A BPM Partners White Paper

Unified Budgeting, Planning, Consolidation, and Reporting

A TCO-conscious Investment for Midsize Companies

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Executive Summary

While capital investment has begun to recover, cost-consciousness is still heightened at midsize companies. Awareness of the factors that determine total cost of ownership (TCO) for IT systems has increased considerably. Performance management systems have gained popularity because they can help cut costs while meeting compliance and reporting mandates, at the same time as they improve data quality and analytics for more agile management.

Organizations today seek to optimize these systems, at the core of which are financial consolidation, reporting, budgeting, and planning. The importance of performance management to line-of-business management has also been widely recognized, as faster access to reliable reports and analytics improves decision-making.

To finance departments, optimizing performance management systems means maximizing profits and minimizing business risks and exposure. For IT departments, the primary drivers are to lower the cost of ownership while delivering value to the business and enabling compliance with ever-tougher increasingly mandatory reporting standards, as well as data governance standards.

Virtually all organizations have some form of performance management solution in place. In most companies, the processes of budgeting, planning, forecasting, consolidation and reporting processes today still rely partially upon spreadsheets. However, the use of dozens or hundreds of disconnected, departmental spreadsheets makes it difficult to synchronize activities, identify potential problems and opportunities, evaluate various go-to-market scenarios, and ensure compliance and control. Spreadsheet-based performance management is error-prone and time-consuming,

The BPM Pulse Survey has repeatedly found that approximately 80% of organizations polled which have a packaged performance management in place also utilize spreadsheets to accomplish budgeting and/or consolidation. This finding was replicated in the 2013 survey. A sizable portion do not use a packaged application; 22 percent of survey respondents still rely primarily upon spreadsheets for their budgeting process.

Unified performance management refers to systems that are specifically architected to use a common platform, single database, and one master data structure with a common user interface. One-third of respondents to the 2013 Pulse Survey stated that a "full suite" of BPM / EPM capabilities is important to them. 60 percent said that operational, strategic, and financial (budgeting, planning, and forecasting) were all needed.

This paper examines the imperative for midsize companies to add enterprise-grade performance management to their use of spreadsheets, and to avoid costly integration problems in the core performance management disciplines of financial consolidation, planning, and reporting. The logically indicated approach today is via a unified solution.

Background

In the 1990s, early adopters of financial systems used PC-based financial consolidation programs to report their fiscal results. Budgeting, planning and forecasting were processes largely separate from consolidation and reporting. Many companies used spreadsheets, while others relied on largely manual processes. Over time, consolidation programs became more and more powerful to accommodate:

- complex global reporting requirements

- ever-changing organization structures

- the drive for faster closing cycles

- the need to reduce costs

- demand for more timely reporting and analytics based on complete, accurate data.

Separate products were offered to support budgeting, planning, and forecasting.

Different financial processes were driven by solutions that were function-specific and often from different vendors, with different underlying data structures and interfaces. IT departments or technically adept financial staff members were kept busy loading and extracting data and building data conversion interfaces.

As the software industry matured, different solutions were brought under the umbrellas of ever larger vendors, who combined them into full suites of finance department solutions with some integration between consolidation, budgeting, planning, forecasting, analysis and reporting, and perhaps even modeling tools or profitability management.

These solutions were not necessarily unified according to today's criteria. Those with functions that use different,proprietary databases increase the need for consulting and support.

Alongside these developments, the roles of the CFO and finance department evolved to become strategic as well as operational, and became increasingly vital to legal and business continuance concerns.

Why does this matter? Because the end game is no longer simply to find systems that can roll up your numbers correctly or combine your budget templates. Competitive and regulatory pressures and better understanding of TCO have created a drive for unified performance management.

Cost and Risk are Higher When BPM / EPM is Not Unified

There are numerous issues and pains that arise from budgeting, forecasting, consolidation and reporting solutions that require multiple applications. they affect two primary constituencies: the IT department, and users in Finance, and in business units including those operations.

IT Pains

Multi-application solutions typically carry a higher cost of ownership and greater risk than a unified approach. The higher cost and risk result mainly from the following areas:

Product evaluation and procurement

The first pain of a multi-application solution is procurement. Purchasing separate systems for each application such as consolidation, budgeting and reporting requires multiple sales cycles to evaluate the different classes of products. The work and procurement risks multiply, from vendor selection through contract negotiations, maintenance renewal, and so on. Even if the solutions are from one vendor, you must still evaluate multiple products and negotiate licensing for them.

