

THE BUSINESS VALUE OF ENTERPRISE PERFORMANCE MANAGEMENT

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Introduction to Enterprise Performance Management written by Martin Butler
Industry Perspective from: Jedox

Introduction to Enterprise Performance Management

Senior management in most organisations live on a fairly refined diet of high level information - they are typically not interested in individual transaction details or process glitches. The high level view they seek through information has often been hard to achieve. While the data usually sits somewhere in the organisation it is often hard to access, aggregate, consolidate and report on. Enterprise Performance Management (EPM) aims to address these and other problems associated with the processing of high level information.

Due to the long history of attempts to address this problem the terms used have become plentiful and confusing. Enterprise Performance Management (EPM), Management Information Systems (MIS) and Executive Information Systems (EIS) are just some of the terms used – we will stick to EPM since it has widespread usage at the current time. There is also a misconception that EPM can be delivered as a packaged application in much the same way that an Enterprise Resource Planning (ERP) system can. While virtually all organisations have to process sales, purchases, HR and financial data, the EPM needs of an organisation are often very specific.

The best EPM solutions are those that provide a rich set of tools which allow management to create a set of processes and reports to meet their own individual needs. The planning, budgeting, forecasting and control activities that provide the structures within much senior management activity takes place need to be fully supported. EPM has become a more feasible prospect since the widespread use of application suites. These have forced a level of system integration onto the organisations that use them which ensures most of the data required for a EPM is easily available.

We have come across a diverse range of applications for EPM systems – from simple consolidation of data from multiple operating units through to sophisticated planning systems with feedback from operational activities. Whatever your needs the key to a successful EPM implementation rests on two factors – easy access to data, and a rich, flexible toolset.

The main benefits associated with EPM are:

- Strategy implementation and progress measurement mechanisms.
- Easy to use tools that allow **management** to create a high level view of the performance of the organisation.
- A two way linkage between the EPM and operational data, ensuring plans, budgets and forecasts are updated automatically (if required) and saving considerable manual effort.
- Creation and execution of 'what if' scenarios.
- Rich graphical representation of data for faster assimilation of information and monitoring of key performance indicators (KPI).
- Automation of the information production process.

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These benefits are easily nullified if the EPM is unwieldy and complex, and particularly if IT has to support report design and production. Keeping it simple is not an option here – otherwise the costs will bite deeply into any benefits that are to be had. More advanced EPM will also support strategy implementation and measurement of progress toward goals.

The main costs associated with a EPM are:

- The EPM software and tools might account for anywhere between ten and twenty per cent of the total cost. Some options will mean that the costs are substantially lower than this.
- Training is absolutely essential if users of a EPM are to be productive and create the reports they need to run the business.
- IT support costs will vary depending on the existing levels of data integration and whether security needs are particularly demanding.
- Consulting costs will vary depending on the level of input needed to design KPIs and the report structures. Most organisations will probably make a better job of this than outsiders, but others may need help.
- Management time taken to design and implement the reports, dashboards and other types of information they need. This will probably be the largest cost, albeit usually hidden.

It should be fairly obvious that an effective EPM implementation has the ability to transform an organisation – and indeed we have seen this happen. The costs however are not negligible. A full blown EPM toolset might cost US\$100 thousand or maybe more. Users of large application suites may decide to use that vendor's offerings – and it may be the right decision. Other organisations might wish to look tools that are much less expensive – but it would be folly to buy a cheaper option if it meant much more effort was needed to make it work in the required manner.

The risks associated with a EPM should not be ignored, albeit some of them are more related to the overall IT environment:

- Poor quality data leading to misleading conclusions. Data cleaning is a large topic, and while the costs cannot be directly attributed to the EPM, the risks associated with erroneous decisions can.
- Accidental exposure of confidential information. This is always a real risk, and if concerns are high here, there should be extensive consultation with IT to ensure security is rigorous.
- Creation of an uncoordinated, unstructured reporting environment from kneejerk responses to transient circumstances.
- The EPM tools are inadequate and only support an initial foray into building a reporting system. It is fairly easy for EPM suppliers to impress with attractive graphs and report formats. Managers need to make sure that the toolset is sophisticated and able to support complex data manipulation.

