Technical Paper

What is Corporate Performance Management, actually?

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Executive Summary

An effective Corporate Performance Management (CPM) is essential for the success of a company and for a better strategic positioning with respect to its competitors. According to Gartner, the information technology research and advisory company, the world-wide market for Business Intelligence solutions, analytics and performance management software had already passed the US$12 billion mark in 2011. It is thus evident that the topic becomes increasingly interesting for the corporate world. In the German-speaking world, however, there is still no uniform consensus about the term CPM. CPM takes place in a mixture of business administration, Business Intelligence (BI) and process management. The different approaches used in CPM vary accordingly. One thing that is certain, however, is that CPM is gaining importance with respect to the aspect of polystructured data sources and Big Data.

The objective of this technical paper is therefore to present in transparent fashion the theoretical principles of the term Corporate Performance Management. To accomplish this, the term will be scrutinised with respect to its definition, and the significant influence factors will be illuminated in greater detail. This article is based primarily on the professional expertise of Gartner and of the Business Application Research Center (BARC).

What is Corporate Performance Management, actually?

1 Introduction

What does Corporate Performance Management mean, actually? Providing a concrete answer to this question turns out to be exceptionally difficult. The term is to be found in a complex and comprehensive network of different theories and approaches. Additional terms such as Enterprise Performance Management, Business Performance Management and Business Intelligence reinforce the non-uniform points of view encountered in the specialist discussion. One thing that is certain, however, is that Corporate Performance Management is gaining importance with respect to the aspect of the ever-greater flood of data that companies find themselves having to deal with. In the harshly contested, global competitive markets, one must react correctly and without delay to changes in the business environment. The basis for this are immense volumes of data that originate to a certain extent from non-synchronised data sources and that must be processed and evaluated consistently with corresponding Business Intelligence solutions. The objective is to use these effectively to prevent making incorrect corporate decisions with wide-ranging consequences. The great importance that the subject is assigned in business circles can also be seen in the fact that, according to Gartner, the IT research and advisory company, the world-wide market for Business Intelligence solutions, analytics and performance management software had already passed the US$12 billion mark in 2011.[1]

It is against this background that the following technical paper serves to introduce the reader to the theoretical basics of Corporate Performance Management. First of all, in the interests of contextual orientation, the question of which definitions of Corporate Performance Management exist in the professional world will be considered, as well as how the term can be usefully limited with respect to its scope. This will be followed by a consideration of the essential influence factors of the process.

2 Definition and limitation of the scope of the term

The concept of Corporate Performance Management (CPM) arose after the turn of the last century as a further development of the term Business Intelligence (BI). According to prevailing opinion, the term was introduced primarily by Gartner. The terms „Enterprise Performance Management" and „Business Performance Management" also arose as descriptions of the same thing, but proved unable to achieve any wide currency.

In the definition of the Gartner Group[2], particular emphasis was given to the process methodology of the CPM concept. According to this, CPM is not a purely technological instrument, but rather forms a comprehensive approach for corporate management.

„CPM is an umbrella term that describes the **methodologies, metrics, processes and systems** used to **monitor and manage the business performance** of an enterprise. Applications that enable CPM translate strategically focused information to operational plans and send aggregated results. These applications are also integrated into many elements of the **planning and control cycle**, or they address BAM or customer relationship optimization needs. CPM must be supported by a suite of **analytical applications** that provide the functionality to support these processes, methodologies and metrics."

CPM thus combines all of the **processes, metrics and methods** that are used to influence economic **performances and results in accordance with the defined corporate strategy**. Information with strategic character is converted into operational plans. The business processes implemented are eva-

[1] *Compare Sommer (2012), p. 9*
[2] *http://www.gartner.com/it-glossary/cpm-corporate-performance-management/*

luated together in accordance with their achievement of objectives. A **measurement of corporate performance** takes place by means of so-called **Key Performance Indicators**. According to Gartner, CPM is a decisive component in the planning and control process of every company. The objective of the process is to coordinate the individual corporate activities more precisely with one another and thus to arrive at a greater competitive position. The collection, presentation and validation of the data takes place using corresponding analysis tools in the framework of Business Intelligence solutions.

The Business Application Research Center (BARC) chooses a different approach for classification of the term. Here the entire BI market is observed and Corporate Performance Management is understood as a **sub-segment of the front end**[3]:

