

# Management Excellence: Leveraging Technology and Techniques

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# Management Excellence: Leveraging Technology and Techniques

**Achieving management excellence is the next strategic imperative for organizations.**

**Oracle's strategy-to-success framework provides a path for companies to become smart, agile, and aligned while Oracle's enterprise performance management (EPM) technologies provide the tools.**

## EXECUTIVE OVERVIEW

Extending operational excellence to management excellence is the next strategic imperative for organizations of all sizes, in every market around the world. Oracle's strategy-to-success framework provides a path for companies to become smart, agile, and aligned while Oracle's enterprise performance management (EPM) technologies provide the tools. One in a series of white papers about management excellence,<sup>1</sup> this white paper describes the techniques and technologies that organizations should master on their way to management excellence.

## INTRODUCTION

In difficult economic times, operational excellence is critical. Organizations cannot afford to have cost-heavy operations, quality issues, or long time-to-market cycles. However, most companies have already implemented enterprise resource planning (ERP), customer relationship management (CRM), supply chain management (SCM), human resource management, and other operational systems. Because so many companies have achieved this level of operational excellence, focusing on transactional processes does not offer competitive advantage.

The next wave of competitive advantage comes from combining operational excellence with management excellence. Management excellence is the art of reconciling all stakeholder needs and deriving the most value from the performance network. This is achieved by transforming management activities into integrated management processes and by connecting management processes to operational processes and systems. Companies that achieve management excellence exhibit the following characteristics:

- **Smart.** They leverage market-leading products and technologies that address enterprisewide requirements and drive new insights into their business.

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<sup>1</sup> The following white papers are available at the white papers link on [oracle.com/epm](http://oracle.com/epm) (or [oracle.com/solutions/business\\_intelligence/resource-library-whitepapers.html](http://oracle.com/solutions/business_intelligence/resource-library-whitepapers.html))

*Management Excellence: How Tomorrow's Leaders Will Get Ahead*

*Management Excellence: The Metrics Reloaded*

*Achieving Management Excellence: A Step-by Step Strategy to Success*

*Management Excellence: Techniques and Technologies*

- **Agile.** They enable advanced integration that improves agility and lowers cost of ownership.
- **Aligned.** They drive pervasive intelligence across the enterprise by linking strategic, financial, and operational management processes.

## THE STRATEGY-TO-SUCCESS FRAMEWORK

Oracle's strategy-to-success framework identifies KPIs and highlights EPM techniques and technologies, such as business intelligence (BI) tools, that deliver information and analytic capabilities to users.

Oracle's strategy-to-success framework describes a comprehensive set of management processes that lead organizations toward management excellence. The framework identifies key performance indicators (KPIs) and highlights EPM techniques and technologies, such as business intelligence (BI) tools, that deliver information and analytic capabilities to users.

Oracle's strategy-to-success framework is composed of the six management processes identified in Figure 1. The framework provides a road map to arrive at management excellence.

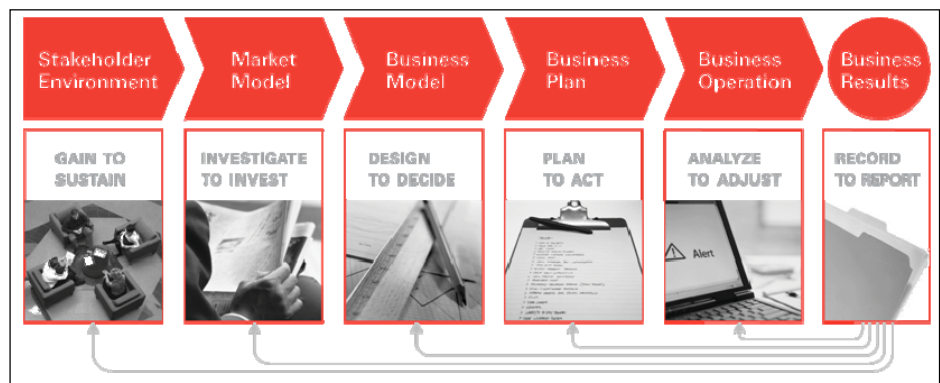


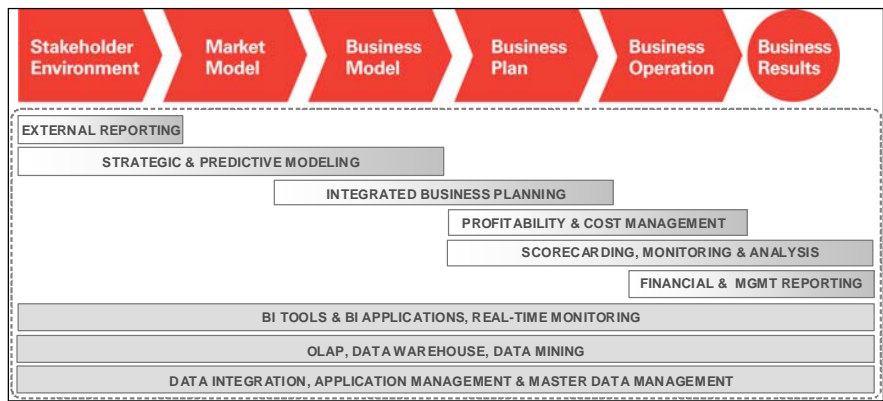
Figure 1. The strategy-to-success framework creates value throughout the management value chain.

## ORACLE'S EPM SYSTEM: SUPPORT FOR THE STRATEGY-TO-SUCCESS FRAMEWORK

What tools are available to support the strategy-to-success framework and drive management excellence? The answer is the reporting, modeling, planning, scorecarding, and BI tools within an EPM system.

