



# Shores **apart** **without** BPM

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**The corporate equivalent of getting ‘all the fish to swim in one direction’ is the overriding BPM payoff**

**I**n many businesses today, execution and corporate strategy are standing on opposite shores sorely in need of a bridge between the two. How many companies have that elusive one version of the truth, with real-time, meaningful information that enables better decision-making and improved financial performance? And, if you aren't working on a business performance management (BPM) initiative designed to do all these things already, you will be soon.

BPM is a combination of business processes, select measures (metrics, key performance indicators) and systems that enable an organisation to understand, act on and influence its business performance. Budgeting, planning, consolidation, scorecards, dashboards, business intelligence (BI) and analytic applications all fall under the BPM umbrella. In addition, regulatory issues such as IFRS, Basel II and Sarbanes-Oxley compliance are often business drivers for today's BPM applications.

Based on the BPM Partners Business Performance Management Industry Survey of more than 215 financial and corporate executives, within the next year or two, your company – whatever your industry, size, and stage of IT development – will be likely to initiate a BPM project in some form. The results indicate that 40% of large companies are currently in the midst of a BPM project. Almost 70% of the companies that responded have completed, are in the process of, or are planning a BPM initiative for 2004. And contrary to the intense marketing surrounding regulatory issues, compliance is not the most important driver of BPM initiatives. They are instead being driven by the internal demand for greater accuracy, accountability and transparency of financial reporting, including shorter cycles between closing the books



## **Ivor Herman**

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and reporting. Almost 40% of respondents question the accuracy and integrity of the financial data available to them from their existing systems.

The corporate equivalent of getting 'all the fish to swim in one direction', linking execution to strategy, is the overriding BPM payoff. The idea is that with accurate and consistent analysis available throughout the organisation, everyone will understand the corporate goals, and all their activities can be in step with the company's objectives. Improved financial performance will follow naturally.

However, you can't link execution with strategy unless several distinct pieces are working together. Until you have performance management and an ongoing view of the key indicators, you cannot see how operational steps you take affect the bottom line. Those components are: fast budgeting and planning cycles, with just a few iterations; linking data from different systems and forecasts from all levels of the company, to give a common view of performance, present and future; making that view, and the company goals, easily available to all; and identifying and tracking the true sources of profitability, and of cost savings.

One wonderful goal that eludes many companies is having different managers and divisions all looking at the same structure in budget templates and discussing forecasts with matching levels of detail. This is difficult to begin with, as many companies were built through mergers, have international subsidiaries that define their own accounting and are a patchwork of transactional and planning systems. In practice, it requires a BPM system to link and consolidate data from disparate systems to give a common view of performance; and to make the unified views available to everyone who can create value with it (often through web-accessibility).

If the information is not real-time, then it needs to be circulated as quickly as possible. Real-time information stirs religious fervour amongst its converts. Competitive companies often see real-time information access as the key to their competitive advantage. The faster the information arrives, the faster you can turn the ship. The real-time culture appears to mean that many more questions are asked, because rapid answers trigger more questions. It can also mean that more decisions are made, but they are often smaller adjustments – more like constantly nudging the rudder to stay on course. To capitalise on a BPM system and run a company more tightly, your system should:

- deliver data with a minimal time lag from transaction or event to availability for analysis
- enable faster closing cycles
- automate error-prone tasks, getting people out of the data chain and putting them at its end
- support faster forecast preparation.

BPM lets companies put tactics behind strategic shifts, building a bridge between the strategy and the execution that moves the company from short-term to strategic thinking. **FC**