

PSC White Paper



Business Performance Management (the New BPM)

Bringing Information and Business Metrics Together in Real-Time

Business Performance Management (BPM) is a set of processes that help organizations optimize their business performance. It is a framework for organizing, automating and analyzing business methodologies, metrics, processes and systems that drive business performance. BPM is seen as the next generation of business intelligence (BI). BPM helps businesses make efficient use of their financial, human, material, and other resources.

...Wikipedia(2008)

To remain competitive and insure optimum performance, companies need to know what is “happening” *as it happens* (or even before it is about to happen). If there is a problem, then they need to know how to *find it and fix it*. Immediate access to accurate and measurable information about the business conditions under which a decision is about to be made, is what turns those decisions into meaningful actions. This need, which extends beyond the four walls to trading partners up and down the supply chain, includes the effective presentation of information, real-time alerts about impending events, and the ability to take corrective action in a timely manner. As the pace of globalization continues to accelerate, Business Performance Management is more important than ever.

BPM vs. BPrM

But what exactly is Business Performance Management (BPM)? Ask five people and you will get six answers. The COO will say it is Operational Performance Management (OPM) because it is used to manage activities associated with production and distribution. The CFO will say it is Corporate Performance Management (CPM) -- running a business “by the numbers.” Others will say it is the latest incarnation of analytics, dashboards, and Business Intelligence (BI). Then there are those that will confuse BPM with the other acronyms with the same letters – Business *Process* Management (which we are, for this paper, labeling as BPrM). The difference between them is more about the approach than the results. The more contemporary Business *Performance* Management is a broader top down approach while time honored Business *Process* Management assumes a more focused supporting role and is bottoms-up.

BPM is the combination of Business Intelligence (BI) and BPrM -- an amalgamation of the various methodologies used to plan, measure, analyze, and run a business. It is about having all of the information you need in one place so you will know both the cause and the effect of a business action, when and where it occurred, and what to do to make timely adjustments. Thus, BPM provides the ability to identify performance deviations early and initiate corrective actions automatically.

Simply stated, today’s BPM is dashboards and metrics brought together in real time and in the business context to provide a basis for action.

BPM Starts with Information

The most pronounced differentiator in business today is information and how it is used to run the business. The ability to quickly access, absorb, and process information into tangible market value



It's all in the way we listen.®

PSC Group, LLC is a professional services consulting firm that specializes in business process architecture, information technology and back-office integration. We have extensive experience with a wide variety of collaboration products, applications, processes and systems including BPM, ERP, CRM, Portal, and Workflow.

When it comes to workflow, business intelligence, information management, and the control of business processes, PSC can provide you with a competitive advantage through the smart and effective application of technology.

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is paramount in almost every industry. In many ways, information is no longer there to just support the business -- it has become the business. This is true for both service and product-based operations.

Your business performance is directly related to how well you manage your information, so you need to answer this question. Are you getting the right information to the right people, at the right time, and in the right place? While you consider your answer, don't think about huge data warehouses, business reporting engines, analytic cubes, and the traditional tools that have powered corporate IT departments for decades. Most businesses have more information than they need. Applying that information effectively is another story, so think about how you can use information to make a difference.

BPM Facilitates Context

If you can provide the right information to the right person at the right time, in the right place, and in a useable format – when a business situation occurs as it occurs, you have provided that information in the *context* of the business activity or process. Context “makes sense” of a situation and how it is being measured -- making the delivery and decision thread as important as the information itself. To elaborate...

*Elie Saari*nen, the world-class architect, once observed that we should “always design a thing by considering it in its next larger context - a chair in a room, a room in a house, a house in an environment, an environment in a city plan.” For example, when designing a chair, the setting (context) should be taken into account. You don't want to put a dining-room chair in a cubical.

Although the business process is driven by the less tangible concepts of decisions and actions, improving it can be done just as easily using the same logic. A case in point would be the nagging part of every business – customer past due aging. Traditionally, a report is generated from a back-office system that lists customer past due status with past due amounts in several aging buckets. This report is produced weekly or monthly and then disseminated. As the information flows further away from the accounting department, the chances that these reports are utilized in a timely fashion diminish exponentially. They are eventually filed, the information is not used.

The contextual questions is...will the customer service or sales representative actually see this information in time for the next sales call? Will this information be available *before* they field a question, generate a quote, or negotiate a concession? Will they know how much the account is costing them in uncollected revenue? These questions and more could be answered before they strike the next deal if *all* of the information was made available when it's needed and in context with the specific account or situation.

