SAP Software for Performance Management

MANAGING PERFORMANCE

Smart Choices in a Fast-Paced Environment

THE BEST-RUN BUSINESSES RUN SAP™

CONTENTS

Support for Performance Management 5

Insight Everywhere for Everyone 6

Proactive Performance Management 7
Communicate Strategy and Measure Performance Effectively 7
Understand Your Situation – Faster 8
Formulate Effective Plans 8
Make Strategic Thinking Part of Daily Business – at Every Level 9
Track Performance to Gain Competitive Advantage 9

Alignment of Execution to Meet Strategic Objectives 10

SAP Software: The Right Choice for Performance Management 11

Powered by SAP NetWeaver 11

To be competitive in a fast-paced market, you need the right information delivered to you at the right time. SAP® software brings together top-level financial analytics and information generated by day-to-day operational activities, giving you the insight you need to drive profitability. The result: your entire organization can proactively address issues before they balloon into larger problems, so you can successfully manage performance.

In a fast-paced business environment you need the ability to make smart decisions – fast. Enterprises that can respond intelligently and differentiate themselves with speed and agility thrive. Slow movers fall behind faster – and farther – than ever before. To compete and succeed in business and the public sector, you have to build effective and proactive performance management into the fabric of your organization.

Traditional approaches depend primarily on information taken from past performance. But that limits an organization's ability to manage proactively and make truly informed decisions. Effective performance management encompasses the entire information spectrum – past, present, and future – helping you gain competitive advantage.

A comprehensive approach begins with the ability to formulate effective and consistent plans and strategies. Leaders must then be able to communicate with and align every level of the organization behind corporate goals. And your organization must be agile and flexible to adjust execution tactics quickly and stay on track in the face of market pressures and unexpected events. At every turn you need a consistent set of metrics – from all levels of the enterprise – so you can define clear targets and measure performance and risk against projections.

SUPPORT FOR PERFORMANCE MANAGEMENT

Many organizations have a combination of inefficient processes and rigid technology that hampers leaders' ability to manage performance proactively. As a result, executives and managers cannot react quickly and flexibly to market forces or to operational problems.

On the process side, long planning cycles produce outdated figures, long consolidation cycles slow strategic decision making, and disconnected strategic and operational processes hinder strategy execution. These lengthy process cycles severely restrict insight into both operational activities and the impact of unexpected events. On the technology side, business leaders waste time trying to reconcile differences between multiple sets of performance measurements due to a lack of integration between financial and operational analytics systems.

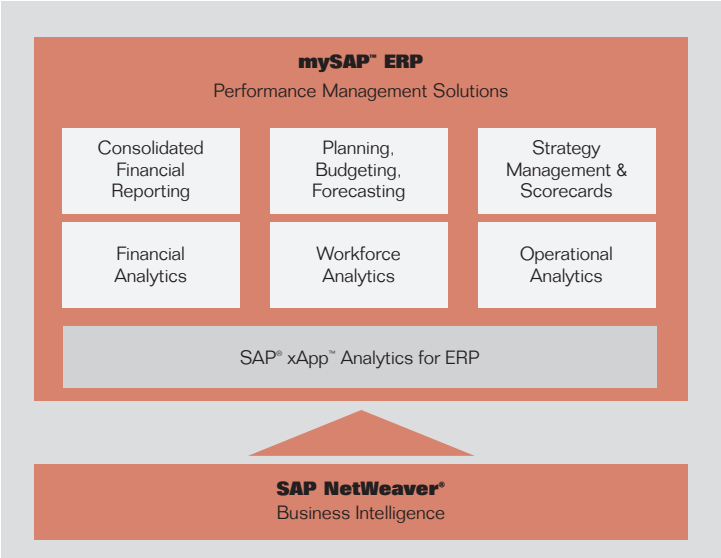

Figure 1: Enabling Performance Management with mySAP ERP

Architected for Your Success

With the mySAP™ ERP application you get all the functionality you need for performance management. You get software that drives financial and operational process improvement, links operational information with analytics and industry-specific functionality, and connects people and data from across the enterprise. Decision makers at all levels can understand the causes of business conditions, evaluate the consequences of actions, and obtain strategic guidance.

