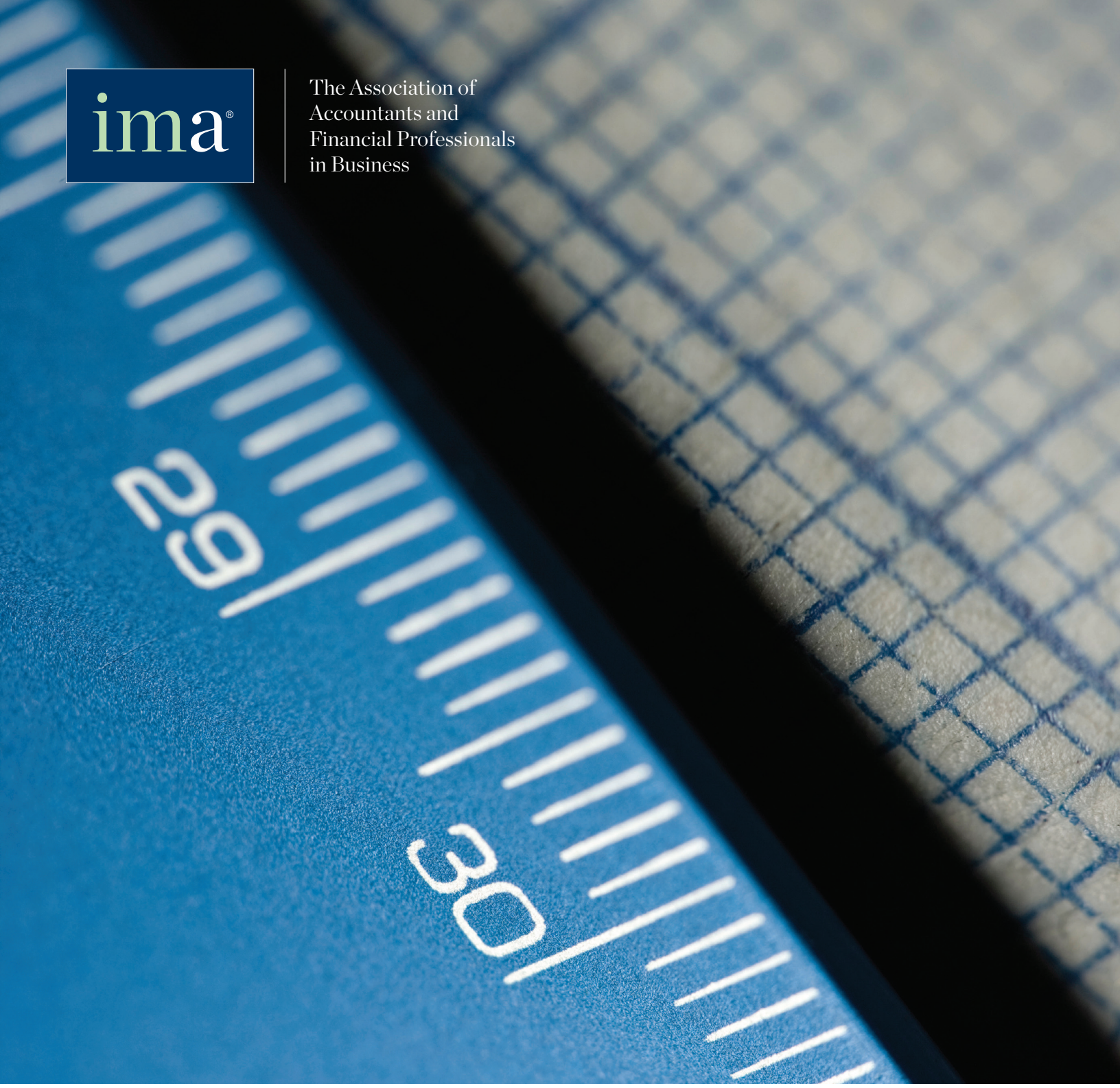

ima®

The Association of Accountants and Financial Professionals in Business

Enterprise Performance Management:
Management Accountants' Perceptions

Underwritten by Host Analytics

About IMA®

IMA, the association of accountants and financial professionals in business, is one of the largest and most respected associations focused exclusively on advancing the management accounting profession.