While large organizations are accustomed to buying multiple software products for multiple needs and departments, midsize companies may lack the personnel, time and capital resources needed to support multiple product evaluations and procurement processes. Add to this the need to requisition multiple servers and other hardware to support multiple systems, and the cost benefit of purchasing a unified solution becomes even more apparent.

Difficult deployment

Obviously it takes longer to install and configure several applications. These implementations may be carried out by different teams, increasing the likelihood that the separate applications will end up as silos and serve only departmental interests or suffer from poor integration.

Implementation risk

In addition to maintenance cost, there is also the issue of training. Rolling out multiple systems means more time and money spent to train both administrators and end users. It is in the user rollout where those costs are subject to a greater multiplier effect, in terms of both direct cost and lost productivity. Ongoing support for end users, typically provided by IT, is another cost that must be considered.

Complicated maintenance, changes, and extensions

From the user's point of view, a solution composed of separate modules is likely to keep actual financial results and budget data in separate data stores. Regardless of the integration and data translation which the vendor supplies, this separation of databases

will impact the user, especially when metadata, charts of accounts, and data structures are changed.

Increasingly, administrators and power users expect a single point of maintenance and updating for performance management.

Significant effort may be required to set up and maintain data translation so that the databases can share data. Translation tables need to be maintained every time a new account is added or an organizational entity is added or removed. In some companies, that can be an almost daily process.

Once the translation tables are set up, processes need to be put in place to run the necessary procedures. If budgeting and forecasting are conducted in a system separate from consolidation, the latest actual consolidated data needs to be fed into the planning and forecasting system.

Business User Pains

With increased focus on lifetime TCO, midsize companies increasingly question the multi-vendor and/or multi-application approach. Unified solutions also avoid certain drawbacks for the business user in terms of company performance, including:

Performance impact

The desire for unified systems reflects their strategic business impact as well. As a rule, nobody wants the pace of a business to be slowed by data processing. A unified system should reduce or eliminate back-end work and time needed to get numbers from data sources in front of an analyst, manager, or executive who can do something about it.

Learning, user adoption, and ease of use

A major issue is system fatigue among end users, leading to lukewarm user adoption. Users don't want to learn multiple systems.

Multiple applications require that administrators and users learn multiple interfaces. In this environment, the burden is placed on the users to understand their roles and be able to orchestrate the tasks they need to accomplish in the different applications in order to do their jobs.

It is preferable to have a system that was designed to drive the functional processes, such as the budget cycle and monthly closes, using one consistent interface. Ideally this interface seamlessly blends with the tools the finance user already employs, such as Excel and PowerPoint. The BPM Partners Pulse Survey consistently shows that Excel remains actively used in performance management tasks in about 80 percent of organizations that have implemented packaged applications for the BPM/EPM processes.

Excel remains integral

Users should be able to work in native Excel to take advantage of its familiar interface, graphing and modeling capabilities, with application-specific functionality provided as an add-in. Examples would be budgeting functionality such as spreads, trends, and weighting. Excel also plays a role as an input vehicle; another 2013 BPM Partners Pulse

Survey finding is that 66 percent of companies draw data from Excel for reporting. 22 percent of respondents rely mainly on Excel as their budgeting system.

Ideally, a performance solution will eliminate the need for macros and inter-spreadsheet linking and cut-and-paste. These particular operations introduce errors and reduce data quality.

Administration

A single, consistent administrative front end is an important bonus, with one console for managing the data model, rules, reports, and security.

The tool should support the process, rather than having the process pieced together around various tools and eclectic documentation.

Data quality and data governance

Data quality and data governance issues affect cost of ownership, company performance, and risk.

To integrate separate consolidation, reporting and planning systems, data mapping must be defined and maintained. Often the bulk of the work must be done by finance because they own the data and generally are the ones who must define the mapping.

A unified solution should protect both IT and business users from inconsistent data structures, such as the differences between data structures for budgeting (done primarily for management purposes) versus consolidation which must conform to legal reporting requirements. This can lead to differing data models, making comparison more difficult. An extreme example would be budgeting by product line but reporting by geography. Ideally there is the same granularity in both applications to allow comparison, but in practice that often is not the case.

Even if data structure is the same or close enough, the entered data values may be inconsistent. One version of the truth is widely recognized as critical to data governance and accuracy. The only way to ensure that is to have a single source for the data.

Of course, even if the data structure and entered data values are consistent, the business rules applied to the data may not be. This is especially likely if different teams have built the different systems. Business rules should be stored centrally, visible and consistent through the various functions of the unified system.