SAP® software that enables performance management includes the following:

- The **mySAP ERP** application provides complete visibility into all value chain activities, including management of customer orders, inventory, purchasing, payments, finance, and HR.
- The **SAP Strategic Enterprise Management** application accelerates financial management processes, including balanced scorecard reporting, financial consolidation, financial planning, monitoring, statutory reporting, budgeting, forecasting, simulation, and risk monitoring.
- The **SAP NetWeaver®** platform – including the **SAP NetWeaver Business Intelligence** component – ties functional software together within a powerful business intelligence infrastructure that includes an enterprise portal and functionality for data-warehousing, enterprise information management, knowledge management, master data management, and business process management. SAP NetWeaver provides the best way to integrate systems running SAP or non-SAP software and enables organizations to aggregate master data across SAP or non-SAP software systems.
- The **SAP xApp™ Analytics** composite application is designed to enhance business processes supported by SAP applications and industry solutions. The composite application supports business users by providing both insight and functionality in the context of a given business process.

Complete Performance Management
SAP® software provides support for the entire performance management life cycle, including the following:

- **Consolidated financial and statutory reporting –** Use financial and managerial reports that aggregate data from across systems and business units to gain an accurate view of performance in the required format for internal and external publishing.
- **Planning, budgeting, and forecasting –** Model plans and leverage preconfigured planning templates to improve and accelerate processes.
- **Strategy management and scorecards –** Develop KPIs that support a number of popular scorecard methodologies to improve insight.
- **Financial analytics –** Measure performance using real-time transactional data and metrics to improve responsiveness to events.
- **Operational analytics –** Deliver sophisticated analytic functionalities to operational decision makers and empower them to reduce costs, increase efficiency, and align activities with business objectives.
- **Workforce analytics –** Tie individual performance objectives to team, departmental, and corporate goals in order to ensure alignment between the employee and organizational goals.
- **Supplementary analytics support –** Utilize analytical applications that improve access to usable enterprise information and enhance execution of corporate strategy.

INSIGHT EVERYWHERE FOR EVERYONE

The breadth SAP® software provides you with is a competitive advantage in driving strategy-aligned insights to every part of your value network. Leveraging the world's most complete and powerful enterprise resource planning application, SAP software is the right choice for organizations that want to improve performance at every level of the enterprise. The software provides a powerful performance management solution to improve business insight, streamline planning, and enable all employees to leverage the information residing in your enterprise systems. You get comprehensive and easy-to-understand analytics with actionable insight for everyone in your organization who contributes to strategic execution – even users without analytics expertise.

Where other solutions fail to leverage operation-level information, SAP software excels. SAP software is already behind the day-to-day operations and financial processes at many organizations. Moreover, from consumer products to mining to retail to professional services, core SAP software is available in a range of industry-specific operational solutions that other vendors do not – and cannot – match. For example, consumer products companies can easily integrate direct-store delivery and other operational processes designed to meet the special demands of their industry. Energy companies can leverage functionality for maintenance-cost budgeting to oversee their complex asset-management needs. And manufacturers can extend visibility from the executive suite to the plant floor.

SAP software enables you to perform the following:

- Formulate and build out corporate strategy and plans across the enterprise
- Pull together market, financial, and operational information in order to understand your actual competitive situation
- Link and align related operational-planning solutions, for example, for customer relationship management, sales planning, and supply-chain-management demand planning
- Connect sales and marketing plans directly to financial plans and forecasts
- Measure performance and track strategy execution on all levels
- Analyze and adjust strategy execution to gain competitive advantage

PROACTIVE PERFORMANCE MANAGEMENT

SAP software resolves the process and technology challenges that prevent many organizations from managing performance proactively. And with embedded analytic functionalities that tie together strategy and execution, SAP software enables top-down and bottom-up organizational alignment.

Communicate Strategy and Measure Performance Effectively

With SAP software you can establish a globally synchronized key performance indicator (KPI) catalog with clear definitions and descriptions that suit your industry and unique business. No matter which KPIs you establish, they will reflect an accurate picture of your business, because the underlying data is drawn from a consolidated information repository provided by the SAP NetWeaver® platform.

