



ISSN NO. 2320-5407

Journal homepage: <http://www.journalijar.com>

INTERNATIONAL JOURNAL
OF ADVANCED RESEARCH

RESEARCH ARTICLE

CORPORATE PERFORMANCE MANAGEMENT & BUSINESS INTELLIGENCE: MANAGING PROFIT AND GROWTH IN THE ORGANISATION

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Manuscript Info

Manuscript History:

Received: 15 May 2015
Final Accepted: 26 June 2015
Published Online: July 2015

Key words:

Business Intelligence, Corporate
Performance management,
Corporate performance

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Abstract

Due to globalization, technology innovation and competition delivering performance is getting more and more important and organizations have to show and deliver a predictable performance towards their various stakeholders. At the same time, increased regulatory and investor pressures re-emphasize the need for predictable corporate performance. Corporate performance management (CPM) is the most important business process in an organization. This paper presents a bird's eye view on corporate performance management, relationship between CPM and Business Intelligence (BI), role of BI in Corporate Performance Management and the tools provided by IT vendors that support CPM. It further discusses the functionalities of CPM solutions, the key players in the CPM space and how to implement the CPM solutions in order to manage profit and growth in the organization.

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INTRODUCTION

1.0 CORPORATE PERFORMANCE MANAGEMENT:

Corporate Performance Management (CPM) describes all of the processes, methodologies, metrics and systems needed to measure and manage the performance of an organization. CPM adds value to the business by focusing on how an organization develops, implements and monitors strategic plans. This strategic focus is kept throughout all management processes. CPM is a management model for business in which the decision-making group, which can be hundreds or even thousands of people throughout the company, develops an automated planning and management process for continuously optimizing performance across the entire company. With CPM, business leaders for the first time can establish an enterprise-wide process for managing business performance - one that lines up every employee's day-to-day activities with overall corporate strategy. The software is the enabling technology underneath, but corporate performance management is really about facilitating a different, more proactive way of managing a business for greater performance. This is CPM at its best - helping organizations respond quickly and effectively to changing business conditions. CPM is about aligning strategies and the execution of the strategic plan. Corporate performance management (CPM) is the area of business intelligence involved with monitoring and managing an organization's performance, according to key performance indicators (KPIs) such as revenue, return on investment (ROI), overhead, and operational costs. CPM is also known as business performance management (BPM) or enterprise performance management (EPM). Corporate performance management is the most important business process in an organization. Planning what needs to be done, negotiating how and when it will be done, monitoring the work, and assessing what has been done are the only way to ensure coordination throughout the enterprise. Many management tools, including Balanced Scorecard, Management by Objective etc seek to ensure this alignment. Corporate Performance Management is a great asset to every company and involves the following domains in its

process i.e. planning, budgeting, reporting & analysis, forecasting, consolidation. Components of CPM include all the practices, technologies, methodologies and metrics used to gather and apply relevant information. CPM software includes forecasting, budgeting and planning functions, as well as graphical scorecards and dashboards to display and deliver corporate information. A CPM interface usually displays figures for key performance indicators so that employees can track individual and project performance relative to corporate goals and strategies. Some companies use established management methodologies with their CPM systems, such as balanced scorecard or Six Sigma. CPM system allow executives to assess and communicate strategy; provide operational management with tools for developing effective plans; and give end users instructions and knowledge on how to perform their roles in implementing strategy.

The CPM system has the following character tics:

