A BPM Partners White Paper

Reducing Risk in Business Performance Management

How to significantly lower BPM software selection, implementation, and operational risks

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Introduction

Avoid subpar outcomes with BPM implementations

Approximately 20 percent of respondents to the BPM Partners 2014 Pulse Survey indicated they were not satisfied with their current business performance / corporate performance management (BPM or CPM) solutions. They identified their leading causes of dissatisfaction as:

- 81% Takes too long.
- 66% Labor-intensive
- 59% Difficult to make changes
- 46% Inability to adequately model the organization
- 44% Limited collaboration
- 24% Lack of functionality

This white paper highlights the risks that lead to unhappy outcomes with B PM / CPM implementation, and gives recommendations to lower risk and aid success.

Summary of Risks

While many causes of risk related to BPM initiatives can be traced back to shortcomings in requirements definition and the process of software selection, this document groups the risks—for convenience and better understanding—by the phase in which they become apparent: initial requirements definition and selection, implementation, and ongoing operation and later expansion.

Risks in the Definition and Selection Phase

- Going too narrow in scope of functionality
- Committing to long-term high TCO / inflexibility /dependence on IT / high consulting fees
- Inadequate unification within the solution

Implementation Phase Risks

Once the selection is made, the execution phase begins, complete with its own set of possible missteps:

- Integration risks

- Incorrectly defining and setting metadata
- Selecting the wrong metrics to track and display
- Slow or over-budget implementation; benefits take too long to become visible

Operational Risks

There are also risk factors that can become visible and damage outcomes after the startup phase.

- Insufficient collaboration and audit capabilities
- Lack of scalability, system overload, slow performance
- Rigid applications that lack the flexibility to extend to new solution areas

How to Lower Risk in Requirements Definition and Software Selection

It's key to determine current requirements, and have a picture of how those needs will change in the future.

In addition to looking for a solution that provides a good user experience and ease of administration, companies should focus on whether there is enough flexibility to meet the changing needs of the business and the unique requirements of business units and company-specific business processes. For example, understanding how your metadata model can be maintained in September for next year's budget, but not affect the accuracy of your actuals reporting, is the type of flexibility you will find in solutions that are effective on a sustained basis.

Understand how too narrow of a scope may result future integration work

If the solution is tightly focused on one to three business processes, additional point solutions may be needed within one or two years; integration work will be inevitable. The risk associated with picking a solution solely based on current needs is significant. For example, financial consolidation is sometimes excluded from the requirements definition because "it's a separate challenge, too big for this project." Yet, according to the 2014 BPM Partners Pulse Survey, 61 percent of those considering a BPM system say financial consolidation is essential functionality.

Over half of respondents, when asked which aspect of BPM is most important – strategic, operational, or financial – answered that they need all three.

By choosing a “best of breed” product to meet those needs, or a set of point solutions, Finance groups can lock themselves into integration commitments that are impractical to fulfill. A simple actual-to-budget variance, for instance, can become a crippling process. How can this be avoided?

Ensure that requirements definition covers more than one key process and involves more than just the people keenly focused on the most intense “pain” that led to a solution search. Operations and strategic users should be represented on the task force. Investigate unified suites which encompass multiple processes.

Avoid locking into high total cost of ownership (TCO), inflexibility, and overdependence on IT

The ingredients that contribute to unexpectedly high TCO are often found in difficult implementations, integration requirements, overdependence on IT, scalability problems, and rigidity that limits customization. Skilled staff end up spending spend excessive time on tasks such as data validations and reconciliations between products and applications**.**

Address TCO thoroughly in customer reference checks. During the selection phase, give priority to the consolidation functionality for, and automation of reconciliations, as well as the integration of consolidation into the overall system.

Beware of insufficiently unified solutions that can hamper the BPM initiative

Some BPM applications are only superficially integrated, and some ostensibly unified suites do not deliver on the vision of a truly unified solution.

IT gets the unwelcome job of maintaining point-to-point interfaces, and each interface can mean higher TCO and more errors. The ensemble is rigid because extensions and customizations require updates to multiple systems. Collaboration between individuals is limited because the different processes are siloed.

Users increasingly recognize the advantages of unified solutions for performance management, and selection task groups should take note of this preference. 65 percent of respondents to the Pulse Survey stated their chosen source for a BPM solution is a unified suite vendor. Less than 4 percent preferred a specialized, best-of-breed vendor.

Confirm the depth of unification of packaged solutions that are marketed as "unified." Verify there is one common database, one interface for all—or at least the most important—user functions and one for administrative functions, and that changes in one 'module' replicate automatically in all other modules.

Risks in the Implementation Phase

IT groups generally do not welcome being given the responsibility to fill gaps in the loose integration of several performance management applications that were primarily developed as stand-alone products on a mix of technology platforms. This situation has translated historically into complex software installations, upgrades and maintenance.

Avoid excessive integration burdens

When Finance chooses to install multiple BPM applications and platform components for closely related business processes, it may lock itself into an ongoing integration and training ordeal. The downside is greater, however, because faulty integration of metadata and data between products and applications is the biggest of all risks; it can profoundly undermine the quality of data and reporting.

