



## **The evolution of the CPM system**

From vision to technology,  
technology to system

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## Abstract

This paper defines and provides an overview of the history of Corporate Performance Management (CPM) and outlines the challenges and driving forces behind CPM initiatives. The key elements of a true CPM initiative are discussed along with how IBM Cognos® solutions fit within CPM. The paper concludes with a discussion of the ongoing evolution of CPM.

## Overview

### The CPM evolution

The definition of corporate performance management (CPM) has been consistent since industry analysts Gartner Research introduced CPM in 2001. 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.<sup>1</sup>

Despite this stability in definition, CPM as a practice has evolved greatly since 2001. Many companies from the Global 3500 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. In its "CPM Benchmark Study", the Aberdeen Group discovered that more than 70% of companies who adopted some sort of CPM program generated high impact improvements in key performance metrics, and these results were consistent across industry segments and company size.

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

- Organizations have squeezed efficiency out of operations through ERP systems and are now looking to information as a strategic and competitive weapon.
- Sarbanes-Oxley and similar legislation are driving a new era focused on good governance. Companies are progressing from regulatory compliance, to providing greater visibility, and to transparency as a corporate competitive differentiator.
- The underlying technologies necessary for CPM have matured.

Since 2001, companies, analysts, and thought leaders have moved from a CPM vision, to a vision built with CPM technologies, and now see the whole challenge of delivering a CPM system. IBM has anticipated this evolution.

In 2001 IBM articulated a vision of enabling and engaging everyone in an organization with managing the organization's performance in a systemic way. Over the next two years, IBM invested through internal product development and external acquisitions to build the technology platform required for corporate performance management. Since then, IBM has been expanding its standards-based technologies built for ease of integration and a partner ecosystem to offer a complete CPM system.

IBM is now complementing its solid, integrated technology foundation for CPM with a whole-product approach. The company is pursuing this evolution with partners and thought leaders. Together, these groups are defining the "sweet spots" for CPM—where a CPM methodology can have highest impact. They are also developing and offering the pre-built solutions that can take advantage of those sweet spots. This whole-product approach comprises:

- **Technology** – through an integrated platform.
- **Solutions** – covering departmental, industry, and enterprise-wide performance management needs.
- **Best practices** – planning, reporting, and metrics templates developed through the IBM Cognos Innovation Center for Performance Management.
- **Partner ecosystem** – building performance management solutions on the IBM Cognos platform.

## CPM vision and technology

Far ahead of any business intelligence or ERP vendor, IBM embraced Gartner's vision of CPM. In 2002 the company announced, "The next level of competitive advantage – and the next breakthrough in productivity – will come from companies better connecting their people to the business, its vision, its strategy, and its 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. It comes from the Foreword to one of the first books written on CPM—*Smooth Sailing on Rough Seas*—by Rob Rose, Chief Strategy Officer for Business Intelligence and Performance Management at IBM.

Like CRM, corporate performance management's vision has a small-business cognate. CPM promises the world's largest companies the agility and responsiveness of small companies.

Rob Ashe, general manager of IBM's BI and performance management unit, describes CPM as "a way I can ensure my priorities become the priorities of someone four layers down in the organization. CPM preserves the direction and intent of senior management and empowers operations to do the right job well." In a small business, the shop owner walks over to the staff and tells them what needs to happen. He can see the results in the real world. The President and CEO of a Global 3500 organization needs the same thing. Can she construct a virtual means to make that happen? That's the simple idea and appealing promise of CPM.

Think of a world where performance systems work like email, says Ashe. It's a fluid, dynamic environment of performance management. People come to meetings with a shared understanding of what happened, why it happened, and what needs to be done. Divisions and departments don't go off track because of lack of alignment. Reliable, timely information prioritized by strategy drives better decisions. And better decisions drive improved performance.

### **From technology to system**

This evolution of CPM – from vision to technology to system – parallels the evolutionary steps of other well-known business-technology systems. These include customer relationship management (CRM) and enterprise resource planning (ERP).

Relationship marketing was the precursor vision to CRM, becoming prominent in the 1980s as relationship marketing principles underpinned customer care and quality programs.<sup>2</sup> For CRM, this vision saw companies building long-term relations with key customers in order to retain their preference and business. This vision is essentially an extension of good small business practices – where shop owners know their regulars and what they like.