Risk and compliance

A unified solution reduces risk from the evaluation and acquisition phase, through implementation and the full life cycle. It also supports assurance of compliance.

Decision-making and accurate reactions are supported by faster data access and higher confidence that numbers are correct and complete. Unified systems take steps out of the process and improve confidence and collaboration.

A multi-application environment makes it more difficult to reliably track data and demonstrate to stakeholders and compliance authorities that the organization is being run effectively and ethically. Multiple data stores and more complex processes make it difficult and costly to meet compliance and audit requirements. Visibility into events that will have

material impact may be limited. Audit trails, which show who changed data and when, may not exist. All in all, it may be difficult for the organization to demonstrate the internal controls and reporting necessary to ensure regulatory compliance.

Business Benefits

Given the business pains associated with a multi-application solution for performance management, specifically for planning and consolidation, it is clear that a unified approach offers a number of benefits for IT and the business users.

Benefits for IT

The main benefit of unified planning and consolidation for the IT department is lowered cost of ownership, although many of the same factors that lower costs also carry a business benefit. For example, faster deployment requires less cost, but also means that the business will reap the benefits of performance management that much sooner.

Benefits of Unified Performance Management – IT Departments	
Cost and Risk Benefits	
Faster installation	One piece of software to install, reducing installation cost and risk.
Faster and lower-cost configuration	One application to learn and implement. Reduced time and significant reduction of implementation risk.
Lower training costs, faster rollout, less upgrade/extension risk	Both administrators and end users need to learn only one system. You can continue to build and roll out additional applications on the unified platform, with a minimal learning curve.
Lower license and maintenance costs	This depends on the pricing that is offered, but a unified solution is likely to cost less, both up front and in ongoing license renewal and maintenance costs.
Lower application administration costs	Because of the reduced time for installation, configuration, deployment, and ongoing administration, TCO is lower. Minus the complexity of multiple administrative interfaces, there is less risk of admin error affecting data and availability.
Lower user support costs	With just one system to learn, fewer resources need to be devoted to supporting users.
Business Value Benefits	
Simpler purchasing	One sales/evaluation cycle, one contract to negotiate, one vendor to manage.
Faster time to deployment	Faster installation and configuration add up to the ability to realize

	the return on your investment relatively quickly.
Ease of use, acceptance and adoption by end users and change management	One standard interface leads to greater acceptance and adoption, and reduced risk of user rejection.

Benefits for Finance / LoB / Operations

The benefits of unified planning and consolidation for the finance or line of business (or LoB, a category which includes operational managers and decision-makers) user include maximizing profit and minimizing risk.

The top line is helped by improving performance; the bottom line by boosting productivity and lowering costs. Risk is lowered by enhancing business agility and compliance. The benefits are summarized in the table below.

Benefits of Unified Performance Management – Finance and Business Users	
Profitability and Performance Benefits	
Simplified workflow, process efficiency	Financial processes can be tied together in a coherent workflow, including financial consolidation and closings, management reporting, legal reporting, budgeting, and forecasting/re-forecasting. Less risk of disconnected processes and errors.
Better collaboration in planning (top down, bottom up)	One platform with reliable access to actuals and budgets allows for better information sharing across internal business functions and with external constituents like suppliers and partners.
Business productivity	If less time is spent by business users on retrieving, managing and staging data, and on finding and correcting inaccurate data, more time can be spent on managing the business. Unification removes the need for manual reconciliation of plan and actual data, and speeds up variance analysis.
Improved forecasting accuracy	When the same tool is used to view actuals and to prepare forecasts, you know you are working with the "right" actual data and therefore can create more accurate scenario models, increasing the probability of improved performance.
Faster closing cycle	Having a common workflow that drives financial processes and having the actual and budget data in one place makes it easier to get board reports out quickly because users are guided through the process, and audit and sign-off tracking are simplified.
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Risk and Compliance Benefits	
Improved compliance, lower risk, lower auditing costs	The fewer data stores you have, the easier it is for auditors to follow and verify your financial process, resulting in tighter compliance and therefore lower exposure for the organization.
More timely analysis and decision making	A unified system can eliminate a lot of data manipulation; the time saved gives executives actionable information that much faster.
Greater business agility	It follows that the more quickly and accurately you can assess the results and trends in your business, the more quickly and effectively you can respond.
Improved line manager analysis and decision making less risk of error	Timely access to accurate data, with rich comparison reporting, empowers managers to drive the business from the bottom up.

The sum total of all the above is that, through unified financial processes, an organization has the opportunity to realize the promise of performance management—while controlling total cost--to achieve positive business results.

