

Strategic integration



As BPM becomes an established strategic tool, the next step is to achieve further integration and drive improved performance, believes Paragon Managing Director David Jones. He tells Jim Banks how vendors are consolidating and company silos are breaking down.



'Processes need to be designed for an integrated environment. We know that the integrated model is the right one.'

Large organisations have broadly accepted the strategic importance of implementing systems for business performance management (BPM), and are well on track to adopting them, as have a growing number of small and medium-sized, high-growth companies.

However, successfully implementing the right software tools alongside the best business processes to maximise performance is rapidly becoming a competitive differentiator, and as the market matures a new approach is needed.

Vendors and many of their customers have recognised the need to take BPM a stage further and the momentum behind future development is getting stronger.

David Jones, Managing Director of Paragon, says: 'Attitudes towards BPM are maturing, which is shown by movements in the vendor space. BPM is recognised as a mainstream need in organisations now, and vendors are building on the correct assumption that BPM is a high priority for finance.'

Consolidation in services

To meet this demand, Paragon has targeted BPM as the key area for its consultancy services, bringing together core competencies in finance process skills, system and application skills and vendor relationships. In recent years it has expanded its focus from point solutions in consolidation and budgeting to create a more comprehensive and pragmatic BPM offering. Jones feels that this development was prescient, especially given the recent

moves by vendors to consolidate their BPM propositions and repeated CFO surveys that show what a high priority performance management now has.

Oracle recently acquired the market-leading BPM developer Hyperion for \$3.3 billion, SAP bought up the innovative OutlookSoft and Business Objects has acquired Cartesis. All of these moves are intended to make the purchasing companies more prominent in BPM by integrating these additional specialist financial and strategic management solutions into their traditional ERP and business intelligence portfolios.

The key emerging trend among vendors and clients is to improve the effectiveness of BPM through integration.

Jones explains: 'BPM needs a combination of specialist niche expertise that has traditionally come through best-of-breed vendors and their consulting partners, but if BPM is to help organisations maximise business performance it is critical to understand how financial and performance management processes integrate and how the vendors' products facilitate this integration.

'Products are maturing and becoming more integrated. They were immature in the hands of specialist vendors, but integration is at the heart of the BPM promise and for that you need not just the right tools but the right consulting skills to support a BPM implementation.'

Integrating processes

The aim is to make point solutions a thing of the past, embracing a more holistic view of BPM and its potential benefits. Regardless of vendor, the tools for BPM must work together and mirror integrated performance management processes, and initiatives for development and implementation are increasingly pursuing this goal.

Jones adds: 'Some organisations have struggled. They may have implemented planning successfully, for instance, along with other tools from the same vendor to deliver other point solutions only to find that the lack of integration is getting in the way of better business performance.'

Four years ago, Paragon worked mainly on point solutions for consolidation, reporting, strategic planning, management reporting and other important ingredients for BPM, but it now concentrates on delivering comprehensive roadmaps for successful BPM implementations. This is a priority for consultants and shows how the BPM sector is changing.

Technologies are certainly maturing, but this alone will not provide all the answers. Those systems must be used in the right way as part of an integrated BPM platform.

Jones says: 'Companies should be looking internally at their own processes and how they can be integrated to deliver better performance. Once this is done, they can set about choosing the right vendor for their new performance management model. We are 100% confident that the integrated model is the right way forward and those that get their first will achieve competitive advantage.'

One key feature of Paragon's roadmaps is that they typically avoid any 'big bang' implementation. Change management is a key skill, and consultants are keen to ensure that finance people understand how their processes will look after integrated BPM solutions have been implemented.

They also know that they need to break the finance function out of its silo mentality because integrated business departments and processes – as well as systems integration – are vital to support improvements in decision-making.

Legacy systems pose a major challenge in many large organisations, as they have led to the stove-piped systems infrastructure that demands a plethora of point solutions. In such companies, planning, consolidation, budgeting and management reporting, for instance, are often in silos, just as many business processes have remained segregated. This causes real pain in the organisations when they are faced with rapid change in their market or business.

Long-term strategy

Changing this infrastructure requires a long-term BPM strategy, delivered through phased implementation. This helps to allay fears over any disruption the transition may cause, and enables organisations to remain flexible in the face of changes to their business and the markets in which they operate.

Incremental steps might begin with the integration of consolidation and management reporting processes, which could then be followed by integration of new forecasting and planning systems.

Jones says: 'The time required for full adoption is maybe up to two to three years, which is still not long. The fear among BPM companies is that an incremental approach might be disrupted by an acquisition or disposal, or some other major change to the business.'

'There is no doubt at all that BPM improves planning and budgeting.'

'In fact, this approach is more flexible. It can be paused or the prioritisation can be changed. The incremental approach is better because the transition is too great to do in one go.'

The systems level is likely to improve dramatically in the coming years, but the full benefit will only accrue if organisations are willing to reorganise the business processes and address such problems as the limitations imposed by a legacy environment.

It certainly seems that the market is keen for integrated BPM solutions, but it is up to vendors, consultants and their clients to work together to maximise the benefits such systems promise.

Jones continues: 'The recent acquisition of BPM vendors by mainstream business intelligence and ERP vendors illustrates that BPM is now mainstream. CIOs are asking finance teams what they have done about integrated BPM and CFOs are prioritising it. The time horizon may not be as short as vendors would like, but in five to seven years we will see BPM become more sophisticated and far more widely used.'

The next level for BPM

Greater sophistication will allow BPM to support initiatives such as business partnering models, which bring operations and finance departments together to work more closely with one another. Such partnering is becoming more popular and is much easier to make effective with integrated BPM solutions in place, which can support new best practice ways of working.

BPM reduces the time and effort required for processing data for decision-making through its inherent focus on integration and automation. This frees up time for valuable initiatives such as business partnering and introducing effective business forecasting across the organisation.

Jones notes: 'In our study of European multinationals in 2006 we were surprised by the lack of successfully implemented rolling forecasts across these leading companies. We thought there was little doubt that the principle of rolling forecasts was an established best practice. Unfortunately, organisations have been hampered by the length of time taken to produce annual budgets, the treadmill of historic data reporting and frequent inaccuracies in static business forecasts, but BPM provides a robust model that can facilitate much more effective rolling business and financial forecasts. There is no doubt at all that BPM improves not just budgeting but also planning, forecasting and decision-making.'

Many pharmaceutical and consumer packaging companies have championed integrated performance management, and their experience will go a long way to informing companies in other industries. New organisations, too, can embrace the concept more easily, as they lack the legacy systems and processes that often prove to be stumbling blocks and the enemies of change.

Jones believes: 'CFOs are pragmatic and will not spend money unless they are confident that their vision can be achieved and the benefits delivered.'

In the next few years, the level of confidence among CFOs in BPM will likely to grow significantly as their vendor and consultant partners push BPM to the next level. ■

Further information



Website: www.paragonbpm.com