



***Analytics-based  
Enterprise  
Performance  
Management***

***By Gary Cokins***



### **About the Course (5 min)**

#### **Overview of ABEPM (20 min)**

- *Who Will Benefit From This Presentation?*
- *Fundamental Questions*
- *What Do These Companies Have in Common?*
- *What is the Life-span of Big Companies*
- *Volatility and Uncertainty*
- *Drowning in Data But Starving for Information*
- *Articulating Information Needs for Impact*
- *Articles: Strategic Finance Magazine*
- *Confusion and Lack of Consensus about EPM*
- *What is Enterprise Performance Management?*
- *Long-term Trends in Government*
- *What Has Caused Interest in EPM?*
- *How Does it All Fit Together?*
- *EPM's Three Major Components*

#### **The Rise of Business Intelligence & Business Analytics (21 min)**

- *Why is Business Analytics Needed?*
- *Questions about Competition?*
- *Problem: Generic Strategies Are Vulnerable!*
- *Confusion & Lack of Consensus about BA*
- *Work Backwards with the End in Mind*
- *Improving Performance by Unifying EPM and BA*
- *Business Analytics Insights and Actions*
- *Common Statistical Terms*
- *Which X is Most Likely to Y?*
- *From Data – BI Reporting – Models & Predictions*
- *What Pressures Cause Interest in Business Analytics?*
- *Examples of Analytics*
- *There are Many Business Analytics Domains*
- *Business Analytics is More Than Data Mining*
- *Reactive (Descriptive)*
- *Reactive Proactive*
- *How Do Forecasting and Predictive Modeling Differ*
- *Article: Changing the Past to See the Future*

#### **Strategy Formulation & Strategy Management (22 min)**

- *What Has Caused Interest in EPM?*
- *When Dilbert Jokes About It, It's Mainstream*
- *Executives Most Concerned about Executing Strategy*
- *Vision and Mission Statements*
- *Generic Strategy Map Architecture*
- *Example of a Strategy Map*
- *Strategic Objectives: Part 1 – 3*
- *Who Does What?*
- *The Key to Scorecards*



## BA-07: Analytics-based Enterprise Performance Management

- *Scorecard Lessons Being Painfully Learned*
- *What is the Difference Between KPI's and PI's*
- *What Measures Matter? KPI Correlation Analysis*
- *Using Correlation Tool*
- *Arrows Thickness Reflects Explanatory Power*
- *Sample Strategy Map*
- *What Are BSC's Organizational Behavior Patterns?*

### Fact-Based Data with Managerial Accounting (78 min)

- *What Has Caused Interest in EPM?*
- *Book: Activity Based Cost Management*
- *Six Eras of Managerial Accounting*
- *Here is Part of the Problem*
- *Cokin's IFAC.org Taxonomy of Accounting*
- *Direct and Absorption Costing*
- *Activity-based Costing*
  - A Simple Explanation
  - The Need for Tracing, Not Allocating Costs
  - The Primary View of Most Managers
  - The General Ledger View
  - Each Activity Has Its Own Cost Driver
  - The ABC Cross – What Questions Are Answered?
  - Multiple-Stage Cost Flowing
  - ABC/M Cost Assignment Network
  - ABC/M Cost Assignment Network (Imputed CoC)
  - Results of a Better Costing Method: Part 1 & 2
  - Activity Costs “Pile Up” into Outputs
  - Combined ABC and Project Accounting
- *Time-Driven ABC (TDABC)*
  - Conditions Where TDABC is More Useful than ABC
  - TDABC Costing Method Versus ABC
- *Lean Accounting*
- *Rapid Prototyping with Iterative Remodeling*
  - Balancing Levels of Accuracy with Effort
  - Offsetting Error
  - Identifying Sources of Diversity
- *Senior Managements Benefits Vs. Costs Test*
- *ABC Provides the Data for ABM*
- *The Vertical View of Assigning Costs*
- *The Horizontal View Sequencing Costs*
- *Value Stream Mapping*
- *CAM-I ABC Cross Expanded*
- *Time-Phasing ABC into ABM*
- *An Example of Unitized Costs*
- *Attributes*
  - Activity Analysis for Process Improvement
  - ABC's Attributes Can Suggest Action
- *Cost of Quality (COQ)*
  - Sales – Costs = Profits