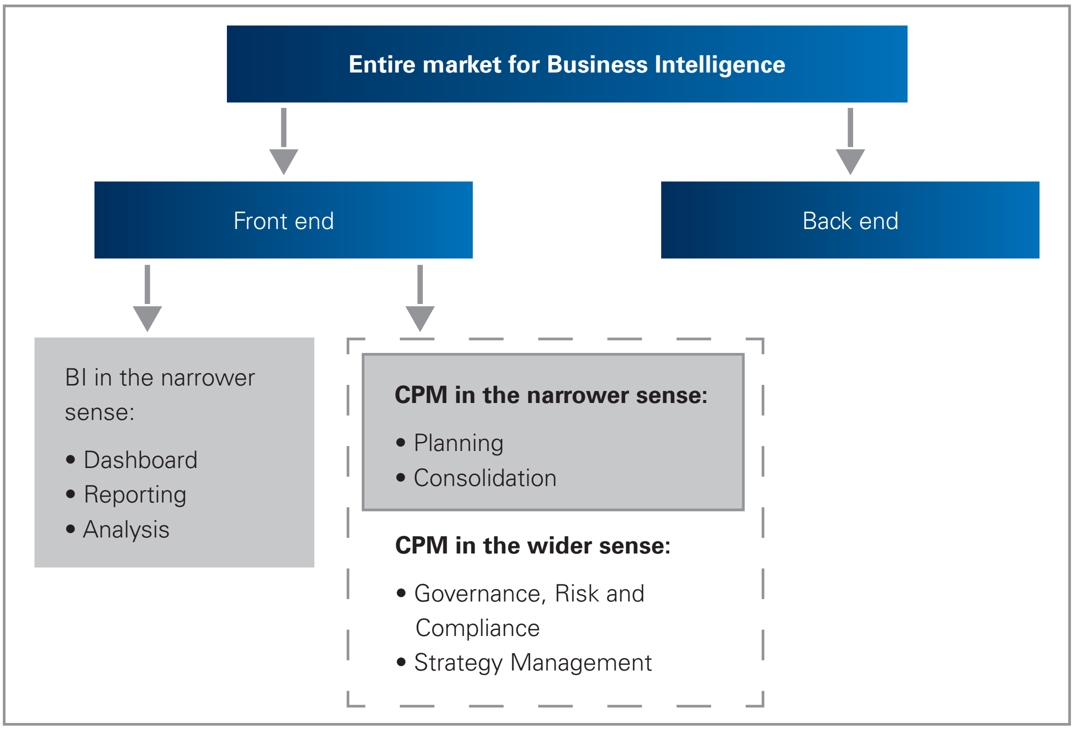

Figure 1: Classification of Corporate Performance Management in the BI market

According to this understanding, **Business Intelligence** comprises all of the segments in the context of end user applications (front end) and of data management (back end). A sub-segment of end user applications is formed by the planning and consolidation processes. These two aspects can be defined as **CPM in the narrower sense of the term**. Combining these with the two other end user applications GRC (Governance, Risk and Compliance) and Strategy Management results in the **CPM definition in the wider sense**.

For the purpose of additional limitation of the terms Corporate Performance Management and Business Intelligence, the specialist discussion often brings in the **dimension of the observed time horizon**.[4] Business Intelligence is thus directed towards the analysis of past and present events that may extend into the near future. Corporate Performance Management, on the other hand, scrutinises the entire time horizon, beginning with the past and extending the view to include the distant future. Here the emphasis for the analysis of the data is thus primarily on the deduction of strategic approaches.

[3] *Compare Bange (2013), p. 2*
[4] *Compare Bachmann/Kemper (2011), p. 193*

These result primarily from prognoses and scenarios.[5]

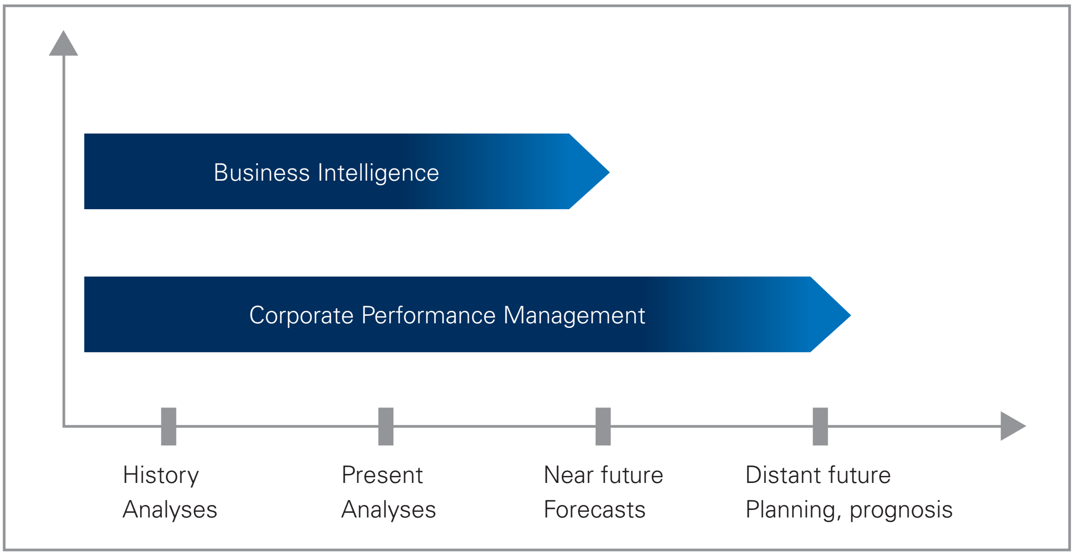

Figure 2: Comparison of the time horizon in the BI and CPM processes

3 The dimensions of Corporate Performance Management

A concluding classification of the term CPM is possible only if the decisive influence factors of this concept are also considered.

