

What's going on with your business?

Are you flying blind?



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Times are challenging for company leaders and we are currently seeing many articles that advise us how to tackle issues caused by the economic crisis. The messages are very clear, focus on what really matters, keep a close eye on cash flows, do small but effective strategic investments in people and processes and certainly eliminate any kind of waste you are carrying with you.

After understanding generic activities that CEO's can do to address the current business challenges, some more questions arise: Where do I start? How can I take a closer look? Where am I leaking cash? Where do I lose opportunities to move myself in a better position?

Certainly we can walk around in our companies and ask the middle management how they see the situation and how we can improve. This is one important step but leaders need to understand the biases in the information they receive. Middle management often doesn't have the full picture of all activities the company is doing and also their personal objectives are often not inline with the overall company objectives. As a result, there is a high chance of not identifying all potential opportunities if a

CEO relies on 'human' sources of information only. This can be likened to an airplane pilot who is flying without instrumentation or "flying blind".

Therefore, leading companies analyze different classes of management reports on a continuous basis and use the resulting business insights to determine the agenda of management meetings. Especially now in crisis times it's important to use concrete numbers to prioritize activities and base major decision on a clear and objective view about what's really happening on the ground.

Unfortunately, in reality only few companies really manage to draw sufficient insight from their internal data sources. Even companies who invested heavily in information systems often still can't obtain reliable information about key business value drivers, process performance or status of business improvement initiatives.

So, how can company leaders make more use of their available data to help them steer their businesses successfully during the crisis? Are there any short term wins that can be realized?

I. Mine your AP and AR transaction data to identify short-term opportunities for value creation

You don't need to have a beautiful data warehouse to learn key insights that trigger business improvements. A data dump of the transaction data from your ERP system, some Excel Vlookup's combined with Pivot analysis can often give a good idea of inefficiencies in the business.

For instance, analyzing spending transaction data from the AP system to identify opportunities for strategic sourcing (e.g. vendor consolidation, volume pooling, e-auctions) can lead to 5-10% cost savings for procurement of indirect materials and 1-5%



cost savings on direct materials.

Another interesting area is to look closer into process efficiency figures such as invoicing times, lead conversion rates, capacity utilization of internal service functions, etc.

One advantage of doing a 'one-time' mining activity is that it provides a good picture of what numbers should be monitored on a continuous basis. These numbers can then find their places in regular management reports.

II. Clean up your management report landscape - fill gap's and focus on what really matters

Governing the effectiveness and efficiency of a business requires much more than looking at the consolidated financial statements after month end closure. That's why many businesses leaders read a variety of reports at least on a monthly basis.

However, a typical problem that we see in many

corporations is that there are many reports with lots of information available, but the really important information is either missing or hard to find.

Typical reasons are the following:

- Reports often focus on data and information rather than business insight
- Reports typically focus on the normal case rather than exceptions
- Reports lack critical business ratios or data comparisons that give an indication of not only how the business has been running (*lagging indicators*) (e.g., sales per salesman) but also may give insight into how the business will perform in the coming month, quarter or year (*leading indicators*) (e.g., proposals in progress per salesman)
- Some key data is not tracked or not shared between individual operating units so that end to end process success can't be measured, e.g. Lead Source -> Customer Segment -> Sales Conversion -> Customer Satisfaction

- Usability of reports is not optimized or reports simply contain too much data
- Poor governance of data capture which leads to inaccurate information



In terms of technology, the improvement areas listed above often can be addressed quite pragmatically. I have seen many cases where we could increase the transparency on key business aspects significantly by just combining information from different databases into one Excel sheet to obtain the picture of the end to end process performance. And certainly there are many data warehouse solutions available in the market that do a decent job in drawing data and displaying them in a nice format.

However, getting the right business insight to the right stakeholder is not a technology issue! The key to success is (and this is where your IT department probably can't help) to really understand what information and insight are needed to steer your business successfully. And this brings us back to key business value drivers and process metrics that we must take a very close look to create value even in crisis times.

Kinds of information that should be available to company leaders:

- Status and trends of key business value drivers often defined in a balanced scorecard or in any form of exception reporting for top management
- Operational efficiency data including key process governance metrics such as average invoicing time, contract lead times, spending volume per vendor, etc
- Business results including key financial figures such as Sales, Profit, Cashflow, etc
- Status and benefit realization information of business improvement or business development initiatives