Achieving Management Excellence through Enterprise Performance Management

8thManage EPM whitepaper

Modernizing the Management System

Today, top performing organizations have outpaced laggards in modernizing their processes and systems. However, there remains a significant gap in optimizing both efficiency and effectiveness in core processes and decision capabilities. Organizations continually invest billions of dollars to automate their businesses and reduce costly human touch labor that previously performed basic business transactions. Organizations have succeeded in standardizing transactional processes to obtain cost efficiencies and increase return on invested capital. However, few have optimized beyond the organizational foundation – the front-line transactional workers. ERP systems have helped organizations run their business more efficiently, but they do little to help leaders and knowledge workers manage their organizations and make better decisions.

Following are a few simple, but fundamental questions each employee should be able to answer:

- *What are the corporate goals and vision?*
- *What is our business strategy to deliver on these goals?*
- *What initiatives, programs and tactical projects do we have in place to deliver on our commitments?*
- *Are my activities congruent with the organization's direction?*

Often these questions bring empty, incomplete, or inconsistent answers. Leaders, teams and individuals have a fragmented view of where they are heading, how they will get there and where they currently stand. It is no wonder many initiatives fail, while time and money is wasted. Businesses sub-optimize performance when the workforce lacks unity and line of sight on how to get across the goal line. Human nature prevails – results obtained correlate with what we choose to measure.

A new management system and set of tools are needed that unify management, embrace the knowledge worker and automatically measure business performance. Commerce is global and corporate hierarchies are flattening and decentralizing to achieve greater business agility. This climate requires technology that can support flexible processes, establish accountability and commitment, enable workforce virtualization and measure the contribution of every individual to common business objectives.

WisageTech is helping organizations adapt to this new paradigm, and transform their business approach to achieve *Management Excellence.*

Automating Decision-Making and Business Strategy

The consequences of "off-line" decision-making are significant. Many organizations operate without important performance data critical to the enterprise, or worse, without a single and shared set of facts to support management decisions. Initiatives and resource allocations are approved verbally in meetings; and this news takes time to weave through organizational bureaucracy. Communication of objectives, authority and responsibility becomes unclear and results in a lack of individual accountability and commitment. Even when these elements are effectively communicated, there is no factual system of record to document these business interactions and action plans. And then the question presents itself – if we don't have a commonly shared sense of direction, set of goals, and a baseline plan of action, how can we accurately measure performance? How do we learn from history, from our past mistakes as well as our great decisions, and leverage that knowledge in future initiatives and training new employees?



Figure 1 – Automation for Knowledge Work:*8thManage provides a single system to automate business interactions and decision-making and generate management interaction data for business performance intelligence.*

The answer lies in the first step in to achieving Enterprise Performance Management (EPM). To reach optimization, organizations must now bring the remaining business processes and decision-making online. This scope includes the management planning, review and control processes that are executed by leadership and knowledge workers. In a comprehensive EPM initiative, all business events are automated and users interact on a common business platform to approve plans, execute projects, manage service delivery, and record results. The management interaction data generated through this process automation and knowledge worker collaboration enable digital traceability, performance intelligence, and elimination of redundant efforts.

While the goal of business intelligence (BI) is to provide insight, the goal of EPM is to link BI insight to the planning and control cycles of the enterprise. Performance information linked with flexible work flow tools provide a powerful solution to quickly assign responsibility and drive action to resolve issues. No longer does the manager need to navigate static reports and multiple systems to detect a performance problem and initiate corrective action. EPM automates these managerial activities and functions as the connective fabric, making the complete cycle more effective, consistent, and reliable in supporting business performance.

Overcoming Fragmented Systems and Tools

Organizations have experienced tremendous proliferation of business applications and systems over the last 20 years. Some of this is the result of mergers and acquisitions, internal reorganizations, or function-specific requirements. Much of it can be attributed to the rapid pace of technological innovation, with new applications that solve more and more problems across every functional department within the Enterprise. But this system fragmentation has created a critical problem for businesses by introducing data redundancy, thus compromising data integrity.

