Adaptive Insights

Decision-Making at the Speed of Business

The New Business Performance Management Manifesto

By Russ Banham

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Keeping Pace in the Race

In today's breakneck speed of business, the corporate leaders that most quickly align business strategy with fast, informed decisions win the day. Still, too many companies are weighed down by business systems that cannot keep pace with this rapid momentum of commerce.

There is little wonder why this is the case: The business applications these organizations are using to gauge enterprise performance are worn out and hoary, originating in the early 1990's. Such antiquated systems for planning, analysis, modeling, and forecasting were not designed to leverage real-time performance data to quickly seize business opportunities or nimbly sidestep emerging risks. They're frozen in time, akin to writing a novel with a hammer and chisel.

Business strategies and processes have undergone staggering changes since these systems were conceived. Globalization, industry consolidation, worldwide supply chain optimization, outsourcing, and offshoring are all relatively recent phenomena. Product cycles and the time to enter new markets have tightly compressed. Workforces are more contingent, more mobile, and more distributed. Even the role of the CFO has steadily evolved from head corporate accountant, to strategic business leader.

In this new world of global commerce, does it make sense for corporate leaders to stubbornly grip to outmoded performance management applications? Not if companies want to avoid devastating losses in productivity, data optimization, and revenue from missed market opportunities or other wrong-headed decisions.

The continued use of obsolete technology to solve modern business problems is causing many companies to "fly blind," unable to make sense of their performance data to compete effectively on the global stage. In a recent survey of corporate executives conducted by The Hackett Group, more than 50% of respondents said they lacked real-time visibility into customer data, business volume, working capital, and supply chains. "As companies expanded their scale and scope globally, they lost visibility across multiple performance categories," the study states.[1]

Not all organizations are in this muddle. The fastest growing, most innovative, and most successful companies are fundamentally rethinking the technologies they are using to manage performance. Such deep contemplation has guided the decision to invest in modern, cloud-based systems to execute key decisions that are aligned with corporate strategy and based on real-time performance analyses. Out with the old and in with the new, these enterprises have abandoned on-premises, static spreadsheets, which can be traced back to the 1979 debut of Visicalc, and other tools like Hyperion, which originated in the early 1990s. Such solutions are as obsolete as a gas-guzzling Hummer in our era of all-electric Teslas.

New technologies are developed to fill a need that legacy tools no longer supply. Simply adding a new feature to a legacy solution is not enough; it's equivalent to sticking an electric engine inside that Hummer. What is needed is a comprehensive performance management transformation equal to the way salesforce.com transformed sales (and replaced Siebel) with a new CRM paradigm in the early 2000s, or how Workday is transforming HR processes. These same forces of transformation now summon the Office of Finance.

The Rise of The Strategic CFO

Today's finance leaders are progressively assuming a new role: Steward of Enterprise Intelligence. The Office of Finance is increasingly looking across the entire spectrum of business, finance, and operations. These CFOs have a key corporate decision to make:

Maintain the status quo of antiquated technology, or champion the push for modern business systems?

Increasingly, these more strategic-minded CFOs are choosing the latter.

CFO magazine and other leading finance journals routinely describe the modern finance leader as a strategic planner, possessed of keen operational skills and creative capabilities. Fitting this description is Mark Powers, finance manager at Boston Scientific Corp., a St. Paul, Minnesota-based developer, manufacturer, and marketer of medical devices. Powers' thinking exemplifies today's modern CFO in action.

"We're in the technology industry and need to move very rapidly, forecasting on the fly to make quick business decisions," he says. "We have this vision in finance of flipping the (finance) support model upside-down, from a transactional-based function to a value-added business partner function, through self-service type reporting and on-the-spot scenario planning and analyses that help our business leaders make key decisions."

Out with the Old

Legacy budgeting, planning, analysis, and consolidation systems were initially built to provide self-service to finance users, freeing them from reliance on IT. In fact, this feature was central to their appeal. No longer is this the case. Self-service has virtually vanished in the convoluted mix of upgrades, patches, and integrations that have been bolted to these on-premise systems. Now, only IT can operate the machine.

So monstrous is this Rube Goldberg contraption that technology analyst Brian Sommer comically calls it "Franken-Soft."

"Like the Frankenstein monster of film, the stitched together product suite looks like something that could terrorize villagers everywhere," Sommer wrote.

