A BPM Partners White Paper

From Spreadsheet to Integrated BPM

From Spreadsheet Chaos to an Integrated BPM Application in Six Steps

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Executive Summary

Many companies are poised to make a commitment in the near term to business performance management (BPM) which could include a focused investment in people, business process improvements, data re-architecture and technology. Some will leave behind a spreadsheet approach that gave them rudimentary BPM capabilities. Among the improvements they demand from the move are easier application administration, improved collaboration among users with data security and audit capabilities, and some of the broader benefits that come with BPM. These benefits include greater accuracy of analysis and reports, a “single version of the truth” in company numbers, more actionable and real-time information, and ways to tie performance more closely to overall corporate strategy. The benefits are real and tangible, and there are many examples of success with BPM initiatives.

Packaged analytic and planning applications offer key advantages over spreadsheet-based approaches. They include greater insight and accuracy, security, speed, collaboration, support for planning processes, and reliability. BPM applications are available with different delivery options: traditional on-premise implementations, hosted applications, and pre-configured appliance servers, and with interface choices that include web delivery, spreadsheet, and others. Furthermore, vertical market functionality is often incorporated, or available as an option, for specialties such as distribution, financial services, healthcare, manufacturing, retail, entertainment, telecommunications, energy, and numerous others.

The legacy spreadsheet-based systems to be replaced with enterprise BPM are usually people-dependent, built by individual users who devised models for budgeting, analysis, and reporting. Companies now look to implement a process-dependent BPM application or platform that saves time, increases accuracy, allows more insight into results, and enables faster adjustments to improve corporate performance.

However, some are deterred by the belief that a BPM implementation can be as long, demanding, and costly as a customer relationship management (CRM) or even an enterprise resource planning (ERP) deployment. This skeptical view is not warranted. By following a series of steps that are proven to reduce the risks of acquiring a new analytic and planning application, companies can ensure their successful transition and adoption of BPM.

This white paper focuses on how to approach and carry out the transition from spreadsheets to a commercially developed BPM solution. The foundation for success is a structured approach with requirements definition, technology selection, vendor selection and product acquisition, implementation, rollout, and continual adaptation.

Introduction

BPM is a set of integrated, closed-loop management and analytic processes, supported by technology, that address financial as well as operational activities. BPM helps businesses define strategic goals, and then measure and manage performance against those goals. Core BPM processes include financial and operational planning, consolidation and reporting, modeling, analysis, and monitoring of key performance indicators (KPIs) linked to organizational strategy.

Many companies are attracted by the benefits of BPM, but are deterred by the prospect of a long implementation. This expectation is not always justified. There are BPM solutions that can be delivered in stages, enabling a step-by-step approach with a series of dependable short-term “wins” for the company.

Spreadsheets have been the workhorse tool that most companies have stretched beyond natural limits before undertaking a more formal performance management initiative. It is no secret that spreadsheets have difficulty supporting an enterprise environment. Traditional spreadsheets have proven to be limited in the areas of security, collaboration, and facility for ongoing audits.

As companies look for opportunities to improve corporate performance, spreadsheet budgeting systems are a natural starting point for their BPM initiative.

This white paper describes a structured series of steps for the transition from spreadsheet-based planning and reporting to a BPM application that enables analysis and fast reactions to key performance indications.

A Structured Approach to Adopting Analytic BPM Applications

In many companies, the spreadsheet still continues to be the platform for planning and analysis. While many organizations have moved to minimize or eliminate spreadsheet usage from their enterprise-wide planning and analysis initiatives, others hold back because they believe a BPM deployment will be as time-consuming or costly as an ERP implementation. However, this need not be the case.

Performance management applications can be up and running relatively quickly, using a staged approach to ensure that some benefits are enjoyed with minimal time lag. In this respect, BPM differs from an ERP or CRM deployment.

We have seen consistent evidence that a best-practice approach to deploying a BPM initiative will consist of these specific steps:

- Requirements definition
- Technology alignment and definition
- Vendor selection and software acquisition
- Implementation
- Initiative rollout
- Feedback and optimization

These six structured steps, correctly adopted, lead to more BPM functionality being used, more users taking advantage of the system, lower final cost, and the original vision being achieved or exceeded.