Management excellence is the business imperative. For organizations that have embraced that mandate, Oracle's strategy-to-success framework provides the process for achieving that imperative. But what tools are available to support the strategy-to-success framework and drive management excellence? The answer is the reporting, modeling, planning, scorecarding, and BI tools within an EPM system. Oracle's EPM system enables management excellence by

- Taking a systematic approach to management activities with modules that operate on a common platform and are provided by a single enterprise software vendor
- Supporting and integrating the key management processes necessary to manage the business



**Figure 2. The capabilities of Oracle's EPM system are mapped to the six management processes in the strategy-to-success framework.**

Most management activities associated with EPM already exist within the organization. The problem is that they are often disconnected; for example, external reporting might be handled separately from internal management information. Oracle's EPM system connects management activities by extending the key components of traditional performance management with strategic, financial, and predictive modeling—to bring together strategy formulation and strategy execution. The underlying BI platform provides organizations with the information and feedback needed for the strategy-to-success management processes. This is accomplished with a wide range of technologies that integrate and leverage data from operational and management systems and support pervasive information delivery through management dashboards, monitoring, querying, reporting, and analysis.

The following sections define the key supporting technologies and techniques that support the six management processes of the strategy-to-success framework.

**Gain to Sustain: Understand the Stakeholder Environment**

The gain-to-sustain management process connects corporate strategy with the interests of key stakeholders: employees, customers, suppliers, regulators, society, and investors. The purpose of this process is to ensure that a company harnesses all the necessary contributions from its stakeholders to drive business performance, while at the same time meeting required stakeholder expectations.

In support of the gain-to-sustain management process, an EPM system needs to support both the gathering of input and expectations from key stakeholders as well as the reporting of business results and metrics relevant to each audience. The information can vary widely—from audited financial statements and filings for regulators to metrics and narratives detailing environmental and social initiatives for employees, customers, society, and investors. The input and expectations from key stakeholders need to be converted into business goals and objectives that drive strategy and are linked to key business initiatives. These goals and objectives also provide input to financial and operational models of the business.

**In support of the gain-to-sustain management process, an EPM system needs to support both the gathering of input and expectations from key stakeholders as well as the reporting of business results and metrics relevant to each audience.**

Key techniques and capabilities required to support the gain-to-sustain process are

**Financial reporting is focused on the delivery of formal financial statements to external stakeholders using a defined set of accounting and reporting standards.**

- **Stakeholder scorecards.** These scorecards can be delivered through a report or a dashboard accessible to stakeholders via the Web. For example, a supplier scorecard might include goals and metrics related to on-time deliveries, product quality, and customer satisfaction. It might also provide other statistics that compares the historic performance of individual suppliers.
- **Financial reporting.** Financial reporting is focused on the delivery of formal financial statements to external stakeholders using a defined set of accounting and reporting standards such as U.S. Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS). Typical financial reports include income statements, balance sheets, statements of cash flows, and supporting schedules and disclosures. Financial reports can also include textual information such as management discussion and analysis.
- **Sustainability reporting.** Also referred to as the triple bottom line, sustainability reporting is the voluntary or required reporting of societal, environmental, and economic metrics (or people, planet, profit results) to external and internal stakeholders. It provides more visibility into the broader impacts an enterprise is having in the world it operates within and provides insights into the longer-term viability of the business.
- **Financial and predictive modeling.** Financial modeling typically involves projecting the long-term financial results for a company or business entity by analyzing the impact of different scenarios or input assumptions. Models can show the results of strategic decisions such as acquiring a new business or entering a new market. They can also illustrate how external forces—such as a change in interest rates or funding sources—might affect business results. Financial modeling is essential to providing accurate guidance to external stakeholders. Predictive modeling techniques can be applied to a broad range of financial and operational decision-making processes. Predictive modeling provides a higher level of precision through advanced statistics and risk assessment techniques such as Monte Carlo simulation.

Table 1 highlights the specific modules of Oracle’s EPM system that support the gain-to-sustain process.

Oracle's EPM Solutions for Gain to Sustain	
Product	Allows managers to
Oracle Hyperion Performance Scorecard	<ul style="list-style-type: none"> <li>• Develop and communicate goals, objectives, and strategies across the organization—including the ability to develop accountability maps</li> <li>• Identify and track KPIs and metrics to monitor progress against strategic initiatives</li> </ul>
Oracle Hyperion Financial Management	<ul style="list-style-type: none"> <li>• Collect, consolidate, and report financial results to investors, regulators, and management while adhering to global accounting and reporting standards, such as U.S. GAAP, IFRS, and local statutory requirements, on a single platform</li> <li>• Provide sustainability reporting as well as collect, consolidate, and report on initiatives for environmental and social issues while providing supporting narrative</li> </ul>
Oracle Hyperion Strategic Finance	<ul style="list-style-type: none"> <li>• Assess the full financial impact of strategic alternatives by integrating long-term planning, treasury, value management, and corporate development activities</li> <li>• Communicate financial strategies with the board of directors, investors, analysts, banks, rating agencies, and strategic partners</li> <li>• Manage acquisition and divestiture strategies</li> </ul>
Oracle Crystal Ball	<ul style="list-style-type: none"> <li>• Manage uncertainty and risk in critical business decisions</li> <li>• Develop future guidance to stakeholders with more confidence by measuring the risk of not meeting expectations, understanding the underlying risk factors, and optimizing choices to mitigate that risk</li> </ul>
Oracle Business Intelligence foundation	<ul style="list-style-type: none"> <li>• Access a complete set of end-user reporting and analysis tools, including interactive dashboards, ad hoc query and reporting, financial and production reporting, multidimensional (OLAP) analysis, Microsoft Office integration, Google-type search, alerts, and support for mobile devices</li> <li>• Access an enterprise information model that drives pervasive access to multiple datasources via a business-oriented semantic model</li> </ul>

**Table 1. These Oracle products support the gain-to-sustain management process.**

The output from the gain-to-sustain process becomes input to the investigate-to-invest management process. This output includes measurements of available capital and resources, definition of boundary conditions and strategic constraints, and identification of stakeholder performance goals. With this information, an organization can begin identifying and assessing their market opportunities.

## Investigate to Invest: Build a Market Model

The investigate-to-invest management process identifies, evaluates, and creates the most attractive market opportunities for investment. The purpose of this process is to select strategic alternatives that generate the highest returns, including which existing markets to focus on, which ones to enter, and from which markets to retract. This process involves combining external information, such as market intelligence and competitive intelligence, with internal analysis of product, service, customer, and geographic performance.