At its core, this challenge involves enforcing a common data model and master data standards onto a heterogeneous and dynamic systems environment. In addition to establishing standard data and business terminology across the enterprise, organizations need to ensure data capture is handled in a secure and reliable manner. The following comparison illustrates exactly how far most corporate environments are from solving the reliable data capture problem.

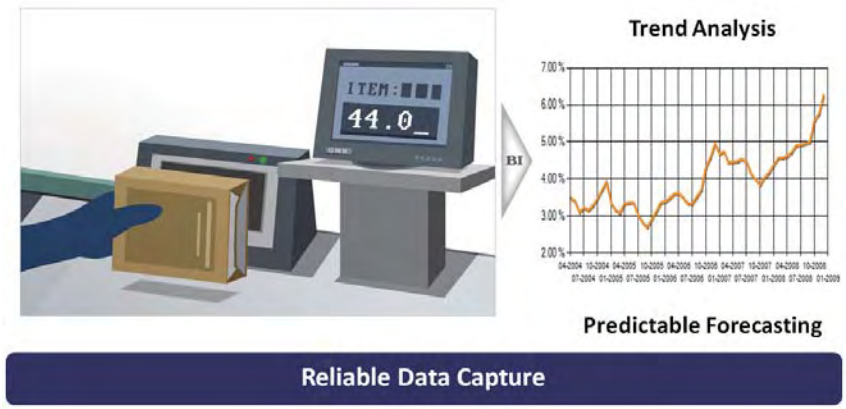


Figure 2 - Point-of-Sale (PoS) Technology: *In the retail industry all business transactions are electronically captured at checkout, providing reliable source data for business intelligence and analysis.*

In the average retail operation front-line workers make sure that every business transaction is recorded in their system through Point-of-Sale (POS) systems and technology. With each item scanned all relevant purchasing and sale information is immediately recorded, and completely traceable to detailed product attributes - product name, manufacturer, number of units, pricing, discounts. These transactions occur dynamically, and data is immediately available for real-time business intelligence. Information is immediately analyzed and cross-referenced against customer preferences and purchasing history to maximize cross-sale and up-sale revenue opportunities during every customer interaction. Since Point-of-Sale data is quite reliable (consistently and accurately captured and recorded), it becomes useful to organizations in trend analysis and forecasting.

Now compare this to the typical operations and transactions in a sub-optimized organization. In the business office, there is no such mechanism to capture reliable data from management processes and knowledge worker activities. Tools are fragmented, data is stored in multiple file formats and locations, with few automated business processes. BI tools cannot analyze the activities of the knowledge worker and the decisions of the executive either because the data does not exist or because it is not captured reliably.

Leaders pursuing EPM must recognize a key failure point of BI. BI must reconcile disparate data structures owned by many applications within the organization. BI is subordinate to these multiple structures, and making sense of them is typically an impossible task. EPM software overcomes this inadequacy by establishing a common Business Breakdown Structure (BBS). The BBS combines all of the important structures within the enterprise into an integrated and dynamic set of dimensions. It encompasses:

