

The Path to EPM Success

An Oracle White Paper
June 2008

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A Center of Excellence can help organizations realize the full potential of an enterprise performance management (EPM) initiative, in a cost-effective way.

EXECUTIVE OVERVIEW

An EPM system is most effective when it is applied to the entire organization. But a completely centralized approach to EPM is unrealistic in most large companies. For companies that have many different EPM initiatives underway, an EPM Center of Excellence can help standardize technologies and processes to maximize the potential of every EPM project.

This white paper introduces the concept of an EPM Center of Excellence and recommends best practices for creating a center that will succeed in the long term.

Although we use the term EPM Center of Excellence in this paper, the same principles apply to the related technology of business intelligence (BI). Some organizations create an EPM Center of Excellence, while others focus on a BI Center of Excellence. Either way, the objective is the same: to empower organizations to become smarter and more agile and to increase organizational alignment.

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CHAPTER 1: INTRODUCTION

From the telecommunications and retail industries to financial services and pharmaceutical manufacturing, management teams are discovering the power of enterprise performance management (EPM) to improve transparency, insight, and decision-making. But it's difficult to manage performance when you have a dozen different systems in place to gather and analyze business data. To get the most out of an EPM investment, you have to align management processes, rationalize information systems, and unify key performance indicators—steps that are often much easier said than done.

More commonly, a variety of solutions are deployed as pilot projects in different departments and then spread ad hoc to other parts of the business. It takes persistent outreach, evangelism, and training to convince others to embrace a preferred program.

How do you overcome the challenges of decentralized management, multiple business intelligence systems, and fragmented implementations? Organizations that have achieved this usually have one thing in common: they created an EPM Center of Excellence.

Known also as Competency Centers, EPM Centers of Excellence bring together the people, processes, and technologies necessary to promote collaboration and the use of best practices throughout an organization. They consist of cross-functional teams whose mission is to drive the adoption of technologies and related best practices in a cost-effective way by leveraging points of synergy among EPM initiatives. They may provide consulting, and sometimes also implementation services, to ensure consistency and efficiency in the company's use of its EPM system.

Although the establishment of EPM Centers of Excellence is in the early stages of adoption in most industries, the concept is familiar, particularly in IT environments. For example, many companies have set up similar centers dedicated to integration technologies, or have a strategic center of excellence for all of their Oracle applications. These centers serve as central repositories of knowledge and resources, and they assist other groups in deploying the technology in their respective areas of the business.

When equipped with a clearly defined role and the right mix of business, analytical, and IT skills, an EPM Center of Excellence can help companies achieve top- and bottom-line improvements across all lines of business while reducing the cost of their EPM efforts. Implementations go faster and success rates improve as the roll-out process is documented and repeated. And the faster the EPM implementation, the more quickly managers are able to adopt best practices in decision-making. Improved efficiency, effectiveness, and quality lead to a better bottom-line. These same improvements often translate to increased customer satisfaction which can positively affect your top-line. As EPM is deployed more widely and successfully,

the company will be able to transform itself into a more strategic and competitive entity.

What Is an EPM Center of Excellence?

An EPM Center of Excellence is an organizational entity that groups interrelated skills, experience, and domain expertise together to promote and deliver technology through a consistent set of skills, standards, and best practices. It delivers repeatable, successful deployments in a way that is beneficial to the entire organization rather than just a single project.

CHAPTER 2: WHY ESTABLISH AN EPM CENTER OF EXCELLENCE?

Centers of Excellence typically are formed to address the short-term needs of one or more projects, but they can have far-reaching effects over time in terms of both efficiency and effectiveness. An EPM system delivers the most value to an organization when it is able to measure the performance of every significant business function. By increasing EPM usage across the organization, a Center of Excellence can help a company realize the full potential of its EPM investment.

Financial Institution

One of the world's largest financial institutions began its EPM journey in 2003 with an initiative driven by the finance department to transform the company's finance organization into one that would be considered best-of-class in its industry. Finance thought at first that it would implement its EPM reporting and analysis project by designing and implementing one standard approach and system for all of the company's lines of business. But the requirements of the various lines of business were so different that the project leaders quickly concluded each business would have to be tackled individually.

When it became obvious that this one large-scale EPM project was more realistically a series of smaller EPM projects, the challenge became how to ensure an infrastructure, consistent methodology and best practices that could be leveraged across all projects while meeting the specific needs of each line of business in each individual project. The answer was to establish an EPM Center of Excellence.

