Centralize, Standardize and Simplify

A Quick-Reference Case for an Enterprise Data Warehouse Approach to Finance and Performance Management

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"Conservative accounting" is in again. Gone are the days of looking at unrealistic growth projections or innovative accounting techniques. The "crash and burn" of Enron killed that period and ushered in the Sarbanes-Oxley Act which legislated penalties and jail time for executives who failed to report their financials appropriately. It's back to basics. The emphasis today is on what a company's real bottom line earnings are, an emphasis that makes understanding earnings more important than ever.

Compounding the push for finance organizations to produce faster and more in-depth analysis is the seemingly contradictory demand for those same organizations to cut costs and people. However vital they may be, finance organizations are essentially viewed as overhead – just another cost center that is forced to become leaner. CFOs are being asked to do more with much less. To meet this challenge, they must radically change the means by which they provide information to the business. Finance organizations must provide better information in real time, helping the business to quickly identify changes in the marketplace and adapt accordingly. Unfortunately, disparate financial systems with widespread sources of data can make this challenge seem insurmountable.

It is a dramatic situation – and the enterprise data warehouse (EDW) is emerging as the optimal platform to drive business improvement. Companies that use an EDW for financial management have shortened their close cycles, reduced overhead, tightened expenses, reduced inventories and provided managers across the business with the fresh, accurate information needed to quickly make better strategic and tactical decisions.

The issues of information credibility, quality, timeliness, and accuracy have never been more critical to financial management and reporting. In this light, the option of centralizing all enterprise information on an EDW is attractive – yet the scope of the implementation can seem daunting. Thus, some companies adopt alternatives to an EDW that on the surface seem more expedient. What are these alternatives?

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Enterprise Resource Planning (ERP) systems are transactional systems through which global business processes can be harmonized. However, ERP systems are not designed to meet *analytical* needs of the business. Once reporting becomes even mildly complex, operational performance falters. Moreover, rare is the company that has only one ERP system covering its entire informational framework. Consequently, a second foundation is still required to support enterprise analytics.

Point solutions have arisen to provide deeper analytics into select business processes. For example, companies have implemented **Supply Chain Management** (SCM) tools and initiatives to better manage vendor interactions, and **Customer Relationship Management** (CRM) to optimize profitable customer relationships. These, coupled with numerous operational systems, create a web of applications that contain critical data about business performance, yet many of these applications do not efficiently and effectively 'talk to each other.' Consequently, they may deliver conflicting views of the business.

A new suite of applications – **Business Performance Management**, **Corporate Performance Management**, and **Balanced Scorecards** – have entered the marketplace promising to help executives proactively manage the business by providing a 'central' or single view of all enterprise data. A robust performance management solution can not only link disparate points of an enterprise, it can help a business better align its functions with its corporate objectives. But can such applications succeed independently?

There is still a problem here, and it's the reliance upon an assortment of financial data marts. Many of the problems finance managers are faced with – including the inability to forecast accurately, plan properly, and report efficiently – are rooted in the fact that the company's data is often stored in separate silos across the enterprise. On the one hand without a Business Performance Management application, silos cause "disjointed spreadsheet mania," making even the most common business tasks frustrating and suboptimal. Alternatively, with a Business Performance Management application, silos create a sourcing nightmare which often dooms the long term viability of the application.

Why the financial system is the logical place to build an EDW – and how to start

Measurable business value is derived from centralizing, standardizing, and simplifying data. From a centralized data repository – the enterprise data warehouse (EDW), data is readily available to decision-makers across the enterprise, providing an integrated, single view of the business. It allows for tops-down and bottoms-up navigation across all performance management applications – built on a uniform data model.

According to META Group, the move toward an EDW is the preferred approach. META analyst Charles Garry wrote in February 2004, in *The Evolving Enterprise Data Warehouse Market: Part 2*: "Fueling the growth of the EDW market is not just the perception that a centralized analytic infrastructure could be built, but also the growing acceptance that such an environment should be built."

A company's financial management system is a logical place to start building an EDW, since it is the primary lens through which business results are realized. Financial intelligence drives decisions that *affect the entire business*, and for optimal credibility and utility, it must be quickly compiled from *across the entire business*. Second, financial data significantly increases the value of other data in the warehouse. Customer order data in itself may be valuable; but when shown in the light of its bottom-line impact it is much more valuable.

