



**Make smarter decisions and take
action to maximize your success.**



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Executive summary

Businesses are operating in a pressure cooker. The rate and pace of change is furious. Organizations face variable economic conditions, competitive challenges from existing and new players, increasing regulation, ever-increasing customer demands and daily operational disruptions. All of these fluid conditions combine to create enormous performance challenges.

For CEOs, job one is revenue growth.* They believe that the key to achieving growth is the ability to become more responsive to the very fluid conditions that create performance challenges. CEOs realize, however, that their companies' abilities to react to changing conditions and external forces are not very good.

To become responsive, businesses, throughout the organization, need to:

- *Make more effective decisions*
- *Manage business operational disruptions more effectively*
- *Align strategic objectives and priorities both vertically and horizontally throughout the business*
- *Establish a business environment that fosters continuous innovation and improvement.*

So, how can you transform your business to become responsive, action-oriented and accountable? How can you enable your people to see what is going on, and understand why, so they can make effective, timely decisions? How can you provide a foundation for continuous improvement and optimal performance?

Through business performance management—a holistic approach that enables companies to align strategic and operational objectives with business activities in order to fully manage performance through smarter decisions and actions for greater success. Business performance management leverages business



Highlights

Business performance management can help you manage performance company-wide to transform your organization into a flexible, responsive, market-leading business.

Business and IT managers and non-managers must be able to see what's happening in their organizations and understand how it is affecting them.

intelligence, process management, business service management, business activity monitoring and corporate performance management technologies to fully manage company-wide performance through insightful decisions that can help you deliver optimal results.

This paper discusses business performance management and how IBM can help you begin to take steps to transform your organization into a flexible, responsive, market-leading business.

Business performance management: acting in the context of the big picture

To grow your business in today's fiercely competitive environment, you need to address your business performance needs—from strategy through operations, and across multiple lines of business.

Business and IT managers and non-managers must be able to see what's happening in their organizations—both internally and externally—and understand how it is affecting them. Giving your employees the views they need, based on their roles and in the context of overall business objectives, enables them to make the right decisions and take the right actions at the right times to contribute directly to the overall success of your business.

Indicators that you need business performance management

To understand the types of challenges that can be addressed with business performance management, consider these examples of companies that mismanaged their performance. The following snapshots illustrate how various business events—both internal and external—can affect business operations.

Importance of aligning strategy and business operations across the business

A luxury car dealer prides itself on providing high-quality cars and service to its customers. Delivering quality is the corporate strategy and the dealer's number-one differentiator. However, the performance of the parts department manager is measured primarily on the financial success of his department.



Highlights

Business performance management can help businesses gain greater visibility and the ability to take directed and proactive action.

Real-time, contextual insight available across the business can improve performance and increase efficiency.

When an opportunity arises to purchase lower-quality parts in order to reduce his departmental costs, he takes it. This action puts the dealer at risk of missing its quality standards and damaging its key differentiator in the market. Unfortunately, the measures in place for the departments are not aligned with the corporate strategy, so it is unlikely that this strategy will be achieved.

Value in visibility and the ability to take directed and proactive action

Two companies offer similar products to the same market and directly compete on price. Any price change by one can shift marketshare to its advantage immediately. So company A lowers its price on products offered via the Web. Unfortunately, the right people in company B are slow to respond, resulting in lost sales over several days. This inability to see and understand the impact of external market factors at the right time limits company B's ability to take directed and proactive action. The result is lost revenue.

Importance of providing real-time, contextual insight across the business

A retailer has multiple stores in a metropolitan area. Although the stores are in close proximity, they serve distinctly different markets. Understanding the customer taste, and therefore demand, for each location is key. In this case, one retail store location has a high demand for a product and is in constant need of additional stock. This high demand requires the store manager to pay expedited shipping charges from the central distribution center every time an order is placed. However, at another location, this product is not moving well at all. In fact, in order to clear the product from the store floor, the store manager has deeply discounted the product.

These two stores are less than 30 miles apart. If the sales managers had a better view into the information on product sales across the business, they would have been better able to respond to this difference in demand. The product could have been shipped from the second location to the first, eliminating the rush charges and the need to sell the product at a discount.



Highlights

Aligning IT operations support with business priorities improves team effectiveness and customer satisfaction.

Business Performance Management solutions from IBM provide a platform that helps enable continuous improvement and innovation.

Benefit of aligning IT operations support with business priorities

A retailer relies heavily on its Web channel to sell products. Because this channel is key to the financial success of the company, there is a team dedicated to ensuring that the site is up and operational. However, this team is not privy to the marketing plans, which will launch a wide-scale advertising campaign to drive a greater percentage of the business to the Web. The operations team is caught unaware by this campaign, not knowing its scope and likely impact, and is unable to prioritize system outages and resources to bring the system back online. The result—lost sales and frustrated customers.