Here are some of the benefits that an EPM Center of Excellence can deliver:

Potential Effectiveness Benefits

- **Share EPM knowledge:** By consolidating expertise and documenting best practices, the center facilitates knowledge sharing. It can create reusable assets and build competencies that extract maximum value from the organization's EPM investment.
- **Centralize performance management:** An EPM Center of Excellence provides the entire enterprise with a central platform for managing performance, creating visibility into key indicators, and aligning the application with business objectives.
- **Manage information to gain a competitive advantage:** By enabling a company to share relevant information with customers, the EPM Center of Excellence strengthens customer relationships while creating a more customer-centric organization. By sharing information with key suppliers and business partners, the EPM Center of Excellence promotes value chain integration, enhancing operational excellence and enabling new sources of innovation.

- **Strengthen compliance:** By promoting best practices for EPM, the Center of Excellence may ensure ready access to data required for complying with government regulations such as Sarbanes Oxley, Basel II and HIPAA.

Potential Efficiency Benefits

- **Control costs:** A Center of Excellence reduces costs by acting as a central source of EPM optimization expertise and ensuring that skills and processes developed for one project can be applied to the next.
- **Consolidate infrastructure:** When the Center of Excellence features a test lab for research, proof of concept, prototyping, and advanced training, these tools become accessible to all project teams, eliminating the need to duplicate scarce and expensive resources.
- **Standardize the IT infrastructure:** By endorsing specific solutions, the center can discourage the use of alternate tools, ensuring consistent, cost-effective, and fast implementations of the right systems and processes.
- **Unify business data:** A Center of Excellence brings order to data by aligning different projects that use similar information and eliminating the problem of fragmented data infrastructure, which can prevent organizations from monitoring enterprise performance.
- **Establish an enterprise-wide framework:** With a proven model for deploying EPM applications, the company can accelerate future development initiatives, resulting in lower costs, improved delivery times, and more effective implementations.

A company's ability to realize these benefits will depend on the maturity of the Center of Excellence and the resources available to it. One healthcare industry EPM Center of Excellence was able to improve the ratio of time that its financial analysts spend gathering data versus analyzing and reporting, which in turn created more time for activities that add value to the business. Initially created by the finance department, the center is funded and used by every line of business today.

By focusing on objectives that address the company's greatest needs, the center will be able to establish a track record for success and win the confidence of management across the organization.

M&A Example

Whenever a global holding company in the telecommunications industry acquires a new business, it inherits a portfolio of legacy technology and an arduous process of data integration ensues. How does management get a view of the performance of the combined companies? Only by deploying a standard EPM system each time it closes a deal. For companies of this size and scale, EPM strategy and training are not one-time projects, but ongoing initiatives. An EPM Center of Excellence can help to consolidate resources, share EPM experiences, and recommend best practices.

CHAPTER 3: CREATING AN EPM CENTER OF EXCELLENCE

Once you know what it can accomplish, how do you go about creating an EPM Center of Excellence? Although it may sound like a major undertaking, it is possible—and advisable—to start small over the course of a few months and expand over time as the center proves its value.

For starters, a senior management mandate is essential to ensure a cross-functional approach. With executive support in place, the company will need to identify skilled people, a standard model for governance and processes, a coherent architecture, and marketing and communications capabilities.

There are several key considerations for planning an EPM Center of Excellence:

- **Objectives:** Define objectives that align with the needs of individual business units and development teams, as well as those of the overall enterprise. Consider the perspectives of executives, users, and IT staff in the EPM deployment.
- **Strategy:** Present a coherent strategy for the design of EPM within the organization.
- **Services:** Define the services and deliverables the center will provide, recognizing that the list will change over time as the center matures and funding either goes up or down.
- **Communication plan:** Develop a communication plan that informs the rest of the organization of the center's services, as well as the successes it achieves over time.
- **Staff:** Develop a staff capable of delivering services to its internal customers. The plan may include hiring and training internal staff and/or procuring outside consulting services.
- **Metrics:** Identify metrics to monitor the ongoing performance of the center.

