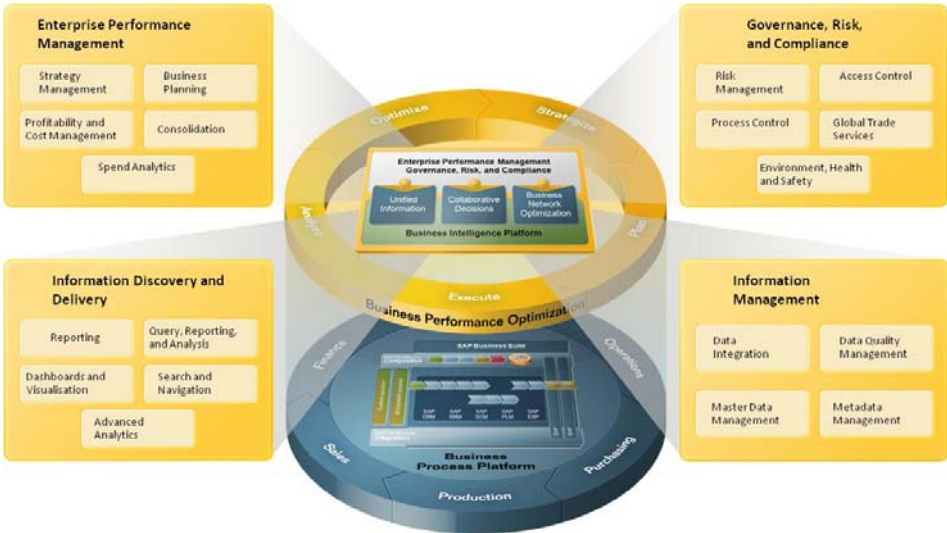




EUROPARTNERSHIP WHITE PAPER  
DIGEST

Enterprise Performance Management



Optimising use of SAP's Enterprise Performance Management calls for an open and inclusive approach

## Contents:

Summary

Enterprise Performance Management – The Basics

Step by step

Integrating Enterprise Performance Management

## Summary

SAP have released “Enterprise Performance Management” in response to customer demand for a strategy planning and monitoring suite that is integrated within their solution.

Enterprise Performance Management is designed to underpin a way of working and managing within a “virtuous circle”.

Software alone cannot deliver performance improvement, growth and profitability. The opportunity exists, however, to combine the integral SAP suite with World class processes and tools – and create demonstrable competitive advantage.

Working with such tools as “Strategic Conversations” and scenario based business models, SAP users can now integrate: Financial Planning, Consolidation & Budgeting; Performance Reporting; Internal Process Alignment; Project and Programme Management; Risk Management and People and Rewards Management.

There is no doubt that in order to optimise the investment in software, a new approach to managing the business is needed. For those facing up to this challenge and looking for an alternative to their present approach, you will find reassurance and encouragement – along with practical tips and learning - from the experiences of others in this paper.

**This digest is one of a series aimed at optimising use of SAP Enterprise Performance Management.**

**Order the full White Paper, including case studies, and a list of others in the SAP EPM Implementation Toolbox series from: [john.shuttleworth@europartneship.com](mailto:john.shuttleworth@europartneship.com)**

## Enterprise Performance Management – the Basics

SAP released “Enterprise Performance Management” in response to customer demand for a strategy planning and monitoring suite that is integrated within their solution.

Enterprise Performance Management establishes a way of working and managing within a “virtuous circle”. Organisations start with defining their strategy; establish the internal and external indicators that will analyse performance - along with shifts in their assumptions about the operating environment; move on to measuring performance; and then use this information to gain insight in order to make informed decisions which lead to corrective actions and performance improvement...with ever an improving strategy defined as each round incorporates the lessons from the previous cycle.

Software alone cannot deliver performance improvement, growth and profitability. The opportunity exists, however, to combine the integral SAP suite with World class processes and tools – and create demonstrable competitive advantage.

