

Enterprise Transformation Methodology Strategic Roadmap Development

White Paper



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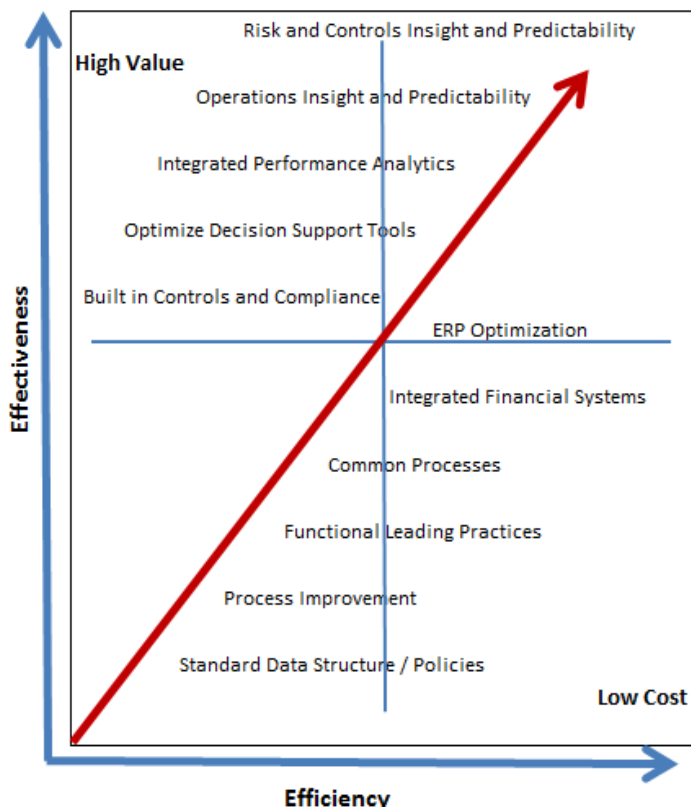
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Think Big, Start Small, Deliver Quickly

We take a long-term, strategic view of Enterprise Transformation Methodology (ETM), including enterprise performance management, process improvement, systems integration and data management, but attack the problem with targeted, well-coordinated initiatives focused on delivering value rapidly.

- **Think Big:** Develop a Roadmap that supports your long-term business objectives and ties in existing, related quick hits. This Roadmap is the compass that steers your systems integration and data management initiatives as you incrementally build the vision over time.
- **Start Small:** Define and prioritize initiatives and carve out meaningful Phases to deliver the highest value in the shortest amount of time. This builds ongoing support and momentum in the organization. A Proof-of-Concept can be effectively structured around one of the earlier phases to gain confidence and internal support.
- **Deliver Quickly in a Phased Approach:** Develop and execute the Roadmap with 45-90 day projects, typically grouped into phases of no longer than 12 months. This methodology allows you to incrementally build toward the vision, while providing interim benefits to the business along the way.

