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Smart Decisions:
The Role of Key Performance Indicators

September 2007

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Executive Summary

Businesses thrive or fail based on their ability to identify, define, track, and act upon Key Performance Indicators (KPIs). Executives and line of business management are increasingly feeling the pressure to establish the right KPIs to enable more timely and more accurate decisions. The faster and more accurately KPIs can be accessed, reviewed, analyzed, and acted upon, the better the chance an organization has for success. This report is a roadmap for business management and decision makers who desire to achieve those goals through Best-in-Class (BIC) use of KPIs.

Best-in-Class Performance

Aberdeen used six key performance criteria to distinguish Best-in-Class companies from all others. Best-in-Class companies have seen the following mean average performance improvements in the past 12 months:

Process and organizational performance improvement:

- 10% improvement in time-to-decision
- 11% improvement in number of decision-makers with visibility to KPIs

Financial performance improvement:

- 9% improvement in profitability
- 9% improvement in revenue growth

Customer performance improvement:

- 9% improvement in net-new customers gained
- 9% improvement in customer satisfaction

"The hardest part of delivering KPI information is making the underlying data available to decision makers. It's not just the KPI itself that drives performance; it is the detail behind it that provides the insight and understanding of how to take action."

~IT Director
Large Hospital System

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics:

- **53%** of Best-in-Class companies have a balanced scorecard system in place based on a "strategy map" and clearly defined objectives; versus 34% of Industry Average and 32% of Laggard companies.
- **33%** of Best-in-Class companies improved market share by greater than 10%; versus 14% of Industry Average and 3% of Laggard companies.
- **30%** of Best-in-Class companies utilize KPIs to automate alerts and report generation / distribution; versus 19% of Industry Average and 12% of Laggard companies.

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, organizations must:

- Institutionalize a KPI strategy – Best-in-Class companies are instituting a KPI culture for alignment of business strategy and company goals
- Continuously revise KPI definitions – business changes, and as it does, so must the KPIs used to measure it
- Provide access to KPI information to all decision makers – dashboards, scorecards and auto-alert reporting are used by BIC companies

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Chapter One: Benchmarking the Best-in-Class

Best-in-Class Approach to KPIs: Aberdeen Analysis

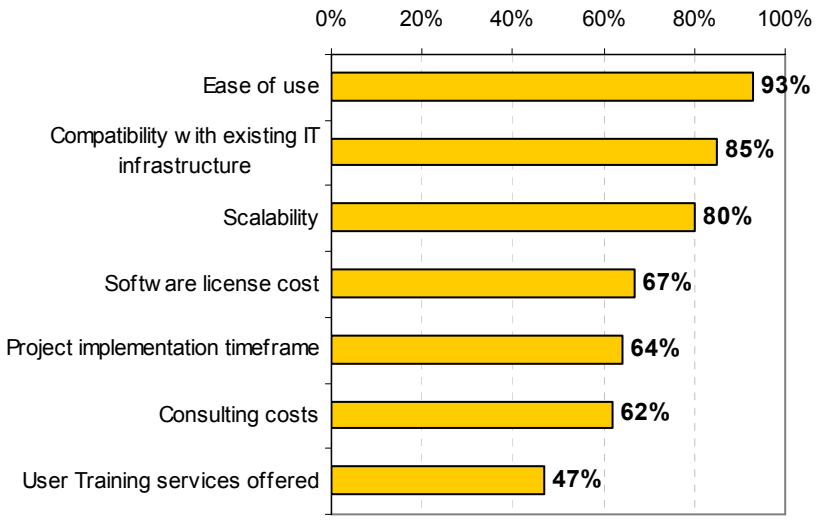
KPIs are at the heart of a performance management initiative, and are meant to provide strategic measures of success (or failure) rather than just measuring non-critical activities and processes. KPIs can provide "business alignment" across all levels of an organization (business units, departments and individuals) with clearly defined and "cascaded targets" and benchmarks to create accountability and track progress. The success of any performance management program is thus dependant on an effective strategy for defining, tracking, and acting upon KPIs.

Business executives have many options for implementing a KPI-based performance program, and Aberdeen research reveals that Best-in-Class companies have implemented KPI strategies, capabilities, and technologies that have delivered positive results toward improving performance:

- **70**% of Best-in-Class companies have improved their time-to-decision by greater than 10%; versus 7% of Industry Average and 5% of Laggards.
- **33**% of Best-in-Class companies improved market share by greater than 10%; versus 14% of Industry Average and 3% of Laggards.
- **47**% of Best-in-Class companies improved profitability and revenue by greater than 10%; versus 22% of Industry Average and 13% of Laggards.

Additionally, business and IT users at Best-in-Class companies have identified several highly critical concerns when considering an investment in technologies and services for the development of KPI-based performance programs (Figure 1).

Figure 1: BIC Highly-Critical Selection Criteria for KPI Solutions



Source: Aberdeen Group, September 2007

Fast Facts

√ **32%** of Best-in-Class companies have experienced greater than 10% improvement in employee efficiency; this is more than twice the improvement of Industry Average companies (15%) and more than four times the improvement than Laggards (7%)

√ **40%** of Best-in-Class companies track KPIs across all four of the balanced scorecard measurement categories: finance, customer, process, and HR / innovation; versus Industry Average (31%) and Laggard (30%) companies

Ease of use, compatibility, and scalability were the top concerns reported, signifying the affect that a KPI initiative has throughout an organization. This may partly explain the prolific use of spreadsheets among many respondents (as detailed in Chapter Two) due to the relative familiarity that users have with them and the popularity of Windows network environments and operating systems that support them. However, "scalability" points to an issue not addressed by spreadsheet methods and stresses the importance of the IT infrastructure role in a KPI-based initiative.

