Strategic Considerations for Evaluating Enterprise Performance Management Solutions

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Perspective

As companies face market pressures, business models are changing and requirements for agility increase. But in the face of these changes some things also remain the same: shareholder accountability, market expansion, and optimized cost and profitability. Access to strategic information becomes more important than ever. Transactional processing requirements have been largely met, and most companies need an agile performance management strategy for providing information to business users in support of more effective decisions. Moving forward, organizations must align their IT investment strategies with rapidly changing business drivers and objectives, and must position themselves to take advantage of the rapid pace of technical evolution. It is essential to choose strategic vendors that can keep pace on both fronts.

The Value of Information – an Enterprise Performance Management Strategy

Enterprise Performance Management (EPM) solutions are defined as a set of solutions that monitor performance and deliver metrics, plans, predictive analytics and flexible reporting capabilities to support better business decisions. These solutions are distinctly different than transactional applications that support day to day operational requirements. EPM is a comprehensive platform of solutions and technologies that integrate organizational data from multiple sources and provide business users with support for decision making to improve business performance. The current market for EPM solutions has changed significantly in the last several years. This market has moved from singular point solutions provided by many vendors, such as financial consolidation or planning and budgeting, to fewer vendors providing a suite of EPM products. There has been further consolidation across the Business Intelligence (BI) and EPM landscape, as the platform capabilities of BI are critical for EPM as well.

The most recent wave has been heavy market consolidation by a few large vendors. The major ERP vendors have all made significant acquisitions, intended to enhance or replace the EPM and BI solutions previously developed in-house. The large best of breed vendors deliver purpose built BI and Performance Management solutions, combining focus and muscle to deliver next generation EPM solutions. And rounding out the market are smaller vendors that may cater to a certain company size or industry segment.

The result of consolidation is a market clouded with misleading, and sometimes overstated, vendor claims. This has served to confuse end users evaluating solutions, just at the time when an EPM strategy is so important. In particular, ERP vendor strategies have caused the most confusion to organizations looking to broaden their EPM strategy, as massive acquisition has resulted in overlapping solutions, questions about longevity and support, and lengthy product roadmaps laying out future direction.

It is important to consider these dynamics and separate hype from reality when evaluating and selecting a solution for EPM. The potential penalties for selecting the wrong solution - rework, replacement, lack of business agility and IT credibility - are steep. Companies must go the extra step to perform due diligence in the evaluation of respective vendor capabilities to support both the near as well as long term direction of a strategic solution for the organization. While evaluation of solutions from the incumbent ERP vendor seems a logical step, organizations shouldn't assume that these solutions will automatically meet their needs or generate the most value.

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The Impact on Application Strategies

Application strategies embraced by companies have vacillated between enterprise vendor alignment and best of breed solutions. With the consolidation in the market, the large ERP vendors have seemingly created a one stop shop for meeting the needs of organizations. However, being everything to everyone is not without flaws, and the reality is that the more strategic the business needs, the more best of breed vendors have the focus and innovation that may best meet those needs.

This is particularly evident when considering the ERP transactional backbone versus the EPM requirements for decision support, analytics and managing performance. The value of ERP standardization lies in leveraging best practices across repeatable process such as accounting and logistics. Performance management in support of a strategy to compete and differentiate is anything but repeatable in the face of competitive pressures. More and more organizations are realizing that the next stage of strategic technical investment lies in unlocking the value of information and supporting performance management and optimization initiatives.

Therefore, choosing a vendor must be based upon meeting business needs and the urgency for competitive differentiation and business agility, and not on vendor incumbency. The market for EPM solutions is growing rapidly, fueled by the needs of organizations that have invested millions in transactional systems. Despite this investment, companies still lack strategic insight and the ability to put information to work for the organization. It's a mistake to cut short the evaluation process for EPM solutions in favor of vendor alignment mandates or perceived future integration benefits.

When evaluating solutions, look for real life examples of an 'end to end' platform, and not just a road map.

Executing an EPM strategy – selecting a vendor and solution

Given the importance of an EPM undertaking, there are several considerations for selecting a solution. Most important is realizing that a platform for performance management is a strategy and IT direction unto itself, and should not be tied to technology decisions regarding back office ERP applications. EPM reaches a whole new class of business users whose needs must be met in order to embrace the solution and realize organizational benefits. Organizations should consider the following guidance to ensure the solution is the right fit for their organization.