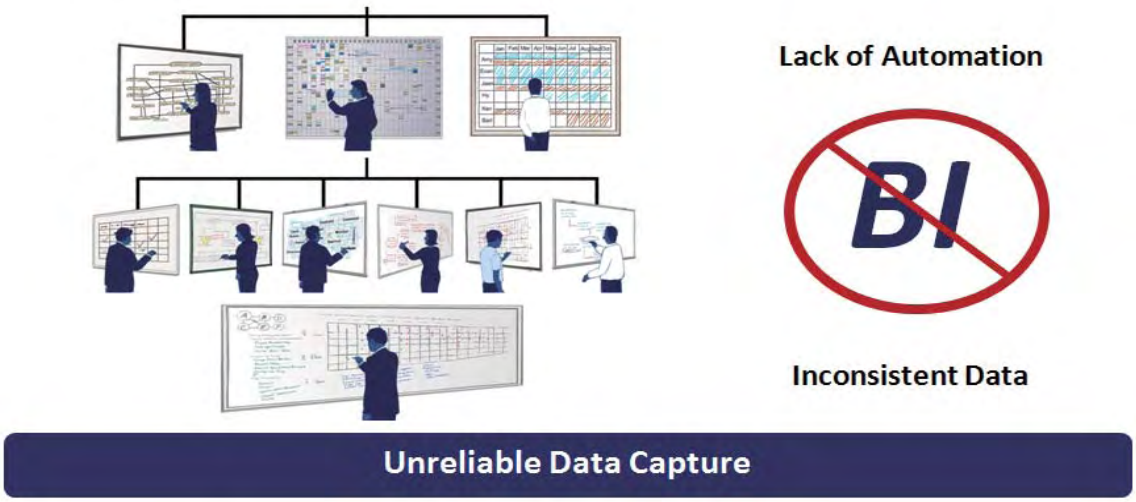


Figure 3 – Typical Business Office: *The processes and tools used for communication and decision-making (email, spreadsheets, word-of-mouth) result in fragmented data across the enterprise. Management processes lack the process automation required to generate management interaction data useful for business performance intelligence.*



Figure 4 - Dynamic Business Breakdown Structure (BBS): *Provides a systematic and dynamic way to relate people, organizations, work and finances in an integrated set of structures that is responsive to real-time change.*

Organizational Breakdown Structure (OBS)

The Enterprise Organizational Structure defines the hierarchal set of legal entities, profit centers, cost centers, and business sites. The organizational structure links people to organizational units. Since tracking customers, suppliers and partners is now an important trend the OBS incorporates these external organizational units and the human resources that support them.

Financial Breakdown Structure (FBS)

The Enterprise Financial Structure, commonly known as the Corporate Chart of Accounts, provides the hierarchal set of revenue, expense, and balance sheet accounts by both legal entities and lines of business.

Work Breakdown Structure (WBS)

People have used Work Breakdown Structures or WBS-like techniques for over 30 years on whiteboards and in spreadsheets for project planning. The work dimension establishes definition and boundary conditions for all the business activities, processes or project tasks of the organization. Marketing campaigns, sales opportunities, contracts, projects, sub-projects, activities and tasks are all explicitly defined and related in the work hierarchy.

Other Business Structures

The BBS also integrates the enterprise product, service, assets and infrastructure dimensions as well as many other structures that are critical and relevant to business transaction data.

As the BBS becomes the centerpiece around which all business data structures are maintained, the organization overcomes previous BI obstacles, data translations and achieves unparalleled business agility. With this capability an enterprise can swiftly modify its structures and preserve linkages across all transactional data – making it possible to see old information in a new context immediately. There is zero latency because there is no need for multiple system changes and no possibility of introducing a human configuration change error.

In summary, EPM technology achieves reliable data capture by automating flexible management and knowledge work processes and by serving as a cross-functional business platform to unify all employees. With common business terminology and a consistent framework for interacting, organizations begin to overcome communication challenges and work more effectively towards a shared vision.

Business Management in Real-Time

The value of business information is highly correlated to the time frame within which it is available. The pace of business today requires organizations to move beyond annual, quarterly, or even monthly reporting. Conditions can change at any time. Discovering a material impact to your financial statements is not a pleasant experience, and one that can be prevented as organizations eliminate accruals, adjustments and latency and migrate to real-time business management.

Business agility means action, and implies having both the capability and capacity to act. In organizations with rigid ERP systems and fragmented business applications, agility is a lofty and most often unachievable ambition. Looking deeper into the issue we find two key barriers to improving agility. The first is the data integrity challenge that was previously discussed. Executives, management, and knowledge workers become handicapped or even paralyzed when they lose trust in their data.

The second issue is that information is unavailable in the necessary time frame required to take action and capitalize on a business opportunity. Even with BI tools, dashboards and data warehouses, the organization is only as fast as its weakest link. Many of the systems that the business relies on for data only process transactions on a weekly, monthly or even quarterly basis. The closing rhythms of the slowest feeder systems, not the fastest, dictate how quickly management can receive the reports and information it needs.

