**A BPM Partners White Paper**

# One Size Does Not Fit All

## Evaluating Legacy Platforms and Achieving Return on Investment with Unified Performance Management

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# Executive Summary

Market research conducted by BPM Partners shows that organizations are interested in unified performance management solutions, bringing budgeting, planning, forecasting, profitability analysis, consolidation and reporting together onto one platform, with one interface. And, the research shows that more companies are appreciating the return on investment of performance management solutions. However, there has been a marked shift in attitudes, with companies being less inclined than in the past to turn solely to the enterprise resource planning (ERP) vendors for their performance management solution.

The massive consolidation in the performance management market in the last few years has created mega-vendors, specifically the "Big 3" (SAP, IBM, and Oracle). While this is not necessarily a bad thing, it has created some confusion in the market as these big vendors rationalize their solution sets, define product roadmaps, and integrate, retool or retire acquired products. It also creates a challenge for these vendors, who must now continue to support the acquired and to-be-retired products and their customers for some period of time for contractual or goodwill reasons. Some of these products – the ones with no long term future but which are still being maintained – have been dubbed as "zombie products."

Companies looking to buy or replace a performance management system are now looking at a market consisting of (1) the bigger, comprehensive vendors, including the Big 3 and others, for whom performance management is only part of what they offer, (2) the vendors who focus on best of breed financial performance management solutions, and (3) the specialized vendors who concentrate on a particular need within performance management such as strategy management compensation. Each has its advantages and challenges. The big vendors are comprehensive in their focus, have functionally rich applications but can also be affected by lack of focus, distractions in supporting legacy or zombie products and keeping multitudes of diverse customers happy. The mid-sized to smaller players focused on financial performance management can concentrate on creating the best solution for the needs of their target customers, but can find themselves fighting for recognition in the marketplace, and perhaps facing resource constraints (support and technology) due to growth. The specialized vendors are expert with their focused solution, are commercially nimble and can provide exceptional customer support but also struggle to be noticed, and have to work to distinguish their value proposition in the minds of buyers who are inundated with marketing claims of their larger and more comprehensive competitors.

A solution that was right for a company in the past may no longer be serving its needs, or may be more costly to maintain than necessary (or even more costly than a replacement). If a solution is not serving all of your current needs, it is likely worthwhile to re-visit your performance management choice to see if the vendor still provides competitive functionality, and to examine the true costs of supporting it.

To make the right buying decision for your company when replacing or purchasing a performance management solution, a five-step process is recommended, consisting of:

- ☐ Step 1: Requirements Definition
- ☐ Step 2: Creation of a Performance Management Roadmap
- ☐ Step 3: Conduct Vendor Due Diligence to Create a Short List of Candidates
- ☐ Step 4: Develop a Proof of Concept to test Technology and make Final Selection
- ☐ Step 5: Start the Application and Alignment of Technology Tools to Support Your Existing Business Processes

This research note will summarize the status of today's market conditions and provide a suggested path to help an organization looking to leverage performance management technology to improve their overall performance.

## Current Market Situation

### The Survey Says …

Clearly performance management is seen as important in today's economy, and the characteristics of a unified approach are valued. One striking trend is the move away from relying on ERP vendors for performance management solutions. In 2008, 54% of respondents said that they would consider an ERP vendor – either their current one, or another – as a performance management provider. The 2008 data was collected during the middle of a very active vendor consolidation period, and was a dramatic departure from earlier years of the survey. In 2009, that number dropped to one-half, just 27%, more consistent with the ratio prior to the vendor consolidation period. Conversely, the portion of companies who would instead look at application vendors who specialized in performance management jumped from 37% in 2008 to 68% in 2009.

