

A BPM Partners Research Report

BPM Pulse™ Survey Results

**Performance Management Research Study:
Spotlight on Reporting and Analysis for 2014**

April 2014

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Background for the Survey

This independent study by BPM Partners was conducted through an Internet-based survey from January, 2013 through April, 2013. The purpose of the survey was to identify important trends in Business Performance Management (BPM) and perceptions of BPM vendors and service providers. In total, 296 valid responses were received. We then analyzed these results in terms of both the current state of affairs, as well as the implications for BPM in 2014. Our analysis focused on the expected or appropriate next steps for vendors, as well as for purchasers of business performance management systems.

About BPM Partners

BPM Partners is the leading independent authority on business performance management (BPM) and related business intelligence solutions. The company helps organizations address their budgeting, planning, financial reporting, regulatory compliance, profitability optimization, key performance indicator (KPI) development, and operational performance challenges with vendor-neutral experts who can guide companies through their BPM initiatives from start to finish while both reducing risk and minimizing costs. BPM Partners has specialized packages that lead clients through project justification, requirements definition, vendor selection and deployment of departmental or enterprise-wide BPM or business intelligence (BI) systems. For further details, go to <http://www.bpmpartners.com>. Follow BPM Partners on Twitter [@BPMTeam](https://twitter.com/BPMTeam).

Survey Methodology

Respondents were recruited through various promotions (electronic mail and newsletters) to subscribers of Business Finance Magazine, BPM Magazine, the BI Survey and the B-Eye Network/TechTarget. In addition, BPM Partners maintains a database of more than 14,000 contacts constructed from attendees of BPM Partners Webcasts as well as other industry events. These contacts were invited to participate through email programs and the BPM Partners Website. Financial, administrative, line of business and technical users were included.

This survey was available and open to all. While vendors may have promoted it to their customers, they did not provide an invite list to us which is an approach used by some similar industry surveys. We feel this would skew the results by allowing vendors to cherry-pick their best customers for the customer satisfaction portion of the survey.

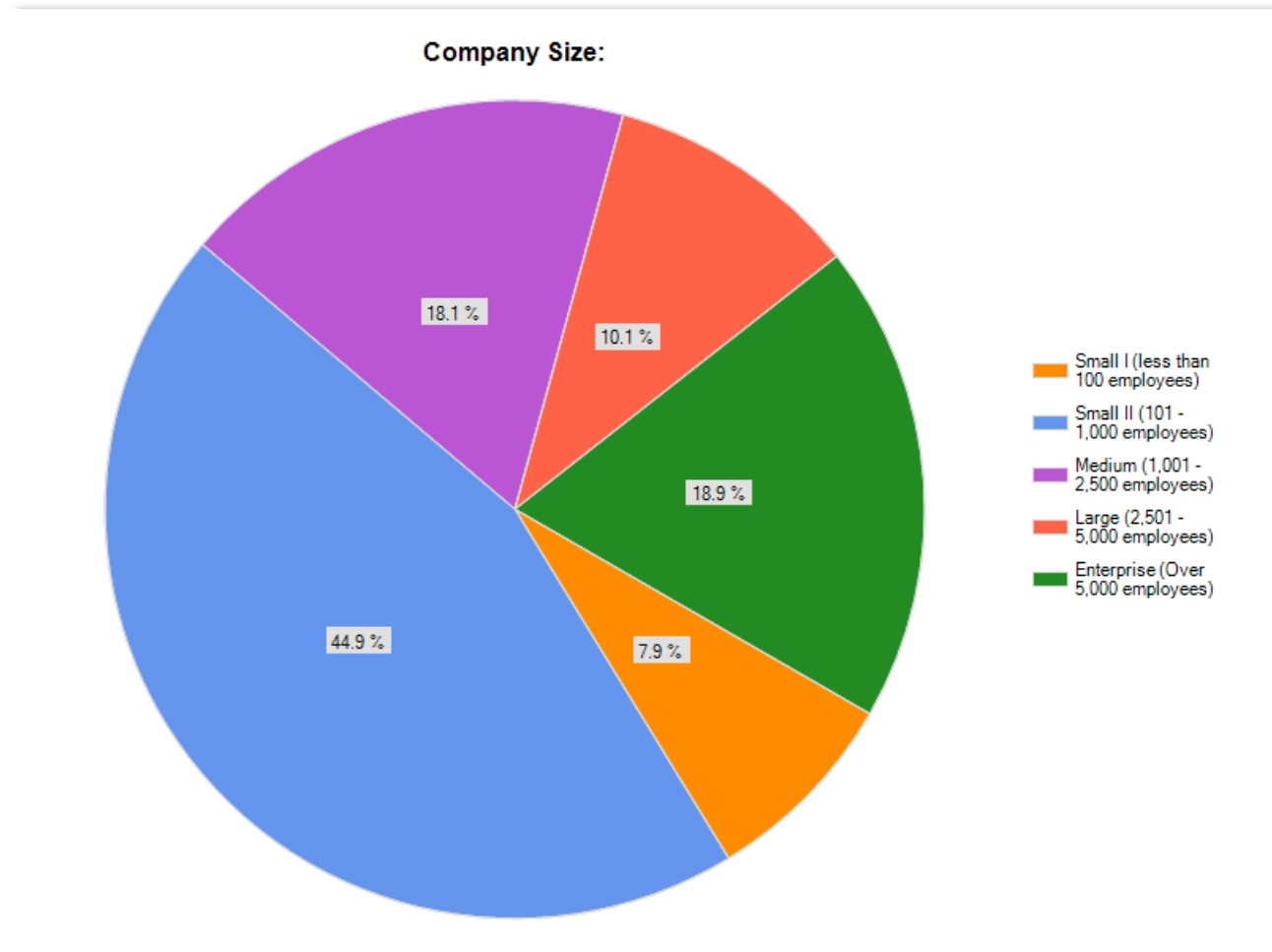


All participants were provided a copy of the results for their participation. No funding was accepted in terms of sponsorship of the survey itself from any vendor to avoid any potential bias in the results. Some vendors do fund free distribution of the results to the end user community. Additionally vendors may choose to participate in post-survey analysis of the results, but in these cases all details specific to individual responses are removed.

Demographics

When analyzing the BPM Pulse data it is important to keep in mind the background of the respondents.

Company Size Breakout



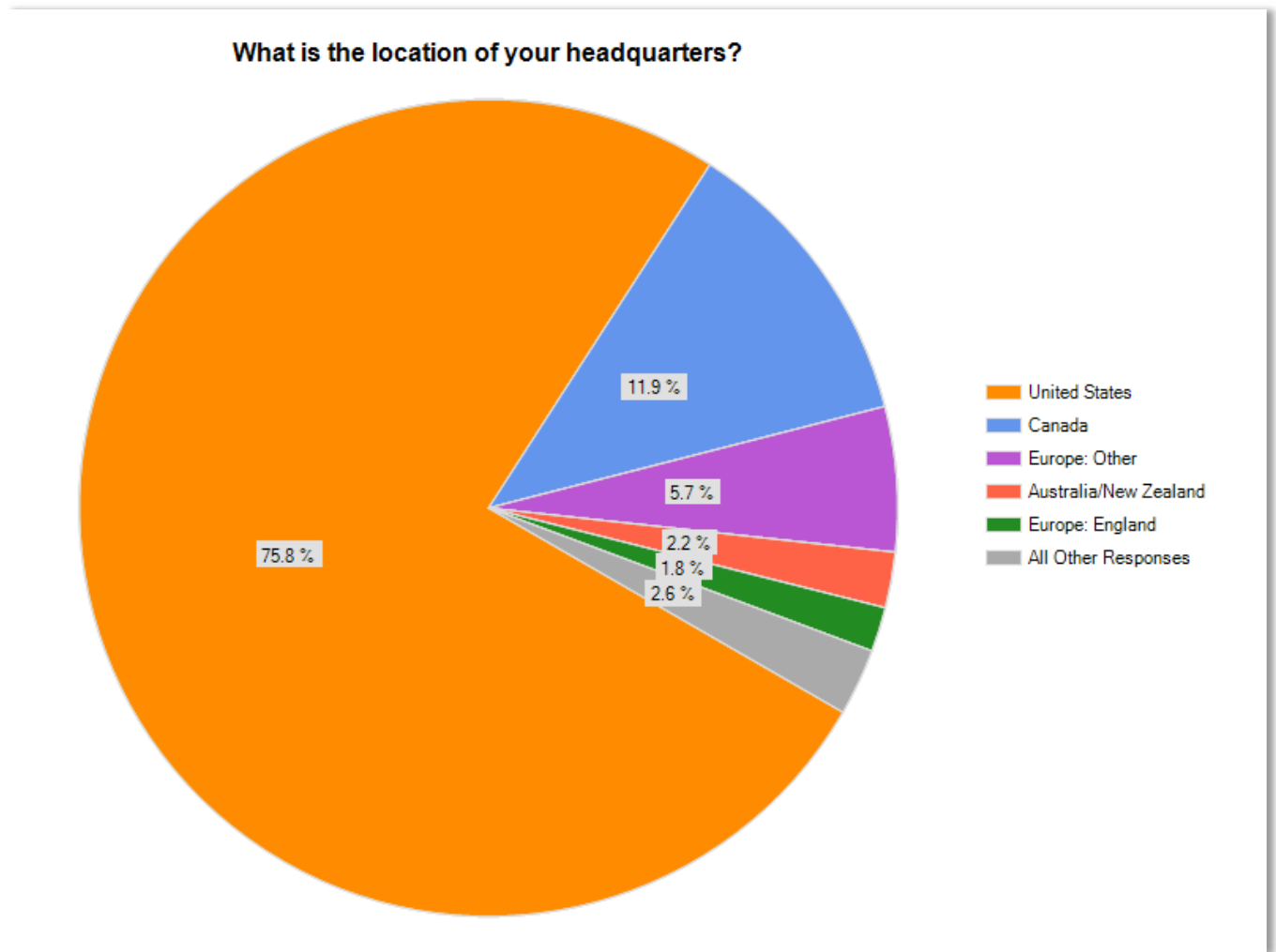
Source: BPM Partners' 2013 BPM Pulse Survey

The Data: Even though in the survey we called companies with 101-1000 employees Small II, this is really the lower end of the midmarket. If you combine Small II and Medium to create 'the Midmarket', you find that almost two thirds of the respondents, 63%, fall into this category. Similarly, if you combine Large and Enterprise you find that larger companies make up 29% of the responding organizations. These classifications were self-reported by the respondents. We utilized number of employees as the

measure because revenue classifications become difficult when you include not-for-profits, government agencies, and financial institutions.