Globally, IMA supports the profession through research, the CMA® (Certified Management Accountant) program, continuing education, networking, and advocacy of the highest ethical business practices. IMA has a global network more than 70,000 members in 120 countries and 300 professional and student chapters. Headquartered in Montvale, N.J., IMA provides localized services through its four global regions: The Americas, Asia/Pacific, Europe and Middle East/Africa. For more information about IMA, please visit www.imanet.org.

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IMA Research

Management Control Systems

This research area focuses on how organizations align employee actions with their strategic goals. It includes operational control systems that focus on measures that enable front-line employees to achieve continuous process improvement. It also includes management control systems that enable managers to align their actions with the company's overall strategic goals.

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Introduction

In a two-week period ending on May 8, 2014, IMA members were invited to respond to a survey intended to better understand practitioner views on the functionality and technology to support enterprise performance management (EPM).[1] The study considers:

- The activities of:
    - Planning, budgeting, and forecasting;
    - Financial close, reporting, and disclosure; and
    - Performance measurement, analysis, and business intelligence.
- Various technical architectures to support EPM. Notably, it compares organizations whose EPM functionality is dependent on:
    - Modules of their Enterprise Resource Planning (**ERP**) (e.g., SAP, Oracle);
    - Purpose-built, **internally housed EPM software packages** (e.g., Hyperion, COGNOS);
    - **Cloud-based**, purpose-built **EPM software** (e.g., Host Analytics, Adaptive Planning);
    - **Applications** developed **in-house**; and
    - **Spreadsheets** and manual processes.

This report presents results of the survey:

- "What Does EPM Architecture Look Like?" compares usage rates for these EPM architectures.
- "Who Is Happy with Their Accounting System?" outlines the level of happiness with the support for EPM functionality that the various EPM architectures provide.
- Perceptions of the ease of use and other EPM characteristics are presented in the specific sections: "What Do You Think of Your Planning Ability?"; "What Do You Think of Your Close and Disclosure Ability?"; and "What Do You Think of Your Business Intelligence Ability?"
- A special section, "Adoption of Cloud-Based Technology to Support EPM," looks at the adoption of cloud-based, purpose-built software to support EPM and relative to adoption rates of general business support.

Key Findings

There is still a large dependency on the use of spreadsheet-based tools to support EPM activities. This is particularly true for support of planning and budgeting as well as business intelligence and analysis. Yet those dependent on the use of spreadsheets and manual processes expressed the lowest levels of satisfaction with their technology. Although a smaller number of respondents are using cloud technology to support EPM activities, they expressed the highest overall level of satisfaction among all technologies considered as well as the highest level of satisfaction for supporting financial close and disclosure activity and business intelligence.

Spreadsheet-dependent respondents are least likely to believe that their planning and financial close activities are efficient and effective or that they have excellent processes for monitoring performance. Those using ERP are most likely to believe that their planning and financial close activities are efficient and effective. Those using cloud technology are most likely to believe that their standard reports provide the information needed to perform their job, that their internal stakeholders are able to run their own reports easily without relying on accounting or IT, that they have effective tools for answering ad hoc questions, and that their organization has an excellent process for monitoring performance.

Previously, analysts have seen adoption of cloud technology focus mainly in areas such as human resource management, customer relationship management, collaboration, and procurement. But they are now seeing significant interest in using cloud technology in a broader range of areas. Although the reported usage rates of cloud technology for EPM is lower than the general cloud technology adoption rates, there appears to be an upswing in applying cloud technology to EPM activity, particularly to support business intelligence.

What Does EPM Architecture Look Like?

