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WHITE PAPER

Increasing Competitiveness Through Closed-Loop Performance Management

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EXECUTIVE SUMMARY

Now more than ever, organizations need robust methodologies for managing financial performance to optimize the processes that most impact their strategic goals. Formal performance management methodologies and solutions can provide organizations with the discipline to manage through difficult economic times while providing the flexibility to pursue opportunities as they arise. IDC research indicates that companies with a significant reliance on a formal performance management methodology for operating their businesses are more competitive than their peers that lack the same level of reliance on fact-based, formalized performance management processes.

According to our evaluation of the current state of performance management at a number of leading companies, the level of adoption remains immature and often comprises disconnected performance processes. The organizations that have been successful in their performance management implementations demonstrate tangible business benefits. The benefits and obstacles encountered during a closed-loop performance management implementation are highlighted in this white paper.

We found that nearly all organizations struggle with building consensus about establishing definitions for performance metrics to be measured and monitored. Almost everyone cited increased visibility into the business as their top benefit realized. According to one CFO, "Visibility into our business at levels previously not possible has enabled us to make better decisions about how we spend resources to meet short-term goals that will accumulate towards meeting our long-term plans."

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Decisions on pricing, employee compensation, financing new projects, budgeting, strategic planning — and in an ideal scenario, all corporate decisions — rely on financial information. This information must be disseminated throughout the organization on an ongoing basis and linked to expected performance goals. Through this effort, an organization can close the loop between strategic planning, operational decision making, and tactical execution.

However, establishing a solution that enables best-practice, risk-adjusted, closed-loop performance management is not trivial. Often, organizations fail to consider appropriate risks when constructing budgets or determining which key performance indicators (KPIs) should be constructed and monitored. IDC research indicates that a mix of technology, business process, staffing, and organizational behavior factors must be taken into consideration by CFOs when they lead closed-loop performance management implementation efforts.

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IN THIS WHITE PAPER

This white paper highlights the importance of the role the finance department can play in enabling closed-loop performance management that ensures effective enterprisewide execution of organizational strategy. Challenges and benefits of risk-adjusted, closed-loop performance management are discussed based on IDC market research.

INTRODUCTION

Results from IDC's research provide evidence that performance management initiatives are high on the list of priorities for executives, including CFOs, for whom there is a pressing need to optimize key processes such as planning and budgeting, profitability analysis, consolidation, and management and statutory reporting. CFOs need to ensure that these performance management processes are linked to enable closing the loop between strategic planning and operational execution. Closed-loop performance management in turn leads to better internal controls as well as greater competitiveness and agility.

The performance management processes managed by the office of finance require active involvement and input from departmental, regional, and line-of-business managers at various times throughout the fiscal year to identify risks, consolidate financial data, help establish budgets, and evaluate profitability. With so much performance information flowing into and out of the office of finance, it is the most likely group to lead an enterprisewide performance management initiative. Therefore, a CFO must take an active role in ensuring that the office of finance acts as the coordinating body for disseminating KPIs to and monitoring KPIs for the organization's operational managers and a lead for establishing the performance management technology preparedness of the organization.

PERFORMANCE MANAGEMENT DEFINED

Growing evidence from market research suggests that the implementation of a formal enterprise performance management methodology on supporting technologies results in direct financial and competitive benefits to the implementing organization. Achieving these benefits requires, among other initiatives, the implementation and integration of financial performance management processes that comprise strategy planning, budgeting and operational planning, forecasting, management reporting, profitability and cost management, and risk management. When integrated, these processes enable an organization to close the loop between strategic planning and execution in the marketplace. When disconnected, each process and accompanying technology may support the specialized needs of managers at various levels of an organization but falls short in enterprisewide risk-adjusted, closed-loop performance management. The reality is that for most organizations, these performance management processes remain disconnected, especially from risk management.

Implementation of a formal enterprise performance management methodology on supporting technologies results in direct financial and competitive benefits.

"Risk" encompasses a large and broad topic area, and as such risk management processes need to permeate all financial decisions. At the highest level, risk management encompasses identifying and planning for impacts on the business, both positive and negative, should events occur that are not in line with the normal

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course of business. Large organizations have often depended on the Treasury Department to buy insurance and hedge against unforeseen events if the cost of the event occurring would be greater than the cost of maintaining the insurance or hedge.

