



Quality criteria and trends in performance management

In a study conducted by the ifb group and BPM International, over 130 European businesses compared the processes, structures and systems they use for consolidation, reporting and planning

In recent years, many companies have achieved considerable progress in terms of business performance management (BPM); nevertheless, questions concerning the status of development and trends continue to receive high priority. In an effort to build on and further improve their BPM, many CFOs and managers see the benefit of comparison with other corporate enterprises: How prompt and accurate is the reporting of others? Which key ratios are reported on, how often and to whom? How many staff are involved with which tasks? How are processes structured and what are the most appropriate IT systems?

Comprehensive answers to these questions have been provided by a study entitled „Consolidation, Reporting and Planning Functions in European Multinational Enterprises 2006“. The analysis was compiled by four European consulting companies and ifb, who together form the BPM International network and who specialise in projects targeted at the improvement and further development of BPM (see also ifb Annual 05/06). In carrying out the study, BPM International consulted over 130 multinational companies throughout Europe, of which around two thirds were corporates (industrial, trade and service companies) and approximately one third were banks and insurance providers.

Comprising over 80 pages, the study compares the status of development of business performance management concepts (processes, organisation and systems). Analysis of the comparison shows clear differences amongst the (anonymous) participants, not only in terms of quality and speed, but also in terms of the cause of such differences. The following is an overview of the most important results:

- 1 Highest level of quality and swift implementation can be achieved simultaneously – as evidenced by numerous study participants, irrespective of the size or number of reporting units within a group.
- 2 Activities generating high value added, such as data analysis, form a central focus in companies with high quality BPM. By contrast, companies demonstrating poor quality BPM spend considerably more time on tasks with low value added, such as the correction of incorrect data. In this

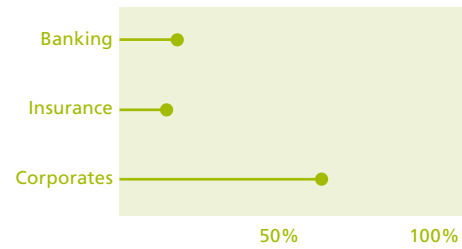
	Upper quartile	Middle quartiles	Lower quartile	Best	Worst
Austria	<39	<40-58	<59	18	75
Germany	<32	<33-56	<57	25	120
Portugal	<32	<33-60	<61	18	120
Switzerland	<44	<45-56	<57	13	100
The Netherlands	<37	<38-55	<56	16	123
UK	<37	<38-48	<49	29	90
Other countries	<30	<31-38	<39	20	55
Total	<33	<34-54	<55	13	123

The time required to publish the annual financial statement (shown here in working days) is a central indicator of the efficiency of financial processes.

„The close cycle time is a key benchmark for many CFO's and analysts. Because speed and efficiency of closing processes are symptomatic of the state of underlying finance processes and systems and therefore of the management processes and systems in general.“

David JH Jones
Chairman BPM International

Participants of the BPMI Study 2006



respect, the study shows a clear potential for improvement in many fundamental financial processes.

- 3 Speed is a key indicator. The earlier up-to-date key ratios are established internally, the quicker management is able to act. Prompt external publication demonstrates the excellent organisation of a company, above all, in relation to the capital market. The most efficient groups publish their consolidated annual statement in less than 25 working days, whereas the weakest require over 80 working days. In 2006, BPM International similarly carried out a comprehensive comparative study of reporting periods ("BPMI International Close Cycle Ranking 2006").
- 4 Cooperation and coordination between the various business units of a group is a decisive step in the process to enable reporting within a short time period. In this respect, the study shows a significant need to make up leeway in what are often fundamental questions of cooperation. The best companies require just 4 working days for this stage, while the slowest require 10 days or more.
- 5 Which key performance indicators are reported? The most effective reporting encompasses the entire spectrum of financial and non-financial key performance indicators (KPIs). Despite the larger amount of data, speed and quality can be maintained if data is standardised and integrated. For example, 80% of the top 20 have an integrated system for internal and external reporting (as compared to just 42% of the 20 low performing companies), for which 74% of the most efficient companies have an integrated data model (as compared to just 42% of the poorest). The best BPM concepts also show that, ideally, reporting should be individually tailored for different addressees (groups) and levels, given that too much information can be just as detrimental as too little.
- 6 How is data communicated to group headquarters? The best participants use state-of-the-art technical options, such as web-based or customised systems. However, the majority of companies have considerable potential for improvement on this issue. Frequently, the data communication process also gives rise to quality and schedule problems.
- 7 What are the most appropriate systems? On this point, the study shows little difference between well-organised and less well-organised companies, despite the clear trends towards centralised, web-based systems. The best companies in the study employ uniform and integrated systems, the majority using pure BPM software (such as Cartesis, Hyperion, Cognos, OutlookSoft etc.) or ERP systems (such as SAP, Oracle etc.). On another point of note, almost half of all group managers prefer their reporting documentation in paper form!

Conclusion

The best companies in the study have implemented standardised data models and processes for their entire reporting procedure and use integrated and flexible BPM systems. The target is a closed control cycle incorporating strategy, planning, analysis and management decisions. Properly implemented, this provides CFOs and controllers with all the relevant information promptly – the key to a successful and swift response.