



**Performance  
management champions:**  
How CIOs drive business success

## Confronting metric confusion

How CIOs successfully bridge business and technology to build a well-balanced performance management system

Not long ago, the CIO focused almost exclusively on functionality and architecture. Back then, CIOs weren't necessarily considered true C-level members, and their divisions were viewed as cost centers. Today, the CIO is increasingly seen as a catalyst who helps the enterprise focus on business outcomes. The CIO does this by breaking through functional silos, working across departments and bringing performance management initiatives to the enterprise.

This article, written by BusinessWeek Research Services in partnership with SAS, discusses the fundamental role CIOs play in bridging business and technology to build a well-balanced performance management system. One of the authors of this report, Chris Rogers, moderated a panel on performance management at The Premier Business Leadership Series in Las Vegas in 2007. One of his panelists was Stage Stores CIO Jeff Kish, who explained the changing role of CIOs: "The role of the CIO has evolved. There was a time when the CIO was seen as a technocrat, and today those aren't the successful CIOs. You really need a blend of being part of the business as well as understanding how systems and technology can help drive that business to profitable success."

**Read on about how CIOs are driving business success with performance management.**

Although many organizations want to measure their performance, they often hit a troublesome snag in deciding exactly what they should measure. Organizations struggle to determine the best key performance indicators (KPIs) that fuel performance management (PM) systems – and many members of the C-suite disagree about the metrics that are most predictive of positive and negative business-related outcomes.

Because effective PM identifies successes and failures within an organization, the KPI debate is not always a rational business dialogue and has the potential to be driven by corporate politics and one-sided interests. And it's not only the politics that contribute to KPI confusion. Better technology and more

sophisticated applications have increased organizations' capacity to collect and store massive amounts of raw data, which has created an excessive number of metrics to debate over.

Because of this abundance of metrics to choose from, CEOs, COOs, CFOs, CMOs and CIOs all have the opportunity to bring their favorites to the table when they try to collectively decide on the best KPIs for their PM systems. What metric confusion really calls for is a mediator to keep the KPI debate fair, balanced and productive, and CIOs have both the challenge and opportunity to resolve "metric confusion" within the C-suite. For example, compared to other executives, CIOs tend to be most aware

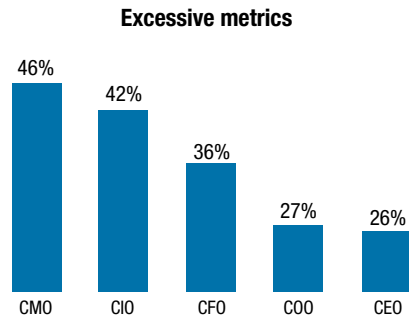


Figure 1: Concern about excessive key performance indicators (KPIs) varies across the C-suite. (% of each title rating excessive KPIs as an extreme obstacle)

The business-oriented CIO

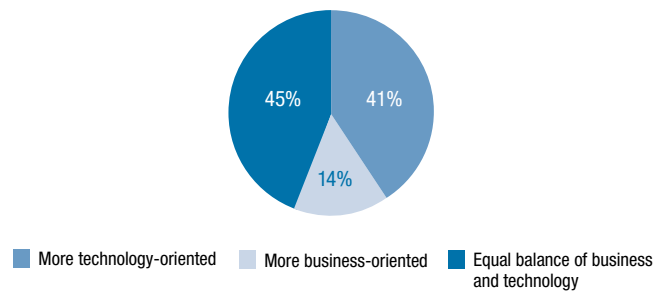


Figure 2: CIOs are technology-minded, but are pressed on business issues. (% of CIOs describing their position as...)

of the KPI problem (and have a level of awareness similar to the CMOs'; see Figure 1, "Excessive metrics").

In addition, although CIOs of the past tended to be strictly technical in nature, today's CIOs tend to describe their roles as a balanced blend of both technology and business strategy (rather than pure technology). It's this combination that can allow CIOs to significantly assist in solving the metric problem within the C-suite. And better metrics can lead to better PM, which can translate to better overall corporate performance. However, CIOs often have to work quickly to resolve this confusion; a recent survey by *CIO Insight* shows that the average CIO lasts only 5.7 years before moving on to a different corporation.