However, many companies stumble through their first BPM project with a trial-and-error approach. This takes longer and costs far more than selectively taking advantage of established expertise and best practices at appropriate points. In fact, recent survey data indicates that almost 15% of companies are in the process of replacing their BPM systems. In some cases, these organizations had the good fortune simply to outgrow a system that did not have the scalability needed for anticipated business growth. However, in other instances, the replacement could have been avoided had they chosen a solution better suited to their requirements, or one that had more growth capacity.

The following sections detail a roadmap of six steps that we recommend for companies ready to acquire and institute BPM.

1. Requirements Definition

Defining BPM requirement typically involves the following aspects:

- Defining requirements: a formal process
- Establishing executive sponsorship
- Involving stakeholders
- Articulating corporate strategy
- Assessing IT systems and people

Defining requirements: a formal process. .As they say, if you don't know where you're going any road will get you there. But you may not be happy with where you end up. More work up front saves work and cost later. Requirements definition should be a formal process that finishes with a written document that requires formal signoff. This document will spell out what the company needs the BPM project to deliver. It will also demarcate the project scope and thereby forestall costly "project scope creep."

There is a specific path leading to an accurate requirements definition. The formal process of defining requirements can begin with sponsor and team selection.

Best practices indicate the following are key to project success:

Establishing executive sponsorship. Select an influential champion to rally support, clear away obstacles, focus efforts, and break stalemates. You can have several executive sponsors serving on the project team.

Involving stakeholders. Establish from the outset that the project represents not only the finance department and IT, but the operational areas or business units that will be end users of the BPM application. An ideal number of participants in the project team is 6-8 persons. The more senior they are, the better.

To ensure that your investment decision is based upon an unbiased and transparent process, obtain the voice of all participants. This is an important part of the process and everybody must chime in.

To begin, it's important to provide a general education about the potential of BPM. A half-day seminar with an outside BPM expert who is not partial to any vendor can establish consistent definitions, paint in broad brushstrokes the strategic and tangible benefits, and build up team enthusiasm. Educating your likely stakeholders in the BPM project about such benefits as an automated budgeting process, integrated reporting that models prospective merger and acquisition scenarios, immediate web access to planning information, and the combination of analytics with forecasting, will help establish the

Case Study

Casino Gambles on BPM and Wins: From Spreadsheets to BPM in Two Months

Foxwoods Resort Casino in Connecticut employs 12,000 people and operates 50 restaurants and retail stores alongside 340,000 square feet of gaming space. Foxwoods' need to graduate from spreadsheet-based systems was evident; errors were frequent, decision makers were kept waiting, and valuable management time was swallowed up in reconciliation of spreadsheets.

Foxwoods was able to rapidly define its principal requirements for a BPM system: it had to be implemented quickly, they needed an error-free, automated and efficient budgeting process and managers needed control over creating their own reports. Foxwoods selected a BPM solution and was operating live with it in less than two months after vendor selection was finalized.

commitment and enthusiasm that a successful project requires. A view of how other companies have benefited will help steer your project group in the direction of taking advantage of all that BPM has to offer.

Articulating company strategy. This may be more challenging than you'd expect. A clear statement of strategy is the foundation for the project, because you will follow up by listing not only the immediate "pains" that have driven your company to the brink of BPM, but also which of the strategic and tangible BPM benefits you consider immediate and essential, which are longer-term nice-to-haves, and which don't really matter. A clearly expressed company strategy such as "Offer the friendliest airline service, the fastest air travel experience, and the most frequent point-to-point departures" or "Grow to 20,000 financial advisers by 2010 by offering trusted, convenient, face-to-face financial advice to conservative individual investors who delegate their financial decisions, through a national network of one-financial-adviser offices" makes it much easier to choose the KPIs, or key performance indicators, that will be needed with your BPM system.

Prioritize the immediate needs and the longer-term desirables. Do not allow one department or stakeholder to control the prioritization. A master of ceremonies—an arbiter—should solicit the reactions of every stakeholder on the project team, so the final set of priorities is a combination of the team's inputs.

Assessing IT systems and people. With the project requirements prioritized, we recommend an assessment of IT people, processes, infrastructure, and systems as they relate to BPM. One approach is a "gap analysis" that identifies where current systems fall short of the BPM vision embodied in the requirements definition stage. In theory, the gaps identified make up the solution that a company should install. In real life, however, it is less straightforward, because the solution chosen will usually "take over" some existing functions, especially those that are spreadsheet-based.