Maturity Class Framework

Aberdeen used six key performance criteria to distinguish Best-in-Class companies from Industry Average and Laggard organizations. The Best-in-Class determination is as follows:

Process and organizational performance improvement:

- >10% improvement in time-to-decision
- >10% improvement in number of decision-makers with visibility to KPIs

Financial performance improvement:

- Mean % of improvement in profitability
- Mean % of improvement in revenue growth

Customer performance improvement:

- Mean % of improvement in net-new customers gained
- Mean % of improvement in customer satisfaction

Table 1: Companies with Top Performance Earn Best-in-Class Status

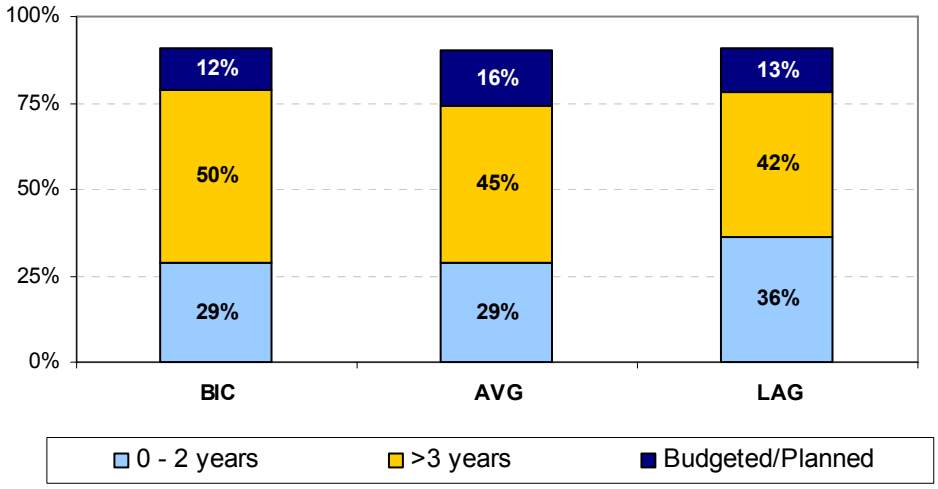
Definition of Maturity Class	Mean Class Performance
Best in Class: **Top 20%** of aggregate performance scorers	• 10% improvement in time-to-decision • 11% improvement in number of decision-makers with visibility to KPIs • 9% improvement in profitability • 9% improvement in revenue growth • 9% improvement in net-new customers gained • 9% improvement in customer satisfaction
Industry Average: **Middle 50%** of aggregate performance scorers	• 5% improvement in time-to-decision • 5% improvement in number of decision-makers with visibility to KPIs • 7% improvement in profitability • 8% improvement in revenue growth • 6% improvement in net-new customers gained • 7% improvement in customer satisfaction

Definition of Maturity Class	Mean Class Performance
Laggard: **Bottom 30%** of aggregate performance scorers	• 3% improvement in time-to-decision • 6% improvement in number of decision-makers with visibility to KPIs • 4% improvement in profitability • 5% improvement in revenue growth • 1% **decrease** in net-new customers gained • 2% **decrease** in customer satisfaction

Source: Aberdeen Group, September 2007

While most companies have started, or are planning to start, an enterprise KPI initiative, 50% of Best-in-Class companies have more than three years experience with an enterprise-wide KPI strategy (Figure 2). This illustrates the importance of early adoption and the time periods that must be factored into a KPI strategy. The sooner a company starts planning and implementing a KPI-based initiative, the more likely one is to attain Best-in-Class status, but it does not happen overnight.

Figure 2: BIC Maturity with Enterprise KPI Solutions



Source: Aberdeen Group, September 2007

The Best-in-Class PACE Model

Achieving performance improvements requires a combination of strategic actions, organizational capabilities, and enabling technologies that address a specific pressure. This can be summarized by the Best-in-Class PACE framework (Table 2).

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Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
• Improve company performance	• Align business goals to KPIs • Have on-going review of KPIs • Deliver KPI data to the enterprise	• Establish corporate KPI culture • Institutionalize definition of KPIs (process, team, etc.) • Make KPIs visible to management and decision-makers • Regularly measure KPI usage to determine decision-quality • Establish review process for KPI adaptation or revision • Engage in proof-of-concept projects	• Dashboards • Printed / static reporting • Emailed / faxed reports • Balanced scorecards • Management consulting / training • BI analytics software • Automated alert technology • Third-party BI consulting services

