

January 1, 2007

Technology: january 07

By Jeffrey Marshall

When Will a BPM 'Tipping Point' Accelerate Its Use?

by Jeffrey Marshall

Apart from the very largest multinationals, use of sophisticated business performance management systems is relatively low. But the software has risen to a high priority among IT managers, and this year may see a surge in implementation.

For all the talk and vendor marketing pieces pushing business performance management (BPM), with its promise of integrated data and dashboards, powerful analytics and ability to connect financial and planning applications, there are still a lot of CFOs and chief information officers (CIOs) who apparently need convincing.

Tom Manley, senior vice president and CFO of Cognos Inc., one of the BPM software market leaders, told an investor conference recently that “market opportunity” penetration appears to be no more than 20 to 25 percent. Cognos itself claims that 80 percent of the Fortune 1000 use its products, and archival Hyperion Solutions Corp. can claim similar numbers. But, despite solid growth in the market, there hasn't been a “tipping point” that has turned mass prospects further down the food chain into mass converts.

It's common for vendors to trot out press releases underscoring the percentage of financial executives who want more robust and more accurate information, or who distrust some of the data that crosses their desk. But those surveys haven't yet translated into a surge in momentum for BPM. While the causes vary, analysts, consultants and vendors identify some common themes:

- Cost and time. Generally, business intelligence (BI) and, more recently, BPM solutions have been costly to license, time-consuming to implement and difficult to assess in terms of payback. While some companies have had made that leap, others have been sitting on the sidelines, unsure of the cost/benefit equation.

“Performance management systems' high license fees, ongoing maintenance and lengthy and expensive implementation cycles have limited this software's reach, particularly among mid-sized companies,” noted Adaptive Planning CEO William A. Soward in the November 2006 issue of Business Performance Management.

- Distractions created by compliance issues and the incessant demands of quarterly reporting. “Occupied with responding to the regulatory pressure of the Sarbanes-Oxley Act and the never-ending quarterly and annual close efforts, organizations have been slow to take proactive steps to improve management processes,” noted Ventana Research in a report last year.
- Demand for the sophistication that BPM applications provide. “For many companies, the ability for large numbers of managers to easily and accurately assimilate, analyze and share information — to use it to make informed decisions — simply hasn't matched the need,” wrote Soward in his article.

Survey after survey of business processes shows a continuing — and for many, a head-scratching — reliance on spreadsheets, despite all the advances displayed by BPM applications. The fact remains that spreadsheets are deeply embedded in work processes, and many companies haven't yet been persuaded that the Holy Grail of better information requires buying BI or BPM applications.

Still, the seeds for a more robust BPM market may have been sown for 2007. Sarbanes-Oxley compliance headaches are waning, and it's become increasingly evident in research by consultants like The Hackett Group, the benchmarking experts, that top-performing companies are moving beyond spreadsheets and relying more on integrated data and analysis.

Moreover, a number of marketplace surveys show that BPM has risen high on lists of projects championed by CIOs, up to first or second on IT priority lists, notes Cognos' Manley. Two years ago, those applications were down at number six or seven, he says, adding that BPM looks to be "a strategic choice for organizations in the near future."

Willingness to spend is certainly a key decision point, and research reports argue that organizations that spend more on BI and BPM technology are more efficient and better-informed. "World-class finance organizations rely more heavily on technology than typical companies, and use it to automate transactional activities and drive down costs and staffing levels, while also improving information access," noted Hackett in its Book of Numbers research. "For example, managers at world-class finance organizations are more than two times as likely to be able to access reports online."

David Pleasance, a partner at Deloitte Consulting who works with clients on BPM implementations, says that costs are certainly an issue, and that many companies may also be postponing BPM installations because they are concerned that they need to upgrade enterprise resource planning (ERP) systems first.

Pleasance, who also chairs a subcommittee on CPM (corporate performance management, a common synonym for BPM) for FEI's Committee on Finance and Information Technology (CFIT), believes that the benefits offered by BPM outweigh any duplication or retrofitting costs involved with an existing ERP system. "There's a sense that the ERP needs to be perfect, but there's no such thing as a steady state"; company business models and imperatives are always changing, he says.

An obvious case for BPM comes in financial reporting — creating a quicker and more accurate close, and doing more accurate forecasts using financial and operational data. But the continued reliance on spreadsheets undermines those efforts. Cartesis, a French-based BPM provider with a significant market presence, maintains that fully 70 percent of companies still use spreadsheets as their core planning and forecasting application.