The incessant surgery performed on these old applications adds more complexity, stitch by stich. The latest stitch is the Cloud, which is, "Merely something else to append to the Franken-Soft creation," Sommer added. "Waiting for the monster to become a gestalt, a whole greater than the sum of its parts, is a waste of time and money."

Rather than stick with a contrivance that is now allegedly "Cloud-Ready," why not start all over again with a "Cloud-First" system, a term quickly gaining traction in sophisticated business circles? From a business standpoint, the Cloud—computer hardware and software resources delivered as a service over the Internet—is a game changer, according to analysts at McKinsey & Co.[2]

Salesforce.com CEO Marc Benioff agrees: "If someone asks me what Cloud computing is, I try not to get bogged down with definitions. I tell them that, simply put, `Cloud computing is a better way to run your business.'"

The Cloud cannot simply be embroidered on an antiquated system that has been weaved together over a period of several decades. A best-in-class solution is developed with a

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Cloud-First approach, in which a performance system is built in the Cloud from scratch. Not only is this a highly preferable approach, it allows finance teams to recapture system control from IT.

What does it take for companies led by their CFOs to realize this better future? It requires a new culture of performance management—a manifesto for a new era of business.

The New Performance Management Manifesto

So what should a system built for today, not yesterday, look like? Four differentiating features of Cloud-First performance management systems have made legacy applications completely obsolete:

- Collaborative, Connected, and Customer-Centric
- Analytics at the Center
- User-focused Performance Management
- A Unified and Aligned Approach

These four features have combined to urge a new performance management manifesto. Let's explore them one by one.

COLLABORATIVE, CONNECTED, AND CUSTOMER-CENTRIC

To connect finance to the rest of the enterprise, a planning and performance management system must be unified and collaborative. A Cloud-first system that embraces mobility, social networking, and data analytics makes good on this goal. The solution is a unified whole, rather than a jumble of disparate systems from myriad vendors.

This is the system in place at Boston Scientific to manage business performance. "We're not spending our time building spreadsheet models and sending out templates across the organization," Powers said. "We're working with our business leaders to understand different cost drivers. We can see the results of an increase in volume, for example, and what this does to individual unit costs, and then pass on this insight. We're focused on these types of value-added activities instead of working behind the scenes on spreadsheets, meaning our finance team is a true strategic player within our organization."

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Cloud-First technology assists the demands of this newer, strategic role for business finance leaders because it is the hub of the wheel. This is the position of Andrew Borg, research director in enterprise mobility and collaboration at Aberdeen Group. Borg coined the term *SoMoClo* to describe the performance potential of integrating Social connectivity and Mobility into a tool that has, "the Cloud at the core," he explained to CFO magazine. "Organizations that align their technology infrastructure according to the *SoMoClo* principles ... are on an evolutionary path," he added. "By connecting everyone in an organization to enterprise data and business applications in the Cloud, companies achieve organizational agility, accelerated decision-making, and increased collaboration."[3]

This heightened ability to assess and improve performance must occur across the enterprise for it to provide value. And it must be collaborative at the workforce level. "It used to be that five or six people in a large organization put together the forecast and analyzed the actuals," John Herr, CEO of Adaptive Planning, stated in a recent article. "Why not thousands of users across the company weighing in using their iPhones?"[4]

ANALYTICS AT THE CENTER

The best employees want to work for companies that are beating the competition with an arsenal of the latest technologies to guide smart, nimble decisions. According to a May, 2013 CFO survey conducted by Accenture, "Access to Information," is a key factor in achieving organizational agility.

All CFOs want to better understand business performance to execute decisions that control the organization's profitable direction. But if they have only outdated performance data to make these decisions, they cannot possibly discern where the business is headed, much less fathom where it is at present. How then can they confidently allocate vital corporate resources? They can't, according to planning expert Steve Player, North America program director for the Beyond Budgeting Round Table. As Player pointed out in a recent article, companies, "must act upon a strategic plan, but first must have some idea of where they are headed."[5]

To know this, finance leaders must be able to integrate real-time analytics with planning, via systems that are easy to use and navigate. A CFO cannot access relevant business performance analytics and plot the company's forward momentum with a labyrinth of hastily bolted together pieces. Those pieces are nothing more than outdated Business Intelligence components, screwed to Performance Management solutions, and then ostensibly hinged to the Cloud. Analytics and planning must complement each other as a tandem unit. Only a Cloud-First performance management system with an intuitive, consumer-like, and collaborative user experience truly aligns strategy and execution.

