

A BPM Partners White Paper

Lower TCO with Unified BPM Applications

Unified applications bring immediate cost savings. Long-term savings increase if you can easily extend the system to new applications, and go beyond the core BPM processes.

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Table of Contents

Table of Contents.....	3
Executive Summary	1
Unified BPM Applications in 2013: Not All Created Equal	2
Unified Applications: The Immediate Cost Benefits	2
How Unified is It?	3
Variability and its Impact on Cost of Ownership.....	4
When You Extend the Application, What Happens to TCO?.....	4
Flexible Dimensionality and Multiple Applications	5
Consider Which Processes Need BPM, Then Choose	6
Conclusions	7
About BPM Partners	8
About OneStream Software	8





Executive Summary

How does an organization significantly lower its TCO (total cost of ownership) for a business performance management (BPM) solution? What does it take to minimize TCO?

One route is to select a unified application that easily incorporates multiple process-specific solutions.

A more complete answer adds an important qualifier: find a unified application that covers the core BPM processes with solid functionality, **and is designed to extend easily and smoothly to adapt to user requirements in additional business process and solutions**. It should allow new activity-specific solutions to be set up and maintained easily.

Over the past decade, as organizations of all sizes have adopted performance management, consolidation, budgeting, planning and reporting have been the core focus for BPM.

Going module-by-module, mixing and cross-integrating products proved to be lucrative for software vendors and consultants, but it was expensive for users, with inevitable headaches in implementation and maintenance.

Users report five- and six-digit savings on unified applications in: licensing fees, support contracts, integration work, infrastructure and hardware, and salaries. Their time savings, with a unified application versus module-by-module solution, are realized in less work of tracking licenses, getting modules to work together, making a change across multiple applications, upgrades, and chasing after support on multiple process-focused solutions.

For unified applications that are built for extendibility to new processes—such as operational activities outside Finance—there are additional cost and time savings.

For organizations that need to contain costs in their BPM efforts, we recommend considering a number of unified applications in your selection process. We further suggest that you look closely at the functionality in whichever process is most critical to you—usually budgeting or consolidation—and at the ease of extending the solution to your company's other processes and solutions in the future.

Unified BPM Applications in 2013: Not All Created Equal

Unified applications for performance management have established a strong business case and gained the respect of large customers with their strong functionality. Today there are more choices in unified applications, and we see different approaches and capabilities within the category. Some are particularly strong—or not—in specific areas of core functionality such as budgeting, analytics, or consolidation.

Others will have a higher degree of flexibility, or more specifically, expandability (often called extensibility) to fit with proprietary business processes. Some have a superior capacity to be adapted, configured or programmed for new applications—without consuming much in the way of IT resources or administrator time.

For many companies, the most difficult aspect of BPM is in the complexity of consolidation, which is often the first process they must tackle. For this reason, we recommend you put strong emphasis on defining your consolidation needs. Unified applications come with widely varying consolidation capabilities. This can be a major issue in how suitable a unified BPM application is for your company's needs. If you have a potentially complex consolidation situation, do not shortchange yourself; find a unified application that has complete, enterprise-grade consolidation. If the consolidation function is not adequate for your needs, fixing this issue will become costly and time-consuming.

Unified Applications: The Immediate Cost Benefits

“Switching over gradually from our current, on-premises modular solution to a unified solution will save me from the need to hire two additional staff, to maintain the five modules as we grow. That is a \$190,000 per year savings.”

“Instead of using six servers as we do today, we'll be relying on one large server and two or three load-balancing servers. That translates into over \$100,000 per year with the maintenance and support thrown in.”

“Getting a dashboard product to work atop our consolidation system would cost me \$350,000. With our unified application, recently acquired, it's included.”

“By licensing one application, instead of tracking which users use exactly which modules and paying four to six license fees, we save a great deal of hassle and a lot in license fees.”

“Our users are now able to figure out some of their own reports and analysis. Even a limited measure of self-service independence saves my group from being their bottleneck.”

These statements are from current users of unified BPM applications. The immediate cost benefits include:

- **One license fee versus several** – you need to calculate how it plays out in your company, but the end result is usually favorable with the unified solution.
- **One support contract versus several** – support for the unified solution is generally much lower cost than traditional packaged applications, particularly from the major ERP vendors.
- **Reduced infrastructure costs** – fewer servers, fewer integrations, and fewer staff to maintain them.
- **More included capabilities** – unified solutions often include dashboards or other outputs that would cost into six figures with some modular applications.
- **Less IT staff time required to answer user requests and protect uptime**, due to its single point of maintenance, crossover skills between the process-specific solutions within the unified application, as well as partial self-service capability. Unified applications tend to have simpler and friendlier user interfaces. This doesn't result in total user independence, but it tends to take some burden off IT.
- **Single interface** - with the unified system, users generally have just one interface to learn across the various process-specific solutions; another cost savings.