These are some of the findings of a new research study conducted by BusinessWeek Research Services and SAS. This study was conducted among a total sample of 317 CEOs, CFOs, CIOs, CMOs and COOs within large and mid-size companies. In addition to exploring current perceptions, the study also sheds light on some PM best practices that CIOs can use to communicate with the other members of the C-suite and improve their corporate performance. It may be time for CIOs to take a second look at PM.

### Finding common ground in the C-suite

The search for the best KPIs is most effective when a sense of agreement is achieved within the C-suite, and CIOs are well-positioned to create this kind of consensus. First, CIOs are well-rounded because they are traditionally rooted in technology and continue to become more immersed in business issues. In fact, the results of BusinessWeek Research Services' yearly C-Team study points out that almost half of CIOs describe their positions as a balance between technology and business (see Figure 2, "The business-oriented CIO"). Chris Rogers, Director of BusinessWeek Research Services, confirms that CIOs are becoming more business minded for a number of reasons: "CIOs have had to adapt. For example, over the last few years, CIOs have increased their understanding of financial and accounting issues in order to help the CFO with compliance. In addition, since technology now plays such a crucial role in customer services, sales and marketing, CIOs need to think like business people so that the technologies they recommend and implement will meet their organizations' needs."

Secondly, CIOs don't tend to be preferential to IT departments. Instead, CIOs often have a broad business perspective, recognizing that other departments (such as marketing, sales, operations and

corporate strategy) all play equal roles in achieving corporate strategic goals (see Figure 3, "CIOs value the contributions of all departments"). In addition, CIOs bring a high level of analytical skills to the table. This allows them to evaluate their organizations' current metrics and also implement systems to both develop and track any new metrics that the C-suite decides to pursue.

Also, CIOs can bridge differences in the C-suite by drawing on the commonalities that they share with each individual member of the C-suite. For example, the CIO and CFO both like to measure organizational effectiveness; the CIO and CMO both like to invest in developing new products and services; the CIO and COO both strongly believe that their organizations should invest more resources to improve workflow and business processes; and the CIO and CEO are the biggest advocates of innovation. Study results also show that, just like the rest of the C-suite, CIOs tend to favor balanced, smart growth instead of growth that favors either the top line or the bottom line. In short, CIOs can leverage the common ground that they share in order to mediate decisions on the best and most useful KPIs for their organizations.

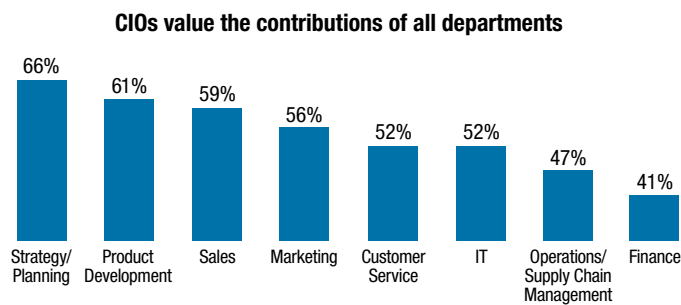


Figure 3: CIOs see eye to eye with other departments and don't play favorites. (% of CIOs cite as playing a vital role in reaching business goals)

### KPI best practices

Although resolving KPI disagreements can be challenging, consensus is necessary for organizations to achieve success. After all, organizations that use ineffective KPIs can be hampered by factors like conflicting data, a lack of understanding and execution in regard to customer profitability, disruptions in corporate culture, and general fear. In contrast, the right KPIs are vital to improving execution and performance at all levels of a corporation.

On the other hand, more KPIs are not necessarily better. Many organizations use too many KPIs, practically drowning in metrics. This situation can lead to “analysis paralysis,” as organizations get bogged down in unhelpful measurement. Instead, organizations are often much more effective when they find a “sweet spot,” a certain number of KPIs that tends to deliver enough high-quality

data without becoming inefficient and unwieldy. In fact, study results show that, in contrast to common perception, organizations need only about eight KPIs in order to boost their effectiveness.

