Outdated accounting procedures based on standard cost methods can derail successful lean business transformation efforts. To sustain the radical improvements they have made in their business processes and avoid undermining the new processes, lean enterprises must align their procedures and technology for managerial and financial accounting with their lean enterprise processes.

Traditional measures of performance based on variance analysis and overhead absorption cannot provide the information financial and operational managers need to control the lean business.

The SAP® BusinessObjects™ Profitability and Cost Management application supports value stream performance management using lean accounting principles for enterprise-wide managerial and financial reporting. The application can help a lean enterprise produce financial statements written in plain English that provide accurate information on value stream costs. In addition to improving overall decision making, the software helps managers focus on improving cash flow, reducing inventory, and building only to actual demand.

You can implement and use SAP BusinessObjects Profitability and Cost Management at any time during a lean transformation – even prior to your organizational changes. The application integrates easily with Microsoft Office and other third-party reporting and analysis tools and is designed to work across multiple enterprise resource planning (ERP) solutions and data sources.

### Comprehensive Lean Accounting Support

Having the right information – at the right time – in a financial statement is critical to making business decisions that are both smart and timely. SAP BusinessObjects Profitability and Cost Management supports simplified managerial value stream cost reporting for users across the enterprise. It can help your organization operate appropriately in the most challenging business environments.

The application uses lean performance metrics – such as cycle time, cell staffing, order size, and space – to model consumption of resources by each value stream. You can create scenarios that model changes in throughput, sales volume, pricing, and costs at any business level and evaluate the impact on total value stream profitability.

Many companies with successful lean enterprise transformations struggle to develop meaningful costing and value stream performance measurements. The SAP® BusinessObjects™ Profitability and Cost Management application provides the “lean accounting” tools for relevant, timely information that promotes lean behavior.
Instead of relying on offline analysis and inefficient accounting methods, you gain access to on-demand reporting and analysis that provides a distinct competitive advantage. The application can help you identify areas where focused, continuous improvement can eliminate waste or high-cost activities and facilitate proactive problem solving. It also gives you the ability to:

- Slice and dice data and analysis results, create charts, drill down from summary views to detailed cost data, and link to related models
- Perform on-demand queries and what-if analysis using reliable, Web-accessible data
- Maintain data in a central repository for greater efficiency and control

SAP BusinessObjects Profitability and Cost Management encourages lean thinking through value stream “box score” reporting. This includes productive, nonproductive, and available capacity reporting – as well as total cost and profitability reporting and actual modeling. The software encourages small lot sizes and short setup times by recognizing the true impact on value stream costs. It also recognizes the cost of excess inventories and encourages lean processes.

User-Friendly, Rapid, and Efficient Modeling
SAP BusinessObjects Profitability and Cost Management can help you create analytical models that truly reflect actual and direct value stream cost and profitability with little or no allocation of overhead expenses. And you can easily maintain and update these models to meet changing business circumstances.

The application fully supports what-if scenario modeling to help you clearly understand the impact of changing business conditions on overall value stream profitability. It provides a holistic view of organizational performance based on the productivity and profitability of lean processes or value streams – as opposed to the standard cost, product-centric view provided by most ERP applications.

SAP BusinessObjects Profitability and Cost Management supports actual costing of the value stream with advanced modeling features that assign costs of shared monuments to the value stream based on resource consumption logic. The application supports product rationalization decisions by identifying the true financial impact on profitability of the overall value stream of adding or deleting products. The software can help you analyze the true profitability of sales channels, customers, and customer groups as well as profitability from innovation.

The models distinguish between resources (such as people and equipment) that are generally fixed for particular time periods and resources (such as material and energy) that vary with volume. You can model the bottleneck capacity of the process steps within value streams and predict the true impact on profitability of additional value stream demand and process improvements.

Building models is simplified by a user-friendly interface that offers “point-and-click” default assignments and reassignments in a predefined multidimensional structure with unlimited attributes. An adaptable rules engine helps you model complex situations across multiple periods and versions.

Scalable, Enterprise-Class Solution
SAP BusinessObjects Profitability and Cost Management is a Web-based application with scalability to meet the business requirements for both single-site implementations and global deployments. It is flexible enough to meet even highly complex analytical requirements.

You can model complex value streams with feeder lines, shared resources, and significant utility costs – using a combination of multidimensional and relational data structures – without compromising the accuracy of your information. You can leverage an existing Web infrastructure to deploy the application across your enterprise for a quick and cost-effective implementation.