In summary, the benefits of a EPM application are greater visibility and control. A EPM will formalise the reporting environment in the same way an ERP suite formalises the transactional environment. The costs can be high if not managed well, and a conscious effort is needed to stay focused on the core reporting environment. Perhaps the largest risk is associated with poor quality data, which in turn leads to flawed decision making.

What is Enterprise Performance Management?

EPM is defined by an environment where management can plan, manage and monitor the performance of the organisation. Key performance indicators (KPI) are used to facilitate rapid monitoring of the health of the organisation. These typically include financial, marketing, sales and other measures to get an overall picture. Some systems support the use of a balanced score card approach.

For a typical organisation the KPIs will cover:

- Customer data – churn, recruitment
- Finance – cashflow, spending against budget
- Sales – by product, by demographics
- Purchasing – price changes, delivery statistics
- HR – staff churn, salary costs

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The EPM will typically provide a rich reporting environment where graphics display the KPIs in an easily assimilated manner. Simple colour coding (e.g. green for acceptable, and red for unacceptable) would allow management to see problems immediately, and then drill down to diagnose the problem. The ability to drill down is absolutely essential, and some EPM suppliers provide greater capability in this area than others. Lack of functionality in this area means that management can see that a problem exists but have no means of establishing why!

In reality EPM offerings are not homogeneous. Some suppliers will focus on the planning aspect, and particularly the linkage of plans with real-time production data. Others focus on KPIs, and methods such as six sigma, or balanced score card. It pays to research the market and find a solution that fits well with needs.

A properly designed and implemented EPM environment will provide transparency of business operations and powerful diagnostic tools. A single graphic may be enough for management to establish whether all is well or not. A EPM will distinguish itself by its ability to provide supporting reports and drill down capability when problems do occur.

Just using a EPM will give management a different view on the performance of the organisation, and usually causes a reassessment of the KPIs that are used, and even on the way business processes are currently implemented.

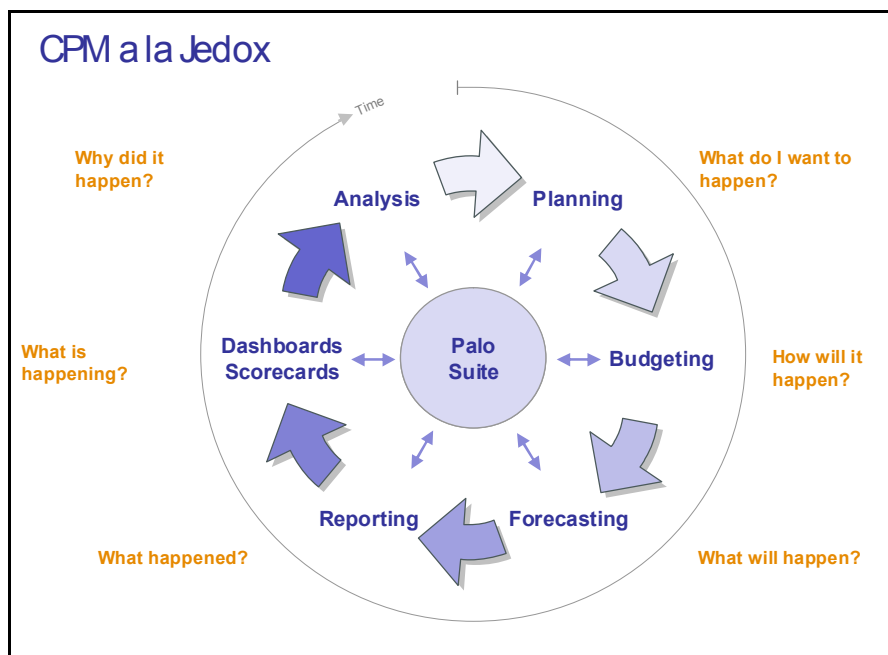
The benefit that most managers want to see manifests in the profit and loss account, and this is the ultimate measure of the effectiveness of a EPM.

Industry Perspective

Palo – From Spreadsheet to Performance Management

Over the years many terms have been used that attempt to summarize the need to collect, align, plan, analyse, consolidate, report and distribute corporate data throughout the organization. Some of the better known terms are “MIS”, “EIS”, OLAP, “Business Intelligence”, “Corporate Performance Management”, “Business Performance Management” or “Business Performance Optimisation”. The term “Corporate Performance Management”(CPM) is currently popular and seems to encapsulate the most complete vision. CPM is built on the foundation of Business Intelligence, with a series of key business processes like planning, budgeting and forecasting as the main challenges in successful CPM systems. This area is well understood by people from the finance department, misunderstood and generally disliked by budget managers throughout the company and of little interest to everyone else. However, the team charged with running the ideal solution to support the company in this area needs a solid understanding of what’s involved.