Making sure that business rules flag past due accounts and visibly alert an estimator in the context of (during) the quoting process is what leads to more profitable decisions. Likewise, providing key real-time customer metrics such as past due status, on-time delivery and order tracking via Blackberry to a salesperson sitting in the parking lot of their next appointment enables them to negotiate the best outcome of their sales transaction. Like the lawyer in court who wants to know the answers to the questions before they are asked, business people need to have the same advantage if they are to be really successful. Timely information matters. Having it in context makes it even more valuable.

The Single Definition of the Metrics

BPM is dependent on accurate and timely metrics. If you can't measure it, you shouldn't be doing it. If you don't use a metric as it is being delivered, its value diminishes quickly. If a metric is accurate and timely, but you don't know what it really means or where it comes from (source), its value is not only lost, but in certain circumstances can be counterproductive. You have to have the “single definition of a metric” or bad things can and will happen.

KPI's, benchmarks, and other forms of metrics are *representations* of business factors and key business information that are created for the purpose of communicating and managing performance. They are the ‘shorthand’ for describing what is actually going on behind the scenes. Metrics measure outcomes in either absolute terms (yes or no) or to indicate relative movement (increasing or decreasing trends.)

Metrics need to be more than numbers if they are going to be used to manage performance. Metrics should also provide guidance and direction for where and how to make improvement. To do this, we need to know *where* the data comes from that defines the metric, and if it *points* to the right spot in the business process that will need the corrective action. Therefore, the real test in selecting the right metric is the ability to ‘follow the data’ to the point of origin and track the cause and effect relationship. Truth be told, most managers in today's environment cannot tell you where a metric originates and what it actually means. The result is decisions made on “misinformation” that introduce the “bull whip effect” and other inefficiencies to the business process.

The Single Version of the Truth

We know communication is the Achilles heel of every business. It is the number one success factor in any organization. Getting the right (correct and accurate) information to people where they are and when they need it is key to effective BPM. There is, however, another equally important consideration -- that of having everybody “on the same page.” How many of us have succumbed to the most popular of management tools – the Excel spreadsheet -- without realizing that the decisions made were based only on that particular sheet’s version of “the truth”? In most businesses, there are thousands of spread sheets, so...well you get the idea.

BPM brings information and metrics together to form what is known as having the *single version of the truth*. With everybody looking at the same information and at the same time, there can be no misinformation, no misunderstanding, and no decisions based on the wrong information. This is why BPM with its dashboards and web communications can make the difference in today’s business environment.

BPM Planning and Selecting the Right Architecture

BPM planning begins with a detailed evaluation of a business processes by production, supply chain, or services experts from a metrics point-of-view. It starts with a review of existing metrics and source data points to determine their quality and effectiveness. Using the results as pointers, the business process is then evaluated for points of improvement. Because the application of corrective action in one part of the process may have its best results in another part of the process, expertise in overall process architecture is important in order to achieve the maximum benefit. The increase in the quality and greater use of absolute metrics also makes the process more objective, thus reducing the natural pushback as department lines are crossed and resistance begins to build. (Until metrics become a way of life, most organizations view them defensively as a form of criticism rather than the constructive key to continuous improvement.)

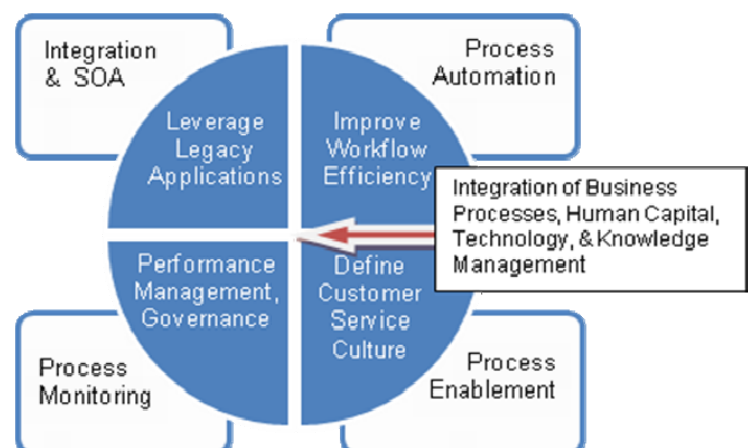
BPM requires keeping your eye on the entire business process before starting to work on any particular aspect. By doing this, you accomplish several things. You develop a better understanding of how the overall business process actually works, how its individual components interact and interoperate, their true costs, and how to better control overall performance. You also understand the role of metrics as a key ingredient.