As companies pursued the idea of relationship marketing, vendors began to offer sales force automation technologies. This software let companies automate processes to route, notify, and escalate sales information and customer issues. But other functions, such as marketing and customer service, regularly interacted with customers too. Software vendors began to develop programs for these functions. CRM was now in its technologies phase.

However, it soon became clear that companies could achieve greater benefits if marketing, sales, and customer service processes were integrated and automated. This was the birth of a CRM system, and the beginning of true customer relationship marketing as the vision first promised.

## Business problems

IBM, major customers, and other thought leaders recognized that CPM was not business intelligence; it was not planning; it was not financial consolidation or reporting; it was not the Balanced Scorecard. Just as CRM had to bridge sales, marketing, and customer service, corporate performance management had to embrace these processes and technologies. Today, these thought leaders generally agree that from a technology perspective, CPM means an integration and automation of:

- Scorecarding
- Business intelligence (or decision support), including financial reporting and consolidation
- Planning

These technology areas are key to CPM's value in letting organizations answer the essential business decisions. While people may have any number of decisions to make during the business day, they depend on answers to these fundamental questions:

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

Scorecarding, business intelligence, financial consolidation, and planning technologies answer these questions. The questions connect; CPM requires they not be stand-alone elements. Knowing what happened, without finding out why, is of little use to the business. Knowing why something happened, but being unable to plan and make the necessary changes is likewise of limited value.

Just as the questions are connected, the fabric of information fueling the answers must connect as well. The answers must be based on a common understanding of metrics, data dimensions, data definitions, and views of the organization. Drawing answers from different, disconnected tools can cloud the window into the organization's performance. The resulting dimmed view hampers the organization's decision-making ability, and therefore, overall company agility.

## Business drivers

*“One of the most staggeringly primitive problems facing organizations is the difficulty they have accurately answering even the most basic of questions.”*

*Ian Charlesworth, Butler Group  
CPM: A New Approach to  
Business Control and Planning*

CPM's real value is found in the seamless way decision-makers can move among these fundamental questions. The single, integrated technology platform is vital – so important, in fact, that the practical definition of CPM became the integration and automation of scorecarding, business intelligence, and planning.

The IBM Cognos platform was the recognized leader in business intelligence in 2002, and continues to be today. But the company realized that CPM was the real goal, and began the hard work of ensuring its development and acquisition plans brought the company's technology story closer to its CPM vision.

As a result, the company today has the highest level of integration and technology excellence of any vendor for scorecarding, business intelligence, and planning.

While technologies mature, true CPM leadership means looking past technology automation and integration. The next step in natural evolution is a CPM system.

If the vision is about giving big companies the agility and flexibility of small companies, and the technology is integrated, automated scorecards, business intelligence, and planning – what is the CPM system?

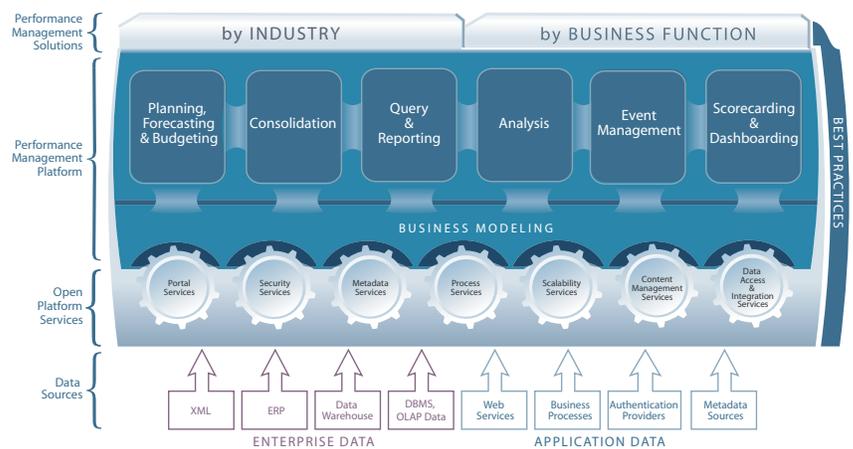
## The solution

### The CPM system

The components of a CPM system, like an ERP or CRM system, are the common components of any Management Information System (MIS)— software, business processes, users and hardware. An ERP system is more than the sum of its parts or components. Those components interact to achieve a common goal; in ERP’s case, the goal is streamlining and improving the organizations’ business processes.<sup>3</sup> The components of CPM interact to deliver the values of information delivery, performance oversight, and greater performance effectiveness.

