

## BI Radio

### Episode 8: Performance Management

(00:00)

**Station ID:** This is BI Radio.

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- Performance Management is an emerging discipline that helps organizations answer core business questions.
- How am I doing?
- What do I need to do going forward?
- And then how can I affect outcomes?
- Performance Management moves just beyond just looking at data to an understanding of what the data says.
- And how do we translate that into language that everybody can understand?
- It's pointless just producing a report that no one understands.

(00:35)

**Ken Seeley:** Hi there and welcome to BI Radio. I'm Ken Seeley. On the show today, Performance Management, from the C-Suite on down. Kelsey Howarth talks to Cognos CEO, Rob Ashe, about the three key questions every executive should ask about their business. Delaney Turner follows Dave Stodder of Ventana Research along the performance management roadmap – from simple reports to strategic plans. And first up, performance management through the eyes of the CFO. John Blackmore talks to Janet Kersnar, editor of CFO Europe, about the new challenges facing CFO's and the way they're changing to meet them.

(01:24)

**John Blackmore:** Hi. I'm John Blackmore of Cognos. Janet, today I thought, if we had the opportunity, to discuss one of your recent articles in CFO Europe on some of the top challenges facing finance. I know you've come up with a list of ten. Were there any surprises on your list?

**Janet Kersnar:** Increasingly what I'm hearing is, from CFO's, is that they need to hone their human capital management skills. There's definitely a war for talent in various parts of the world, and if you keep losing talent that CFO definitely starts to notice that. Not only within their own team, because they do want the best support that they can possibly get, but also for the overall company. It can have a hugely damaging effect on competitive advantages.

**John Blackmore:** Now that can have an interesting switch from what most would think would be the classic role of the CFO. Would you say that this role has evolved or changed considerably over the last five years?

**Janet Kersnar:** Oh, absolutely. Absolutely. And you're right. I think it doesn't fall naturally into the CFO remit in many respects. But CFO's are very aware of the leadership role that they can be playing in terms of them developing their company's human capital management. So it goes far beyond just looking at people as numbers on a balance sheet.

**John Blackmore:** We see a similar switch where finance people are looking far beyond just results and reports, and the classic bean counting, and more into performance issues such as you're talking about. Do you have other examples where you see this trend being realized?

**Janet Kersnar:** Absolutely, yes. I mean I think it's been a frequent topic that the interaction between IT and finance. And we recently wrote an interesting article. We caught up with some CFO's who actually are almost the brokers between finance and IT. Their companies have had enough foresight to actually put someone in between the two who can actually be the person bridging those two functions, and really bring their goals to complement each other rather than to conflict with each other. That's been a very classic area. But we've also been looking at finance in terms of CFO's really encouraging, for example, their treasures to go beyond their classic risk management areas and think, "well, how can we help procurement" for example. "We're very good at understanding price movements so how can we partner up there?". And there are a huge number of other areas. For example, another area is marketing. That has also traditionally been a very adversarial area for finance. Now, I think with more technology companies are realizing that they can reach out to their customers much more easily and that their customers can reach out to them much more easily. And so that finance is actually seeing a huge role that they can play to help marketing hone those metrics it's really trying to figure out what metrics does your company need. And finance is really well placed to do that.

**John Blackmore:** So I guess your recommendation is then, if you have finance plus "X" department other line of business metrics being that connection point and sort of co-defining metrics as a way to get a common language?

**Janet Kersnar:** Exactly. That's it. I mean people I think traditionally have always thought finance only spoke in numbers and numbers that didn't relate to the rest of the business. I think that, not necessarily that finance has accomplished this yet, but I think that they're starting to wake up to the fact that it's pointless just producing a report that no one understands. Throwing a whole bunch of numbers outwards, out of the departments to other parts of the company is nice. But it doesn't really do a lot of good. Instead, it's really sort of drilling down and helping do the analysis and helping other parts of the company understand, "Well, what are the metrics that matter?", then, "How do we translate that into language that everybody can understand?"

**John Blackmore:** Yes, that's another thing we see, especially with finance, and frankly, with the other departments, is the necessity to look at both your financial data and connect it in with the operational data that drives those numbers. Do you see that happening as well?