Our Analysis: This data is consistent with our field experiences in terms of the size of companies currently pursuing performance management initiatives. In the past few years the number of companies in the middle to higher end of the midmarket pursuing performance management projects has grown significantly.

Location Breakout



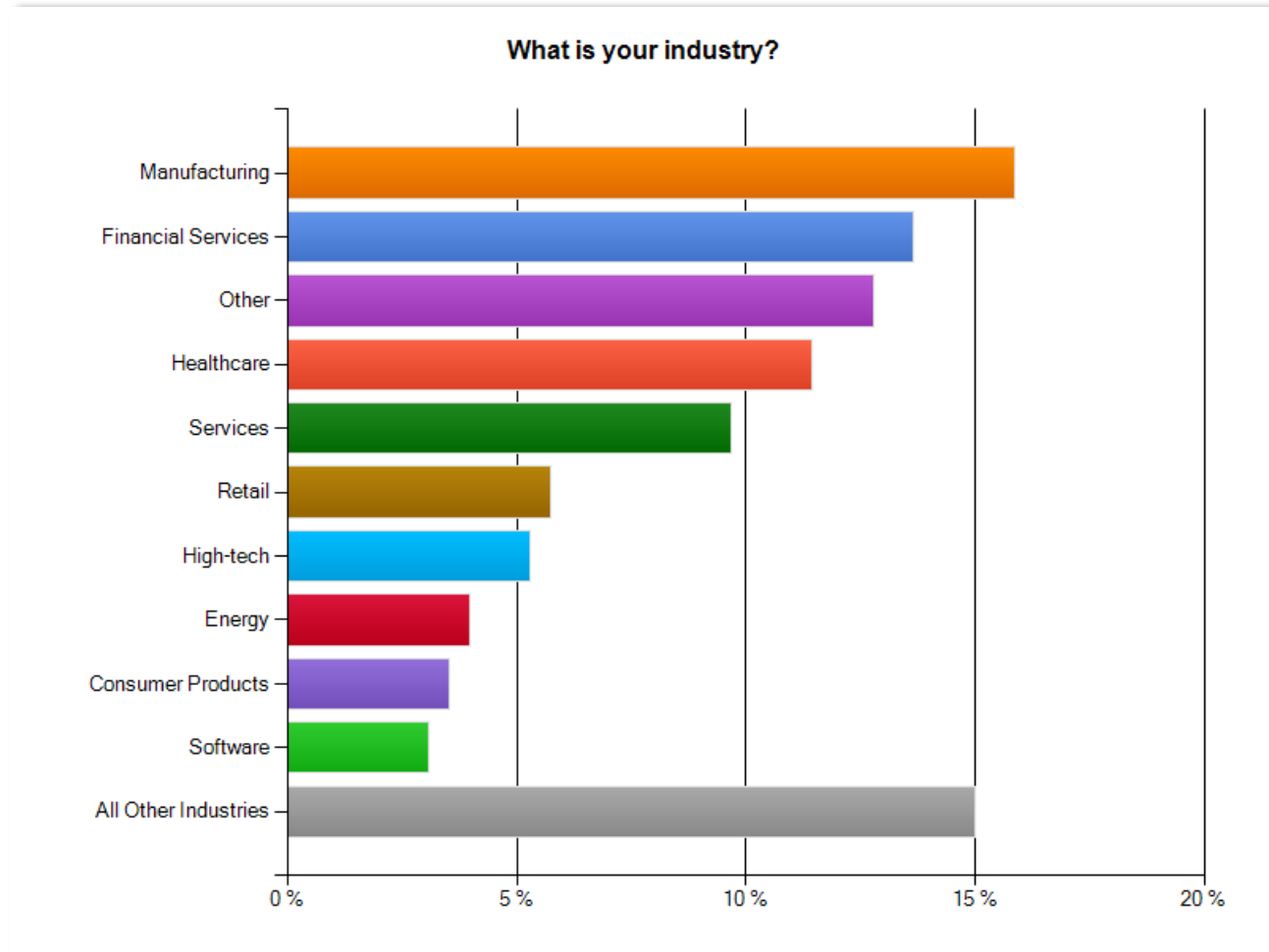
Source: BPM Partners' 2013 BPM Pulse Survey

The Data: The survey is available globally, but the bulk of the promotion takes place on North American focused websites and blogs. The result is that while there is some

representation outside of North America (most notably Europe), the majority of responses (almost 88%) come from the U.S. and Canada.

Our Analysis: While the survey results have a North American focus, performance management itself is growing around the world. In the past year we have seen renewed interest from companies in the U.K. the Netherlands, and throughout the Middle East.

Industry Breakout



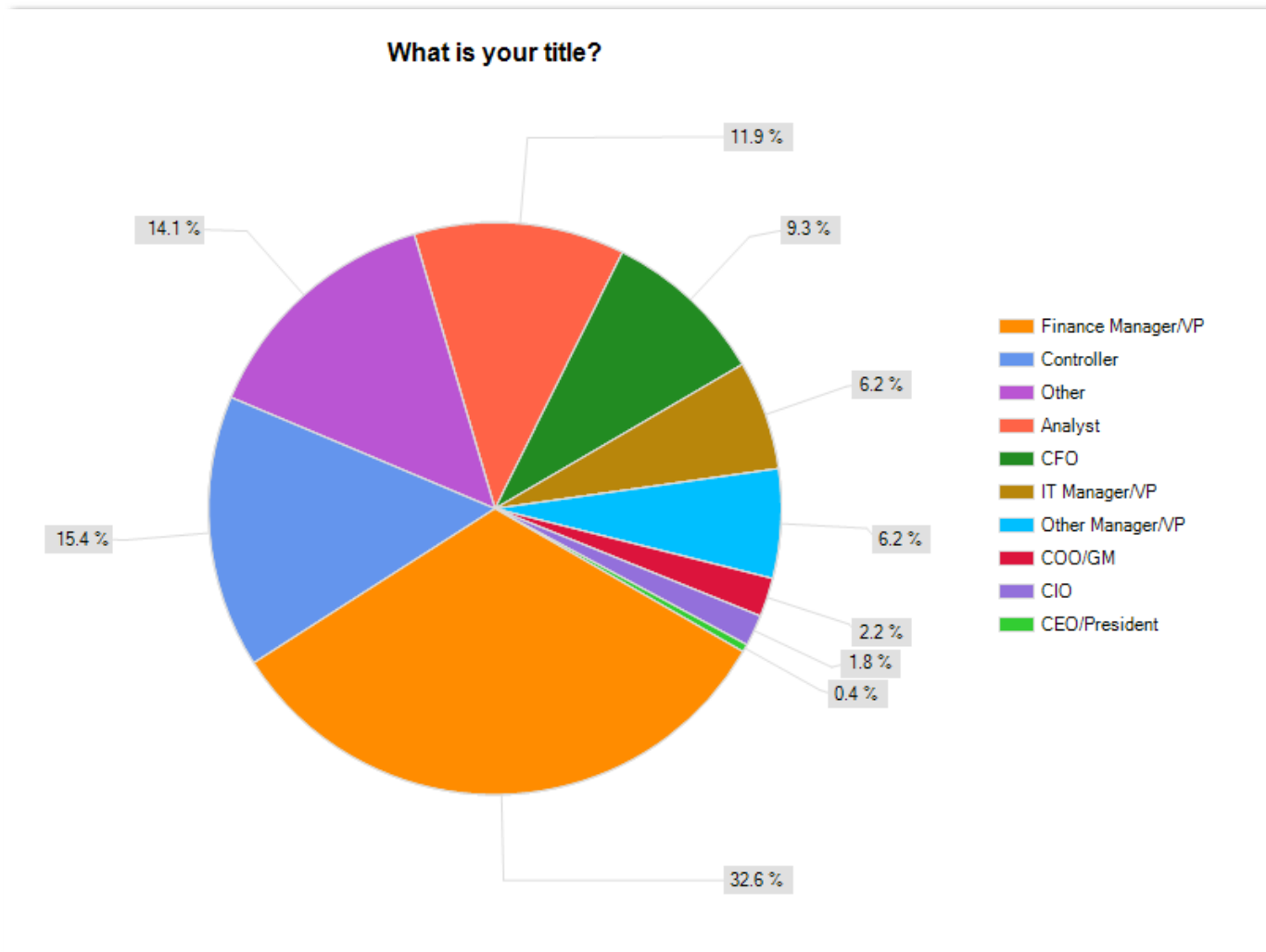
Source: BPM Partners' 2013 BPM Pulse Survey

The Data: The bar labeled 'All Other Industries' represents the summation of other industry choices provided in the survey that received less than 3% each. The bar labeled 'Other' was a choice in the survey for those companies that didn't fit into our pre-defined industry list. With the largest industry receiving just 16% of responses, no industry dominates and the survey is truly cross-industry. Note: performance management consulting and software companies were excluded from all survey results. Software and

services companies included here have a focus outside of performance management and related business intelligence areas.

Our Analysis: Manufacturing, financial services, and healthcare had the largest representation in the survey as they have had for the past several years. In the field we have seen more manufacturing companies than ever moving forward with performance management. Vendors that provide vertical solutions have focused on financial services, and to a lesser extent healthcare. We believe there is an opportunity for vendors, and a potential benefit to customers, if the next area of vertical focus is manufacturing.