Maine Medical Center represents one example of an organization that improved its effectiveness after streamlining its KPIs. Now, its executives and employees can properly measure and monitor a wide variety of clinical and business factors, 24 hours a day, seven days a week, 365 days a year. This allows everyone in the organization to focus on priorities, become more efficient, easily understand the clinical and financial impact of their behavior, implement successful performance improvements, and prevent many problems.

### Leveraging effective corporate metrics

Although KPI analysis often requires an investment of resources, this investment

can pay significant dividends. For example, solving the KPI conundrum can be the first step to a path of effective PM. And, at its best, PM encompasses initiatives that maximize the effectiveness of every aspect of an organization through quantitative measurement and analysis. Study results illuminate a number of specific payoffs for effective PM. For example, BusinessWeek Research Services compared the survey responses of CIOs whose organizations excel at PM with those whose organizations struggle with PM. Specifically, CIOs at organizations that excel at PM are more likely than other CIOs to say that their organizations also excel at innovation, organizational effectiveness, customer loyalty/retention, agility, up-selling and cross-selling, distribution, internal collaboration, workflow and risk evaluation!

Our study results also show that most CIOs believe PM can help organizations achieve their strategic goals, while other members of the C-suite don't seem to be as favorable or familiar with the potential of PM. However, the connection between effective PM and corporate success suggests that CIOs and their organizations may benefit by devoting more resources to PM.

### Best practices for CIOs

KPI development is just one of the first steps of effective PM. In fact, study results show that a majority of CIOs believe that

### KPIs trump everything in the PM environment, say CIOs

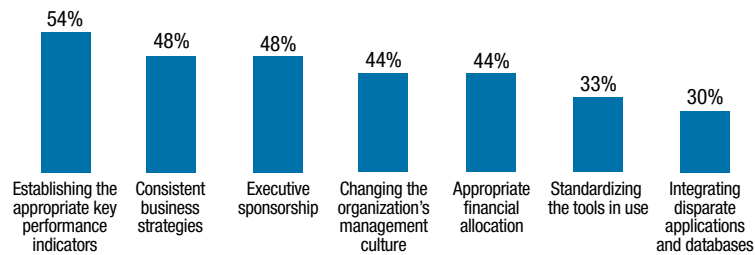


Figure 4: When asked to rate the importance of a variety of factors crucial to establishing a successful PM environment, 54 percent of the CIOs said that establishing the right KPIs was a 5 or 7 on a 7-point scale.

an effective set of KPIs is an important prerequisite for effective PM (see Figure 4, “KPIs trump everything in the PM environment, say CIOs”).

Although KPIs are an important piece of the PM puzzle, what other factors are required to succeed at PM? According to our study results, CIOs within organizations that have successfully executed PM say that the following factors are the most important obstacles to overcome in order to execute successful PM: appropriate financial allocation (75 percent); consistent business strategies (65 percent); settling differences among corporate departments (65 percent); establishing appropriate KPIs (60 percent); integrating different applications and databases (55 percent); and changing the organization’s management culture (55 percent).

Throughout the PM process, CIOs can play an essential role in the evolution of their organizations’ KPIs. At the beginning, CIOs can analyze their organizations’ metrics statistically to figure out which ones are best at predicting and affecting financial outcomes. Then, as the process evolves, CIOs can continue to conduct analytical reviews at least annually (preferably monthly) in order to modify their metrics. Consistent evaluation is especially important because the effectiveness of specific KPIs often varies over time, according to which specific market

dynamics are at play. Therefore, KPI selection and adjustment is a continuous process and journey, not simply a finite destination. In addition, this adjustment technique can help motivate employees to perform at optimum levels, giving them realistic targets that adjust dynamically according to market conditions. In this progression of analysis and adjustment, the CIO is perfectly placed to drive corporate success – especially because CIOs tend to be well-versed in their organizations’ strategic goals.

### Streamlining PM

- CIOs are excellent candidates to mediate the KPI debate among the C-suite.
- CIOs are also excellent candidates to aid in evaluating current metrics and picking new (more effective) ones.
- Organizations can benefit by devoting resources to uncovering a manageable number of effective KPIs.
- Effective PM techniques can help organizations identify appropriate KPIs and can also lead to other kinds of corporate success.