Getting Started

If you already have a number of EPM initiatives in progress, follow these nine steps to help initiate and establish an EPM Center of Excellence in your organization:

- Take stock of your performance management programs and skills.
- Identify areas of duplication and deficiency.
- Develop a vision and business case for the center that articulates benefits to stakeholders.
- Recruit an executive sponsor for the center.
- Define a launch plan that addresses priorities, technologies, standards, methodologies, and skills.
- “Sell” the center to teams that want to launch new EPM initiatives.
- Pilot and market the EPM Center of Excellence.
- Expand the scope and sponsorship of the center.
- Look for ways to turn the center into a revenue stream.

The following sections address four important questions that arise when forming an EPM Center of Excellence:

- How do you define the center’s role and responsibilities?
- To whom does the Center of Excellence report?
- What skills are required and where do you find them?
- From where will the center’s funding come?

Roles and Responsibilities

The EPM Center of Excellence typically has the following areas of responsibility:

- Establish a clear charter.
- Establish requirements for EPM projects and initiatives that meet the needs of users and the organization.
- Train users on EPM tools, including how to access and leverage the data provided by the EPM system.
- Provide analytical expertise by performing complex, ad hoc analysis for business units.
- Ensure uniformity of analytical approaches used to address common business issues across the enterprise.
- Coordinate the definition of master data and metadata in the enterprise, including the definition of common business terms.
- Establish standards for EPM tools used throughout the enterprise.

- Develop prototypes of EPM applications as proofs of concepts.

Different EPM initiatives will require varying levels of governance and involvement by the Center of Excellence. For example, corporate initiatives should be fully governed by the center. It should determine standard processes, performance indicators, and the systems to be used for the project. However, using this governance approach for all EPM initiatives would limit the center’s acceptance and effectiveness.

Some performance management initiatives support line-of-business (LOB) performance rather than corporate performance. When various lines of business share a performance management initiative, the center could govern by coordinating the cross-LOB activities. And when a specific business unit or function initiates an EPM project, the center can govern by serving as an internal consultant, bringing along its best practices and methodologies, but implementing EPM based on the unit’s specific requirements.

Lastly, most organizations will also have a few special-purpose applications that target a few “super-users.” The center should not try to fully govern those, but should simply keep in touch to learn which technologies and best practices can be adopted and deployed on a broader scale. Classifying every initiative based on these four types of governance ensures that the EPM Center of Excellence supports every part of the business in the most effective way.

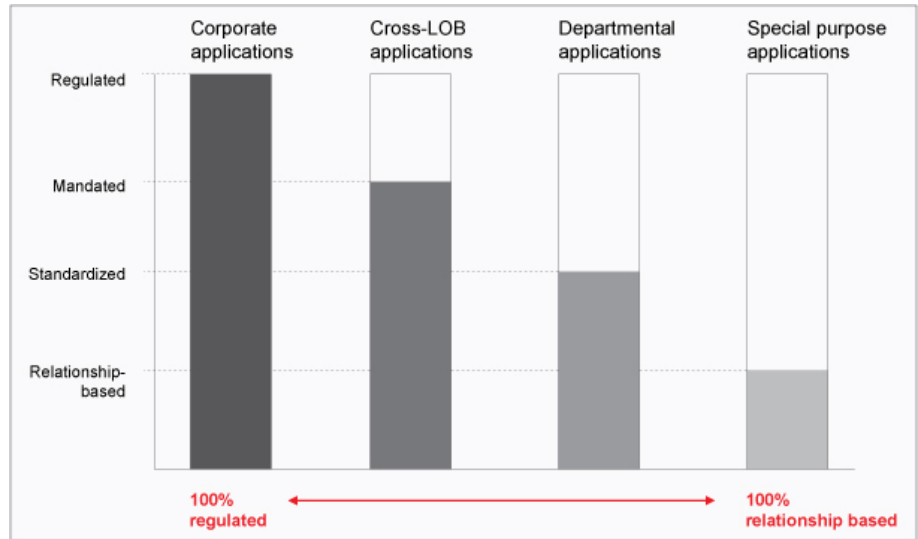


Figure 1: Scope of Governance

What Can an EPM Center of Excellence Do for You?

