



## **The Fast Lane: How BPM Helps Accelerate Decision Making**

Jack Welch, widely regarded as one of the most successful CEOs of the 20<sup>th</sup> century, once said, "We at GE only have two sources of competitive advantage: 1) the ability to learn more about our customers faster than the competition, and 2) the ability to turn that learning into action faster than the competition." Historically, mid-market companies have used their ability to react quicker to customer demands as a competitive advantage over larger corporations. Today's hyper-competitive business environment and ever-changing customer demands, coupled with resource and capital constraints, are making this harder for mid-market companies.

Mid-market companies are under enormous pressure to continually reassess plans, measure progress versus those plans, and adjust to changing conditions within shorter periods of time. Ironically, the finance department at most mid-market companies – the part of the organization that is responsible for distributing vital performance information within the company to drive improvement, is not properly equipped to support one of the company's main competitive advantages – speed.

### **The Strategic Disconnect**

Manual, spreadsheet-based performance management is very inefficient. This inefficiency becomes magnified at mid-market companies because of their resource constraints. Inefficiency leads to ineffective performance management. Manual business performance management (BPM) processes waste valuable time on non-value-added tasks such as manually linking spreadsheets, reformatting reports, consolidating data, and managing the communication process. From a finance perspective, these inefficiencies equate to less timely and less accurate performance data in the hands of decision makers. BPM technology is about enabling your company to improve the speed with which you learn and act.

### **A BPM Primer**

With regard to business performance, the main objective of the finance function is to improve the ability of decision-makers to understand and manage the business. Finance accomplishes this by delivering better information to company decision-makers, and helping decision-makers analyze the information quicker than the competition. There is no doubt that timely, accurate information in the hands of decision-makers creates a competitive advantage because it allows decision-makers to better understand the business drivers.



Mid-market CEOs need CFOs that can help identify and respond to changes in market demand and operating costs as they occur. This is only possible via better access to accurate information – which newer, BPM technologies provide. BPM initiatives can be broken down into 4 phases:

1. Platform
2. Improve Efficiency
3. Improve Effectiveness
4. Create Competitive Advantage

### **Platform**

The platform you choose lays the groundwork for all of your BPM activities. For mid-market companies, it is extremely important to take a look at your existing human resources in terms of business and IT, and their skill sets. Since mid-market companies face more resource constraints than their larger competitors, you need to take better advantage of technologies your employees are already comfortable using. In a 2003 survey by Gartner and Forbes magazine, senior executives were asked about the most difficult issues they face when it comes to business change.

**The overwhelming response was corporate culture.**

By utilizing technologies your employees are already comfortable with, you will dramatically lower the amount of change required to current processes, and thereby minimize impact on your corporate culture. In addition, by selecting a platform which your employees are already comfortable using, you will:

1. Dramatically lower the time involved with implementing a new system – which means you will be able to take advantage of the improvements quicker
2. Raise user acceptance – people do not like change. By utilizing technologies they are familiar with, you lower the chance of people going around the system to conduct their daily activities, and
3. Lower training and maintenance costs – the end product will be easier on the bottom line and the scalability of the solution to meet future needs will be easier to deploy when the time comes.

### **Improve Efficiency**

When embarking on a BPM initiative, it is critical to set short-term as well as long-term goals. The long-term goals ensure everyone knows what is expected, and how it will help the company execute its strategies. Short-term goals enable people to have victories along the way, which keeps morale high and people moving forward towards the light at the end of the tunnel.



Improving the efficiency of doing business should be addressed first. Good short-term goals to begin with are to improve existing budgeting, planning, and financial reporting processes. By accomplishing these short term goals, mid-market companies will be able to share information in a timelier manner to support strategic goals – which begins to address the longer term goals of better decision making.

Numerous surveys indicate that nearly 75% of mid-market companies are still using spreadsheets for their budgeting, forecasting, and reporting. As a CFO, look around your finance department to see how your best people are spending their time. Are they manually linking spreadsheets, adding up totals, copying and pasting data between sheets, and keying in values from the accounting system for month-end reports? What percentage of time is spent performing these non value-added activities versus analyzing data to drive better decisions? Improvements in efficiency enable your employees to focus on value-added activities.

### **Improve Effectiveness**

Improving effectiveness leads to better decision making. Better decision making comes from having quicker access to better information, or better visibility into the business. Financial visibility means to make it easier to understand the financial position, performance and prospects of a business. These traits also play a large role in improving a business's performance. The CFO's goal is to achieve the appropriate level of visibility to meet the needs of the business, its stakeholders and the marketplace in which it operates.

The analytical tools provided by BPM solutions improve decision making capabilities by gathering information sooner, enabling a better understanding of the information via interactive reporting, and making it easier to distribute the information to managers to minimize unplanned variances.

### **Create Competitive Advantage**

To truly create competitive advantage, you must gain a better understanding of how to use information. Leading companies utilize their access to better information differently than the rest. They take these new capabilities, and change the way they run the business. Research shows best-in-class companies approach BPM analysis with a far greater focus than their competitors on:

- Tracking new product introductions
- Balanced Scorecard versus individual metrics
- Continuous improvement and closed loop decision processes
- Cross-functional root cause analysis
- Forward-looking business data analysis and simulation<sup>1</sup>



## BPM Advantages

BPM technologies enable management to have the ability to quickly change the way they run their business in response to increasing competitive pressures and changing customer demands to beat the competition. Recent research backs this up. The Aberdeen Group found more than 70% of companies who adopted some sort of BPM program generated high-impact improvements in key performance metrics, and these results were consistent across industry segments and company size.

Additional research shows BPM initiatives are paying large dividends for mid-market companies.

- 14 percentage points gain in Return on Assets<sup>1</sup>
- 25 percentage points gain in percent gross profit<sup>1</sup>
- By a 3-to-1 margin, finance executives using integrated BPM systems are more confident in their ability to create plans to capitalize on organic growth opportunities, as compared to their peers who use spreadsheets<sup>2</sup>
- By a 2-to-1 margin, finance executives using integrated BPM systems are more confident they can implement plans and monitor their success<sup>2</sup>

Mid-market companies are actually in the best position to take advantage of BPM improvements. Because of their greater flexibility to introduce cross functional metrics and inter-disciplinary teams, organizational changes in mid-market companies are much less challenging and time consuming than in larger, more highly structured companies. With the help of BPM technologies, mid-market companies can get back to utilizing one of their greatest assets – speed.



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1. "Corporate Performance Management Benchmark Report," Aberdeen Group, September, 2004.
2. "Finance Seeks a Seat at the Strategy Table", CFO Research Services, July, 2004.