Unique Web-based forms and integrated work-management functionality optimize the collection and reporting of nonsystem data for local and remote users. Web-based data entry and reporting speed remote deployment, minimize training, accelerate user adoption, and increase productivity. The advanced technology in SAP BusinessObjects Profitability and Cost Management also makes it possible to:

- Integrate with global offices using multicurrency and multilingual functionality
- Facilitate configuration and enterprise security and access processes with time- and date-stamped audit-trail functionality
• Replace local models distributed throughout the organization with centralized model administration and maintenance over the Web
• Export multiple-level results to third-party databases and enable high-volume account and transactional processing

**Business Benefits**

SAP BusinessObjects Profitability and Cost Management supports lean enterprise transformation by helping decision makers understand how customers contribute to costs. It can also help decision makers determine how to grow the business, reengineer products, and improve sales processes. By having visibility for all value stream costs, you can more effectively negotiate long-term contracts that define pricing and replenishment agreements with key customers, for example, to eliminate costly transactions involved with sales orders, purchase orders, receiving, invoicing, and three-way matching processes. This can produce savings for both you and your customers.

The application can boost confidence in the accuracy and integrity of managerial costing reports. Your organization can advance from producing reports based on standard cost variance to plain-English, profit-and-loss statements that all associates in the customer value stream can easily understand. Managers can more readily translate good ideas into action using the software’s collaborative tools, what-if analytical functionality, and support for updating and sharing models in real time.

Within a single application, SAP BusinessObjects Profitability and Cost Management enables value stream performance management with functionality that goes beyond costing and profitability reporting. You can accurately account for the actual costs of shared services such as IT and HR without allocating those costs to the value streams. You can also account for nonrevenue-generating value streams – such as new product development and introduction.

The application lets you drill down to the details of costs anywhere in the value stream model. Value stream managers can isolate costs under their control from costs for shared services. There is complete transparency for actual shared services costs, which are no longer buried in overhead rates, making shared-services departments accountable to the enterprise as a whole, resulting in higher efficiency.

Additional benefits include a more accurate picture of product costs for a given period based on actual value stream material and conversion costs. Conversion costs can be assigned to products and product families according to simple rules that you define – such as total product cycle time or the amount of time a product consumes of a bottleneck resource.

Features such as these provide a more complete understanding of what drives organizational costs and are based on lean accounting techniques that generally require fewer transactions than are required in standard costing systems.

The software also lets you rapidly reforecast future profitability by updating your value stream data and aligning operational capacity with demand.

Because SAP BusinessObjects Profitability and Cost Management minimizes the need for significant manual maintenance of spreadsheet models, it can reduce your total cost of ownership and improve the return on your technology investments.

**SAP BusinessObjects enterprise performance management (EPM) solutions**

SAP BusinessObjects Profitability and Cost Management is part of the SAP BusinessObjects enterprise performance management (EPM) solutions – a comprehensive set of solutions that help your company capitalize on the value of your existing data assets. With these solutions, your organization becomes more agile, gaining organizational alignment, visibility, and confidence to give you optimal control and competitive advantage. These solutions can integrate with the SAP Business Suite applications; SAP BusinessObjects governance, risk, and compliance solutions; SAP BusinessObjects business intelligence solutions; and SAP BusinessObjects information management solutions. As a result, you can maximize business profitability, manage risk and compliance, and optimize corporate systems, people, and processes.
Summary

The SAP® BusinessObjects™ Profitability and Cost Management application can give you a deeper understanding of the variables that affect cost and profitability in your organization. You can use the software to identify underlying causes of underperformance, test potential impacts of business changes, and take incisive action to reduce costs and optimize profitability for various value streams, products, customers, and distribution channels.

Business Challenges

- Improve visibility into true value stream cost and profitability
- Enhance the efficiency of cost reporting to promote lean behavior
- Develop accurate product costs based on actual value stream costs for the period

Key Features

- Plain-English value stream profit-and-loss reporting based on lean accounting principles
- Informed decision making that optimizes value stream and customer profitability
- Assignment of actual costs directly to the value stream to improve decision making across the enterprise
- Accounting for shared services that provides enterprise-wide cost accountability
- On-demand, what-if scenario analysis to determine the impact of offshoring, product rationalization, or changing business conditions on value stream profitability
- Dynamic monitoring of the drivers for cost and profitability

Business Benefits

- Optimized costs and profitability, thanks to a detailed understanding of multidimensional drivers such as value stream, customer, and distribution channel
- Improved alignment by matching operational capacity and support with effective execution of strategy
- Incisive decision making through rapid identification of the causes for changes in cost and profitability and testing of the impact of potential adjustments

For More Information

Call your SAP representative, or visit us online at www.sap.com/sapbusinessobjects/epm.