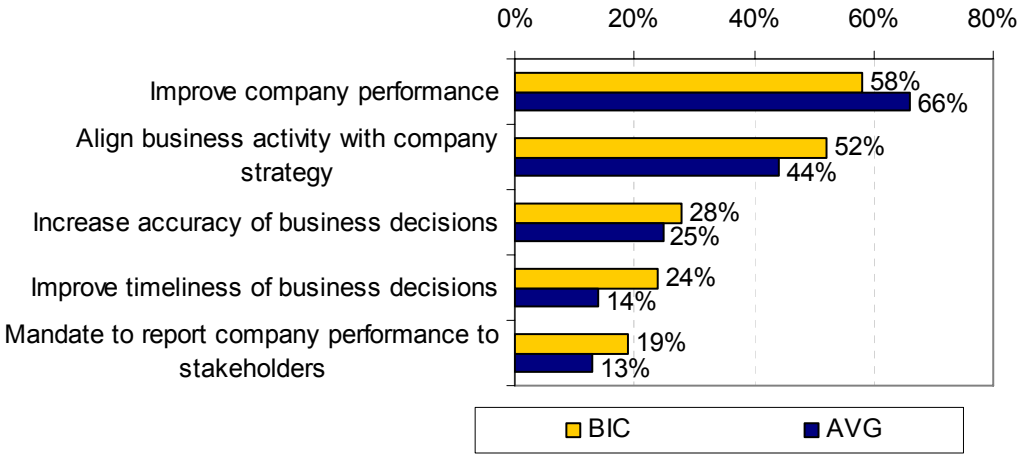
Source: Aberdeen Group, September 2007

"We measure performance against our peers through involvement in an industry consortium. This allows us to initiate improvement projects that are driven based on industry best-practices. We are a big believer in Six-Sigma, and peer-based performance measures are important to achieving success."

~Senior Manager, IT, Large Utility Company

The top pressure driving organizations to adopt a KPI strategy is the desire to improve company performance. However, Best-in-Class companies are 8% more likely to prioritize the alignment of business activity with company strategy, and are 10% more likely to stress improving timeliness of business decisions in comparison to industry average companies (Figure 3).

Figure 3: The Top Pressures Driving KPI Solutions



Source: Aberdeen Group, September 2007

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Aberdeen Insights – Strategy

Performance management initiatives are often started with a clear set of goals in mind, but only within specific areas that do not necessarily represent the total business. Aberdeen research findings show that most companies focus on *financial* and *customer* KPIs, and less so on *process, organizational,* and *product* KPIs.

Best-in-Class companies have taken a more well-rounded approach to KPI initiatives, and have identified metrics that encompass key performance measures beyond the typical KPIs focused on profitability and cost. Additionally, Best-in-Class companies are also stressing the importance of KPI visibility throughout the organization. Performance is greatly affected when more people have access to KPI information and have the ability to act on it.

In the next chapter, we will see what the top performers are doing to achieve these gains.

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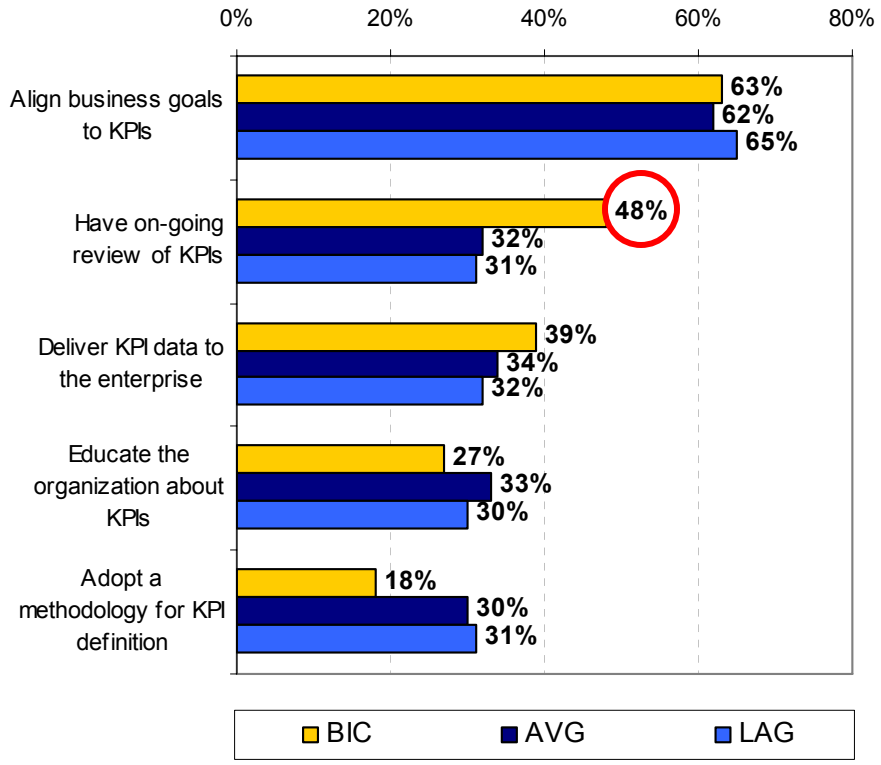
Chapter Two: Benchmarking Requirements for Success

Best-in-Class organizations have clearly identified the strategies they are planning to take in order to improve company performance through a KPI initiative (Figure 5). While there is commonality between Bst-in-Class, Industry Average, and Laggard companies on aligning business goals to KPIs, Best-in-Class companies are far more likely to establish an ongoing review of KPIs as part of their overall strategy. This is a critical finding of the research. Industry Average and Laggard companies that neglect this step are at risk of measuring KPIs that are based on metrics that do not reflect the current business climate.