Title Breakout



Source: BPM Partners' 2013 BPM Pulse Survey

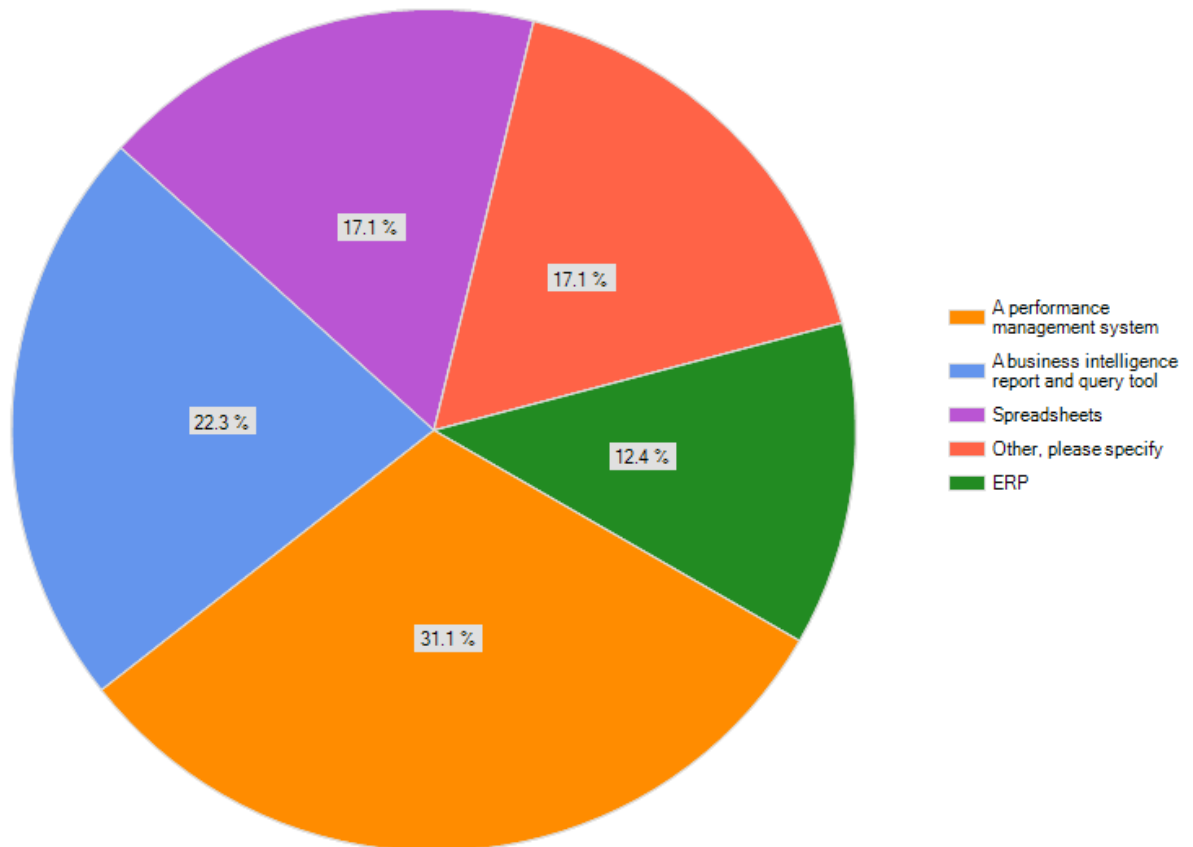
The Data: The largest number of responses came from individuals with titles associated with the Finance department. In addition, more than two thirds of respondents identified themselves as managers or above.

Our Analysis: Most performance management technology surveys today get the bulk of their responses from IT oriented individuals. The exception is surveys that are more focused on the financial processes themselves, not on the desired technology solution. We believe therefore that the BPM Pulse is unique in that we have financial people identifying the technologies they need to meet their business requirements. This is important because in our experience 80-90% of performance management projects are led by the Finance department. Of course the needs and requirements of IT have to be met as well, and the best projects are jointly led by Finance and IT. However, when selecting a new solution, while IT is represented on the overall team, the majority of participants come from Finance.

BPM Spotlight – Reporting and Analysis

Performance Management: A Leading Choice for Reporting and Analysis

What do you use as your primary reporting system today?



Source: BPM Partners' 2013 BPM Pulse Survey

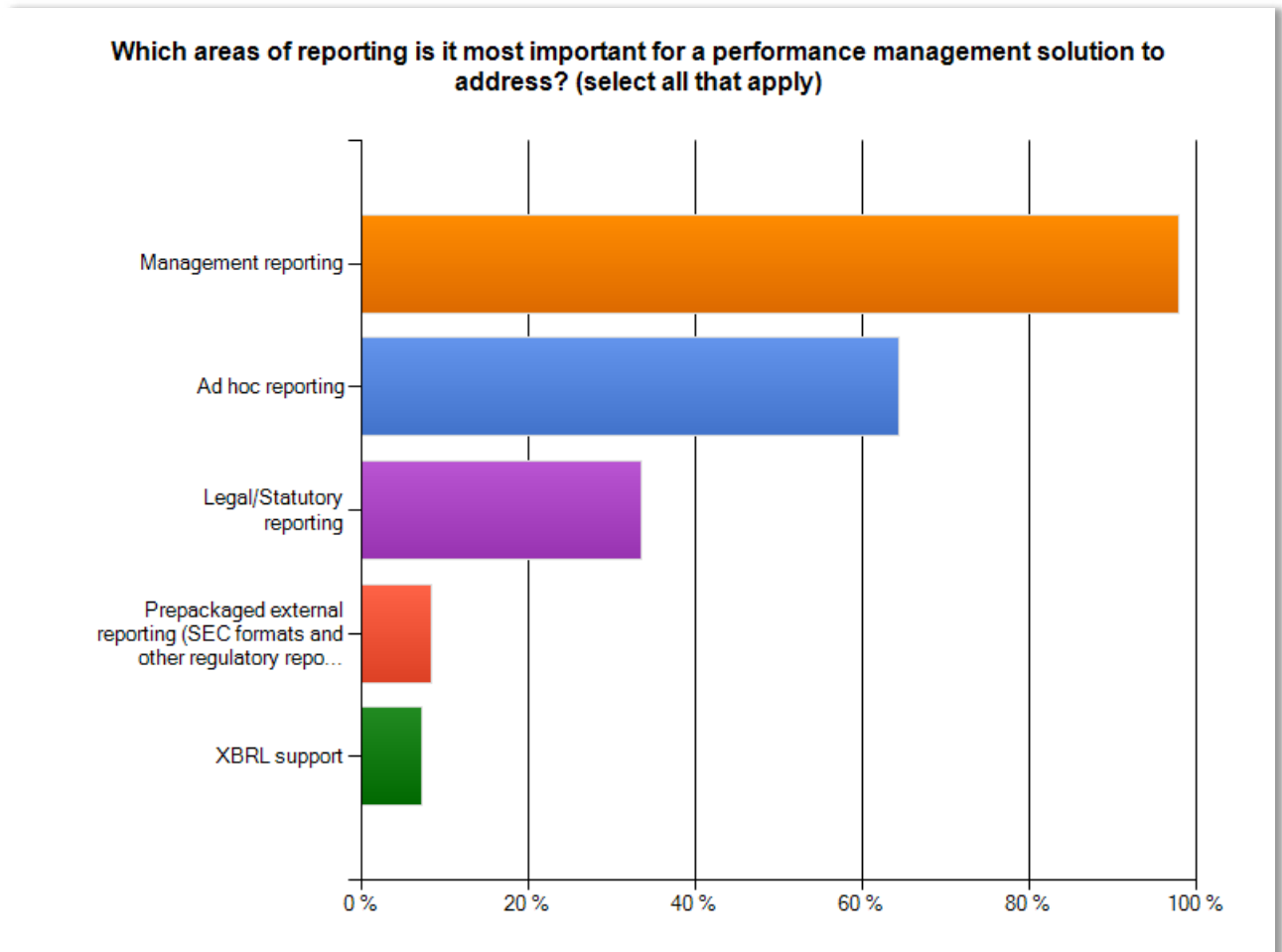
The Data: A little over 31% of respondents are now using a performance management application as their primary reporting and analysis tool. The next largest group at just about 22% is using a business intelligence tool as their main solution in this area. The write-ins for the 'other' category typically involved a mix of various solutions. A smaller group, 12.4%, are still relying on their ERP system for financial reporting.

Our Analysis: While performance management is the leading choice for reporting and analysis, the majority are still getting their information through some other means.

Business Intelligence (BI) follows close behind performance management as the second most popular option, and makes sense in many instances. For more broad-based analysis of data from many sources a BI tool might be the right answer. ERP systems on the other hand are notoriously difficult for business end users to manipulate to get the information they need in the format they want. Unless the focus is transactional detail, using a performance management solution to produce management/legal reports is a much better choice. Performance management reporting solutions have financial intelligence built-in (they understand income/expense, periodic/YTD, asset/liability, etc.). They are also designed for end user self-sufficiency which is a large benefit when it comes to designing heavily formatted production reports and books or simple ad-hoc analysis. The reporting is also dynamic in many cases, meaning the reports will automatically change based on chart of accounts modifications, organizational roll-up changes, and point of view (entity/frequency/period). Most BI tools cannot do all of that out of the box. In addition, performance management systems build their own data mart of relevant information which reduces the need to access multiple systems directly at report generation time, and leads to improved processing speeds. To us the choice is clear, for financial management and legal reporting utilize your performance management system.

The Most Important Performance Management Reports

Performance management systems can produce many types of reports, but two types stand out as providing the most value.



