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GET MORE VALUE FROM YOUR ERP WITH ENTERPRISE PERFORMANCE MANAGEMENT (EPM)

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ABERDEEN

Companies in all industries face a growing need to provide more accurate, faster information for improved decision making. The pressure on financial and operating teams to respond in real-time is now a real requirement. This report examines how a cloud-based Enterprise Performance Management (EPM) system enables companies to get more out of their existing ERP investment — and has moved from a "nice-to-have" to a "must-have" solution.

Adding Enterprise Performance Management (EPM) to get more from Legacy ERP Investments

Enterprise Performance Management (EPM) systems enable connected planning across all facets of an organization and deliver on the promises of exceeding customer expectations and increasing growth, productivity, and profitability. A connected planning process encompassing data from all ERPs and legacy applications drives better, faster, and more consistent decision making. Best-in-Class companies have invested in cloud-based EPM solutions with built-in emerging technologies to enhance transaction process speeds to provide raw data faster and more reliably.

Improving planning and decision making is easier said than done when disparate systems containing financial data are involved. There are fundamental issues that companies must overcome, plus the structural and organizational challenges they face that hinder the necessary improvements.

Issues to Overcome

- Poor communication, coordination, and collaboration across departments or *divisions*
- Lengthy, resource-intensive budgeting and forecasting process
- Inaccurate budgets and forecasts
- Market volatility creates the need to rapidly plan for change and course correct quickly when it occurs

Best-in-Class Definition (Based on performance metrics)

- Best-in-Class: Top 20%
- Industry Average: Middle 50%
- Laggards: Bottom 30%
- All Others: The sum of the Industry Average and Laggards, equal to the Bottom 80%

Challenges Companies Face in Addressing the Issues

- Too many manual processes resulting from handoffs between silos of information breed inaccuracies
- Data comes from multiple sources for all lines of business and departments and are often not integrated or standardized
- Operational and line-of-business plans are not tightly integrated with the financial planning processes
- Demand and timing for information continues to accelerate

Connected Planning for Improved Performance

A cloud-based EPM solution that is complete, connected, and integrated is the backbone that can bridge the data gaps and provide the integration necessary to overcome the challenges above and provide greater business insight. Having a connected planning solution relies on fundamental integration and data management capabilities provided by an EPM *solution* that enables access to key information across the business in a timely manner.

One of the key issues cited is lack of communication, coordination, and collaboration. A connected planning solution addresses those fundamental concerns directly. For Best-in-Class companies, there is a significantly higher adoption rate across every essential EPM planning capability (Figure 1). In fact, none within the "All Other" maturity class reach even 50% adoption levels for any capability. This differentiation is also why Best-in-Class performance metrics (sidebar) are significantly higher for improvement in operating margins, revenue and productivity.

The ability to connect and analyze financial and operational planning data directly addresses the access to information from multiple sources and includes two significant planning components, financial and operational data. Having company-wide collaboration, which makes a communicative organization, is critical to the planning function as it addresses the lack of communication, often due to disconnected plans and information. Input from all relevant sources is important to the quality of the planning function.

