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Business Performance Management Solutions

Application Delivery Strategies

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Companies should consider leading business performance management solutions that support a closed-loop life-cycle process and focus on metrics-based performance management. The goal should be developing actionable business plans to guide future results.

Global 2000 organizations are challenged with supplying performance feedback globally to managers, and often do not have the lead time to respond to rapidly changing economic conditions. Many firms utilize postmortem forensic financial and operational information to better understand the enterprise and respond to market conditions. Organizations should focus on reducing the time between an event occurring and the response to that event, unifying the corporate response to the event (through the use of both structured and unstructured data). This will generally require a fundamental change in the way information is handled within the enterprise. To make matters worse, loose integration between business plans and actual results often exists, reducing performance accountability. Although many organizations have improved transactional processing through ERP, CRM, and supply chain management (SCM) implementations, actionable financial and operational information management often lags transactional excellence, with organizations focusing on tactical solutions rather than overall enterprise-unified strategies. Too many management efforts are suboptimal, due to lack of access to real-time enterprise information when and where required. Numerous organizations are frustrated with their current business planning and performance management processes.

Business performance management (BPM) is an integrated solution approach consisting of Web-based analytical applications (based on financial analytical applications) providing key performance indicators that are tiered within the enterprise, business plans that are intended to achieve those metrics, and actual reporting and forecasting to ensure performance (see Figure 1). Although most firms have not yet embraced BPM's full potential, many should consider a suite-based BPM paradigm (versus point solution) to minimize the redundancy of schema and metadata (and resulting disconnects) inherent in multiple solutions.

During 2002, Global 2000 organizations will continue to choose point solutions and suite products to fill out components of an analytics platform, on a trajectory to embrace BPM. By 2003/04, firms will increase implementations of solutions that embody the BPM concept and will move to suite solutions to provide a closed-loop life-cycle approach that includes metrics, reporting, and planning. Many organizations will consolidate disparate platforms as part of IT portfolio management to favor suite solutions and increase deployments from ERP and best-of-breed vendors. By 2005/06, organizations that have implemented BPM solutions will have enabled improved decentralized management approaches, being able to more effectively improve speed of reaction to economic and competitive pressures.

Within most global organizations, performance management has been traditionally accomplished through a joint effort between finance and line-of-business (LOB) organizations, with the line manager disconnected from the automated performance management process. A main issue is often how to take core financial management and make it relevant to LOB managers. Firms must extend planning to business drivers (including the forecasting of forward variances) to enable a more prescriptive business planning approach. Organizations should adopt a more participative approach to performance management, where line managers are critically linked to results and business planning processes with an approach that will breed management buy-in.

META Trend: During 2002/03, ERP vendors will increase their application footprint by delivering major extensions (e.g., supply chain planning, CRM), while differentiable component applications (e.g., business planning) continue to add value. Through 2003/04, smaller organizations and divisions of large companies will complete wholesale ERP replacements, with few best-in-class extensions. By 2005/06, ERP vendors will move beyond inbound SOAP calls and embedded links to third-party services by offering commercial Web services.

In addition, collaboration on performance measurement should extend beyond the enterprise to the value chain (e.g., suppliers, partners) to enable strategic performance management through access to information, metrics, and forecasts that transcend organizational boundaries. For firms to remain competitive, the goal must be continued predictability in forecasts and results, closing the gap between control and point of responsibility. Finance should never be the sole performance management-focused enabler; rather, it should be responsible for an accurate results view, with line management responsible for performance against enterprise business plans.

Web-based business intelligence solutions can provide a significant opportunity for organizations to improve business control over their operations. Within the category of business intelligence, analytical solutions often address specific horizontal functions (e.g., financials, CRM, SCM). BPM is another category of analytics that can encompass many functional areas and enable an improved management approach to a decentralized enterprise. Although this term has been around for many years, a newer paradigm has developed that addresses a closed-loop life-cycle approach.

In prior research, we have defined the components of financial BPM (see ADS Delta 1098), including financial reporting (e.g., local/regulatory requirements), management reporting, financial consolidations, inter-entity transfers, business planning, business modeling, and scorecards and dashboards. These applications form the basis of a BPM solution (which is often further developed to include CRM and SCM analytics), but until recently, organizations have taken a piecemeal approach (i.e., evolving to a BPM platform often through self-integrating best-of-breed [BOB] tools). As a result of this component approach, organizations typically deal with disconnects of information (e.g., actual results reported in a business planning solution versus an OLAP or financial reporting tool) due to the use of different data rollup, translation, and consolidation processes. An organization that takes a BPM approach to these processes will better plan the portfolio of analytical applications to ensure that integration can be effectively optimized across point and suite solutions.

