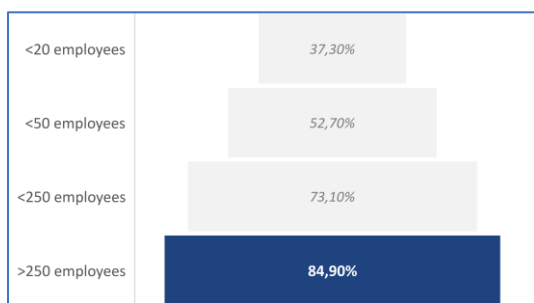


## Crisis impact on business controlling tools: back to basics?

### The age of ERP and EPM in large organisations

Over the past decade, finance departments of large groups have continuously invested to develop their own Enterprise Performance Management (EPM) system. EPMs help enterprises plan, forecast, anticipate, and create business performance reports. Most groups use EPMs to produce their recurrent reportings and management accounts. Main users are finance departments, but other functional teams like Sales & Marketing, HR, or IT, can leverage it for their own analysis needs.

Fed mainly by the Enterprise Resource Planning (ERPs) which gather transactional data, EPMs produce analytical data. ERP-EPM infrastructures have become the financial heart of any large firms. They enable Finance Directors to steer the business at a level of precision which was unthinkable back one or two decades ago. P&L and cash flow statements are monitored surgically on a monthly basis.



The adjacent chart presents the percentage of companies, by size, using an ERP system in France in 2019. We can point out that a vast majority of large organisations are now used to such systems. The overall ERP market in France has grown by 14% between 2016 and 2019 and is expected to increase by 3% per year in the next years, mainly driven by SME's growing analysis needs. As a comparison with other

enterprise softwares, ERPs represent the second largest market worldwide, just behind CRMs, with a 32% share of total revenues (among CRM, ERP, BI, Supply Chain, and Collaboration software)<sup>1</sup>.

Unsurprisingly, due to their complexity, ERP-EPM infrastructures cost a lot of money to set them up (acquisition of core model from software editors, adaptation to internal IT environment, roll out within all business units, continuous implementation within new businesses acquired, etc.) as well as to upgrade them (development of specific modules, maintenance, regular upgrades from editor, etc.). But these important costs are capital expenditures which can be amortized over 5 to 7 years, and are therefore manageable on the long run from a financial standpoint.

### EPM limitations and constraints in abnormal situations

From a business controlling perspective, we think there are three operational pain points to deal with regarding ERP-EPM data systems:

- First, these solutions may not be flexible or adaptable enough in abnormal situations, whether in crisis, rapid growth or business shrinking time. Running a budget scenario using an EPM may require up to several weeks to controlling teams to get some comprehensive output. In fact, data loading, computing time and restitution are time consuming and business analyst teams have to manage in parallel their day-to-day tasks which most of time require to retrieve data from the ERP-EPM. Besides, depending on the target user (Group, Region, Business Unit, etc.), output data may not be available at the desired granularity (too much or not enough granular). In trouble times, Finance wants to be able to run in an agile way many different budget and forecast scenarios for top management to take the right decisions whether related to business opportunities, restructuring, etc. In business transformation time (e.g. post-merger

<sup>1</sup> Statistics provided by Statista

integration), top management often faces heterogeneous systems and lack of common referential / data / reporting, and the development of any consolidation module to run group reporting or budget may last up to 18 months.

- Second, the related IT costs may be very hard to monitor due to multiple, non-coordinated initiatives, and may inflate very quickly. We can observe that groups have recently created regional centres of excellence or IT platforms to synchronise initiatives and rationalize hardware, software, and manpower costs. Beyond their costs, IT structures have become more and more complex, leading to a potential increase of failure. According to Uptime Institute, in 2019, outages or “server service degradation periods” increased from 25% to 34%<sup>2</sup>. ERP-EPM data systems heavily rely on IT infrastructures that may be overused during crisis, adding potential operational difficulty due to service degradation.
- Finally, the advanced automation and lean management of the finance function of large groups may create some inertia and become a burden in a distressed period. Because an important part of processes has been automatized and optimized, the business controlling teams may hardly cope with manual tasks, adopt agile processes or find shortcuts, or build new flexible tools which require some IT development skills. During any crisis, it is all the more difficult for the teams to react quickly as they face a workload surge and de facto lack time to step back and think out-of-the box.

