

Performance Measurement Framework

Use the following assessment criteria to gain a clearer understanding of your business comparative to other levels of performance, and ideas as to how this can be improved:

	Level 1	Level 2	Level 3	Level 4	Level 5
Budgeting [resource allocation], Planning [performance planning] and Forecasting [performance planning].	<ul style="list-style-type: none"> • Simple budgeting. • Financial focus. • Spreadsheet based. • No operational focus. • Run by finance. 	<ul style="list-style-type: none"> • Efforts to reduce the time taken to prepare budgets. • Simple forecasting. • CPM budgeting system implemented, but the system emulates a spreadsheet-based system, i.e. spreadsheet inputs into budget model. 	<ul style="list-style-type: none"> • Moved to rolling forecast. • Driver-based budgeting, but still a CFO orientated view of the world. • Some cross-functional involvement in either budgeting or forecasting – operational managers use budgeting system to enter their business drivers. 	<ul style="list-style-type: none"> • Budgeting process links finance and operations. • CFO and operational managers involved and actively using budgets. • CPM planning system linked to operational planning systems by business drivers. • Financial budget is an outcome of the planning process. 	<ul style="list-style-type: none"> • Budgeting linked to strategy and forward plans as well as operational targets and activities. • Clear cut strategy planning process. • Integrated IS system, linking finance, operations and strategy. • Organisation-wide involvement and engagement, top-bottom and cross-functional. • Widespread use of event analysis.
Profitability Modelling and Optimisation [causal modelling to	<ul style="list-style-type: none"> • No clear understanding of the non-financial 	<ul style="list-style-type: none"> • ABC used to calculate profitability on a 	<ul style="list-style-type: none"> • Activity based profitability model exists. 	<ul style="list-style-type: none"> • Activity based profitability model exists. 	<ul style="list-style-type: none"> • Clear understanding of the financial and

<p>business insights loop, although this also covers non-financial causal modelling].</p>	<p>drivers of profitability.</p> <ul style="list-style-type: none"> • Focus is on ABC/activity based analysis of cost drivers. • Users and analysts are seen as specialists. • One-off analyses are the norm rather than the exception. 	<p>periodic basis (e.g. at month end)</p> <ul style="list-style-type: none"> • Results of profitability analysis are shared with managers but not formally used in decision making 	<ul style="list-style-type: none"> • The system supports profitability modelling and back solving. • Profitability information is used in management decision making but on a periodic basis. • Systems and processes are largely financial based. 	<ul style="list-style-type: none"> • Cause-and-effect links between financial and non-financial drivers are identified. • Profitability information is used by managers to make resource allocation decisions to achieve business objectives • The system supports sophisticated profitability modelling, such as Monte Carlo analysis. 	<p>non-financial drivers of profitability and value.</p> <ul style="list-style-type: none"> • Investment plans and decision-making are aligned to these drivers • Continuous and widespread effort to validate causal links. • Profitability modelling and analysis is constraint based – we understand where the critical and capacity constraining resources are and build these into our models.
<p>Scorecards/Dashboards [strategy translation and all boxes in process + capability perspectives + target setting]</p>	<ul style="list-style-type: none"> • Scatter gun approach to performance measurement. • Disconnected dashboards in spreadsheets. 	<ul style="list-style-type: none"> • Common dashboards implemented in a CPM application. • Consistent presentation but limited links 	<ul style="list-style-type: none"> • Scorecard supported by some form of strategy map – i.e. clear links between measures and strategy. 	<ul style="list-style-type: none"> • Structured and coherent metrics, with clear efforts to validate the measures – i.e. we have checked that we really are 	<ul style="list-style-type: none"> • Coherent top to bottom framework for measures. • Measures are mapped to value drivers and strategic