Fast Facts

- √ **75%** of Best-in-Class companies are striving to provide access to KPI information to line-level staff; versus 59% of Industry Average companies
- √ **16%** of Best-in-Class companies provide access to KPI data within an hour of actual business activity; this is twice the rate of Industry Average companies (8%)

Figure 4: Best-in-Class Strategies for KPI Initiatives



Source: Aberdeen Group, September 2007

Competitive Assessment

The aggregated performance of surveyed companies determined whether they ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) process (the ability to detect and respond to changing conditions without placing additional burdens on the organization); (2) organization (corporate focus and collaboration among stakeholders); (3) knowledge management (contextualizing data and exposing it to key stakeholders); (4) technology (the selection of appropriate tools and

intelligent deployment of those tools); and (5) performance measurement (the ability of the organization to measure the benefits of technology deployment and use the results to improve key processes further). These characteristics (identified in Table 3) serve as a guideline for best practices and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggard
Process	Establish a review process for KPI adaptation or revision		
	36%	22%	18%
	Have a balanced scorecard system in place based on a "strategy map" and clearly defined objectives		
	53%	34%	32%
Organization	Establish corporate culture around KPI use and understanding		
	53%	40%	36%
	Make KPIs visible to line-of-business management and decision-makers		
	51%	35%	32%
Performance Management	Regularly measure usage of KPI information to determine decision-quality and performance		
	43%	33%	23%
Knowledge Management	Utilize KPIs to automate alerts, report generation, and report distribution		
	30%	19%	12%
	KPI information is available to business users within a day or less from actual business activity		
	38%	33%	22%
Technology Enablers	Dashboards		
	61%	49%	37%
	Balanced scorecards*		
	42%	37%	36%
	BI analytics software		
	31%	28%	20%
	Automated alert technology		
	31%	21%	13%

* Balanced scorecards as a whole are indicated here. Further delineation of balanced scorecard usage is included in the Technology Enablers section to follow.

Source: Aberdeen Group, September 2007

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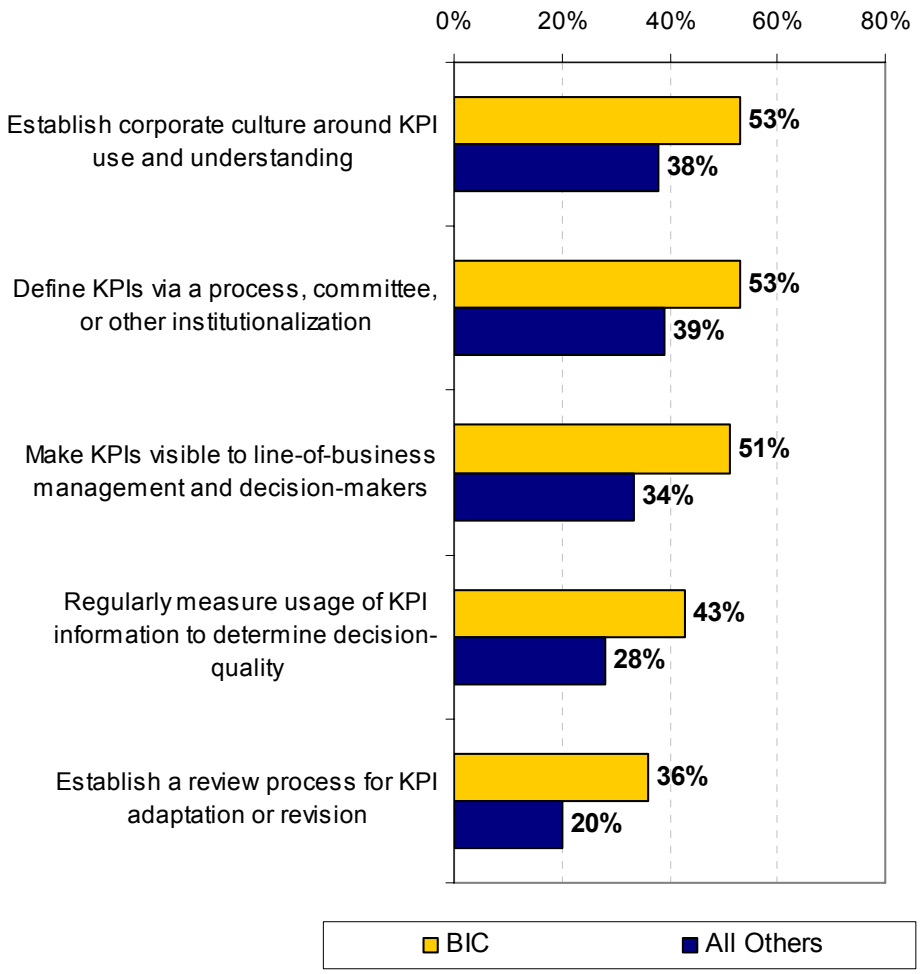
Best-in-Class Capabilities

Best-in-Class organizations are far more likely to have established capabilities to implement their KPI strategies. Over half of Best-in-Class companies have institutionalized their approach to KPIs with activity around corporate KPI culture, such as establishing committees and / or processes to define KPIs, and making KPIs visibile to line of business management and decision-makers (Figure 5).

