

The Distinction Between Business Intelligence and Corporate Performance Management – A Literature Review Combined With Empirical Findings

Mika Aho

mika.p.aho@tut.fi
mika@mikaaho.com

The Sixth Annual Mini-Conference on Scientific Publishing (MCSP'10)
12.2.2010



Outline

- Motivation for the study
- Research purpose, approach, and methods
- Definitions of the terms
- An analogy to Corporate Performance Management
- Findings from the literature
- Empirical findings
- Conclusions

Motivation for the study

- Business Intelligence (BI), analytics, and performance management (PM) have been the top priority for Chief Information Officers for the fourth year in a row (Gartner, 2009)
- Enhancing corporate performance is important when times are tough:
 - it can help organizations to find bottlenecks and inefficiencies or expose areas that are profitable
- Corporate Performance Management (CPM) is often referred as the next generation of BI
- Still...much confusion remains in what comprise CPM



Definitions

- **Performance** is how an organization is achieving its goals
- **Performance Measurement** is *"a process used to determine the status of an attribute or attributes of the measurement object"* (Lönqvist, 2004)
 - Often done by using predefined Key Performance Indicators (KPIs)
- **Performance Management (PM)** is the process of managing organization's strategy which aims at the systematic generation and control of organization's performance (Cokins, 2009; Melchert et al. 2004)
- **Business Intelligence (BI)** is analytical process that produces insights, suggestions, and recommendations for the management and decision-makers (Pirttimäki, 2007)
- **Data Warehouse (DW)** is a database in which data is aggregated from several operational source systems. DWs enable an effective reporting and analysis without affecting the performance and functionality of the operational systems
- **Corporate Performance Management (CPM)** is *"an umbrella term used to describe the methodologies, metrics, processes and systems used to monitor and manage the business performance of an enterprise"* (Gartner)

Corporate Performance Management is much like driving a car...

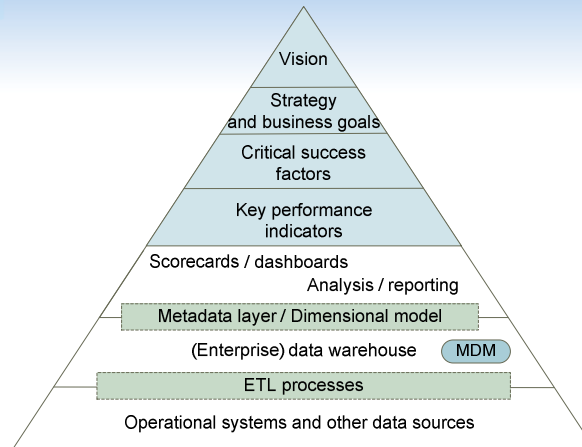
- Dashboard and mirrors provide you historical information
- You see the future by looking through the windscreen
- You drive your car by using a steering wheel and pedals
- GPS (or another "analytical" passenger) gives you information on where to go next

In organizations, the same metaphors are used.

Historical information is provided for example by data warehouses.



The CPM pyramid



Findings from the literature

- The terms are used synonymously, but are distinctly different
- CPM enhances BI in two directions:
 1. CPM is more targeted to support process-oriented organizations than BI
 2. CPM aims at providing a closed-loop support that interlinks strategy formulation, measurement, process design and execution with BI
- CPM also evaluates its progress over time toward goal attainment by using CSFs and KPIs
- CPM as a concept represents the strategic deployment of BI solutions
 - BI provides the backbone to implement CPM
 - BI is an enterprise information platform for querying, reporting and analytics, making it the foundation for effective performance management
 - CPM deploys the power of BI, and the two are inseparable
 - CPM drives the strategy and leverages all of the processes, methodologies, metrics, and systems that monitor, manage, and improve enterprise performance
 - BI involves the raw data from disparate source systems that is cleansed and integrated into DW
 - CPM is about leveraging that information
 - Once the data is transformed into meaningful information, it can be used for decisions

Empirical findings

- Many case organizations used the terms BI and CPM synonymously
- Often the vendor offering (CPM suite/application) to define what does the CPM acronym stand for
 - The components included were planning, budgeting, financial consolidation, reporting, strategy planning and business scorecards
- In one case company the acronym CPM was used to complement the BI solution in terms of budgeting and financial planning solutions
- Another case company used systematically the term BI even though it had defined a variety of CSFs and KPIs
- One case company used the Gartner's definition for CPM to represent its BI solution
- Of the five key companies only two had KPIs in place in a group level which were used to monitor the performance of the company

Summary: Differences between BI and CPM

	Business Intelligence	Corporate Performance Management
Strategy	Offers the tools necessary to improve decision-making, but not linked to organization's strategy	Closed-loop support: linked to strategy through CSFs and KPIs
Purpose	Helps the organizations to set and monitor the goals	Helps the organizations to guide the business towards its goals
Type of decision support provided	Strategic and tactical decision-making	Strategic, tactical and operational decision-making
Scope	One or more departments or functional areas	Entire enterprise
Type of data	Historical	Timely data
Orientation of application	Reactive: facilitates decision-making based on archived data	Proactive: helps organizations improve their ongoing business operations and processes

Conclusions

- The terms BI and CPM are widely used but generally misunderstood
- Further academic definition is needed – even in the literature the concepts have different meanings
- CPM is still very commercial term
- BI is a subset of CPM, and CPM brings in new concepts and areas where traditional BI falls short
- Both are needed:
 - BI is more targeted at transforming data into information
 - CPM provides a means of combining business strategy and technological structure to direct the entire organization towards accomplishing common organizational objectives
- **Together, BI and CPM form the bridge that connects data to decisions**

Thank you

mika.p.aho@tut.fi
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