	<ul style="list-style-type: none"> • Everyone in every function has their own metrics. • Individual targets set by functional managers with no coordination across functions. 	<p>between metrics.</p> <ul style="list-style-type: none"> • Metrics presented in management meetings but issues with data consistency. • Individual targets set by functional managers with no coordination across functions. 	<ul style="list-style-type: none"> • Scorecard used to track progress on strategy but reflects strategy rather than a tool to help create strategy. • Targets aligned through strategy map but not linked with financial targets (budget still wins out) 	<p>measuring the right thing in the right ways.</p> <ul style="list-style-type: none"> • Scorecard used by executive team and operational managers to review progress on strategy. • Consistent “top to bottom” business driver targets to achieve strategic goals but still some conflict with financial targets. 	<p>objectives.</p> <ul style="list-style-type: none"> • The cause and effect linkages between metrics are validated • Strategy map/metrics framework part of strategy formulation process, linked to strategy management. • Financial goals are outcomes of business driver targets. Individuals measured on business driver targets.
Operational and Management Reporting	<ul style="list-style-type: none"> • Lots of data exists, but much of it is conflicting. • It is difficult if not impossible to know what the data is telling you. • Individuals have their own spreadsheets which 	<ul style="list-style-type: none"> • CPM applications for financially-oriented management reporting, BP platform for other types of reporting, but data is inconsistent. • Users make more 	<ul style="list-style-type: none"> • Systems help understand poor performance, but usually after the event. • CPM applications still separate from BI/operational reporting but reasonable degree 	<ul style="list-style-type: none"> • CPM systems in particular used to identify good performance and best practices rather than just focusing on understanding poor performance. • Real time alerting 	<ul style="list-style-type: none"> • Operational and management reporting data consistent with CPM financial and budget data. • Predictive analytics are used – we can establish the impact of

	<p>they use for localised operational and management reporting.</p> <ul style="list-style-type: none"> • The whole process is time consuming and repetitive. 	<p>use of packaged reporting tools but need IT or “super user” to build new reports/analysis.</p> <ul style="list-style-type: none"> • No real ability to understand what the issues are with poor performance. 	<p>of consistency through shared ETL tools/capabilities.</p> <ul style="list-style-type: none"> • Users can create own reports and analysis without significant IT support. • No real ability to respond in real-time and/or pro-actively. 	<p>of performance issues but limited ability to take corrective actions without management review and approval.</p>	<p>operational events in real time (or near real time) and respond accordingly.</p> <ul style="list-style-type: none"> • CPM systems linked with Business Activity Monitoring (BAM) systems for real time “sense and detect” capability. • Users at the local level take corrective action in response to real time events.
<p>Financial Consolidation and Reporting [compliance and value reporting].</p>	<ul style="list-style-type: none"> • Only corporate finance is involved in consolidation and reporting. • Much of the reporting is manual and spreadsheet based. • Sometimes the results are a surprise! 	<ul style="list-style-type: none"> • “Legacy” version of CPM financial consolidation application used. • System and processes focused around corporate finance. • Numbers are accurate and audited but take too long to produce. 	<ul style="list-style-type: none"> • Current generation CPM financial consolidation application implemented. • Consolidation is rapid and timely, but data is not linked to management reporting systems. • Financial reporting is high quality and 	<ul style="list-style-type: none"> • Financial consolidation application linked with management reporting. • Financial data consistent with high level management reporting data but lack of analysis to non-GL transaction data outside CPM 	<ul style="list-style-type: none"> • Financial consolidation is linked with management reporting and budgeting. • Real time consolidation. • All decision makers use the data on a day to day basis. • The reporting structures – both

		<ul style="list-style-type: none"> No integration to other CPM applications or BI infrastructure. 	<p>trusted, used by executives to monitor periodic financial performance.</p> <ul style="list-style-type: none"> Financial consolidation processes and data managed across finance function. 	<p>applications.</p> <ul style="list-style-type: none"> Financial consolidation system implemented in a distributed manner to provide management and statutory view to executives at business unit level. 	<p>for consolidation and management reporting are consistent across the organisation.</p> <ul style="list-style-type: none"> Data and masterdata is consistent with other analytic applications outside CPM. As a result drilling down to understand the drivers of performance is relatively straightforward. Leverages XBRL.
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