In support of the investigate-to-invest management process, an EPM system needs to enable a broad range of strategic, financial, and operational modeling requirements.

In support of the investigate-to-invest management process, an EPM system needs to enable a broad range of strategic, financial, and operational modeling requirements. This includes the ability to evaluate and assess the attractiveness of individual market opportunities, perform scenario analysis across a range of potential outcomes, assign probabilities and perform risk management, and assess the impact of strategic decisions on the short- and long-term financial performance of the organization.

Key techniques and capabilities required to support the investigate-to-invest process are

- **Market analysis.** Based on third-party data or primary research, this capability includes market sizing, market share analysis, growth projections, and competitive intelligence. Given the multidimensional nature of this analysis—including customer segments, geographies, products, markets, competitors, time, and others—it typically requires robust online analytical processing (OLAP) server technology combined with predictive modeling.
- **Scenario analysis.** This type of analysis can be applied to financial and operational modeling and focuses on creating different business scenarios. Simple scenario modeling can include creating a base case and then high and low cases based on changes made to input variables, such as market growth rates or inflation rates. This technique is often used in modeling market and business opportunities and creating business plans. More-advanced modeling includes Monte Carlo simulation that supports creating a broad range of scenarios based on multiple iterations of input assumptions and combinations. With this technique, probabilities can be assigned to the various outcomes.
- **Financial modeling.** Also used in the gain-to-sustain process, financial modeling involves projecting future financial results by analyzing the impact of different scenarios or input assumptions. Models can show the results of different strategic decisions or the impacts of external forces.

Table 2 highlights the specific modules of Oracle's EPM system that support the investigate-to-invest process.

Oracle's EPM Solutions for Investigate to Invest	
Product	Allows managers to
Oracle Hyperion Strategic Finance	<ul style="list-style-type: none"> <li>Assess the financial impact of strategic initiatives, capital investments, brand investments, and mergers and acquisitions on company value</li> <li>Evaluate the trade-offs between investing in existing businesses, selling off parts of the business, or entering and investing in new market opportunities</li> </ul>
Oracle Crystal Ball	<ul style="list-style-type: none"> <li>Increase the probability of investment projects' success by providing insight into the biggest risk factors and variables that drive value</li> <li>Optimize the business portfolio and select the investment projects that provide the highest return given capital constraints and risk levels</li> </ul>
Oracle Essbase	<ul style="list-style-type: none"> <li>Quickly model complex business scenarios by providing an environment for rapidly developing custom analytic and EPM applications</li> <li>Develop market sizing and growth projections, scenario modeling, and what-if analysis</li> <li>Deliver fast response times and powerful calculations so users can ask questions, understand the critical metrics that influence business performance, and make informed decisions</li> </ul>

**Table 2. These Oracle products support the investigate-to-invest management process.**

The output from the investigate-to-invest process becomes input for the design-to-decide process. This output includes targeted markets—geographies, customer segments, product segments, and industries—as well as markets that should be divested, market projections, drivers, and planning assumptions. Such data helps to focus and drive the design-to-decide process.

### **Design to Decide: Develop the Business Model**

The design-to-decide management process designs the business infrastructure and partner network to deliver value to customers in the most profitable way. The purpose of this process is to select the optimal configuration for connecting the company's value chain. This process involves scenario analysis to determine the company's optimal product portfolio, outsourcing strategy, business partners and channels, acquisition and divestment strategy, and financing strategy.

**The design-to-decide management process designs the business infrastructure and partner network to deliver value to customers in the most profitable way.**

In support of the design-to-decide management process, an EPM system needs to begin with historical financial and operating results and layer in the impacts of key business decisions.

In support of the design-to-decide management process, an EPM system needs to begin with historical financial and operating results and layer in the impacts of key business decisions. The decisions to be made include adding new products or services to the existing portfolio, aligning channels, and adding or removing business units or divisions. The EPM system must also have the ability to project cash flow requirements and support the analysis of alternative financing strategies.

Key capabilities and techniques that support the design-to-decide process are

- **Brand valuation.** This technique takes a long-term view of the value added to the business by a particular product, product line, or brand. This requires combining historic revenue and profit with projected revenues and profits over a future time period, adjusted with net present value calculations.
- **Product and service portfolio analysis.** Often based on the Boston Consulting Group Matrix,<sup>2</sup> this technique takes a big picture approach to evaluating the current and future portfolio of products or services offered by an organization. It relies on comparative analysis of the size and profitability of the product or service line, market share, and market growth expected for the product or service.
- **Channel assessment.** As part of the process of developing a go-to-market plan for a particular market opportunity, decisions must be made about the sales or distribution channels. To assess the business opportunity and create a business plan, data is needed about the revenues and costs associated with direct versus indirect channels. Assumptions also have to be made about alternative and future channels. Given the multidimensional nature of this analysis, it typically requires OLAP technology in combination with scenario analysis and predictive modeling.
- **Merger and acquisition analysis.** This analysis includes performing due diligence—gathering all financial, operational, and technical information about a potential acquisition target or merger partner. All the information gathered must be translated into a set of projections for the acquired company. The impact the acquisition or merger will have on the combined business entity must be understood based on various scenarios. These projections should include forward-looking financial views and key metrics like earnings per share dilution or accretion.
- **Funding strategies.** This type of analysis stems from forecasted cash flow requirements based on the strategic decisions regarding the business model. New market entry or acquisition decisions might require additional funding—such as getting a loan or issuing new debt instruments or additional stock—if the cash to support the initiative is not readily available.

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<sup>2</sup> The Boston Consulting Group Matrix categorizes products or services into four groups—cash cows, stars, dogs, or question marks—to identify where a product is in its lifecycle. The tool helps executives make decisions about which products or services they should invest in versus harvest or divest.