Source: BPM Partners' 2013 BPM Pulse Survey

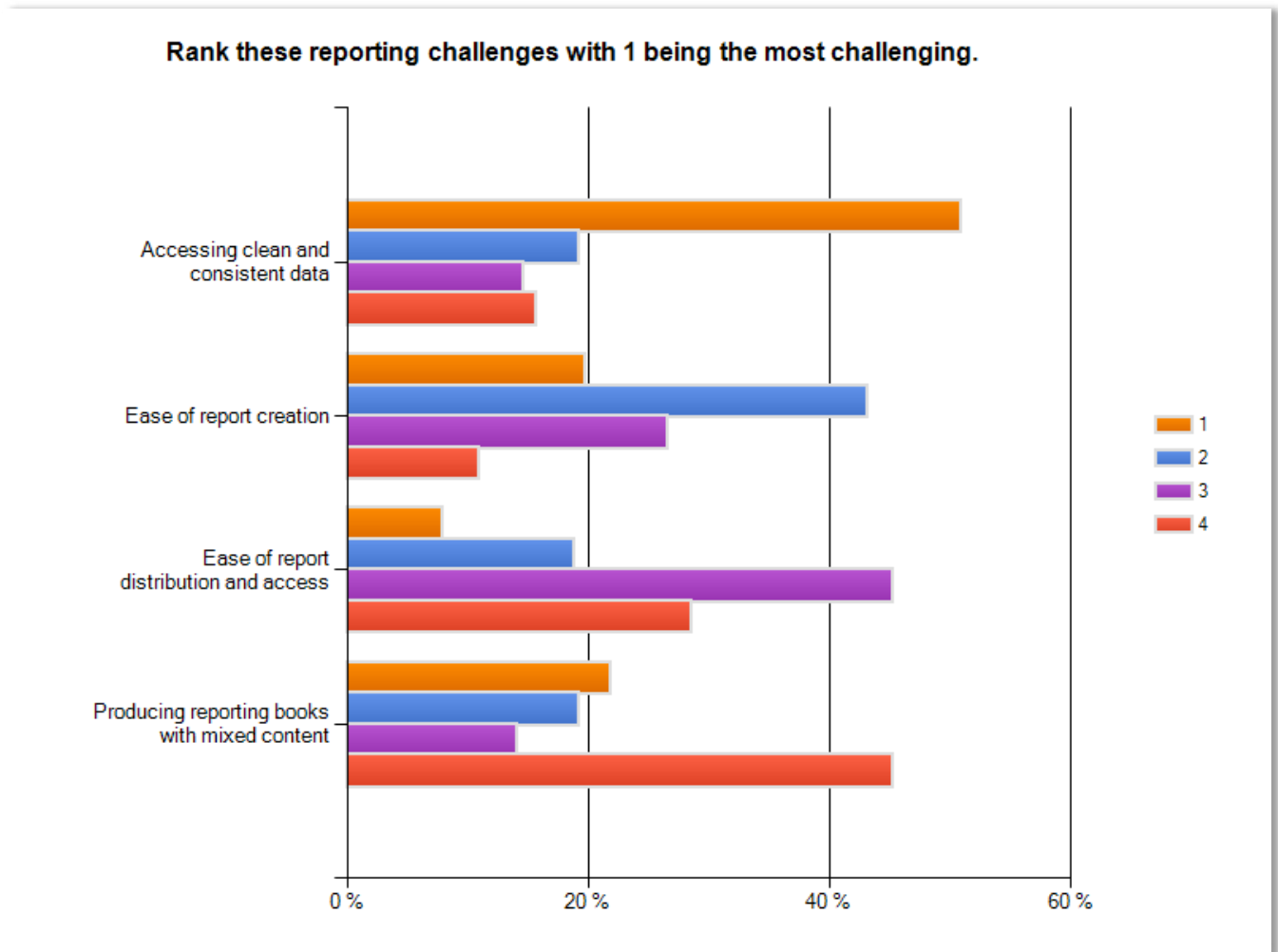
The Data: Almost all of the respondents (97.9%) are looking for performance management to help with management reporting. Not too far behind at 64.4% is ad-hoc reporting. Legal reporting is of interest to just about 33.5% of respondents. Prepackaged external reporting and XBRL tagging are both at less than 10%.

Our Analysis: If one of the primary goals of performance management is to help companies make better decisions and ultimately improve the bottom line, then it makes a lot of sense that management reporting tops the list. In addition, this is also a neglected area, or at best one that has been addressed with error-prone and labor

intensive spreadsheet-based reporting. If a company is required to produce legal/statutory reports they will most likely have already implemented a streamlined solution for this key task. Management reporting on the other hand often gets overlooked and doesn't get the same priority of focus and resources. In addition, a key aspect of management reporting and decision making is the need for spur of the moment ad hoc reporting and analysis. Without a performance management system these requests often require the involvement of IT, which by definition is an extra step that is going to make it take longer. While there is a growing requirement and demand for XBRL tagging and reporting, many companies have already addressed this with third-party solutions and are not looking to their performance management system to handle it.

Reporting Challenges

Where do the greatest challenges lie? Is it related to creating the reports, accessing and running the reports, or finding the right data to populate the reports?



Source: BPM Partners' 2013 BPM Pulse Survey

The Data: Users were asked to rank the four listed reporting challenges from 1-4 with 1 being the most challenging, and 4 the least. This chart is organized to display the challenges in the order the majority of users placed them. There was a fairly strong consensus for the ranking of each element with 43% or more agreeing on the placement, and 28% or fewer choosing a different placement (in all but one case adjacent to the dominant choice).

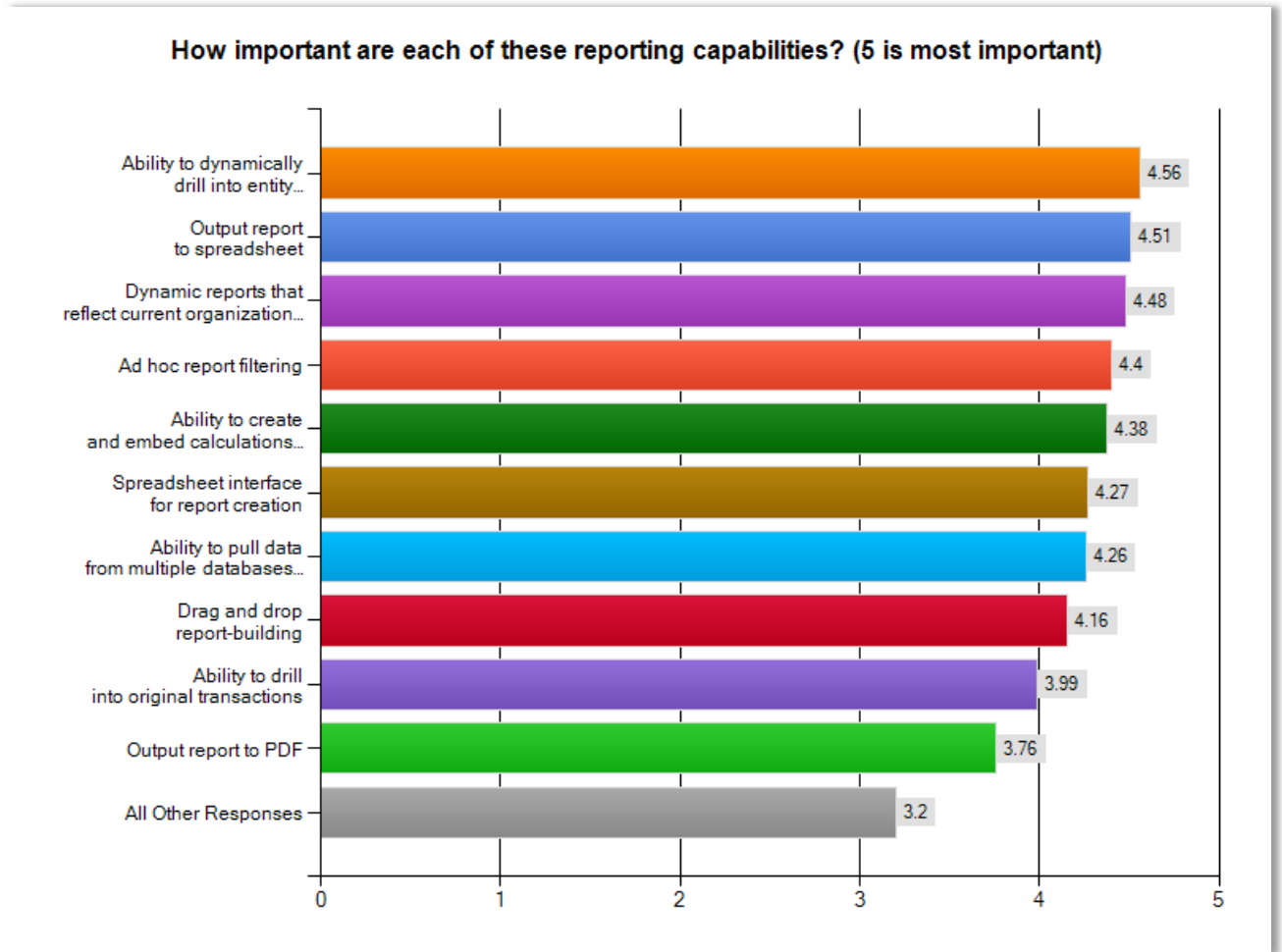
Our Analysis: Accessing the right data clearly leads the pack of reporting challenges. This means finding the source of the data required by the report, making sure it is the final

and approved version of that data, in the right scale and currency, and appropriately labeled so other reports requesting the same information will find the exact same data. It also needs to be stored in such a way that it is readily available to all reports that require it with acceptable retrieval speeds. This is precisely where performance management excels. The oft repeated marketing phrase – ‘one version of the truth’, is closer to reality than hype as many survey respondents (in another section of the Pulse survey) identified it as one of the key benefits they received from their performance management systems.