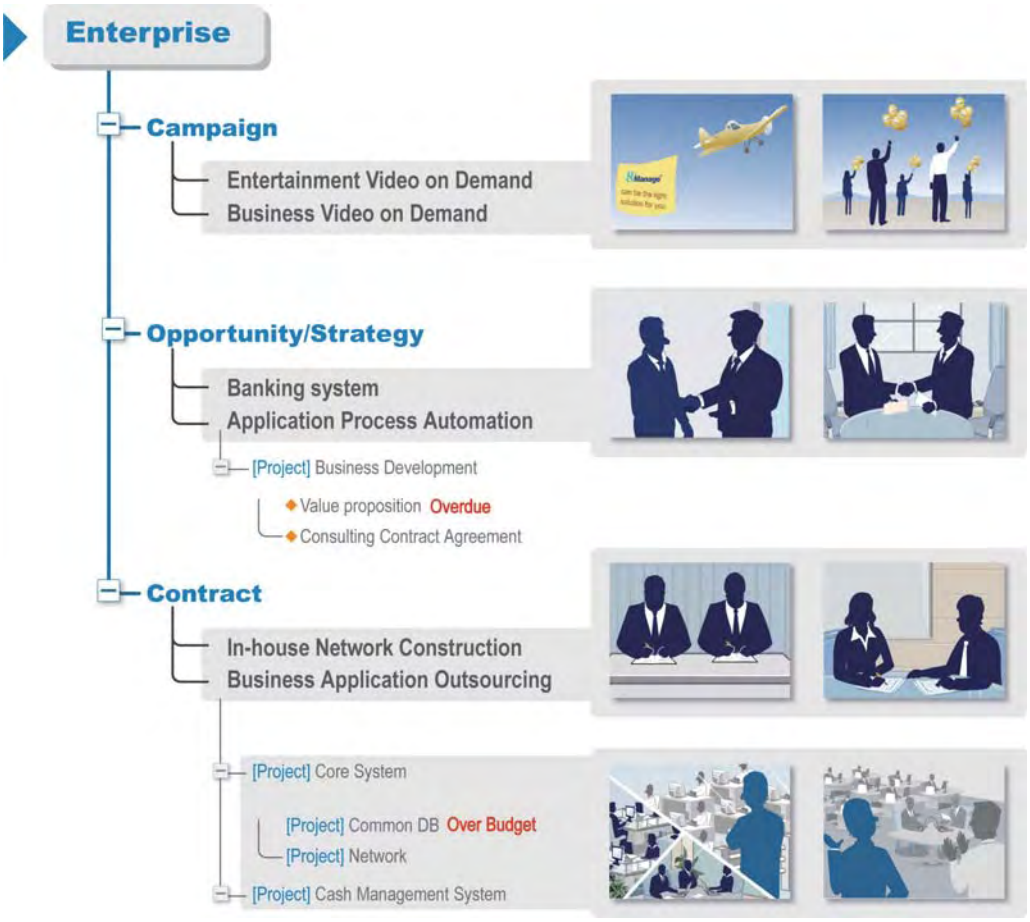


Figure 5 - Common WBS Structure: *8thManage helps organizations achieve a common definition of business activity (Work). 8thManage Business Map leverages this common work structure to provide organizations with a hierarchal view of their business initiatives (Sales Opportunities, Client Contracts, Supplier Contracts, Internal Project Portfolios, and Business Services) and enable drill-down through intuitive, tree structures. Clear and accessible information helps leaders understand and manage performance in real-time.*

