

CPM Expert Series<sup>1</sup>  
CPM: Silver Bullet or Lead  
Balloon?

*A rinedata white paper*  
*Updated 1<sup>st</sup> September 2009*

## CORPORATE PERFORMANCE MANAGEMENT: SILVER BULLET OR LEAD BALLOON?

Corporate performance management (CPM) solutions are one of the fastest growing software markets in the world today. Gartner group estimates that the global market for CPM reached around 1.87 billion dollars in 2008, a year on year growth rate of around 19%<sup>1</sup>, but what exactly is CPM and what benefits do such solutions offer?

### Business intelligence and CPM

Perhaps the most succinct definition of CPM comes from Gartner, who state that, "CPM is an umbrella term that describes the methodologies, metrics, processes and systems used to monitor and manage the business performance of an enterprise."<sup>2</sup> From this perspective, today's CPM applications can trace their heritage back to the early dashboarding systems of the 1980s. Essentially, these executive information (EIS) and decision support systems (DSS) utilised the then emerging personal computer to present business data in a way that allowed executive teams to carry out basic multidimensional "slice and dice" analyses and drill-downs. Such systems were often static and allowed a limited level of analysis, nonetheless, they whetted the appetite of corporate decision-makers for actionable information and as a result the deployment of such systems grew significantly.

In 1989, in an effort to impose order onto the competing claims and definitions of DSS and EIS

vendors, Gartner analyst, Howard Dresner, proposed Business Intelligence (BI) as a catch all term that described the utilisation of "concepts and methods to improve business decision making by using fact-based support systems." Over the intervening years this term has gained popularity and is now used to define a broad spectrum of applications that provide structured analyses to knowledge workers at all levels of the enterprise.

CPM then, takes this concept of business intelligence as a strategic reporting tool and extends it throughout the enterprise as a platform that incorporates the major business planning processes such as strategic planning, budgeting and financial consolidation into a single "closed loop" system.

### The market today: acquisition and consolidation

Initially many vendors in the nascent CPM market were BI software houses and few provided comprehensive solutions that incorporated all of the business processes that the above definition of CPM demands. In fact, many vendors sold point solutions that addressed only isolated aspects of the planning and reporting cycle. However, over time the best of these developed organically into more complete offerings.

A wave of acquisitions by ERP companies seeking to improve the appeal of their products has meant that the current CPM market is composed of a selection of independent solution providers such as Tagetik alongside major suppliers such as SAP and Oracle. The latter continue to

acquire products and companies in an effort to improve both the breadth of their offerings and their ability to deliver solutions successfully. The main challenge for these large vendors is the time and resources required to integrate their disparate acquisitions into coherent suites that integrate with their core ERP offerings.

### What problems does a CPM solution resolve?

As in any emerging, dynamic market place there is some debate about exactly what business processes and technologies CPM incorporates. Each vendor's list of features may vary, but a complete CPM solution should focus on the following issues :

- Strategic Planning. This is the process of defining high level corporate goals, objectives, plans and associated targets that guide the organisation in the medium term. In many businesses the primary issue with the strategic plan is that it has only a limited impact on the daily behaviour of employees. This is because strategies are comprised of programmes, tactics and plans of action while budgets, the result of the principal corporate planning process, are based around ledger account lines and there is little to connect the two. CPM applications resolve this problem by ensuring that targets and objectives in the strategic plan are linked to and drive the contents of the budget. Similarly, they ensure that results are fed back into the reporting process so that execution of the strategic plan can be monitored effectively.

- Scorecarding. For many businesses accurate information about customers and products is vital to driving growth and improving performance, yet the majority of management reports focus solely on financial indicators. In an effort to address this disparity Robert Kaplan and David Norton proposed the Balanced Scorecard methodology in an article in the Harvard Business Review in 1992<sup>3</sup>. This influential paper lays out a management framework based around four interlocking perspectives:

- Financial. This is the traditional financial view of company growth and profitability.
- Customer. This focuses on measures that lead to profitability such as customer growth, retention and satisfaction.
- Internal process. This concerns the effectiveness of internal operational processes that lead to the development of successful products and customer growth.
- Learning and growth. This perspective focuses upon those activities which ensure the long term success of the organisation. It monitors measures such as staff development and retention and utilisation of technology.

While many organisations have made use of the concepts of the balanced scorecard, one of the biggest practical hurdles to its effectiveness is that scorecards are often poorly balanced because they focus on what is

easy to measure rather than what is required to give an holistic picture of corporate performance. As a consequence internal financial lagging indicators predominate in many scorecards, undermining the whole notion of “balance” within the management process.

Through the provision of enterprise-wide data collection and centralised storage, CPM solutions resolve this problem, ensuring that scorecard measures remain optimally structured with customer and product information. Moreover, CPM solutions provide scalable reporting features that ensure that scorecards can be deployed throughout the organisation, resulting in a performance monitoring solution that remains relevant, up-to-date and balanced.