The IBM advantage: managing performance to enable continuous success

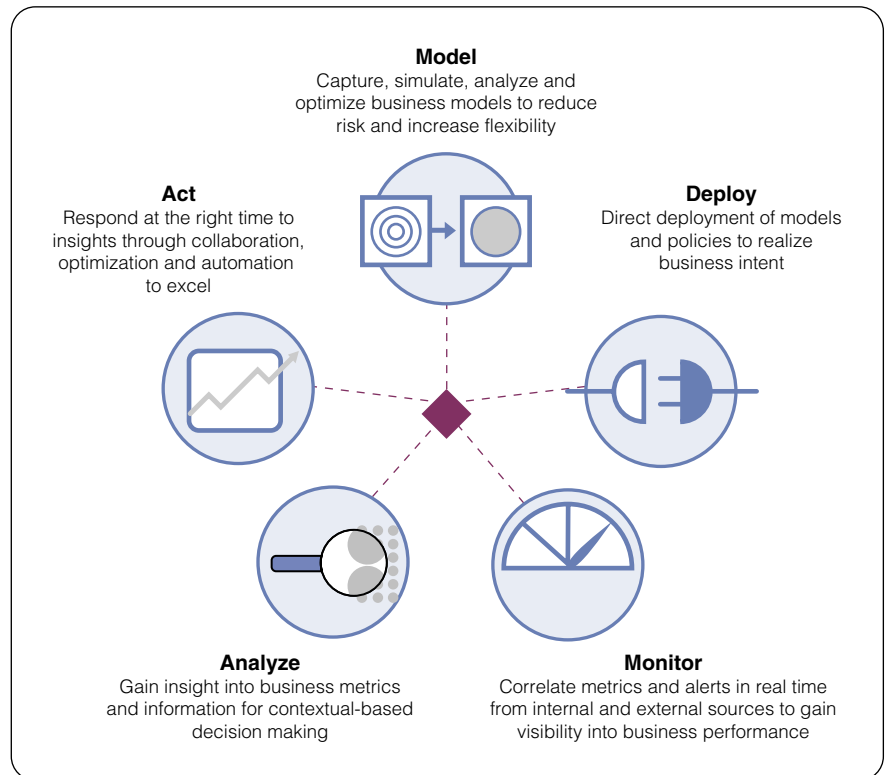
Business Performance Management solutions from IBM provide a platform that supports the key activities that drive continuous improvement and innovation. By engaging in these activities, businesses can adapt to changing market dynamics and everyday operational disruption in a way that can reduce costs and generate competitive advantage. Simply put, the platform enables businesses to:

- *Align strategy horizontally and vertically throughout the company*
- *Take proactive and directed action*
- *Provide real-time, contextual insight*
- *Deliver role-based visibility into business operations and metrics*
- *Improve team productivity and effectiveness.*



Highlights

The IBM Business Performance Management platform helps you model, deploy, monitor, analyze and act to achieve success.



The IBM Business Performance Management platform for continuous improvement and innovation

The power of the IBM platform is derived from each activity—performed individually and in combination.

The power of the IBM platform is derived from the benefits provided by each activity and the additional benefits derived when the activities are performed in combination. In aggregate, they enable continuous improvement and innovation – creating the opportunity to grow your business. Together, these activities empower businesses to see and understand what is truly impacting their success.



Highlights

Common initiatives that instigate the need for business performance management are risk management, regulatory compliance, asset utilization, growth, customer intimacy and cost reduction.

The return on IBM Business Performance Management solutions is clear: flexibility and competitive advantage that generate increased revenue, profitability, customer loyalty and marketshare.

The platform is designed so you can take an incremental approach to performance management, implementing in phases and leveraging current investments. This lets you address performance needs at the pace your business requires. Focusing on specific initiatives enables you to realize rapid, targeted benefits from business performance management solutions. The most common types of initiatives that instigate the need for business performance management are risk management, regulatory compliance, asset utilization, growth, customer intimacy and cost reduction.

A key value of the IBM approach is a flexible, extensible, open-standards-based software infrastructure that underlies the platform. This infrastructure consists of IBM Software Group market-leading software products and technologies for modeling, monitoring, analysis, interaction, access, collaboration and integration.

In addition to IBM's industry-leading technologies and products, IBM Business Consulting Services, the world's number-one provider of business intelligence and business performance management solutions, can help you understand your current capabilities and how to build upon them incrementally—through process transformation, a balanced scorecard strategy, identification of key performance indicators critical to success and breakthroughs in performance optimization.

Business Performance Management solutions from IBM combine market-leading software, industry expertise and best practices to enable you to better monitor, manage, analyze and take action, so you can make smarter decisions and gain competitive advantage. The return on investment in IBM Business Performance Management solutions is clear and measurable: flexibility and competitive advantage that generate increased revenue, profitability, customer loyalty and marketshare.

For more information about how IBM Business Performance Management solutions can help you transform your organization, please visit us online at:

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* Your Turn: The Global CEO Study 2004. IBM Business Consulting Services.