**Building on financial risk management techniques in the financial services industry, strategic and operational risk management are gaining popularity across all industries.**

- **Risk assessment and management.** Building on financial risk management techniques in the financial services industry, strategic and operational risk management are gaining popularity across all industries. Risk assessment and management techniques identify the risks inherent in each design-to-decide business decision, assign risk indicators to these issues, monitor them closely, and take action when needed. This is particularly useful when assessing various scenarios to choose from and as an exercise to counter potential major business disruptions.

Table 3 highlights the specific modules of Oracle’s EPM system that support the design-to-decide process.

<b>Oracle’s EPM Solutions for Design to Decide</b>	
<b>Product</b>	<b>Allows managers to</b>
Oracle Hyperion Strategic Finance	<ul style="list-style-type: none"> <li>• Build an effective business model through mergers and acquisitions or strategic partnerships in the company’s value chain</li> <li>• Understand the long-term value of a broad portfolio of products and brands</li> <li>• Determine the financing strategy based on capital requirements and available cash from operations and divestitures</li> <li>• Acquire necessary external funds and optimize capital structure by selecting the optimal mix of debt and equity</li> <li>• Set high-level financial goals and understand the financial risk behind various business strategies</li> </ul>
Oracle Crystal Ball	<ul style="list-style-type: none"> <li>• Forecast uncertain results and reduce risk by applying sensitivity analysis, correlation, and trend extrapolation</li> <li>• Optimize the product and service portfolio by evaluating the most profitable product and service combinations</li> <li>• Evaluate business design alternatives to reduce the effects of uncertainty in the value chain</li> </ul>
Oracle Hyperion Planning	<ul style="list-style-type: none"> <li>• Evaluate what-if scenarios for product, customer, supplier, and channel combinations</li> <li>• Determine the optimal supplier and channel strategies to reach company goals</li> </ul>
Oracle Integrated Operational Planning	<ul style="list-style-type: none"> <li>• Test the operational feasibility of the financial plan</li> <li>• Resolve gaps between financial goals and operational constraints</li> <li>• Assess capacity expansion requirements and outsourcing opportunities</li> </ul>

**Table 3. These Oracle products support the design-to-decide management process.**

## Plan to Act: Create a Business Plan

The plan-to-act management process aligns the organization with corporate goals. Alignment includes the business units as well as all business functions such as marketing, finance, and operations. The purpose of this process is to optimally allocate capital and resources across the organization so it can execute its strategy effectively. This process involves aligning targets from the strategic to the operational levels, resolving gaps between financial plans and operational constraints, and continuously forecasting to keep the organization on track.

In support of the plan-to-act process, an EPM system needs to enable the development of strategic targets and goals—cascading these targets across the organization and through all management levels.

In support of the plan-to-act process, an EPM system needs to enable the development of strategic targets and goals—cascading these targets across the organization and through all management levels. It also includes the development of bottom-up operational budgets and plans; an understanding of cost and profitability drivers across various lines of business; periodic updates of plans and forecasts; and ongoing variance reporting among budgets, forecasts, and actual results.

Key capabilities and techniques required to support the plan-to-act process are

- **Strategy and accountability mapping.** Strategy maps are diagrams that describe how an organization can create value by connecting strategic objectives in explicit cause-and-effect relationships with each other. Accountability maps allow the teams, departments, committees, and individuals responsible for tasks to understand how their actions are aligned with strategic goals.
- **Top-down planning.** This type of planning involves setting corporate financial goals and targets for revenue, expenses, head count, and capital expenditures. These goals and targets must then be cascaded or allocated throughout the various departments and divisions of the organization. They also become the starting point for the financial and operational budgeting activities that occur throughout the organization.
- **Bottom-up budgeting.** This type of planning involves the detailed buildup of financial and operational assumptions by cost center, department, division, or business unit in an organization. Rolled up at a corporate level, they are matched against the original financial objectives or targets set by senior management and external stakeholders. To align top-down and bottom-up budgets and plans, the bottom-up budgeting process must go through several iterations throughout the annual budget process.
- **Workforce, capital, and project-level planning.** This more-detailed budgeting can add time to the budgeting process, but it provides an additional level of granularity that many companies need to ensure a high level of confidence in the final budget or plan.
- **Rolling forecasts.** Many companies update the annual budget with a rolling forecast. This technique involves replacing budgeted revenue and expense

Some companies are beginning to evaluate not only the costs associated with their supply and production chains, but also the environmental impacts—such as carbon footprint and resource consumption—across the entire value chain.

- **Operational planning and modeling.** Operational planning and modeling relies on modeling revenues and costs based on various business drivers such as unit forecasts for sales, changing material costs, and shifting sales prices. The key is matching changing input assumptions to operational and financial constraints to ensure that the operational plans are achievable and will deliver the desired financial results. Some companies are beginning to evaluate not only the costs associated with their supply and production chains, but also the environmental impacts—such as carbon footprint and resource consumption—across the entire value chain.
- **Activity-based costing and other allocation methods.** Matching direct costs with revenues provides only a partial picture of the profit contribution from a product or service line. Other operational costs must be fully allocated to understand the true profitability of a particular line of business. Activity-based costing and other allocation methods can be used to understand which products, services, or customers are more or less profitable.

Table 4 highlights the specific modules of Oracle’s EPM system that support the plan-to-act process.

Oracle’s EPM Solutions for Plan to Act	
Product	Allows managers to
Oracle Hyperion Planning	<ul style="list-style-type: none"> <li>• Align high-level goals to detailed operational levels by matching the bottom-up plan with top-down targets</li> <li>• Break down the long-term plan into an annual operating plan</li> <li>• Allocate capital and resources across the organization to ensure achievement of company goals</li> <li>• Create rolling forecasts to continuously keep track of market changes and adjust plans accordingly</li> <li>• Provide detailed workforce and capital asset planning</li> </ul>
Oracle Integrated Operational Planning	<ul style="list-style-type: none"> <li>• Align all business functions by allowing collaboration on the overall business plan</li> <li>• Connect the financial plan with operational plans to ensure financial goals as well as capacity and material requirements are met</li> <li>• Insert the correct operational assumptions into the financial plan to increase forecasting accuracy</li> </ul>

Oracle's EPM Solutions for Plan to Act (cont'd)	
Product	Allows managers to
Oracle Hyperion Profitability and Cost Management	<ul style="list-style-type: none"> <li>• Determine true customer and product profitability to plan for the most profitable segments</li> <li>• Define actions to improve or abandon unprofitable products and services</li> <li>• Gain insight into cost structures and drivers to create plans for increasing efficiencies and improving profit margins</li> </ul>
Oracle Hyperion Performance Scorecard	<ul style="list-style-type: none"> <li>• Align corporate strategy to operational levels with strategy and accountability maps</li> <li>• Assign KPIs, strategic initiatives, and accountability to business units, departments, and individuals</li> <li>• Track performance against key initiatives and support collaboration across functions</li> </ul>

**Table 4. These Oracle products support the plan-to-act management process.**

The budgets and plans that emerge from the plan-to-act process become the basis for monitoring business operations during the analyze-to-adjust process.