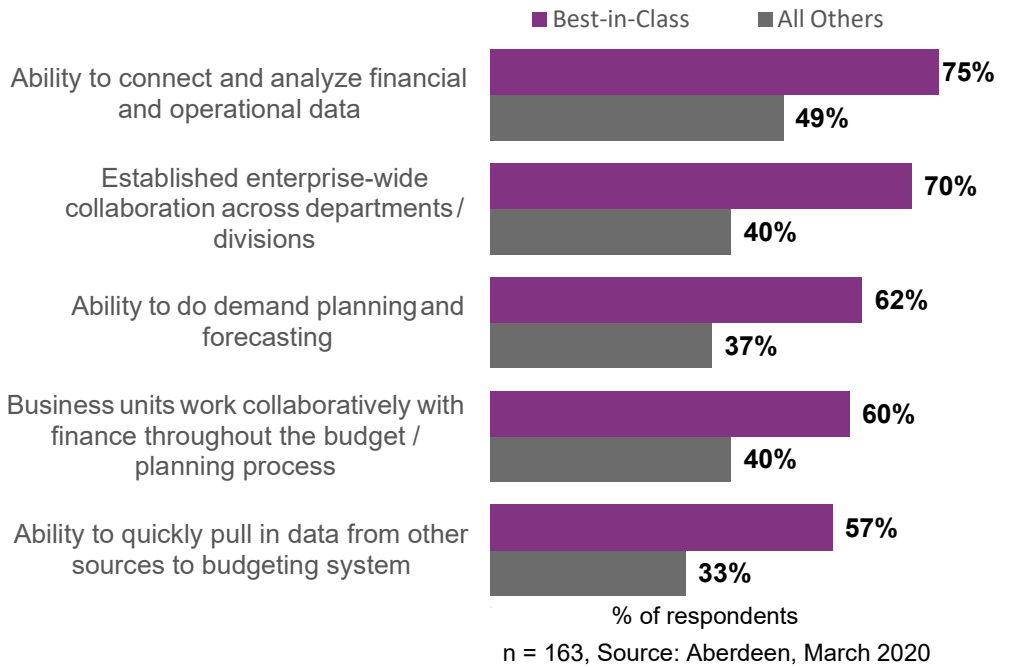
Best-in-Class Performance

► Improvement in operating margins
- Best-in-Class: 9.0%
- All Others: 4.2%

► Improvement in revenue
- Best-in-Class: 11.2%
- All Others: 4.6%

► Improvement in productivity
- Best-in-Class: 10.1%
- All Others: -5.1%

Figure 1: Connected Planning and Data Management Capabilities



n = 163, Source: Aberdeen, March 2020

Close collaboration is the key to success in the budgeting process, and both the BU and Finance must sign off and own the numbers. The operating margins and revenue improvement for Best-in-Class companies are indicative of all parties operating from a well-conceived plan.

Having the ability to perform planning and forecasting function is clearly

required. A connected planning approach creates one plan and single source of direction, as opposed to multiple competing plans propagated within each silo. Planning across multiple lines of business also requires standardization of data formats, timing, and process discipline to ensure consistency and reliability.

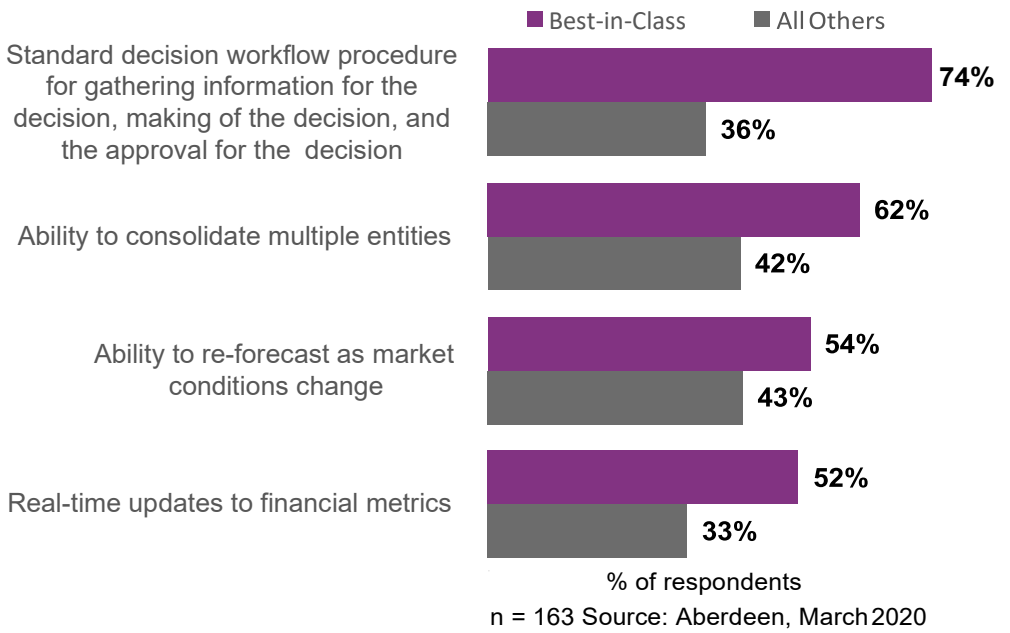
Lack of collaboration on a plan that was created by the finance organization without involvement by the BU promotes lack of confidence. Close collaboration is the key to success in the planning and budgeting process, and both the BU and Finance must sign off and own the numbers. The operating margins and revenue improvement for Best-in-Class companies are indicative of all parties operating from a well-conceived plan. Speed and accuracy are two other critical components for successful planning. All source data must be mapped and connected to incorporate it quickly from all sources. This enables a complete view and faster time-to-decision.

Clear, Complete Planning Leads to Better, Faster Decisions

Figure 2 shows the decision process capabilities, which are dependent on a complete EPM cloud solution. The goal is to exceed customer expectations

and improve growth, profitability and productivity through better, faster decision making.

Figure 2: Decision Process and Update Capabilities



n = 163 Source: Aberdeen, March 2020

Planning consistency provides the backbone for standardizing workflow procedures for the decision process itself; gathering the information, making the decision, and getting the approval for the decision. Best-in-Class companies are more than twice as likely to have this capability in place vs. All Others.

Planning consistency is the foundation for standardizing workflow procedures for the decision process itself; gathering the information, making the decision and getting the approval for the decision. Best-in-Class companies are more than twice as likely to have this capability in place vs. All Others. Conversely, the All Others group are only at a 40% adoption level, which indicates that 60% of them lack a formal decision process. This is a strong indicator behind their lagging performance.

The ability to consolidate across multiple entities enables faster time to decision. A cloud-based EPM platform is an important factor behind consolidation due to its connected financial and operational planning capabilities. This eliminates manual handoffs, one-off workflows, and accelerates the process speed for consolidation.