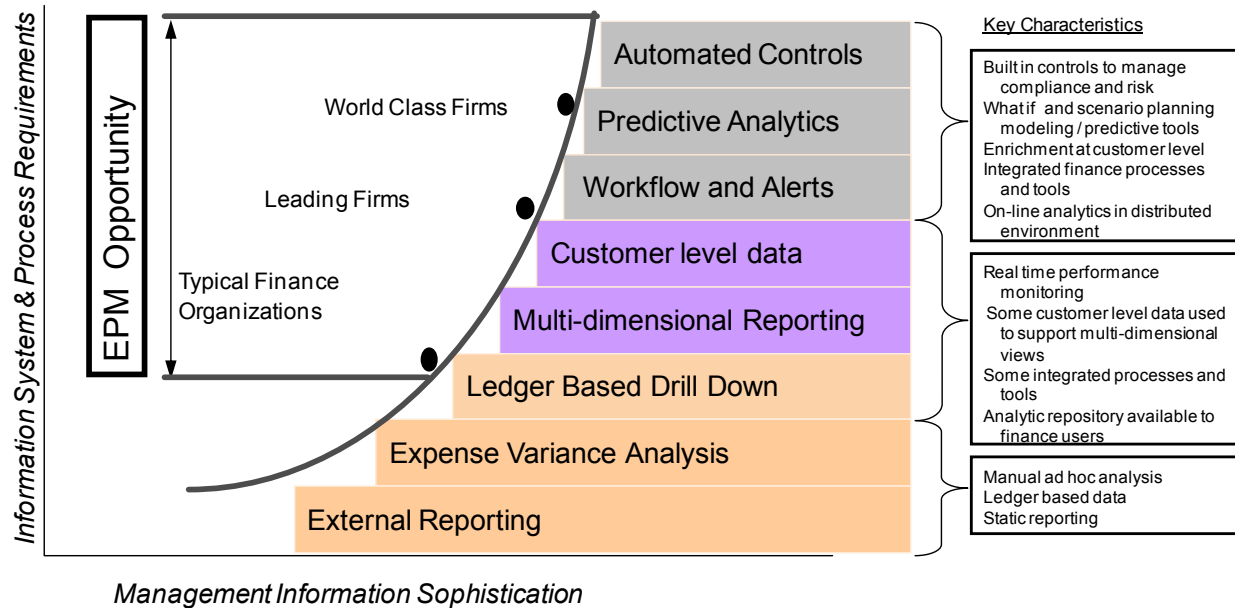
Transformation Roadmap



End-State objectives for Enterprise Transformation are relative to where each organization starting point. Transformations follow a basic three stage process. Initial objectives are foundational. They include a standard definition of terms, a global Chart of Accounts and transparency of data and financial results. These are key building blocks upon which further transformation is made possible. The second stage is referred to as the Process Improvement stage. Here, companies need to focus on simplifying and standardizing policies and processes. They use GAP analysis to identify and adopt process improvement leading practices. They implement alternative delivery models such as Shared Services or BTO. The final stage is value creation in a leadership position. In this stage, companies

deploy effective financial reporting with key performance metrics. Systems are in place to effectively measure product costing and pricing / margin management. Companies in this phase can perform predictive “What if” scenario analysis. They manage real time event and activity monitoring on operational performance. They maintain predictability and insight on risks and controls.

The focus of Enterprise Transformation is to help companies define the opportunity to move EPM closer to World Class



Fundamental Business Drivers

Knowledge of the fundamental business drivers that are leading industrial companies into a hyper-competitive future:

- Market share / brand rationalization
- Product/ component profitability reporting
- Impact of discounts / incentives on profitability
- Cash flow / working capital management
- Negative real pricing in global markets
- Global over capacity
- Supplier design and engineering collaboration
- Order to delivery / new product cycle time / RFID
- Supply chain transaction / fulfillment mgmt
- Production / final assembly rationalization
- Brand differentiation / market segmentation
- Real demand forecasting
- Customer loyalty / retention
- Sales and distribution channel performance metrics
- Order to Delivery Cycle Time
- Customer lifetime value
- Environmental protection
- Employment and incentive costs
- Productivity per employee
- Union contracts and work rules
- Work force aging

Corporate Maturity Model

Business intelligence (BI) is in high demand in today’s enterprises, but organizations are often disappointed when those initiatives fail to deliver promised benefits. The success of a BI initiative is greatly affected by the maturity of the organization’s overall BI effort. Adopting a maturity model enables an enterprise to realistically assess the strengths, weaknesses, and risks related to its own BI initiative. By using a maturity model as a roadmap for BI maturity, an enterprise can predict the results that it should expect from its BI initiative.

- Gartner Inc.

Level 1	Level 2	Level 3	Level 4	Level 5
Unaware	Opportunistic	Standards	Enterprise	Transformative
<ul style="list-style-type: none"> • BI initiatives are undocumented and tend to be ad hoc, uncontrolled and reactive. • Spreadsheet anarchy • One off report requests • Expectations for the BI initiative are rarely met, and when they are, it is only through heroic efforts 	<ul style="list-style-type: none"> • Consistently delivers basic information to businesspeople; the information is aggregated from multiple production systems. • BI reports can be delivered with some regularity and predictability, but the information is untrustworthy for use by the business because the data quality is unmeasured and unknown. • Limited User Base 	<ul style="list-style-type: none"> • BI initiatives have instituted a structured approach and use business intelligence to systematically improve business results. • Business Executive becomes BI Champion • Technology Standards emerge • Projects cross processes • BI output is delivered consistently and some of it is useful to the business. 	<ul style="list-style-type: none"> • BI initiatives effectively control the BI processes and work to produce consistent, predictable results. • Metrics are employed utilizing an enterprise framework • Sophisticated program management • Proactively research new methods and technologies • CFO or COO executive sponsor • The results are that BI outputs are consistent, useful to the business, and ever-improving 	<ul style="list-style-type: none"> • Businesspeople routinely and easily obtain information that they can customize, which helps them run and continually improve the business. • Outside-in perspective • Enterprise Performance Culture • BI initiatives produce results that bring profound business improvements and transformation of the entire organization to new and ever-higher levels of success.

As Gartner indicates, the most reliable way to improve the results of a BI initiative is to improve the overall maturity of the effort. Immature initiatives are those that fail to focus on the considerations that are vital to success. The less mature the initiative, the less likely it is to deliver consistent, predictable results. The more mature the initiative, the more likely it is to deliver satisfactory results. This BI maturity model enables organizations to assess the current maturity for their BI initiatives and see what they need to do to improve their BI maturity going forward. It is very important that Enterprise Transformation considers the culture and maturity of an organization to customize an appropriate roadmap.

