

Achieving Results through Greater
Business Insight:
Oracle Profitability Manager

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OVERVIEW

Companies have always needed to know how they are performing and how they may perform in the future. However, recent issues over corporate governance and increasing demands from regulators have sharpened focus on managing corporate performance. Corporate Performance Management (CPM) is a concept that combines methodologies, metrics and processes, which are used to manage the performance of a business, in an integrated continuous cycle. It gives companies a better insight into their current performance and the ability to predict and control more accurately future performance. Profitability Management is a component of CPM that yields valuable insight into what drives and increases the value of your organization

*"In the 1980's and early 1990s, back office departments used ABC for cost analysis and to improve the bottom line, while the front office worried about revenue and the top line. Today a more integrative approach is needed—profitability Analysis."
Gartner, Inc 2005*

Traditional methods of measuring and managing profitability are no longer sufficient. Shareholders and regulation demands increased understanding of your business and more importantly recognition that management has the same insight into the business. Analytical tools cannot simply measure value; they must be active components in creating it.

Analysis can no longer be held closely by a few, centralized analysts. It must be deployed throughout an organization so all users have access to information and analytical capability in order to make both tactical as well as strategic decisions.

Now more than ever, the ability to efficiently manage, access, and analyze business information can make the difference between leading an industry and being lost in the crowd.

UNDERSTAND: DETERMINE WHAT DRIVES VALUE

Traditional cost accounting simply doesn't provide the information needed to make the best decisions. These approaches provide little understanding of why costs are what they are, and their reliance on arbitrary allocation schemes yield inaccurate outputs. As a result, traditional approaches do not help managers improve value or profitability, and, in fact, can encourage harmful 'flat-earth' decisions like

'cut 5% across the board.' But with Profitability Manager, managers are afforded insight into the true structure and purpose of costs, as well as access to accurate profitability information by product, channel and customer - or any other business segment. This wealth of information supports more effective and forward-looking decisions.

Profitability management quickly realizes a number of important benefits, like being able to reduce costs, maximize process value and increase profitability. Improving pricing practices and product rationalization, enhancing customer service and supporting customer relationship management, and targeting and monitoring cost improvements. Plus better product development, life cycle management, business planning and capital investment decisions. It all adds up to a powerful value proposition for implementing an active approach to profitability management.

Insight

Do you truly now what drives the value of your firm? Often, conventional wisdom and rules of thumb are completely overturned once detailed, complete information is available.

Confidence

Further, do you have the confidence in the numbers that make the often hard and challenging decisions it takes to influence the direction of your company? To succeed, complete reliance on profitability and performance information is mandatory.

Where once a spreadsheet model was often the tool of choice, Oracle Profitability Manager can bring the disciplines necessary to provide credible results. With Oracle Profitability Manager, enterprises are able to move beyond just being able to measure performance to being able to improve it, by delivering improved profitability results as part of a continuous improvement process. This includes security, centralized administration, auditing of processes and results, and work flowed authorization of changes to business rules. In order to make the tough decisions today's business environment requires, you need to have 100% confidence in your results, something spreadsheet and PC based applications simply cannot deliver.

Profitability Manager will take you through a process that builds management awareness and consensus, establishes a Corporate Performance Management vision with priorities, capabilities and value statements, and delivers an immediate action plan.

ACT: FORMULATE AND COMMUNICATE

Perhaps the most important characteristic of the profitability measurement process is in the ability to communicate and disseminate profitability information through an organization. Even the best analysis, and most comprehensive view of the company are of limited value, if it remains in the hands of a limited few. Transparency is an often-used term in these days of heightened competition, and increased regulatory pressures, but transparency doesn't mean simply a complete view of the business: *it means a complete view of the business available to the complete business.*

“Finance chiefs will likely have to dig much deeper into how their companies disclose their operations says Meshulam, a former assistant chief litigation counsel with the SEC’s enforcement divisions. That’s not a quarterly and annual involvement...but a steady stream, daily onslaught.”