Once the data issues are addressed the next major challenge is producing the desired output with the relevant data, correct layout, formatting, and polish. This is an area where performance management differs greatly from many of the available business intelligence (BI) report writers. Those BI tools are very capable, but quite often are not designed for the average business user. Usually IT needs to get involved. That’s because some of them require a form of programming, or use data centric terminology as opposed to finance focused terms. In addition many of them do not understand the nature of financial data and require you to spell out things that should be understood by default (such as how income and expense items roll up to net income). Performance management report writers run the gamut from simple drag and drop solutions, to wizard driven approaches, to their own version of a report writing language, but one that uses terms from the chart of accounts and organization hierarchy as opposed to technical terms. They all have financial intelligence built in, that is, they understand the difference between YTD and periodic data by account type without you having to define it. Most importantly, these solutions are designed for business end user self-sufficiency.

The last two challenges are still concerns for some organizations, just not as many as the first two. Both are areas addressed by performance management: easy report distribution or intuitive access to information as needed, and a straight-forward way to produce a finished production reporting package for the board or management that may combine several report types such as narrative, numeric, and graphical.

Next we looked at what specific capabilities were important to have in a performance management solution.



Source: BPM Partners' 2013 BPM Pulse Survey

The Data: Users were asked to rate the importance of a list of possible reporting features on a 1-5 scale, with 5 being the most important. The table above shows the top answers sorted by their average rating. The top 9 responses all received close to a 4 or better on average, indicating a sizeable list of important capabilities. Dynamically being able to drill into entity and account detail received the highest score at 4.56.

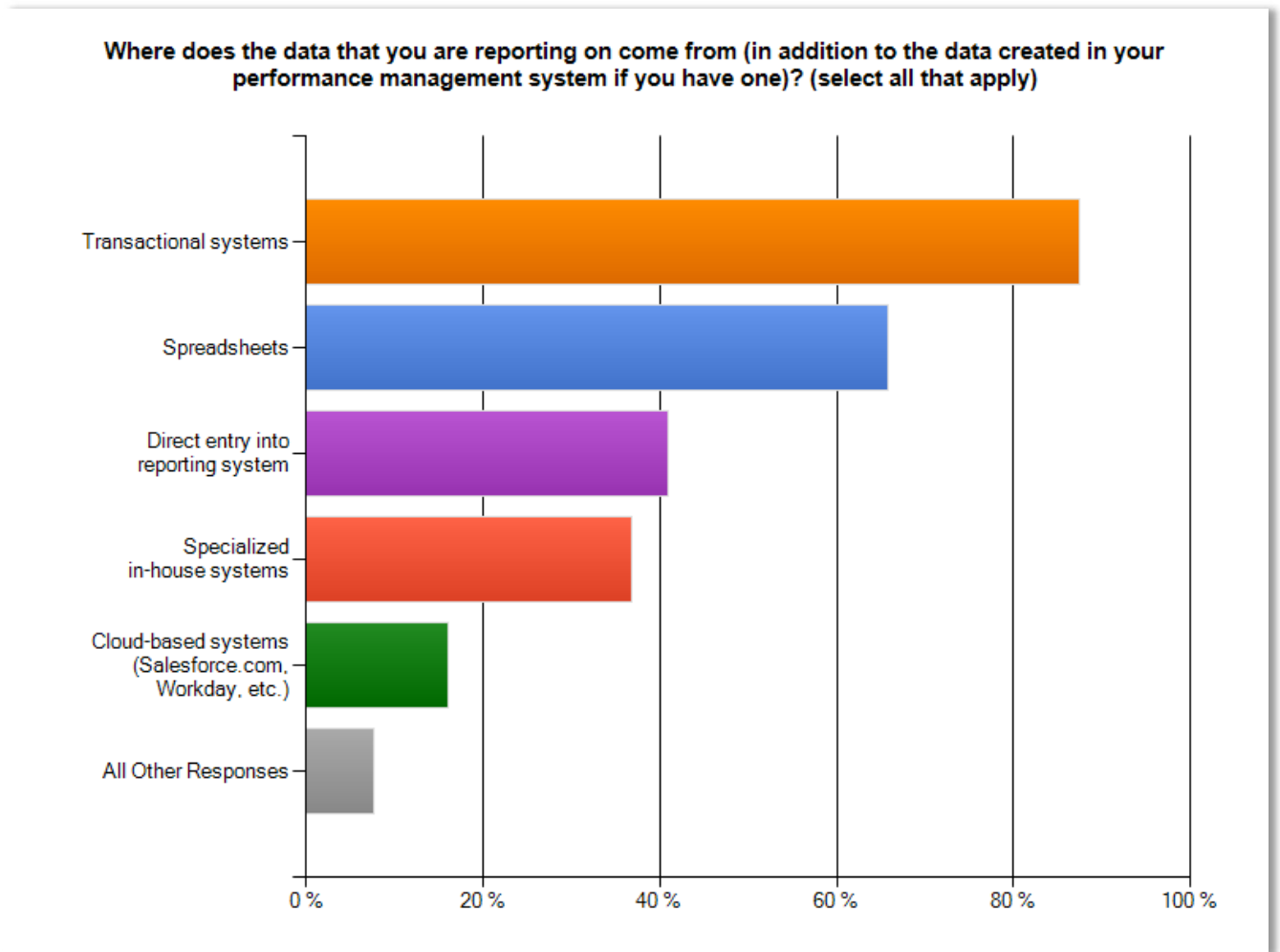
Our Analysis: This is a fairly extensive list of capabilities that users value in performance management reporting. Most of what they are looking for is not available, or is difficult to implement, in spreadsheets which is where many companies are producing their reports today. Business intelligence tools can also accomplish many of these tasks, but

with a bit of IT assistance. Performance management reporting from almost any vendor can deliver these features and in a way that allows for end user self-sufficiency. This is a huge benefit for most companies. Many organizations we speak with do not produce all the reports they need today because it is just too difficult (without performance management). In addition, many are concerned about the accuracy of the numbers in the reports they do produce due to the cumbersome multi-step process involved in creating the report and loading it with data.

Interesting to note though, is that the ability to output a finished report to a spreadsheet is number two on the list of feature/function reporting system priorities. Much like we found in our budgeting and forecasting survey analysis: just because you are moving from a spreadsheet based system to performance management does not mean that spreadsheets are going away completely. They still can play a focused and valuable role. In addition, there is no getting around the comfort that many people have working in that environment (especially in Finance). We believe the desire to export to a spreadsheet stems from wanting to be able precisely format the output if the reporting system can't quite do it, or to perform some especially complex reporting time calculations that would be too difficult to reproduce in the new systems calculation logic. Higher end systems today can do all of this without using a spreadsheet, some lower end ones may not be able to. Either way this option allows for choice and flexibility. Over time this may become less important as the users get more comfortable with the new system.

Reporting Data Sources

Aside from the data that is native to the performance management system itself, where else does data come from that is included in reports?



Source: BPM Partners' 2013 BPM Pulse Survey

The Data: Over 87% of respondents indicated that they included data from transactional systems in their performance management reports. Spreadsheets were right behind at 65.8%. 41% entered data required for reporting directly in to the system.

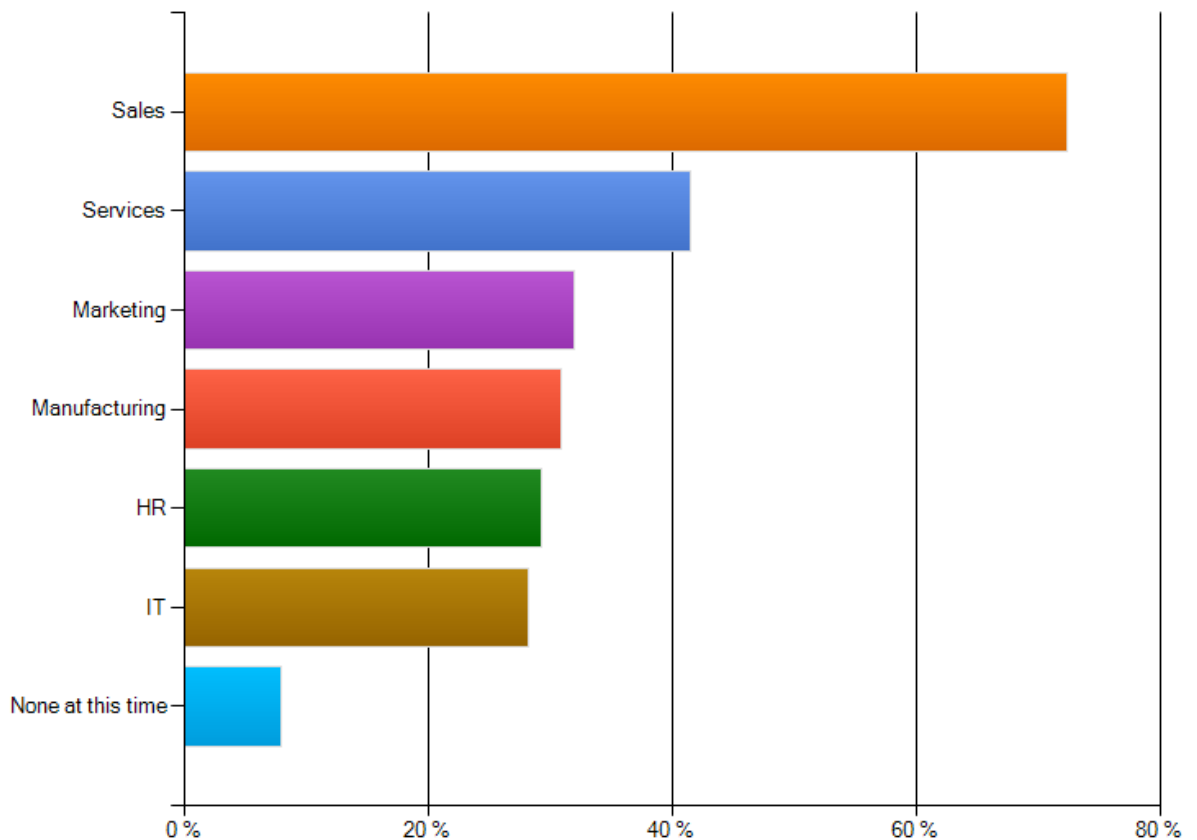
Our Analysis: Performance management systems are usually the primary source for budgeting and planning data. If that was all users needed to report on there would be little need to pull in data from additional sources. However, for true performance analysis and variance reporting actuals data needs to be brought in to the system as it becomes available. This data typically resides in a transactional system such as an ERP.

