, more important, answers. This power of discovery is still highly relevant today, but the need for decision-making information has evolved: analysis by *some* isn't enough—what is required is interaction and collaboration by *all*. As the research by McKinsey shows, more and more tacit work is required to drive innovation and competitiveness. Today's performance managers include more executives, professionals, administrators, and external users, and are no longer mainly analysts.

Iterative and collaborative decision-making cycles result from more two-way interaction in common decision steps: setting goals and targets; measuring results and monitoring outcomes; analyzing reasons and causes; and re-adjusting future goals and targets. These two-way interactions can be framed in terms of different *decision roles* with different *work responsibilities* and *accountabilities* for a given set of decisions. These job attributes situate performance managers in a decision-making cycle that cuts across departmental silos and processes. This cycle clarifies their involvement in the information workflow, helping define the information they exchange with others in driving common performance goals. A decision role can be derived from a person's work function (such as Marketing, Sales, Purchasing, etc.) and/or their job type (such as executive, manager, professional, analyst, etc.).

Work responsibilities can be divided into three basic levels of involvement:

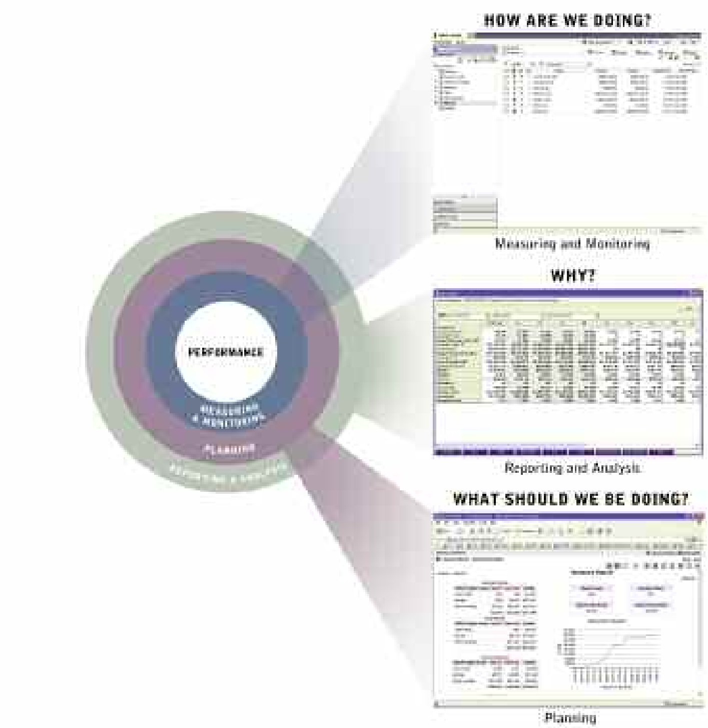
1. ***Primary:*** Decisions at this level are required to perform particular transactions or activities and are made often. Typically, this employee is directly involved, often in the transaction itself, and his/her activity directly affects output and/or cost, including for planning and control purposes. He/she has access to information because it is part of the job requirement.
2. ***Contributory:*** Information supports decisions made with indirect responsibility. Decisions are more ad hoc and may add value to a transaction or activity. The employee at this level may have to resolve a problem or, for example, adjust a production schedule based on sales forecasts.
3. ***Status:*** Information supports executive or advisory decisions. These people receive status updates on what is going on. Sometimes they manage by exception and get updates only when events fall outside acceptable ranges.

These different levels mean that securing sweeter information sweet spots is not enough. Information must be tailored to a person's decision role, work responsibility, and accountability for a given set of decisions. In the past, many business intelligence efforts stumbled precisely because of a one-size-fits-all approach to user adoption. Information must be packaged according to use and user role.

Insight 3 revisited: ***The reporting paradigm for managers has changed ➔ Performance managers need integrated decision-making functionality in varied user modes***

Business intelligence was an emerging technology in the mid 1990s. Today's business intelligence has matured to fit the notion of performance management. To fully support sweeter information sweet spots and collaboration within decision-making cycles, you need a range of integrated functionality. For performance managers with varied roles and responsibilities and those making decisions based on back-and-forth collaboration, functionality can't be narrowed to just one kind, such as scorecards for executives, business intelligence for business analysts, or forecasting for financial analysts. In practice, performance managers need a range of functionality to match the range of collaboration and interaction their job requires.

