

Fortune favours the brave

Accepting that your management information is not to be trusted is one thing – doing something about it is something else. ICit Business Intelligence's Mark Bodger explains that it takes a courageous FD to challenge the status quo and embark on a strategic overhaul of a company's data.

Improving decision making to increase company profit is a key objective of every finance director. The first challenge is to understand how the business is truly performing and this requires a trusted source of information, one that has been defined, cleansed and made readily available to decision makers.

The best way to illustrate how the challenge can be overcome is by reference to a successful case study. ICit, a leader in business performance management solutions, recently completed a decision support solution for a multi-million pound travel business. Following the appointment of a new FD, the first priority was to understand the trading account of a 'high volume low margin' travel business. Profitability hung precariously on the right mix of product, price and promotion.

Role of the accountant

Following ICit's recommendation to select the TM1 OLAP server solution from IBM Cognos, the next step was to analyse the financial records. The finance team were trained to use TM1 and then set to task, not only to reconcile the trading account, but to analyse performance by product, sales channel, country, day of the week and whether the order was via a travel agent or the web.

The FD's insistence that the trading account had to be reconciled and understood before rolling out a new decision support system was critical. The complexity of the data cleansing exercise (from four separate operational systems, a ledger system and a data warehouse) meant that the team from finance and IT, supported by an ICit consultant, spent several days unravelling the cost of sales attributed to specific products in specific markets. However,

once the exercise was complete, the margin information then formed the bedrock of the decision-making process.

Business performance management

By improving the data quality, the FD then had the confidence to roll-out the solution to the business. By combining budget data and detailed performance data, together with a graphically rich interface, decision makers had instant access to the latest performance figures.

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While the solution cannot be credited for the turn around in business performance alone, it has certainly energised the members of the Board and increased their confidence in the data that is presented. From trading at a small loss to year-on-year profit growth in the last two years is testament to the view that better information does lead to better decisions and better performance.

Operational analytics

Following the success of the project, the FD is looking at different ways to extend the use of IBM Cognos TM1 across the



business. Given the economic uncertainty facing many businesses, more analysis and better insight is required more than ever. Current plans include using the product to analyse foreign currency exposure and call centre team performance. A combination of bravery, technology and choosing an implementation partner that has the right blend of financial accounting and excellent product knowledge contributed to the success.

'Before introducing the IBM Cognos TM1 solution our sales analysis could take three days to complete. This was too slow and hindered our ability to make informed decisions about marketing promotions and product pricing. The new system gives daily analysis of product sales and margin mix. We can now make tactical decisions and test marketing promotions in real-time,' states the FD.

Businesses, led by the FD, should grasp the nettle and ensure that management have the relevant (and timely) data available so they can make the appropriate business decisions. ■

Further information

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