Companies have many BPM alternatives from leading BOB and ERP vendors. Although organizations can assemble an integrated solution from several point solution vendors, we believe the best approach is to evaluate solutions from suite vendors (e.g., Cognos, Hyperion, Comshare, Longview, SRC), along with the analytical solutions from a firm's ERP vendor. While many BOB vendors have application linkages to various ERP solutions (and must be ERP-agnostic to play in this space), organizations must understand the effort to integrate these solutions and the impact on frequent updates to support information performance updates, as required. The leading ERP BPM solutions are from SAP, Oracle, and PeopleSoft. Some vendors (e.g., JD Edwards, Lawson, PeopleSoft) rely on components from analytics partners (e.g., Hyperion, Business Objects), and organizations should consider the integrated performance approach that these companies can offer. As firms require more real-time performance information, they must consider the level of effort to consolidate results into an analytical suite solution versus sourcing critical real-time performance information from production ERP databases.

Many global organizations deal with disparate ERP solutions and are often challenged with consolidating this information and providing effective tools to manage the organization. A BPM solution can mitigate the need to adopt a single-instance enterprisewide ERP deployment by ensuring a common approach to results management and planning (see Figures 2 and 3).

Bottom Line

Organizations should develop an approach to evaluating business performance management solutions in a context that leverages similar architecture, information schema, and metadata to ensure consistency.

Business Impact: By providing a closed-loop solution to business performance management and removing the financial "fuzz" around performance management, organizations can enable the management cycle of developing metrics, creating business plans to ensure performance, measure performance, and reforecast to put performance back on target.

Figure 1 — Business Performance Management (BPM) Defined

The following is a definition of business performance management and the typical requirements for a solution:

- ▲ An integrated set of analytical applications that sit on a business intelligence platform which provides management information (including real-time, when required). The solution or the platform may or may not be proprietary to a single vendor (i.e., vendors may partner or use other products to bring a BPM platform to market).
- ▲ The performance management life-cycle process includes setting a metric, measuring performance to that metric, and developing actionable business plans to guide future performance.
- ▲ To have a BPM suite, the solution should have financial BPM (financial reporting, consolidations, and business planning) as the center application, with the ability to build out CRM, supplier relationship management, and other enterprise applications (typically through partners) within an integrated platform.
- ▲ The suite (or extended suite) should leverage similar schema and metadata.
- ▲ An end user may assemble a BPM solution from multiple vendor products.
- ▲ The delivery (typically Web-based) should enable a decentralized management approach.
- ▲ The medium for delivery may include balanced scorecards and/or dashboards, but could be as simple as an actual to budget report. The solution, however, is typically a set of tools (reports, budgets, dashboards) aimed at management.
- ▲ Delivery can and should be through integrated constituency-focused portals.

Source: META Group

Figure 2 — Continuum of Financial Management Architectures

We have observed the following five major categories of organizations from an ability to effectively leverage a centralized management approach to a decentralized organization:

- ▲ **Nirvana:** Single-instance ERP, embracing BPM
- ▲ **Utopia:** Multiple instances of same ERP, common chart of accounts (COA), embracing BPM
- ▲ **Right direction:** Multiple ERPs, common COA, embracing BPM
- ▲ **Mainstream:** Multiple ERPs, different COAs, embracing BPM
- ▲ **Needs improvement:** Multiple ERPs, different COAs, no BPM

Source: META Group

Figure 3 — Evolving to a BPM Platform

To achieve a BPM initiative, organizations must take the following steps:

- ▲ Leverage an integrated financial BPM suite
 - ▶ Deploy an integrated solution for financial reporting, consolidations, business planning, and business modeling
 - ▶ Create linkages between financial and BPM processes
- ▲ Adopt a centralized, unified approach to management and reporting
- ▲ Align performance measurements with organizational strategies and objectives
- ▲ Focus on operational efficiency to better use corporate resources
- ▲ Balance performance measurements
- ▲ Manage the interdependencies of business decisions, linking workflow to decision processes
- ▲ Support globalization
 - ▶ Determine appropriate ERP, instance, and financial BPM architecture
- ▲ Embrace enterprise business planning — integrate BPM solutions with dynamic and decentralized planning processes
- ▲ Enable a continuous performance management process
 - ▶ Develop KPIs, “tier” it, communicate it, measure it, react to it
- ▲ Improve communication and engage partners to support more collaborative management styles and value chains

Source: META Group