Gartner’s advice to clients considering CPM supports this thinking. “When evaluating corporate performance management vendors, take a “suite” approach, aiming to cover multiple management processes. A “stovepipe” approach may fix short-term problems, but will not significantly improve performance. Products should be evaluated on their overall integration among components and to what extent it has a solid foundation or fits into your business intelligence or enterprise resource planning strategies.”<sup>4</sup>

Based on our experience working with customers, analysts, and partners, a corporate performance management system has the elements shown below.



### **Performance management solutions**

The “Solutions” level includes industry solutions and 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? For example, a CPM industry solution for pharmaceutical companies is clinical performance management. It requires planning for costs and revenue, scorecards on progress in clinical trials, and reporting to spot trends and uncover threats and opportunities.

#### *Industry solutions*

Each industry has a number of specific challenges that are “sweet spots” for corporate performance management. Some of these include:

#### ***Pharmaceutical/health sciences:***

- Clinical performance measurement
- Enterprise incentive compensation management
- Product demand forecasting

#### ***Financial services:***

- Mortgage banking
- Insurance risks claims reporting
- Basel II and risk reporting

#### ***Manufacturing:***

- Supply chain planning
- Manufacturing performance management
- Aerospace and defense management scorecarding and dashboarding

***Retail:***

Retail operational performance management

Vendor performance management

***Public Sector:***

- TANF public health and welfare
- Police and corrections performance management
- K-12 and No Child Left Behind Act compliance

IBM and our partners are expanding IBM Cognos technologies and services to deliver these and many other solutions for industry-specific challenges.

***Enterprise performance solutions***

Enterprise performance solutions are more general to many companies and industries rather than specific to one. They include:

***Financial consolidation***

Consolidation, as an enterprise solution, differs from consolidation technology through the addition of pre-built rules, calculations, and the ability to populate plans or scorecards. Financial reporting practices and some requirements change from jurisdiction to jurisdiction. A consolidation solution can adapt to serve the needs of a multinational company operating in several countries. As a solution, consolidation also ensures that its data is shared with appropriate metrics and enables reports to be run on its vital data.

### **Enterprise planning solutions**

IBM, through the IBM Cognos Innovation Center for Performance Management, has developed a number of Blueprints. IBM Cognos Performance Blueprints are predefined data, process, and policy models that incorporate best-practice knowledge from IBM customers and the IBM Cognos Innovation Center. The Blueprints define all the necessary technology and process design choices to quickly deploy a business planning process across the organization. Specific Blueprints include:

- Risk analysis
- Strategic financial planning and forecasting
- Sales planning and forecasting
- Expense planning and control
- Headcount and compensation planning
- Capital expenditure planning
- Sales compensation

### ***Enterprise performance applications***

IBM has developed out-of-the-box reports, metrics, and analytics, for key operational areas of every business:

- Finance
- Operations
- Customer
- Workforce

### ***Scorecarding***

IBM Cognos metrics management technology is built to support scorecarding methodologies, such as the Balanced Scorecard. Its reporting and scorecard software also supports initiatives such as Six Sigma. Scorecarding becomes a true CPM solution when it embraces approaches that require interplay among technologies, such as planning and reporting.

### ***Reporting, analysis, and data solutions***

In addition to delivering templates for pre-built reports in different operational areas, reporting solutions benefit from pre-built connections to the underlying data sources. Mapping report elements to common data sources (such as the various ERP data warehouses) provides a head start to a CPM solution, letting companies leverage their data assets more effectively.

### **Performance management platform**

Integrated and automated scorecarding, business intelligence, and planning capabilities form the software platform for 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 people can get at 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 BI 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.