With the functional requirements defined at a high level, the project team will need to decide on critical indicators and other metrics that the BPM solution should deliver to support your specific strategic objectives.

2. Technology Alignment and Definition

The alignment of technology to be used in the project with your existing IT infrastructure is a companion to the overall requirements definition. It makes sense to select new technology that will support both short-term business priorities and longer-term strategies. This generally entails:

- Detail of the solution architecture
- User interfaces
- Data challenges

Detail of the solution architecture. In this phase, you will detail the IT architecture with which your BPM solution must integrate, and the preferred overall system architecture, including:

- Defining metadata structure and hierarchies
- Establishing a consistent chart of accounts
- Assessing your internal IT readiness for the BPM project

It is also a phase where your project team will devise specific questions to ask vendors, determining what is essential from a vendor to support and comply with your more important business processes.

User interfaces. UI is an important technology issue. The basic financial reporting choices between Excel, web interfaces, and mobile, whether web or phone, will be determined by the types and numbers of users you anticipate. Familiar user interfaces accelerate adoption rates and lead to increased usage.

Performance management systems often sit on top of a variety of legacy systems. The BPM system's dashboards or reports tend to become the most common way that users access corporate data. There are several IT readiness issues here, beginning with whether the BPM system needs to interact directly with existing systems or access data in a data warehouse. If your company already has a data warehouse, it is ahead of the curve. If not, most BPM systems have the tools to help create a data mart.

Data challenges. A key issue at this stage is to determine whether your existing systems already provide the data the BPM system will require. Once key performance indicators (KPIs) have been chosen for display on the BPM dashboard, it often is the case that few source systems track and accumulate the detailed data needed to derive those KPIs.

Case Study

Hollywood Produces Another Happy Ending – This Time in Budgeting and KPIs

Universal Studios Hollywood (USH), part of entertainment giant NBC Universal, endured major challenges when using spreadsheet-based budgeting across its seven distinct businesses and trying to reconcile them into a conglomerate model. The company also had fragmented data sources and practices across its business units. USH established criteria for the solution it sought: a common platform with consistent models and metrics. The company already had a data warehouse to track ticketing information, but to achieve an enterprise-wide system whose components would integrate seamlessly, it needed extensive budgeting functionality and would have to integrate with SAP.

The implementation of their new BPM solution was conducted with USH IT resources internal consultant and consultants from Infor. Now the company has reduced its budget cycle time by 50 percent, and has real-time views of leading and lagging KPIs. More importantly, the BPM solution helped the finance department to use best practices to provide timely information to its key stakeholders.

Assuming the data is available, how is it accessed and/or moved into the data mart? Companies need to determine how reliable and clean their data is and whether its format is consistent with other data (i.e., currency, scale). Do these systems utilize the same metadata? In other words, does "Cost of Sales" mean the same thing across all source systems? Unfortunately, the answer to these questions is often that the underlying systems are not consistent and synchronized. This data needs to be normalized—made consistent—before your organization can obtain the full benefits of BPM.

A well-designed performance management system will be used in different ways by many kinds of employees. With a high volume of users, response time can become an issue, and any time lag in data access needs to be addressed.

Depending on the particular business processes being automated, there can be very large usage spikes. Budgeting, in particular, can lead to hundreds, if not thousands, of users updating the database almost simultaneously. This can be a challenge for the selected software, but also places a burden on the corporate network.

The challenge is to make sure the network, server, and communications infrastructure is robust enough to support the type of usage that is common with BPM. This may require additional investment in infrastructure to help manage this increase in demand. This need may be especially acute in industries where companies have grown through acquisition and do not have a standard technology platform throughout.

We have also seen organizations that analyze and adjust the infrastructure at headquarters, but completely neglect testing performance at field locations or even other buildings in a campus environment. Be thorough. Poor performance anywhere in the user chain can reduce active usage of a BPM system and its ultimate benefit and value to the organization.

Most BPM systems today are designed to be maintained and expanded by the business end user. This is good for the end users, and also ultimately for the IT group that is no longer required to program a custom report every time a new need is identified. Marketing hype aside, the end users will need some level of expert support from IT, particularly if the new report requires changes to the underlying metadata such as charts of accounts, organizational hierarchies, and data categories. Here is where potential problems can arise. Many IT groups are staffed with developers/programmers who excel at building solutions from existing BI tools or custom programming an application from scratch. Implementing one of today's BPM packaged applications requires a different set of skills, so it is helpful if a system enables the finance department to configure applications and create reports with minimal IT involvement.