- Budgeting and Forecasting. The annual budget is a business process in crisis. In many organisations it is little more than a political game whose results reflect the negotiating power of budget holders and managers rather than the overall strategy of the organisation. This problem is only exacerbated by the technologies used to deliver the budget. Spreadsheet budgeting packs often contain logic errors and lack integration with source systems. ERP approaches, on the other hand, tend to lack flexibility and the ability to model different business scenarios. The sad reality is that for many managers the budget is a “once a year exercise in futility”, delivering a plan that is inaccurate and out-of-date as soon as it is complete.

CPM solutions address these difficulties by providing facilities that streamline all aspects of the budgeting and forecasting process. They facilitate the error-free collection and validation of data and provide built in scenario modelling, consolidation and reporting functionality. This means the budgeting process can be completed accurately and rapidly and detailed re-forecasting can be carried out whenever external events require it.

- Financial Consolidation and Management Reporting. For most companies with complex group structures the financial close is a process that is fraught with challenges. Data collection is slow and often error prone. The need to deliver financial information in multiple formats using multiple recognition methods is complex and time-consuming. Although ERP applications have made inroads into resolving some of these issues their main drawback is that they are not applicable in enterprises where multiple ledgers are deployed. Furthermore, their reporting facilities often lack the flexibility and advanced visualisation features that add value to the management reporting process.

Unlike other solutions, CPM applications are able to consolidate data from multiple source ledgers. They handle multiple currencies, complex group reporting structures and detailed management and mapping of intercompany transactions. Similarly, they provide unique data visualisation tools and exception monitoring that not only aid the

management reporting cycle, but ensure that problems and opportunities do not remain hidden.

- Business Intelligence. One of the issues that used to confront managers was the dearth of actionable information available to inform their decision making. These days the situation is somewhat different. The proliferation of static ERP based reports and single source “slice and dice” analysis technologies mean that many managers are deluged with data with no clear way of finding what issues are most relevant and deserving of attention

All CPM applications are built on underlying BI platforms that allow data collection from multiple sources, ensuring that a complete picture of the business can be presented to management teams.

Furthermore, CPM applications provide advanced exception tracking and guided analysis tools to alleviate “data overload” problems, leading decision-makers to issues within the data.

### Corporate Performance Management: A 360 degree view of your business

The elements that comprise CPM solutions are not new. What is original is the way that they have been packaged into integrated suites that support all aspects of the business planning process. CPM applications deliver many benefits to the enterprises that utilise them. They leverage the data that is locked up inside Customer Relationship Management (CRM) systems and ERPs, transforming it into information that can guide vital

customer and product related decisions. Similarly, they give decision-makers a 360 degree view of any obstacle by delivering relevant internal and external, financial and non-financial information. This means that rather than trawling the data for outliers decision-makers are able to spend their time assessing the best course of action.

Furthermore, the integrated nature of CPM suites means that debates about the validity of information become a thing of the past. In a similar way, since each step of the planning process is interconnected with shared data and assumptions, the business cycle itself becomes more rapid and more reliable. As a result organisations that utilise CPM are able to respond to challenges in the marketplace more swiftly and are better placed to outflank their competition when opportunities arise. While CPM solutions are no panacea for all corporate ills, most analysts agree that when they are deployed in conjunction with a trusted, expert partner they provide a solid platform for sustained competitive advantage and improved performance.

*“After using a legacy consolidation tool for several years, the implementation of a new CPM solution has not only led to cost savings resulting from reduced man-hours and effort during monthly/annual reporting periods but also improved reliability and consistency of reported information as well.”*

Andrew Bannister  
Group Finance Director  
Barloworld Holdings Plc

1 Gartner RAS Core Research Note G00165786

2 Corporate Performance Management: BI Collides With ERP, L. Geishecker, N. Rayner Research Note, 17 December 2001

3Kaplan, R. S. and D. P. Norton. 1992. The balanced scorecard - Measures that drive performance. Harvard Business Review (January-February): 71-79



Quality through Partnership

Rinedata specialise in the selection, development and support of corporate performance management solutions. For over ten years Rinedata has delivered successful CPM solutions to numerous blue chip organisations across a wide range of industries. Our portfolio of experience encompasses SAP BPC, Infor PM, Oracle Hyperion, IBM Cognos and a selection of independent vendor solutions including Tagetik CPM and KCI Control.

Mayfair House  
14-18 Heddon Street  
London  
W1B 4DA  
T: +44 (0) 207 043 8107  
F: +44 (0) 207 043 8108  
E: [info@rinedata.com](mailto:info@rinedata.com)  
W: [www.rinedata.com](http://www.rinedata.com)

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