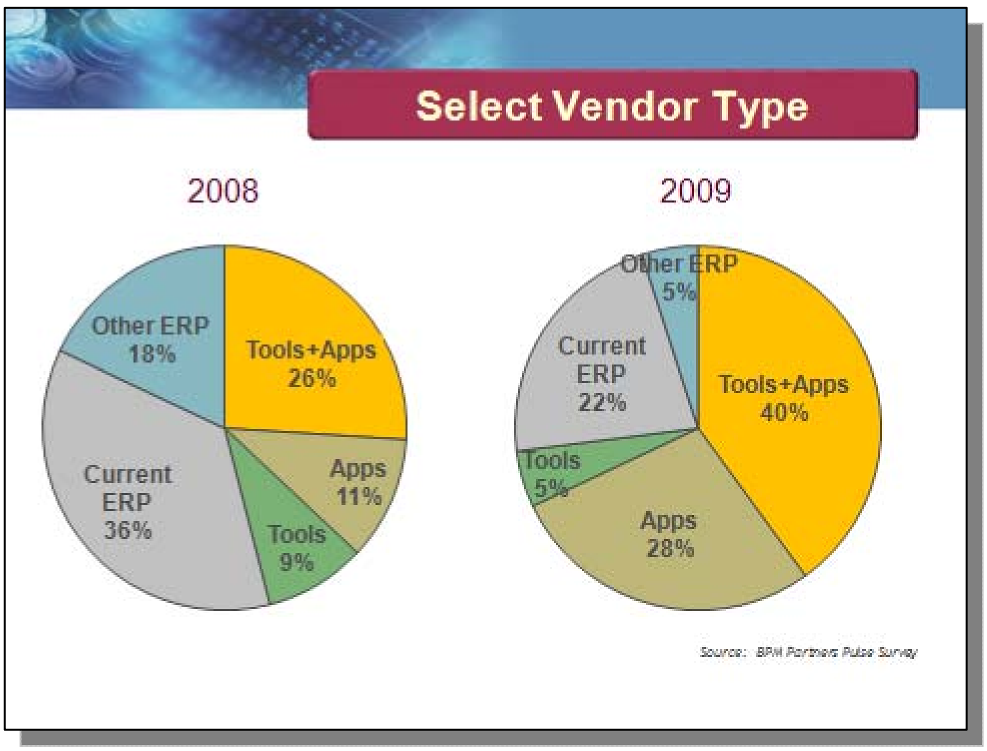


*Figure 1 - 2009 BPM Pulse Survey – Type of vendor to be evaluated for a performance management project.*

A corollary to the trend away from ERP vendors is recognition that the "Big 3" in the performance management field (IBM, SAP, and Oracle) may not necessarily be the right choice for everyone. In fact only 13% of respondents agreed with the statement that "you can't go wrong with the Big 3."

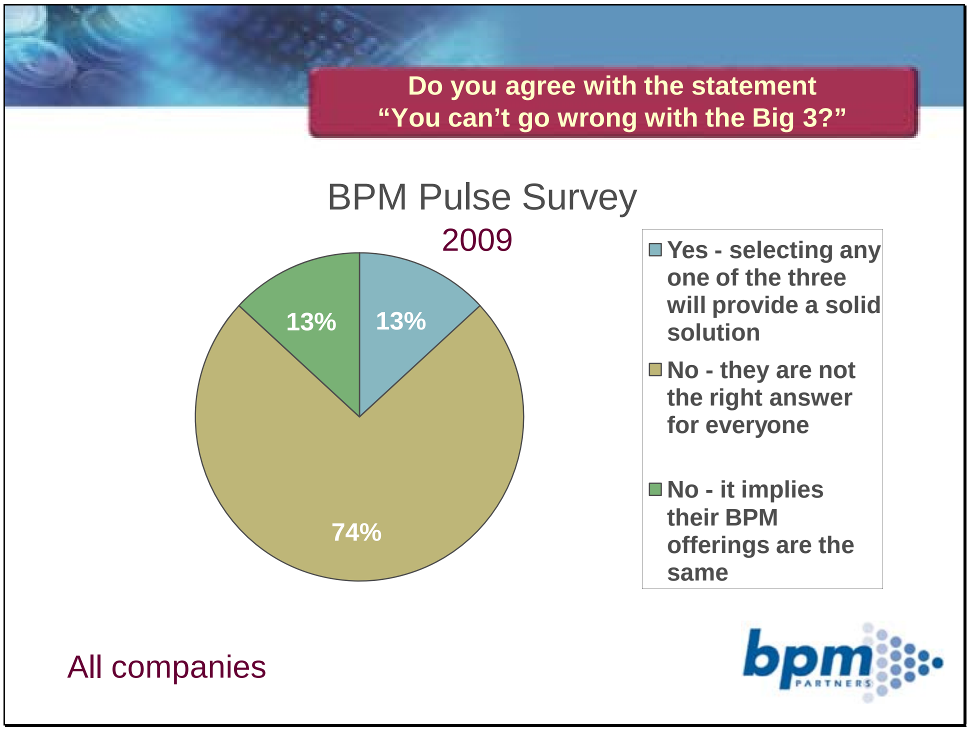


*Figure 2 - 2009 BPM Pulse Survey –Responses to question regarding reliance on the Big 3: IBM, SAP, and Oracle.*