Moving, validating and reconciling data between multiple products and applications is not only time consuming, it threatens the quality of information delivered and consumed.

Truly unified solutions take this risk off the table, because all solutions and data reside together in one application.

Maintain a single metadata model

It is challenging to correctly identify and institute the naming conventions and metadata relationships for multi-product and multi-application implementations.

Give preference to a unified solution, and allow the time necessary to carefully establish consistent and extensible metadata that is maintained in one central location. The metadata should be crafted for straightforward adaptation to company business changes.

Understand your key metrics and report dimensions

A key implementation hurdle is to populate dashboards and define the standard reports for most solutions – using the most useful metrics and report dimensions.

Establishing a clear and inclusive process for assembling the list of key, actionable metrics that will be most valuable to the stakeholders and intended users of the BPM solution is critical to success. Consider the use of outside expertise if the project group is not confident about the process, or there is difficulty in making the final selection.

Pros and Cons of Unified Suites

There is a counter-view that built-in integration often comes at the cost of rigidity and increased complexity. To evaluate the tradeoffs, a selection group should determine how unified a unified solution actually is. If it is constructed via partnerships, with a new interface applied to modules and point solutions that were based on different architectures, extensions and upgrades may impose a heavy integration burden.

Avoid slow or over-budget implementations

Projects can go awry if they emphasize a big-bang debut for a new application, versus 'agile' with iterations and quick wins, albeit smaller. Doing a lot poorly or slowly, versus achieving a small critical improvement quickly and well, can damage the project's image.

Plan for agile implementation. Focus on one core process, like financial consolidation and reporting by educating a core of frequent, committed users to achieve an incremental success that can be leveraged on the next project. Work outwards from there to introduce the new projects and processes to additional departments and users.

Mitigate the risk of overdependence on IT

Best-of-breed point solutions may be fairly easy to configure and fit to existing BPM processes. However, using multiple point solutions can require complex maintenance, and make it difficult to customize or extend solutions for additional business processes and areas of the company. Expansion of the BPM project suffers delay when IT resources are not available.

Many software providers today deliver CPM application silos with multiple products or modules, but this approach reveals its shortcomings when the systems need to adapt or change. Upgrading multiple products in unison is not only lengthy and costly, but also adds considerable risk to the business.

Consider unified platforms that provide a simple administrator interface, and the ability to use Excel or an even simpler end-user guided interface as part of the system. During the demo phase, define a relevant new business process to be incorporated and have the vendor demonstrate the process of adding it in. Address this question thoroughly in customer reference checks.

Risks during Ongoing Operation

Ensure user adoption and utilization meet the project goals

Beyond the finance department, usage can be slow to catch on, hindering the positive impact of BPM in the business. Look for solutions that have one common user interface across all key functionality, allowing users to gain broad competence more rapidly. Some customers opt to include managers from the planned user base in the selection phase, giving them 'voting rights' and acting on their votes. This has been effective in boosting receptiveness and adoption.

Insufficient collaboration and audit capabilities can adversely impact the accuracy and completeness of results and reports

Be wary of inadequate participation, incomplete workflow, and insufficient "eyes" on key aspects of financial reporting.

Pulse Survey results indicate that 74 percent of employees would take advantage of collaboration if it were available, so the willingness to work together is there. Look for specific collaboration tools built into the solution. These can include structured workspaces and functions for collaboration, with tracking of history, audit trail of approvals and comments, and the ability to incorporate a wide variety of supporting resources: documents, graphics, and audio.

Don't be trapped into low scalability, system overload, and slow processing

Understand your company's volume and type of data and models. With cloud-based solutions, look at performance statistics from live customers. In addition, interview reference customers and find those of similar size and complexity.

Beware of rigid applications that lack the flexibility to extend to new solution areas

As performance management establishes its foothold in Finance and budgeting, then operations and other areas, employees see more ways to apply BPM, usually encompassing additional departments and business processes.

This means extending the application to create more solutions, and process-specific solutions. If you see this as a possibility, then you will probably be interested to see whether the vendor has created “solution kits” or “templates” to speed and simplify the process.

Much value comes from meshing BPM into key business processes, so it is tightly interwoven. Ensure that solutions labeled as unified can conform to current and future business processes required by your organization.

Look for, and require, a clearly demonstrable platform for extending out from the base system to encompass additional business processes, workflow, and end user populations.

Conclusion

Overall risk is reduced when the selection process focuses on solutions where there is no need to build, support, maintain, learn and integrate multiple products and applications—but the functionality for demanding processes such as consolidation is present in a unified suite. In addition, specific areas of risk such as scalability, performance, collaboration, and extensibility are mitigated by including them in the requirements phase. Extensibility risk can further be reduced through actual demonstration of adding a process or solution capability to the base application and by the presence of templates or toolkits.

Dependence on IT and total cost of ownership risk can be addressed by careful customer reference checks and by vetting administrative processes. Have administrators step through typical admin functions on the live software during the demonstration phase.

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.

About OneStream

OneStream Software is a privately held company located in Rochester, Michigan which is dedicated to providing unified Corporate Performance Management (CPM) 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.

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