

Empowering the Business User with CPM

Applies to:

Business Process Expert and Corporate Performance Management

Summary

Corporate performance management (CPM) encompasses a set of solutions that are targeted at an organization's decision-makers who coordinate the budgeting, reporting and consolidation activity. CPM solutions provide insight into budgets and seek information from the actuals in order to facilitate variance analysis through various reporting tools. Muthu Ranganathan, Principal Product Manager responsible for SAP Business Planning, discusses how to get the most from CPM.

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Your business changes frequently. Is your IT group ready to react to changes quickly and implement the types of solutions you'll need to stay competitive?

“The biggest issue business users face is a business deadlock due to lack of IT support,” says Muthu Ranganathan, Principal Product Manager responsible for SAP Business Planning. “As businesses continually change, IT often does not understand the nuance of the change, which leaves systems months behind the business requirements.”

Enter corporate performance management or CPM. CPM encompasses a set of solutions that are targeted at an organization's decision-makers who coordinate the budgeting, reporting and consolidation activity. CPM solutions provide insight into budgets and seek information from the actuals in order to facilitate variance analysis through various reporting tools. In general, CPM offers tools for effective budgeting, financial consolidation and reporting, profitability management, strategy management, and decision support. CPM solutions are an extension to business intelligence and leverage OLAP technologies.

SAP provides several solutions in the CPM area, including: budgeting, planning, financial consolidation solutions, integrated solutions for the CFO, profitability management, and strategy management solutions.

Practically speaking, however, how do these tools really make business life easier? “It is very important that business users are empowered to change and implement the change on their own,” says Ranganathan. “When it comes to budgeting, it is essential that the changes are modeled and implemented by the business users. In the case of an operations review, it is important that the business user has the flexibility to build dynamic reports that can reflect what he/she wants to present.”

For example, business users who coordinate annual budgets would most likely be interested in creating budgets in multiple scenarios to consider different business models. This would include modeling formulas and calculations to enable faster information-gathering and analysis. On the variance analysis side, it would be useful if the tool provides for modeling volume mix variance or material yield variances, thus helping business users analyze what is contributing to shortfall of actuals compared with budgets.

In that regard, SAP Business Planning and Consolidation helps the business user in the above dynamic modeling capabilities. In addition, these tools can help manage the entire planning process by preparing schedules to get inputs from various line managers, distributing and consolidating information, and enabling review and budget approvals. You can also model a new planning application from an existing application with the same set of data models, calculations, and schedules – without having to rebuild applications from scratch.

Although most business users prefer spreadsheets for their relative ease-of-use, minimal training and involvement with IT, and the easy authoring tools for workbooks and reports, many cite the lack of control and scalability as a downside. “Since decision-makers rely on the information available to make critical decisions, having all the flexibility can be a very serious problem if the information provided is not accurate,” says Ranganathan. “Users need easy modeling environments that allow them to manage calculations and schedules, and to overcome the issues that come across from spreadsheets. The goal is to allow them to implement and model all of the changes, with necessary built-in processes.”

Moreover, budgeting without the ability to measure results against budget is futile. Therefore, CPM solutions that provide the flexibility of a spreadsheet-like interface and accessibility to underlying ERP data would be the ideal. This is facilitated by tight integration with ERP systems. “CPM solutions cannot be effective unless the actual information is tracked against budgets, or if execution is not tracked against strategy,” says

Ranganathan. “Since the actual information resides in ERP, it is very important that CPM solutions are tightly integrated to ERP systems.”

In many situations, decision-makers need to drill down to details of specific information, which would be available only in the ERP systems. Many enterprise financial analysts spend precious time on the enormous manual effort of gathering the actual information in order to make meaningful comparison against the targets – time that could be spent analyzing why budgets or expectations are not being met. An integrated set of solutions that allows users to model the entire process flow can save a significant amount of time.

But it doesn't have to stop with integration to ERP systems.

Governance, risk, and compliance (GRC) are also key factors in this scenario. With the statutory needs of Sarbanes-Oxley and the growing internal and external risks that companies face, there is a need for GRC to be built into the business process of performance management. “The business process flow for performance management does not stop at laying out the strategy or creating detailed budgets, but goes through the entire cycle of identifying the strategy, constructing detailed initiatives to execute on the strategy, creating detailed financial budgets to support the initiatives, measuring the actual performance, and taking corrective actions based on the results,” says Ranganathan. “Combined with the objective of enabling ease-of-use and a spreadsheet-like interface, these solutions would be the best long-term solution for performance management.”

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