Suggested Next Steps

Organizations that are evaluating consolidation systems and reporting, budgeting and planning systems should consider a unified performance management solution. Vendor claims regarding unification should be evaluated per the criteria outlined below.

Organizations that have a point solution for a performance management function already in place and working at a satisfactory level should evaluate a unified solution based on current and future needs. Performance management is extending from Finance across operations, and without a unified solution, there will be integration and business responsiveness issues to solve.

Evaluation Criteria

How do you evaluate whether or not a vendor offering is unified at an architectural level, or merely via market-speak? Here are some criteria.

Unified vs. integrated: First, look closely at whether it is truly unified, or simply "integrated." They are not the same thing. Integrated means that multiple applications (usually legacy systems) have been pulled together and, through various means, made to work together. This doesn't mean that integration is bad, but it is not the same as unified.

Includes core financial processes: Ensure that it includes, at a minimum, the core financial applications for budgeting, planning, forecasting, consolidation, management reporting, and statutory reporting. Preferably it also can handle a level of operational analytics.

Common user interface with workflow: The user should have one interface through which all the core financial processes can be run, and since we are talking about financial users, the interface should include native Excel and preferably other native MS Office applications. This does not mean one portal

Nationwide restaurant chain benefits from a unified solution

A $300 million national chain of casual dining restaurants faced significant challenges such as rising food costs, lower discretionary spending, and tight credit markets. Economic conditions demanded fast, accurate reaction to all these factors.

Prior to SAP Business Planning and Consolidation the chain lacked tools to update forecasts and revise budgets on the fly. Food costs, sales, COGS, new hires, and salary changes were set far in advance of the budgeting and forecasting process.

The CFO decided to replace Excel-based, manual financial processes with a multi-function, quickly-deployable EPM platform. The company evaluated leading packages before selecting SAP Business Planning and Consolidation.

"The application enabled us to automate budgeting, forecasting, consolidations, and reporting –on a single platform with minimal IT support," said the CFO. Management can now respond quickly to marketplace changes.

What once took days now takes minutes.

With SAP's modeling capabilities, managers can create multiple scenarios quickly and easily, and study how hikes in food, liquor, and labor costs affect the P&L.

SAP Business Planning and Consolidation significantly improved the manual month-end financial reporting process. Now the Finance team can access current and historical using a familiar Excel front end.

Leveraging dimensional flexibility in the application, management can easily adjust to changes such as restaurant closures and acquisitions via concept, region, restaurant and department level reporting. All budget drivers have moved from linked Excel worksheets to a central database.

Finance can now analyze results and spot trends, instead of 'acting as spreadsheet jockeys." The team reviews results and can reforecast on a weekly or monthly basis.

that has buttons to launch different applications with different interfaces. Also, it is not enough to simply use a common reporting engine to pull from all the different applications. There should be only one interface to learn, and that environment should drive your daily, weekly, and monthly tasks.

Common data model and business rules: Is the same data model used for both planning and consolidation with consistent business rules, making it easier to do comparisons and to roll up data. Some systems that display a common user interface many have different systems underneath with differing architectures. Others may have a common data warehouse, but then have separate user interfaces that are specialized according to the needs of different users.

Common data storage: The data should have a common storage platform and not exist in multiple databases where data models have to be kept in sync. Preferably the storage model provides open architecture that is friendly to the organization's data warehouse.

Unification from the drawing board and forward: The cleanest and most holistic approach is to have a truly unified performance management system that was built from the ground up to be unified. This is more often the case with newer solutions in the space.

Conclusions

Midsize companies face the same business challenges as larger competitors, but with fewer resources. They need a more turnkey approach to performance management than assembling and integrating multiple point solutions. The ongoing total cost of ownership needs to be both predictable and controllable.

With little room for error, they can't afford to waste time on solutions that don't deliver business value quickly. They cannot spend money on applications that are complex to use and maintain. Consequently, a unified solution that supports the budgeting, planning, forecasting, consolidation and reporting processes is a wise investment for midsize companies that need to improve data accuracy and control, streamline and automate processes, and better manage performance.

About BPM Partners

BPM Partners is the leading independent authority on business performance management (BPM) and related business intelligence solutions. The company helps organizations address their budgeting, planning, financial reporting, regulatory compliance, profitability optimization, key performance indicator (KPI) development, and operational performance challenges with vendor-neutral experts who can guide companies through their BPM initiatives from start to finish while both reducing risk and minimizing costs. For further details, go to http://www.bpmpartners.com. Follow BPM Partners on Twitter @BPMTeam.

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