



Financial Management: Discovering hidden value

White Paper

The bottom line is the front line

Contents

Introduction	1
Everything ends up on the bottom line	2
Keeping up with the flow	2
Future directions: Collaboration with financial supply-chain partners.....	3
Future directions: Web services	3
No reliable plans without reliable data	4
Information is meant to be shared	5
Future directions: Emerging standards	5
Financial information is the bottom line	6
Microsoft Business Solutions helps you make more profitable decisions.....	6
Bibliography	7
For more information	8
About Microsoft Business Solutions	8

Introduction

Discovering hidden value

No matter what type of business you're in, financial information runs through it and beyond to your partners, customers, investors and to the authorities. Yet, it is often the case that this vital data is out of reach and scattered in the information systems used by different areas of the business.

This white paper gives you Microsoft Business Solution's view on how you can make your financial information come to life. It covers ways to achieve greater control and operational efficiency. It gives you real-life examples of how other companies are using their financial information proactively, and it presents future developments in the area of the financial supply chain. This paper offers our view of how to get the most out of your financial information and improve your bottom line.

Everything ends up on the bottom line

Financial information is at the core of your business. Whether it's information relating to production, sales or service – at headquarters, or at a subsidiary – it has an effect on the bottom line. Yet, it is often the case that this vital data is out of reach and scattered in the information systems used by different areas of the business. Many companies deal with this today by manually consolidating the data stored in various systems. This not only wastes time, but also compromises the validity of the information.

Take a production company that has separate manufacturing and financial systems. They key in estimated production costs manually and consolidate the data with their financial system on a weekly basis. Now let's say that during production, parts are unexpectedly damaged and need to be scrapped. This loss of material is only recorded in the manufacturing system, yet it affects finances. It could result in the company not making their sales, not having the right cost/revenue ratio, and ultimately, it could obstruct cash flow.

Another company has one business software system in their head office and various systems at their subsidiaries in other countries. They use a third tool to link their local chart of accounts to head office chart of accounts. What's more, some of the systems used by the subsidiaries cannot access Microsoft Excel, which is what this company's headquarters uses. The company has to rekey and recheck the information from the subsidiaries, which takes time and results in inaccurate information, causing problems both for the head office and the subsidiaries.

Keeping up with the flow

Inaccurate consolidation of financial information and inefficient cash flow management are consequences of disparate information systems that don't take into account the flow of financial information throughout a business. Another consequence is lack of internal control against human error and falsification. A **connected business management solution**, on the other hand, lets you view your business as a single and dynamic entity. You avoid inaccurate financial data and can get a snapshot of your financial condition at any time.

A connected business solution works across different areas of the business, often has local versions (for companies with multinational subsidiaries) and offers a **real-time**[†] overview of your financial condition. If the unexpected happens in production, any financial implications are immediately reflected in the system. There is no need to reenter information. It's already consolidated, accurate and up-to-date. In addition to saving time and being more secure, the live information can help employees work more efficiently.

Case in Point

Microsoft Business Solutions has helped Crown Leisure, one of the leading operators and distributors of amusement equipment in the UK, to reduce the time used on monthly reporting by one third. In the past, they had to gather and reconcile data from various systems used at different locations and for different areas of business. Now, employees throughout the organization have fast access to up-to-date financial information. For example, controllers can always see the customer balance. Since sales orders are entered directly into the system, the balances are 100% accurate, and the system prompts the controllers to make a weekly or monthly call when a customer goes over the credit limit.

* **Connected Business Management Solution:** Applications and services that allow real-time accurate planning and management of all resources via the unrestricted flow of information.