Figure 5: KPI Capabilities – Best-in-Class Lead the Way



Source: Aberdeen Group, September 2007

"We're not too sophisticated in terms of the technology applied to developing and tracking our KPIs. We use Excel spreadsheets on a shared drive to collect and deliver KPI information. There are positives and negatives associated with this, but the main benefit is that people are held accountable for their own KPI data. We focus on a weekly operational report encompassing KPIs across claims processing, quality of customer telecenter activity, and level of self-service activity versus direct customer interactions. The degree to which we can shift customers to self-service versus human intervention directly affects the performance of our transaction management costs."

~Mary Kay Gilbert, Senior Vice President, Operations, CompBenefits Corporation

Case Study: Large Utility Corporation

Take, for example, the case of a large utility company that has achieved Best-in-Class status through an integrated KPI strategy. The operating units of the company are organized around all major aspects of the business: power transmission, distribution, commercial trading, and power generation.

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Case Study: Large Utility Corporation

At the Business unit level, operational and IT management conduct annual meetings to review current and planned business initiatives, and determine the associated key performance metrics and how to align the resulting IT projects with business requirements. The company had struggled in the past with aligning the enterprise strategy to business unit goals. In order to flow the business alignment from the annual meetings into day-to-day operations, all projects are now measured with a balanced scorecard. The scorecard starts with a strategy map, and cascades down to each of the business units, and ultimately tracks the phases and progress of individual projects.

The scorecard measures KPIs across a diverse set of business performance metrics, including:

- Financial metrics: actual versus budget related to project costs
- Operational / process metrics: related to measuring on-time progress of projects and system metrics (up-time of critical business systems)
- HR / staffing metrics: diversity, employee retention, and headcount

In the past, it was difficult to know if measured improvements were actually providing a competitive advantage in the marketplace. Now, in addition to internal business metrics, the company has joined an industry consortium. Data is collected from consortium members and is used to enable benchmarking of KPIs across similar measures versus industry peers. The data and insight obtained from this activity drives performance improvement projects that are based on meeting or exceeding industry standards.

The company has deployed several technologies and processes related to the definition, tracking and analysis of KPI data:

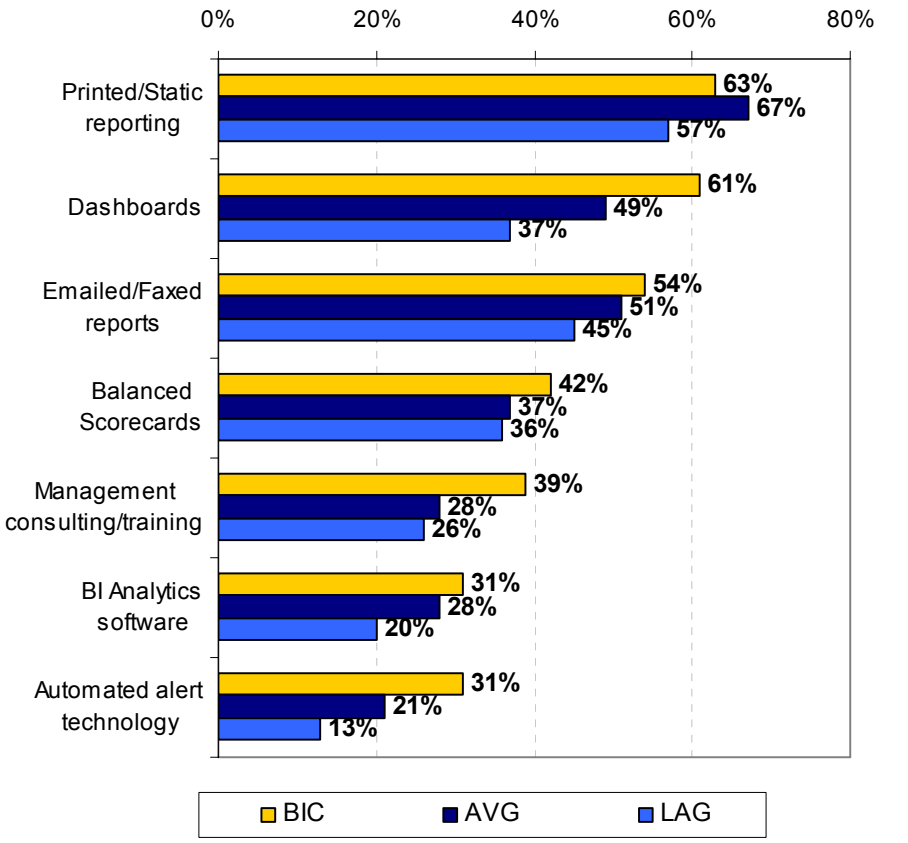
- "Six Sigma" systematically improves processes through measurement, analysis, improvement, and control
- Balanced Scorecard provides a view into weighted KPIs across all business units
- Reporting and analytics (BI) provides drill-down access into underlying detail behind KPIs for deeper understanding

Future plans entail further automation of the process to eliminate manual processes behind the scorecard creation and tie reporting and analytics with the scorecards more tightly.