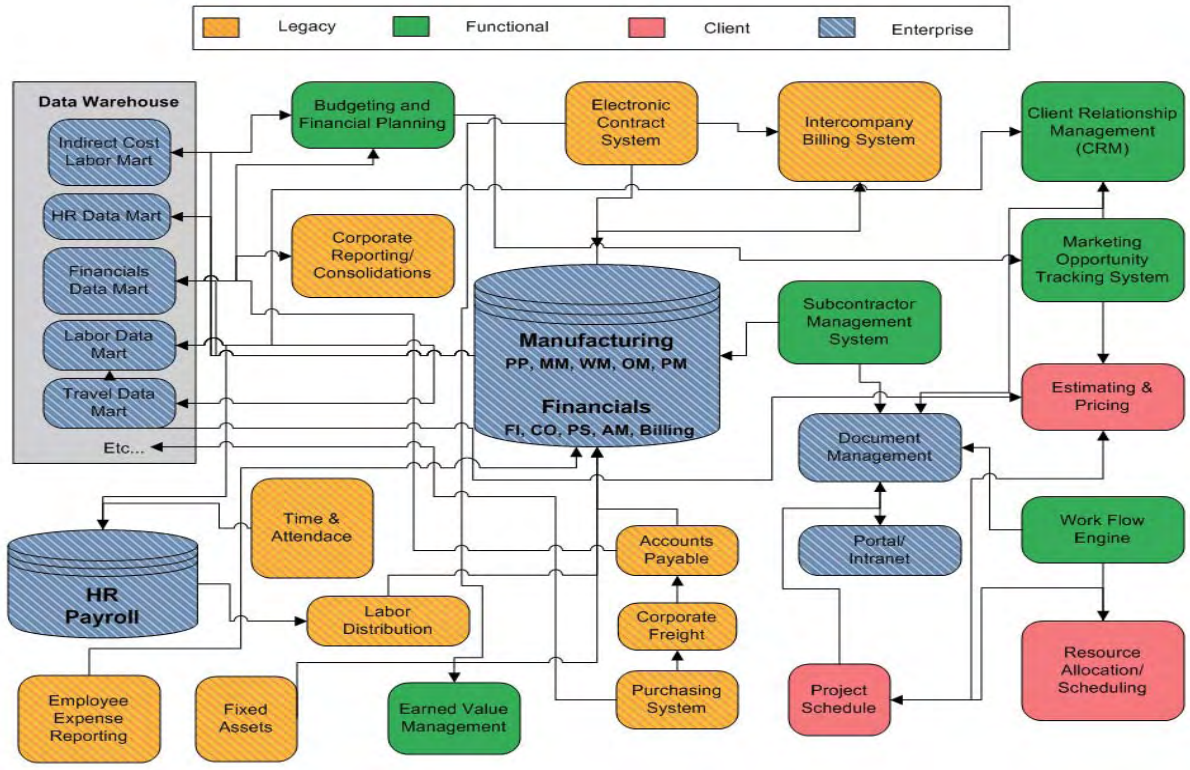


Figure 6 - Fragmented Enterprise System Architecture: *Typical systems environments in large organizations are very complex and rely on variety of technologies to run the business. To lower the cost of ownership and achieve business management in real-time, these organizations must modernize systems and reduce the number of business applications they depend on.*

In order to overcome latency, organizations need to pursue a leaner system landscape. EPM technology takes a broad, end-to-end process approach, helping companies rationalize their application portfolio and accomplish all business activities within a single, seamlessly integrated solution. EPM technology transforms the company reporting and control cycle from a monthly or quarterly process to a daily or weekly one. Executives now have the capability to monitor their business performance just like they watch their investments in the stock market – minute to minute in real-time.

In addition to achieving real-time business agility, companies that pursue a single system approach obtain tremendous efficiency and lower cost of ownership by reducing implementation time, operational complexity and training requirements, and the cost of operations and maintenance.

Management Excellence

A movement is underway that fundamentally challenges the old ways and means of operating a business. Command and control structures are giving way to collaborate and coordinate management philosophies. This shift recognizes that empowering knowledge workers is the key to increasing their motivation, creativity, and ability to make decisions and take action. It requires that leaders and organizations foster a culture of openness and transparency, providing greater access and incentives to share information. Organizations must leverage transparency and link strategy to execution to establish accountability (sales volume, profit & loss, client satisfaction) across the multiple dimensions of the enterprise (product, region, account, market segment, industry).