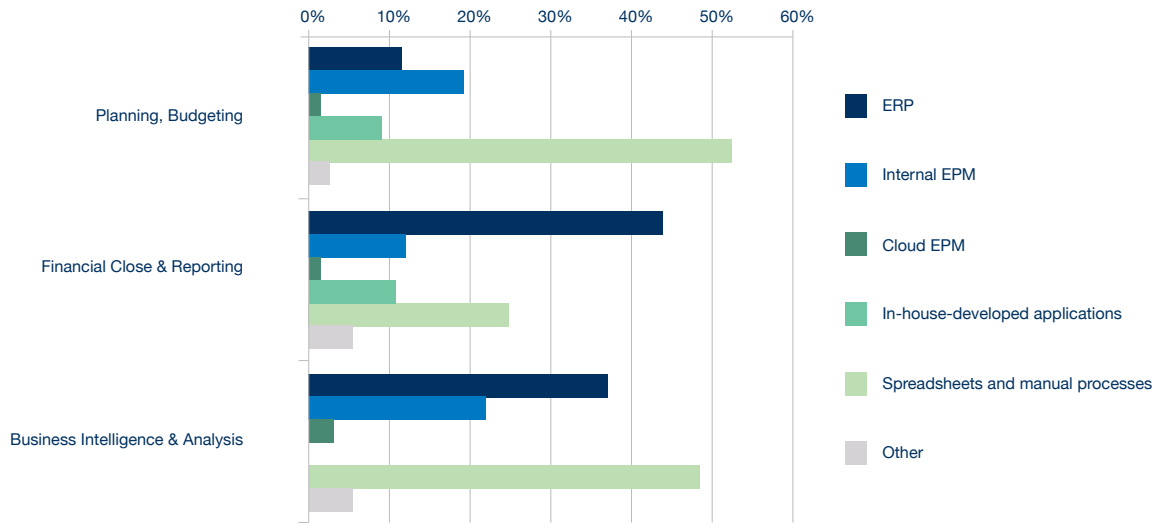
Survey respondents were asked to identify the primary architecture used to support EPM activities in their organization. The responses, summarized in Exhibit 1, show that the technology used varies depending on the EPM activity, but the use of spreasheets and manual procedures remains very common.

More than half of the respondents rely on spreadsheets and manual processes to support planning and budgeting activities. Internally housed EPM systems are the second-most popular architecture for supporting planning, but, with less than 20% usage, they lag well behind the use of spreadsheets.

The use of purpose-built ERP modules is the most common technology (44%) for supporting financial close and disclosure activities. But the use of spreadsheets and manual processes remains well entrenched—more than one-quarter of respondents still rely on them to support financial close and disclosure activities.

Once again, we find the use of spreadsheets and manual processes for business intelligence most common among respondents (45%), narrowly more than those who use ERP modules (37%) for business intelligence.

Exhibit 1. Current Architecture by EPM Activity



Who Is Happy with Their EPM System?

Respondents were asked to state their level of agreement with the statement, "We are very satisfied with the technology we have today." Exhibit 2 summarizes those who agreed and strongly agreed to the statement by EPM function area (and also provides an overall average rating).

Overall, respondents with cloud technology expressed the highest level of satisfaction with their technology to support EPM.

Cloud EPM respondents also indicated the highest level of satisfaction with functionality to support close and disclosure activity and business intelligence. Those using ERP expressed the highest satisfaction with support for the planning activities.

Exhibit 2. Level of Satisfaction with Current EPM Architecture	Planning	Close	BI	Average
Cloud EPM	44%	75%	67%	62%
ERP	61%	42%	44%	49%
In-house-Application Developed	41%	39%		40%
Other	36%	35%	33%	35%
Internal EPM	31%	26%	33%	30%
Spreadsheets and manual processes	30%	25%	27%	27%

Those relying on spreadsheets and manual processes gave the lowest satisfaction rating in all categories of EPM activity, even though spreadsheets and manual processes are frequently used.

What Do You Think of Your Planning Ability?

Respondents were asked to identify their level of agreement with statements about their planning activities. Exhibit 3 summarizes the totals of those who agreed or strongly agreed with each statement by system architecture.

Exhibit 3. Agree or Strongly Agree: Planning System Characteristics	ERP	Internal EPM	Cloud EPM	In-house Apps	Spread-sheets and Manual	Overall
My organization's financial planning processes are efficient and effective.	80%	61%	67%	67%	32%	47%
My organization effectively integrates its financial planning process with its operational planning process.	75%	61%	56%	81%	44%	55%
My organization effectively integrates its financial planning process with its strategic planning process.	73%	56%	67%	44%	74%	54%
My organization uses a rolling financial forecast on a weekly, monthly, or quarterly basis.	73%	57%	67%	67%	43%	52%
Our planning process allows us to anticipate change and rapidly take action.	45%	46%	33%	56%	31%	38%
Our business owners and stakeholders outside of finance feel empowered by and accountable to their budgets.	70%	56%	22%	29%	67%	42%
Much of our financial planning activity represents wasted time.	20%	28%	33%	22%	32%	29%
We have very little ability to do proper budgeting, planning, or forecasting.	23%	11%	11%	7%	28%	22%

Generally, the respondents see value in their planning and budgeting activities. Few believe that their financial planning activity represents wasted time or that they have very little ability to do proper budgeting, planning, or forecasting.