The CFO is in now expected to take the driver's seat. Finance must take charge of leading analytics projects—not IT. The return is commensurate with the investment, given the predictive power a Cloud-First solution provides, assuming the tools are in the hands of business users—not IT. Old tools are IT-centric; Cloud-First solutions are business solutions. Not just dashboards and reports either, but real opportunities to interact with systems, ask business questions, and provide answers.

USER-FOCUSED PERFORMANCE MANAGEMENT

A performance management system that is as intuitive as consumer technology is necessary in order to get employees to participate in making profitable business decisions. Such a system fosters a better user experience through which employees can fully understand the KPIs that drive the business forward, allowing them to focus on the most meaningful and impactful projects. Franken-Soft will not provide this user experience. The monster will not make their tasks more engaging.

A positive user experience does much more than increase employee efficiency. According to a recent Gallup poll, such an experience boosts a wide range of key performance outcomes, including 10% higher customer acquisition metrics, 21% higher productivity, and 22% higher profitability.

"During difficult economic times , employee engagement is an important competitive differentiator for organizations," the Gallup report states, noting that companies with more engaged employees, "have better odds of achieving the outcomes their organizations desire, such as revenue, profit, customer engagement, safety, quality work, and employee retention."[6]

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A UNIFIED AND ALIGNED APPROACH

Prior to their acquisition by on-premise ERP vendors, the early business intelligence and performance management vendors had excellent intentions. The problem is that they all evolved separately: Separate visions and separate strategies that ultimately resulted in separate, disjointed tools for things like analysis, reporting, consolidation, and planning.

At the time, CFOs desperately sought technology solutions to determine if business strategies were being properly executed. As one CFO lamented at the time, his company's business was growing fast, but he was unable to objectively measure just how fast it was performing, or even if it was, in fact, performing well. "I didn't know if we were really doing as well as things looked," he explained.[7]

These early systems were great, if not visionary at their time. But, they ultimately failed because they did not align the entire enterprise with the organization's strategic goals. The technology simply was not designed with this collaborative structure in mind. Not only were the tools different from their inception, but over time separate products, modules, and analytics were tacked onto these systems to achieve something akin to collaboration. The many different parts simply did not work together. There was no gestalt—a whole greater than the sum of the parts. And a gestalt is necessary when it comes to gauging real-time performance.

The time has come to make decisions at the speed of business. Now is the time to invest in Cloud-First technology to create a collaborative workforce moving in unison with a fresh perspective.

Gleicher's Formula for Change

How does a company take the first step towards this better future? An understanding of Gleicher's formula (D * V * F > R) offers a clue. The letters represent the following:

D: The dissatisfaction typically encountered with current practices.

V: The vision for a better approach.

F: An understanding of the initial steps required to attempt change—the new vision.

R: The product of the above must be greater than "R," which is the resistance to change.

Yesterday's business intelligence and performance management vendors understand this force, and are trying to migrate their outmoded modules to the Cloud by either hinging new parts onto old, or simply rebranding old software as new solutions. Their goal is to hide the truth: It is vastly more efficient and cost-effective to engage a vendor that has built a Cloud-based system from the ground up.

The bottom line is clear—the time is now to make the change, to relinquish antiquated, rusting "Big Iron" tools, and to replace them with responsive, deft, Cloud-based systems that empower the enterprise to achieve strategic imperatives. As CFO magazine reported, "Get them (employees at the edges of the organization) to type in a few operational measures on their smartphones or tablets, and the future becomes clearer for finance, leading to more confident, bolder decisions."[8]

About Russ Banham

Russ Banham is a Pulitzer Prize-nominated business journalist and author of twenty-three books. Banham is the author of The Ford Century, the award-winning, international best-selling history of Ford Motor Company, translated into 13 languages; Rocky Mountain Legend, the national best-selling chronicle of the Coors brewing dynasty; Wanderlust, profiling the historic design and cultural impact of the iconic Airstream "silver bullet" travel trailer; and The Fight for Fairfax, detailing the contentious economic growth of northern Virginia in the aftermath of World War II. His various books have led to several television appearances, including The Today Show and A&E Biography. Banham has written more than 3,000 articles for dozens of U.S. and foreign publications, including Forbes,The Economist, Wall Street Journal, Time, Financial Times, The Atlantic, Euromoney, Chief Executive, Global Finance, Venture, Inc., U.S. News and World Report, and the Journal of Accountancy, among others. He is currently at work on his next book, a 100-year history of Boeing.

Endnotes

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