-David M. Katz, CFO.com

Delivering accurate profit and performance measures for an entire financial enterprise is an enormous task. The differences that exist in business lines, regional locations, types of customers, and delivery channels only add to the complexity of your institution. The tools required to measure your profit and performance must be flexible and powerful enough to support your level of complexity and provide solutions to it.

Purpose Driven

Quite frankly, the concept of analyzing corporate performance is not new. What is new is the focus on ensuring its use. It is an obvious but often overlooked aspect of the implementation of a profitability management solution: to be effective it must be used. This means careful consideration of the intention of your profitability management approach is required day one and care paid during implementation and production cycles that the ultimate goals are not lost in the minutiae.

Operational

A common convention for reporting is to separate ‘operational’ from ‘decision support’ information. Operational reports are required while decision support information is a ‘nice to have’ that doesn’t require the same timeliness and accounting meticulousness. In today’s regulatory environment, this traditional dichotomy has broken down. Profitability Manager applies the same operational rigor to the development of performance information to deliver timely, and credible results.

Oracle has the unique ability of taking Profitability Management from vision to reality

A key criterion of a profitability management application is the dissemination of usable information throughout the organization. Because it is based on Oracle’s Internet architecture, Oracle Profitability

Manager is easily deployed throughout and organization. Users access the application through a web browsers so whether an employee sits in Auckland or Zurich, access to powerful analysis is only a browser screen away.

On-Going

Often profitability analysis, in particular, activity based or other costing type analysis happens as a one-off event. The insight gained is ephemeral, and available actions limited. In order to achieve results, this information must be provided in a structured and ongoing way.

DELIVER: MEASURE AND IMPROVE RESULTS

*The more you automate the
how, the more you have time
for the why*

Oracle Profitability Manager gives you a complete set of tools for developing profit and performance measures at the level you require. Its multi-dimensional approach takes advantage of the richness of your detailed data. You can analyze your institution from multiple points of view and make use of powerful modeling capabilities to capture the nuances of your business. In short, Oracle Profitability Manager helps you manage all the significant facets of your business. Armed with this information, you can make solid, supportable decisions about your customers, your products, and your business policies and procedures.

Actionable

Managers use Profitability Manager to improve profitability and examine resource allocations. PM goes far beyond traditional cost allocation, and allows companies to model the complexity of all costs based on activities, materials, resources, and product or service components

Using PM, organizations have the benefit of knowing the value added to the organization by each activity and can easily perform detailed performance analysis to enable continues improvement and competitive benchmarking.

Thorough

Profitability Manager thrives on complexity. Where organizations are comprised of numerous functions, locations, products, channels and customers, PM brings clarity from confusion. Oracle's Profitability Management solution addresses the reality of today's complex organization, specifically including the support functions and indirect expenses that represent a rising share of total enterprise cost. Working with Oracle ensures the fastest route through the planning, design and implementation phases so that benefits can be realized quickly. The

earliest insights should target cost improvements and support management decisions that increase profitability.

Integrity

In order to make the often-hard decisions based upon this information it must be completely reliable. That reliability is fostered through auditability that can trace all results back to root financial information.

Accurate

Traditionally businesses have measured profitability through the use of generalized cost data, which is allocated across products based on subjective decisions. However, this measure of profitability was not always accurate, since the costs were not related to the products, services or customers that actually caused those costs to be incurred. It's hard to make critical business decisions when your data is suspect or based upon arbitrary assumptions. Profitability Manager removes that hurdle so decisions can be made with confidence.

Flexible

The business rules, methods, and approach that fits your business today, may not work tomorrow. Both changes in regulatory oversight as well as the corporate mission will impact how you should view and analyze your business.

Oracle Profitability Manager is fully integrated with other Oracle Applications to provide comprehensive, Internet based solutions for your corporate performance management needs. Using Oracle's market leading technology, users can rapidly implement solutions that integrate corporate information regardless of system or format, tailor functionality to meet specific requirements and expand the system to keep pace with dynamic business evolution.

CONCLUSIONS

Profitability Manager delivers the complete cycle of Corporate Performance Management. It fosters a complete understanding of your business, the confidence to act upon reliable information, and the crucial ability to move from measuring value to increasing it.



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