### Study methodology

BusinessWeek Research Services launched a research program in February 2007 to determine C-level executives’ views on the use and value of PM. This program was designed to develop ideas and insights on

how organizations can optimize PM to drive accountability through all areas of a business to achieve profitable growth. To capture this information, the project used both quantitative and qualitative methodologies, including online survey interviews in February 2007 with 317 C-level executives in large and midsize companies from across the globe. In addition, in-depth, one-on-one phone interviews were also conducted with senior officials at large and midsize companies known to be actively involved in PM, including 1-800-FLOWERS.COM, Allstate Insurance, Energizer, Holt Cat, ICO Holland, Maine Medical Center and TD AMERITRADE. Interviews were also conducted with several leading industry analysts to provide context to the findings. This research article was funded by a grant from SAS but was written by Chris Rogers and Marc Scheer, PhD, both of BusinessWeek Research Services. The editorial department of *BusinessWeek* was not involved in this project. For more information, please contact Chris Rogers at [chris\\_rogers@BusinessWeek.com](mailto:chris_rogers@BusinessWeek.com). ☉

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# Revving up retail performance

AutoZone relies on analytics for pricing, product optimization

AutoZone knows firsthand how diverse Americans are just by the cars they drive. Some Americans are wealthier than others; some are farmers; some are outdoorsmen; some have growing families; others are single and just starting out. Their vehicles of choice reflect – and support – their different lifestyles.

The nation's leading auto parts retailer realizes it cannot adopt a one-size-fits-all approach to stocking the shelves at its more than 4,200 stores. With SAS, AutoZone ensures efficient, profitable retail operations – not to mention more satisfied customers – by knowing store by store which products sell and how to price them effectively to keep them moving off the shelves.

“We've worked to earn the No. 1 spot in automotive aftermarket retail, and we want to stay there,” says AutoZone CIO Ken Brame. “SAS helps us sift and analyze our data.”

## Intelligence in minutes

SAS helps AutoZone answer merchandising questions and perform business analysis, ultimately to ensure competitive everyday pricing. With SAS, AutoZone understands its business better and has access to the tools necessary for understanding an increasingly complex marketplace. SAS drives a number of business processes including quality control and ad hoc analysis in a fast-paced environment. Using SAS®9 technology, AutoZone can process several hundred million pieces of data in minutes and expects to see even more processing improvements.

AutoZone brings together point-of-sale, demographic, purchasing and marketplace information into a multi-terabyte warehouse. With SAS, the company prepares business reports; performs data extraction, manipulation and transformation; builds models and forecasts consumer demand; and carries out other supply chain and optimization activities.

Brame says, “SAS handles our voluminous data in ways that saves us time by allowing us to focus on questions that affect our business.”

## Decisions in a snap

AutoZone's success in leading the marketplace hinges on the ability of its approximately 50,000 employees to interact with customers across the country, Brame says. With almost half a million products sold at more than 4,200 stores, information races into the data warehouse at speeds far outpacing even the fastest racecar driver. The challenge for AutoZone is to decipher meaning.

Using SAS, AutoZone can look at the performance of its stores as well as that of individual departments, products and categories within each store. “We can make decisions to change what we carry at which stores quickly,” Brame says.

Looking at product performance, for example, AutoZone must know what actions to take to sustain growth and profitability. Some of the actions include making decisions on product, pricing and promotional activities across all stores. SAS is the enabling technology that helps make those efforts possible.

## SAS® handles complexity of demands

Before implementing SAS, AutoZone used a variety of tools for querying relational databases. Over time, as the amount of information being gathered grew and the complexity of questions being asked increased, AutoZone needed more.

“We needed a solution that could handle a large amount of data,” Brame says. That intelligence, in turn, is used by everyone from the CEO to analysts. It enables efficient processes that often prove advantageous to customers who are rewarded with wallet-friendly product and pricing choices. “With SAS, we can serve our customers better,” Brame says. ●

## Business issue:

Gain product and pricing intelligence from huge data chunks.

## Solution:

SAS extraction and modeling capabilities enable each store to meet unique needs of customers.

- ONLINE:
- Learn more about predictive analytics:
- [www.sas.com/retail-analytics](http://www.sas.com/retail-analytics)



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