The only significant cost argument against using unified applications: you pay for all the packaged process solutions at the start, even if you only need budgeting. If this describes your situation, it is still wise to go through the cost calculation and consider whether you are better served with a point solution for budgeting, versus a unified application that can remove integration worries down the road.

How Unified is It?

One of the leading arguments in favor of unified BPM (aka CPM or EPM): all its functionality is available on day one to enable a common sense implementation.

With a fully unified application, the customer does not have to go through the process of procuring new software, new hardware, installing software, adding IT staff, integrating between products and process solutions. The customer owns all necessary components on day one.

It is important to verify that a unified application is, in fact, unified—rather than several distinct product stitched together and sold as a package, integrated with marketing-speak.

Questions that will help you make this distinction during the selection process:

- How many license fees are involved to utilize all the potential functionality?
- How many installations are needed to utilize all the potential functionality?

- If we modify the data structure (charts of accounts) by removing a summary and totaling up differently, will all the reports and dashboards automatically adjust and display the modified totals?
- To complete the change above, in how many places must we enact or note the change?
- How many 'modules' are there in the entire purchase?
- On how many servers does the entire system run – excluding load-balancing or spillover servers?
- Is the application delivered with ALL integration between its different functional capabilities complete and ready to use? All BPM applications need to connect to data sources. With a unified application this should only need to occur once.

The answers to the above questions should be either “Yes” or “One.” Any other response could indicate that you are buying a family of distinct applications and with them, more integration than you may want to take on.

Any BPM application requires integration to data sources, as noted above. A unified application should avoid need for integration between the modules – in fact, there should not be distinct modules in the traditional sense, just different interfaces and workflow and reports accessing the same central database in the same manner.

Variability and its Impact on Cost of Ownership

When You Extend the Application, What Happens to TCO?

The cost-effectiveness of a unified BPM application is tested when a company needs additional process-specific solutions. In other words, what does it cost to build a solution for sales pipeline management, or hotel/restaurant metrics, or to track costs and trends from early readmissions and avoidable days in a hospital?

The additional solutions might address operational activities, or they could be for unique financial and reporting processes that the organization needs to run at the same time as its core processes.

Let's look first at the more basic variability that is most commonly needed: a change to metadata structure, hierarchy, chart of accounts, or report fields. A unified application should—ideally—give administrators the option to either:

- Make the change as a permanent company-wide alteration, and carry it automatically through the right solutions and reports, or

- Designate the change as impacting only certain business unit “views” and reports, or belonging to specific processes or scenarios such as actuals versus budget numbers.

A system which handles this, and reduces work and confusion for users and administrators, can deliver meaningful cost savings, as anyone who has struggled with such changes in the real world can attest.

Flexible Dimensionality and Multiple Applications

Next, let’s touch on a grander-scale type of variability: creating unique process solutions within the unified application. Many organizations long ago established BPM systems around their core processes of consolidation, budgeting and / or reporting and now have come to a turning point. They have decided that additional business activities should now benefit from the same analytic capabilities. Often, these are operational processes where BPM could make a significant positive impact on management style. Not only that, they are often the company-specific business processes which help to create its competitive advantage. They are differentiators; they probably embody proprietary best practices and accumulated company know-how. As such, no packaged application exists, nor is likely to, that will fit these activities. Some adaptation is required.

To create multiple analytic solutions—performance management for a company-unique process, for instance—within a unified application, there probably needs to be a way to add original detail under the high-level dimensions. There is significant impact on long-term TCO from how metadata is managed inside the unified system.

To take a simplistic example, a fashion retailer that rolls up products into categories like Men’s Pants/Men’s Shorts/Women’s Pants/ Women’s Shorts might need analysis based on product color—analysis by color trend being obviously important in apparel. The retailer needs a way to view data based on color without disturbing the permanent hierarchy. The retailer does not break out color in its financial reports, yet the ability to slice on color dimensions is important. The IT department will want to add color fields without having any impact on other applications, especially financial reporting. To take this a step further, two retail units may need different metadata with differing levels of summarization. It simplifies matters for each unit, and provides simpler maintenance, if each unit’s metadata is invisible to the other units, and impacts only that business unit. This means that when the Young Teen outlets alter their metadata to report on actuals by solids versus patterns, there is no need to update applications for other units.