By building an EDW around financial data, you can quickly capture your up front investment through more efficient reporting and improved expense management. The automatic integration of data eliminates the need to manually integrate multiple spreadsheets and reduces inconsistencies and manual errors. Resources are then freed up to use the newly available detailed financial data to better understand what is driving expenses – and to help management identify ways to reduce those expenses.

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The dual technical and business value of the EDW may not be completely intuitive for the finance organization. That is where the Information Technology Services (ITS) leadership can help. They can articulate the technical and business case for an EDW in a context that clarifies its value to astute financial system users.

Contrast the analytical environments without, and with, an EDW. Without an EDW, financial analysts typically have to make a request to ITS for structured reports that provide answers to new business questions as they arise. Such reports often require the CFO or analysts to wade through the backlog and the project prioritization of ITS – a process that delays access to answers. With an EDW, user-analysts have a reliable, central source of enterprise-class data and a flexible reporting framework – where they can empower themselves to quickly create the new reports they need without having to build new requirements for ITS to develop.

Once there is a common understanding of the value of the EDW platform, ITS should actively partner with the finance organization to drive clear requirements and expectations. Finance needs ready access to the means to answer important business questions. ITS specialists understand data element sourcing, however, business users know what the data elements mean – and the rules they must abide by in order to have meaning. Together their collaboration can establish a robust and productive EDW foundation.

Benefits of an EDW-based financial management solution: an overview

Most finance managers recognize that the cross-sectional, cross-functional view of data that an EDW can provide has enormous utility and value. Yet they ask "How can I quickly realize value out of the EDW?" Let us count the ways:

> **Controllership**, where an EDW optimizes the consolidation process by helping to pinpoint manual adjustments that can be automated or eliminated, shortening the close cycle. With the use of an EDW, companies have reduced the time it takes to close their books by as much as 50%.

> **The planning process**, by increasing forecast accuracy, improving cost management, recognizing spending trend shifts, and improving profitability analysis. An EDW serves as a single source of 'actuals' and prior year results from all systems, and makes them available to planners at any time for analysis on any dimension. Analysts can drill down to see detailed transactions which may drive variances.

> **Financial modeling**, where advanced analytics forecast based on detailed data. Analysts see how reorganizations could affect the bottom line, how a divestiture might impact earnings, or what an acquisition might do for company performance.

> **Profit and loss management**, using detailed expense data. Alerts can identify spending pattern changes. Having detailed information around travel and entertainment spending can facilitate more effective negotiations with air and hotel vendors. The possibilities for improvement are profound.

> **Accounts receivable management**, by providing a complete view of open receivables, to more quickly identify trends around customers or best-in-class processes. Triggers or alerts can automatically flag accounts or invoices that have reached past due status, allowing for easier escalation of issues without sorting through reports or individual operational systems.

> **Inventory management**, by integrating inventory across business units and regions into a top-down, scorecard view. You gain a holistic view, which helps finance identify ways in which inventory can be managed more effectively.

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An EDW-based financial management solution provides dramatic, measurable business benefits. In an EDW environment, financial analysts invest more time on value-added analysis; managers make faster, better decisions by better understanding their financial implications; and the CFO benefits from more complete and credible information – useful in the drive to align business strategy, metrics and performance.

An EDW-based financial management solution in action

NCR Corporation, a six billion dollar technology company, has used integrated financial data in its enterprise data warehouse from Teradata to dramatically improve the efficiency and effectiveness of its finance organization – and more. Since implementing the solution, NCR has achieved a seven-day reduction in its financial close cycle, a reduction in annual financial infrastructure of $50M a year, a sustained reduction in inventory of $100M a year, and a sustained reduction in accounts receivable of $200M a year.

At NCR, the general ledger data in the EDW is updated not daily but hourly – while also raising the integrity of the information being reported. The multimillion-dollar benefits and ROI on this investment have extended well beyond the financial management scope to improve processes and numbers across the business.

Dozens of additional Teradata customers – including Continental Airlines, Union Pacific, and 3M Corporation – are experiencing the benefits of a financial EDW. Teradata Finance and Performance Management solutions are helping companies such as these consolidate data from multiple sources, shrink and automate the finance and operational infrastructure, and provide management with timely, actionable information and analysis.

The bottom line is this: an EDW-based financial management solution allows finance managers to efficiently and effectively deal with the vast array of challenges they face every day by giving them access to the information they need. As the pressure on the finance organization continues to mount, the EDW alleviates that pressure, providing the data necessary to take action today and the platform necessary to drive growth in the future.

For more information on how Teradata can help your organization with your financial data, contact your Teradata representative or visit Teradata.com.

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