3. Vendor Selection and Software Acquisition

Some of the key elements of this critical process include:

- Functionality before familiarity
- Short list of vendors
- Test script for demos
- Checking integration and performance issues
- Due diligence and negotiation

Functionality before familiarity. It is especially important to structure the vendor selection and product acquisition process to avoid bias such as putting familiarity—such as that offered by a company's current ERP provider—ahead of functionality or technology, or acquiescing to the vendor with the best marketing or sales team instead of the best product.

Short list of vendors. Some companies issue a request for proposal (RFP) based on the requirements definition. Others, particularly those who have done a thorough job in requirements definition, can leverage internal or external vendor-independent resources to help create their own short list and move ahead to the proof of concept.

Test script for demos. Once a short list of three to five vendors has been established, the project team needs to plan and control the product demonstrations. This is best done by creating a test script that lays out precisely what you need to see to test the prospective solution against your requirements. The script will help verify the product's ease of use, performance, and functionality in key areas such as creating reports and drill-down. A test script can also let you see the processes for system administration and help you evaluate the product's ability to work with your data structure and data sets.

You will want to see the vendors do tasks as you watch: create reports, add users, develop input forms, run analyses, and generate reports, as well as make changes to the corporate structure and chart of accounts.

Integration and performance issues. A final step in a rigorous vendor evaluation and selection is to check for integration and performance issues. This can be done by installing a proof-of-concept application on your corporate network and gauging its responsiveness. You should experiment with different numbers of concurrent users, approximating your average usage and your peak volume spikes.

Due diligence and negotiation. If a vendor passes the scripted demo in good standing, it is advisable to assess their stability and product development path.

When you have selected the best vendor for your company, a process of negotiation begins. The vendor typically is incentivized to sell you as many seats as possible. Buy what you need today, but reserve attractive terms going forward. Don't pay excessively up front, and in particular don't buy shelf-ware.

4. Implementation

Key factors in managing an implementation include:

- Determining use of consultants
- Role of the technology expert
- Communication to future end users

Determining use of consultants. There are three fundamental approaches to resourcing an implementation:

1. Use in-house staff. Usually reserved for small implementations, this approach draws on employees who will be involved with the project once it is in use. BPM never really ends as a project, so having expert implementation staff on your team can be an asset to leverage on an ongoing basis as the project continues.
2. Rely on your vendor. Leverage their staff; include this as part of your negotiation process. These resources do not know your business, but can apply experience at similar deployments and have easy access to vendor technical resources.
3. Consider an outside third-party implementation firm. This group may be available locally, needs to be expert in the product of choice, and may turn out to be more cost-competitive than vendor resources.

Many companies choose to mix all three of the above.

The first option, going strictly with in-house resources, can be a challenge for many companies for the simple reason that your existing IT and finance team do not have sufficient working experience with the software solution chosen. With the help of experts, they can participate and build up knowledge of the application or system over time.

There is one major decision that heavily influences the outcome of implementation: choice of an implementation partner. The vendors know their products intimately and have a strong vested interest in their productive usage, so you can usually count on them for a good outcome. However, a third-party partner that is conveniently local and perhaps even knows your industry can be a major asset.

A consultant with experience in BPM can mitigate projects risks and shorten the timeline. As a result, the search for an implementation consultant has become more formal. Many are expert in more IT-centric topics like star schemas and metadata structures, but may not be familiar with performance management.

Role of the technology expert. Technology experts—those versed in system integration and databases—are still essential for implementation in the performance management world. This is especially true when it comes to the advanced usage of BPM, or next-generation BPM, where fewer packaged applications exist. There is a growing demand for business performance experts who can handle the business requisites of the system. They tend to have a background in business operations and finance, and usually are able to select key performance indicators that tie back to strategic corporate objectives. They should be familiar with best practices in budgeting, operational analytics, or financial consolidation. The ideal combination is for technology consultants to partner with performance consultants.

Communication to users. Assign a business manager who will be tasked with communicating to the stakeholders. Keep stakeholders apprised as the project goes forward, and requirements might be slightly adjusted to meet changing needs while avoiding scope creep. This communicator will be a business-savvy person who works side by side with the project manager, confirming that the requirements definition is fulfilled.