### Analyze to Adjust: Monitor Business Operations

The analyze-to-adjust management process addresses business operations. This process monitors the business and analyzes deviations from a company's goals so that it can take the necessary corrective action. The purpose of this process is to detect variances between plans and execution, analyze the causes and trends of these variations, and determine the best-possible responses. Depending on the magnitude of the impact, this process can involve actions ranging from an immediate tactical response—such as changing a customer's credit status—to adjusting the business plan or even re-evaluating the strategy.

In support of the analyze-to-adjust process, an EPM system needs to enable the tracking of performance against strategic goals and initiatives as well as continuous monitoring of KPIs and operating results. Also important are periodic reporting of actual performance versus plans and forecasts, cost and profitability analysis by product line and customer segment, reforecasting and adjustment of business models, and integration with transactional and operational systems to drive analytical insight and action.

In terms of delivering results to different end-user groups, the EPM system needs to support interactive dashboards and reports with drill-down capabilities to understand root causes of variances, integration with office productivity tools, and ad hoc query and analysis capabilities for analysts and other power users.

**In support of the analyze-to-adjust process, an EPM system needs to enable the tracking of performance against strategic goals and initiatives as well as continuous monitoring of KPIs and operating results.**

Key capabilities and techniques to support the analyze-to-adjust process are

- **Variance and root cause analysis.** Using traditional reports or dashboards, this technique is the most commonly used approach to evaluating performance. It involves comparing actual revenue or expense results to a budget, plan, or forecast to compute a variance. Drill-down capabilities are needed to find root causes for variances.
- **Causality analysis.** This technique focuses on cross-functional cause and effect in an organization. A variance or negative performance metric in one function or business unit can be caused by activities in other areas. So in addition to the drill-down technique, the ability to drill across the organization based on these linkages and dependencies can be a very powerful tool for analysis and decision-making.
- **Profitability analysis.** Simple line-of-business reporting can include a profit and loss statement or a gross margin based on direct revenues and costs. Profitability reporting and analysis typically includes the allocation of indirect costs to gain a comprehensive view of the profitability of the particular line of business and an understanding of the value added to the business.
- **Performance scorecards.** Metrics or KPIs are usually collected and reported on a quarterly or monthly basis to track progress against goals and objectives. Key deviations from goals and targets are analyzed and discussed and can trigger immediate action, more-frequent monitoring, reallocation of resources, or resetting of the goal.
- **Internal and external benchmarking.** The financial results for a particular product line or service offering are compared to other products or services within the portfolio to gain insight into its comparative performance. This concept can be extended to external benchmarking as well. Here, senior management is able to compare the performance of their own company to competitors or peers in the industry. This shows whether the organization is executing their strategy better or worse than other organizations of similar size and scope.

With benchmarking, the financial results for a particular product line or service offering are compared to other products or services within the portfolio to gain insight into its comparative performance.

Table 5 highlights the specific modules of Oracle’s EPM system that support the analyze-to-adjust process.

Oracle’s EPM Solutions for Analyze to Adjust	
Product	Allows managers to
Oracle Hyperion Planning	<ul style="list-style-type: none"> <li>• Monitor execution of plan by comparing budget and plans to actual results</li> <li>• Analyze trends and continuously forecast to understand the impact of market changes on the budget and plan</li> <li>• Perform what-if analysis to understand what adjustments to plan are required to achieve targets and reallocate resources</li> </ul>

Oracle's EPM Solutions for Analyze to Adjust (cont'd)	
Product	Allows managers to
Oracle Integrated Operational Planning	<ul style="list-style-type: none"> <li>Continuously collaborate on plan revisions across business functions to understand their businesswide impact and strive toward a consensus plan</li> <li>Test financial forecasts and plan changes for feasibility</li> <li>Update the financial plan with the correct operational assumptions to create accurate forecasts</li> </ul>
Oracle Hyperion Profitability and Cost Management	<ul style="list-style-type: none"> <li>Model and analyze profitability and cost drivers for customers, products, and channels</li> <li>Make costs transparent by analyzing how much each sales or service activity costs</li> <li>Understand the root causes of profit or loss by tracing revenues, costs, and resource consumption</li> <li>Prioritize adjustments to products and activities</li> </ul>
Oracle Hyperion Performance Scorecard	<ul style="list-style-type: none"> <li>Periodically monitor strategic initiatives and KPIs by comparing actual results to strategic targets</li> <li>Take corrective actions by adjusting plans and initiatives or by re-evaluating strategy</li> </ul>
Oracle Business Intelligence applications	<ul style="list-style-type: none"> <li>Quickly identify and respond to critical problems and opportunities by comparing results to plans in real time</li> <li>Deliver visibility and actionable insight in each business function</li> <li>Align decisions and execution across business functions by connecting the front office to the back office</li> <li>Use guided analytics and best practice workflows to drive the best actions</li> </ul>
Oracle Business Intelligence foundation	<ul style="list-style-type: none"> <li>Access a complete set of end-user reporting and analysis tools, including interactive dashboards, ad hoc query and reporting, financial and production reporting, multidimensional (OLAP) analysis, Office integration, Google-type search, alerts, and support for mobile devices</li> <li>Access an enterprise information model that drives pervasive access to multiple datasources via a business-oriented semantic model</li> </ul>

**Table 5. These Oracle products support the analyze-to-adjust management process.**

Output from the analyze-to-adjust process becomes key input to all the other processes and can result in new forecasts, revised goals, reallocation of resources, and other improvement activities.