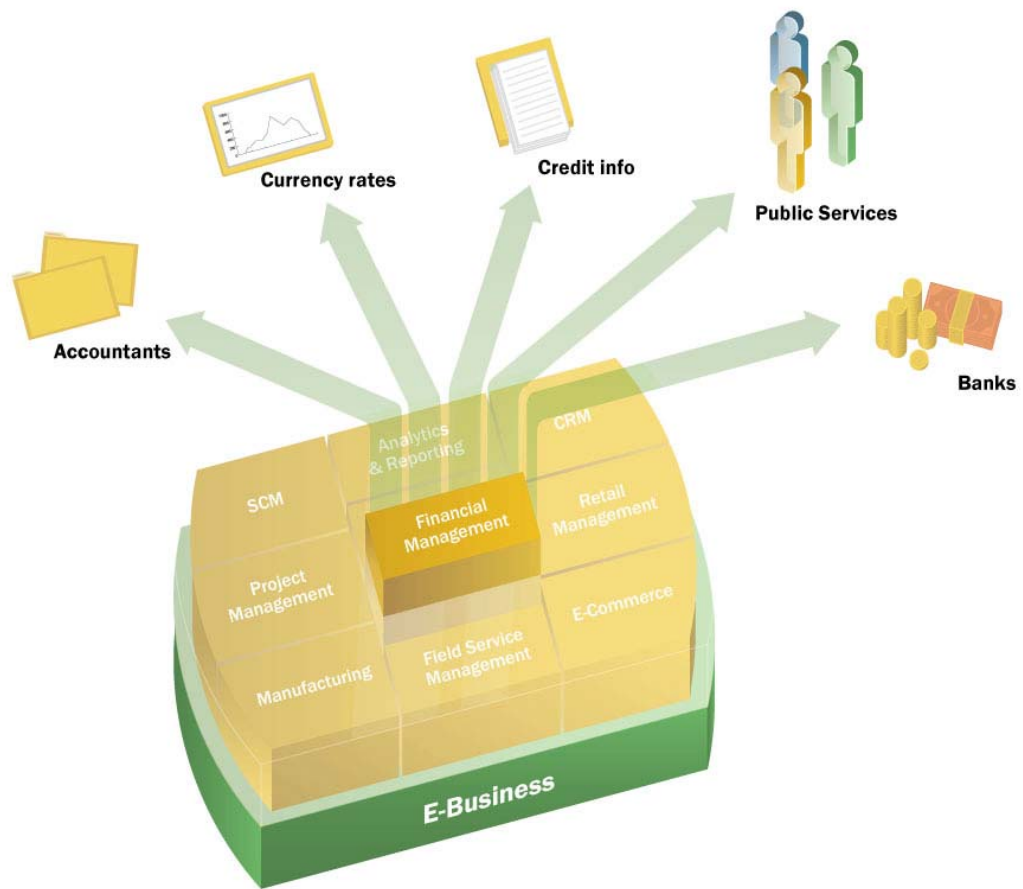
† **Real-time:** Operations that occur consistent with human perception of time. For example, when one person posts an invoice in a business software system, and this is instantly reflected to all other users throughout the system.

Future directions:

Collaboration with financial supply-chain partners

Some companies have begun to gain a competitive advantage by optimizing their **financial supply chain management**[‡]. For example, a company’s bank offers to make payments to vendors and to receive payments from customers. In this way, settling bills is efficient, and no penalties are incurred.

The level of efficiency increases proportionately to the level of which a company makes use of the Internet to collaborate with their **financial supply chain**[§]. If their system exchanges information automatically with the bank’s system via the Internet, then there is no reentering of data and no risk of human error.



Future directions:

Web services

Web services^{**} can complement and enhance your business management solution by connecting it to a third-party service provider on the Web. For example, you can use an

[‡] **Financial supply chain management:** The management of the flow of financial information between companies and within a company.

[§] **The financial supply chain:** controlling and processing the flow of financial information involves the coordination and integration of a number of interdependent entities.

^{**} **Web services:** Services that are delivered over the Internet, which combine with existing software applications to provide new solutions to business problems.

online service to run credit checks or to investigate currency rates. If the Web service is integrated to your business solution, then you won't have to waste time reentering data. It too becomes a dynamic part of your solution.

While the concept of Web services is not new, it is now closer to reaching its potential due to a number of developments such as less expensive bandwidth and more flexible ways to connect applications. As Darwin Magazine puts it:

"The Web services approach doesn't necessarily make earlier integration technologies obsolete. But it makes types of integration possible that would have been hellishly complex otherwise."^A

No reliable plans without reliable data

There is no **business intelligence**^{††} – no reliable foundation to base decisions on – without reliable data. It is often the case, however, that companies base tomorrow's tactics and strategy on yesterday's numbers.

