

Implementing Performance Management and Control Systems: Enterprise Systems Perspective

Executive Summary

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This study investigates the role of enterprise systems in implementing performance management and control systems, particularly controls imposed by the Sarbanes-Oxley Act and similar Canadian regulations. The types of performance management and control systems, the role of enterprise systems in their implementation, and the associated challenges and benefits are examined.

A mail survey of 1,568 members of FEI Canada was conducted in close collaboration with the Canadian Financial Executives Research Foundation (CFERF), and a link to an online version of the survey was also posted in two *FEI Newsletters*. A total of 109 responses were received (103 by mail; 6 electronically). Five-point response scales were used for the main questions that examine the extent to which various control systems and practices are used. The scale values are as follows: minimal (1), some (2), average (3), moderate (4), and great (5) extent. The “non-applicable” (NA) option was also provided.

An overall profile of respondents and highlights of results are as follows:

Profile of Organizations and Respondents

- The average (median) number of employees in organizations is 600.
- Fifty-one percent of organizations are public companies.
- Seventy percent of organizations have implemented at least some modules of Enterprise Resource Planning (ERP) application software.
- Eighty-six percent of respondents are senior financial officers, with major responsibilities for accounting, finance, and controllership functions.
- Seventy-three percent of respondents have at least a moderate degree of responsibility for enterprise systems planning.

Performance Management and Control Systems

- The most extensively implemented performance management and control practices are “control activities” and “performance reporting”, with approximately two-thirds of organizations having implemented both to a moderate or great degree.
- The least frequently implemented practices are “planning”, “risk management”, and “control assessment”, with slightly in excess of one-fifth of organizations having completed only a minimal or some degree of implementation of each of these practices.
- The most widely implemented specific practices in all categories, with at least 50 percent of organizations implementing them to a moderate or great extent, are the following:
 - (a) **Planning**—financial planning, operational planning, and strategic planning;
 - (b) **Control Activities**—comparing actual and targeted results, authorizing expenditures, protecting systems integrity, segregating duties, and reconciling expenditures;
 - (c) **Performance Evaluation**—evaluating operational performance; and
 - (d) **Performance Reporting**—reporting to management, reporting of board of directors, and reporting to regulators.

Role of Enterprise Systems

- The most commonly used enterprise systems features are “integrated master data” and “advanced reports”, with 34 percent and 29 percent of organizations using them to a moderate or great extent, respectively.
- The least used features are “employee self-serve” and “workflow automation”, with 45 percent and 42 percent of organizations using them only to a minimal or some extent, respectively.
- Enterprise systems are most useful for “performance reporting” and “control activities”, with 44 and 43 percent of respondents indicating a moderate or great degree of usefulness, respectively.
- Enterprise systems are least useful for “risk management”, “planning”, and “control assessment”, with 44 percent, 39 percent, and 38 percent of respondents indicating only a minimal or some degree of usefulness, respectively.

Implementation Challenges

- Thirty-six percent and 40 percent of organizations encountered some “technical challenges” and “financial and resource challenges” at least to a moderate extent.
- Twenty-eight percent of organizations encountered “management and cultural challenges” at least to a moderate extent, but an equal number also only to a minimal or some extent.

- The “lack of coordination among existing systems” and the “high cost of consultants” were the most widespread specific challenges, with 51 percent and 54 percent of organizations encountering them at least to a moderate degree, respectively.

Implementation Benefits

- Fifty-nine percent, 48 percent, 50 percent, and 44 percent of organizations have achieved operational, strategic, governance-related, and behavioural benefits to a moderate or great extent, respectively.
- The most widely experienced specific benefits that at least 50 percent of organizations achieved to a moderate or great extent are the following:
 - (a) Operational**—operational efficiency, process efficiency, information systems efficiency, quality of work produced, coordination of activities, and quantity of work produced;
 - (b) Strategic**—improved financial performance, improved non-financial performance, and attainment of strategic objectives;
 - (c) Governance**—accountability to stakeholders and regulatory compliance; and
 - (d) Behavioural**—effective decision making and employee performance.

Conclusion

Most organizations have implemented various performance management and control practices, with control activities and performance reporting having been implemented to the greatest extent. On the other hand, control monitoring, control assessment, and risk management may still be in the process of being implementing in some organizations. Enterprise systems, particularly the integrated master data and advanced reporting features, have played key roles in these implementations. Nonetheless, organizations have experienced technical, financial/resource, and managerial/cultural challenges, most notably the lack of coordination among existing systems and the high cost of consultants. On a positive note, many organizations have achieved, or could potentially achieve, various operational, strategic, governance-related, and behavioural benefits, with operational benefits being the most prevalent benefits. Many organizations appear to have successfully overcome their challenges and are already reaping benefits, while others remain optimistic regarding potential future benefits.

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