

Helping Enterprises Succeed: Responsible Corporate Strategy and Intelligent Business Insights

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The drive to improve corporate efficiency has never been stronger, given the current state of the economy. Yet companies still need to invest in improvements to compete at the speed of business and maintain the business transparency demanded by governments, stakeholders, business partners, and customers. This Executive Insights paper describes how the combination of enterprise performance management (EPM) and governance, risk, and compliance (GRC) solutions is now more critical than ever for business success. This document also discusses how EPM and GRC must be linked to business intelligence tools and supported by comprehensive services to ensure that the data generated is used appropriately. Services such as strategy management enable companies to more readily develop, measure, and adjust corporate strategy according to new compliance requirements and regulations. Then, as new regulations come up, companies can easily adjust and monitor their strategy via dashboards with clear reporting. Also presented are suggestions for working with IT service providers to implement strategic analytics-based EPM and GRC solutions.

Better Management of Business Processes Using GRC Plus EPM Solutions

The current economic slowdown is forcing organizations to not only better manage corporate performance but also increase business transparency. It's more important than ever for organizations to closely monitor how well financials and operations are being managed and be able to prove management of these areas while minimizing risk. This ability is critical in light of the shifting nature of business to meet the needs of a fickle, frugal, and connected customer base that is more sophisticated and knowledgeable.

Unfortunately, many businesses fail to grasp the complexity of their financials, which has made attempts at truly managing performance, compliance, and risk futile exercises. Businesses have been divided into silos, and consolidation hasn't helped as companies have tried to manage the growing amount of required information. Further, companies have started to take a hard look at what operations are deemed noncore and should be jettisoned.

These newly independent organizations and corporate spin-offs also must be managed with integrated systems in full force. That means reducing system overlaps as well as developing a standardized approach to processing transactions and monitoring a company's financial instruments. Service providers can speed this transformation by helping organizations plan, measure, and consistently monitor objectives. When these objectives need to be altered (e.g., inability to obtain funding for a key project, loss of a key supplier), services can aid in showing what the business impact will be and how to achieve continued success despite disruptions.

While it may take years before some of the companies affected in the current crisis rectify their internal failings, one thing appears certain — having robust and proven enterprise performance and risk management systems has become a prerequisite for any company that aspires to become a world-class organization. Given today's business climate, this is important for not just managing performance and risk but also establishing trust through transparency.

A Better Corporate Approach: EPM and GRC

Critical to achieving transparency is the automation of EPM and GRC processes. Because of the vast amounts of data involved, business intelligence solutions also play a strategic role. EPM, also called financial performance and strategy management, is now mission critical as organizations use these tools to gain needed visibility into results and support the forecasting required to set business plans for continued growth and success in the face of economic challenges.

EPM consists of applications whose main purpose is to measure, analyze, and optimize financial and business performance and analytic processes in support of enterprisewide initiatives typically driven by finance. They include the following application areas:

- Budgeting and planning
- Financial consolidation
- Strategy management
- Profitability management

EPM applications require domain expertise across a range of business processes/subjects/functions, such as accounting, HR, operations, and customer relationship management (CRM), translating key process and information into financial impact. These applications must be able to extract, transform, and integrate data from internal and external sources and support a time-based dimension for analysis of past and future trends.

Similarly, GRC solutions have grown in importance as organizations need to prioritize and allocate IT resources beyond the computing hardware and software in order to adhere to a wide array of regulatory requirements, from International Financial Reporting Standards (IFRS) to Sarbanes-Oxley Section 404. GRC includes tools and strategies for identifying risk, addressing governance, and leveraging IT portfolio management for measurable business results. GRC promotes the operation, management, and high performance levels of a business while ensuring the reduction of uncertainty.

These solutions also strengthen the risk-based framework that companies need to invest in and upgrade in order to respond to such demands as external audit, entity, and transaction-level controls, along with data retention and security guidelines. Governance additionally suggests the capabilities to have a transparent view into the different categories and sources of risks to the organization and quantify the cost of noncompliance relative to the cost of mitigating risk issues. Governance is also about evaluating the sources of risk and noncompliance relative to the organization's IT resource constraints and acting upon the information judiciously.

Both EPM and GRC are critical tools in a challenging economy. While transactional systems have reached a level of maturity for many organizations, recent scrutiny of corporate information has revealed information gaps and questionable data quality. The result: Organizations need a better plan for dealing with the volume of information generated from transactional systems. As a result of the fallout from information overload and the ongoing pressure to achieve process improvement, as well as external pressures such as compliance, companies are ready to invest in initiatives to improve information quality.

