



What Is EPM, and Why Is it an Essential Tool for Small Businesses?

A study conducted by Gartner reported that by 2020, one in four enterprises will have the capacity to report financial planning and performance management metrics by business units, promoting visibility from all business units and sales channels in real time.

Additionally, it was also reported that 75% of enterprises are seeking ways to improve the accuracy and strategic impact of financial planning and analysis data, as these two elements are combined with operational data from multiple business units to meet and exceed their growth goals.

What we can deduce from this is that operational performance has a direct effect on the financial performance of an enterprise. So what better way to connect operational data coming from the sales, support, service and production workflows to the machinery and production team than through the use of the Enterprise Performance Management (EPM) tool?

Introduction to EPM

However, let us first define what EPM is. Enterprise Performance Management is a solution designed to align an organization's goals with its performance and finance aspects. EPM makes sure that an enterprise is translating its strategy into indicators and targets that can be measured, and can monitor its performance. An effective EPM provides effective alignment of people across the organization where people's key result areas (KRAs) meets the company's goals. Ideally, a rewards-and-recognition program is set in place which will propel behavior that can impact the organization's business strategy. This ensures that everyone contributes to the overall success of the business.

The fast-changing market conditions are putting pressure on small and medium-sized companies, pushing them to gather information for monitoring of orders, inventory and staffing in real-time. With unpredictable external market factors, the demand for accurate forecasting and well-informed decision-making has become a staple for each company.

The digital era has produced a paradigm shift in how businesses evaluate their finance and service operations. It has become so that the ability to change can make a world of difference to the future success of a business. Success in today's era means that organizations must work beyond traditional frameworks and implement a model that is well-suited to the more sophisticated digital economy.

Gone are the days when business goals and strategy are based on linear processes and executions. Now, the focus has shifted from value chains to digital value networks. Now, the current economy calls for a framework that aligns customer values with organizational goals, business performance, and strategies – a structure that aims for rapid results by delivering accurate, real-time information.

With an ever-changing economy that continually calls for continuous improvement from small medium and large businesses, the only way to keep up is to get a software solution that reflects the reality of today's digitally connected world. EPM helps business managers to be aware of unexpected changes earlier and allow them to respond more quickly to these unwanted changes. External forces such as the Internet and globalization are creating business instabilities, and the constant changes make it unreasonable to create an extended cycle plan that extends to years. Therefore, small, medium and large businesses need to develop dynamic strategies that can be adjusted to conform to continuous changes caused by external forces and unavoidable events.

EPM is a form of business planning that delivers continuous improvement to small, medium and large businesses. EPM acts as a catalyst for an organization's digital transformation by providing the tools needed to automate processes without the need for adding staff, generating real-time data and facilitating easy access to essential information which promotes timely response to any immediate concerns. According to a study called Enterprise Performance Management Market made by Pankaj Lanjudkar & Vishwa Gauln, the global enterprise performance management market was valued at \$4.7 billion in 2018 and is projected to reach \$12.5 billion by 2025, with growth at a CAGR of 11.70% from 2018 to 2025.

History of EPM EPM is a concept that has been around for decades long before software vendors and IT firms gave them formal labels. The practice of making decisions based on knowledge, experience or intuition had existed even before computers were invented. As time passed, the margin for error became slimmer. To resolve this, computers invented big data storage memory. The downside of this was that enterprises felt that they were drowning in data but starving for information. Information is defined as the transformation of raw data to a more useful form.

EPM thrived in the 1970s when the collection of budgets and financial results were required in companies to be able to create reports. In the 1980s, spreadsheet software like VisiCalc and Lotus 123 were launched to automate the creation of budgets and reports. These replaced manual worksheets. The introduction of email communication in the 1990s made it easier to share spreadsheets. This made collaboration between different teams who worked together to collect and share financial data much easier.

In the 1980s, Hyperion Pillar was introduced as a tool to help in managing the budgeting and planning across the business. Additionally, Executive Information System (EIS) was launched which delivered KPI's and graphical reports to managers using their personal computers.

