

Survey: Identifying the maturity of Corporate Performance Management Deployments (CPM) and the benefits of more mature processes

Gartner undertook a joint research study with Cranfield University School of Management in 2007-2008 the focus of the research was on identifying the maturity of Corporate Performance Management Deployments (CPM) and the benefits of more mature processes.

The study confirmed the pivotal role of CPM in delivering on “smarter” decision making. The study showed the positive impact of a CPM system on managing business performance, and concluded

- *Following the implementation of the CPM system, managers can see how activity within their areas of the business contributes to company performance, and there is a greater understanding of the connection among products, volumes and return on investment.”*
- *The CPM system provides much better visibility of what’s driving profitability and growth, which customers to keep and customer behavior. It helps to make business decisions to encourage favorable customer behavior.*
- *The company is able to calculate client profitability within the CPM system in much greater detail than was ever imagined.*
- *Executive and senior managers are presented with business performance information on a daily basis. This allows them to act on key business issues proactively without any delay*

One of the most interesting findings from the study was that midsize companies with a national scope of operations, rather than large, multinational companies benefited most from CPM and were clearly more advanced than the rest. In most cases the CEO was the sponsoring executive and the CPM solution was mature across all aspects of CPM, and, more importantly, extended into other areas of performance management, exhibiting strong partnership with the business. Being midsized may make it more feasible for the CEO to be involved in personally implementing a CPM strategy because the personal “span of control” is smaller compared with a large multinational company.

Nevertheless, the implication is clear — CEO and management team involvement is key to advanced CPM maturity and to improving strategy management.

There were plenty of good examples of process improvement and cost savings, for example, significant resource savings many reductions in budget and reporting cycle times reductions in spreadsheet proliferation and dramatically simplified corporate reporting environment

Quantified examples included:

- *Increased speed and accuracy of reporting (for example, 33% faster and 50% resource reduction)*
- *Eradication of spreadsheets to increase business control*
- *Reduction in reports from 1,500 to 100*
- *Reduction in the number of reporting databases from 60 to 1*
- *Improving data consistency and greatly reducing support costs*
- *More than 1,500 person days saved in the planning and reporting cycle (\$2.5 million cost savings)*

Intangible benefits were perceived as higher value; most of the benefits cited were:

- *Moving from a traditional fixed budget cycle to a flexible, rolling forecast based approach.*
- *Significant improvements in forecasting accuracy and the ability to easily create new forecasts and scenarios, attributes which will be of great value in responding to dynamic changes in economic conditions.*
- *Improved decision-making capability and provided managers with information to manage their parts of the business more effectively.*
- *Helps bridge the gap between strategy formulation and operational execution.*
- *Delivers real business insight to business users.*

Furthermore, implementing CPM systems is a much less complex task than deploying major enterprise applications, such as ERP or CRM.

CPM can be a key enabler to a CEO's vision to transform the culture of the organization into one focused on performance. With one organization in the survey going from a loss-making situation to become the region's most profitable company in its sector in just a few years.

This was accompanied by increases in quality from levels of 88% to 96% (the ultimate target is 98%) and in market share (an average annual increase of around 6%).

The organization now has a healthy attitude toward internal competition that is fostered by the availability of detailed performance information. This data is shared directly with customers and has not only led to an improvement in customer satisfaction, but also has helped build stronger customer relationships.

The CEO played a personal role in widening the scope of the CPM deployment. to support such functions as customer, product and channel profitability analysis, enabling the organization to understand which combinations of these maximize its profits. The organization has also used the system to create an "advanced warning system" on customer accounts based on order size, rate and frequency, which helps the organization target at-risk customers. This has created an environment within which employees at all levels are empowered to make decisions on key business issues on a daily basis.

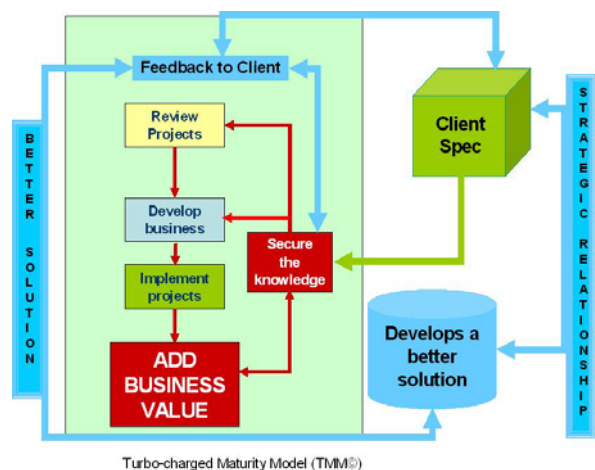
Senior executives need to be aware of the potential for CPM systems to help them formulate and manage strategy more effectively. Until that happens, it is the research team's conclusion that strategy management will remain a fairly random mix of science, art and luck.

Deshel's, equivalent of CPM, ("Turbo-charged Maturity Model TMM[®]") when designed and deployed is a combination of systems and processes that develop strategic and operational management with transformational benefits.

TMM[®] develops the overall business maturity model and places strategic importance on achieving optimum levels within the normal continuous improvement cycle. Combined with the expected benefits found in the Gartner survey TMM[®] delivers a measurable competitive advantage.

Unlike traditional deployment of maturity models and corporate performance TMM[®] is deployed in line with the business imperatives and is implemented around the critical success factors of achieving short term and long term objectives. Costs involved in the deployment are recouped within the budget period with following high returns on investment.

The question researchers should put to companies not developing CPM is ***"why would you not deploy TMM[®], when the costs are negligible in relation to the unfair advantage you gain on your competition."***



***Deshel can help provide the interim support that a company requires in developing Maturity and High Performance Management
Contact Alan Latham +61 415 296 960***