EPM solutions represent a strategic investment that should 'complement' enterprise applications

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Investing in EPM solutions is top of mind as organizations strive to differentiate themselves in the competitive landscape today. As transactional back office solutions have matured, organizations have turned their attention to the strategic use of information to improve decisions and ultimately performance. For example, many companies want to improve planning and budgeting, typically spreadsheet based processes that are disconnected from the information infrastructure of the company. This area is ripe for automation and provides a foundation for managing performance. As organizations implement EPM for planning and budgeting, a framework for management information emerges and relevant operational information is pulled from disparate operational systems and presented in the context of performance, and not transactions. EPM solutions extend to areas such as strategy management and profitability reporting, and provide the foundation for transforming information into a strategic asset.

This transformation of information and support for managing performance requires capabilities that have evolved into the EPM solutions of today. Best in class EPM solutions are a unified and integrated platform of performance management applications and business intelligence (BI) capabilities that complement the enterprise architecture of the company, drawing information from a multitude of sources and presenting that information in a decision support context.

A true complement to enterprise systems requires the EPM vendor to have a solid strategy for managing the end to end process of information integration, process support for business functions such as consolidation, planning and forecasting, and profitability management, predictive analytics and information delivery. Vendors that have built native capabilities with this in mind are ahead of the curve, while those whose strategies are based predominantly upon acquisition and roadmaps for integration are early on in the process. When evaluating solutions, look for real life examples of an 'end to end' platform, and not just a road map. An EPM solution that complements the enterprise architecture, demonstrates the ability to meet current and evolving business requirements will provide a foundation for success.

Don't lose sight of key enablers of success

There are three key categories of technology enablers for an EPM strategy. These are 1) User empowerment; 2) Agility and 3) Scalability.

User empowerment - The ease of use of an EPM solution can make or break its success. It is important to bring in end users that may be at arm's length from current transactional systems to evaluate ease of use. This does not mean simple navigation of screens and functions, but also the ability for end users to tailor the EPM system to meet evolving needs without IT involvement. This requires intuitive, self-service capabilities, including the ability to

- maintain and adjust structures within the solution to keep pace with change;
- explore and analyze information from multiple sources;
- build scenarios and models to support 'what if' analysis;
- use familiar, yet integrated tools – such as spreadsheets;

Change is the new standard, and evaluating business user self-service capabilities is an important aspect of selection. Determine and evaluate ease of use capabilities within the context of end user efficiency, measuring how these capabilities save time and increase accuracy.

Agility - Successful EPM implementations inevitably lead to increased requirements throughout the enterprise, as business conditions change and call for broader decision support across the enterprise. While initial requirements may be departmentally focused in an area such as finance, consider in the evaluation the longer term vision for the solution. Can the solution support an integrated process that encompasses multiple levels of users? As an example, budgeting activities at the corporate level requires a set of capabilities that drive a top down budget process, while at the same time, operational users need to contribute to the budget process using the solution in an operational context. Testing the ability for users in different roles to use the solution to contribute to the performance management process can be a meaningful measure of the agility of the solution.

Scalability: The ability for a solution to scale is important to long term success. Scalability can be driven by increasing numbers of users as well as the level of detail information being processed to achieve analytical flexibility and insight. As organizations begin to analyze information at the business unit, product and customer level, the underlying data processing requirements grow exponentially. Ask the vendor for benchmarks of handling a similar level of data requirements and concurrent users, or perform a proof of concept in a key area. An inability to expand to meet broader information and user requirements puts the success of the solution at significant risk.

View EPM technology decisions in the context of business user needs

The evaluation of an EPM solution should be driven by the ability to meet business user needs while technically managing information in a consistent manner to achieve enterprise insight and adaptability. The business users that are part of an enterprise wide PM strategy are typically not involved in day to day transaction processing. Instead they are involved in processes to manage the business that are loosely linked to corporate strategies and targets, financial and operating plans, and lack reporting and analysis capabilities.

Serving the needs of business users and providing the analytic and modeling capability to make better and faster decisions, are key drivers of the evaluation of an EPM system as an enterprise platform. While this vision may not be achieved overnight, organizations must consider the long term vision in the selection process. EPM applications such as budgeting or consolidation may start out as a list of finance driven requirements that may fit into the company's IT direction today. However, failing to look at how the business requirements will evolve into broader management reporting needs, and match those needs to technical requirements, could result in an EPM initiative that has to be reworked, or re-implemented, down the road. Avoid this risk by evaluating the solution's ability to evolve to meet the business vision of the enterprise.

