

# information on demand

Just as spreadsheets changed the nature of numbers crunching, powerful business performance management (BPM) tools are now changing the way we gather information and use it. Good thing, especially since executives want more information faster than ever before. The age-old tools of financial analysis simply can't meet these demanding requirements.

Timely information is critical to being effective in BPM, which is about aligning business strategy with resources and execution to generate optimal results. Thanks to new information technology tools, executives can gain unprecedented insight into business performance in near real-time. This on-demand ability to take the temperature of any aspect of a business and to model the reactions that will occur to any business action means executives can make faster and better forward-looking decisions.

And it isn't just executives who need to access the information. From line-of-business (LOB) managers to executives, people throughout the company need to view, understand, and manipulate raw business data. Granted, spreadsheets are useful for presentation information, but they don't always offer the depth and breadth needed for a full understanding of the data. As more team members touch the information, financial managers need to pro-

vide tools that make it as easy as possible to use the data. This is where BPM tools can help.

Let's first consider what to look for in new BPM information technology and then discuss the trends fueling the need for real-time information to succeed in today's business environment.

## SELECTING A SOLUTION

By integrating an analytics solution with operations information, a BPM solution enables executives throughout an enterprise to take action: They can plan, analyze, and adapt to the data's implications with the result of optimizing business performance. For example, a large hospice company has a complex system for numbers crunching, performing what-if analyses, scenario planning for start-up sites, labor management, and drug formularies. Rather than "hard-code" custom reports for each LOB executive, the company uses a BPM system that puts easy-to-use analysis tools in their hands.

When looking at the facets of a BPM tool, you should require support for the following processes:

- ◆ Key performance indicators (KPIs), scorecards, dashboards, and alerts that monitor performance

How new turbo-charged tools are changing the face of business performance management.

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against operational targets.

- ◆ What-if scenario analysis for understanding the impact of business decisions.
- ◆ Continuous and real-time review and refinement of performance measures.
- ◆ Interactive decision making across all levels of the company that aligns individual targets with strategic objectives.
- ◆ Data exploration, query, and analysis, including drill-down.
- ◆ Profitability analysis of the company, business units, products, channels, and customers.
- ◆ Integration with multiple enterprise resource planning (ERP), customer relationship management (CRM), and other operational systems.

In addition, you need to consider some basics about your business. For example, if financial planners and analysts are most comfortable working with Microsoft Excel, you need to focus on tools that offer Excel (natively or in add-ins) as the user interface. And if your business requires monitoring performance and numbers on more than a quarterly basis, you need to select a solution that goes beyond batch processing into real-time presentation of fluctuating data.

Also, determine how many people need to work with—not just view—the numbers presented in the BPM system. If your answer is several financial planners and analysts, line-of-business managers, and executives, then you clearly need a solution that allows for multiple users to both review and update information in the application.

By assessing the type of data you need and the way you need to work with it, you can make some strategic decisions on how to implement BPM within your organization, which takes you beyond business intelligence (BI) applications. Let's now look at business intelligence systems.

## OBTAIN FASTER INFORMATION—AND MORE OF IT

Over the past few years, many companies have turned to business intelligence systems to gain insight into their business performance. BI solutions—whether turnkey or homegrown—can provide information on everything from customer purchasing and satisfaction trends to product development cycles. You can gain an understanding of how your business acts, what its strengths are, and what it needs to improve.

The challenge here is that many BI systems only offer a historical view. By the time you compile and analyze the information, it's likely your decisions are based on last

quarter's information. Thus you're managing your business based on business events and conditions that have long since expired. This may have been acceptable a decade ago, but today companies need to make decisions based on near real-time information so they can plan more accurately and react more quickly to changing conditions.

This raises some significant questions. How can you evolve your BI system to support today's needs? And once you do, how do you change your planning so it's based on monthly operational, revenue, and expenses data rather than quarterly? Are you and your team prepared to act on new information on a daily basis? After all, information without action adds up to nothing.

The key to transitioning BI from a historical activity to a real-time, accurate viewpoint of the business is to use online analytical processing (OLAP). OLAP is the foundation for a range of business applications including sales and marketing analysis, planning, budgeting, statutory consolidation, profitability analysis, balanced scorecard, performance measurement, and data warehouse reporting. Using OLAP as the basis for BI systems provides automated consolidation of information from multiple data sources—and, as such, reduces human errors and ensures data integrity.

Also, as companies transition from annual budgeting/forecasting to demands for at least quarterly reports, the process of gathering information becomes more significant. During the traditional annual budgeting process, gathering information is often a tedious, time-consuming activity that's vulnerable to simple human errors while people are manually entering data. But as the annual budget becomes obsolete and the need to more frequently gather and analyze financial and operational information becomes greater, the budgeting process becomes even more time-consuming.

OLAP, with its ability to collect data as frequently as hourly, can reduce the amount of time managers spend on monotonous tasks and give them more time to analyze information. This paradigm shift isn't limited to budgeting and forecasting—it extends into many other aspects of operations.