For operational analysis other transactional data sources such as CRM and supply chain systems are utilized as well. Sometimes data exists in a complex spreadsheet model that has yet to be ported over to the performance management system so calculated results may be pulled from those sources. Other data that may be needed for a KPI may not exist anywhere other than a simple spreadsheet that will need to be imported. Most performance management systems pull this data in advance so that it can be easily accessed and reported on, just like any other data in the system. They provide tools to make sure the data is in the right format and scale, and mapped to the right cost centers and line items in the performance management system. Some systems also allow for the capability, from within a live report, to drill back to the source system if additional detail is required.

Operational Reporting and Analysis

This section of the survey examined which areas of the business were the focus for operational analytics.

Which areas are you focused on for operational analysis (select all that apply or None)



Source: BPM Partners' 2013 BPM Pulse Survey

Data: Sales was the area of greatest interest with 72.3% of respondents focusing on this area. Services was next with just over 41%. The other potential areas for operational analytics all scored roughly the same as each other in the 28-32% range. Less than 10% are not doing any operational analysis at the present time.

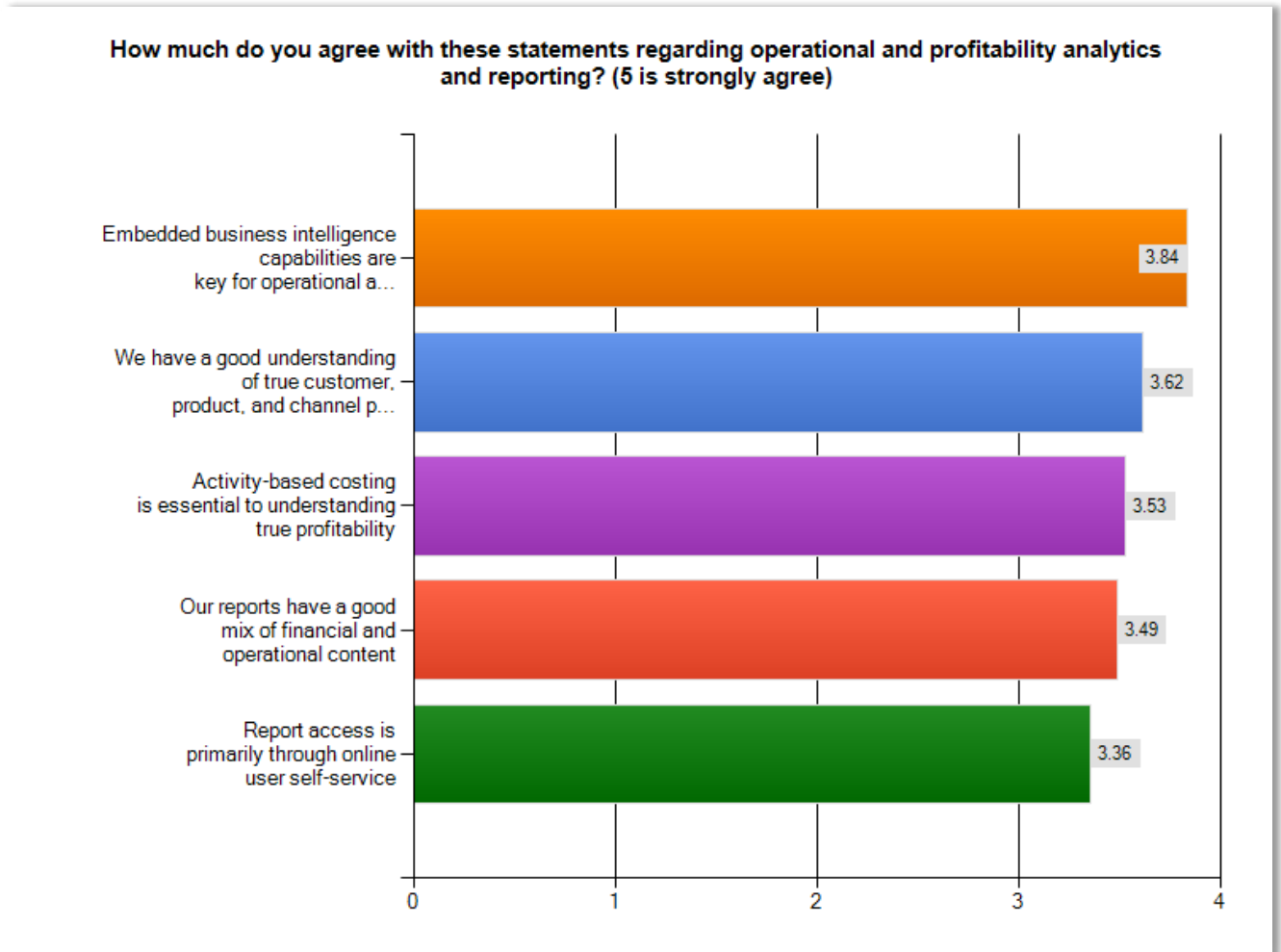
Our Analysis: These findings are very exciting, particularly the fact that more than 90% of companies are doing some type of operational analytics. Just a few short years ago the focus for most performance management initiatives was exclusively on Finance. Even now, that is still the starting point for most projects. However, it is clear that once the issues of Finance are addressed, operations aren't far behind. We have always believed

that operational analytics is key to unlocking the full potential of performance management. While streamlining and automating financial reporting is valuable, it doesn't go far enough. To get a holistic view of the business the principles of performance management need to be applied to each area of the business. This accomplishes a number of things. First off, it makes the performance management system more useful and relevant to a larger group of employees. Secondly, it helps those at the top understand the full impact of changes they may make as they ripple throughout the organization. Lastly, it brings performance management closer to the front lines, closer to where decisions directly impact the degree of success as the organization attempts to execute on its strategy. Without an operational focus it is difficult to see how performance management can actually deliver on one of its key goals: an improved bottom line.

The fact that Sales is far and away the area most focused on with Services as a strong second makes perfect sense. These are the areas that are most closely tied to revenue generation and an obvious choice for organizations to look at first. In addition, the vendors have been making it easier to implement Sales Performance Management by offering pre-packed offerings in this area. For most other areas of operational analysis organizations have to utilize business intelligence toolsets to build their own custom solutions. This is changing and will be an area of continued growth for packaged applications, which will only spur further adoption.

Profitability Optimization and Reporting

Now let's look at profitability reporting and the perceived value received.



Source: BPM Partners' 2013 BPM Pulse Survey

The Data: Respondents were asked to react to a series of statements related to profitability analytics. They had the option of choosing a number between 1 and 5 to indicate the strength of their agreement with each statement, with 5 representing the strongest agreement. None of the statements scored a 4 or above, with the strongest agreement (3.84) appearing for the statement highlighting the importance of embedded business intelligence for operational analysis.

Our Analysis: There are quite a few take-aways from this series of statements. First of all, the greatest agreement is around the need for embedded BI to enable operational analysis. While there is nothing wrong with this, it does point to our earlier analysis around operational analysis – there are not enough high quality pre-packaged

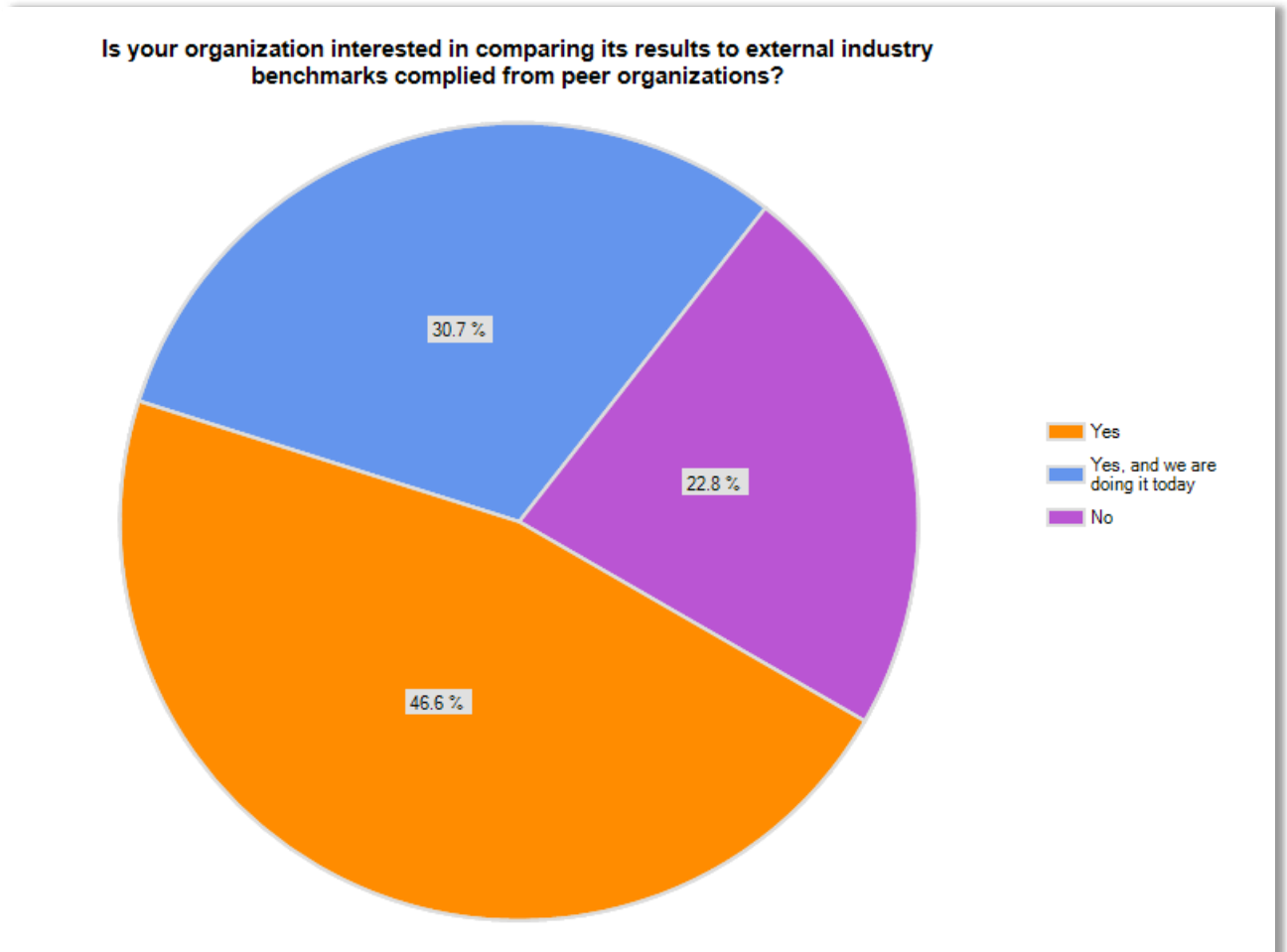
applications available yet to replace the need to use BI tools to build a custom solution. This requires specific IT skills and we believe will slow adoption of operational and profitability analytics. Don't get us wrong, it's always a plus to have embedded BI tools available to address areas that are still evolving or to meet unique needs that an organization may have. For these areas though it's disappointing that the packaged alternatives are few and far between and make BI a necessity to address them.