## The Effects of Market Consolidation

In the last few years, the "Big 3" have earned that moniker by virtue of a dizzying and market-changing wave of acquisitions, including:

- Oracle buying Hyperion, which itself had absorbed Brio, Pillar, Arbor Software and others; along with Siebel and its analytics platform and PeopleSoft's Enterprise Performance Management offering
- SAP snapping up the former OutlookSoft, Pilot and finally Business Objects, the latter of which brought along its own acquisitions of Crystal Reports, SRC, ALG Software, INEA and Cartesis
- IBM taking in Adaytum and Cognos, which itself had absorbed Frango and TM1 provider Applix, which had earlier acquired Temtec.

In the business world these are viewed as financial and strategic events, but to owners of the acquired products, the upheaval creates anxiety about what will happen to their investment in their performance management solution – an investment not only of money but of time, training, and political capital. Included in the mix also, of course, are the products that were already in the solution set of the acquirers – SAP SEM, Oracle Financials, etc. So even the customers of the mega-vendor have to deal with transition; in fact, change is nearly certain for them, since the acquired products generally represent best of breed technology that was intentionally purchased to provide a competitive new offering. Even in an acquisition aimed more at buying customers than buying technology, an eventual rationalization of the solution set is inevitable.

When so many products are consolidated under so few roofs, certainly some are going to be retired. However, the consolidation provides challenges for the mega-vendors. One is the problem of support, both in terms of customer support and product maintenance. The acquiring vendors want to keep all those new customers, and so regardless of future roadmap, they need to keep those customers happy long enough to transition them to their future "standard" platform. This requires expending energy and resources on support calls and bug fixes for the now-legacy products, while also needing additional resources to integrate, devise migration plans and tools, and architect the new roadmap solutions.

These products – the ones that are being written out of the future roadmap but still have a significant customer base – have been referred to as "zombie" products. They still exist, but no longer have the same kind of life: they are no longer being enhanced in any significant way, and may or may not still be in the hands of their original developers. Typically, the original visionaries for the product are no longer actively involved in business operations, if at all.

While the consolidation is not necessarily bad in the long term, if truly superior products and overall efficiencies are realized in the eventual solutions provided by the mega-vendors, in the short term it creates uncertainty and churn in the market and the opportunity for best of breed vendors to once again emerge.

Also, customers who own the zombie products, or ERP-based solutions that are not native performance management tools, may find that these systems become increasingly expensive to maintain. They tend to be IT resource intensive, with changes requiring expensive consulting support. The overall performance management solution of the mega-vendor may consist of multiple applications which have to be integrated and maintained. The technology is older and may require more work to keep it integrated with other systems.

## The Attraction of a Unified Solution

Many of the acquired products originated as specialized solutions, providing the best functionality for budgeting, financial consolidation, reporting, strategic planning, or profitability analysis.  Over time, the trend has been to try to provide one platform to handle all of the performance management processes as well as added functionality for financial governance and strategy management.

The reasons cited in the 2009 BPM Pulse Survey for implementing a performance management application (beyond the obvious ones of improving performance and analysis) reflected the typical pains of an environment that is not well automated, including fixing a painful process (47% of respondents), achieving one version of the truth (45%) and reducing financial process cycle time (43%).

The survey found that over 80% of organizations polled have completed, are implementing, or plan to implement a performance management solution and that, for most, the characteristics of a unified platform were considered important: 73% valued a unified user interface; 77% believed that data visualization tools were important, with 58% citing a unified back end.