With its role and responsibilities broadly defined, the EPM Center of Excellence can perform a variety of specific tasks, which can be grouped into four main categories:

- **Self-service:** Many of the center’s tasks will help guide users toward self-service performance management. It might offer training on tools for querying, reporting, and analysis, as well as how to interpret data and how to reuse reports and systems. Example tasks:
 - Report writing assistance
 - On-the-job training for business unit “power users”
 - Promoting the reuse of applications, rules, and reports
- **Analysis:** The EPM Center of Excellence can design dashboards and scorecards and offer assistance for writing rules and reports. The center might also develop analytic frameworks and perform ad hoc analysis for users until they learn to do these tasks themselves. Example tasks:
 - Dashboard and scorecard creation
 - Rule writing
 - Performing ad hoc analysis
- **EPM custodian:** As the company’s EPM custodian, the center oversees EPM vision, design, and application development, as well as promotes a common business language and master data list. Example tasks:
 - EPM vision management
 - EPM design ownership
 - Data and metadata mapping
 - Master data management support
 - Financial data quality management
 - Analytic frameworks, including profitability analysis, customer churn analysis, cross-sell and up-sell analysis, and visualization technique
 - Promoting a common business language, including definition of terms; for example, customer, full-time equivalent (FTE)
- **Technology management:** The IT experts in the EPM Center of Excellence oversee the various tools and technologies and optimize the use of the technology:
 - Planning application development, updates and changes, including:
 - Corporate security (for example, LDAP) integration
 - Performance tuning and optimization

Reporting Structure and Organization

Management teams have several options for where to position the EPM Center of Excellence within the organization. The center can report to the operations, finance, or IT departments. If the center is closely connected to the company's core business, then the operations department is often the best fit. (This can be marketing, manufacturing, or another business function, depending on the type of organization.) This reporting structure only succeeds if the executive in charge also sees value in the center supporting other business domains. The finance department may be a better option for ensuring cross-functional support, as it is usually the most obvious department that oversees all other business departments. This structure only works, however, if the finance department owns all of the EPM initiatives within the organization.

Retailer

One retailer created its EPM Center of Excellence initially as part of the finance department, but once the center was established and on firm footing, it was moved outside of finance and into a shared corporate services organization that managed a number of different competency centers. While each competency center within the bank is run by its own manager, all of the centers report to a single executive, ensuring that potential conflicts are more quickly and easily resolved and that centers are not working at cross purposes.

Because the company's EPM Center of Excellence is now staffed and run by an unbiased corporate team—as opposed to a finance team—more functional areas within the company are using the center for their own EPM initiatives. This has enabled it to fulfill its charter as an organization designed to establish standards and best practices for all the company's EPM projects.

The IT department provides another logical host for the EPM Center of Excellence, particularly if the center's tasks focus more on building and running systems than coordinating management processes. This model only works if IT is seen as a partner rather than just a service provider.

Some EPM Centers of Excellence are set up as centralized departments. If there is a clear mandate, the department will have a manager and dedicated staff. The department then reports into one of the operational areas listed above. This approach requires a strong commitment as EPM becomes institutionalized.

Many centers start as virtual structures, in which members remain part of their own departments, but collaborate within the center. This approach often proves unsuccessful, as it lacks a strong mandate from the top and a commitment from its members. The most successful EPM Centers of Excellence operate under a distributed or federated structure with a small and dedicated team for each line of business, and a small and dedicated team on the corporate level—all working closely together.

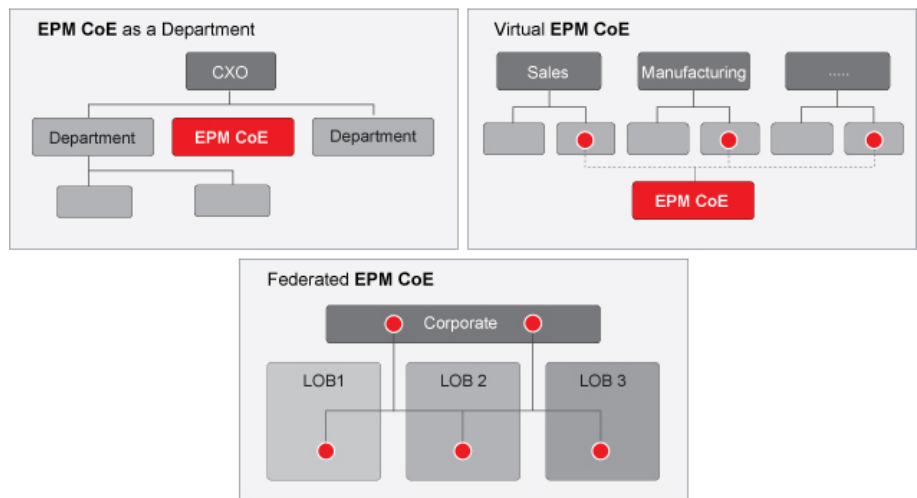


Figure 2: Positioning the EPM Center of Excellence within the Organizational Structure

