

# **EPM Reformation**

## **The EPM Reformation**

Enterprise Performance Management (EPM) is undergoing the same transformation that Enterprise Resource Management (ERP) systems brought about in the early 90s. As complimentary solutions such as Asset Management, Payroll, and General Ledger converged into one consolidated, modular system, so too are the solutions that comprise EPM (Financial Consolidation, Budgeting/Forecasting, Strategic Planning, and Reporting). Along with the obvious benefits and economies of scale that accompany this transition, we must be aware of the pitfalls associated with the design, implementation, deployment, and support of these mission critical applications.

## **EPM as a Compliment to ERP**

Just as Enterprise Resource Planning (ERP) solutions are an essential component of the Back Office operations of every Fortune 500 Company, Enterprise Performance Management systems are complimentary in nature and provide insight into the operational and financial effectiveness of the organization. Metaphorically speaking – If the organization was an automobile, ERP would be the engine and EPM would be the gauges. Carrying the analogy forward, nothing prevents us from operating a car without a speedometer, gas gauge, or heat indicator. Furthermore, when the car is running well (at least in so far as we perceive) we have little interest in these instruments. But, what about when we hear the first ping in the engine, or the car doesn't respond when we hit the accelerator. Worse yet – A seize up (aka Recession). In the absence of information conjecture prevails and we are forced to speculate as to the cause of the problem. Without EPM, organizations are essentially operating their business in a similar fashion; reactive at best, “from the gut” at worst.

## **The Problem**

From a business (functional) perspective, EPM solutions are categorized by the convergence of Analytic Application such as Financial Consolidation, Budgeting/Forecasting, and Strategic Planning with traditional Business Intelligence Solutions hallmarked by Query & Reporting, Key Performance Indicator (KPI) Dashboards, and Enterprise Scorecards. As EPM has evolved from it's siloed upbringing as a departmental solution to the Enterprise-class solutions of today, the underlying technology required to support these applications has become more broad and in recent years increasingly more complex. This evolution is both natural and expected. Given the expansive use of EPM based solutions, technical constructs such as multidimensional databases, data marts, enterprise data warehouses, workflow engines, web services, SOA, Calculation Scripts, ETL packages, and Master Data (Hierarchies) have all become vital components to the architecture.

In so far as organizations appreciate the criticality of EPM solutions to their organization, there is a gross under estimate of the effort associated with deploying and supporting these mission critical applications. This similar lack of effort appreciation is shared by the ERP implementation of the 90s. How often did we hear about the \$2 million dollar ERP solution that came in at \$20 million or more?

## **Gaining an Appreciation**

Few would argue that the ERP solutions of today have not brought about a degree of integration and consistency throughout the business. The ability to integrate key operational back-office systems up and down the organization with the capacity to exchange data between functional modules without fear of inconsistency is certainly a hallmark of the

ERP promise. But, this integration did not come without a price. The same can be said for EPM.

ERP and EPM are both the harbingers of consistency, transparency, and audit ability. As such, they force the institution of standards and controls where they have not historically existed. Furthermore, there is an illusion that these disciplines run contradictory to loosely coupled legacy processes that are thought to be more flexible, nimble, and sufficient for supporting the business. Whereas this may appear to be true when viewing each process as a stand-alone, siloed operation (forecasting separate from budgeting, separate from financial consolidation, separate from operational reporting). It is important to have the right perspective here. As with traditional ERP solutions, to gain an understanding of the EPM value proposition, you must first rise above the individual business solutions that encompass performance management (i.e. Financial Consolidation, Budgeting/Forecasting, Reporting, etc). Only by viewing these applications from a holistic, integrated business perspective can you appreciate the business and technology economies of scale that accompany Enterprise-class EPM solutions.

## **The Point**

EPM solutions if approached correctly must be seen as the acronym implies, "Enterprise" in scope. Similar to their ERP counterpart, EPM solutions can and in many cases should be implemented modularly, but under the auspice of an overall Solution Deployment Strategy. Notice the term "Solution" not "Application". Applications are but one component of the EPM strategy. Others include: Technical Infrastructure, Data Management/Governance, Process Integration, Communication/Change Management, and Administration & Support. When you view EPM solutions from this perspective it is hard not to appreciate the level of involvement required from Executive Leadership, The Business, and Information

Technology. Organizations must think of their EPM solutions as “ERP Projects”; enterprise enabling solutions that require the establishment of well documented and endorsed strategy that align with the corporate directive. In this vain, EPM requires a realistic investment of resources, time and capital to be successful. Then again, you could pull away from the car lot with a 1971 Pinto and hope no one hits you from behind..