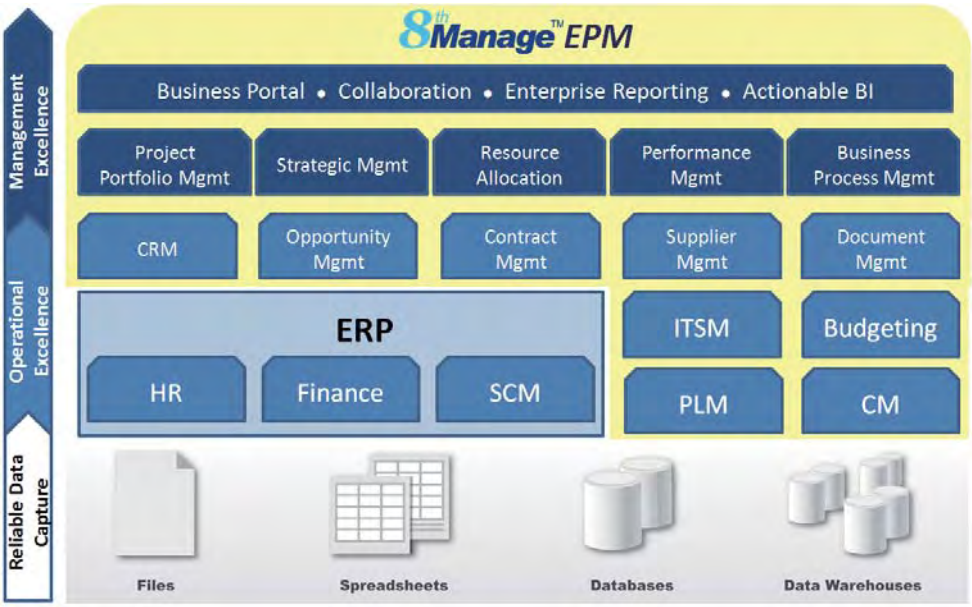


Figure 7 - 8thManage EPM: *Provides a single system that automates management processes and integrates data from existing enterprise transactional systems to create a unified business intelligence and collaboration environment for all employees. Leaders obtain a complete picture of their business and have the tools to manage, control and take action on performance information – achieving true business agility.*

EPM technology replaces the old tools of the organization – spreadsheets and static reports – with flexible, scalable and dynamic tools. It helps people see a total and complete picture of their business – with performance indicators and event-driven alerts that escalate problems just as they start to surface. EPM also leverages data from enterprise transactional systems to deliver both business process intelligence and performance intelligence. This gives people the ability to drill-down into progressive levels of detail within their Enterprise. It helps management better understand issues, see related information at the appropriate level of detail – and also framed in the right business context. Our system improves leaders' ability to understand the facts - and quickly make better decisions.

EPM enables management excellence by giving leaders the access to reliable information, providing them with tools to take action, and fostering an environment where transparency and accountability drive superior individual and enterprise performance.

About WisageTech

Founded in 2004 and privately held, WisageTech is the leading provider of Enterprise Performance Management (EPM) solutions for organizations. 8thManage software helps companies automate and transform their management systems to gain efficiency and effectiveness across their business operations in a single system. Our system is extremely modular and configurable, and can stand alone or integrate with existing enterprise transactional systems to create a unified business intelligence and collaboration environment. 8thManage directly connects business intelligence insight to the management and control processes of the organization.

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WisageTech™ is an international software product company with clients all over the world. WisageTech offers the following solutions to increase the efficiency and effectiveness of your organization:

8thManage™ PM : Advanced Tool for Project Planning & Execution
8thManage™ PMO : Enterprise High Performance PMO
8thManage™ TOM : Enterprise Total Outsourcing Management
8thManage™ PSA : Full Automation for Professional Service Businesses
8thManage™ BIS : Integrated Front & Back Office Business Information System

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