Enterprise Transformation Methodology:

Step 1: Diagnostics:

- Understand Executive vision
- Evaluate and determine Organizational Maturity and culture for change management
- Discuss and determine the major process, organization and systems prerequisites and requirements
- Assess high level process efficiency (e.g., cycle time, workflow, error rates, etc.) and effectiveness (e.g., degree of simplification and standardization, the right content etc.) versus industry leading practices for:
 - Planning and Forecasting
 - Performance Management, Reporting and Analytics (e.g. scorecards, executive dashboards)
 - Sales
 - Supply Chain
 - Financial Management (Accounting / Financial Close)
 - Internal Controls
 - Accounting Processes (e.g., AP, AR)
 - Tax Management
 - Risk Management
- Assess the level and degree of automation including use of applications, data standards and systems architecture
- Software vendor and tool selection
- Identify and prioritize improvement opportunities and recommended action items

Step 2: Business Modeling

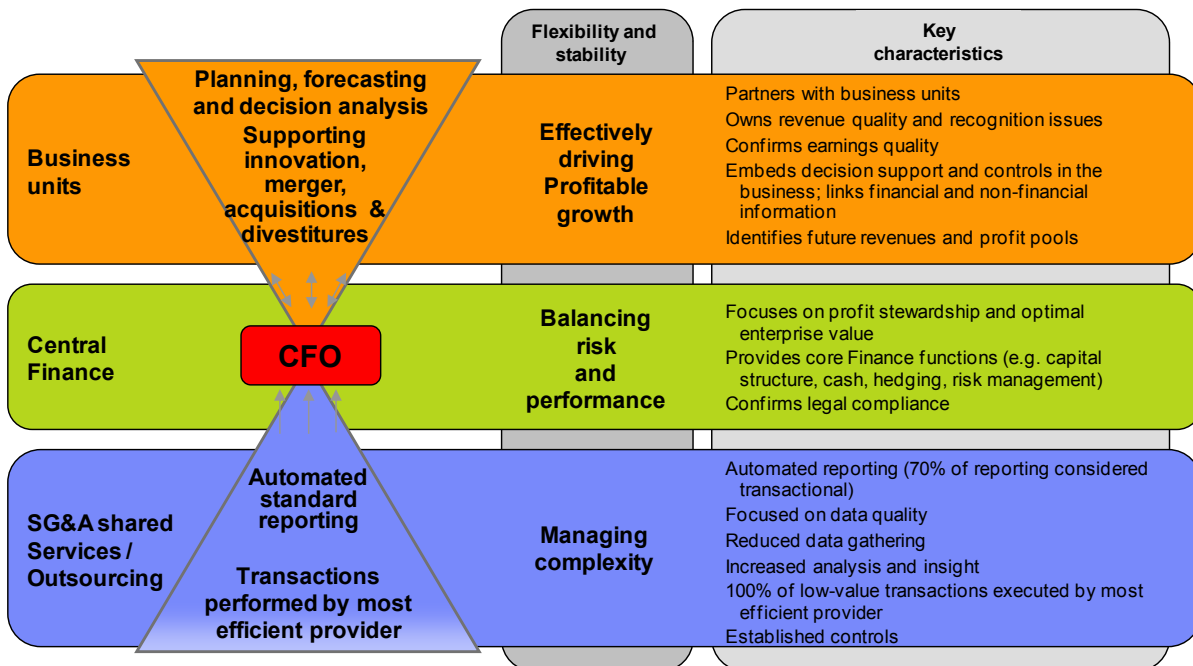
- Component Business Model (CBM) to model the enterprise and frame the business into logical business components
- Strategic Assessment of business components:
 - B – Base
 - C – Competitive
 - D – Differentiation
- EPM Assessment: Model costs for each business component and related sensitivity to change management
- Performance Assessment: Model performance of each business component through KPI's and benchmarking

Step 3: Optimization

- Prioritization grid to select critical business components that are most relevant for optimization
- Generate “Heat Map” to identify hot prioritized components and determine strategic approach to optimization
- Deep dives of “Hot” components to identify specific actions/levers
- Roadmap developed for prioritization, sequencing and dependencies... including future year impact

Conclusions:

Enterprise Transformation is a proven methodology designed to optimize cost, support growth, balance risk and performance, and manage complexity. ETM is a vendor neutral process that places the importance of corporate culture, process maturity and readiness ahead of software tools. It is an efficient and repeatable methodology developed from years of implementing best practices and understanding what works and doesn’t work in implementing EPM and BI reporting solutions.



SG&A: Selling, General and Administrative Expenses