In this COVID-19 crisis period, we think these issues are even more critical to cope with for large organisations:

- Top Management wants to run and analyse even more options and react even more quickly.
- A better IT costs monitoring offers the opportunity to gain some basis points of profitability which in such deterioration period may be vital at the end of the day.
- A common and comparable reporting model, made possible by the extended use of ERP and EPM, can deliver large scale synergies.

### **The toolkit to think about ...**

Excel Business Intelligence tools (PowerPivot and Power Query) are well adapted to deal with high load of input data and deliver pragmatic, adapted analysis report to management. In only a few weeks (4 to 6) it is possible to develop a user-friendly and scenario-based tool dealing with high volume of data retrieved from the group financial systems.

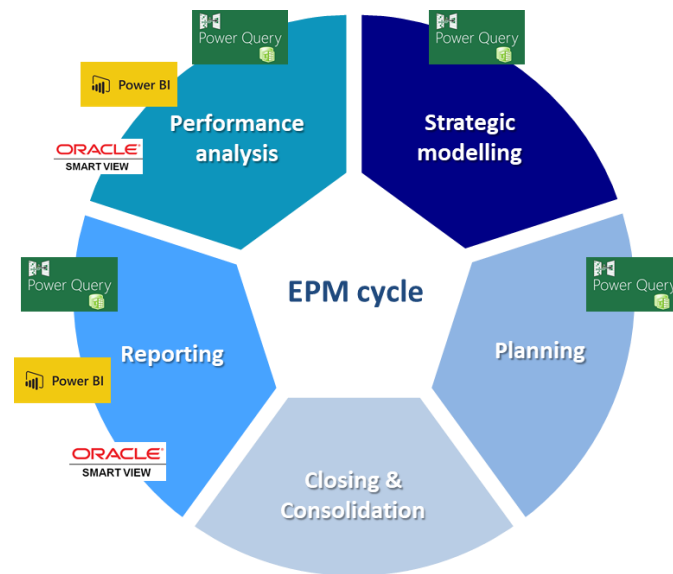
Power BI and Tableau Software tools may be also perfectly adapted solutions to develop automatic, interactive reporting instead of developing costly, non-flexible, and “black-box” type integrated module. On top of that, Finance teams can train themselves and adapt quickly and autonomously their reporting along with the new requests from Finance Directors or Top Management.

Smart View or Essbase<sup>3</sup> are, amongst others Excel type add-ins, very powerful tools to retrieve large amounts of data and analyse multiple dimension hierarchies. In an international Group where the EPM has been set up in all countries / regions, these add-ins enable Group Finance Controlling to develop harmonized reporting and analysis in case of new requests from Top Management.

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<sup>2</sup> “Infrastructure Monitoring 101: The Power to Predict and Prevent” - Splunk

<sup>3</sup> developed by Oracle for their Hyperion Financial Management EPM users



### ... and the organisation to implement them

Such tools are a complement and not a way to bypass existing ERP / EPM infrastructures. They are useful to quickly react to business steering change needs. Their development, as well as their implementation, should be carried out by small dedicated teams with a direct access to the decision-makers (CFO, Business Unit Managing Directors, Finance Transformation Director, etc.). We recommend starting with a Proof of Concept which can be released in a couple of weeks, in order to ensure that the final tool will meet 100% of the objectives of the initial request.

These fast-paced and complex projects may be performed with consulting firms, being able to offer resources 100% focused on the topic, business perspective and technical experience. Over the past few years, we have observed a growing appetite of large firms to co-develop such tools with consultants.

In conclusion, these solutions may be leveraged in parallel of EPM integrated modules and are complementary. They are useful when Finance teams need to develop rapidly simple, opened, and flexible business controlling solutions in uncertain periods. A well-structured and small project team is key for the success of a fast and efficient implementation.

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### About H4 Partners

H4 Partners is a consulting firm which supports its clients in the long run in their financial performance management. Leveraging various successful experiences and its expertise in business management, the H4 Partners team can quickly adapt to its clients' context and design efficient and operational solutions.

Any comment on this article or question about above mentioned business cases? Please send us an email to [contact@h4-partners.com](mailto:contact@h4-partners.com).