In recent years, EPM software solutions have evolved to client/server systems and web-browser-based applications. Today's EPM frameworks are now software as a service (SaaS) or cloud-based software, and the advantage of this is that today, Finance teams can manage, install the solution and generate automatic updates without help from the IT department.

Identifying the need for EPM

The need for EPM arose when small, medium-sized and large businesses start facing challenges in their financial and operational practices. Here are some challenges businesses face which lead them to seek an EPM solution:

1. Mistrust in the business' finance accounting process

-It is not unusual for workers to doubt the cost allocation presented to them by their Finance department especially when the factors used for the presentation are those that are not directly related to the expenses made for the product. Additionally, the source of money and the root cause of expenses cannot be determined. These challenges are addressed with EPM's activity-based costing (ABC) and lean accounting which acts to improve cost accuracy and sheds light on what could be causing the hidden costs. These two processes provide the cost transparency and visibility that the workers seek from their Finance team.

2. Failure to implement the strategy

-A great strategy is irrelevant without proper implementation. The failure to execute a strategy happens when managers do not understand the business strategy they have undertaken and not fully understanding their strategy means that they do not know what to do to move forward in their organization's goals. EPM gives solution to this by providing scorecards, KPI's, strategy maps and dashboards so that execution of strategy becomes easier.

3. Flawed budgeting

-The annual budgeting method also gets protests from the workforce for its defective ways. Consolidating cost center spreadsheets is taxing, it is not adaptable to sales volume modifications, and it gets outdated after publishing. Consequently, it is not aligned with the business strategy and it does not mirror the future volume and mix drivers. Other reproaches include estimation of succeeding year's budget by a few increments and a budget affected by political bias. EPM provides analysis and reports on information to improve the strategy and align it more with the business objectives.

4. Misunderstanding of customer value

-Not all customers bring the same return to the business. As such, a comprehensive understanding of customer behavior and cost drivers is necessary. EPM provides a sales and marketing tool for this analysis so that the organization can know which types of customer they should acquire, retain, grow, win back or let go of and they will know how much to spend on each customer.

6. Lack of accountability which leads to poor performance

-In the past, employees are not inspired to perform well because of the lack of accountability, tracking and reporting in their business. After the managers communicate their strategy for meeting goals to the workforce, EPM can be used as a tool by aligning the KPI's from the strategy map's balanced scorecard with special recognition and tying it up with an effective rewards system that will boost the workers' performance.

7. Need for the faster decision-making process

-To keep up with fast-changing market conditions in the digital era, decisions in the organization are now expected to be made more rapidly. A predictive analytics program is a key to understanding the effects of possible decisions and how it can affect surrounding factors positively or negatively. EPM systems feature analytical tools including marginal cost analysis and what-if scenario simulations that can compute estimates of future profit margins.

8. Inefficient supply chain

-Small, medium and large enterprises do not just need to be efficient on their own –they also must co-depend on their trading partners to be capable to cut unnecessary costs and increase profitability both upstream and downstream. Partnering with inefficient value chain suppliers can spike up the prices to the end consumer which decreases sales for all the trading partners involved. EPM resolves these issues through the use of its forecasting tools which enables trading partners to work together in generating cost savings through improving processes.

What can EPM do for your business?

With maximized use, EPM can help businesses attain their goals, increase their profitability and provide added value to their customers. EPM facilitates more efficient handling of management processes, boosts cash flow, revenue profit and overall return on capital and bridges the gap between what you want to happen and what happened and why. Here is a glance at what EPM can do for your business:

1. Centralize information

-EPM provides businesses with a centralized information source for common evaluation and analysis of the performance of the enterprise. This also makes it easy to connect each department's contribution to the team's goals.

2. Provide strategy in planning management processes.

- EPM translates the company's vision into financial and non-financial metrics and facilitates accountability that will drive performance across the enterprise. This includes:

- Business Intelligence
- Budgeting, Planning & Forecasting
- Financial Examination, Modeling, Planning
- Operational Examination, Modeling, Planning
- Profitability Examination

3. Measure data that boosts performance.

-Being able to generate and share data can bring positive results to the cash cycle.

-Having access to analysis and regular reports showing customer and product profitability enables businesses to focus on marketing and sell the products or services that deliver the best return.