Going beyond KPIs, SAP software employs the "balanced scorecard" approach to help decision makers at every level of the business understand performance in relation to established strategies and goals, such as those relating to product innovation, customer satisfaction, and operational efficiency. By using the SAP Balanced

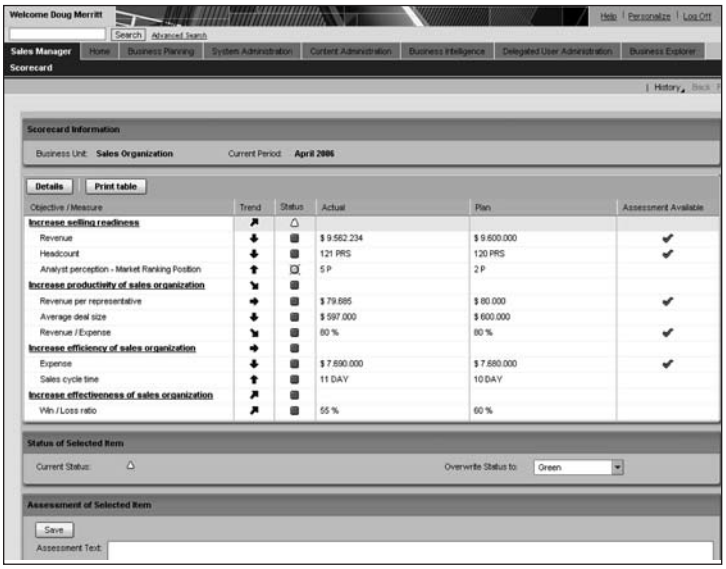

Figure 2: Using the SAP® Balanced Scorecard Application

Scorecard application, you can optimize the contributions that people, systems, and processes make to performance using an easy-to-understand interface. You simply select the metric you want to focus on, and the application helps you track progress and explore dependencies.

Armed with this consistent and reliable information about your performance against strategic goals, the SAP xApp™ Analytics composite application allows you to place specific insight within the business processes that most directly impact these goals. The tight integration of analytical and transactional functions enables both insight and action. Finally, SAP NetWeaver delivers unified business-process-management and business-intelligence functionalities that allow agile responses to increasingly frequent changes in today's dynamic value networks.

Understand Your Situation – Faster

With tightly integrated strategy formulation, consolidation and reporting, and robust enterprise-information-management functionalities, SAP software allows you to carry out statutory and management consolidation in concert, enabling you to close faster while fulfilling both internal – and external – reporting requirements. You save time with built-in consolidation logic and functional automation for elimination and consolidation. The graphical consolidation monitor gives you control over the entire process, including data collection, adjustment entries, allocations, and consolidation of investments. Critically important for global enterprises, SAP software supports a heterogeneous application landscape in even the most complex organizational structures, which is a critical consideration for global enterprises.

Formulate Effective Plans

SAP software can streamline the planning processes that contribute to effective strategies and decision making. The software supports multiple planning techniques, including calculation of accounts based on strategic planning, aggregation of results from operational planning, and calculations based on assumptions and business logic. As you formulate plans, SAP software allows you to create simulations and carry out complex analytical exercises, helping you to develop more accurate and effective plans.

Further supporting the operational side of the organization, SAP software makes planning capabilities available across the enterprise through Web-based applications and integration with Microsoft Office – promoting accuracy, accountability, and efficiency. Leveraging the interfaces that business users prefer, express-planning functionality eliminates confusing and disjointed planning spreadsheets. Users are guided through a collaborative planning process that systematically collects required information and automates many planning tasks. Through these easy-to-use interfaces, express-planning functionality increases participation and improves visibility, while shortening your planning cycle.