The Jedox vision of the future of CPM is simple fast and user-driven technology instead of the centrally controlled products of the past. The CPM approach a la Jedox can be easily illustrated on the below chart as CPM does not have to be complicated.



Many vendors and key influencers position CPM as an expensive and highly sophisticated solution, but it basically means managing numbers and performing basic arithmetic operations on the numbers. In CPM, the core of the PB&F process is a financial-modeling engine that has an integrated profit-and-loss, balance sheet and cash flow forecasting capability. This is the key feature that distinguishes CPM from other pure analytic applications that also could create budgets, plans and forecasts. CPM applications support the creation of financially focused budgets and plans, and should support the complete budget creation and approval process with

appropriate workflow that enables users to define and control the flow of budgets, plans and forecasts for review and approval. These applications should also keep an audit trail of changes to budgets, plans and forecasts.

Once this future oriented process has been established the process of looking on the historical data with Reporting, Dashboards, Scorecards and Analyses will start.

From experience we also know that the way of doing CPM is very different from organization to organization. This explains why there isn't and will never be a defined standard solution for CPM. This makes CPM quite different from ERP or CRM. Even competing organizations in the same industry build very different CPM solutions suited to their specific needs. Indeed in some cases, such as the retail industry, details of the CPM system design are regarded as proprietary information that gives the company a competitive advantage. It seems that in the same way successful organizations each have their unique way of delivering value to the customer, they also have to model their individual CPM solution to get the most value out of their various corporate data sources. So the question is "How can Palo and the unique open source for CPM approach help to better run this critical process?"

Open source is more than just free software. It defines a new relationship between the user and the software provider based on openness, fairness and transparency. Palo does not come with hidden costs or arbitrary license fees. Instead the users only pay for the services they require, which are priced in a straightforward way.

As there are different approaches to a business and different business models, there are different needs to Performance Management in companies. Therefore Jedox has designed a flexible CPM solution, which is easy to adapt to the business needs.

PUTTING THE USER FIRST

The expertise needed to find the right CPM solution for a given company comes from the business users. Performance Management is an information technology, but IT departments usually lack the expert business knowledge needed for modelling and design. Instead, business departments such as finance and controlling, sales, marketing, and manufacturing have the expert knowledge, but not the technical skills for data modelling. Requirements for CPM solutions change continuously. If the IT department is responsible for modelling, implementation is often delayed by the feedback cycles between business users and developers.

As a result, business users need to take a leading role in building and managing successful CPM solutions. IT departments do come into play when it comes to technical issues such as data acquisition from ERP, CRM or other IT managed data sources or providing IT infrastructure for the CPM solution such as server hardware, networks, installation, and so on. Finding the right balance

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between IT and business users is the key to a successful CPM initiative. Software that requires a minimum of IT involvement makes it easier to find this balance.

Finally, today's CPM solutions are available to only a small portion of their potential users. Many companies have CPM solutions but in most cases they are only made available to a small number of employees. The relatively high license costs of today's BI & CPM solutions are one important reason for the limited spread of CPM solutions. Significant training and installation costs for new software as well as poor data integration to Microsoft Office applications such as Excel also explain why today's CPM solutions are still unable to leverage their full potential.

PALO SUITE OVERVIEW

Jedox offers an integrated and easy-to-use Performance Management solution to collect, plan, analyse, consolidate, report and distribute corporate data based on a centralized multi-dimensional data model. The entire suite is open source and can be freely downloaded for immediate use. Palo technology provides simple generic CPM functions that can be combined in a variety of ways and scale to the level of complexity that is comfortable for the user. Modelling and administration are simple enough to be carried out by the business departments. Both the modelling/administration features and the end-user features can be accessed with the Web-based CPM spreadsheet or with Microsoft Excel. Palo works well as a desktop solution but its complete Web support also positions it as a platform for software as a service (SaaS). The underlying open source license allows its free and widespread use at any workplace in the organization.