-Another advantage is that it influences forecasting and proper pricing that can yield a good balance of volume, revenue, and variety.

-Visualization is made possible through modeling scenarios based on historical data and segments such as by customer segment, by location or by product. This provides a more accurate view of available connections so that expectations can be managed.

4. Provide accuracy.

-EPM ensures that the figures in the system are correct and gives an analysis of the figures found in the system.

5. Execute strategy.

-A key objective of deploying EPM is to bridge the gap between your enterprise's goals or what you want to happen and how it will happen to what actually happened and why. It should set behaviors, metrics and a reward system that will integrate the people's performance to the business performance. Among the components of this step are:

- Documenting business model assumptions, constraints and drivers
- Relating business models into annual operating plans, budgets, and forecasts
- Monitoring the performance and recording notable discrepancies between the execution and the plan
- Facilitates understanding of the causes of differences in the plan for improvement of future strategies and actions

6. Maximize time

-EPM saves time and maximize the skills of the workforce because the information is readily accessible to those who need it instead of having to seek it from other divisions in the enterprise. EPM boosts the work-flow and innovation speed in businesses by helping in finance processes, helping departments automate manual tasks and improving coordination between the Finance and Operations departments.

Choosing the best EPM for your business

Before purchasing an EPM software for your business, there are key considerations you should factor in. Here are some tips on how to get the best EPM for your business:

1. Address your business needs.

-To get the right solution, make an initial assessment of your company's internal needs and seek answers to the following questions:

- What are your objectives in the deployment of performance management software?
- Are the actions of the workforce departments aligned with the goals of the company?

2. Designate a project manager.

-A project manager should be assigned for the adaptation of the EPM. Although the vendor will provide support during the implementation, a designated workforce is essential to ensure proper implementation and the right actions are taken.

3. Does your EPM support real-time feedback?

-Choose a performance management solution that can deliver real-time insights on goal progress, as well as the ability for the department leaders to provide actionable feedback to their teams based on the results.

4. Ensure there is alignment across all teams.

-The EPM software should make sure that the goals of the company are aligned across all teams and cascaded to everyone. It should feature a goal hierarchy chart so that there could be an outline of how objectives are linked and how it reflects the organization's priorities.

5. Does your EPM provide data-driven performance insights?

- The right EPM should enable managers to have access to the performance insights so they can proactively modify the process when something is not going right. Performance insights should be data-driven on an individual, team and organization level. Choose an EPM that can provide warning alerts that will prevent teams from failing their goals.

6. Ensure team adaptation and use.

- In picking the right performance management software, keep in mind to get software that your workforce will use, and which will provide value to each user. Questions to consider when purchasing an EPM software: What feature will make the personnel's workflow easier? Is the software specifically designed to address the needs of the workforce?

-Seek a solution that supports continuous 2-way feedback.

-Aim for an EPM tool that makes it easy for managers to check in on their teams for any issues, provide coaching and give feedbacks regularly. Consequently, individuals should be able to provide feedback and insights to improve performance and keep everyone involved.

8. Pick a software that's user-friendly.

-Not all employees are tech-savvy so if you want maximized use of your performance management software, pick an intuitive software that's straightforward and simple to use as well as accessible anywhere from any device. Pick one that may be integrated into the email so that even busy individuals can check their team's performance in their inbox.

9. Choose an EPM with no hidden costs.

-It would be best to pick an EPM that offers upfront pricing without any hidden fees and which will not charge you extra fees as your company grows. Finally, pick the vendor known for their performance management background and which can provide consultation for goal-setting.

Prepare your small/medium/large business for EPM

As you go through the process of adopting an EPM software solution for your business, ensure that you optimize the benefits your EPM system can deliver through investing in new skill and capabilities, data management and technologies for automation and predictive analytics.

Additionally, spending ample time on analysis to facilitate well-informed strategic decisions as well as objective and consistent analysis of past and future business performance can create greater agility, improve growth margin and revenues, and boost confidence among internal and external stakeholders.

Learn more about what EPM is and how it can help your business, call 1-(888)-765-9450 today for a free consultation on how EPM can benefit you and your organization.