While this traditional view continues to suit the needs of many organizations, it will change as it becomes increasingly important to be aware of risks that aren't necessarily hedged against in the traditional sense but rather are incorporated into plans and budgets so that greater consistency and accuracy in these plans can be achieved. Furthermore, it enables organizations to divert resources more quickly to respond to an event once it occurs. As organizations pursue financial objectives, a risk-adjusted focus moves decisions based solely on financial benefits into a broader context that enables the CFO to consider how these objectives could impact other aspects of the business. For example, an organization must consider impacts on the environment or brand image when pursuing resource-intensive opportunities. Processes must be put in place to monitor and capture metrics that indicate when these risks are at elevated levels, such as monitoring social networks for negative comments about the company's environmental impact.

Leading organizations incorporate risk evaluation into their planning and performance monitoring processes. This will often require input from stakeholders throughout the organization who are more familiar with the risks they are likely to face, whether specific to a region, department, or line of business. The office of finance can play a vital role in collecting this input and incorporating it into financial performance management processes.

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Financial Performance and Strategy Management Solutions

Financial performance management processes are usually supported by a suite of technologies that IDC calls financial performance and strategy management (FPSM) applications. FPSM applications focus on four key processes, each with its own associated risks:

- **Strategy management** supports the establishment and communication of strategic goals typically by delivering up-to-date performance relative to desired performance in the form of KPIs specifically related to the individual domain for which a manager is responsible, such as customer support, workforce management, or financial performance management. This process is supported by applications that typically include strategy maps and visual representations and definitions of KPIs.

- **Budgeting and planning** supports the gathering of localized, managerial input to help inform a centrally established and monitored budget. This process is supported by applications that streamline collaborative operational budgeting, corporate budget consolidation, and planning and forecasting processes.

- **Financial consolidation** supports the consolidation, close, and reporting process that leads to a central, trusted, and compliant financial data source to support all other performance management processes. It includes applications that support both statutory and management reporting and financial consolidation that supports adjustment processes across multiple entities and divisions.

- **Profitability and cost management** supports the analysis of profitability for a desired dimension to be analyzed, such as customer, product, or branch. This process is supported by applications that can perform detailed cost and profitability measurement and reporting.

Successful implementation of an FPSM solution enforces the necessary elements of closed-loop performance management processes that enable control, continuous feedback, and decision support as well as information transparency strategies that standardize and increase the quality of corporate information. Although historically FPSM applications have been implemented as separate projects, organizations must make performance management processes more connected and consistent across information sources. Typically, FPSM strategies are driven by one of several starting points:

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- Automating planning and budgeting processes that are disconnected and spreadsheet driven
- Achieving consistency in financial and management reporting across disparate systems using financial consolidation solutions
- Formalizing KPIs for consistency and providing performance visibility on a regular basis
- Reporting on profitability by customer, product, or other dimension

Pursuing one or more of these initiatives often leads to integration between the individual FPSM solutions and their incremental deployment across the company. "We started our initiative by deploying performance management software to the operations department to enable better insight into project metrics, such as on-time performance and budget versus actual cost comparison," said the head of finance of a global pharmaceutical company. "From there we expanded our deployment to the finance, HR, and R&D groups."

However, the reality is that inconsistencies in information force many companies back to the drawing board, and at issue is usually the information platform and not the applications themselves — hence the importance of a data integration and business intelligence strategy as fundamental to a broader performance management initiative.

Examining Successful Performance Management Initiatives

A United States–based restaurant chain was faced with the inability to make operational decisions based on a consistent set of corporatewide metrics, so it adopted a formal performance management methodology. Within a year, 2,500 business end users, including restaurant operators, managers, general managers, and executives — representing the vast majority of potential users — were actively using the newly deployed solution to make fact-based decisions that led the company to greater profitability.

In this case, the company focused on implementing key financial performance management processes that were integrated to support strategic planning and execution of operational decisions at the level of each individual restaurant. The company first established the definitions of metrics through a collaborative exercise

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that involved management from across the organization. The emphasis was placed on metrics dealing with labor (given the high turnover rate at a restaurant chain) and customer satisfaction, which were found to have a greater impact on strategic metrics such as gross sales, net sales, and profit margin. An additional set of performance indicators was established to evaluate marketing effectiveness through product mix and market basket analyses.

Once these quantitative and qualitative metrics were established, the office of finance took on a central role in setting strategy-planning policies and procedures, communicating that strategy, and supporting managers in the execution of the strategy. The office of finance executed this initiative through integrated financial performance management processes that supported the organization in the following way:

- **Budgeting and planning.** The organization used budgeting and planning to gather input from individual restaurant managers on expected same-store sales growth and employee turnover cost models. This information was rolled up and integrated with financial risk models and additional cost models to establish budgets for the coming year that were then communicated back in a monthly view that further adjusted the budgets based on historical seasonal performance trends.