Many companies choose to have the center report to the CFO, while others connect it to the CIO or CEO. Either way, the center must be placed high enough in the organization to secure widespread buy-in, yet low enough to stay in touch with the real world. The location of the center should send a clear message to its potential end users: that it is close to the strategic mission of the organization and able to engage effectively in cross-functional activities.

Skills and Staffing

The success of the EPM Center of Excellence will be largely determined by the quality of its people. To serve its target customers effectively, the center needs to acquire a wide range of business, IT, and analytical skills from various parts of the organization. It will seek some of the most talented and sought-after individuals in the company, so a clear mandate and tactful negotiating abilities are important to the recruiting process. Outside experts can provide on-the-job training to fill any internal gaps.

Business Skills

As one Asian manufacturer learned the hard way, an EPM Center of Excellence that is planned, organized, and staffed only by technical experts without input from business users has little chance of succeeding in the long term. This company's center delivered on its initial project of building a data warehouse but was unable to adapt its model to provide sustainable value to the organization.

The EPM Center of Excellence needs to understand line-of-business needs in the context of the company's overall business objectives, as well as cross-line-of-business issues. For example, in order to conduct collaborative planning, a retail company needs to align its marketing and sales plans (How much can we sell?) with its manufacturing plans (How much can we produce?) and its logistical plans (How much can we ship?).

Its business representatives must be able to communicate and persuade at the executive level while helping business managers set and balance priorities. As EPM evangelists, they will drive standardization, adoption, and acceptance of approved technologies and processes.

More experienced business people can bring an understanding of established business processes, what can be improved, and how valuable those improvements would be to the company. They will know what types of improvements can be supported by data analysis and be able to develop an analysis of ROI from a financial perspective.

Analytic Skills

In order to extract information from data, the EPM Center of Excellence needs sophisticated statistical analytical skills to research business challenges, explore data using a variety of data analysis techniques, develop models that analyze the challenges, and produce recommendations based on the analyses.

IT Skills

In order to deploy EPM technology effectively, the Center of Excellence must recruit staff who know how to access and manage the data needed to support business and analysis requirements; understand IT tools and technology, the data warehouse and data administration; and understand the EPM infrastructure implications of business and analytical requirements. Accordingly, the center will want to recruit a mix of information architects, data modelers, database administrators, metadata specialists, data-quality specialists, data stewards who interface with the company's data governance committee, and data-integration specialists.

Ideally, each EPM Center of Excellence staff member will contribute at least two of the three necessary skill sets. Potential sources for these experts include existing IT professionals with a strong understanding of the business and business users who are well-versed in EPM technology.

Funding an EPM Center of Excellence

As a cross-functional entity, the EPM Center of Excellence needs a means of allocating its cost to the business groups that it serves. Companies have three options for funding the center: overhead, pay-per-use and subscription-based.

Overhead

In this model, the executive sponsor of the center underwrites all of its costs, and business units may consult the center free of charge. Although this funding method eliminates barriers to entry by allowing any part of the company to use the center's services, it also fails to establish an economic value for the services that are provided and may not ensure long-term success for the center.

Pay-per-use

Some Centers of Excellence charge business units a fee for each project or activity they request, which ensures that heavy users pay a larger share of the overall cost. Although this approach seems rational at the outset, the downside is that over time, high project fees may discourage users from approaching the center for help. Again, the long-term viability of the center becomes questionable under this funding model.

Subscription-based

A third approach charges user groups according to a predetermined allocation that corresponds to their objectives. This approach is preferred, as it combines the best of both models, by eliminating barriers to entry while still putting a price tag on the center's services.

Most companies begin with CFO-sponsored funding for a period of three to five quarters, at no cost to the business units, as a way of establishing value and credibility. After this period, they adopt a charge-back or cost recovery method. Whichever method you choose, it's important to set the expectation early that the service is valuable and will carry a cost once it is established.