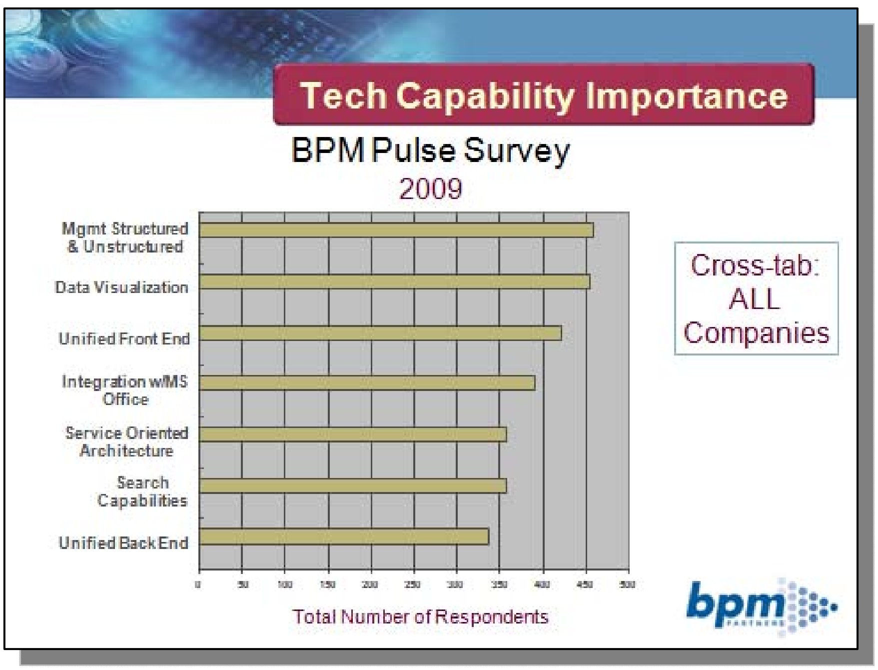


*Figure 3 - 2009 BPM Pulse Survey - Desired technology capabilities in a business performance management system. This shows number of respondents identifying a capability as "important" or "very important.".*

For the most part the mega-vendor product roadmaps are evolving in the direction of a unified solution, with one platform where plans, budgets, forecasts, and actual results can be compared, analyzed, and modeled, and where underlying detail data can be accessed. One has to watch closely, however, to make sure the solution is truly unified as opposed to "integrated."  Unified means that all of the performance management functionality lies within a single application, with a single user interface and one common database, This is in contrast to an integrated approach, where disparate products are connected together under one umbrella, but are in fact separate applications. One trend with some of the mega-vendors is to bring the front end performance management solutions onto the same platform as their back end systems in order to provide deeper business intelligence capabilities. Smaller vendors too are adopting the unified performance management approach, with newer vendors emerging to provide best in class performance management solutions, some geared towards the midmarket, but some also fully addressing the large enterprise market, and all of them providing an alternative for companies who are not inclined to work with a large ERP vendor. The mega-vendors have the disadvantage of needing to spend time and resources on executing roadmaps to rationalize their product sets and designing migration paths for existing customers. The performance management vendors who already have a natively unified platform now have had a window of time, without these distractions, in which they could concentrate on finding new solution areas to address the evolving needs of the CFO in a changing marketplace and regulatory environment.

# Vendor Landscape

The BPM Software Buyer's Guide 2009, prepared by BPM Partners and published in *Business Finance Magazine*, categorizes the performance management market into three types of vendors:

- **Comprehensive**
- **Financial Performance Management**
- **Specialized**

These are described as:

**Comprehensive**: Vendors in this category offer a complete performance management suite coupled with business intelligence offerings and in several instances transactional systems as well. This includes the mega-vendors, although not all in this category are of equal size.

Many of the comprehensive vendors have the advantages of name recognition and marketing muscle. They have significant resources, and a solution for every need, in fact sometimes four or five solutions that could all address the same need. The challenge faced by this group from a performance management standpoint is that they have to support their whole spectrum of products, and are not solely focused on performance management. To be sure, their performance management teams are focused, but they have to vie for resources and attention with the other areas such as ERP, customer relationship management (CRM), etc. In the case of the true mega-vendors, their sheer size requires a fair amount of resource to be devoted to managing their own infrastructure. The other challenges of the mega-vendors who grew by acquisition were discussed earlier, i.e. the need to support multiple legacy solutions (which are slated for eventual discontinuation) while at the same time developing a rational roadmap and the necessary migration tools and programs to move their acquired customers to the new platform.

**Financial Performance Management**: This category contains the vendors that are applications-focused and offer a full performance management suite for Finance including budgeting, planning, reporting, and some consolidation and scorecard capabilities. They may include additional capabilities such as financial governance and strategy management.

The financial performance management vendors generally have the challenge of limited market recognition, and limited scalability. As they try to grow aggressively to gain market share and staying power alongside the larger players, they can have growing pains as they outgrow their own systems and strain their resources. They may have less ability to weather a few bad quarters. Their strength from a performance management perspective is that they are focused solely on the needs of the CFO, and can put all their resources into creating a best in class solution. They live and breathe performance management, are staffed with industry experts, and their market experience most often is reflected in their product. They are not tethered to maintaining a host of legacy applications, able to focus instead on performance management solution roadmap that is geared towards meeting the needs of their customers by adding new capabilities or addressing new business issues. In competing with the comprehensive vendors, the financial performance management vendors may provide a lower total cost of ownership value proposition.

