



## **Enterprise Performance Management: “I Can See For Miles”**

*By David Giannetto*

*Like the narrator of the song “I Can See for Miles,” organizations that implement enterprise performance management solutions have a vision of their operations that extends beyond their corporate horizon.*

New technologies, intricate management systems and the birth of the flexible enterprise have created paths to new efficiencies and productivity gains at an incredible rate. However, despite the significant investments in and extensive implementations of enterprise resource planning (ERP) applications, that one “killer application” designed to do everything and provide a clear view of the entire organization has never quite materialized. In fact, the complexity of these multi-faceted ERP solutions has brought about an even greater need to cut through the ever-growing layers of information. Visibility is key, but rapid insight into the overall business situation is vital.

There is no shortage of data. But data alone doesn't tell management anything about its operation. The problem for management within many organizations is the inability to understand what it is that is driving performance. Massive information technology investments and business transformation measures enable organizations to process their transactions faster and easier than ever before. Unfortunately, only after considerable time and expense do many organizations realize what they actually needed was not a faster way to process their same transactions, but a better way to see their business. This visibility across the entire supply chain is the single-most-pressing concern among management responsible for driving operational excellence and profitability throughout their companies. To drive performance, management needs to see and understand everything that is affecting its operational and financial success, and everything affecting its ability to meet customer expectations — not only within the organization, but also across the entire supply chain.

Enterprise performance management (EPM) blends a new approach to managing with an underlying technology to support it. How does it work? The answer itself is in the framework that creatively applies the technology to the situation. The goal is to determine if the right things are being measured, and then measure those things quickly, accurately and consistently. Since EPM is not a one-solution-fits-all approach, the framework applies the technology to the specific needs of the organization, ensuring that the organization will find value in the final solution. The relatively low cost of implementing and owning EPM solutions, in addition to their quick return on investment, is making them ever more attractive.

### **Enabling Understanding, Not Repetition**

ERP applications were originally designed to process transactions, not enable the full view of business variables, such as the impact that partners or vendors are having upon their end customers. Although the theory of supply chain management has promised to streamline and improve operations while clearly measuring overall performance, management still suffers

from the inability to see into and across the entire supply chain in any cohesive manner.

Moreover, typical ERP implementations put the entire organization on hold while, month after month, management eagerly awaits its new solution. After the implementation is completed, management will usually find a lot of new features behind a faster and easier way to process the same transactions. Overall, performance does not automatically make that leap to the expected next level.

EPM, on the other hand, can achieve just this.

By rethinking the approach to managing organizations, and using the right performance management tools to support it, it is now possible to provide virtual real-time monitoring and feedback capable of driving, not reacting to, supply chain performance. EPM tools were created to analyze large volumes of daily data from multiple disparate data sources (such as would come from each different internal system, vendor or partner) to reveal underlying problems before management even knows they exist. For the first time, it becomes relatively easy to give management specific insight into things that were extremely difficult before, such as profit per shipment by vendor, region or shipping lane, or the comparative geographic performance per vendor. EPM can even provide management with forecasting insight, determining the areas where the organization will not meet service commitments, or even what specific shipments are likely to fail, while management still has time to do something about it.

The benefits to EPM are clear: it increases management's understanding of the organization and what drives it, essentially composing a clear, complete portrait of the entire business. It allows management to make better, more timely, decisions. Management can finally achieve what it was really after — superior organizational performance that tracks, measures and manages productivity, profitability and business velocity.

### **The Tools Already Exist**

Since most organizations are not plagued by a lack of data, they may already have the answers to all of management's questions. What they need is the ability to see the business through the existing data and turn it into knowledge. But how does management achieve this goal when the typical implementation of this technology often falls short?

What most companies do not know is that they need not wait for the latest transactional system functionality to drive performance or gain insight into the transaction process. Many companies are keeping their current, and, in some cases, outdated, transactional systems in place longer; many are avoiding the high cost of replacing them from the ground up. Often these companies may already own the appropriate tools but have not fully leveraged them. The new framework capitalizes on affordable technology to analyze information, improve service, drive sales or cut costs without significant additional investments in infrastructure.

Note, however, that framework and frame of reference can often be at philosophical odds. Organizations tend not to shift readily from historical business practice to the new realm of "enterprise performance management" by advancing one step at a time. Change occurs by rethinking the organizational needs and getting the entire management team to take one small step at a time toward the ultimate vision. The process starts by focusing away from the daily

blocking and tackling, from the hours of generating historic balanced scorecard reports, to ask themselves a few basic questions:

- Where are we trying to go?
- What must we do right to get there?
- How will we measure our progress?
- What do our employees need visibility over to make managing these things easier?

These sound like big questions that will require endless hours of effort and strategic planning to answer. But, the process doesn't have to be any more complex than asking, "How do I get my hands around truck routes and customer lanes that have grown dynamically due to constant growth?"