Technology Enablers – Speed and Comprehension

Best-in-Class companies are almost twice as likely as Laggards to have dashboard and auto-alert reporting capabilities in-place. As a whole, Best-in-Class companies have selected technologies and services that center around providing rapid access to KPI information (dashboards, scorecards, and auto-alert reporting) and assistance in understanding the KPI process via management consulting and training (Figure 6).

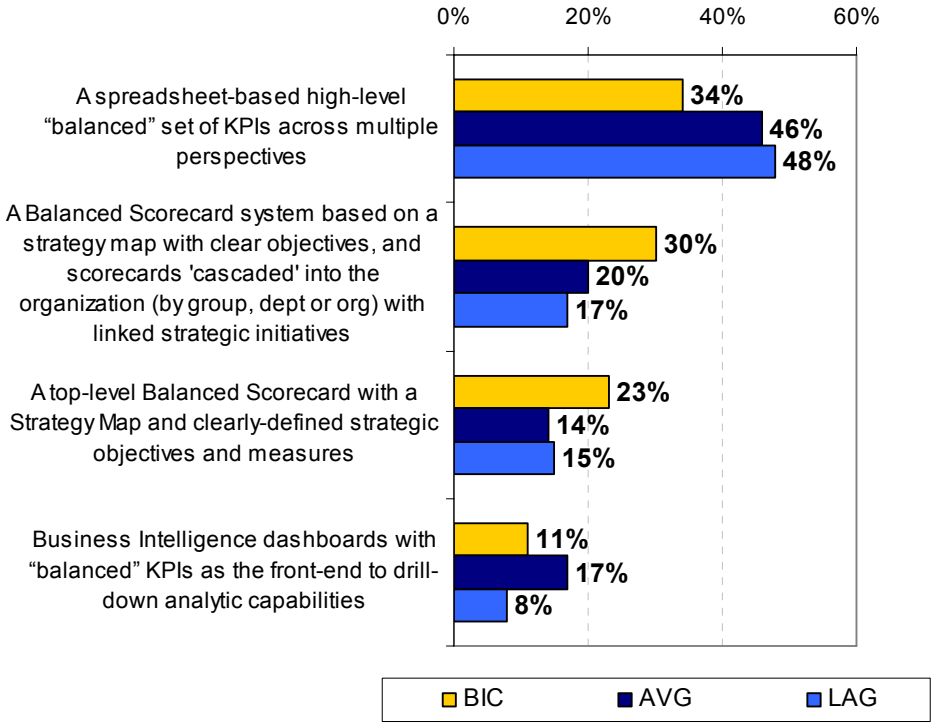
Figure 6: Technologies and Services Currently In-Place



Source: Aberdeen Group, September 2007

53% of Best-in-Class companies are using a balanced scorecard approach, and are doing so with a true balanced scorecard system, in comparison to 33% of Industry Average and Laggard organizations combined. The differences lay mainly in the level of complexity and logical mapping between strategies and KPIs. Aberdeen research has found that Best-in-Class companies are more likely to incorporate a "strategy map" into the balanced socrecard process, and cascade KPI metrics to departmental goals (Figure 7). This provides a method for aligning business strategy with KPIs that are measured within the scorecard, and also presents a roadmap for how business unit goals roll-up to the overal company strategy.

Figure 7: Balanced Scorecard Approaches Currently Used



Source: Aberdeen Group, September 2007

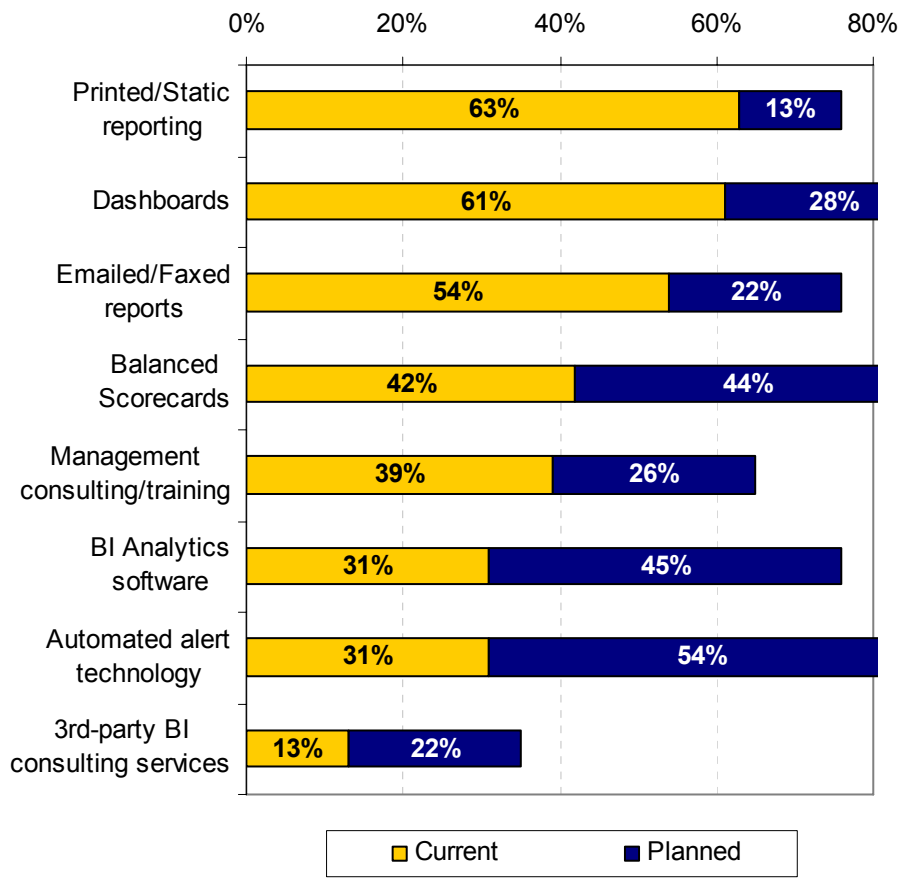
"We haven't used a true balanced scorecard system, per se, but our approach to measuring KPIs across multiple areas of the business follows a balanced scorecard methodology. We simply use Excel spreadsheets because they are familiar to everyone, and there is very little training required. One of the downsides to this approach is that we continually have to audit the data and determine if there have been mistakes or corrupted formulas."