Regarding the statement about understanding true customer and product profitability, a 3.62 agreement rating isn't outstanding, but we also feel it is an over statement. In our experience most organizations we have encountered are not tracking and analyzing the data at a level of detail that would enable them to truly understand the profitability of individual customers, products and channels. The fact that many of them think they have that knowledge when we believe they don't is a cause for concern.

The belief by some that ABC is essential could also negatively impact adoption of true profitability analytics. In most organizations when you mention activity-based costing it sends a shudder through the audience, unless they are already doing it. For those that are not, they are concerned about the anticipated heavy lifting required to track and report on the data at that level of detail. The reality is that they may in fact already have the necessary data sitting in a range of disparate transactional systems that are not easily accessible by those charged with the profitability analysis. This is where performance management can help. It can pull this data together in one place, at the right level of detail, to feed its own profitability analytics modules. Sure there is significant upfront work identifying, tracking down, and mapping this data. Once it's done, however, the payback is huge.

Benchmarks

With this survey question we wanted to understand if organizations were interested in external benchmarking,



Source: BPM Partners' 2013 BPM Pulse Survey

The Data: The majority of respondents, 77.2%, are interested in benchmarking. More specifically, 30.7% are already doing it. Less than a quarter, 22.8% do not have an interest at this time.

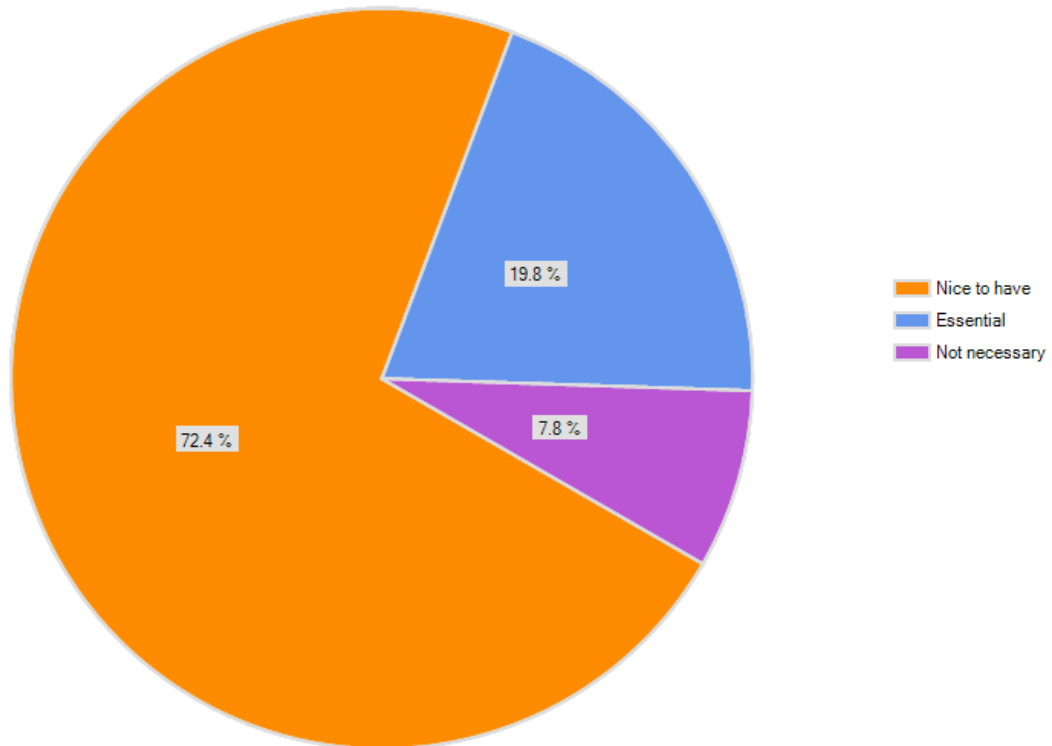
Our Analysis: We have been talking up the value of external benchmarking for years and are glad to see that almost 80% of the market agrees that it can be useful. Even better, a little more than 30% are actually comparing their performance to external benchmarks today. Why is this important? Well, no company operates in a vacuum. While it is great to beat your internal targets, what if they were set too low? What if you targeted a 13% operating margin, patted yourself on the back for achieving 15%, but your competitors

were routinely achieving margins of 20%? How would you even know this if you didn't do some form of external benchmarking? The challenges here tend to be around getting access to comparable industry data (definitions aren't always consistent for one thing, and the data itself may not be readily available), and being able to easily report on it alongside your own results. We have seen a few performance management vendors attempt to tackle this challenge by signing up data partners and streamlining the information flow into their product and your reports. While this survey has indicated a serious interest in benchmarking, the actual market demand has not been large enough until now to encourage more vendors to invest in this area. We hope and expect to see this change.

Dashboards

This next section examines the use of dashboards.

For performance reporting, particularly as it relates to key performance indicators, how important is a true dashboard interface with gauges and stoplights (as opposed to standard reports and graphs)?



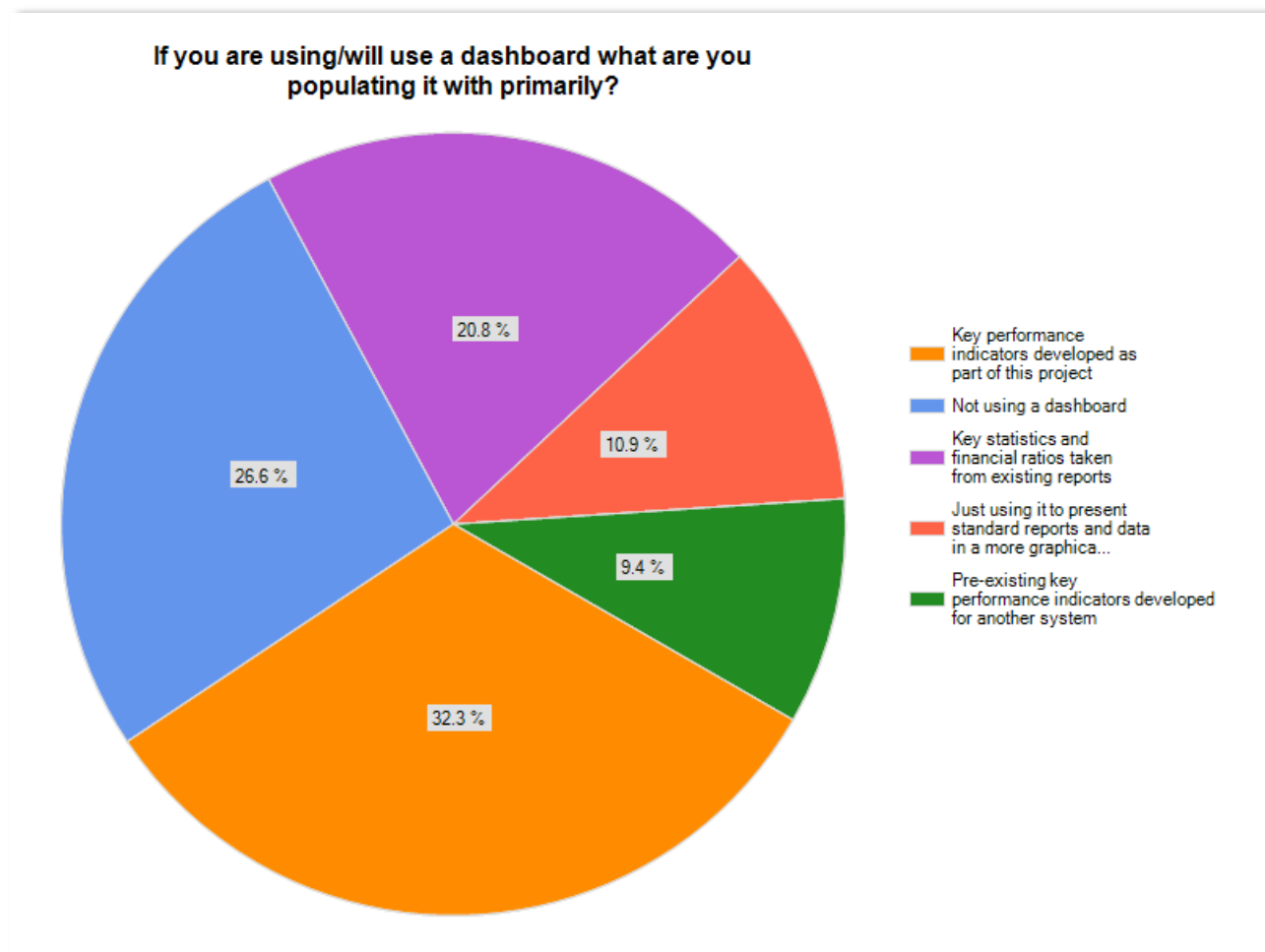
Source: BPM Partners' 2013 BPM Pulse Survey

The Data: The majority of companies, 82.2%, would like to have a dashboard. Only 19.8% however, consider them essential. 7.8% view them as unnecessary.