Although less than half of respondents believe their financial planning processes are efficient and effective, this result is heavily influenced by the low satisfaction results (32%) of those who use spreadsheets and manual processes (the most popular technology for planning). The satisfaction rating for the other technology types reflect a more positive feeling about the efficiency of their planning processes.

More than half believe they effectively integrate the financial planning process with the operational planning process and the financial planning process with the strategic planning process. Slightly more than half of all respondents report the use of rolling forecasts, while less than half of those using spreadsheets report the use of rolling forecasts.

Respondents appear to be concerned about their ability to anticipate change and rapidly take action. Fewer than half agree that their planning process allows them to anticipate change and rapidly take action. Those using in-house applications for planning express higher satisfaction in their ability to respond to change.

Those using ERP and spreadsheet-based systems are most likely to agree that their business owners and stakeholders outside of finance feel empowered by and accountable to their budgets.

What Do You Think of Your Close and Disclosure Ability?

Respondents were asked to identify their level of agreement with statements about their close and disclosure activities. Exhibit 4 identifies those who agreed or strongly agreed with each statement by system architecture.

Exhibit 4. Agree or Strongly Agree: Close and Disclosure Activity Characteristics	ERP	Internal EPM	Cloud EPM	In-house Apps	Spread-sheets and Manual	Overall
My organization's financial close, reporting, and disclosure activities are efficient and effective.	79%	74%	75%	67%	46%	68%
We always close our books in an acceptable time frame.	82%	84%	88%	83%	57%	76%
My organization has an excellent process for monitoring the progress of our financial close activity.	62%	71%	75%	67%	38%	58%
Most of our disclosure documentation is manually assembled.	49%	50%	25%	53%	86%	58%
Much of our financial close, reporting, and disclosure activity represents wasted time.	7%	13%	0%	14%	23%	12%
We have very limited ability to do proper close, reporting, and disclosure.	3%	0%	13%	6%	26%	9%

Generally, the respondents see value in their financial close, reporting, and disclosure activity. Few agree that it represents wasted time, and few agree that they have very limited ability to do proper close, reporting, and disclosure.

Most believe their financial close, reporting, and disclosure activities are efficient and effective. The slight exception is that only 46% of those who use spreadsheets and manual processes believe their financial close, reporting, and disclosure activities are efficient and effective.

Most agree they effectively close their books in an acceptable time frame, but the use of spreadsheets has the lowest agreement rate.

More than half agree that they have an excellent process for monitoring the progress of their financial close activity. The exception is that only 38% of those who rely on spreadsheets and manual processes believe they have an excellent process for monitoring the progress of their financial close activity

Cloud technology appears to provide an advantage for automating the assembly of disclosure documentation. While about half of those using ERP, internal EPM, and applications developed in-house agree that there is a dependence on manual assembly of disclosure documentation, only one-quarter of those using cloud technology agree that there is dependence. Not surprisingly, most of those using spreadsheets display a dependence on manual assembly of disclosure documentation.

What Do You Think of Your Business Intelligence Ability?

Respondents were asked to identify their level of agreement with statements about their performance measurement, analysis, and business intelligence activities. Exhibit 5 identifies those who agreed or strongly agreed with each statement by system architecture.

Exhibit 5. Agree or Strongly Agree: Business Intelligence Characteristics	ERP	Internal BI Tools	Cloud BI Tools	Spread-sheets and Manual	Overall
Our standard reports provide me with most of the information I need to perform my job.	74%	66%	80%	57%	66%
Our internal stakeholders are able to easily run their own reports without relying on accounting or IT.	31%	30%	53%	16%	26%
My organization has an excellent process for monitoring performance.	31%	49%	60%	27%	35%
We have effective tools for answering ad hoc questions.	31%	59%	67%	37%	41%
It is difficult to get the reports we need to run the business effectively.	31%	23%	27%	33%	29%
We do not trust the data in our management reports.	31%	3%	20%	12%	16%

Although almost two-thirds of respondents feel that their standard reports provide most of the information they need, only about one-quarter felt they could run their own reports without assistance. Slightly more than one-third of respondents feel that their organization has an excellent process for monitoring performance, and about two-fifths feel that they have effective tools for answering ad hoc questions.