Palo is built to avoid the hurdles companies encounter when rolling out a CPM solution. Palo can freely spread within the corporate user base and be administered in a spreadsheet environment with minimal involvement by the IT department. As a result Jedox has made a major leap towards the idea of "democratizing performance management" within the organizations. Palo's liberates CPM from complexity and overhead, enabling business users to build CPM solutions quickly.

Big CPM solutions are often only available to a small group of people, due to license and installation costs. This often produces an "island" within the company. Palo is available for many users at the same time, allowing a full integration into the business process.

Jedox believes in democratizing CPM, which means that Palo is easy and quick to install, and therefore reduces time and investment costs significantly, in comparison to proprietary software. It provides results without having to write large complex specifications and without having to set up monster projects that take months or years before delivering any visible results.

DESIGN PRINCIPLES

Jedox' primary design principle is to minimize the amount of overhead, time, cost and IT involvement in the creation and maintenance of CPM solutions. This is achieved by pursuing the following key development guidelines.

Optimize the UI for the business user. The user interface is designed with regard to technical knowledge level of the business user. It is specified with the business user, not the IT technical person.

Use technical concepts business users can understand. Business users may be expected to understand cells, lists, hierarchies, formulas and cell coordinates. They are less likely to understand aggregation tables, star or snowflake schema designs, parent-child relationships or SQL commands.

Support Microsoft Office. With Microsoft Office being the standard software environment for the business user, Palo should be compatible to Microsoft Office, especially Microsoft Excel and the spreadsheet user interface. Palo is fully compatible with these programs.

Make the product responsive. Response times for screen actions should be very fast to get the same user experience as in products like Microsoft Excel. This should apply to recalculation and to interactive exploration of different calculations schemes and scenarios. With spreadsheets using in-memory technologies to provide real-time calculations, the same should apply for CPM functionality.

Get technology out of the user's way. This applies to infrastructure, technical pre-requisites, specific operating system versions, services packs, and required databases. Palo's user management is also much simpler than most database applications, while still providing powerful data security features.

Provide platform independence. The technology should not be bound to one OS only (such as Windows). The software should be truly platform independent (both client and server).

Jedox pursues similar goals in its licensing policies. The license model should not impose unnecessary risks on the owner of the CPM systems. High initial costs such as big license fees should be avoided. More favourable are open source or SaaS models, as they either do not impose any license fees or are bound only to a monthly payment that can easily be adjusted to the growing or shrinking needs of the customers.

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CUSTOMER EXAMPLE – STANDARD LIFE

The following customer example from Standard Life Group Germany shows, how simple it was to optimize the budgeting process:

With Palo, the German Standard Life branch implemented a planning environment that facilitates their annual budget planning. The solution is also used to report monthly figures to the staff responsible for a cost centre – allowing forecast adjustments – and for scenario planning as well as ad hoc analyses in the field of controlling. Palo enabled Standard Life to accelerate their planning processes and improve data quality tremendously. The Standard Life Group has

operated a German branch office in Frankfurt/Main since 1996. More than 400 employees look after more than 450,000 customers in Germany and in Austria.

The planning application retrieves actual and structure data from an Oracle-based data warehouse that contains SAP data (cost and cost centres as well as cost centre structure).

Structural architecture and data transfer are both handled via ODBC. Palo planning data are exported at the end of the planning cycle and transferred to SAP. Planning is handled in the local network. The users are mainly controllers and those responsible for cost centres.

The implementation took place six weeks after taking up the project via an automated roll-out that affected 450 client machines. Key improvements include the elimination of manual interfaces, realization of cost advantages, improvement of data quality and planning in less time. The staff in Control can now focus on their real task, i.e. analysing data and providing advice to cost centre management. Because the Open Source product Palo required little investment, particularly in comparison with other software products, the ROI calculation yielded a positive result for Standard Life. The internal cost-benefit analysis revealed the improved efficiency of the planning and forecasting process.

About Palo

Palo offers a customisable Performance Management solution to equip your internal customers with a reliable, real-time decision making tool. It is a solution that carries no investment risk, but is flexible and offers quick access to critical business data. Each executive and every manager can access a fully integrated reporting system in real time. Palo offers the possibilities of working with Excel without the disadvantage of the the missing link to other users.