**Janet Kersnar:** Absolutely. Absolutely. And I think this is an area to watch. But there's a huge area of non-financial measurements that CFO's have been a bit weary about when a lot of this to talk about CSR – Corporate Social Responsibility – etc., producing reports about your carbon footprint etc., is pretty daunting for CFO's because for the most part a lot of those issues are soft. A lot of those don't fit neatly into the numbers that they have risen up the ladder crunching away. And so they need to be able to have confidence that the numbers and the non-financial measurements that they're pulling out from their businesses are reliable, and that they can consistently take those numbers and combine them into their financial data and then work them into a consistent way that shows trends, shows that you understand your past, present and your future, which is pretty daunting as well, for companies to start talking about their future. What are our future risks? And there's more and more demand externally for that type of thing. And companies are looking towards the CFO to do that. But it's not quite in their comfort zone necessarily, yet.

**John Blackmore:** You've raised a lot of great points here. One that I just wanted to pick up on quickly. You talked about the reliability of the numbers. It's something else that we see, especially as people like a CFO or other senior executives get more far-ranging in their data requirements, the quality of the data starts to become more and more of an issue. Is this something else that you see?

**Janet Kersnar:** Certainly. And I think it sort of ties in with another theme I think of. As companies grow and expand globally, let say, and their supply chain just starts reaching across the globe, it's been going on for quite a long time. But just recently because of the recent wave of M&A action a lot of companies have been consolidating, i.e., getting bigger. So they're pulling in maybe... now they're working side by side to former competitors and trying to meld their IT systems and their ERP systems together trying to understand what sort of data they have that they can... that's comparable to start reporting externally and internally.

**John Blackmore:** In your role as editor of CFO Europe you obviously get to be in contact with a lot of senior financial leaders. You don't have to name any names, but perhaps if you could think of some of who you consider game changing CFO's in your coverage area, and what makes that person that kind of game changing CFO?

**Janet Kersnar:** They want to make an impact very quickly. So you'll see CFO's who are very action oriented. And not short term in the sense of quarter by quarter. But they will want to see change within their teams and the impact that finance is able to make. And I think another point is that CFO's who I'm always impressed with are the ones who can really articulate what their company vision is.

**John Blackmore:** Do you think that this drives some of the results that you saw in your survey with them?

**Janet Kersnar:** It does. It does. And I think, speaking of the operational areas they also see the importance of getting some experience in operations. The aspiring CFO's I speak with have got that message loud and clear. So there's a real interest among CFO's and future CFO's in getting closer to operations by actually rolling up their sleeves and getting out there and working with the people out in operations rather than sitting back in headquarters.

**John Blackmore:** A last question. We started off with your article of the top ten. What do you see coming down the pipe for finance professionals? Do you see any significant changes in that top ten list?

**Janet Kersnar:** We've just done a bit of research and we've looked into just as a good reminder is that companies are sitting on a lot of cash. How are you going to show you're shareholders how you're going to use that cash?

**John Blackmore:** And I guess I can connect that back up with what the strategic direction of the company is.

**Janet Kersnar:** Absolutely. Absolutely. That's right.

**John Blackmore:** I'm John Blackmore with Cognos. And I've been speaking with Janet Kersnar who is the editor of CFO Europe. Janet, thank you very much.

**Janet Kersnar:** Thank you.

(10:32)

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**Delaney Turner:** Hi. I'm Delaney Turner with Cognos. Today, I'm talking to Dave Stodder. He's vice President and Research Director, Information Management and IT Performance Management at the Analyst Firm Ventana Research. And today we're going to be talking

about enterprise reporting and its role on a companies journey towards performance management. Dave, thanks for joining us today.

**David Stodder:** It's great to be here Delaney. Thanks for having me.

**Delaney Turner:** Thank you. I would like to start off with just a definition and get Ventana's view on things. How does Ventana Research define performance management?