Our Analysis: This is an area where some confusion still exists, and therefore it allows for vendor hype. Most vendors will tell you they offer dashboards, What is a dashboard really? Many vendors will claim to have a dashboard when in fact they just offer reports that display key measures with perhaps some standard graphs thrown in. This isn't terrible, but it's not a dashboard. Our definition – a dashboard is a graphical interface that can display a collection of key performance indicators (a scorecard) with gauges, stoplights, and charts. Which brings us to another definition, a scorecard. As noted above a scorecard is a report card in effect, a collection of key indicators. This is what many vendors are providing via their standard reporting tools. A dashboard is designed to be highly intuitive and use standard graphical cues to quickly highlight performance, not

unlike a speedometer on a car. One last definition, a performance dashboard: this is a dashboard (graphical tool) populated with a scorecard (key performance indicators).

Coming back to the survey results, we feel many respondents are missing the boat if they feel dashboards (more specifically performance dashboards) are not important. They are perhaps the best way to get large swaths of the organization to understand the company's performance and to focus on the right things. If strategic alignment is your goal, performance dashboards are the best way to get there.



Source: BPM Partners' 2013 BPM Pulse Survey

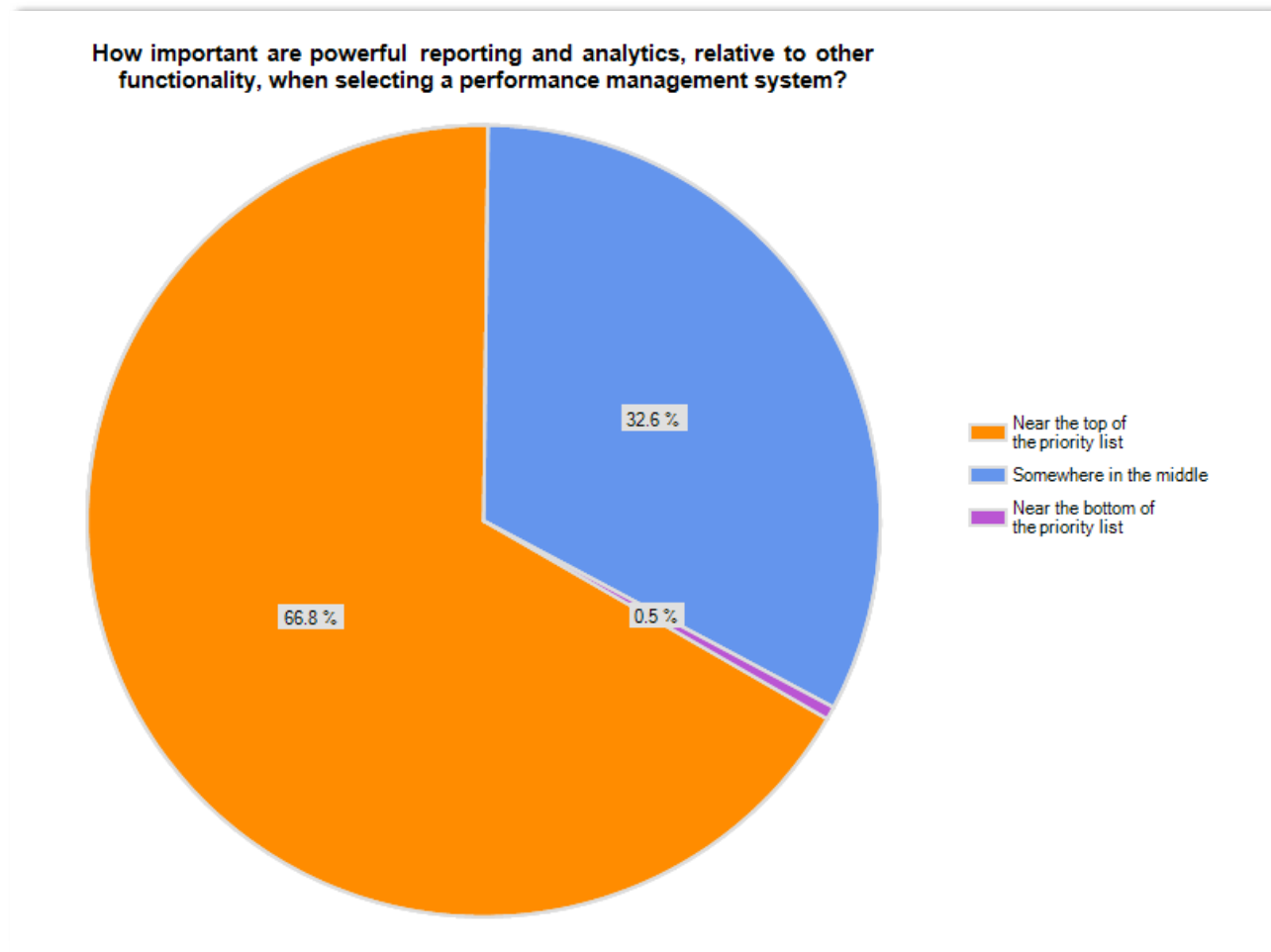
The Data: About a third, 32.3%, develop their key performance indicators (KPIs) as part of their overall performance management/dashboard project. The next largest group, a little over a quarter or 25.6% aren't using a dashboard at all. 20.8% are simply re-

purposing existing financial measures and statistics from existing reports. 10.9% are using the dashboard as a graphical display tool for the existing reports themselves and 9.4% are populating the dashboard with previously developed KPIs.

Our Analysis: Having a dashboard is a great first step to making your data more widely available and understood by a larger group of people in the company. However, it's really about what you populate it with. The best approach is to develop (or revisit existing) KPIs as part of the performance management project itself. This way they will be up to date, relevant, and tied to the current strategy and goals. The largest group of respondents are doing this, but it's still only a third or so of the total respondents. Using existing ratios lifted from reports, or even old KPIs may seem reasonable but it's really a missed opportunity. Financial ratios are not KPIs. They provide useful information, but are not actionable key measures tied to the strategy designed to help determine how successfully the business is executing. Older KPIs may still be relevant, but that needs to be determined. You can't just bring them over bodily without validating their connection to current strategies. The message here is that the content is more important than the tool. It's like buying a new 4K TV and using it to watch old episodes of I Love Lucy. Not terrible, but really not leveraging the tool to its fullest. It's a missed opportunity.

The Importance of Reporting

While this section of the survey examined specific aspects of reporting, we wanted to know how important reporting was overall as part of a performance management solution.



Source: BPM Partners' 2013 BPM Pulse Survey

The Data: Less than 1% give reporting a low priority in their performance management project. On the other hand a little over two thirds, 66.8%, place a high priority on the reporting aspects of their overall solution.

Our Analysis: This is very consistent with other aspects of the survey, as well as our field experience. Improving management reporting ranks high on the list of overall reasons for pursuing performance management in the first place. Every year in the Pulse survey this is the #1 or #2 reason companies have a project. We have also seen organizations



purchase a full-blown performance management solution only to implement just the reporting aspects, at least initially. This is still a better alternative than standalone BI reporting & query tools. Most of those tools don't really address the fundamental reporting issue which is access to the right data in a consistent format- one version of the truth. By utilizing a performance management system for reporting you get the added benefit of the creation of a BPM data mart for use by reporting, and a way to create budget data that will reside in the same data mart instead of sitting in an external spreadsheet. The final benefit of course is that once you've addressed the reporting challenge you can easily move on to one of the many other aspects of performance management.

Additional Resources

Complete Series of BPM Pulse Survey Reports

This year the BPM Pulse Survey was organized into five sections:

- Core Trends
- Spotlight on Budgeting and Forecasting
- Spotlight on Reporting and Analytics
- Spotlight on Financial Consolidation
- Spotlight on The Cloud and Mobile

Each of these survey sections will be available as an individual whitepaper at:

http://www.bpmpartners.com/bpmcentral_whitepapers.shtml

Vendor Customer Satisfaction Ratings

The customer satisfaction ratings collected as part of the BPM Pulse are included in BPM Partners' Vendor Landscape Matrix report. In this report each vendor is placed on a 3x3 matrix based on the scope of their offerings and momentum in the marketplace. Information is provided highlighting each vendor's unique elements and/or recent developments along with 10 checkboxes identifying which specific performance management capabilities they offer. For most vendors this document includes customer satisfaction ratings for 12 attributes including product functionality, quality, performance (speed), price/value, and support. Also includes Best Fit suggestions for each vendor. To purchase this report or to learn more:

http://www.bpmpartners.com/bpmcentral_thebpmreport.shtml.

Comprehensive Vendor Information

All you need to know, all in one place. BPM Partners' PerformancePlace brings together unbiased analyst reports, articles, news, whitepapers, and blogs grouped by vendor. To start your vendor research visit PerformancePlace today:

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