For example, a company may base its forecast on last year's figures with an increase or decrease by a certain percentage, or based on sales and purchasing reports. Either way, the adjustment is no more than a guess of foreseeable demand, which can have negative consequences.

Or say a company bases their analyses on a monthly extraction from a purchasing database, such as an Excel spreadsheet. In this case, it is outdated the very day it is extracted. There might be hundreds of orders the next day, and the planning is thus flawed.

If, however, the forecasting tool is an integral part of the business management solution, sales and purchasing personnel can key new customer and vendor agreements directly into the system and account for expected demand in real time. If a customer then calls later to change an order, it can be updated and reflected immediately in the system. The company can plan as often as needed – based on accurate numbers.

What's more, they can use the tools built into the ERP system to analyze the data according to whatever their needs are at that particular time. Your business is always in motion. A connected business solution helps you keep up with it. Financial managers can get a picture of the company's financial performance at any time. If they want an instant snapshot, they can use a filter to see a balance from the beginning of the month to the present day. They can drill down and explore the details of any individual transaction. They can even get a view of a particular part of the business from a unique perspective. For example, they can analyze sales by region, by department and by date. With the right tools you and your team can explore how well the business is operating, where it needs help and where it's going.

Case in Point

A Microsoft Business Solutions system is helping Van Compernelle, a small business in Belgium, gain an immediate overview of their financial condition. The solution gives them fast access to information about the profitability of their wide variety of products, which ranges from automotive parts and auto-navigational systems to telecommunications products.

The flexible reporting facilities mean that key sales information, including top 10 product lists and best and worst sellers, can be produced at the touch of a button.

^{††} **Business Intelligence**: The product of analyzing quantitative business data. Business Intelligence provides insight that will enable business managers to make tactical decisions, as well as to establish, modify, or tune the business strategies and processes in order to gain competitive advantage, improve business operations and profitability, and generally achieve whatever goals management has set. BI-tools software is used to analyze business data and provide reports, visualizations, and alerts to users. B

Information is meant to be shared

Obviously, it's important to share your financial information. In fact, it's part of the financial manager's responsibility to distribute the information to authorities, stakeholders, decision makers and employees. If a company does not have centralized control of the information, however, then they could end up in a situation where they are distributing inaccurate and outdated information.

In companies that lack an efficient form of centralized control, it's not unusual, for example, to find a marketing plan being made based on a different version of information than the sales forecasts are based on. The marketing and sales personnel waste time discussing who has the right information and end up wondering whether any of it is valid.

But how do you maintain centralized control and still disseminate the information that other areas of your organization need? On the one hand, you want the system to update your data without any human intervention in order to ensure its validity. On the other hand, you want to be able to pluck out information and share it with the people in your organization.

What's needed is an interface that you can use to present reports. Furthermore, the interface must deliver the information in a way that's meaningful to the people using it. After all, it's the people throughout the organization who ultimately must use the information to make decisions.

Companies have begun to use role-based **portals**^{††} to deliver relevant and timely information. These portals offer access to data and functionality from within the ERP solution. The information is presented on a Web interface that is familiar to anyone who uses the Internet. Everyone in the company – from top management to entry-level staff – can log on to their personalized portal. On the portal, they can see the information relevant to their role, including financial reports presented graphically.

For example, let's say you create a financial report in which you compare budgets to actual profits by region, product and date. You extract the real-time data from your business management system, and convert it into a graphical chart – perhaps in Microsoft Excel. You then make the chart available to the relevant marketing and regional managers – right on their personalized Web browser. There are no discussions about who has the right information. Everyone does.

Case in Point

Microsoft Business Solutions helped APCO Worldwide, a global public relations firm, establish a billing and accounting system that functions seamlessly, accurately and quickly. Multi-currency capabilities helped integrate APCO's operations on a global basis while eliminating inaccuracies in data. APCO's savings in the first year of using software from Microsoft Business Solutions totaled 40 percent of the entire cost to develop and implement the solution worldwide.

Future directions: Emerging standards

Emerging standards for financial reporting can make the exchange of financial information more transparent. One rapidly expanding standard is **XBRL**^{§§} (extensible business reporting language), a language for reporting over the Internet. XBRL has already been adopted as the standard reporting language by the Australian banking authorities, by the

^{††} **Portals**: Collaborative solution that uses the Internet to offer self-service interaction and access to information for decision makers, employees, business partners and customers via the Internet.