Cloud technology users declared the highest level of agreement for supporting business-intelligence-related activities:

- 80% agreed that their standard reports provide most of the information needed to perform their job.
- More than half believed internal stakeholders are able to easily run their own reports without relying on accounting or IT. No other architecture provides more than one-third in agreement.
- 60% agree that their organization has an excellent process for monitoring performance. The second-highest level of agreement was with the use of internal BI tools (49%).
- 67% agree that they have effective tools for answering ad hoc questions.

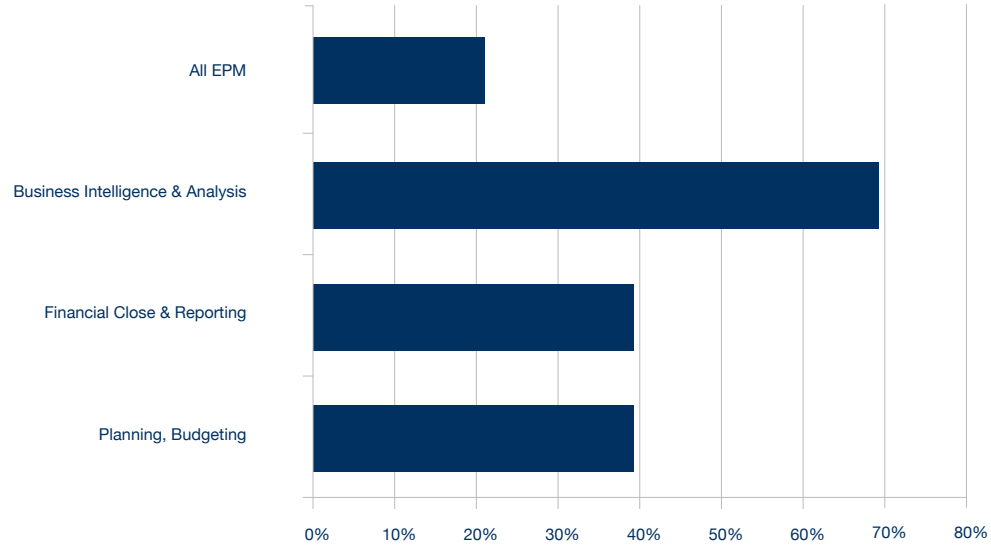
Irrespective of technology, only about three in 10 respondents agreed that it is difficult to get the reports they need to run the business effectively.

Although few agreed that they do not trust the data in their management reports, it's interesting to note that almost one-third of those relying on their ERP for business intelligence agreed that they do not trust the data in their management reports (representing the architecture with the highest level of agreement).

Adoption of Cloud-Based Technology to Support EPM

In March 2014, Gartner, Inc., reported that 18.8% of the 2014 Magic Quadrant survey participants indicated that their organization uses some type of cloud-based solution (for any purpose, including EPM).[2]

Exhibit 6. EPM Functionality by Cloud Architecture

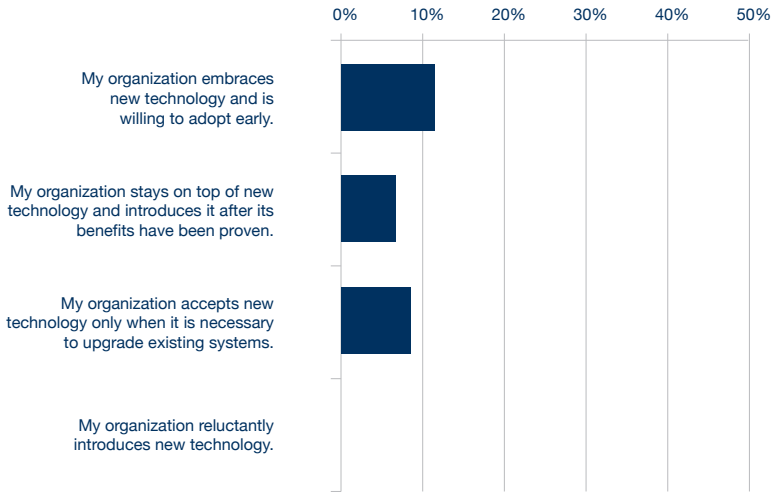


In May 2014, Forrester Research, Inc. reported seeing a trend toward cloud architecture and away from on-premise systems.[3] While it reports that adoption has been focused mostly on four segments to date (human resource management, customer relationship management, collaboration software, and procurement solutions), future investment plans reveal a significant interest in cloud technology to support a broad range of areas, such as enterprise resource planning, finance, and business intelligence.

