Ten Steps to Evaluate and Select A Mid-Market Budgeting, Forecasting, and Reporting Solution

August 2007

BPM Partners, Inc.

Six Landmark Square

Stamford, CT 06901

203-359-5677

www.bpmpartners.com

Introduction

In the past few years, Business Performance Management (BPM) has penetrated large enterprises at a fast pace and is now moving quickly into mid-market companies as well. Within midsized companies, the BPM applications that have proven to have the highest value, and which therefore are most popular, are budgeting, forecasting, and reporting (BFR) solutions.

This rapid growth is being driven by the substantial benefits that these solutions deliver over the alternatives, which are often manual spreadsheet-based processes. For example, many end users have been able to reduce their budgeting cycles from months to weeks, while increasing accuracy and widening the number of participants. Similarly, reporting users can immediately analyze the latest numbers in several different ways on their own, rather than waiting weeks for a requested report to be run by another organization.

But embarking upon a BPM initiative can seem daunting for many midsized companies. There are numerous factors to consider, including potential benefits, expected costs, vendor offerings, organizational capabilities and resources, and so forth. Where should you start? This white paper is designed to provide a straightforward, step-by-step guide to help mid-market companies navigate these numerous considerations and move forward with a BPM solution.

The Ten-Step Road Map

The approach for midsized companies to evaluate and select a budgeting, forecasting, and reporting solution can be simplified if the organization follows an appropriate process, with modifications based upon your unique requirements. The most important issue to bear in mind both early on and as you conduct your evaluation process is how you will get the greatest value from the resources you have at your disposal—capital, personnel, and time.

It's helpful to begin with a few high-level considerations. First, articulate the problems that exist with your current planning, analytic, and reporting processes. Prioritization of these key "pains" is an important early move. Look at the benefits you expect to achieve, including improved data integrity, adoption of best practice processes, establishment of a single version of the truth, and improved analysis and business decisions. Then estimate the real costs associated with each business challenge that motivated the project in the first place. Taken together, this all gives you a better understanding of the value that a BFR solution can bring to your company. And finally, consider your timeline. When do you need to have a solution available? By next budget cycle? Or would you also benefit from using a solution for reporting and ongoing forecasting prior to your next budget?

Of course, the answers to those questions simply frame the overall evaluation, and a more thorough analysis is required. Where do you start? In our work, we have found that many companies can conduct a reasonable evaluation by following a simple roadmap—the ten steps that are outlined in this white paper.

Step One: Establish Scope and Outline a Project Roadmap

At the highest level, a vision for BPM needs to build on the basis that you are interested in tying business execution to the organization's strategy. If strategy and execution are not aligned, it is highly unlikely that a company will achieve its goals. Therefore, getting the latest authoritative definition of your corporate strategy is a precursor step that will help, requiring time investment with members of your executive team. Defining the requirements for a BPM project should begin with that strategy in mind. This approach will help maintain perspective despite the multitude of agendas that will jump on board once the project gets noticed.

The project team will need to follow a documented plan – it can be in the form of a flowchart, a critical path diagram, or a list of steps. The roadmap can be built from the steps listed below. Considerations early in the process would include gaining executive sponsorship, identifying existing process and system gaps and deciding on initial pilot projects from your proof of concept or project trial.

Step Two: Identify "Must-haves"

Requirements definition starts with what the enterprise needs to accomplish, not how it will be done. While there are numerous tools and technologies available within the category of business performance management, many midsized companies find that they can get the greatest value by focusing on budgeting, forecasting, reporting, analysis, and dashboards—the focus of this white paper.

After defining what must be accomplished, see if there are other must-have features or considerations. Some of your must-haves will be expressed in terms of functionality, while others may be technology-related or focus on licensing and budget requirements. For example, your company might require multicurrency support or the ability to handle workflow in a certain way. You might need to support multiple types of users in different geographic offices, which would suggest that an easy-to-use web-based interface will be important. You might lack IT resources for deployment and ongoing support, which would favor a hosted solution. Alternatively, you might have a policy requiring that corporate data stay within your firewall, which would necessitate an on-premise solution. Of course, if your enterprise has certain inflexible technical requirements, make them part of the initial vendor screening.