Every decision-making cycle depends on finding the answers to three core questions: *How are we doing? Why? What should we be doing?* Scorecards and dashboards monitor the business with metrics to find answers to *How are we doing?* Reporting and analysis provides the ability to look at historic data and understand trends, to look at anomalies and understand *Why?* Planning and forecasting help you establish a reliable view of the future and answer *What should we be doing?* Integrating these capabilities allows you to respond to changes happening in your business.



To ensure consistency in answering these fundamental performance questions, you must integrate functionality not just within each one, but across them all. Knowing what happened without finding out why is of little use. Knowing why something happened but being unable to plan and make the necessary changes is also of limited value. Furthermore, this integrated functionality must be seamless across the full network of performance managers, whether within a department or across several. In this sense, the new paradigm today is the platform. Just as the questions are connected, the answers must be based on a common understanding of metrics, data dimensions, and data definitions, as well as a shared view of the organization. Drawing answers from disconnected sources obscures the organization's performance and hampers decision-making. Real value means providing a seamless way for decision-makers to move among these fundamental questions. The integrated technology platform is vital to connect people throughout the system to shared information. Its core attributes include the ability to:

- Integrate data from a variety of data sources
- Supply consistent information across the enterprise by deploying a single query engine
- Restrict information to the right people
- Package and define the information in business terms

You must also be able to present the information in a variety of user modes. Today many decisions are made outside the traditional office environment. The system must support the shifting behaviors of the business consumer. Decision-makers must be able to:

- Use the Internet to access information
- Use text searches to find key information sweet spots
- Create the information they need by using self-service options
- Set up automatic delivery of previously defined snippets of information
- Have guided access to the information they need so they can manage by exception

The *24 Ways* Revisited: *Decision Areas that Drive Performance*

Perhaps the single most powerful idea in *The Multidimensional Manager* was the *24 Ways*. Organized by functional department, these proven information sweet spots became a simple road map for countless companies to deploy business intelligence. This system was easy to communicate, notably to a business audience, and showed how operational results ultimately flowed back to the financial statements. Through hundreds of workshops and projects that followed the release of *The Multidimensional Manager*, BI International and PMSI became informal clearinghouses for ideas and feedback on the *24 Ways*. This was most notable in the BI University program, developed and launched by BI International and then acquired and operated by Cognos® (now part of IBM).

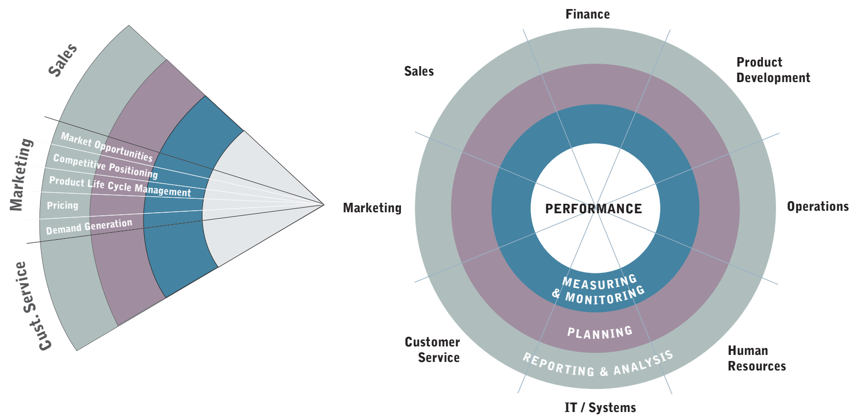
Starting in 2000, BI International and PMSI synthesized these experiences into a new, more refined and flexible framework to address the revisions to each of the insights noted above. Known as the DecisionSpeed® framework, it enables faster business intelligence *designs*, *deployments*, and ultimately *decisions*.

Expanded to include roughly twice as many sweeter information sweet spots as the 24 Ways, these decision areas are common to most companies. The framework is highly flexible, and circumstances will dictate how to best design and develop specific information sweet spots. You may require more detailed variations, in particular, other decision areas to meet specific needs. But the logic of each decision area is the same: to provide a simple, easy-to-understand way to drive performance—and also to measure, monitor, and analyze it, report on it, and plan for it.

The specific industry is also a key factor in the number and definition of decision areas. For this book, we chose and adapted a generic manufacturing industry model because it is the most common and broadly recognized.[2] While other industries may present a different set of specific decision areas, the business fundamentals in this book apply across most companies.

Decision areas are organized by the eight major functions of a company that drive different slices of performance. Though this is similar to the *24 Ways* functional map, there are some significant differences. An enlarged Operations function now combines the purchasing, production and distribution areas, reflecting the decade-long effect of integrated supply chains and business process improvement. Human Resources and IT now each have their own focus, as does Product Development.