**Specialized**: These vendors provide the building blocks of a full performance management suite. They can be tools or applications vendors that focus almost exclusively on some particular aspects of performance management.

The specialized vendors also have the disadvantages of lower name recognition and generally less market heft. On top of that, they have to convince companies that their solution meets a need that otherwise will not be adequately served, a claim which may be well founded but sometimes drowned out by the marketing noise of those who claim they can do everything. Their strength is that they are highly focused, are sometimes more cost effective and can provide functionality and domain expertise that is not available elsewhere. However, by definition they do not provide a unified performance management solution, which more and more companies are seeking.

# Considerations in Evaluating Legacy Vendors

If you are a mid-sized to larger enterprise considering a performance management solution, you have many options. One key choice is whether to go with a name brand legacy vendor, or one of the smaller, newer performance management focused vendors. While it is often tempting to go with the presumed “safety” of the big vendor, it’s worth doing your due diligence to make sure you are really getting the right solution for your needs and the best value.

One risk with a mega-vendor can be getting more than you need. They are used to massive-scale implementations, and may try to sell you on a vision that is much larger than you intended. They have enough products and services to use every penny that you can muster. While oftentimes a vendor can open your eyes to possibilities you did not know existed, make sure that your solution is right-sized. In fact it’s worth evaluating your existing solutions to make sure they still are meeting your needs in a cost effective way. Over time your needs may have changed. You may be paying for more functionality or more seats that you are using. A multi-product solution might be costing more in maintenance fees and support costs than is necessary, as compared to newer unified technologies.

If you are already using a legacy or mega-vendor, just be sure you are still getting value, even when factoring in your support costs in terms of resources and maintenance fees. This applies not only to today's desktop or web-based applications. If you are on a client-server based architecture, for example, you probably have significant facilities overhead, as well as costs associated with system maintenance, i.e. paying application specific programmers to modify code or database support when you need to make changes.

Consider also that comprehensive or mega-vendors do not necessarily have unified solutions. While most are trying to achieve this, some still consist of an "integrated" suite of products which are not truly unified under one interface and one data platform.

Be sure that you have a clear understanding of the vendor's plans for the product they are selling you. Ask for a presentation on their product roadmap. Is the product you are buying a strategic part of the vendor's future plans? Are they willing to guarantee continued support of the product for a sufficient number of years?

Other technical considerations can also be important. If you are hosting the solution in your network environment, you want to make sure the application is compatible with most known operating systems (to cover yourself today and in the future) and also confirm that it runs on the more common application servers. You should assure that the application handles your security and audit concerns, can scale to meet your data and number of users, and that the database behind the application can be supported by someone on your extended team in the event of potential maintenance or optimization requirements.

Price is also a factor. A brand name vendor is likely going to command a premium price. This premium price applies not only to the license fees, but most likely to consulting, training, support and annual maintenance fees as well. Note that configuration or customization of an application may require additional consulting costs at the time of implementation, but you should also consider whether additional modifications may be needed over time to generate new reports or modify data hierarchies. License and maintenance can also be higher if your solution requires multiple applications and supporting technologies to achieve a total solution. In addition to standard software maintenance fees, maintenance cost estimates should include personnel needed to manage the application(s) and supporting database(s) required to handle multiple products if applicable.

## Considerations for Achieving ROI

What most users want from a performance management implementation, or any other software project, is return on investment (ROI). There are many ways that a performance management project, using a unified performance management solution, can produce financial returns for an organization, such as by:

- Eliminating or significantly reducing manual tasks
- Increasing productivity, thereby freeing finance resources for more value-added tasks and avoiding hiring costs or outsourced support otherwise needed to meet increased regulatory requirements
- Providing better, more timely information for managers, which can improve profitability and cash flow
- Reducing the number of applications, and thus the associated costs to maintain them
- Simplifying the IT infrastructure and other technical support requirements
- Reducing IT requirements for generating reports
- Lowering IT management and hardware costs through a centralized web platform

While some of these benefits will accrue with any effective performance management solution, the efficiencies can be greater with a solution that is not dependent on multiple applications or complex legacy technology.