At this early stage, the ongoing process of finding and keeping senior executive sponsorship should begin. Ongoing communications with executive sponsors is crucial for success, and should continue in parallel through each successive step.

Step Three: Set the budget

Start by identifying the expected value of the BFR implementation. Seek to quantify the financial and process benefits of your proposed BPM project. There's a good chance your BFR project will be initiated and driven by the finance department, and with good reason. Financial processes are usually the starting point for performance management. However, it's a mistake to leave sales, marketing, services, manufacturing, and other key parts of your business out of the requirements definition. The value of the BFR or BPM investment can be multiplied by extending it into the revenue-generating departments.

Your project expenses may include people, hardware, software licenses, implementation, administration and maintenance fees – for the first year and ongoing. Companies often start out with the false assumption that BFR or BPM is an add-on, priced more like a reporting tool than another enterprise system. It is, however, much more than a report add-on and will eventually be as important to companies as their ERP systems.

One issue to consider as you set your budget is how you would prefer to structure the ongoing payments. The traditional model for software consists of a number of upfront fees for the software license, implementation services, and additional hardware and software requirements, plus ongoing annual fees for support and maintenance. Over the last several years alternatives to the traditional model have emerged. Some companies have begun offering annual subscriptions, in which the license fees are paid over time instead of upfront. Some open source solutions are available without any license fees, though implementation and support fees may still apply. Additionally, software as a service (hosted) providers, which typically price on a subscription basis, eliminate additional expenditures related to new hardware or other supporting software, since these costs are included in the annual fees. In short, many more options have become available over the last few years, and you should consider which will be the best match for your organization.

Step Four. Select Project Team.

BFR is not like every other IT project. It is strategic and visible throughout the company. It's important to get it right for both competitive and compliance reasons. That will require not only the high-level commitment and support you established early on, but also active participation from your company during the implementation phase. While many midsized companies elect not to staff projects themselves, it is critical that they at least play an active role in managing the vendor's or partner's professional services team. Larger companies often find it valuable to create project teams that include representatives from across the company. And companies of all sizes are increasingly insisting on fixed-bid contracts to protect against "scope creep" and cost overruns.

Step Five. Create a Requirements Matrix

While you have already identified must-haves, the next step is to create a detailed, and prioritized, matrix of requirements and weighting (importance) of various solution attributes. When it comes to requirements, an A/B/C system is useful. The A priorities are the "must haves," the B priorities are important and may be implemented in the second phase of a project, and the C priorities are – to be blunt – important to someone who wanted them included but they will not influence the final decision significantly.

One reason for the matrix is to help talk your company out of programming the project in-house. A larger organization with a sizable IT group may have the instinct to acquire inexpensive tools and build the BFR systems in-house. This usually ends up being quite expensive when you factor in the man-hours it takes to deliver robust BPM applications. Moreover, these companies give up the advantage of expertise that a software vendor writes into the functionality, and also forgo the vendor's help desk support, provision of ongoing maintenance, and development of new features and capabilities over time.

Step Six. Develop an initial list of vendors

Before looking in any detail at individual vendors, consider the broader categories of software vendors to define whether you have special requirements. These range from ERP vendors with a focus on integrated transactional systems, to vendors of packaged applications, to vendors of business intelligence and performance management tools. Also consider whether you need vertical-specific functionality or if you can get most of your requirements met by a horizontally (industry-independent) focused vendor. You'll need to classify the vendors with general judgments on whether they have the required features, the price range, and the resources to help you implement and maintain the system. Based on system cost, and the time and people needed to implement a system, it is fairly easy to separate the large-enterprise vendors from the mid-market vendors.

In fact, selecting a mid-market BFR system is similar to selecting a mid-market ERP solution. Many midsized companies have not deployed the most complex and costly ERP systems because such systems are a poor match for their needs and resources. These same companies often find that a BFR vendor specializing in mid-market companies will provide the best value.