Using OLAP and BPM tools would benefit many types of companies. For example, the cellular phone industry is notorious for poor customer retention, as customers frequently switch carriers and plans. Furthermore, the more successful a cellular provider becomes, the more difficult

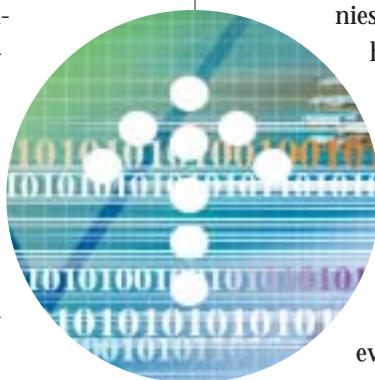
it is to analyze the call detail records on a daily basis for millions of subscribers. A BPM solution at one such organization helped eliminate growing pains by providing real-time information on customer usage data so the company could anticipate trends before they happened. Decisions can be made on a daily rather than a quarterly basis, when the trends are already well under way and it's too late to take advantage of them.

## ACCOUNTABILITY

As the adage goes, "Ignorance is no excuse for the law." Whether your executives say it explicitly or implicitly, they don't want to be the next Ken Lay or John Rigas. Now that executives—and board members—can be held criminally responsible for accounting "inaccuracies," they're demanding more control over their companies' finances. In order to control the finances, however, they need to better understand them.

To make changes quickly—and prevent small problems from becoming extremely large (and public) ones—executives need to see more numbers, in more detail, more often. These demands are falling on you and your team. Whenever an executive needs financial information, your team has to drop what they're doing and run the reports. Wouldn't it be better if there were systems and processes in place so the executives could access this information themselves? This is exactly what today's BPM solutions can do. Powerful business intelligence and performance management tools provide a simple way for "nonpower users" to access critical business performance data in a user-friendly way. These capabilities not only let you do your job better because of the advanced analysis capabilities, but they reduce the number of interruptions you'll experience in your typical week.

Imagine, if you will, a day in the life of a senior financial analyst with a worldwide airline. One of your jobs is to collect the data and draft the content to produce reports for the executive team. Whether it's weekly reports or monthly reports, the volume of data—from customer information to scheduling to cargo details—is immense. Add to this the fact that you need to process reports based on differing user requests and that speed is critical because of the volatile nature of the airline industry, and the job becomes enormous. By implementing a modern BPM solution, this type of analysis and reporting



can be done in a matter of days, not weeks. More importantly, your executives can make decisions based on up-to-date information that's still relevant to the current business climate. The result: a far more nimble organization that can anticipate trends before they happen—and take the appropriate action.

## UNDERSTANDING ERP

Most midsize to large companies invested in large-scale enterprise resource planning systems during the 1980s and 1990s. On the whole, these implementations were multi-year, multimillion-dollar investments that held the promise of integrating all of a company's departments and functions into a single, automated system. This single system was supposed to meet the needs of finance, operations, and human resources. While the success of implementation varies by company, there's one constant: All ERP systems generate volumes of transactional data.

Now many of these companies are realizing there's a wealth of information locked in the transactional data streaming out of their ERP systems. Strategic companies are looking to get into this data, analyze it, and learn from it. Unfortunately, most commercial ERP systems have limited reporting functionality—just enough to provide reports but not enough to analyze the data, glean information from it, and—most important—make decisions based on it.

One specialty chemical manufacturer quickly realized the limitations of its ERP reporting features but wanted to analyze the ERP-generated data across business dimensions such as customers and products. It couldn't do this within the current system because the ERP solution offered only predefined reports and didn't allow the company to perform analytics with instant results. For example, the company had very specific requirements within its finance department for management and consolidation of financial information. These requirements included the following accounting and finance needs:

- ◆ Eliminate intercompany activity,
- ◆ Compute or model currency translation,
- ◆ Add forecast data or other financial modeling inputs,
- ◆ Incorporate non-ERP data,
- ◆ Perform restatements or reclassifications of data, and
- ◆ Control user access with precise security.

By turning to BPM tools that can extract data directly from the ERP system and analyze the data instantly, this company was able to get more value out of its ERP investment. Now the company can store detailed data and provide the financial planners and analysts endless flexi-

bility in presenting and working with that data. The tools make it possible for more timely, knowledgeable, and strategic decision making.

## POST-BUBBLE BLUES

With consumer confidence continually in flux, nearly all businesses are suffering the effects of an uncertain economy. The trends of the late 1990s—astronomical expenses, unbelievable company perks, and a focus on stock value over profits—are long gone, but today's businesses are reeling under the effects of this bubble hangover. Whether you're a global business impacted by international instability or a local resort suffering declining revenue due to bad weather, chances are strong that events outside your control are having significant ramifications on your ability to be profitable, successful, and competitive.

Take the hotel business, for instance. According to a study by PricewaterhouseCoopers, hotel occupancies decrease by 3.5% each time the U.S. Office of Homeland Security issues a terrorism alert. To react more quickly to these types of events and minimize their impact, a particular hotel chain makes daily financial and operational information accessible to key executives over a secure intranet. Through the use of a BPM application, they can get a daily view of all operational data—including room occupancies by property, geography, and other criteria—and financial information, right down to revenue and expenses by restaurant by property.

Executives can also gain an on-demand understanding of how current occupancy rates compare to historical averages and proactively combat any decreases through marketing promotions and other activities. Or if there appears to be more of a pronounced decrease in business, they can make appropriate staffing changes to control expenses. Likewise, if they see unusual upticks, they can staff up locations so each property can handle the increase in business without compromising customer service levels.

## COMPELLING BENEFITS

When you consider the new demands of your job, the benefits of BPM are compelling. Just as the spreadsheet changed the life of the financial analyst for the better 20 years ago, BPM is having a similar impact today. ■

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