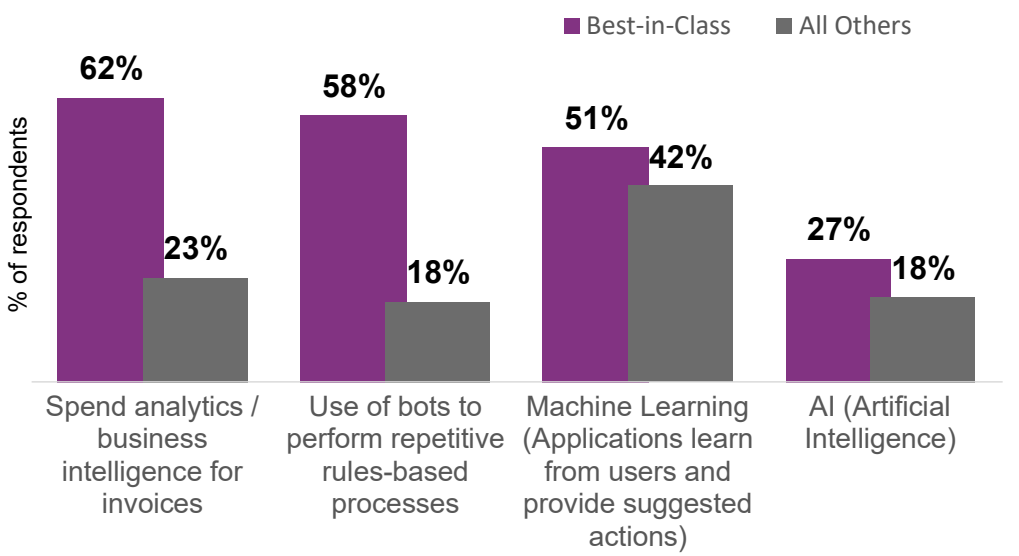
The last two capabilities deal with keeping the plan current at all times to ensure the integrity of information. The first is the ability to reforecast as conditions change — no delays in waiting for data when a change occurs. Having this in place generates confidence in decision makers because they can rely on always having an up-to-date view based on the latest thinking. The second is the updating of financial metrics in real-time, so that the health of the organization is always readily visible. There is no extra cycle required to figure out what the current status is. Confidence in knowing what the real

status is for the organization, and a plan that is based on the most recent information, accelerates the time to decision.

Investing in Technology for Future Benefits

Having a connected planning process enhances and enables a Best-in-Class decision process that delivers on the promise of meeting customer expectations and improving business value — growth, productivity and profitability. The next question is how to maintain and / or improve on these results. Best-in-Class companies again lead the way with their significant advantage across the board in technology adoption (Figure 3).

Figure 3: Best-in-Class Lead in Technology Adoption Over Competition



n = 163, Source: Aberdeen, April 2020

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The value of having machine learning is that it speeds up the recognition of patterns and issues and recommend possible alternatives based on previous decisions. The value within EPM is getting to enhanced insights and quicker decisions by pre-vetting likely alternatives for decision makers, thus improving their time-to-decision.

AI can find new patterns and correlations not previously seen much more quickly and find anomalies within these patterns within minutes, which has historically taken hours or days with outdated queries and processes. The

speed to problem resolution is a strong use case where AI has delivered hard savings to the bottom line as well as dramatically improved productivity. Increased use of AI and machine learning to mine these patterns faster can provide the competitive advantage of speed to information and improve existing automation to a much higher level by further automating repetitive tasks and decisions within guidelines. The embedded AI capabilities further offload valuable decision makers from repetitive tasks, freeing up their time for more value-added activities.

Summary and Key Takeaways

All companies need to accelerate their processes and improve decision making in to order to remain competitive. A connected cloud-based EPM suite across the enterprise is now a “must-have” vs. “nice-to-have” solution.

A connected EPM platform supports company-wide planning across all entities and ERPs, which enables companies to deliver on the promises of exceeding customer expectations and increasing growth, productivity, and profitability. Best-in-Class companies, having demonstrated their ability to deliver on these metrics, are far ahead in establishing the connected planning capabilities that promote faster, better decision making. They also demonstrate their commitment to investing in new technology to further enhance their processes and time to decision, in order to get the most out of their investments in existing and legacy ERP systems.

Aberdeen recommends following the lead established by the Best-in-Class to leverage a cloud-based EPM solution suite for connected planning to improve their decision process.

About Aberdeen

Since 1988, Aberdeen has published research that helps businesses worldwide improve their performance. Our analysts derive facts-based, vendor-neutral insights from a proprietary analytical framework which identifies Best-in-Class organizations from primary research conducted with industry practitioners. Aberdeen provides intent-based marketing and sales solutions that deliver performance improvements in advertising click-through rates and sales pipelines, resulting in a measurable ROI. Aberdeen is headquartered in Waltham, Massachusetts, USA.

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