## Record to Report: Deliver Business Results

The record-to-report management process addresses business results. This process provides strategic, financial, and operational feedback about how a business is performing. It's a process that involves collecting, transforming, and delivering relevant, timely, and accurate information to stakeholders inside and outside the organization. This feedback offers insight into whether stakeholder expectations have been met.

In support of the record-to-report process, an EPM system needs to provide integration with multiple datasources, data transformation and quality capabilities, financial consolidation that adheres to accounting and reporting standards, built-in controls and audit trails, financial and statutory reporting, management reporting and analysis, and support for information delivery and visualization techniques.

In support of the record-to-report process, an EPM system needs to provide integration with multiple datasources, data transformation and quality capabilities, financial consolidation that adheres to multiple accounting and reporting standards, built-in controls and audit trails, financial and statutory reporting, management reporting and analysis, and support for a variety of information delivery and visualization techniques.

Key capabilities and techniques to support the record-to-report process are

- **A virtual or fast close.** With both internal and external stakeholders demanding faster access to financial and management reporting, many organizations have been reducing the period-end reporting and closing process, achieving a fast close of five days or less.<sup>3</sup> Some organizations have achieved a virtual close, allowing them to close the books in a few hours—or even on a daily basis, if needed.
- **Flash reporting.** In addition to completing performance overviews on a monthly or quarterly basis, companies need reports on key metrics to be generated on a daily or weekly basis. Flash reports provide management with a sense of how the business is performing and what the period-end results might look like, so management can make corrections where needed. The key revenue metrics highlighted in flash reports include orders, shipments, backlog, sales, and pipeline. Key expense metrics include cost of goods sold, head count and hiring, advertising, and other expenses.
- **Sustainability reporting and analytics.** As discussed in the gain-to-sustain section, organizations are delivering information regarding environmental, social, and economic metrics to both internal and external stakeholders. Companies want to reduce their carbon footprints and improve the management of sustainability initiatives—such as those that aim to reduce energy and fuel usage and costs—both internally and within the extended supply chain. This type of information can be delivered via standard reports and sustainability dashboards or it can be incorporated into the performance scorecard process.
- **XBRL-based regulatory filings and reporting.** Extensible Business Reporting Language (XBRL) has been adopted by several regulatory bodies around the world to make it easier to produce, share, and consume financial

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<sup>3</sup> *The Fast Close: Are We There Yet?* Oracle white paper (2008).

information. The U.S. Securities and Exchange Commission will begin mandating XBRL filings in 2009. Filing in this format improves the ability to analyze and compare financial results across different organizations.

**Dashboards and scorecards are popular ways to personalize information, deliver critical KPIs, and track progress against operational, financial, and strategic goals and objectives.**

- **Dashboards and scorecards.** Dashboards and scorecards are popular ways to personalize information, deliver critical KPIs, and track progress against operational, financial, and strategic goals and objectives. These techniques support the delivery of information in whatever format the user prefers, such as tables, graphs, and charts. They also provide the user the ability to drill down quickly into a chart or report to gain insights into the underlying details and trends. Business users have the information they need to quickly take actions that can positively impact the business.

Table 6 highlights the specific modules of Oracle’s EPM system that support the record-to-report process.

Oracle’s EPM Solutions for Record to Report	
Product	Allows managers to
Oracle Hyperion Financial Management	<ul style="list-style-type: none"> <li>• Integrate and validate financial and nonfinancial data from source systems into a single reporting environment</li> <li>• Perform complex financial consolidations, comply with regulations, and ensure the quality of financial information</li> <li>• Report financial and nonfinancial information—including sustainability results—to management and stakeholders in a complete, timely, and accurate manner</li> <li>• Deliver financial results in electronic formats such as XBRL</li> <li>• Provide internal controls, visibility, and transparency into the financial close and reporting cycle that gives upper management confidence in the numbers they report to stakeholders</li> </ul>
Oracle Hyperion Financial Data Quality Management	<ul style="list-style-type: none"> <li>• Integrate and validate financial and nonfinancial data from source systems into financial consolidation and other EPM modules</li> <li>• Perform data transformation and cleansing</li> <li>• Map chart of accounts from multiple source systems to target systems</li> <li>• Support text and supporting document archiving</li> <li>• Provide audit trails and reconciliation capabilities with data lineage and drill-through to details</li> </ul>

Oracle's EPM Solutions for Record to Report (cont'd)	
Product	Allows managers to
Oracle Hyperion Performance Scorecard	<ul style="list-style-type: none"> <li>Track progress against individual, departmental, and corporate goals and initiatives</li> <li>Create a consolidated, strategic view of the business' financial and operational metrics</li> <li>Communicate to management, employees, and stakeholders how effective strategy has been executed and expectations have been met</li> <li>Support management discussion and collaboration</li> </ul>
Oracle Business Intelligence applications	<ul style="list-style-type: none"> <li>Access an integrated view of enterprise information that enables greater insight and alignment across business functions</li> <li>Report at all levels of the organization and for each function how the business is performing</li> <li>Access prebuilt dashboards, reports, and metrics that can be leveraged out of the box or customized to meet specific industry or company requirements</li> </ul>

**Table 6. These Oracle products support the record-to-report management process.**

Output from the record-to-report process includes reports, scorecards, dashboards, and gadgets, including performance indicators and metrics required to provide feedback to every step in the strategy-to-success framework.

### CONNECTING THE DOTS

Supporting a comprehensive approach to EPM—one that links management processes to operational systems and drives management excellence—requires a strong foundation. This foundation should provide a common set of technologies to collect data from different source systems, manage metadata across multiple applications, provide an environment for organizing and storing data to support different analytical requirements, and offer a set of end-user reporting and analysis tools to address the requirements of different user groups.