In particular, compliance initiatives have been key in highlighting the inconsistency of information as well as the inability to assemble reliable information quickly. However, the multiple benefits of putting in place an information management strategy are realized across both business and IT, and these initiatives are much broader than compliance; they comprise performance management and reporting improvements that include both applications and infrastructure.

As a result, EPM and GRC are complementary processes. GRC is a preventative initiative to ensure transparency, while EPM is proactive performance monitoring of core business processes. While the underlying value exists in helping enterprises sustain operations in a challenging business environment, key benefits of EPM and GRC solutions include:

- Automated documentation of compliance
- Effective management of raw materials
- Trend analysis and forecasting for business agility
- Rapid determination of return on investment (ROI)
- Rapid adaptability to new requirements, in either regulations or RFPs driven by new initiatives, such as environmental concerns
- Ability to track ongoing and renewal-based certifications, licenses, and requirements
- Greater visibility into results to set business plans in the face of economic challenges

The integration of business analytics with these back- and front-office applications is critical. Recent IDC surveys have shown that the average employee spends an average of 24 hours per week creating, managing, and exchanging information, but only 4 hours per week analyzing how to turn it into activities that benefit the business.

Given the volume of information in today's transaction-intensive world and the need for transparency and agility in challenging economic times, EPM and GRC solutions will provide true benefit only when coupled with intuitive business intelligence tools.

The Convergence of Business Intelligence, EPM, and GRC

Business intelligence tools create a feedback loop between the EPM and GRC solutions that focus primarily on data gathering and the analysis of the actual health of the organization required to make effective business decisions. As agility becomes the key mantra of businesses, there is a growing need to bridge the gap between data used by treasurers, controllers, and CFOs and the information needed by line-of-business managers.

The cross-company objective of expectation setting and measurement is vital to breaking down the silos of individual business units and ensuring consistency across the organization. For example, services can ensure that the top five goals of the company are on every management dashboard, regardless of division. Company financials can be cascaded to appropriate stakeholders at all times and issues addressed before they're a problem.

As enterprisewide collaboration becomes commonplace, finance executives can then take the initiative not only to share performance and risk data on a need-to-know basis but also to disseminate pertinent information to appropriate users in order to enhance corporate planning and prevent mistakes.

But EPM and GRC solutions only add to the challenges of managing for transparency — unless they are paired with business analytics tools. Companies are under increasing pressure to conduct operations effectively, profitably, and ethically — and prove it. This requires an approach that not only

embeds EPM and GRC solutions at every organizational level but also shows that the business is reliable, compliant, and sustainable.

Used properly with EPM and GRC, business analytics supported by services provides the right information, at the right time, using the right technology. Managers can track and analyze trends in real time to make better decisions, including revenue or profit improvement, cost containment, innovation, and risk mitigation. In addition, managers can describe historical or predict future trends, conduct scenario planning, and rapidly provide information to relevant stakeholders.

Analytics-driven solutions also promote corporate accountability by providing the discovery processes needed for business planning, compliance, and loss mitigation across the enterprise. Evaluation of performance happens in real time, and the resulting reports can be shared when and where appropriate. In this way, company operations are made more efficient and become truly transparent to partners, suppliers, and customers.

As organizations integrate business analytics with EPM and GRC tools, they also reduce the ongoing cost of compliance. Companies are able to identify overlapping costs, IT assets, and control objectives. Service providers are helping to lower total cost of ownership (TCO) by showing organizations (via tools such as dashboards) potential savings via key business adjustments and using the right data. Savvy service providers are also ensuring that the most pertinent business processes are never compromised, such as the governance of company financials.

Data consistency is at the heart of the convergence; however, some companies have underestimated the risks associated with not aligning business intelligence, EPM, and GRC properly to ensure data integrity and policy compliance. For example, a retailer risks incurring huge fines in states such as California when it does not keep meticulous records of employee benefits, such as mandatory rest breaks. Only by integrating workforce analytics, EPM, and GRC will companies have total visibility into their labor requirements, scheduling forecasting, and work rules.