**David Stodder:** Well performance management is really one of the main things that we research and cover at Ventana. Performance management is an emerging discipline that guides an organization-wide alignment and optimization efforts that helps organizations answer core business questions such as... How are we doing, why are we doing these things, and, what should we be doing? Performance management moves beyond just looking at data to the understanding of what the data says about how the business is performing, and what do to do if numbers are falling outside of expectations. Performance management must draw from ERP and other relevant applications and data sources to populate the key metrics and performance indicators. So an enterprise reporting platform can be critical to making this possible. The final aspect of performance management to note, I think, is that organizations often choose to see the results from within an application of best practices, six sigma, balanced scorecard or other methodologies. Performance management combines with these methodologies to support a continuous organization-wide improvement cycle.

**Delaney Turner:** I wonder if you could explain for us the importance of reporting in a performance management context?

**David Stodder:** Sure. Enterprise reporting is what allows organizations we see to move from the tactical to the advanced level of maturity as we define it in our maturity model. At the advanced level, data is meaningful to an audience beyond just the single user community served by the tactical or point reporting solution. This single platform allows organizations to gain comprehensive accurate views of information, which is essential to understanding your business's performance with respect to customer, supply chain, corporate profitability, or other key matters. As an independent layer above ERP and other database systems and applications users are not tied to one system. And this is important because then they can integrate performance related information from heterogeneous sources. Then performance management becomes an enterprise discipline that aligns both people and business processes with strategic goals.

**Delaney Turner:** I would like to through one more definition or acronym into the mix before moving on. If you could explain for us the difference between reporting, performance management, and ERP, all three of which may exist in a company with or without them knowing it.

**David Stodder:** Sure. Well I think enterprise resource planning or ERP systems as we know of them are widely used for about fifteen years and have enabled organizations to consolidate applications and reduce the cost of functions such as manufacturing of financials. So ERP systems are incorporating customer information, or rather, customer relationship

management as well as sales and service management. But in many cases they still have separate packaged applications for these in organizations as well as things like human resources. So ERP and packaged applications have reporting tools. But these are generally limited both in functionality and in the fact that they generally access this information just from their own systems. In fact, our surveys have found that just four out of ten respondents said that ERP systems have helped them drive down operational cost and optimize business processes. These are objectives that are well suited to BI and enterprise reporting so you can see the distinction there really with ERP and with BI and reporting achieved. And these are to give business users access to the kind of data they need to analyze cost and effectiveness of business processes. Those very things that people are looking for really from the ERP systems. Our studies also show that users are not satisfied with the information coming from point reporting systems dedicated to ERP systems. Only eleven percent said that the ERP systems captures all or most of the non-financial information companies need to monitor employees performance indicators. So that makes it tough to build performance management systems with ERP systems alone. An enterprise reporting platform can sit above the ERP and other packaged applications and consolidate a comprehensive view of the information you need to properly understand business performance and determine what action to take that will improve performance.

**Delaney Turner:** We've talked about the technologies. I would like to now talk about the people who use them and live with them. If it's the job of the IT department to deploy and maintain the reporting solution, and the role of the business managers or the users to actually make decisions and manage performance of the organization, what's the best way for these two groups to work together?

**David Stodder:** I think that as organizations move up to the levels on what we define as a Ventana Research maturity model up to the higher levels of strategic and innovative levels the focus shifts from pure technology and implementation, which you find at the lower levels where they're really just trying to get the systems in place and work with the database systems or other sources such as ERP to make it all come together. So at the higher levels it shifts from technology implementation to objectives that are really expressed in business terms, such as on-time delivery, or customer satisfaction, or higher safety. Business managers are also looking at how institute operational performance management. And this was interesting because it takes the focus beyond financial measures so business managers can measure and monitor how diverse operations of business functions are going throughout the organization. No organization can leap to these strategic and innovative maturity levels without succeeding at the tactical and advanced levels of maturity where technology implementation is the dominant focus. At these levels the goal is to move beyond tactical reporting solutions to serve a single community and move up to serve multiple communities and draw on multiple heterogeneous data sources. The reason they do that is that as you move to the higher levels of business objectives more than one business function or line of business needs to be collaborating. You need the technological capability to support more advanced data and information access, analysis, and sharing across silos of information. The establishment of an enterprise reporting platform can be a major step here. It gives IT the platform upon which to focus data integration and metadata management to bring together disparate data source and to develop single views of inversions of information. And