- **Management reporting.** Management reporting was streamlined to get detailed information to managers faster. This required a more efficient consolidation and close process so that management would have access to trusted, audited data with additional insight that went well beyond statutory reporting requirements. Managers could compare their restaurants with other restaurants in their region and against corporate averages and perform what-if analysis before making decisions on local menu promotions or staffing levels.

- **Profitability and cost analysis.** The organization examined its menu items and discovered that some of its best-selling items were not its most profitable and in fact carried more risk in terms of cost fluctuation due to the ingredients involved in preparing them. The organization was able to establish a more profitable menu mix with reduced risk from changes in wholesale food prices. The cost models it developed further informed the budgets and plans to help increase their accuracy.

- **Performance monitoring.** Restaurant and regional managers, as well as supporting organizational departments, were provided with access to KPIs that showed how far ahead or behind they were on achieving performance goals. This insight enabled managers to adjust budgets and resources as needed to better ensure they met established goals. Increased visibility into performance was a significant benefit, but having it integrated with the strategic goals of the company let managers know the role they played individually in contributing to the organization's success.

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- **Risk management.** Underpinning the performance management methodology was a risk management platform that collected data and analysis from internal and external sources on variables that could impact revenue, such as an economic downturn resulting in fewer customers, or costs, such as changes in specific food commodities. The weighted likelihood of a risk emerging is applied to budgets and plans, and these weightings change throughout the year as circumstances dictate.

Benefits of Closed-Loop Performance Management

Several industry-standard performance management methodologies exist. However, organizations can and do develop their own performance management methodologies. The best-known performance management methodologies — such as Kaplan and Norton's Balanced Scorecard or John Boyd's OODA (observe-orient-decide-act) — have one thing in common: They emphasize the closed-loop nature of the solution in which all steps from setting strategy to tactical execution of organizational goals are taken into consideration and institutionalized through policies, procedures, and technology. A closed-loop performance management initiative can lead to several benefits, including:

- **Improved competiveness.** According to a global survey of over 1,100 organizations across 11 countries conducted by IDC, organizations that have a significant reliance on a formal performance management methodology and solution to operate their businesses are more competitive than their peers that lack the same level of reliance on fact-based, formalized performance management processes. For example, 77% of the most competitive organizations versus only 55% of the least competitive organizations use a formal performance management methodology, and 38% of the leaders versus only 14% of laggards felt their organization's ability to compete effectively was due to their organization's having a formal performance management methodology. Furthermore, the leading organizations indicated that their managers had a greater reliance on analytics within the context of integrated performance management processes and that the output of performance management solutions had a greater impact on employee actions.

  For example, a global pharmaceutical company interviewed as part of IDC's research has integrated performance management processes that enable it to monitor financial performance metrics related to enterprise, divisional, and personal objectives. Employees are measured on their performance against these metrics within the context of the strategic plan and annual budget. As a result, employees are able to evaluate and improve team, departmental, or organizational performance based on commonly understood and trusted performance data and goals. This has helped the company become more competitive because its employees now understand how they contribute to organizational success and can focus on executing the tasks and decisions that directly influence that success. "Data governance is perhaps the single most important task for ensuring performance management project success," said the head of finance at this pharmaceutical company. "Without a common set of terminology, metrics, and key data elements, even the best-intentioned organizations with the latest software tools will fail in their performance management efforts. In our case, establishing a virtual data governance team that consists of finance, line-of-business, and IT staff turned out to be a key success factor."

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- **Improved enterprisewide performance visibility.** Interviewees cited the benefits of being able to understand their businesses' performance and communicate it to the line-of-business managers as critical to their ability to adjust more rapidly to changing market conditions. This visibility further enabled a deeper understanding among departmental and line-of-business managers of the impact their decisions and actions have on the financial results of their organizations. Without formal performance management, standard reports are often the only way to communicate performance but provide little to no context for consumers of these reports on what the data means to their daily tasks. CFOs who implement a performance management solution provide greater insight into the cause-and-effect relationship between a manager's actions and the impact of the actions on the organization.