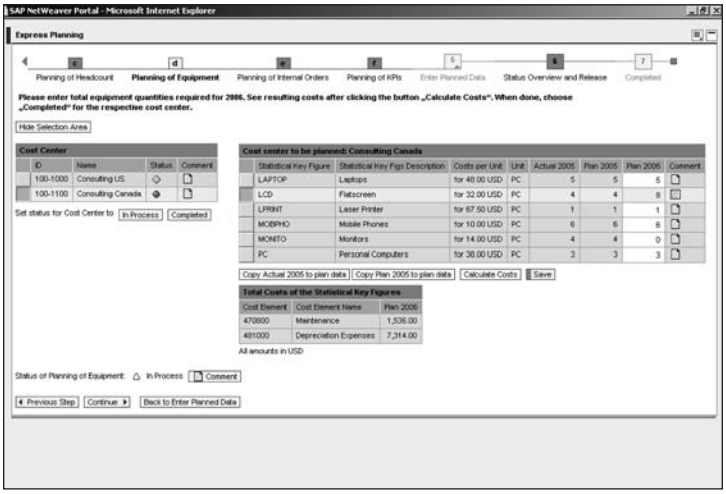

Figure 3: Planning with SAP® Software

Make Strategic Thinking Part of Daily Business – at Every Level

With CIOs striving to further empower business users, SAP software helps you get role-based access that lets multiple levels, even line managers, access the information necessary to measure performance relative to goals. Through proactive efforts or driven by alerts, they can adjust activities to move toward desired results. Going up the organizational ladder, your midlevel managers can see whether or not they are meeting group objectives. Then they can drill down into the operational factors that can contribute to poor operational performance – such as late raw material shipments or unplanned equipment downtime – and take action to resolve these issues. At the top of the organization, executives can access strategic and operational information and monitor responses. Because it is designed for ease of use, managers can leverage the powerful software with very little training.

Figure 4: View of Role-Based Portal

Track Performance to Gain Competitive Advantage

Performance information must be useful as well as accurate. SAP software delivers the easy-to-use graphical interfaces, alerts, and drill-down functionalities you need to monitor performance with KPIs and bring them together in powerful enterprise applications. You can explore "what-if" analyses from intuitive management dashboards that allow on-screen adjustment of parameters. Importantly, SAP software makes consistent KPIs available across the organization. With a common view into performance, you gain a better understanding of performance metrics without having to master complex reporting tools.

Figure 5: SAP® xApp™ Analytics in Action

ALIGNMENT OF EXECUTION TO MEET STRATEGIC OBJECTIVES

By exploring an example of the software in action, you can gain a more tangible understanding of how SAP software that enables performance management can help your organization stay aligned with strategic goals even in the face of unanticipated events.

Consider this example: While preparing a monthly sales report, the corporate controller of a computer hardware manufacturer notices a slight decrease in corporate sales. The corporate controller immediately drills down and identifies the affected region, business unit, and business segment. Drilling deeper, the controller quickly spots the cause of the issue: a problem with the quality of parts received from a supplier negatively impacted quality-related returns, customer satisfaction, and sales.

By using the appropriate KPIs and analytics, managers within affected business units are able to alter – and resolve – the problem even more quickly. First they source parts from another supplier. Then they offer customers free upgrades to more reliable products until the production of the affected product returns to normal. Using the software, the managers have Web-based intuitive express-planning capabilities that make it easy for them to communicate the change in sales tactics to the sales force and update sales plans – fast.

Rather than having to undertake a lengthy investigation of the problem, the corporate controller is able to evaluate the managers' solution thoroughly using the balanced scorecard approach. Thanks to the managers' ability to quickly alter and resolve the problem, the CFO is satisfied that the organization remains on track to meet its overall sales goals.

SAP SOFTWARE: THE RIGHT CHOICE FOR PERFORMANCE MANAGEMENT

To thrive, your business needs to develop effective strategies, align operational and financial processes with them, and ensure the organization is able to make smart decisions that support the strategies. You must also be able to continuously and proactively measure performance so that you can adjust execution intelligently. With SAP software you have an enterprise framework that keeps your organization's performance on track. SAP software enables you to do the following:

- Develop and communicate actionable strategies
- Make decisions that drive profits and competitive advantage
- Monitor performance proactively
- Align plans with operational needs
- Pinpoint and correct problems faster

Get started today. If you're a new customer, SAP software can help you leverage your data and processes using your existing systems. If you already run SAP software, you can enhance your benefits by adding new performance management functionalities that improve business visibility and support better decision support for all employees. To find out more, visit us on the Web at **www.sap.com/analytics** or call your SAP representative.

POWERED BY SAP NetWeaver

SAP software is powered by the SAP NetWeaver platform. SAP NetWeaver unifies technology components into a single platform, allowing organizations to reduce IT complexity and obtain more business value from their IT investments. It provides the best way to integrate all systems running SAP or non-SAP software.

SAP NetWeaver also helps organizations align IT with their business. With SAP NetWeaver, organizations can compose and enhance business applications rapidly using enterprise services. As the foundation for enterprise service-oriented architecture (enterprise SOA), SAP NetWeaver allows organizations to evolve their current IT landscapes into a strategic environment that drives business change.

www.sap.com/contactsap

THE BEST-RUN BUSINESSES RUN SAP™

50 080 503 (06/08) Printed in USA.

© 2006 by SAP AG. All rights reserved. SAP, R/3, mySAP, mySAP.com, xApps, xApp, SAP NetWeaver, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and in several other countries all over the world. All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary. Printed on environmentally friendly paper.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.