^{§§} **XBRL**: An electronic format for simplifying the flow of financial statements, performance reports, accounting records, and other financial information between software programs. C

Securities and Exchange Commission (SEC) in the US, and it is making similar headway in the UK, Germany and Japan.

According to BusinessFinance.com: “XBRL will make companies far more transparent than they are now. No longer will reports need to be processed in different formats for different users. Financial data will be coded once, then rendered automatically into any reporting form – from annual reports to reports for external auditors or SEC filings to reports for the company’s business partners.”^D

Financial information is the bottom line

How do you get the most out of your financial information? First, you need control over the critical financial data flowing throughout your business management software solution. You can only get an accurate picture of your company’s financial condition if your solution brings together your financial information from all areas of your organization. With such a solution, you can rely on the accuracy of financial reports, and you know exactly where you stand at any given time.

In order to take complete advantage of our information, however, you need to share it throughout your organization. Today, it is possible to do so by delivering financial information directly to decision makers’ desktops. Personalized Web portals allow you to share reports, plans and analyses in a way that is easy for diverse users to digest.

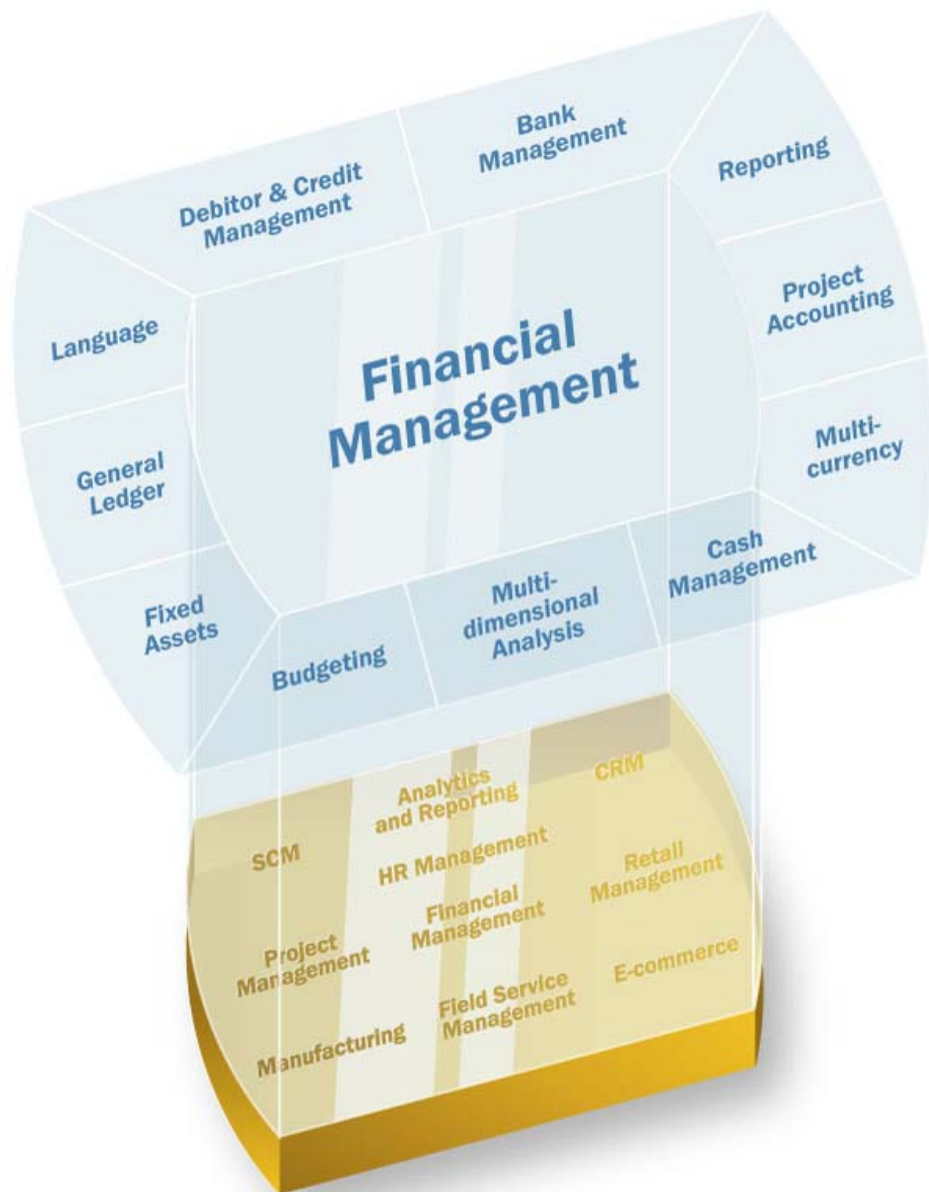
A connected business management solution allows you not only to share information, but also to maintain control of it. You can be sure that the real-time information you use and share is accurate and up-to-date. You can use it as a basis to control your company’s finances. You can explore trends, discover opportunities, and find new ways to bring your financial information to life and improve your bottom line.