Palo for Excel Users:

As a Palo user you do not have to give up the familiar Excel environment. Palo simply ensures that corporate information is simultaneously viewed and analyzed across all dimensions that are relevant to you. Everyone using Palo reads and writes to the same multidimensional database. This guarantees that your planning and reporting routines are always based on consistent and current data. In addition to Excel, you can work with your data via our "Excel to web solution". This feature – also available under the Software as a Service model - provides full spreadsheet functionality without the need to install anything on your client machine.

Palo for CFOs:

Palo is a Performance Management solution that will get you on track toward an integrated financial system using "one version of the truth" for performance and risk management in your company. Palo makes it easy to establish data standards to consistently assess critical business data throughout the entire organization. With data consistency, you can shift your focus from asking "Are these numbers correct?" to a more important question: "What are these numbers

telling us?" - paving the way for sophisticated forward-looking planning instead of historic backwards-looking reporting.

Palo for Controllers:

Palo gives Controllers a structured system for managing, analyzing and reporting organizational data. Palo provides models that facilitate decision-making and contribute to data dependability and added value in the corporation. Palo allows controlling staff to continue to use familiar, trusted tools (e.g. spreadsheets) as part of a sophisticated yet easy-to-use solution. With Palo, you can create a functional framework facilitating creative, conceptual procedures within intelligent, flexible structures without the need for extensive IT efforts. In addition to reporting and analysis, you can also use Palo to plan results and turnovers, consolidate data and test scenarios.

Palo for IT decision makers:

Palo will help to relieve IT from getting too deeply involved into the end-users planning and reporting processes. With Palo IT can empower business users with the administration and management of their solution. IT can show fast results with short implementation times, minimal training effort and a small upfront investment. No need of high license fees for each user and/or each workstation holding you back from deploying a solution throughout the company. IT can better control the data integrity across Office applications as Microsoft Excel is one of the most used BI & CPM products within most organisations.

Palo accommodates the full range of Corporate Performance Management requirements including planning, budgeting, forecasting, reporting and analysis. All can be also managed under a Software as a Service model that allows all BI & CPM processes to be performed in the web browser. In addition to handling planning and reporting forms online, users can also import data, design and model cubes and do ad-hoc analysis via the web.

What we offer:

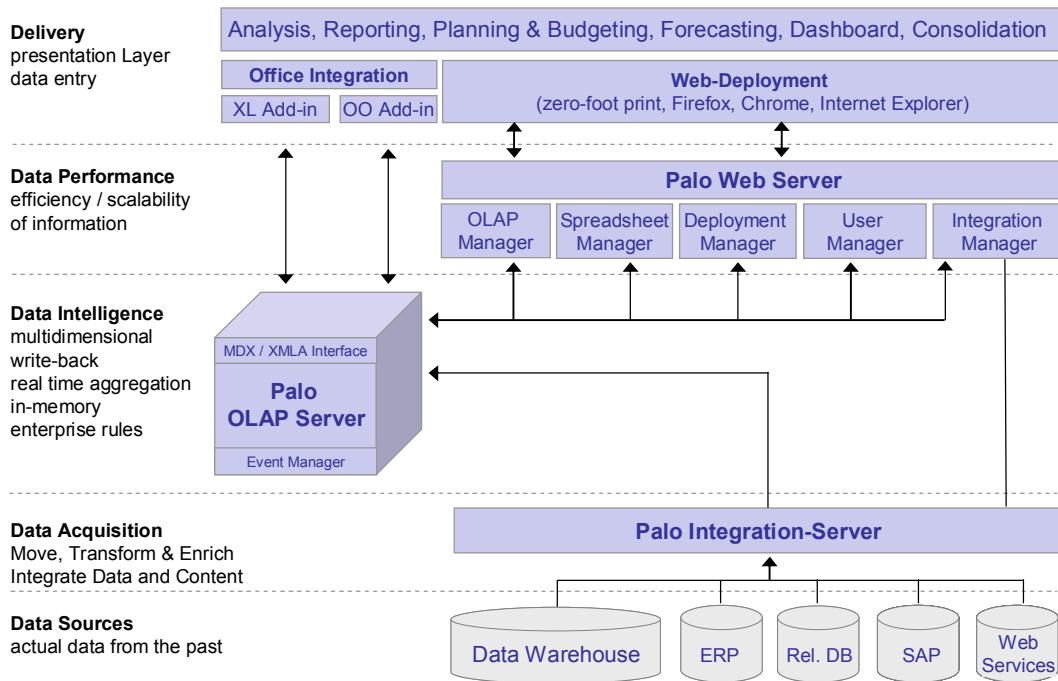
- Commercial Open Source license model
- Short time-to-solution with comparably little investment
- Open interfaces and standard technologies (Excel, MDX, Java, PHP, API, XML, ODBO, SOAP, LDAP and SAP RFC...)
- Integration of 3rd party tools (SAP BI, Cubeware, JPalo, Consideo, Talend Open Studio...)
- Platform-independent technology (Windows, Linux/Unix)
- CPM-as-a-Service
- Sustainable innovative product development