5. Education and Rollout

Training of users and staff is critical to user acceptance and productivity. Key tasks are:

- Preparing users for rollout
- Preparing support staff for rollout
- Training the trainers

Preparing users for rollout. It is important to train key users—and trainers—in the weeks preceding the rollout. In addition, communicating proactively to publicize the arrival of the BPM application and its benefits will be necessary. Without this training and communication, user acceptance is likely to fall short.

Case Study

VF Corporation wrangles their global data

VF Corporation is the world's largest apparel company, home to many famous brands including Lee, Wrangler, Nautica, and The North Face. With sales in over 150 countries, and multiple distribution channels, VF Corp needed more visibility into and more control over its financial consolidation process. It also needed a way to close the books faster. Their previous configuration included balancing 130 users working with 37 different databases creating an administrative nightmare.

VF Corp implemented InforPM 10 and plans to have 250 users accessing the one consolidated database. They've also been able to reduce the number of manual standard and miscellaneous journal entries every month from 230 to less than 25.

Preparing support staff for rollout. The end user support team needs to be trained on the syntax of the product being implemented. From a process perspective, a central help desk/support line needs to support a large number of business users on the application. Many IT groups already have help desks in place for other software. With BPM, many support requests will require some understanding of the business use of the product, not just the underlying technology.

Typical support calls usually sound something like: "Windows crashed, my machine is frozen." In contrast, a BPM call is more along the lines of: "My budget is due today, I just entered some new numbers, and now the balance sheet won't balance. Something must be wrong with the chart of accounts." IT may need to partner with finance on problems of this type. These issues will arise, they will be time-critical, and IT needs to be prepared.

Training the trainers. To help deploy performance management throughout an organization, many clients have

found it beneficial to train internal resources to conduct their own user training. A train-the-trainer program is used to prepare your internal resources to deliver this training.

These steps can vary greatly, depending on the size of the company acquiring the new system. It may constitute only a small expansion of your application to a few additional users, or a large worldwide roll-out to multiple sites.

Now the focus shifts from stakeholders to end users. Don't throw a software solution over the fence and hope they catch it. Frequent communication is very helpful. Invest in education, recognizing the different types of users you have, and realize that one size does not fit all. The worst BPM system is one that's built but not embraced by the intended users.

6. Summarize Impact and Evaluate Next Steps

Once the initial application is rolled out, you can revisit the initial requirements and consider additional possibilities to meet existing or new needs.

- Check outstanding requirements
- Address nice-to-have functionality
- Allow ongoing improvement

Check outstanding requirements. Once a BPM solution is established and in use, the project enters a different phase that continues indefinitely. At regular intervals, the project team, which may now replace some of its members, should revisit the initial requirements definition and see which requirements were met, and which remain unsatisfied.

Address nice-to-have functionality. Part of this phase entails seeing which requirements have changed, and understanding any objectives that were not met. This allows the team to focus on a second stage, where the secondary requirements—those rated "nice to have"—can be addressed. It is also an opportunity to make decisions about extending the existing solution to new functions and applications. The team might decide it is too early to push further on functionality, and that the immediate need is more end user training.

Allow ongoing improvement. Regardless of the decision at any given point, over time there will be opportunities to involve more users, take applications to greater levels of detail, address different business issues with the same users, and expand to serve more departments, perhaps with new applications. As an example of progressing to next-generation BPM, companies often start with budgeting and planning, then graduate to more advanced analytics or reporting, such as customer or product profitability analysis, sales performance management, or other operations-specific solutions.

Conclusion

The transition from spreadsheet-based planning and reporting does not require a lengthy implementation and deployment. The challenges of this changeover are best addressed with a structured, clearly defined roadmap and a sequence of steps from requirements definition, through selection and acquisition, implementation, education and rollout, and ongoing evaluation and updating.

Performance management projects can be staged. Start by addressing acute business pains, which could be as simple as “management complains the current systems yield no reports that help support decision-making.” Generating such a report could be the kind of early win that builds acceptance and more support for the work involved.

Automating and modernizing the budgeting and planning processes represent a significant opportunity for many companies to improve the accuracy of planning, while establishing a single version of the truth that allows an organization to respond more rapidly to changes in business conditions.

Over the next few years, the capabilities and benefits of BPM applications will continue to increase. Companies will continue to build their investment in BPM as wll. It is important to avoid a position of playing catch-up, and to begin the process of performance management—at an enterprise level, not dependent upon spreadsheets—now, rather than later.