



AMR Research's Business Intelligence/Performance Management Maturity Model, Version 2

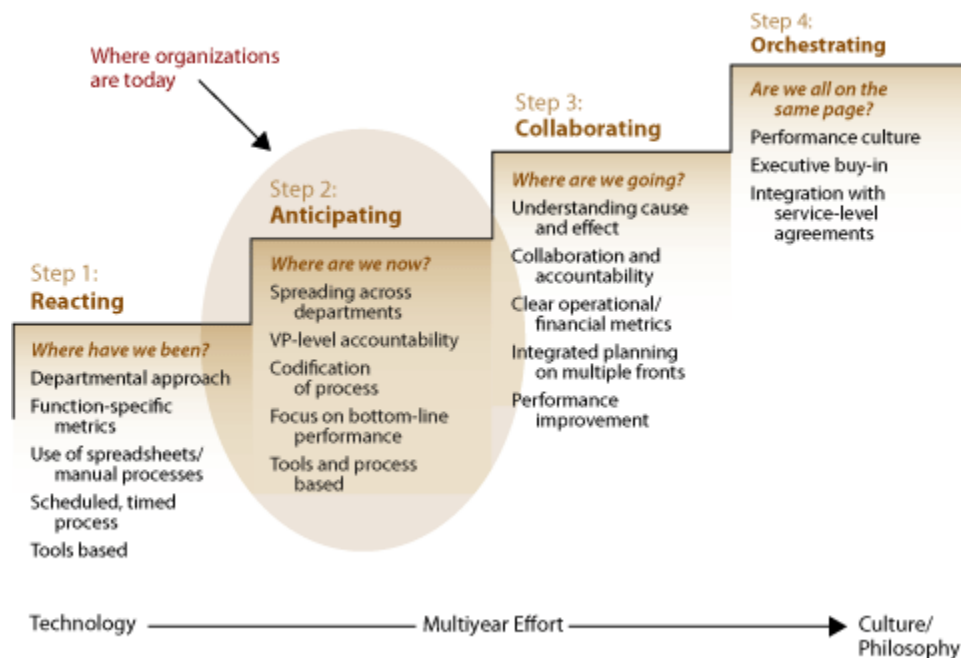
Wednesday, November 15, 2006

John Hagerty

In early 2004, AMR Research introduced its enterprise-wide business intelligence (BI)/performance management (PM) maturity model, a four-stage progression outlining a framework for business and IT leaders to assess group- and/or firm-wide actions while charting a course for eventual broader deployment of business intelligence and performance management.

The past four months we've talked with dozens of companies about how BI/PM implementations have progressed within their organizations. As a result of these discussions, we have a refreshed model that outlines the four stages of BI/PM maturity (see Figure 1.)

Figure 1: AMR Research business intelligence/performance management maturity model



[Download Larger Version](#)

Source: AMR Research, 2006

Four stages of maturity

Like a hierarchy of needs, organizations must master each step before they can effectively proceed to the next. Here's the best analogy: companies must crawl before they walk, walk before they run, and run before they run marathons. As in any maturation process, it takes time. Experience gleaned from the last three years of research indicates that most companies look at this as a 5- to 10-year process, with some significant hurdles along the way. When BI/PM programs start, they are technology-centered. Then, at the highest level of maturity, they fuse culture, philosophy, and technology in a grand coalition to drive business by the numbers.

Each maturity step has specific attributes and characteristics:

Step 1: Reacting—where have we been?

Companies take a bottom-up approach to managing performance. Projects are largely tactical and are targeted to the line-of-business (LOB) level. They are also organized to improve access to business data, reduce reporting cycle time, and increase visibility into a specific department's performance.

Much of the emphasis at this step is historical. It's mostly about displaying what has happened in the last business cycle, providing details and status to support the given department. Technology adoption has been minimal up to this point. Firms depend heavily on desktop productivity tools and ad-hoc processes to execute and monitor analytic tasks. In some cases, it's each person for themselves, with coordination minimal. Companies grab the low-hanging fruit, allowing them to realize benefits quickly.

Step 2: Anticipating—where are we now?

Capitalizing on the successes of Step 1, organizations enter this level eager to expand opportunities in more pockets of the business, use existing tools better, and invest in more capabilities to spread the BI/PM gospel. Projects are trending from purely tactical toward more strategic, and are highly visible within and across related departments. But groups still tend to work in silos.

Data issues raise their heads at this step and increasingly dominate projects. Emphasis expands to include current performance data, and dashboards appear as the primary vehicle to inform workers what performance is now. Real-time or near real-time data plays a more prominent role.

Step 3: Collaborating—where are we going?

A few clear operational and financial performance metrics drive the business. These key performance indicators (KPIs) are mapped back to organizational strategies that give visibility into the health and future prospects of the business. Dashboards and scorecards are used to align resources and objectives within and across groups that harness the power of existing data to plan for future performance.

Scenarios and models let analysts flex alternatives and recognize that decisions made in one part of the business will have an effect—positive or negative—on other constituencies in the firm. Sense and respond moves from vision to early stages of reality, with data analyzed rapidly and actions taken to improve performance. Plans are used as guides, not constraints.

Step 4: Orchestrating—are we all on the same page?

Few companies have reached Step 4 maturity. At this step, performance management is a cultural philosophy, not just a technology stack, with top-down goal setting cascading from executives through operations.

The goal is to obtain a single, consistent, and streamlined view of the enterprise. Sense and respond becomes reality as companies adjust their model and execution to subtle shifts in dynamic markets. The business is truly run by the numbers, with expectations clearly set for all to achieve and incentives properly aligned.

Timelines have lengthened, with programs more complex

When first researching this topic, we reported that companies expected to take anywhere from three to five years to fully mature in their BI/PM implementations. Ongoing research now indicates that maturity takes significantly longer—closer to double the time—and is far more complex than companies originally thought.

This unanticipated complexity can be attributed primarily to data issues. Many firms originally expected to slap a BI tool or PM application onto their data architecture and then move on. But once companies progress into Step 2, they immediately find that isolated, disparate, and overlapping data sources are a massive impediment to expanding BI/PM more broadly. In the words of one company, “It was time to stop the data insanity.”

Companies have been redoubling their efforts to address data infrastructure needs. This has led to more projects aimed at creating a solid foundation for future BI/PM growth. Because of these activities, companies remain squarely in maturity Step 2 and reach for Step 3, which has not changed appreciably since the original research was published in 2004.

Expectations and experiences vary

Interestingly enough, not all firms seek to progress all the way to the highest level of the maturity scale. Most are satisfied to plateau at levels below the top. Most firms say they will be quite happy if they can make it to Step 3 and be successful at it. The biggest impediment is cultural: getting people to change behaviors that are ingrained.

Companies overwhelmingly report that maturity differs markedly in pockets of the organization. For example, sales and marketing may be very mature while operations may be just starting out.

Next: data architectures at each step of maturity

Since data is such a critical component of BI/PM maturity, we’ll write next on what we’ve uncovered for the data architectures that customers use at each step. Some surprises are in store as companies pragmatically weigh theory versus practice.

Where does your company rank in AMR Research’s BI/PM maturity model? What challenges are you facing as you expand deployment? Contact me at jhagerty@amrresearch.com with a self-assessment of where you are.