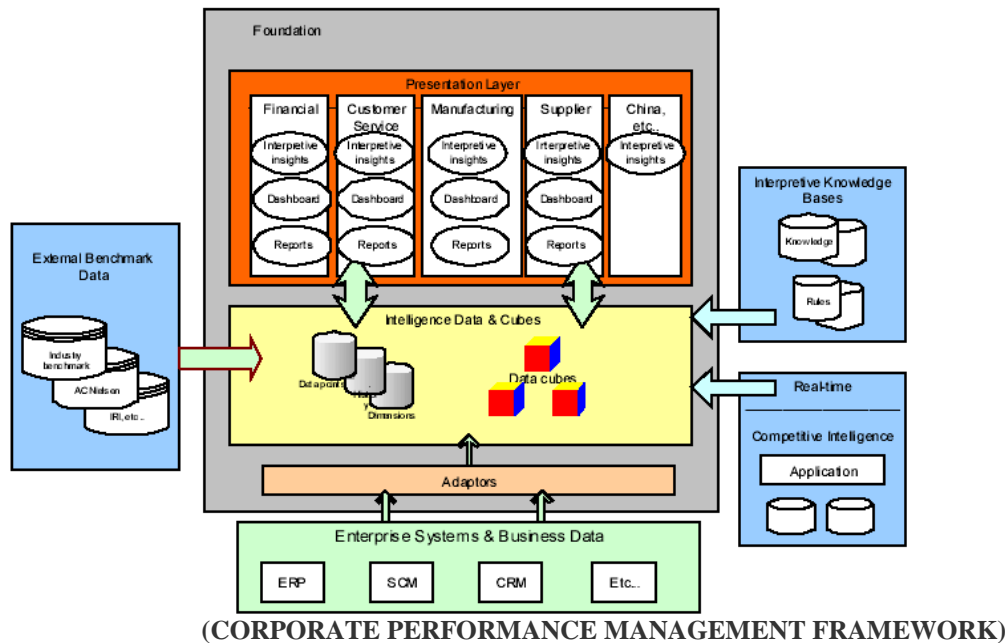
- **Complete Integration.** CPM systems encompass planning, budgeting, forecasting, financial consolidation, reporting, and analysis, and treats them as a single, continuous process.
- **Enterprise-wide.** CPM systems are extensible across the enterprise. CPM systems are web based, making it possible for users to work from anywhere at any time.
- **Focus on exceptions.** CPM systems accommodate the reporting and analysis of both financial and non-financial data. They focus users' attention on the unanticipated by highlighting and proactively alerting them to exceptions.
- **Automate the processing of data.** CPM systems automate the processing of ratios, currency conversions, allocations, elimination of minority interests and the consolidation of results.
- **Filter and format data.** CPM systems summarize large volumes of data and present it in a form that is easily understood for the purpose.
- **Provide end users with access to information.** CPM systems exploit the web and provide secure user access to any relevant information such as timetables, assumptions, comments, strategy, tactical plans, critical success factors, Key Performance Indicators, reports, analyses, actual, and forecast results. Information is easy to access and navigate online.
- **Support collaboration.** CPM systems are designed to allow users to collaborate with colleagues no matter where they are or what time it is.
- **Provide insight.** CPM systems provide strong analytical capabilities such as trend analysis, sorting, charting, and exception reporting, transforming data into insight.
- **Automate monitoring.** CPM systems, can search underlying details on a continuous basis and proactively warn users when exceptions occur without a user ever having to look at a report.

2.0 ARCHITECTURE OF A CPM SYSTEM:

A CPM system is an integration of individual components, each of which is a vital component and alone they cannot function on their own. A CPM system consists of three layers:

- **Data Tier:** It contains a definition of the organization covering the past, present, and future, and is expressed in terms of structures and business rules. It also contains information, or links to information, in the form of plans and results. It is on this data model that the other components of a CPM system operate.
- **Application Tier:** This tier powers the CPM processes by transforming user interaction and source data into plans, reports, and analyses according to pre-set rules and operator selections.
- **Client Tier:** It is used to guide and regulate the implementation of strategy through communication, collaboration, and guidance of user interaction. It also monitors the success, direction, and progress of strategic initiatives, and provides warning of real and potential problems as well as opportunities.

The design and integration of these components is known as the application architecture. The way in which these work together is critical to the effectiveness of a CPM system in helping employees, managers, and senior executives implement strategy. CPM may be categorized into two type's i.e. Operational CPM and Analytical CPM. Operational CPM addresses the business process needs of executives and financial managers. Analytical CPM addresses the reporting and analysis needs of executives, managers and staff through all levels of an organization, as well as vendors, suppliers and partners.