Palo Suite

Palo Suite combines all three of Jedox's core applications — OLAP Server, Web Server and Integration Server — into one comprehensive and customisable CPM platform. The platform is

completely based on Open Source products representing a high-end CPM solution which is available entirely free of any license fees.

From Spreadsheets to Performance Management



Palo OLAP Server, key module of the Palo Suite, offers high stability and performance. It is a multi-user, high-performance data server application that allows workers throughout an enterprise to access change and collaborate on CPM data instantaneously. Furthermore, it offers a real-time aggregation through the multi-dimensional data model.

Palo Web Server is an Ajax and Web-based solution that combines the look-and-feel of a spreadsheet with state-of-the-art requirements for modelling, reporting, planning and analysis. Palo Web Server has the ability to automatically adjust the structure of the spreadsheet according to the OLAP query results. It enables an integrated, end-user-oriented modelling of reports, dashboards, cockpit and planning applications in the web browser. With the Palo Web Server there are also capabilities to manage the user as well as documents of your different applications or templates.

Palo Integration Server is a Web-based data acquisition tool that extracts, transforms and loads data from transactional systems, data warehouses and other external sources. The application accepts data from relational database management systems, SAP, Web services and much more.

Palo Suite is available as a community and an enterprise version, with the enterprise version offering extended software assurance and support functionalities.

Extension Packages of the Enterprise Version

- **Extended Control:**
Process control, alerts, workflow
- **Extended Scalability:**
Multicore, Shared Memory
- **Extended Connectivity:**
SAP Connector, ODBO/MDX
- **Extended Support:**
Professional support, software assurance

About Jedox

Jedox, headquartered in Freiburg/Germany, with further offices in Great Britain and France, is one of the leading suppliers of Open Source-based Business Intelligence and corporate performance management solutions in Europe. Jedox' core product, Palo Suite, accommodates the entire range of BI and CPM requirements including planning, budgeting, forecasting, reporting, dashboarding and analysis. The multidimensional Palo OLAP Server at the core of the Palo Suite, which integrates easily and simply with existing Excel solutions, optimizes BI and CPM processes on an Excel basis. Companies successfully using Palo solutions include well known companies such as Bayer, Clariant, Compass Group, Otto Group, UBS, and Vodafone. Jedox has personnel of 60 as well as 100 partners globally.

The Palo Suite is available as a download free of charge on www.jedox.com

Consulting

Our consulting team is available to assist customers in all aspects of implementing Palo-based planning, analysis and reporting solutions. From designing the right data models, to developing associated business processes, our skills and experience can help you get results quickly and cost effectively.

We focus on a prototype-based approach that involves testing the solution on the basis of real-life scenarios, eliminating the time-consuming process of creating complex specifications that have very little practical value.

We also ensure knowledge transfer by involving customer staff during the project's analysis, concept and implementation stages. Our consultants impart technological and conceptual know-how by serving as specialists, coaches and moderators. This mixed-team strategy, coupled with our joint business and IT expertise, reduces complexity, increases transparency and paves the way for a successful deployment that meets the customer's business requirements.

Jedox Training and Support

Jedox offers regular standard training for beginners and for advanced Palo users. Individual in-house training is available everywhere in the world.

Jedox Support is available from Monday to Friday via phone and email. Our customers can count on a quick response and turnaround time. Jedox support is evaluated regularly on Benchpark (www.benchpark.com), and has been receiving a high ranking in the category "customer satisfaction".

For more information on Palo and Jedox, please visit www.jedox.com

Contact Jedox: info@jedox.com

