Business Performance Management

Prof. Dr. Ingo Claßen

Hochschule für Technik und Wirtschaft Berlin

Business Performance Management (BPM)

According to the BPM Standards Group

BPM is a set of integrated, closed-loop management
and analytic processes, supported by technology, that
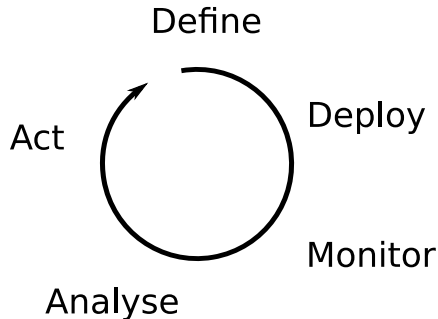address financial as well as operational activities.

Goals

Enabling companies to align strategic and operational objectives with business activities in order to manage performance through better informed decision making and action.

Having a single view of the enterprise to be proactive and responsive.

Core BPM processes

- ▶ Financial and operational planning
- ▶ Consolidation and reporting
- ▶ Modeling
- ▶ Analysis
- ▶ Monitoring of key performance indicators

BPM Cycle

Define

Deploy

Act

Monitor

Analyse

Performance Measurement

According to Robert G. Eccles
The leading indicators of business performance cannot be found in financial data alone. Quality, customer satisfaction, innovation etc. reflect a company's economic condition and growth prospect better than its reported earnings do

Steps towards a Performance Measurement System

- ▶ Developing an information architecture
- ▶ Putting technology in place to support this architecture
- ▶ Aligning incentives
- ▶ Drawing on outside rescources
- ▶ Designing a process to keep the system running

Developing an information architecture

The information architecture comprises
- Categories of information
  - Basic terms across the company's businesses
  - Common terms
  - Relatively invariant
- Methods to generate information
  - Placing operational measures on equal footing with financial data
  - Responisibilty by senior executives
- Rules regulating its flow
  - Who generates data
  - Who receives and analyzes them

Measures that Drive Performance

According to Robert S. Kaplan and David P. Norton
Balanced Scorecard

- ▶ Financial perspective
  - ▶ How do we look to shareholders
- ▶ Customer perspective
  - ▶ How do customers see us
- ▶ Internal business perspective
  - ▶ What must we excel at
- ▶ Innovation and learning perspective
  - ▶ Can we continue to improve and create value