3.0 BUSINESS INTELLIGENCE AND CPM:

Today's business climate calls for decision-makers to have the most up-to-date information at their command. Business intelligence and corporate performance management tools aim to help executives address problems and maximize opportunities, while helping them meet the new imperative of accountability in corporate life head-on. The world is changing at an ever-increasing velocity. The political, economical and commercial balance of power is constantly changing. Organizations have to deal with these changes and this should be done in a pro-active rather than re-active way. Information is the livelihood that fuels that creativity. Information on the outside world, information on the competition and information on the current performance of your own organization. A strategy needs to be defined, deployed and translated into mid term plans and executable actions. These plans need to be confirmed and adjusted by rolling forecasts. The actual performance needs to be measured and compared to the progress of plans. The organization need to learn from what is happening in order improve the quality, speed and reliability of the next planning cycle. Business Intelligence as a demand driven information logistic process in which data residing in internal and external systems is extracted from those systems, collected, checked, integrated, pre-processed, stored and distributed to and presented in the actual BI applications. The right information drives value and reduces costs and process throughput times and above all ensures the future well being of the organization. CPM solutions are based on methodologies like e.g. the Balanced Score Card, Value Based Management etc. In most organizations BI application development and data warehouse implementations tended to be conducted in highly decentralized manner, leading to proliferation with different data warehouses and inconsistent reporting. Information technology environment completely addresses an organization's needs at each stage of analytical competition companies must incorporate analytics and other business intelligence technologies into their overall IT architecture. Technologists use the term business intelligence i.e. BI to encompass analytics as well as the processes and technologies used for collecting, managing, and reporting decision-oriented data. The business intelligence architecture is an umbrella term for an enterprise-wide set of systems, applications, and governance processes that enable sophisticated analytics, by allowing data, content and analyses to flow to those who need them, when they need them. Top management, functional heads, knowledge workers, and statisticians all need information of these types at various times and in various forms. The BI architecture must be able to quickly provide users with reliable, accurate information and help them make decisions of widely varying complexity. It also must make information available through a variety of distribution channels, including traditional reports, ad hoc analysis tools, corporate dashboards, spreadsheets, e-mail, and pager alerts.

4.0 ROLE OF BUSINESS INTELLIGENCE IN CORPORATE PERFORMANCE MANAGEMENT:

The 5 Styles of Business Intelligence

Successful organizations maximize the use of their data assets through business intelligence technology. The first data warehousing and decision support tools introduced companies to the power and benefits of accessing and analyzing their corporate data. Business users at every level found new, more sophisticated ways to analyze and report on the information mined from their vast data warehouses. Demand grew for an increasingly more powerful business intelligence solution that put the right information into the hands of every user within the enterprise. BI technology has evolved from these ever-increasing user demands to support five distinct application patterns - or styles. These five styles represent the complete spectrum of BI functionality required to support the monitoring, reporting and analytical needs of each and every business user. Most companies looking for a complete BI solution had to rely on multiple products from different niche vendors who supported only a single Style of BI. 5 Styles of BI functionality used across the enterprise are:

Scorecards & Dashboards

Report formats with the broadest visual appeal that convey information at-a-glance for managers and executives

Enterprise Reporting

Print-perfect report formats that deliver more detailed operational information than a scorecard or dashboard in a concise format that can be consumed by all business users

OLAP Analysis

Slice-and-dice analysis with drilling, pivoting, page-by and sorting capabilities for the manager or business user who needs to perform analyses beyond standard operational reports

Advanced & Predictive Analysis

Full investigative query against the data warehouse down to the transaction level, allowing power users and professional analysts to perform extensive predictive and statistical analyses

Alerts & Proactive Notification

Information delivery to very large user populations both internal and external to the enterprise based on schedules, business exceptions or demand.