Integration has new meaning within the context of EPM

True decision support must consider information in all enterprise systems as well as beyond corporate boundaries. Intelligence comes from the ability to extract information across sources, harmonize that information at the meta-data level to ensure consistency, apply decision support processes such as forecasting and predictive analytics, and deliver consistent reports to all constituencies.

The ability to analyze heterogeneous information that is brought together in a business context is one of the most important features for success of an EPM solution. This requires information integration capabilities that are more than just an interface that must be customized, but are broad enough to normalize information across the EPM platform and ensure data quality.

Integration should be assessed further in terms of the ability for applications within the EPM environment to access that same data and integrate with each other in a seamless fashion. As data structures change, this should not be application specific, but should be reflected consistently through the solution set. Evaluate the solution for common capabilities that should be shared by the applications within the solution platform, such hierarchy management and allocation capabilities, among others. A measure of success of an EPM solution is the increasing use of the capabilities of the system by business users. This is facilitated by seamless navigation across functions, and consistency of tools and information.

In the face of heavy market consolidation, it is important to assess the current level of integration as well as the product roadmap, and needs may be best met by an application-independent vendor.

Keep an open mind when selecting a vendor

As EPM and BI become a mandate for organizations, the opportunities for vendors have increased, and many have jumped on the bandwagon as evidenced by market consolidation. This has resulted in a group of vendors that can provide a broad range of solutions to their customers. These vendors discuss the benefits of a single software vendor strategy, and may promote their newly acquired solutions as the easy and obvious choice. Many times, companies with IT vendor mandates will even purchase EPM software from their preferred vendor without any comparative analysis at all.

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It's a mistake when evaluating a long term EPM strategy to only consider solutions that fall under the umbrella of a broad IT mandate. The most important assessment of the solution should be driven by strategic business requirements. . Given the consolidation in the market, the ERP vendors in particular have acquired a portfolio of EPM solutions. Current customers of both the ERP as well as acquired vendors suffer uncertainty with regard to the migration strategy of products they may have implemented, and the impact of the long term product roadmap. It is difficult to evaluate a solution against business requirements when it is evolving. Automatically assuming migration may result in the wrong solution for the long term. The market for EPM solutions is at an inflection point, with acquired solutions being rationalized and the end game unclear. Even if the roadmap outlines a migration strategy for the future, there is no silver bullet. Applications may fall into a 'maintenance only' mode, or may require organizations to embark on a significant upgrade strategy. There is a risk that solutions in place today may have to be reworked or re-implemented, perhaps at the expense of key functionality and increasing the total cost of ownership.

Now is a perfect opportunity to take a step back. Organizations serious about an EPM strategy should evaluate a broader set of solutions and their ability to meet business requirements today as well as potential business requirements for tomorrow.

Making the Right Choice for Your Company

Changing economic conditions and business models challenge an organizations ability to achieve competitive advantage. Organizations need greater insight into information and effective decision support processes. The question isn't whether to implement an EPM solution, but how to determine the best complement of process and technology to meet evolving enterprise performance needs in order to reach the next level of competitive advantage.

Streamlining the IT portfolio makes sense, but is not necessarily achieved by limiting solutions to those from a single vendor. A strategy that leverages a few best-of-breed vendors that have expertise with a particular initiative may make the most sense if it meets business requirements and longer term vision. This will result in greater IT efficiency and lower cost in the long run.

Particularly in the area of EPM, a successful solution must have organizational reach. It is important to look at application independence, the ability to work across disparate information architecture, and the ability to provide strategic capabilities to a broad set of end users. With a multitude of vendors vying for a share of this market, it's difficult to separate fact from fiction. Ensure that the evaluation process goes beyond marketing spin and vendor claims, and surfaces real issues and facts.

The evolving business climate will reveal those enterprises that have invested in a sound EPM and information management strategy. Moving to a next generation EPM solution is a significant step forward and companies must enable these best practices or fall by the wayside. Moreover, EPM solutions will continue to evolve and smart companies will make investments that will enable a truly sustainable competitive advantage