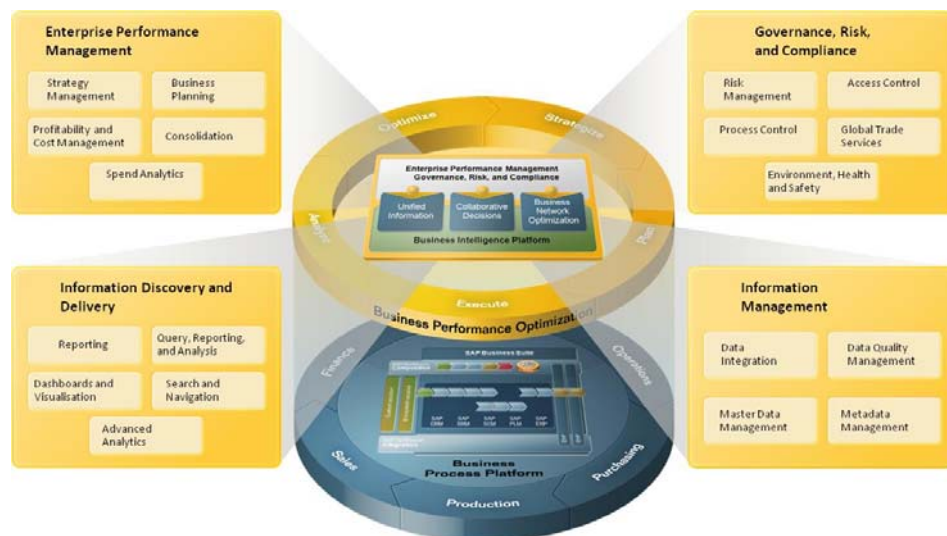




EUROPARTNERSHIP WHITE PAPER DIGEST

Avoid common pitfalls when implementing Enterprise Performance Management



Implementers of Enterprise Performance Management s can learn from earlier performance management programmes

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Summary

SAP have released “Enterprise Performance Management” in response to customer demand for a strategy planning and monitoring suite that is integrated within their solution.

Enterprise Performance Management is designed to underpin a way of working and managing within a “virtuous circle” that ERP and BI solutions cannot support.

SAP users can now integrate: Strategic Planning; Performance Reporting; Financial Planning, Consolidation & Budgeting; Internal Process Alignment; Project and Programme Management; Risk Management and People and Rewards Management. Software alone cannot deliver performance improvement, growth and profitability. The opportunity exists, however, to improve performance and profitability and create demonstrable competitive advantage.

Working in the Boardroom presents new challenges for IT and programme implementers. In order to optimise the investment in software, a new approach to managing the business is needed. For those facing this challenge there is encouragement along with practical tips and learning - from the experiences of others in this paper.

This digest is one of a series aimed at optimising use of SAP Enterprise Performance Management.

Order the full White Paper, including case studies, and a list of others in the SAP EPM Implementation Toolbox series from: john.shuttleworth@europartneship.com

Why Enterprise Performance Management Matters

Performance Management has underpinned some radical improvement in business results, nimbleness and responsiveness - by giving people the right information, in the right context, and in a timely manner. Good managers are empowered to make better decisions, sooner. Performance Management lifts the organisation's capabilities as people focus their attention on ways to improve personal and team performance. Feedback and evidence based information about the state of the business helps executives and managers work more effectively.

Enterprise Performance Management (EPM) provides a framework for setting objectives across a business that are aligned to corporate strategy and goals. Facts based reporting and monitoring in context increases the organisation's chances of delivering these goals. Elements of successful Performance Management implementations include:

- strategy and business planning linked to budgeting and risk management;
- strategy maps, dashboards and scorecards;
- on-demand drill down queries and analysis.

Enterprise Resource Planning (ERP) systems are vital sources of data for performance management solutions – but not on this list. Ventana Research conclude that transaction systems are designed to collect information systematically and efficiently but not to analyze it – and whilst Business Intelligence (BI) software allows companies to make better use of that information, they are not the answer.

Two Common Mistakes

EPM guides employees, partners and suppliers in meeting goals and objectives. Each element needs data from transaction systems transformed into business information. Two interrelated mistakes are prevalent according to Ventana Research: choosing the wrong software; and not having enough of the right information. Projects that began by using inappropriate software fall short of their potential – and neither ERP nor BI support business planning linked to monitoring and assessing results. Managers widely complain of “not having the complete picture” - and needing more information on “how well they are delivering objectives, more forward-looking indicators and more information about external factors (such as competitors' results)”.

Ensuring Success

The quality of an Enterprise Performance Management is determined by the preparatory work. Ventana Research has identified 5 factors common to successful implementations:

1. A cross-functional committee that involves all stakeholders, including IT, from the start. Business requirements determine the technology and not the other way around.
2. Talking to others who have already done it. Ask what has worked and what mistakes they made.
3. Knowing what information you need. Performance management means breaking with the past. Ensure your software can access, analyze and deliver information from a broad data set.
4. Future proofing. Many performance management initiatives start small but grow quickly to address long-range performance goals and objectives – with commensurate requirements for data.
5. Support from senior executives. Without senior-level sponsorship and understanding of the strategic importance of the effort, it is impossible to get optimal results.

Information from Multiple Sources

Once the organisational conditions are right for implementing Performance Management, the underpinning system needs a plethora of information. Unfortunately, many companies do not collect all that they could – and less often present and use what they have to underpin performance management. Organisations need more than historical and financial information. The Balanced Scorecard movement began as an approach that could take organisations beyond financial goals alone - and allow them to encompass other key performance related objectives. Focusing on accounting data alone has been shown to be harmful to some companies' long-term prospects. To be truly effective, performance management initiatives need to draw upon a range of enterprise systems, including custom applications and external data. Research reveals that a majority of companies are still not optimising non-financial information available in their ERP systems – and that larger enterprises continue to use multiple ERP solutions. Performance Management systems should directly access reliable and consistent data quickly, working back from requirement to source.

Different Systems, Complementary Roles

The introduction of ERP systems brought consolidation of business functions: financials, manufacturing, inventory and supply chain management. Combining elements brings benefits: eliminating multiple user interfaces, easier integration of processes for efficiency and responsiveness and cutting maintenance. Data is collected in a consistent fashion. Many companies mandated that their ERP system be used “for everything.” Research reveals that 62 percent still use standalone legacy applications for finance – and an even higher percentage for performance management, BI and analytics systems.

ERP, customer relationship management and supply chain management systems do a great job of collecting accounting while managing transactions. They do not, however, readily transform this data into business information. This shortcoming gave rise to Business Intelligence systems - broadly speaking the information that people need and use to accomplish the work they do. BI software gathers, stores, accesses and analyzes data collected from transaction systems, people can understand situations better and make better decisions quickly. BI analyses and reports on performance. Ad hoc analyses are found in all organisations answering specific questions. Until a few years ago almost all reports were printed on paper.

ERP systems have absorbed much of the IT budget and available resources for the last two decades. Executives and Managers have sponsored transaction processing at the expense of systems to help them directly with strategic performance management. In the post Global economic crisis era, with its emphasis on broader objectives such as Corporate Governance, Risk Management and sustainability, Enterprise Performance Management is an imperative. It is also about time that IT leveraged ERP investments into the Boardroom for the greater good of the organisation, its stakeholders and investors.

Europartnership delivers high quality support designed to improve organisational performance through consulting, facilitation and training in strategy development, performance management and Balanced Scorecards. Our approach is to work in partnership with clients to establish continuous improvement programmes – adding value by knowledge and skills transfer.

Our mission is “to equip organisations to improve performance”

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