The effectiveness of BPM is dependent on the ability to quickly respond to any situation, which means having access to critical information and performance indicators that are presented in easy to understand format. Today’s global environment requires the efficient use of portals, dashboards, and related infrastructure. Bringing information “to the glass” efficiently for human consumption and action in real-time is essential. Selecting the right business process architecture to accomplish it will make the difference. Also, business conditions change quickly, which means the business processes on the back-end need to be equally as agile as the front end in order to keep pace. A poor choice in this area can kill the whole project

Keep in mind that BPM is more than an internal performance management process. It is the set of ideas, tools, and techniques that deal with the performance of the overall supply chain. Business processes originate with the customer, traverse various functional departments of the company, and flow back to the customer. In this journey, *the business processes* rely on the integration and balance of *the technical systems*, *the human capital*, and *the knowledge management* to drive performance. If the balance between these four areas is not properly managed and measured, then performance problems can occur that will be manifested in varying degrees in each of these areas.

Facilitating this balance requires the mix of architecture and infrastructure, process automation, measurement and monitoring, and cultural cooperation, all management by a methodology that unites and balances the following components.

Service Orientation Architecture (SOA): SOA is a software architecture where functionality is grouped around business processes and packaged as interoperable services. SOA also describes IT infrastructure which allows different applications to exchange data with one another as they participate in business processes. The aim is a loose coupling of services with operating systems, programming languages and other technologies which underlie applications.



Process Automation: Transactional activities and workflow are automated to transition your workforce from administrative to customer centered solution providers. No more manual data entry, no more busy work, no more time wasted shifting between applications.

Process Monitoring: Defined business processes are required for regulatory compliance such as SOX and PCI controls. Key Performance Indicators and metrics help to monitor operational and transactional processes to ensure customer satisfaction.

Process Enablement: Creating a culture that promotes collaboration, knowledge sharing, leadership and trust are essential elements to enhance business processes.

Integrated Performance: Guarantees that the natural dynamic balance between human capital, business processes, technical systems and information command and control is maintained.

PSC's Integrated Performance Solution (IPS) is a BPM tool and technique that identifies the balance between these four systems by classifying and sorting the "core" problems from systemic issues that face the organization. Then these core problems are consolidated into manageable projects. Organizations can think strategically and act tactically resulting in greater operational efficiency and lower project costs.

Taking Your Business to the Next Level

For purposes of this discussion, let's say that there are two ways to improve your business process. The first approach, Business Process Reengineering (BPR), engages experts to evaluate the business process, uncover areas for improvement, and make recommendations as to corrective action. We do this all the time, either overtly through planned projects or through the normal course of business. The results are usually presented in binders and action plans are executed through funded projects. BPR is best for immediate solutions to specific problems, not improving day-to-day operation.

The second approach, BPM, integrates your daily metrics with your BPR in order to uncover areas for needed improvement in a real-time, continuous operation. The availability of a continuous stream of information and KPI's will sound the alarm. The right choice of metrics will find the right spots. The related source data will provide direction as to the best corrective action. The advantage of this approach is that it provides continuous feedback and involves nearly everyone associated with the business process.

Although it takes more time to implement, PPM is becoming more popular among managers and executives because it is more systemic and provides a greater long-term return-on-investment (ROI). It provides change in the way a business thinks as well as the way it is operated. It can create a culture of full disclosure where everybody from the CEO to the floor sweeper can make a contribution to the continuous improvement and sustained success of the business. BPM can take your business to the next level.

Next Steps

Where do you start? We suggest beginning the process with readings from other sources including those in the box to the right. BPM is new and, thanks to emerging technologies, the market is rapidly changing. There is much to learn.

Next, give us a call. We work with middle market businesses in multiple industries, which enables us to share our experiences with businesses just like yours. There is no "right" answer, but there are plenty of examples of what works well to be applied to your unique circumstances. Remember, it is not *what* you do but *how* you do it that makes the difference. PSC has the expertise to show you how.

Other PSC White Papers and Case Studies related to BPM from the PSC Website Knowledge Center:

- Bringing Roles to the Glass One Function at a Time
- Information Command & Control
- Taking Business Performance to the Next Level
- It's the 21 Century, Do You Know Where Your Information Is?
- Using (the Right) Metrics to Lower Distribution Costs
- Following the Metrics Trail Solves an Inventory Problem

(Highlight and click, or go to Knowledge Center>Whitepapers at www.psclisten.com)

For more information about BPM and PSC's experiences and capabilities in BPM and other Advisory Services contact David Munaretto at 800-592-8002 or send an e-mail to advisory@psclisten.com.