the platform gives business users not only the consolidated view, but the comprehensive and integrated tools with which to analyze and share information. But I think as you move up to these higher level maturity levels IT and business have to be aligned and working hand in hand to guide BI and performance management projects to ensure that users are getting the correct information and using it effectively. I think, if anything, as you move to more collaborative kind of BI and reporting where you have functions and lines of business coming together it's not just technical problems that you're dealing with. You're dealing with political problems. You're dealing with data ownership issues where one organization won't want to share a certain data with another organization. And so you really have to have the IT and business leaders coming together in BI competency centers or advisory boards. There are a lot of different names for... centers of excellence is another one we hear sometimes, which meet regularly and set policy goals and other objectives. Again, this is important because at those higher levels of maturity that focuses on the quality of the information and how effectively it's being used to understand business performance and to act upon it. It's not just about developing dashboards and more technology oriented matters.

**Delaney Turner:** So, you've written a new series of white papers for Cognos on the topic of reporting led performance management and the role of role reporting in performance management. I was wondering if you could take a few minutes just to explain the themes in each paper?

**David Stodder:** Sure. So the first paper explores how organizations deal with information chaos. The second paper illustrates five ways to tame that chaos of corporate data I was talking about. The third paper in the series brings us to performance management itself and how organizations can use enterprise reporting to build a foundation for success. That's the summing up of all three papers.

**Delaney Turner:** Terabytes of data. Information chaos. Aligning with the business. And performance management maturity. It sounds like IT has its work cut out for it, as always. But they sound like very interesting papers. Dave Stodder, thank you for speaking with us today.

**David Stodder:** You're welcome. It's been good to be here.

(20:39)

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**Kelsey Howarth:** Hi. I'm Kelsey Howarth. Joining me today is the President and CEO of Cognos, Rob Ashe. Welcome Rob.

**Rob Ashe:** Hi. How are you doing?

**Kelsey Howarth:** Many Cognos customers are well on their performance management path, but some are just starting out. Could you give us a brief overview of performance management, and performance management systems for those people just beginning their journey?

**Rob Ashe:** Sure. The idea of a performance management system is to be able to, at the same time as you can keep your finger on the pulse of the business, make sure that that business is heading towards a desired strategic outcome. And it really involves a system with a number of entry points or touch points. So let's start with a system. The system for performance management is all about having a view to the organization that helps you answer a couple what are really pretty basic questions. How am I doing? And that might manifest itself in statuses and reports, scorecards, dashboards, red lights, green lights. So how am I doing? What do I need to do going forward to effect outcome for strategy? And really it involves analysis. Starting to understand why things are happening in my business. Why one thing is related to another things. Key trends, etc. And then, how can I effect outcomes which can happen in the future? And that's really around planning, and using business intelligence in a planning environment to create a performance management system. So if you put those things together, again quite simplistic, but that's really what a CEO or an executive team wants to know: How am I doing? What can I do to change to the better? What's going to happen in the future? And putting all those things together into one system. Now, for some companies that thought of that system might be a little bit daunting. So the approach that we take that is really, I would say has served us well with our experience with customers is, customers want to be able to start at any point in that cycle, and they want to deliver value at some point in that cycle. Maybe they just want to start around reporting. All they really want to know is what happened yesterday in my business? So they got an ERP system. They can't get at the data. The data's in a vault. All they really want to know is, did they service their customers last week, last year, last month, whatever the case may be. Other customers may just want to consolidate and close their books. All they really want to do is get that down from a nine day cycle to a six day cycle to report more quickly to management, to statutory authorities. Others take a broader view. And going from there they want to connect that to the planning process. So I think that the secret sauce in what we do is the ability to look at that whole system. But for any individual customer to allow them to start in one place, deliver value on a journey towards thinking about that whole system. And that's why we emphasize our entry points. Our entry points into finance with consolidation solutions, planning solutions, financial reporting solutions. We emphasize our entry points into line of business and IT with reporting led performance management. Analysis. Scorecards. Dashboards. We really want to emphasize the individual pieces. And we want to emphasize what it means collectively as a whole so our customers can come on a



journey with us. So when I think about what customers are trying to do with performance management and where they start I like to think about the vision of a system, but starting points that deliver value. And that's really how I see our customers get to be successful.