These eight functions provide the core structure of the book. Starting with Finance, each chapter introduces some key challenges and opportunities that most companies face today. A recurring theme is that of striking the right balance among competing priorities. How to weigh different options, how to rapidly make adjustments—these are often more difficult decisions than coming up with the options in the first place. The decision areas for a particular function represent the information sweet spots best suited to it, for the balancing act required to meet challenges and exploit opportunities. In this book we have focused on some 46 decision areas, ranging from three to seven per function.



[2] Other industry models of the framework will be available in various follow-on programs and initiatives.

We introduce each decision area briefly, giving an illustration of the core content of the corresponding information sweet spot. These are organized into two types of measures: goals and metrics, and a hierarchical set of dimensions. While performance can be measured both ways, metrics typically offer additional detail for understanding *what* drives goal performance, especially when further described by dimensional context. A map of *which* performance managers are likely to use this decision area is included, showing relevant *decision roles* and *work responsibilities*.

The DecisionSpeed® framework is more than a list of sweeter information sweet spots. As the bull's-eye graphic implies, decision areas and functions are slices of a broader, integrated framework for performance management across the company. You can build the framework from the bottom up, with each decision area and function standing on its own.

INCOME STATEMENT DECISION AREA

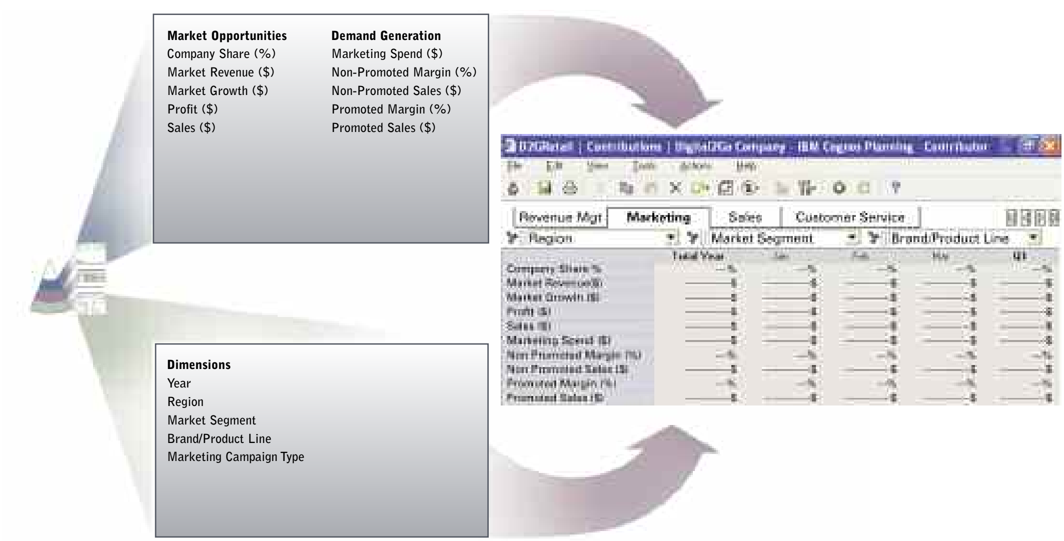
GOALS	METRICS	DIMENSIONS
Actual vs. Plan Variance ($/%)	Fixed Costs ($/%)	Fiscal Month
Net Sales ($)	Gross Profit ($/%)	Year
Operating Profit/EBIT ($/%)	Interest ($/%)	Quarter
	Marketing Costs ($/%)	Month
	Material Costs ($)	Organization
	Material Margin ($/%)	Division
	Net Profit ($/%)	Department
	SG&A ($/%)	Org. Code
	Tax ($/%)	Plan/Actual Scenario
	Variable Costs ($/%)	Scenario
		Product Line
		Product Line

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Finance				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Customer Service				
	Executives		•	
Distribution				
	Executives		•	
Human Resources				
	Executives		•	
IT / Systems				
	Executives		•	
Marketing				
	Executives		•	

Over the past ten years, we have learned that you need a practical, step-by-step approach to performance management. Overly grand, top-down enterprise designs tend to fail, or don't live up to their full promise, due to the major technical and cultural challenges involved. This framework is designed for just such an incremental approach. You can select the one or two functional chapters that apply, much like a reference guide. Decision areas empower individual performance managers to achieve immediate goals in their areas of responsibility. As you combine these goals across decision areas, you create a scorecard for that function. Then, as you realize performance success, you can build upon it to solve the greater challenge posed by cross-functional collaboration around shared strategies and goals.