Microsoft Business Solutions helps you make more profitable decisions

Microsoft Business Solutions offers connected applications and services for small to mid-sized businesses. Application areas, including financial management, manufacturing, distribution, customer relationship management, e-business and business intelligence, are all maintained in one place. This makes it easier to access up-to-date information and to administrate and adapt your solution.

The integration of critical business information helps you:

- Base your plans and reports on accurate and reliable information.
- Gain control over expenditure and know when and where you are generating revenue.
- Deliver all mandatory requirements to authorities, investors and other stakeholders easily and with absolute confidence.



Functionality for financial management is an integrated part of all suites in Microsoft Business Solutions.

Bibliography

- A. Darwin: Sari Kalin: The Essential Guide to Web Services, January 2002
- B. Gartner Group: Alan Tiedrich: Business Intelligence Tools: Perspective, October 9, 2001
- C. The XBRL Steering Committee.
- D. Online solutions for finance executives: Tad Leahy: See-Through Financials, BusinessFinanceMag.com, January 2002

For more information

Microsoft Business Solutions helps you make more profitable decisions. You work smarter because your solution is tailored to the way you do business. You work faster because you have immediate access to information from all around your company. You can count on us for long-term support as your needs change and your business grows. More than a quarter of a million companies rely on Microsoft Business Solutions for profitable ideas. Find out how we can help you. [Contact Professional Advantage at microsoftinfo@pa.com.au](mailto:microsoftinfo@pa.com.au)

Visit www.microsoft.com/BusinessSolutions to read more, or enter information about your company and have a solution recommended for you.

About Microsoft Business Solutions

Microsoft Business Solutions, a division of Microsoft, offers a wide range of integrated, end-to-end business applications and services designed to help small, midmarket and corporate businesses become more connected with customers, employees, partners and suppliers. Microsoft Business Solutions' applications optimize strategic business processes across financial management, analytics, human resources management, project management, customer relationship management, field service management, supply chain management, e-commerce, manufacturing and retail management. The applications are designed to provide insight to help customers achieve business success. More information about Microsoft Business Solutions can be found at <http://www.microsoft.com/BusinessSolutions/>

The information contained in this document represents the current view of Microsoft Corporation on the issues discussed as of the date of publication. Because Microsoft must respond to changing market conditions, it should not be interpreted to be a commitment on the part of Microsoft, and Microsoft cannot guarantee the accuracy of any information presented after the date of publication.

This document is for informational purposes only. MICROSOFT MAKES NO WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, AS TO THE INFORMATION IN THIS DOCUMENT.

Complying with all applicable copyright laws is the responsibility of the user. Without limiting the rights under copyright, no part of this document may be reproduced, stored in or introduced into a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise), or for any purpose, without the express written permission of Microsoft Corporation.

Microsoft may have patents, patent applications, trademarks, copyrights, or other intellectual property rights covering subject matter in this document. Except as expressly provided in any written license agreement from Microsoft, the furnishing of this document does not give you any license to these patents, trademarks, copyrights, or other intellectual property. Microsoft Business Solutions Corporation is a wholly owned subsidiary of Microsoft Corporation.

© 2003 Microsoft Corporation. All rights reserved.

Microsoft is either a registered trademark or trademark of Microsoft Corporation in the United States and/or other countries/regions.

The names of actual companies and products mentioned herein may be the trademarks of their respective owners.