Manufacturing Company

One manufacturing company's EPM Center of Excellence operates as a profit center, on the belief that it must generate funds of its own to ensure continued investment in advanced technologies. But the center sets pricing fairly and transparently, so users always know what they are being charged and why. The center also focuses on delivering the highest possible value while keeping costs low.

Today, the company is successfully implementing automated reporting and analysis projects throughout each of its lines of business and hosting other projects throughout the organization through its EPM Center of Excellence.

To ensure its long-term success, any EPM Center of Excellence must operate as a business within the business and remain aware of its ROI at all times. The center should measure its financial performance in terms of both cost savings and other intangible efficiencies, and communicate its progress throughout the organization to ensure continued use and support.

Maintaining an EPM Center of Excellence

Centers of Excellence are often conceived as a result of issues that arise from a company's early EPM initiatives. In such cases, the center must address implementation challenges right away for highly visible projects. As the center matures, its staff must embrace longer-term goals, which may include reducing organizational costs, providing direction for the organization's EPM efforts, and providing the organization with a central platform for performance management, as well as many of the other potential benefits described above.

Don't Make These Mistakes

The effort involved in setting up an EPM Center of Excellence should not be underestimated, but it can deliver significant long-term value to the organization in terms of a more coherent approach to EPM. Avoiding these common pitfalls will help you maximize the potential of your EPM initiatives:

- Mistake #1: Evolve an EPM project team into a defacto Center of Excellence without giving it a clear charter and formal reporting structure.
- Mistake #2: Plan and staff the center with technical experts without consulting business decision-makers.
- Mistake #3: Fail to establish an economic value for the services the center provides.
- Mistake #4: Create a center with a management mandate but without buy-in from the business units it will support.
- Mistake #5: Provide the same level of governance for all EPM initiatives, rather than allowing more flexibility for applications that will serve individual business units versus the corporation as a whole.
- Mistake #6: Create an EPM Center of Excellence without coordinating with related IT initiatives such as plans to establish a data warehouse.
- Mistake #7: Overlook the need to document the center's ROI and measure its financial performance.

CHAPTER 4: CONCLUSION

Implementing EPM in an organization is not a one-time project but an ongoing business process. Many companies invest heavily in the right tools only to face the challenge of getting people to use them. A Center of Excellence can be a valuable resource for connecting pockets of knowledge and sharing them throughout the company to ensure effective EPM deployments. These centers provide technical assistance, coordinate EPM efforts and reduce the cost of EPM implementation through knowledge- and resource-sharing. Above all, they can play an essential role in keeping business and IT aligned on the goal of achieving effective enterprise performance management.

ABOUT ORACLE EPM

The terms business intelligence (BI) and enterprise performance management (EPM) are becoming more recognized by mainstream finance and IT executives and staff in most large enterprises around the world, and the lines are blurring between these two technology categories. In response to customer demands for integrated business intelligence and performance management, and the need to link these processes and technologies closely to transactional systems, Oracle is taking the lead in delivering a more comprehensive solution—the enterprise performance management system.

Oracle provides the industry's first integrated, end-to-end enterprise performance management system, delivering a suite of category-leading financial performance management applications and operational BI applications, on a common foundation of BI tools and services, and integrated with a variety of backend data sources via Oracle's Fusion Middleware. Oracle's approach to EPM delivers on the notion of “insight to action” by focusing on three main themes:

- **Pervasive:** Oracle's EPM system delivers intuitive, role-based intelligence for everyone in an organization—from front-line employees to senior management—that enables better decisions, actions, and business processes.
- **Comprehensive:** Oracle's EPM system integrates information from your financial performance management, operational intelligence, and transactional applications to provide a single view of the truth and support fast, efficient decision-making.
- **Hot-Pluggable:** Oracle's EPM system leverages your existing data sources and systems. Oracle BI products are hot-pluggable with Oracle and non-Oracle environments so that your investments are protected and leveraged to their maximum potential.

Thousands of companies around the world are benefiting from Oracle's approach to enterprise performance management. Through our comprehensive approach, they are able to align decisions with strategic goals, reduce financial reporting and planning cycles, compare operational results to plans in real-time, and drive insight

to action with lower costs and less complexity versus non-integrated point solutions.

For more information on Oracle's approach to enterprise performance management, Oracle's EPM Global Business Unit can be reached via epmgbu_ww@oracle.com.



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