Thus, it makes sense that adoption of cloud technology to support EPM functionality would be lower than the overall cloud adoption rate. Our survey of IMA members indicates that 7% of respondents are using cloud technology to support some aspect of EPM functionality.

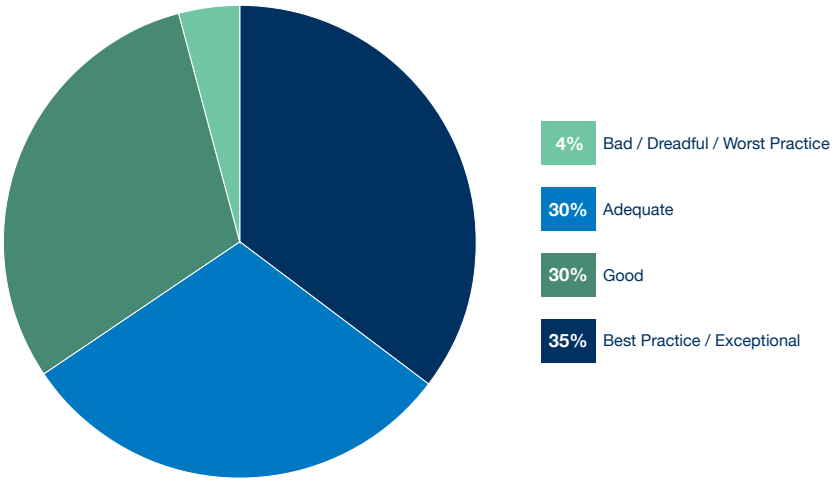
Of those using cloud technology to support EPM functionality, more than two-thirds are using it to support business intelligence and analysis, almost 40% are using cloud technology to support planning and budgeting activities, and almost 40% to support financial close and reporting (see Exhibit 6). About 22% of cloud adopters are using it to support all three of the major EPM function areas.

Exhibit 7. Technology Acceptance by Cloud Adopters



Gartner also reports "that while most organizations don't currently use cloud-based CPM suites, they have accepted the cloud as a viable platform.[4]" Not surprisingly then, our survey results show that those who indicate their organization embraces new technology are more likely to report the use of cloud architecture to support EPM functionality. Exhibit 7 shows that 12.5% of organizations that are willing to be early adopters have introduced cloud technology to support EPM. This compares favorably, considering the statistic cited previously — 18.8% of the 2014 Magic Quadrant survey participants indicate that their organization uses some type of cloud-based solution. It appears that many organizations remained unconvinced of the benefits of this technology: Only 6% of those who indicate that they wait for new technology to show proven benefits are using cloud technology to support EPM functionality.

Exhibit 8. Overall EPM Capabilities for Cloud Adopters

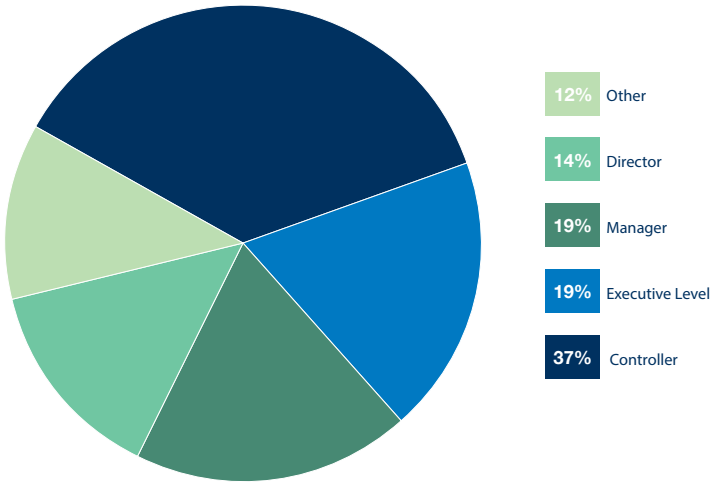


Those who have adopted cloud technology to support some aspect of EPM functionality are more likely to demonstrate a positive attitude about their EPM capabilities. Respondents to our survey were asked to rate their overall EPM capabilities. Exhibit 8 shows how respondents who have adopted cloud technology rate their organization's EPM capability. About 35% consider their EPM capabilities to be "best practice" or "exceptional," while only 4% believe their EPM capability is less than adequate.