As a management-oriented instrument of corporate leadership, CPM combines a **business management** and a **technological level** (see Illustration 3).[6] The processes, methods and metrics of the CPM process can be ascribed to business management theory. Here the primary emphasis is on developing business procedures that are focused on implementation of the overall corporate strategy. Corresponding measures that enable a measurement of the targeted objectives are to be integrated. For this, significant key figures must be defined that reflect the success of the measures. The technological basis for CPM is provided by Business Intelligence. This is used primarily for the „Control and monitoring of the strategy success and for the improvement of the CPM processes"[7]. BI is regarded in this context as the decisive technological tool of CPM and is intended to serve as a support for operational decision-making.[8]

[5] *Compare Bachmann/Kemper (2011), p. 193*
[6] *Compare Oehler (2006), p. 42*
[7] *Jacob/Hervé Lien (2012), p. 5*
[8] *Compare Oehler (2006), p. 42*

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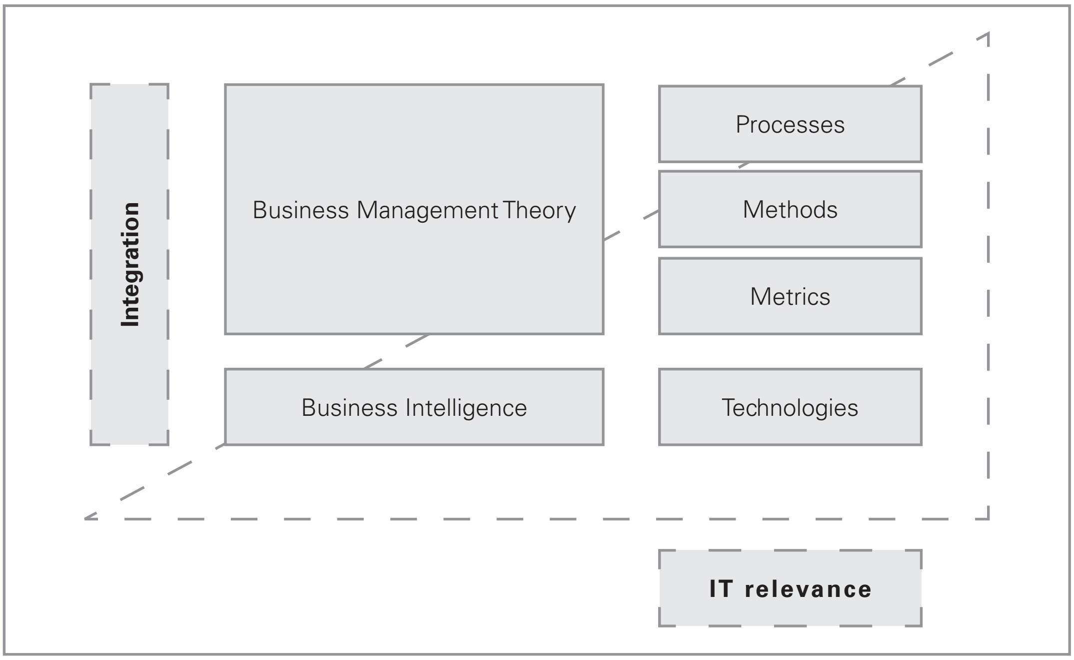

Figure 3: The two dimensions of Corporate Performance Management

From a technological perspective, the Business Intelligence solution is comprised in turn of the following components[9]:

- ETL process (Extract, Transform and Load the data from the source systems into a Data Warehouse)
- Data Warehouse (central storage for the data collection of one or more databases)
- Frontend (graphical user interface for the visualisation of the data stored in the Data Warehouse)

4 Summary

Particularly now, in the era of Big Data, data must be collected and validated systematically. Given these conditions, Corporate Performance Management nowadays has an indispensable role to play at most companies. In this context, CPM represents an approach that combines all processes of strategy development, planning, forecasting and financial consolidation. The technological objective of this process is to implement performance enhancements. In everyday practice, this primarily means determining potential for reducing costs and implementing process optimisations on the basis of the collected data.

In contrast to Business Intelligence, CPM involves not only the analysis of past and present data, but also the scrutiny of the remote future through prognoses and scenarios. The use of a professional CPM software solution, e.g. one that supports data procurement and validation or planning, has proven itself especially helpful for this purpose.

[9] *Glossary of the LucaNet homepage: www.lucanet.com/de/footer/glossar/business_intelligence.html*

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