## **BA-07: Analytics-based Enterprise Performance Management**

- Typical Examples of Cost of Quality Components
- Getting Efficient with Conformance Related COQ
- *ABC's Organization Behavior Barriers: Part 1 & 2*

### **Customer Profitability and Value Management (34 min)**

- *What Has Caused Interest in ABPM?*
- *CEO Concerns Confirm this Understanding*
- *Value of Company = f(Value from Customers)*
- *Below-the-line "Calculated" Costs?*
- *What About Costs Below Product Costs?*
- *Costs From Sales and Marketing are not Products*
- *The Perfect Storm*
- *Two Types of Customers*
- *ABC/M Profit Contribution Margin Layering*
- *ABC Customer Profit & Lost Statement*
- *Migrating Customers to Higher Profitability*
- *Customer Sales Volume Vs. Profits*
- *Evidence of Impact from ABC*
- *Revenue Management (RM)*
- *Why Are Some Customers More Profitable?*
- *Recursive Partitioning / Decision Trees*
- *Rapid Prototyping with Iterative Remodeling*
- *Benefits from ABC/M Rapid Prototyping*
- *A Shift in the CFO's Emphasis*
- *Optimizing Customer Value: "Smart Sales Growth"*
- *Improve the Value Mix of Customers*
- *A Financial View is Not the Only Consideration*
- *Actions to Make Customers More Profitable*
- *Supply Chain Costing*
- *Supply Chain Trading Partner Relationships*

### **The Shift to Predictive Accounting for Budgeting and Planning (32 min)**

- *What Has Caused Interest in EPM?*
- *Budgeting Problems Quiz*
- *Spreadsheet Budgeting – It Is Incremental*
- *Match the Budget Method to its Category*
- *Non-recurring Expenses: Strategic Initiatives*
- *Recurring Expenses: Future Volume & Mix*
- *Operations Resource Capacity Planning*
- *Predictive Accounting: Part 1 & 2*
- *Marginal/Incremental Expense Analysis*
- *Capacity Only Exists As Resources*
- *Predictive Accounting*



## **BA-07: Analytics-based Enterprise Performance Management**

- *Risk Assessment Grid*
- *Matching the Budget Method to its Category*
- *Linking Strategy and Risk to the Budget*
- *Key Concepts and Definitions*
- *Don't Treat Forecasting as a Special Event*
- *Refreshing the Rolling Financial Forecast*
- *Why Rolling Financial Forecast?*
- *Migrate from Annual Budgets*
- *Analytics: Probabilistic Planning Scenarios*
- *Disarming Competing Operational Measures*
- *CAM-I Capacity Model*
- *Predictive Accounting Information Flow*
- *Resource Capacity Planning and Costing*
- *Methods of Forecasting*

### ***Accelerating the Rate of Adoption for Implementing EPM (32 min)***

- *How Does It All Fit Together*
- *EPM is Circulatory and Simultaneous: Part 1 & 2*
- *Two BA Views: Hindsight and Foresight*
- *Drowning in Data But Starving for Information*
- *The Intelligence Hierarchy*
- *The Analytical Spectrum*
- *Slow Adoption Rate*
  - *The Analytical Spectrum*
  - *Remove the Wall Between IT & Users: Part 1 & 2*
  - *Slow Adoption Rate*
  - *Organizational Behavior Barriers: Part 1 – 3*
  - *Typical Excuses Preventing Being Progressive*
  - *Overcoming Resistance to Change*