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- **Improved value and impact of strategic plans.** Both the development and the translation of strategic plans guided by a closed-loop performance management solution increase the value and impact of these plans. CFOs with a limited performance management solution or no performance management solution point to a lack of connection between a strategic plan and the execution of that plan. Often, a strategy is created — typically in the form of a document detailing management's goals and objectives for the coming one to three years — communicated during a conference call, and then posted digitally somewhere for future reference. Managers are left with little to no guidance on how to achieve the goals or insight into whether they are making the right decisions to achieve these goals. A formal performance management methodology enables creation of a strategic plan based on historical and expected performance as well as the ability to translate that plan into KPIs that cascade throughout the organization.

- **Improved performance consistency.** Incorporating risk factors throughout FPSM processes improves performance consistency. Understanding risks that can impact the organization and incorporating these factors into a financial plan can lead to improved consistency in departmental, line-of-business, and regional performance. Examining historical performance as well as gathering input from managers can help inform the finance department about these risks and the level of impact they can have on performance. With risk-adjusted plans and goals, the office of finance can expect more accurate plans and thus more consistent achievement of goals.

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- **Focus on achievement of common goals.** Productivity enhancement across the enterprise occurs when employees are focused on achieving common goals. The office of finance can establish the guidelines for employee performance expectations and help maintain focus on conducting the activities that have the greatest impact on performance.

- **Improved investment returns.** Cost reduction and improvement in investment returns occur with insight into profitability. The office of finance can help provide visibility into profitability across many metrics. A large retail bank found that it was closing bank branches because they weren't establishing new accounts at levels consistent with goals. Once the bank's office of finance established a more formal methodology for profitability analysis, it discovered these branches were extremely important to the most profitable branches in establishing

accounts. It found that customers were establishing accounts near where they lived but making withdrawals and using other banking services near where they worked. At first glance, the latter group of branches appeared to be unprofitable but in fact was very important to a prospective customer's decision to open an account.

Closed-Loop Performance Management in Action

Another of the companies interviewed by IDC was a $20 billion global services organization that had implemented a formal performance management methodology to ensure strong long-term financial growth. The company relies on the office of the CFO to coordinate and manage KPIs and performance guidance for and deliver KPIs and performance guidance to its regional, line-of-business, and departmental managers. The finance department was heavily involved in working across groups to support its own processes before implementing a formal performance management methodology to the benefit of the entire enterprise. Today, business managers are continuously informed by finance about the KPIs for which they are responsible, and at the same time, managerial input is fed back to finance to inform the operational plans.

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At the executive level, the organization establishes three-year strategic goals, described by five aggregated KPIs for which the organization seeks to be the industry leader. These KPIs set goals for the coming strategic period and can be adjusted as economic or market conditions warrant. "Although most of our KPIs don't change from year to year, we constantly evaluate the validity and quality of each KPI," said the CFO. "Furthermore, we work with a team of decision makers from lines of business and finance to determine what performance levels should be increased or decreased for the coming year to channel management focus."

These KPIs have hundreds of underlying performance indicators that help managers achieve the strategic goals. The KPIs include operating efficiency, profit per person, productivity per person, market visibility, and customer-driven resource churn rate, the last being a measure of the organization's ability to provide clients with desirable consultants and other human resources.

Some KPIs are enterprisewide and enable rollup of line of business–level metrics into consolidated metrics. Other KPIs are highly specialized for individual lines of businesses yet retain a cascading relationship to one of the strategic enterprisewide KPIs. It's important to note that not all of these KPIs can be considered "traditional financial metrics."

One of these KPIs deals with the organization's desire to be considered the thought leader in its industry. The organization established key metrics based on readily available data, including data on the number of times the organization is mentioned in the press and the number of times employees speak at industry events. The finance department, acting as an internal consulting group, assists relevant managers in

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improving this metric. For example, a marketing campaign or an event tour may be necessary to meet the goals reflected in this KPI, and finance can adjust budgets on a monthly basis if a longer-term KPI is at risk of falling short.

As part of managing enterprise performance, the finance department works to forecast the financial performance required to meet goals and then delivers and monitors the performance indicators that guide managers. During shorter time cycles, managers have the flexibility to adjust operational policies to ensure they meet shorter-term goals. The finance department then analyzes performance from all business groups and provides a presentation back to managers on a monthly basis to help keep them informed on the meaning of the data and to suggest actions they can take to improve performance where needed.

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If any one of the 35 risks the company monitors is deemed more likely to occur during the forecast period, the finance department will highlight these variables in the forecast and establish contingency plans to support any need for a rapid change to short-term operations should the risk occur. When the strategy is reviewed, historical performance is analyzed and resources may shift toward one of the five strategic KPIs depending on which is having a greater impact on financial performance in the current environment. The loop continues as adjusted priorities are once again communicated to managers.