**Supporting a comprehensive approach to EPM—one that links management processes to operational systems and drives management excellence—requires a strong foundation.**



**Figure 3. A common EPM foundation underlies the strategy-to-success framework.**

As depicted in Figure 3, Oracle's EPM system provides a common foundation that supports a broad set of business processes and applications spanning finance to all operational functions.

Key capabilities and techniques that should be included in a common EPM foundation are

**ETL and data quality tools help to automate and speed up the process of data collection, transformation, mapping, and loading to target systems.**

- **ETL and data quality.** Collecting data from various systems for management and financial reporting can be a challenging process. Many companies have multiple financial and operational systems that record transactions using different charts of accounts, currencies, and formats. Extract, transform, and load (ETL) and data quality tools help to automate and speed up the process of data collection, transformation, mapping, and loading to target systems.
- **Master data management.** A key element of a successful EPM system is a common master data management layer. Analytic master data (such as dimensions and hierarchies pertaining to the chart of accounts, organization structure, product lines, customer segments, and sales channels) typically exists in many different systems. As the organization and number of systems grow, keeping all this information synchronized is challenging. A central master data management layer or repository is essential for ensuring consistency and easier maintenance of master data across multiple systems, including performance management and BI applications, the data warehouse, data marts, and operational systems.
- **Common administration.** To provide the lowest-possible cost of deployment and ownership, an EPM system needs common administration capabilities. These capabilities include a single point of administration for system installation, user provisioning, application creation and maintenance, metadata management, application lifecycle management, and other tasks.
- **OLAP.** Complex analytical tasks often require the use of multidimensional OLAP technology. OLAP technology supports the creation of multidimensional models of the business. The models can be populated with data from multiple sources, but they offer the most value if they are used to create and derive information. OLAP excels in data allocations, complex calculations, and extrapolations. OLAP servers and supporting end-user tools allow users to quickly analyze business trends over time and across divisions, products, customer segments, and distribution channels—in fact, across any business dimension. OLAP technology is essential for supporting read/write analytic applications such as budgeting and forecasting, profitability analysis, market size, growth analysis, and other techniques associated with the strategy-to-success framework.
- **Data warehouses and data mining.** The increasing volume of data generated from today's Web sites and enterprise applications (such as ERP, CRM, and SCM systems) creates the need for a scalable environment to

integrate and store this data for access and analysis by end users. In addition to storing the data in a format that makes it easy to generate reports and perform analysis, the data warehouse should also provide data mining capabilities. Data mining is the automated analysis of data to identify key trends, conditions, and unusual transactions—including fraud and other anomalies—that users might not detect with manual queries and analysis. This type of analysis effectively surfaces information and brings it to the attention of managers and analysts who can review, analyze, and act on it.

**A common user workspace provides a single point of entry and a consistent way to navigate and access the tools and applications within an EPM system.**

- **Common user workspace.** A common user workspace provides a single point of entry and a consistent way to navigate and access the tools and applications within an EPM system. The workspace should be configurable so end users can personalize it based on their role and information needs. In addition, it needs to respect the security profile of the end user. A common workspace increases user productivity, lowers the learning curve, and reduces deployment costs associated with an EPM system.
- **Query and reporting tools.** To be cost effective, an EPM system should provide a common set of reporting and analysis tools that meet the needs of different types of end users—from senior executives to analysts, line managers, and casual users. Along with the ability to create personalized and graphical dashboards, the tools must support ad hoc query and reporting, production reporting, and financial statement creation. Access to Microsoft Office applications is important, as is the ability to support alerts and mobile devices. This single set of tools should provide access to all data and modules within the EPM system as well as to other internal and external datasources.
- **Analytic workflows.** To speed up the identification and investigation of key trends and variances in business results, users need to be alerted to exception conditions either by graphical indicators on a management dashboard or by e-mail. In addition to being alerted to an exception, the analysis process can be further aided by analytic workflows that guide the user from a high-level metric to the underlying causes. These analytic workflows can cross BI and performance management applications, as well as transactional systems.
- **Real-time monitoring.** This technology pushes decision-making closer to the transaction. Adding analytical logic drives immediate action by a manager monitoring a transaction or by a customer interacting with a Web site.

Table 7 highlights the key enabling technologies supporting Oracle's EPM system.

## Enabling Technologies Behind Oracle's EPM System

Product	Description
Oracle Enterprise Performance Management Workspace	<ul style="list-style-type: none"> <li>• Modular BI platform that provides management reporting, query, and analysis capabilities for a wide variety of datasources in a single coordinated environment</li> <li>• A zero-footprint client that provides the user interface for viewing and interacting with content created using Oracle Hyperion reporting and analysis authoring studios, Oracle Hyperion performance management applications, and Oracle Business Intelligence products</li> </ul>
Oracle Business Intelligence applications	<ul style="list-style-type: none"> <li>• Provides an integrated view of enterprise information to enable greater insight and alignment across business functions</li> <li>• Reports at all levels of the organization and for each function how the business is performing</li> <li>• Includes analytic workflows to guide users from high-level variances and trends to underlying causes and dependencies, including transactional detail residing in operational systems</li> </ul>
Oracle Real-Time Decisions	<ul style="list-style-type: none"> <li>• Combines both rules and predictive analytics to power solutions for real-time enterprise decision management</li> <li>• Enables real-time intelligence to be instilled into any type of business process or customer interaction</li> <li>• Includes a high-performance transactional server that delivers real-time decisions and recommendations</li> <li>• Automatically renders decisions within a business process and reveals insights that create actionable intelligence from data flowing through the process in real time</li> </ul>
Oracle Business Intelligence foundation	<ul style="list-style-type: none"> <li>• Provides a single, logical view of all enterprise data with critical scalability and performance to report on management processes</li> <li>• Delivers information from multiple sources to all business users so they can gain insight where and when they need it to drive actions, decisions, and business processes</li> <li>• Offers a full range of reporting capabilities, including interactive dashboards, ad hoc analysis, proactive detection and alerts, intelligent workflow, enterprise reporting, disconnected analytics, Office integration, and real-time predictive analytics</li> </ul>