Start by identifying those elements that ultimately help or prevent you from succeeding and the business units that affect them. Limit the list to only the most important elements. Next, agree on how you will measure them and what information your team will need from those measurements. If your information technology systems do not make this information available quickly and easily, then performance management technology can. But, just like ERP applications, each EPM application has different strengths and weaknesses. Remember that it isn't an out-of-the-box solution; it is an out-of-the-box approach. The framework is necessary to structure management decision-making and avoid the common dangers that come with abrupt implementation of me-too solutions. It also helps management understand what life will be like managing in a performance-based environment and facilitates methodical adoption toward greater performance.

These solutions are cost-effective, when implemented properly, because they employ existing transactional systems without the classic protocol to rip and replace infrastructure. EPM can reside as a freestanding application, commonly deployed via a Web browser, and often use development tools that many employees already understand. Programming can often be done in-house, reducing implementation and training costs.

### **How One Company Uses EPM**

Traditionally, EPM technology has been used to automate the current reporting and create wide-ranging graphics in formats that the organization is accustomed to seeing. Although a strength of these tools, it only begins to scratch the surface of EPM's overall power.

Consider one of the largest logistics companies in the world and how it makes millions of transaction per day in normal operations, managing costs to stay competitive and managing customer expectations to stay in business. It is relatively unfathomable to halt or disrupt operations for even the simplest of information technology-related implementations. Enlisting the EPM framework to improve its bottom line, the company leveraged its own core technology to analyze the complex relationship between profit and individual customers, and the final destination of their products to hundreds of retail stands across the country. The goods traveled via multiple carriers, passed through several company-owned facilities and were delivered through one of six different methods.

Customer shipments had consistently moved through each route and were delivered on time well over 96 percent of the time, yet it wasn't possible to analyze customer or lane profitability. It wasn't possible to easily produce a one-time report for management to

determine the products, partners, geographic regions and vendors that were actually driving revenue, profit and customer value. The processes within the organization had always worked, but the system for managing these processes had become too cumbersome to allow management the time to review and absorb the information. When time was available, management was too overwhelmed with data, reports and accountability to change anything.

After implementing this EPM approach, this company achieved a number of breakthroughs. For the first time, senior managers now receive scorecard performance on a daily basis — and also can forecast individual shipments that are likely to fail while still having the time to do something about it. In addition, managers now have the ability to reduce expenses in the same proactive manner, gaining visibility to underutilized trucks while there still is time to cancel or consolidate routes. As a consolidator of their industry, this company is buying and absorbing new companies. Their EPM approach allows the company to quickly integrate newly purchased companies without replacing its information technology system.

The logistics' organization, like many, recognized that financial and organizational performance is a result of its ability to effectively execute and manage its organization. The missing component to the ERP equation was its ability to quickly and easily understand the data points in a manner that checked the current pulse of the organization and provided visibility into its future. Once management understood this, it inevitably led the company back to the underlying processes that were missing or flawed.

### **Cultural Shift**

Dale Carpenter, a partner of Truck Dispatching Innovations Inc., in Chicago, Ill., sees organizations going through this process in the marketplace. "Our 'value add' in the marketplace is the different perspective we have," he says. "Some customers buy our solutions because they want cutting-edge route optimization software, which is something they easily understand. What they find out is that while the software approaches things in a way that is familiar, the cultural shift when going from a manual process to an automated process is difficult. Take, for example, the difference between cost-based routing and zone routing. Accomplishing this requires a paradigm shift and only the most advanced organizations understand that this change in thinking takes it beyond the simple automation of what used to be done manually each day. These are the same organizations that recognize they have to change how they conduct business and begin looking at the impact of their operational efficiencies throughout their entire organization, from customer service to accounting, and from truck drivers to executives."

Data without context is very much like having mile markers at the side of the road. They provide accurate data, but give drivers little useful information. In contrast, road signs that display miles left to a destination enable drivers to determine how far they have to go, when they will likely get there, and if they have enough gas. This is analogous to the type of information needed to manage an operation.

The EPM framework enables fact-based decision-making using systems already in place. Executives are able to focus on those areas that are most important to truly drive the performance of the organization and enable them to make tactical decisions in complete alignment with the organization's strategic goals. This multiplies the power of the organization and helps it achieve what it has been seeking all along: superior performance.

But what happens when information isn't always available from within the organization, as is the case when transportation or delivery functions are outsourced? Supply chain integration becomes difficult and management is unable to gain complete insight into the performance of these areas. With standard ERP solutions this is a natural problem, because the technology was not developed to integrate multiple data sources. Yet EPM methodologies focus exactly on this very issue, regardless of the environment or the individual source applications with which it has to interact. With the proper framework and supporting technology, real supply chain integration finally becomes possible.

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