The organization has found that the office of finance provides the centralized performance management oversight and support to ensure success. With a high level of collaboration between managers and the finance group, financial processes are widely understood, and this aids in the consolidation and reporting process, including complying with international and domestic accounting regulations, as well as the budgeting and planning process.

RECOMMENDATIONS FOR SUCCESSFUL CLOSED-LOOP PERFORMANCE MANAGEMENT

Implementing the ability to monitor performance or analyze profitability can be simple enough for the office of finance. However, both integrating these processes and closing the loop between strategy and execution are more difficult tasks. The following section describes how one organization faced just such a problem.

Managing with Disconnected Performance Management Processes

One of the companies interviewed by IDC is a European transportation services firm with over $1 billion in annual revenue. The organization's office of finance conducts typical departmental processes such as consolidation, close and reporting, and budgeting and planning in addition to providing insight into key operational results. It provides complex KPIs to managers on profitability by service line, forecasts demand by service line, and compares budgeted and actual performance on a monthly basis. But where it falls short of having an effective closed-loop performance management solution is in the lack of means to correlate profitability by service line to the corporate

strategy. Reports simply inform managers of results and show shortcomings against the budget. There is no explanation of how to make improvements to performance to meet budgeted goals; rather, there is only the information to warn managers when they may fall short of meeting budgets and thus miss related incentives. The impact of individual contribution on the organization's strategy is simply not communicated.

There is also no feedback mechanism to inform the strategic direction of the organization, and while the company's use of analytics to provide more accurate forecasts and to understand changes to profitability of service lines, or even individual customers, is advanced, this financial process remains disconnected from the corporate strategy due to the lack of a formal performance management methodology. The organization has the technologies, people, and a suitable culture to move to implement a formal performance management methodology, but like most organizations, it typically requires a trigger such as a change in upper management before this is likely to occur. The lack of a performance management methodology is frustrating to the finance group, which feels that its ability to perform a faster financial close, create more accurate budgets, and guide managers toward improving performance within the context of a broader strategy is hindered.

This organization and others like it offer insight into overcoming the challenges to implementing a successful closed-loop performance management initiative:

- **The first step toward implementing a formalized performance management methodology requires an executive mandate to do so and for someone to take responsibility for its implementation.** While technology plays a role in supporting a performance management methodology, people and processes must also be aligned and integrated. The finance department can act as a facilitator to bring together stakeholders to define performance indicators, reach consensus on the use and interpretation of these indicators, and, with the help of IT, deploy the mechanism for providing access to these metrics on an ongoing basis.

  Once this key step is performed, an organization can begin to establish strategic goals, translate the goals into operational policies, and enable managers to set execution rules to achieve corporate objectives. Improved insight into business operations will enable more rapid adjustment of operational policies throughout a targeted, typically short-term time period, with less frequent adjustments to strategic goals being set for achievement over a longer period of time. Each of these decision types informs the other as information on performance flows through the closed loop. Furthermore, individual and group decisions will be improved through the use of trusted data delivered as a set of commonly understood performance indicators.

The finance department can act as a facilitator to bring together stakeholders to define performance indicators, reach consensus on the use and interpretation of these indicators, and, with the help of IT, deploy the mechanism for providing access to these metrics on an ongoing basis.

- **Support intracompany collaboration to establish a consistent set of strategic, operational, and tactical KPIs.** Gather input from managers to ensure that a centralized performance management strategy can support localized realities. Divisions and departments will often have "homegrown" data sources supporting performance management that should be considered for inclusion when developing KPIs. Understand how they use local data and metrics and come to a common set of KPIs that support the organization. Focus on information management, including data quality, data integration, and master

Gather input from managers to ensure that a centralized performance management strategy can support localized realities.

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data management in which finance should play an active role, and collaborate with line-of-business and IT counterparts when establishing data governance policies. With so many departments, business units, and regions vying for input and control over their operations, the office of finance can provide that centralized hub from which the performance management methodology is delivered, managed, and controlled.

- **Outline the process and data sources that will inform future strategic planning initiatives.** Many of the processes and data sources needed to support a performance management initiative probably exist within an organization before a performance management process is pursued. Plan for how they will be accessed, normalized, and analyzed as part of the planning process. Consider too that tactical, transactional data must inform operational plans before strategic plans can be established with historical insight into performance.