~Operations Director, Mid-Tier Health Services Organization

Best-in-Class companies are planning for a shift in technology enablement related to making KPIs accessible and visible to the enterprise. While dashboards are the most popular tool currently being used, Best-in-Class companies are now beginnning to plan for a mix of reporting and analytics capabilities to deliver KPI information to the enterprise (Figure 8). The combination of high-level reports with top-level KPI measures (with analytics capabilities) enables organizations to see a problem, and then answer questions based on underlying data. Analytic capabilities must be able to deal with the complex data sets and calculations often associated with KPIs.

In particular, automation of alert reporting (reports that are created and sent based on changing KPI data) is of highest interest among Best-in-Class companies. This points toward a desire to "let the data do the work" to alleviate the report creation work that the IT department often undertakes. This approach requires an organization to monitor KPI thresholds and continually review and revise them based on changing business dynamics.

Figure 8: Best-in-Class Current versus Planned KPI Technologies



Source: Aberdeen Group, September 2007

Aberdeen Insights – Technology

While many companies are utilizing spreadsheet technology as their primary balanced scorecard technology, over half are using a dedicated balanced scorecard system that incorporates a strategy map and clearly defined objectives. Nearly a third of Best-in-Class companies are also employing a "cascading" process whereby strategic goals and associated KPIs are assigned to groups, departments, and individuals.

The use of strategy maps and cascading promotes an enterprise-wide understanding of the relationship between KPIs and business strategy. Best-in-Class companies are therefore better prepared to address the top-most strategy (as defined in Figure 4) "Align business goals to KPIs."

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Chapter Three: Required Actions

Whether a company is trying to move its performance from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Direct KPI projects beyond the typical financial focus areas,** and toward metrics that pertain directly to improvement of customer performance**.** Adoption of a KPI-based performance measurement strategy has a direct impact on customer performance metrics. The average ***decrease*** in net-new customers and customer satisfaction experienced by Laggard companies in the past 12 months is indicative of the tendency to focus just on financial metrics.
- **Take a fresh look at KPIs and ask whether they are aligned with the current state of the business.** Laggard companies are only half as likely to incorporate a review process into their KPI strategy. This is essential to achieving continual improvement as business dynamics and the associated KPIs change. Laggard companies must include measures that are tied to new products, customers, processes, and the current organizational structure.
- **Include dashboard and auto-alert reporting technologies as part of a KPI initiative**. Speed and availability of KPI information is lacking among Laggard companies. The dashboard and auto-alert reporting technologies employed by Best-in-Class organizations provide the capability to rapidly make the organization aware of changing performance metrics. These approaches can also serve as a way to inform the organization of specific actions that can improve performance and alleviate harmful situations before they happen.

"KPIs are near and dear to our hearts and have become very visible within the organization through a culture that has been driven by senior management. We currently review our KPIs in conjunction with our month-close process. As a margin-based business, we look primarily at financial and production metrics. Although a lot of the data is gathered manually today, we are looking into an enterprise scorecard system that will help to automate the process, and deliver daily KPIs."

~CIO, Mid-Tier Manufacturing Company

Industry Average Steps to Success

- **Use balanced scorecard systems that tie strategy with goals** and also allow cascading down to departmental levels to include the entire organization in the process. Industry Average companies are 20% less likely than Best-in-Class organizations to have a balanced scorecard system in place that incorporates a strategy map and clearly defined objectives. Many companies use spreadsheets to deliver balanced scorecards, but find it difficult to tie this to departmental goals and maintain a set of clear objectives that align with the business strategy.
- **Build a corporate culture around the KPI strategy.** Institutionalization of a KPI strategy is accomplished through a combination of training and corporate culture. Industry Average companies are 13% less likely than Best-in-Class companies to develop a corporate culture around the use and understanding of KPIs within the organization. Many Best-in-Class companies are forming a BI Center of

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Excellence and training programs (as reported in the July 2007 benchmark *Delivering Actionable Information to the Enterprise*) to facilitate an institutional approach to information delivery. A KPI strategy would certainly be included in these initiatives.

- **Establish a formal review process to determine if KPIs are in alignment with company goals**. Industry Average companies are 14% less likely than Best-in-Class organizations to have a regular review process associated with their KPI initiatives. The rate of business change often out-strips typical annual review cycles, resulting in goals that are not in alignment with current strategy.