## Enabling Technologies Behind Oracle's EPM System (cont'd)

Product	Description
Oracle Essbase	<ul style="list-style-type: none"> <li>• Allows business users to quickly model complex business scenarios by providing an environment for rapidly developing custom analytic and EPM applications</li> <li>• Supports forward-looking applications such as forecasting, scenario modeling, and what-if analysis</li> <li>• Delivers fast response times and powerful calculations so users can ask questions, quickly understand critical metrics that influence business performance, and make informed decisions</li> </ul>
Oracle Database 11g and Oracle Data Warehouse products	<ul style="list-style-type: none"> <li>• Offers fast, reliable, and secure reporting, analytics, and data mining on low-cost, scalable data warehouses</li> <li>• Oracle Data Warehouse product line includes Oracle Warehouse Builder, Oracle Partitioning, Oracle Data Mining, Oracle OLAP, Oracle Exadata, and HP Oracle Database Machine</li> </ul>
Oracle Data Mining	<ul style="list-style-type: none"> <li>• An option to Oracle Database 11g, Enterprise Edition</li> <li>• Allows customers to produce actionable predictive information and build integrated BI applications</li> <li>• Uses data mining functionality embedded in Oracle Database 11g to allow managers to find patterns and insights hidden in their data</li> <li>• Allows application developers to quickly automate the discovery and distribution of new BI—predictions, patterns, and discoveries—throughout their organization</li> </ul>
Oracle Hyperion Financial Data Quality Management	<ul style="list-style-type: none"> <li>• Eliminates data integrity risks associated with collecting and moving critical financial data</li> <li>• Enhances the quality of internal controls and reporting processes by using source-to-report views of financial data</li> <li>• Allows business analysts to develop standardized financial data management processes and validate data from any source system</li> </ul>
Oracle Data Integrator	<ul style="list-style-type: none"> <li>• Delivers unique next-generation extract, load, and transform (E-L-T) technology that improves performance and reduces data integration costs even across heterogeneous systems</li> <li>• Offers the productivity of a declarative design approach, as well as the benefits of an active integration platform for seamless batch and real-time integration</li> </ul>

Enabling Technologies Behind Oracle's EPM System (cont'd)	
Product	Description
Oracle Hyperion Data Relationship Management	<ul style="list-style-type: none"> <li>• Ensures consistency of master data to maintain reporting integrity between management and operational processes</li> <li>• Manages changes in master data proactively across operational, analytical, and EPM systems to secure the delivery of accurate and timely information</li> </ul>
Oracle's Hyperion Shared Services	<ul style="list-style-type: none"> <li>• Provides a central framework for creating, provisioning, and maintaining users</li> <li>• Manages user security across all Oracle Hyperion modules, including external authentication</li> <li>• Provides a common administrative interface for creating, deploying, and managing EPM applications</li> <li>• Provides the capability of managing the lifecycle of Oracle's EPM system by migrating artifacts from development to test to production environments</li> </ul>

**Table 7. These products enable Oracle's EPM system. The system performs best when all components are based on Oracle Fusion Middleware.**

**Only Oracle provides a complete set of solutions that covers all management processes and that is integrated on a common platform also open to non-Oracle solutions.**

Only Oracle provides a complete set of solutions that covers all management processes and is integrated on a common platform also open to non-Oracle solutions. However, Oracle's EPM system, operational applications, and database technologies work best when they are implemented together because they all leverage Oracle Fusion Middleware technologies.

By adopting an application suite that is delivered on a common foundation, customers can achieve a higher return on investment and a lower total cost of ownership versus self-integrating point solutions from different vendors and homegrown applications. Oracle's EPM system is delivered in a modular fashion, providing customers the ability to start anywhere and build incrementally on their path to management excellence.

**CONCLUSION**

Gaining competitive advantage in today's global market requires organizations to leverage their investments in operational systems and focus on achieving management excellence. Oracle's strategy-to-success framework describes a set of six management processes that lead organizations to become smarter, more agile, and better aligned—the key attributes of management excellence. Companies implementing the framework apply a systematic approach to management activities to increase both managerial and operational effectiveness. They can visualize the impact of business decisions and understand the levers that can be adjusted to affect outcomes. However, management processes differ from operational or transactional processes, and the techniques and technologies required to support and integrate each type are different.

**Oracle provides a complete and integrated EPM system for managing and optimizing enterprisewide performance. This allows organizations to achieve a state of management excellence—being smart, agile, and aligned—that provides competitive advantage while leveraging operational investments.**

By unifying performance management and BI, Oracle’s EPM system supports the strategic, financial, and operational management processes described in the strategy-to-success framework. Oracle provides a complete and integrated system for managing and optimizing enterprisewide performance and supporting all of the best practices and techniques associated with the management processes. This combination of processes, techniques, and technologies allows organizations to leverage operational investments, achieve management excellence, and create competitive advantage.

Thousands of companies around the world are benefiting from Oracle’s comprehensive approach to EPM. With lower costs and less complexity than with nonintegrated point solutions, companies using Oracle’s EPM system are able to align decisions with strategic goals, reduce financial reporting and planning cycles, compare operational results to plans in real time, and drive insight to action.<sup>4</sup>

## **APPENDIX**

This white paper is one of a series of recent papers that describe the goal of management excellence and introduce a process for achieving it. The following titles, including this one, can be found at the white papers link on [oracle.com/epm](http://oracle.com/epm) (or directly at [oracle.com/solutions/business\\_intelligence/resource-library-whitepapers.html](http://oracle.com/solutions/business_intelligence/resource-library-whitepapers.html)).

- *Management Excellence: How Tomorrow’s Leaders Will Get Ahead* explains why management excellence is so important and explores the business drivers that have made reaching this goal an organizational imperative.
- *Management Excellence: The Metrics Reloaded* identifies the relevant performance indicators to measure management excellence.
- *Management Excellence: A Step-by-Step Strategy to Success* outlines a process for achieving management excellence within your organization.

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<sup>4</sup> For more information on Oracle’s approach to enterprise performance management, please visit [oracle.com/epm](http://oracle.com/epm).



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