1. Managers and analysts have direct, nearly instantaneous access to data; they never argue over whose numbers are accurate.
2. Information workers spend their time analyzing data and understanding its implications rather than collecting and formatting data.
3. Managers focus on improving processes and business performance, not culling data from laptops, reports, and transaction systems.
4. A hypothesis can be quickly analyzed and tested without a lot of manual behind-the-scenes preparation.
5. Data is managed from an enterprise wide perspective throughout its life cycle, from its initial creation to archival or destruction.
6. Rather than have data warehouse or business intelligence initiatives, companies manage data as a strategic corporate resource in all business initiatives.
7. Both the supply and demand sides of the business rely on forecasts that are aligned and have been developed using a consistent set of data.
8. High-volume, mission-critical decision-making processes are highly automated and integrated.
9. Data is routinely and automatically shared between the company and its customers and suppliers.
10. Reports and analyses seamlessly integrate and synthesize information from many sources.

For Operational CPM, ERP software is well suited to address planning, budgeting, forecasting, and other operational process needs. For Analytical CPM, BI technology should deliver the complete set of analytic requirements. Analytic requirements for CPM include scorecarding and dashboarding, enterprise reporting, first-order analysis, advanced and predictive analysis, and alerting, all of which should be provided on a single enterprise-class BI platform. CPM is frequently associated with management methodologies, such as Balanced Scorecard, Six Sigma, and Activity Based Management. Integrated Corporate Performance Management (iCPM) is a management method which increases strategic control by taking an integrated approach to how an organization develops, communicates, implements, monitors and manages strategy over all levels of the Organization i.e. Enterprise Planning ,Activity Based Costing , Balanced scorecard ,Strategy Formulation ,Management Dashboard , Business Intelligence ,Value-based Management .

5.0 MANAGING STRATEGY AND CORPORATE PERFORMANCE MANAGEMENT FOR GROWTH AND PROFITABILITY:

The strategy must show how the enterprise wants to create value for its shareholders and stakeholders, and which assets and in which combination it wants to do this. This requires the use of a strategic management system, which makes strategy work a continuous process rather than a one off, and establishes a continuous strategic dialog in the enterprise. This is because one of the main characteristics of intangible assets is that their value is normally far more dependent on external factors, such as for example market perception, than is the case with the value of physical assets. In addition, external factors are not under the full control of management. Unique competitive positions in the market based on intangible assets can only be retained or even expanded if the enterprise is always one step ahead in this kind of external development, and has already adapted its own strategy before a change occurs. In the strategy planning process as a sub process of strategy management, methods such as scenario planning are used for identifying and managing long-term strategic risks, real option valuation for managing larger project and investment risks, and system thinking for identifying growth restrictions in the system. The strategy management process has to be enhanced through a structured and well organized external communication process with shareholders and other stakeholders that help to engage them for the enterprise i.e. value reporting. In addition, a performance management process that is integrated with the strategy management process is required. This is needed to provide more control over the continual conflicts between short-term and long-term performance, which typically increases with the portion of intangible assets in the enterprise. The aim of the corporate performance management process is to optimize the enterprise activities and resources with regard to the short-term profit targets for example, communicated annual turnover and profit targets across functions, geography and lines of business. The aim of the strategy management process is to create and expand long-term options that add value. In other words, the corporate performance management process optimizes the use of existing assets with regards to short-term profit targets, and the strategy management process accelerates the creation of such assets i.e. always relative to the market. Since both processes require different methods and a different mental attitude, but are normally processed by the same management team, it would make sense to separate the resulting tasks. This could be done, for example, by holding performance review meetings for both tasks separately but at regular intervals.

6.0 TOOLS BY SOFTWARE VENDOR SUPPORTING CPM:

CPM vendors fall into three basic categories:

1. Business Intelligence (BI) vendors who specialize in tools for holding, reporting and viewing any kinds of data.
2. BI Application Vendors who have traditionally focused on providing planning, budgeting and consolidation solutions.
3. ERP/General Ledger vendors.
 - **IBM Cognos Performance Management**

Cognos business intelligence software delivers the information that drives better business decisions to improve your organization's performance:

1. **Leverage your existing data investment**—BI takes the volume of data your organization collects and stores, and turns it into meaningful reports and analysis that everyone can use.
2. **Understand the why behind results**—See information across departments and drill down to discover the underlying causes of how you're performing.
3. **Align everyone with one, reliable version of business issues**—with common data definitions and understanding of priorities, you will spend less time debating the data and more time deciding what to do.
4. **Shorten the time to make the right decision**—Timely reports and self-service reporting let you see changes when they happen and make the right decisions at the right time.
5. **Meet the information needs of all users**—flexible, user-friendly reporting means everyone can have the right information delivered in the right way.