One approach is for a unified BPM system to start with a standard corporate set of dimensions. From there, it can accommodate multiple activity-specific solutions within the same application if it has the ability to extend dimensions by business unit and by business process.

Among the TCO-pertinent questions to ask during your selection process:

- Can the standard dimensions be inherited and then extended by each business unit to deliver operational reporting that in no way interferes with financial reporting?
- Can the dimension structure be extended (or “built out” with greater detail) for multiple business processes?
- Can these dimensions, which are different than the financial reporting dimensions, coexist without creating confusion and without slowing down performance of financial processes and reporting?
- Can we create reports that feed from the new dimensions (slices of data) that we defined for a new operational or finance application?
- If the process or the business unit requirements involves a variation in metadata between business units or processes—such as metadata for actual results being more summarized than metadata for budget detail, does this require creating a new application that results in dual maintenance points?

If individual business units are insulated from each other’s unique metadata and analytic breakouts, TCO will be lower.

Consider Which Processes Need BPM, Then Choose

If you are confident that only core processes of performance management—consolidation, budgeting, reporting, planning—will be the focus of the unified BPM system you choose, then its extensibility (aka expandability) may not be a high priority for you.

Be aware, though, that more companies find it increasingly worthwhile to extend performance management beyond the traditional core processes. This is a natural evolution. Finance has proven the benefits, and operational / business managers have taken note and would like to take advantage of BPM capabilities. For many, a unified solution is the lowest-cost and the lowest risk way to do so.

Conclusions

The basic functions of BPM are known and established, for the most part. Unified products have proven themselves and matured in depth and power of functionality. Their advantages in license and support fees, maintenance requirements, integration expense and time, and user training are clear.

Important differences exist between unified BPM systems from different software vendors. Among the key factors; depth and power of consolidation and budgeting, adaptability, as well as ease of use and total cost of ownership. The degree of integration and unification also varies considerably, and is important to verify during the selection process. Some vendors stretch the definition of “unified” considerably, while other products are truly a single-core with strong functions and a common interface facing outward.

For many companies, the most difficult and costliest aspect of BPM is the complexity of the consolidation process, along with the stress and high stakes of implementing consolidation flawlessly to ensure compliance. It is therefore important to define whether you have a simple or highly complex consolidation challenge. If it’s the latter, do not shortchange your business. It becomes critical to choose a unified solution that has complete, enterprise-grade consolidation. If the consolidation function is not adequate for your needs, fixing this issue later will become costly and time-consuming.

Unified applications bring the requirement to pay for all the functionality at once, but the tradeoff is having all the required core functionality available immediately. The unified application has no inter-module integration issues and is a single-install situation. Again, this is a cost savings.

Companies have placed growing importance on the expandability, or extensibility, of the unified system to non-core applications and of ease of maintenance in the face of change. With BPM prevalent in the core processes already, more companies now seek to bring performance management to processes that are unique to their company, or provide some competitive advantage.

That requires extensibility; the ability to create new solutions with the single unified application. A critical test of the cost-effectiveness of a unified application is how easily additional applications—beyond budgeting, reporting and consolidation—can be set up.

Operational BPM often calls for different metrics, which must still translate up to the master data structure. If the system accommodates varied dimensions and multiple extended applications easily, TCO will probably be significantly lower. If not, separate custom applications might be required, requiring considerably more investment and long-term maintenance.

Today, greater simplicity and cost savings are expected and demanded from new software systems, along with powerful functionality. A unified application which delivers both, yet matches the functionality of point solutions, is a superior choice in most cases.



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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OneStream Software is a privately held company beholden only to our customers. Located in Rochester, Michigan OneStream is dedicated to providing unified Enterprise Performance Management (EPM) solutions for the medium and large enterprise. As the original inventors and architects of UpStream WebLink® and Oracle's® Hyperion® Financial Management, we started over to engineer the first sustainable platform for Unified Financial Intelligence. OneStream XF delivers Financial Data Quality, Financial Consolidation & Reporting, Budgeting, Forecasting & Planning, Dashboards, Analysis and more in One product and One application. Visit OneStream online at <http://www.onestreamsoftware.com> or on twitter [@OneStream_Soft](#)