Appendix: Survey Demographics and Process

Collection of survey responses was conducted in a two-week period ending on May 9, 2014. Invitations to complete the survey were sent to 15,581 IMA members, and 330 (2.1%) responses were received. This section presents a summary of the respondent demographics.

Exhibit 9. Respondent Job Titles



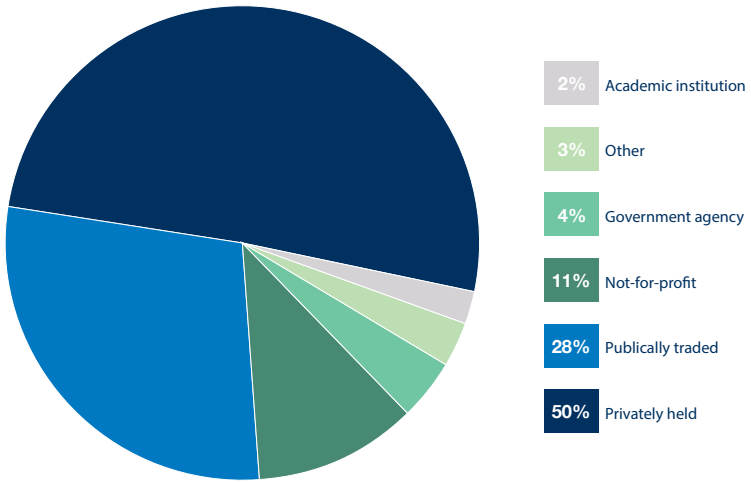
Job Titles

Controllers represented the largest group (37%) of respondents. In addition, 19% of respondents were executive management (executive officers, corporate officers, and vice presidents), 19% were managers, and 14% were directors (see Exhibit 9).

Workplace

Exhibit 10 shows that about half of the respondents (50.5%) were from privately held organizations, and 28.3% were from publicly traded companies.

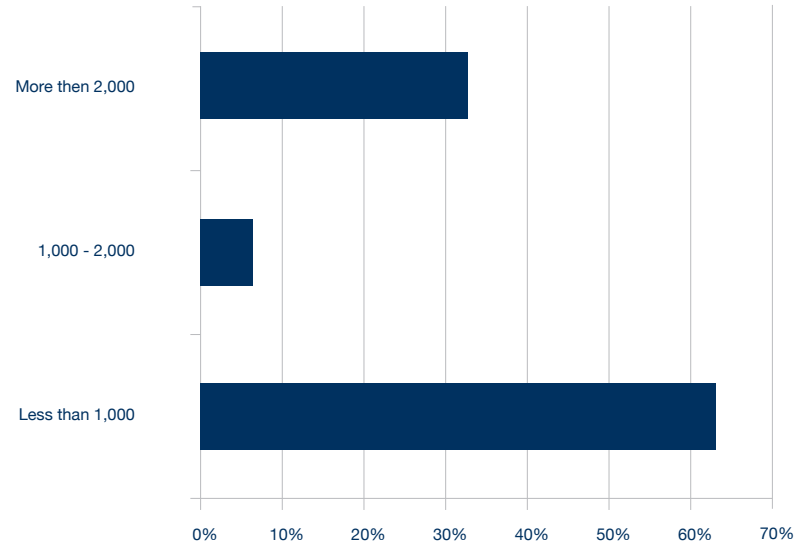
Exhibit 10. Respondent Workplace



Headcount

Exhibit 11 shows that 62% of the respondents were from companies with fewer than 1,000 employees, and a further 32% were from companies with more than 2,000 employees. (There were very few respondents in the company size between 1,000 and 2,000 employees.)

Exhibit 11. Headcount of Respondents' Firms



[1] Other terms used to describe enterprise performance management include corporate performance management, business performance management, and performance management.

[2] Christopher Iervolino and John E. Van Decker, "Magic Quadrant for Corporate Performance Management Suites," Gartner Inc., March 19, 2014.

[3] Paul D. Hamerman, Holger Kisker, and David Murphy, "Application Adoption Trends: The Rise of SaaS," Forrester Research, May 5, 2014.

[4] Iervolino and Van Decker, March 2014.