Professional Services Sustain Value of Analytics-Based EPM and GRC

Because implementing analytics-based EPM and GRC is so strategic, many enterprises often turn to professional services organizations for implementation and integration support. Reasons for leveraging these professional services resources include:

- **Effective adaptation of best-run scenarios and optimizing techniques** that previously would have required costly customization and development
- **Domain expertise and industry-specific practices** in such areas as supply chain intelligence for global trade management or workforce analytics for labor law compliance and global job transfer issues that enterprise customers can effectively address using templates and readily available resources from these service providers
- **Accountability and a single point of contact** ensure project success, and a scalable support system delivers consistent results for users throughout the organization
- **Extensive integration support and service capabilities** allow for up-to-date planning and forecasting to anticipate change and meet business agility challenges

These companies can help an enterprise avoid the biggest mistake in the adoption process: not knowing what resources and data are available. Ironically, analytics-based solutions are not about data per se; rather, they are about how an organization collects, stores, shares, retrieves, and uses that data. Nevertheless, the majority of time and effort is typically devoted to the technology and the data.

Therefore service providers can highlight the real keys to success: people, process, organizational culture, expectation setting, training, and strategic leadership.

Of critical importance is getting input and support from executive and line-of-business managers from the beginning by determining their needs. Securing their involvement not only improves the chances for success but also fosters ownership (and the best time to set expectations). Organizations must ensure that all parts of the business work together to set common definitions and goals. If they can't achieve cross-company collaboration, then they should engage the help of a trusted advisor.

Analytics can help "un-silo" information to make it possible to compare and contrast data, but information needs to be broken down into common denominators. This often is best accomplished by service providers, which have the entire organization's interests at heart, not one department's or functional group's.

Using input from stakeholders and creating common definitions helps create a business case for the analytics-based project, complete with examples of challenges and how to solve them, as well as how to save time and money. Clearly, budgeting and planning is a critical part of this process. Factors that good service providers consider include how many people will be helped, the ability to reuse information across the enterprise, increased collaboration, etc. Often it pays to start slowly and show incremental ROI before rolling out corporatewide.

From a strategic standpoint, professional services organizations will work with a company to consider business drivers, information needs, existing systems and technology, existing processes, and investment constraints. The value that these service providers can deliver goes beyond meeting present requirements, which is particularly important for companies that go through frequent changes due to compressed product cycles, changing market conditions, as well as rapid industry consolidations.

These service providers often provide a holistic view of how companies can effectively deploy EPM and GRC technologies to increase business agility and information velocity in order to anticipate change, mitigating any unforeseen risks. After all, any company would be far better off with a full understanding of the financial implications, operational challenges, and compliance requirements in advance of its plans to expand into any new market.

In addition, the provider can help a company identify the following:

- Analytic projects with a clear impact on business goals
- Which performance metrics actually will benefit the organization
- Users and their specific analytics needs
- Frequencies of data capture and delivery
- Real data needs
- IT requirements

Often, by providing the focus and strategic road map for implementation, a strategic service provider will increase the overall return on investment for EPM and GRC solutions. This improved ROI is even more critical in a challenging economy.

Conclusion and Essential Guidance

EPM and GRC processes have become essential in helping companies manage business in challenging times, especially when governments, industry associations, and savvy stakeholders are requiring more business transparency. The ability to manage financials and operations closely is now more important than ever, especially as the speed of business continues to increase.

EPM, also called financial performance and strategy management, consists of technology to measure, analyze, and optimize financial and business performance. GRC includes tools for identifying risk, addressing governance, and leveraging IT portfolio management for measurable business results. Of critical importance are business intelligence tools that create a feedback loop between the data-intensive EPM and GRC tools and the executive and line-of-business managers who need the information to make better decisions in an increasingly challenging business environment.

As a result, IDC recommends that organizations seeking help to implement analytics-based EPM and GRC solutions consider service providers that offer the following:

- A people- and business-based approach that does not depend on technology for technology's sake
 - The majority of the time and effort that goes into implementing IT solutions is typically devoted to the technology and the data. However, success is determined first and foremost by people, process, organizational culture, expectation setting, training, and leadership. Often, an unbiased outside partner is required to highlight these keys to success.
- A focus on strategic investment, not cost
 - Implementing analytics-based solutions can be an expensive, complex process with outcomes that are hard to quantify in advance, unless organizations take into account strategic factors, such as how many people will be helped, the potential to reuse the information in other areas, and the increased collaboration to reduce more costly communication and information duplication.
- Solutions that are about analysis and insight, not data
 - The provider should be prepared to help customers evaluate current processes, devise ways to anticipate change, and sustain long-term value by aligning both operational and financial insights to achieve the desired business outcome.
- A solution based on the fact that analytics-based EPM and GRC are continuous processes, not one-off projects
 - There is no finish line. As an organization evolves, strategic service providers must be able to quickly address new questions and new needs.

A B O U T T H I S P U B L I C A T I O N

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