- **Integrate the core financial performance processes and solutions.** This includes budgeting, planning, consolidation, profitability management, and strategy management. "We had a successful deployment of the profitability management solution that generates profitability data and cost reports for product, service, and channel segments," said the controller of a United States–based communications company. "However, this effort has also improved our ability to perform financial forecasting and customer lifetime value assessments."

  If the processes or supporting technologies cannot be quickly integrated due to financial constraints or other priorities, create a plan to achieve this goal. It may be possible to integrate the processes through more manual means within the office of finance until the supporting technologies can be brought online and integrated.

  The FPSM applications suite is designed to support a set of interrelated processes for running the business and is standardized on an information platform that can use existing enterprise systems as information sources. Many organizations have implemented point FPSM solutions from different vendors and end up having to map the results generated by these systems to each other through a reporting strategy, highlighting the need for a common platform and shared functions that are maintained centrally but used by multiple applications.

- **Expect change in the number and type of business users that will be supported by the office of finance.** The more organizations expand the scope and reach of their performance management methodology, the greater the role for the office of finance in driving enterprise performance. As companies grow, either organically or through acquisitions, the office of finance needs to understand how to support a growing number of internal users with access to KPIs and financial performance data. "The audience for our performance management solutions includes management, sales, marketing, client delivery or operations, and client support groups," said the head of finance of a global financial services firm. "We are now planning to push this information [from performance management solutions] lower to customer administration and financial operations employees." In a scenario where expansion results through acquisitions, the inevitable result is conflicting cultures and performance management maturity levels, and the office of finance must be prepared to reconcile these differences.

- **Prepare to overcome existing methods for operating the office of finance that may hinder an organization's ability to pursue a performance management initiative.** An organization will need the support of finance personnel to help implement and manage the performance management process. These personnel may be committed to manual consolidation or budgeting processes that will prevent them from fully participating in a performance management initiative. Support from a services organization may be necessary until some of these manual efforts can be reduced and personnel redeployed to execute tasks and decisions that add more value to the organization.

An organization will need the support of finance personnel to help implement and manage the performance management process.

- **Consider the technology requirements before implementing a performance management methodology.** CFOs pointed to the need for software to support a performance management methodology. This software includes the more broadly termed suite of FPSM applications that span budgeting and planning, strategy management, profitability and cost management, and some level of risk management capabilities. These applications should understand each other by sharing metadata or definition of metrics, KPIs, and data elements, in addition to providing the core functionality for ongoing performance management processes. The technology must also be flexible to accommodate ongoing user requests. The CIO of a large online retailer commented on the work of his IT department with the finance department, saying that "the blessing and the curse of a good performance management solution is that users are never satisfied. One question always leads to more questions. For example, the requests from our users have expanded from requests for the generation of more granular-level profit and loss statements to better activity-based costing and customer profitability information."

While it is ideal to pursue multiple points of process optimization, it may not be realistic for some organizations. For example, an organization faced with a lengthy and inaccurate budgeting and forecasting process may seek a software product designed to help solve this issue. In so doing, the organization should consider that it will likely add additional capabilities, such as profitability and cost management, at some point in the future. Because these two processes are related, the organization should consider how it needs to be supported by applications that interoperate with and complement each other.

CONCLUSION

Organizations need every advantage available to them to successfully compete for opportunities in the marketplace. The implementation of a closed-loop performance management process can yield a powerful advantage by enabling an organization to link strategic planning to tactical execution. The benefits of increasing visibility into the organization's operations alone can lead to improved decisions throughout the enterprise, but linking that performance information to the strategic plan provides further context for informing individuals and groups about their contributions to this plan so they can focus resources and efforts appropriately.

The implementation of a closed-loop performance management process can yield a powerful advantage by enabling an organization to link strategic planning to tactical execution.

With any change to the methods and tools for improving organizational performance, there will be challenges. This includes overcoming cultural bias toward making

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decisions and taking action based on experience rather than acting based on factual performance information set against organizational expectations. The office of finance can act as a facilitator to the implementation of a closed-loop performance management process by coordinating the collaboration of stakeholders to build consensus about what performance data should be measured and what each measurement will mean to all consumers of this information. Although many organizations have strong practices for individual performance management processes such as budgeting or financial close, integration of these processes is key to closing the loop between strategic planning and tactical execution rather than merely delivering business intelligence to stakeholders without the context needed to act according to organizational goals. The finance department, through the integration of performance management processes, can evaluate historical performance and potential future risk-adjusted scenarios that will enable performance management throughout the organization.

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