**Kelsey Howarth:** How is Cognos uniquely positioned to help people become the performance management expert?

**Rob Ashe:** Well I think that we at Cognos are uniquely positioned. First of all it starts with our people. I think that we have performance management experts in our business. I was at our User Conference, Forum, in Florida, in May. One of our big European customers stood up and was asked what really differentiated Cognos from the other solution vendors that they had evaluated. And he said that the Cognos people had performance management under their skin. That was the expression he used. And it really struck home in that people at Cognos think about performance management. Every time they look at an application, look at an opportunity, look to help a customer, they're thinking about how to put it in context for that customer to measure performance. And I think that's quite unique in our business. I think it starts with our people and the mindset of our people, and the way our people go at problems. Of course, always, always, always, it's product. Product and solution. The kind of solutions that can deal with each of these entry points. I referred to, earlier, the entry points into performance management system. The kind of ingenuity that goes into our products. The kind of innovation that goes into our products. You think about our core solutions – the Cognos 8 platform, Cognos Controller, Cognos Planning. You think about how we've extended those solutions with Go Mobile! With Cognos Analysis for Excel. With Cognos Go Office. Cognos Go Search. All innovative ingenious solutions developed by people who have performance management under their skin, or are interfacing with customers every day, feeding that into the product development cycle, and delivering a combination of great people who know a lot about performance management with great solutions that deliver that value quickly, and at the same time allow you to start that journey towards that system that we all really want to achieve. So I think that's what's unique about Cognos. It's the combination of our people and the great solutions we have in the market.

**Kelsey Howarth:** Finally, over the past year we've asked business and industry experts such as Seth Goden, Bob Woodward, Guy Kawasaki, Patrick Lencioni, and more, what leadership means to them. What are your views on the essential qualities of both an industry leader and being a leader at your own company?

**Rob Ashe:** Well in my view leadership starts with vision – creating a compelling place that you can get people excited about. Whether it be your little department or your big company everybody needs to create a vision to get people to some new and exciting place. That's what we do at Cognos. The vision is performance management. We help people get there. We show them that journey, that transition. So whether it be here at Cognos, or me as the leader in my organization, I want to make sure that people are compelled to the vision. I want to set an example of that leadership. I want to show people how I drive performance management here at Cognos. I'm a big consumer of the products myself. So I think leadership is about setting that vision. Setting the example through usage. Or in the case of driving a business, stepping out there and taking those risks and taking those chances.

Encouraging people to follow. It's all about setting a vision that people are going to want to follow, people are going to want to embrace. It's the carrot, not the stick, in terms of embracing people inspirationally and inspiring them towards that vision. And I think those are elements of what I think makes Cognos as a company a great company.

**Kelsey Howarth:** Great. Thank you so much for joining us.

**Rob Ashe:** Thank you.

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**Ken Seeley:** Well that's a wrap for our latest look at performance management and a wrap for our first full season of BI Radio. I would like to thank our guests today. From CFO Europe, Janet Kersnar. From Ventana Research, Dave Stodder. And from Cognos, CEO and President, Rob Ashe. A special thanks as well to our contributing producers Kelsey Howarth, John Blackmore, and Delaney Turner. And thanks to our producer and audio engineer, Derek Schraner who composed all the original music you hear on BI Radio, and for making us sound so good. And thanks to you, our listeners. We hope you enjoy listening to our show as much as we enjoy bringing it to you. A reminder to check us out at [Radio Cognos dot com](http://RadioCognos.com), where you can listen to previous shows, download individual segments, and view the transcript of each broadcast. If you have a question or care to make a comment about what you hear of BI Radio send us an email at [radio@cognos.com](mailto:radio@cognos.com). Thanks for listening. I'm Ken Seeley. We'll see you in about six weeks.

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