The benefits for organisations adopting EPM software and process include:

- Alignment of priorities, people and processes
- Business planning and target setting
- Managing service delivery improvements
- Use of Performance Metrics and Balanced Scorecard
- Evidence based reporting
- Active Risk Management

### Step by step:

1. Strategy setting and planning<sup>1</sup>. Derives from your mission and should, ideally, be underpinned with a robust and integrated business simulation model and charted as a set of Strategy Maps. These work down to the next level of detail of goals and objectives using strategic analysis, key performance questions and value-driver mapping. You can now develop and document a set of internal objectives for business planning in order to accomplish strategy. Integrating strategy budget and risk management ensures a deliverable set of objectives.
2. Setting Performance Measures. Key performance questions (KPQs) are used to identify 20 or so key performance indicators (KPIs) that will measure and monitor how closely strategic objectives are being delivered. There are approaches and techniques to suit all kinds of organisations and measures. Templates, checks and balances ensure that metrics are relevant and meaningful. Managers at every level should be able to see how, by delivering outcomes for which they are accountable, they contribute to the next level in the cause and effect chain leading to delivery of organisational goals.
3. Performance Reporting. Operational data, which accounts for most information needed, is best collected direct from the source – SAP Enterprise solutions themselves. Additional performance measurement is consistently shown to be most reliable when it is carried out by those accountable for delivery. It is a further check on the validity of the indicators chosen when managers feel ownership and can use the measures naturally and fully as part of their job.
4. Using performance metrics to monitor progress. There are many approaches to what are generically known as Business Intelligence (BI), Analytics and Modelling. These are also facilitated by the use of SAP Enterprise Performance Management. At every level managers can

---

<sup>1</sup> See our White Paper ‘Strategic Conversations in Performance Management’ for details on this step

now compare performance data against the plan. Over time the metrics become more reliable and create an evidence-base to inform decision making.

5. Decision Making should be based on evidence-based performance information. Leading organisations use performance improvement meetings to focus on future performance - and often shift from a blame culture to coaching in order to ensure that they deliver.

The aim and focus of strategic enterprise performance management is performance improvement. This means organisations have to close knowledge and activity gaps and act on the insights gained to improve the quality of decisions making in order to generate real performance improvements.

### **Integrating Enterprise Performance Management**

The best performance management approaches now integrate other key management processes. SAP Enterprise Performance Management suite has been constructed to allow this to happen.

*Financial Planning, Consolidation & Budgeting.* Integrating budget and financial planning with your corporate objectives ensures that financial resources are prioritised on what matters most. Without this integration it is not possible to move “Beyond the Budget” to continuous strategy planning.

*Risk Management.* A vital ingredient in great strategy planning and delivery is an understanding of the assumptions that underpin the decision making. “Business Risk” often focuses on financial risks, or the disaster risks to buildings and infrastructure. With a holistic performance framework, key drivers of future performance – such as staff with the right competencies, corporate reputation, governance, or key partnerships - it is therefore important to assess and monitor any risks in relation to all your performance drivers in order to achieve alignment between your risk management and what matters the most for future performance. A number of the better performance management solutions present a balanced view of risk and pre-prepared mitigation actions.

*Performance Reporting.* Performance information is crucial for evidence based decision making and delivery of goals. It is increasingly a requirement that organisations can demonstrate to external stakeholders and regulators that they have delivered excellent performance and that complied with regulations. Most solutions allow performance information to internal and external stakeholders.

*Process integration.* By aligning and integrating the organisation, internal processes are re-focused. This becomes demonstrable within two planning rounds. Value driver analysis prioritises processes such as customer relationship management, financial forecasting, and risk management – and these shift align with delivery of corporate strategies.

*Project and Programme Management.* Strategic and integrated performance management ensures maximum contribution to corporate objectives and priorities.

*People Management and Rewards.* Few organisations do not count people as their most valuable asset. Within an aligned organisation, it becomes easier to align reward and recognition systems. This, in turn, further reinforces delivery as the old adage of “what you measure you deliver - and what you reward you deliver in full.”

Euopartnership delivers high quality support designed to improve organisational performance through consulting, facilitation and training in strategy development, performance management and Balanced Scorecards. Our approach is to work in partnership with clients to establish continuous improvement programmes – adding value by knowledge and skills transfer.

Our mission is “to equip organisations to improve performance”

For more information contact [john.shuttleworth@euopartnership.com](mailto:john.shuttleworth@euopartnership.com)