## Pragmatic Approach

So how do you approach a project to ensure your return on investment?  There are a few proven steps that experience shows are associated with the most successful projects.  It is helpful to have performance management savvy resources on your team to work through these steps to ensure that you avoid the pitfalls and get the best end result.

### Step 1: Requirements Definition

The first step is clear: requirements definition.  It is absolutely critical that you have a clear concept of what you are trying to achieve.  A project can very easily get off track due to shifting targets, scope creep, or too many cooks seasoning the broth.  Having clear requirements can save you many thousands of dollars, and in some cases, literally millions, by ensuring that you have well defined, measurable, and achievable goals.  Also, think of the short, medium and long term.  If you have limited budget and scope now, it still makes sense to consider the big picture and to evaluate the ability of the considered solution to grow to meet your future needs.  If you are addressing only budgeting now, will you be able to use the same product to take on financial consolidation and strategic planning down the road?

### Step 2: Creation of a Roadmap

The second step is equally important:  a clear roadmap.  Step one is deciding where you are going, step two is figuring out how to get there the fastest and most effective way. A roadmap gives you a phased approach, with milestones and evaluation checkpoints so that you can achieve small successes along the way, and ensure that you stay on track towards your larger objective. This is something you want to have in place before you pick up the phone to call the first vendor. The vendor then should be able to demonstrate how their solution will address your needs at each phase, and whether all of your future needs can be met by one unified product, or whether additional software will be required,

## Step 3: Proof of Concept

One common mistake that even smart people make is to buy a product based on the sales demo and the marketing pitch. Every company has a good demo, and it can be hard to ascertain how well the product will actually adapt to your specific needs. One way to determine this would be to work with the product for a period of time and come to understand what it can and cannot do, what's easy and what's hard. However, this is generally not practical when you are trying to evaluate multiple products, and have limited time and resources with which to do the evaluation. This is where a proof of concept (POC) by the vendor can be invaluable. Of course, this requires some time commitment by the vendor, and they may prefer to sidestep this requirement, but if they are truly interested in winning you as a customer, they should be happy for the chance to prove that they can do what you need. The vendor should be able to build a prototype that shows their ability to handle your organization structure, your business rules, your data, and your reporting requirements.

## Step 4: Vendor Due Diligence

There may be more than one product that you feel can meet your needs. In that case, it may come down to which company you believe can provide you the best service. Learn what you can about the vendor's implementation and support teams. Ask to see information on the backgrounds of their staff. How long have they been with the company, or working with the product? Mega-vendors with acquired product lines do not necessarily still have the services and development staff from the acquired companies. Be sure that the vendor still has the skill to support you and the product after the sale. And again, ensure that the product has a place in the vendor's future strategic roadmap and that they will guarantee that it will be supported for a length of time that will meet your needs.

## Step 5: Alignment with your business processes

When all is said and done and you are evaluating what the vendors have put on the table in terms of proposed solutions, one final consideration is to evaluate which one best fits your business process. After all, the purpose of buying the software is to have it support your process, not to install something that requires you to change all your processes to fit the way this particular software works. This is not to say that you should never change your processes; sometimes a new system can provide the impetus to improve an outmoded process, and in particular, a performance management system is likely to eliminate cumbersome manual processes. The point is that the process change should be driven by optimization, and not be caused by the need to adapt to some inflexible product.

# Conclusion

For companies currently using one of the legacy performance management solutions, now mostly owned by one of the “Big 3” mega-vendors, (IBM, Oracle, and SAP), or companies considering a purchase of a new performance management platform, it is worth weighing the advantages and disadvantages of the legacy vendors vs. those of the smaller performance management-focused vendors. The legacy vendors can be more expensive to own and operate, while not necessarily providing the best functionality for the desired purpose. Companies should evaluate whether the vendor has a truly unified performance management platform, meaning that it provides a single user interface and single data platform for planning, budgeting, forecasting, profitability analysis, consolidation, reporting, modeling, financial governance and strategy management. The direction and priorities of the vendor should also be considered, in terms of their commitment to and focus on performance management solutions, vs. their other market segments such as ERP, human resources management systems (HRMS), CRM, etc. In evaluating vendors, a 5-step process is recommended, beginning with requirements definition and creation of a roadmap, followed by a proof of concept, and an evaluation of the ability of the vendor to provide skilled support and of the product to conform to your business needs. While legacy vendors have a number of advantages, it makes sense to carefully evaluate products and vendors and choose the solution that will provide the best value. With proper planning and due diligence, companies can ensure that they receive solid ROI on their performance management projects.