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**

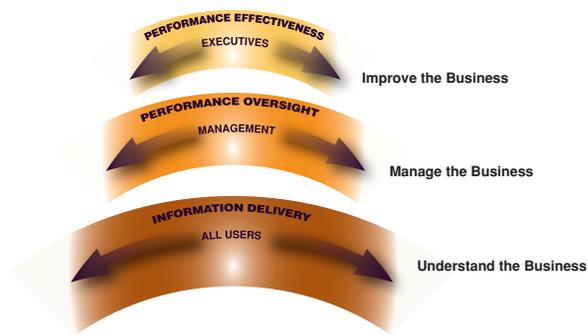
Platform services are the underlying integration layer for CPM technologies. Integrating or ensuring commonality among these elements ensures a seamless experience for people using the CPM system.

- **Portal:** a common, Web-based interface to interact with information. Open to easily integrate with existing portals such as 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 business need.
- **Data integration:** All technologies can access data – relational or OLAP– regardless of the data structure. Using direct access; extraction, transformation, and loading (ETL); or enterprise information integration (EII) data extraction approaches; IT can unite disparate, stovepipe information. This delivers a consistent view of the business.

**CPM system value**

The key value of a CPM system is delivering the “preservation of senior management intent” as Rob Ashe, general manager of IBM’s BI and performance management unit, said in the beginning of this paper. Preserving intent calls for:

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



**Information delivery**

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

When everyone can access any report drawn from any and all relevant data, you have established a fundamental level of communications with the business. You can make decisions, and then let results communicate the effectiveness of your decision. CPM systems create feedback loops not only between senior and 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 CPM.

With information delivery, you have helped everyone understand the business.

### **Performance oversight**

Performance oversight is about providing those who are not directly on the shop floor with the 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 management to optimize current practices, within established constraints.

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

- *Were actions taken that support management's direction?* (Oversight on potential errors of omission).
- *Were other actions taken that don't fit with management's direction?* (Oversight on potential errors in commission).

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

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

### **Performance effectiveness**

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 strategic planning, removing constraints, and helping the executive level set new targets and goals. “Any system you want to be fast and pervasive must be automated,” says Ashe. The gains promised by a CPM vision are realized by the automated and integrated CPM system.

CPM aligns and links plans with metrics with underlying information. In this way, it does more than other approaches such as the Balanced Scorecard, driver-based budgeting, or any other single initiative. Management can model its desired future, set the plans to reach it, monitor its progress along the way, and gain insight from day-to-day results to adjust the course. It is vital that executive management has the agility to change the business through strategy formulation and planning.

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

### **CPM systems – Next steps**

Having identified the natural evolution of CPM to a systems approach, IBM is now tuning its technology and solution applications. IBM Cognos software takes integration and alignment to a new, industry-leading level. Continuing development of blueprints, performance applications, and the performance ecosystem further the whole-product solutions approach.

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 and “crunch the numbers”. Changing the budget approach from disconnected spreadsheets to flexible rolling plans is part of performance progress.

Performance management projects are incremental exercises. Companies adopt specific solutions that support the longer-term and enterprise-wide strategy of greater performance.

Where companies go next on the CPM path will differ, and how quickly they implement the whole platform will vary. But customers tell us they need a decision-making platform for consistency, more managerial agility, and greater ease of use to improve their decision-making. The bottom line is that every time you address one element in the system, you strengthen the entire decision-making platform.

## Conclusion

As noted earlier, Gartner advises that when evaluating corporate performance management vendors; take a “suite” approach. Cover multiple management processes. Choose among the thought leaders – those truly committed to making the vision real.

IBM continues to develop its industry-leading technologies for planning, reporting and analysis, metrics management, financial reporting and consolidation as integrated components of a performance management platform. Customers may need just reports or just effective planning today; but tomorrow they will need ways to ensure oversight and greater effectiveness. This reflects our long-term view of customer relationships. Shorter reporting times or quicker financial closings are not the endgame. Better performance is.

From vision to technology to system, the promise and practice of corporate performance management will continue to develop. IBM is committed to leading the development of CPM, and helping our customers define the CPM journey that delivers the most value to them.



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## 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](http://www.ibm.com/cognos)

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### Endnotes

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