Best-in-Class Steps to Success

- **Establish a corporate KPI culture.** Institutionalization encompasses a definition of KPIs through a committee process, and regular review of KPIs to insure alignment with the current business strategy. While the Best-in-Class exhibited these tendencies as being advantageous, in comparison to Industry Average and Laggard companies, almost half of Best-in-Class companies have not yet adopted a "KPI culture" approach.
- **Make KPIs visible to line of business management and decision-makers.** Goals are more easily met when the targets, and associated steps, are clearly defined and accessible to those accountable for performance. Best-in-Class success is most prominent with the use of dashboards and scorecards combined with management consulting services. As KPI initiatives mature, the complexity of the system may require external expertise to continue to derive more value over time.
- **Regularly measure use of KPI information to determine decision quality.** A KPI initiative is not effective if it is not used. Whether it is a simple spreadsheet methodology, or a complex balanced scorecard system incorporating strategy maps and cascaded objectives, consistent use of the system promotes enterprise-wide understanding of KPI-based metrics and goals. Interviews with Best-in-Class companies indicated that the review process must occur at least annually, if not more frequently.

Aberdeen Insights – Summary

KPIs are an integral part of a company's performance management strategy. The correct definition, use, and (most importantly) continual adaptation of KPIs directly impacts performance. Aberdeen research has found that Best-in-Class companies have adopted a set of capabilities that deliver positive results across a diverse set of performance metrics. To achieve Best-in-Class performance, organizations must:

- Institutionalize a KPI strategy – Best-in-Class companies are instituting a KPI culture for alignment of business strategy and company goals
- Continuously revise KPI definitions – business changes, and as it does, so must the KPIs used to measure it
- Provide access to KPI information to all decision makers – dashboards, scorecards and auto-alert reporting are being used by Best-in-Class companies

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Appendix A: Research Methodology

Between August and September 2007, Aberdeen Group examined the use of KPIs, the experiences, and intentions of more than 350 enterprises in a diverse set of enterprises.

Respondents completed an online survey that included questions designed to determine the following:

- The degree to which KPI strategies are deployed within enterprise operations and the performance implications of the technologies and capabilities reported
- Pointers towards Best-in-Class strategies and tactics for improving access to and use of key performance metrics for decision-making
- Options and approaches for increasing the accuracy and timeliness of KPI information for improved decision-making
- The benefits, if any, that have been derived from KPI initiatives

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on KPI strategies, experiences, and results.

The study aimed to identify emerging best practices for KPI usage and provide a framework by which readers could assess their own capabilities.

Responding enterprises included the following:

- ***Job title/function:*** The research sample included respondents with the following job roles: 5% finance; 32% information technology; 6% logistics / supply chain; 2% manufacturing; 8% sales; 8% marketing; 4% procurement; 5% customer service; 12% business process management.
- ***Industry:*** The research sample included respondents from several industries (note that respondents could select multiple): 54% manufacturing; 25% high technology / software; 18% chemicals and heavy industry; 13% retail / consumer packaged goods; 12% finance / banking / accounting; 12% telecommunications services; 9% public sector; 8% aerospace / defense; 8% transportation / logistics; 8% utilities; 7% wholesale / distribution; 37% other.
- ***Geography:*** Responses were from North America (Includes USA, Canada, Mexico) 55%; South / Central America and Caribbean 3%; Asia / Pacific 15%; Europe 22%; and Middle East / Africa 5%.
- ***Company size:*** Large enterprises (annual revenues above US$1 billion) made up 28% of respondents; 30% were from mid-size enterprises (annual revenues between $50 million and $1 billion); and 42% of respondents were from small businesses (annual revenues of $50 million or less).

Solution providers recognized as sponsors of this report were solicited after the fact and had no substantive influence on the direction of the report.

Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

Table 4: The PACE Framework Key

Overview

Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:

Pressures — external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)

Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product/service strategy, target markets, financial strategy, go-to-market, and sales strategy)

Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products/services, ecosystem partners, financing)

Enablers — the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, September 2007

Table 5: The Competitive Framework Key

Overview

The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:

Best-in-Class (20%) — Practices that are the best currently being employed and significantly superior to the Industry Average, and result in the top industry performance.

Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.

Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance

In the following categories:

Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?

Organization — How is your company currently organized to manage and optimize this particular process?

Knowledge — What visibility do you have into key data and intelligence required to manage this process?

Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?

Performance — What do you measure? How frequently? What's your actual performance?

Source: Aberdeen Group, September 2007

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and Competitive Framework How They Interact

Aberdeen research indicates that companies that identify the most impactful pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute.

Source: Aberdeen Group, September 2007

Aberdeen Group
A Harte-Hanks Company

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report include:

Is the BI Market a Target for ERP Vendors? May, 2007

Business Intelligence for All May, 2007

The 2007 Aberdeen Report May 2007

"On-Demand" Is Not Far Behind BI on the Technology Wish List June, 2007

Data Management 2.0: Making Sense of Unstructured Data July 2007

Delivering Actionable Information to the Enterprise: Does On-Demand Solve the Skill Set Shortage? July 2007

On-Demand BI: Not Just for SMB August 2007

Serving the Underserved: Is On-Demand BI the Answer? August 2007

Enterprise BI: Comparing the BI Giants September 2007

Information on these and any other Aberdeen publications can be found at www.Aberdeen.com.

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