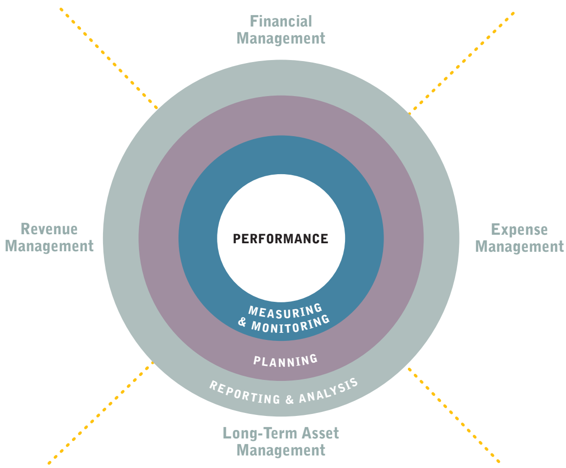
A key factor that makes this step-by-step approach work within a broader company perspective is the direct tieback to the financials included in the design. While each decision area can provide integrated decision-making functionality around its own set of issues, it also provides answers that impact financial results. Goals and metrics in non-financial decision areas, such as Sales, Marketing, or Operations, provide answers to financial statement numbers in the income statement, balance sheet, and cash flow, and help set future plans for growing revenue faster, reducing operational expenses further, and leveraging long-term assets better.

At the end of each chapter, we illustrate how each function can monitor its performance and contribute plans for future financial targets. Key goals and metrics for the function are shown for two decision areas outlined in the chapter. The planning process links them with the relevant dimensions, ensuring that resources are allocated and expectations set against financial and operational goals. For instance, “Company Share (%)” is planned out using the dimensions of time, region, market segment, and brand. This process changes the objective from an aggregate percentage share increase to a specific percentage share increase for a particular quarter, region, market segment, and brand. In this way, the planning process ties back from decision-making processes through the organization to the financials.



The Executive Management chapter outlines how different decision areas across multiple functions combine to drive shared strategic goals in the areas of financial management, revenue management, expense management, and long-term asset management. It also provides the top-down narrative for the overall framework.

A further objective of the DecisionSpeed® framework is to help define the decision-making process, or tacit work, described in the introduction. You can think of decision areas as a layer of information sweet spots that sit above the transaction flow in a related but non-linear fashion. As described in the Executive Management chapter, performance decisions often must combine input from across multiple processes, and do so in an iterative and non-linear fashion, in contrast to core transaction processes.



Here the framework is anchored in three back-to-basics concepts:

1. How does this tie back to the financials? (the *so what* question)
2. How does this tie back to organizational functions and roles? (the *who is accountable* question)
3. How does this fit with business processes? (the *where*, *when,* and *how* question)

Our jobs have become less linear and more interactive, requiring iteration and collaborative decision making. This requires the kind of information that drives high-performance decisions. This information is aggregated, integrated, and enriched across processes in a consistent way. It is grouped and categorized into information sweet spots designed to drive performance decisions. This is the information framework outlined in this book.

ABOUT THE PERFORMANCE MANAGER

The book, ***The Performance Manager***, is authored by:

Roland P. Mosimann *Chief Executive Officer, BI International*
As CEO and co-founder of BI International, Roland has led major client relationships and thought leadership initiatives for the company. Most recently he drove the launch of the Aline™ platform for on-demand Governance, Risk and Compliance. Roland is also a co-author of the Multidimensional Manager and the Multidimensional Organization. He holds an MBA from the Wharton School of the University of Pennsylvania and a B.Sc. (Econ) from the London School of Economics.

Patrick Mosimann *Founding & Joint Managing Director, PMSI Consulting*
As co-founder of PMSI (Practical Management Solutions & Insights), Patrick has led major client engagements and has significant experience across a number of industry sectors. Patrick Mosimann also holds an MBA from the Wharton School of the University of Pennsylvania and a B.Sc. (Econ) from the London School of Economics, University of London.

Meg Dussault *IBM Software Group, Information Management Corporate Positioning*
Meg started her marketing career 15 years ago, beginning with campaign management for the national telecommunications carrier of Canada. She then moved to market development for Internet retail and chip-embedded smart cards before moving to product marketing within the company, where she has been for 8 years. She has worked extensively with executives and decision makers within the Global 3500 to define and prioritize performance management solutions. This work was leveraged to help shape the vision of IBM Cognos performance management solutions and to communicate the message to key influencers.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: **www.ibm.com/cognos**

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