Cognos 8 Business Intelligence is the only solution that provides complete BI functionality in one product, on a single, proven architecture. It delivers seamless reporting, analysis, scorecarding, dashboards, and business event management. It makes all systems and data sources available. It simplifies your IT environment and the way everyone works with information. The result is higher user adoption, better decisions, and a quicker response to threats and opportunities across the organization. Scorecards and dashboards provide "at-a-glance" information about business performance across the enterprise. They are typically generated for managers and executives who need an overall view of business performance and find tremendous value in viewing timely, visually intuitive snapshots of strategic financial and operational data. *Reporting*-Reporting gives you access to a complete list of self-serve report types, are adaptable to any data source, and operates from a single metadata layer for a variety of benefits such as reporting. With the reporting capability, you can personalize the style and quality of BI delivered to your key stakeholders; and you expand the community of BI users. *Business*

dashboards communicate complex information quickly. They translate information from your various corporate systems and data into visually rich presentations using gauges, maps, charts, and other graphical elements to show multiple results together. Cognos, an IBM company, offers the full range of dashboards - operational, tactical, and strategic - to help you monitor, measure, and manage corporate performance

▪ **Oracle Daily Business Intelligence**

Oracle Daily Business Intelligence for Financials is a pre-built decision support system for Oracle Financial applications. Daily Business Intelligence for Financials allows you to continually improve daily processes in your business, with easy-to-use pre-built intelligence reports and Oracle discover workbooks. Oracle Daily Business Intelligence for Financials is part of the Oracle E-Business Suite. The benefit of Oracle BI is

- Track enterprise wide capital investments
- Monitor cash flows, positions, and net positions from a Web browser
- Manage projects with crucial cost revenue, budget and margin data.

Oracle Hyperion	Oracle Peoplesoft	Cognos	Clarity
<ul style="list-style-type: none"> • Hyperion Financial Management • Hyperion Enterprise • Hyperion Financial Data Management • Hyperion Planning • Hyperion Pillar • Hyperion Performance Scorecard • Hyperion BI / Reporting 	<ul style="list-style-type: none"> • Enterprise Performance Management (EPM)- Global Consolidations, • Activity Based Management (ABM), • Funds Transfer Pricing (FTP), • Data Warehouse, Datamarts, • Scorecard • Multi dimensional reporting (product profitability etc) for management reporting, regulatory reporting 	<ul style="list-style-type: none"> • Reporting • Planning, Budgeting and Forecasting • Consolidations 	<ul style="list-style-type: none"> • Budgeting, Planning and Forecasting • Consolidations • Reporting • Scorecard

Utilizing Cognos, Business Objects, Oracle's Peoplesoft, and Hyperion Solutions for Performance Management, we help organizations gain the visibility required to understand current performance and develop the effective strategies needed to achieve overall business goals.

7.0 CONCLUSION:

CPM not only promotes the ongoing survival of the enterprise in today's business environment, but can leverage improved performance throughout the enterprise leads to the differentiation and competitive advantage. In today's business climate the combination of the competitive environment, the availability of data, and the emergence of targeted CPM / BI applications provide a new route to the constant goal of profitability improvement. The challenges involved with the disparate sources of data and the difficulty of applying horizontal tools are leading manufacturers to avoid engaging in costly, time-consuming internal efforts and embracing a new breed of targeted applications which can further contribute to corporate profitability goals. CPM increases business agility by providing decision makers timely access to mission critical information. CPM provides relevant interpretive insights to focus actions. The interpretive insights provide relevant information for more proactive business planning and actions.

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