"Corporate finance executives are under tremendous pressure to produce better reports and forecasts for management, their boards of directors and, of course, regulators," notes Kathleen Wilhide, research director for Compliance and BPM Solutions at research firm IDC. "Accuracy and auditability requirements are moving companies to adopt information management initiatives that drive consistency and reliability and replace manual, spreadsheet-intensive reporting processes... While spreadsheets will probably always be part of the reporting process, companies should strive to build a single source for trusted financial information, while integrating a more controlled use of spreadsheets."

Pleasance doesn't think that "there's anything in Excel that is so compelling." Change management is critical, and moving beyond a reliance on Excel becomes one of the hurdles to overcome to successfully introduce BPM, he says. "If there's a compelling business proposition, it's worth getting over that hurdle."

He, too, sees a distraction created by Sarbanes-Oxley compliance. “We’ve found that people are looking at issues in isolation,” he says. “As we think about SOX, we need to put in both financial processes and those processes for monitoring and improving performance. People haven’t tended to look at it that way. A more holistic view is needed.”

The Link to Planning

World-class finance organizations emphasize the linkage of financial and strategic planning to day-to-day business operations. According to Hackett, world-class finance organizations are more than twice as likely as typical companies to have fully integrated planning and budgeting processes, and have stronger overall alignment between strategic objectives and the budget — largely the result of robust BPM systems.

“To generate truly usable and accurate information that can be broadly applied for decision-making, a number of things must happen,” wrote Adaptive Planning’s Soward. “First, data must be pulled from multiple sources. In most companies, managers are unable to pull all the information they need out of a single financial report or accounting system. Usually, data must be aggregated from ERP, customer relationship management (CRM) or supply-chain management (SCM) applications, departmental databases and other data stores located throughout the enterprise...

“To create this information — to achieve their BPM objectives — enterprises have historically had two options: personal spreadsheets and centralized business intelligence systems,” Soward added. “Neither of these alternatives has proved ideal for the average midsized company.”

Not that large companies are doing swimmingly on data-driven decision-making, either. “Our research so far indicates that there are some glaring disconnects in this area — respected companies making bad decisions for bad reasons more often than people realize, and the effects ripple throughout the enterprise,” says Donovan Neale-May, executive director of the BPM Forum.

“Companies spend too much time on budgeting, and not enough on planning,” says Robert Kugel, senior vice president at Ventana Research and a noted BPM expert. “It’s not the same thing. Spreadsheets force you to combine planning and budgeting, and that’s a bad thing because then it’s mostly about the budget.”

More Bells and Whistles

There’s certainly no shortage of product development going on. Hyperion, for instance, has continued to add bells and whistles to its sophisticated BPM offerings, and its latest release, Hyperion System 9.3, offers several new features, including a new Data Integration Management module that integrates Hyperion applications with ERP systems like SAP Netweaver and IBM Websphere and other transactional systems.

Cognos, for its part, brought out its Cognos 8 platform slightly more than a year ago; it combines query, reporting, scorecarding and data analysis in one product. CFO Manley says the company “has a vision for taking this to enterprise-level BPM. Integrating this platform into analytic applications will be key.”

Cartesis, meanwhile, claims to be “the only software vendor that provides a performance management suite built on top of one secure Integrated Data Model — unifying strategic, financial, operational, tax and legal information.”

Adaptive Planning is pushing a hosted, Web-based BI and BPM application that it believes makes sense for mid-sized organizations, offering simplicity and flexibility at a far lower cost through a “software as a service”

(SaaS) model. Kugel agrees that for some companies, that may be a worthwhile product, “if they don’t have the IT resources. It can be especially useful in any kind of situation where you have a highly distributed organization, where they have to collect and distribute information.”

What could drive the BPM market higher? Perhaps something as simple, Kugel says, as “the recognition that this is an unmet need. Largely, that’s a function of folks not recognizing that they could do better.” That’s certainly not rocket science, but it really is a matter of breaking old habits and entertaining new thinking, and that’s not always something that finance executives — many struggling to stay afloat in a raging sea of deadlines and regulatory pressures — have had time to consider.

Kugel adds that research shows that companies “grossly under-use ERPs. They’re not aware of the capabilities a system has. No one in finance believes it is the finance organization’s job to find out how to use it.”

He argues that it should be part of the CFO’s and controller’s job “to put together a steering committee involving finance, lines of business and IT to figure out how to get better results with the [systems] they already have.... There’s lots of operating data that is sloshing around unused.”



[Click here for copyright permissions!](#)

Copyright 2007 Financial Executives International