In larger companies that have invested in sophisticated ERP systems, Finance and IT will frequently prefer different vendors. IT often votes for the ERP vendor because it works with a known data structure, the IT staff know the systems involved, and it's just more familiar. Business users, initially at least, are not as affected by underlying integration issues. Instead, they focus on ease of use, specific BPM functionality, how quickly they can get up and running, and not having to depend upon IT. We have seen many such arguments, and it turns out that while integration needs to be addressed, the requests of the business users should come first or the system won't get the acceptance it requires.

When you build your vendor list, look beyond the best-known software players to include emerging players that have quality products. Tap into unbiased information sources.

Step Seven: Initial Demonstrations by Vendors, and Creation of the Short List

The initial demo is aimed at discovering which vendors meet your high-level requirements. Give them your requirements matrix at least two weeks before the scheduled demo and you'll have an opportunity to see whether they respond to it, or ignore it and stick to their canned routine product demonstration.

You don't need to dictate what they cover in the initial demo, but don't be a passive audience. Your group may go away excited about capabilities and functions that you don't need or can't afford, instead of getting a clear sense if they can address your key requirements. During the demo, ask for answers to the detailed questions that are essential for you. You should certainly see both the basic user experience, and the performance of key administrative tasks such as adding new information, updating the application, and the like. You need to exit from each demo with a clear idea of whether the vendor provides a general fit with your requirements and should graduate to your short list.

Step Eight: Proof of Concept (POC)

Design a POC for short-list vendors. This will require the vendors to configure their application with a sample of your data. This is becoming more common in BPM vendor selections and the vendors who cannot respond to POC requests are at a disadvantage.

Ask the vendors to add users, develop budget-input forms, create and print reports, reorganize the corporate structure using your real data, and also test scalability. One way to do this is with a test script that is laid out, step-by-step, detailing exactly what you want to see. The script will verify product ease of use, its process for making system administration changes, performance, reliability, drill-down capabilities, and ability to work with your company's existing data structure and data sets. Get a sense of what it's like to have a system installed and your responsibility for ongoing support and maintenance.

Step Nine: Trial Software

Many software vendors are now providing access to their software in ways that they simply did not—or could not—in the past. With the availability of trials and free open source software, as well as widespread access to free online training, you can now get an excellent feel for what it's like to use the software and "try before you buy"—even conducting your own proof of concept without the vendor's involvement.

If possible, arrange to trial the software—either by installing the software in your own environment, or in the case of hosted systems, by setting up online access—and complete a proof of concept focused on a key element of your planning process. (The POC should be the first step in implementation if the vendor is selected to move forward.) The POC should include data loads, configuration to establish business processes, application maintenance and administration and testing adoption with users. Depending on complexity, be prepared to invest in training/services. Insist on seeing operations performed live in front of you; if you would not want a report, recalculation or analysis to take a long time, require the vendor to carry out the operation while you watch and wait.

Rate the finalists on the pre-determined criteria, in order to help eliminate subjectivity and marketing charisma from the decision process. Stick with how the vendor scored on your predetermined criteria. Evaluate the POC results and user feedback prior to confirmation of proceeding.

Step Ten: Decision, Contract Negotiation, and Commit

The final step includes the actual decision, which leads into contract negotiation with the favored vendor. While software negotiations have historically been painful, some of the vendors pursuing new business models are also promoting greater transparency in their pricing, for example publishing their price lists on their websites and entering into fixed bid professional services contracts that eliminate the risk of cost overruns.

Assuming it progresses to a satisfactory conclusion, the transition from proof of concept to production software can get under way.

Conclusion

The vendor selection process can be straightforward if the initial steps are taken carefully and are thorough. Many companies elect to conduct their own evaluation, while others leverage a neutral third-party partner. In either case, experience suggests that most companies—large, midsized, and small alike—will achieve better results with budgeting, forecasting, and reporting systems and implementations if they follow a structured process for vendor selection.