

## Working Capital Reporting

### How far have things advanced?

Sophisticated ERP systems have now been on the market for more than 25 years and one of the chief gripes is the difficulty in extracting all the detailed transactional data that is now available to so many companies. The next answer was data warehousing. The dream was that by taking all the data off-line it would make it much easier for companies to generate reports that would not slow down the live environment.



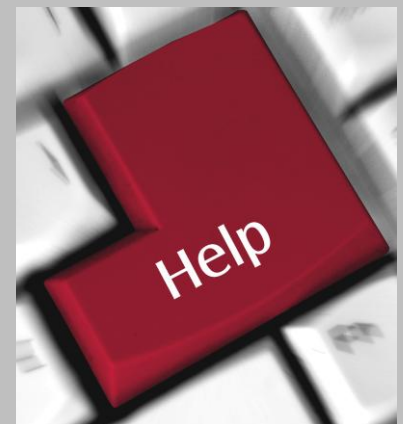
### So what's the problem?



And still there are lots of companies who have ERP systems and data warehousing who still suffer from having a minimal amount of management information coming from their ERP data. This has been a particular problem in the area of working capital. The root of the problem is not that there is anything wrong with ERPs or data warehousing. It's just that the very clever IT people who put these systems together and then implement them often have very little financial business experience. Therefore the tools might be available to generate some fantastic reports, but these people have no idea about the specification requirements of those reports. It follows that there are many companies out there that have already invested in the tools, but have very little to show for it.

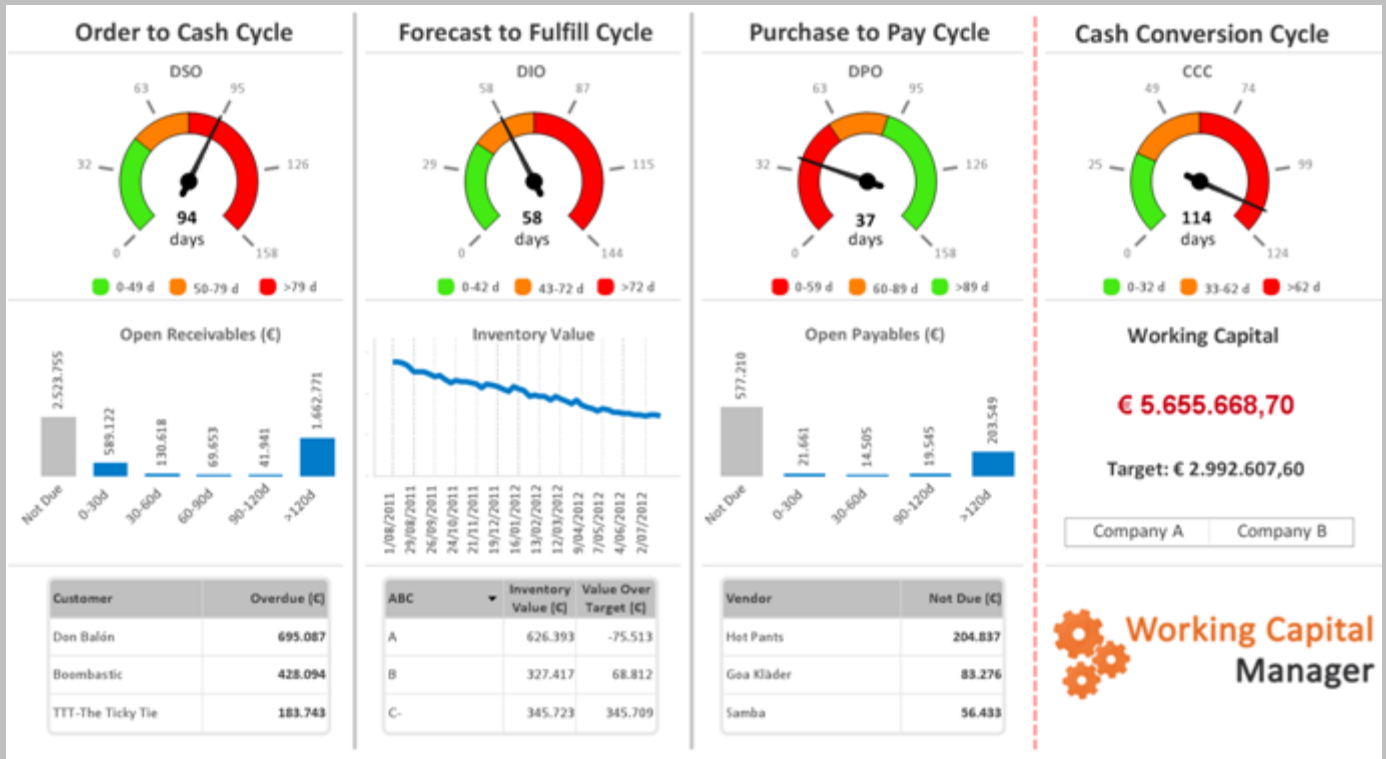
### The solutions so far

Some companies have been lucky enough to have internal business resources that understand the business requirement and understand the ERP and data warehouse reporting tools. In these cases, suites of very sophisticated reports have been developed. But unfortunately such individuals are rare and often under-appreciated. So the gap has been left to outside consultants to charge large sums of money to create reporting suites on behalf of companies. In many cases the consultants involved have done a poor job because their lack of experience of the working capital subject. So for most, the problem continues.



# The Working Capital Manager

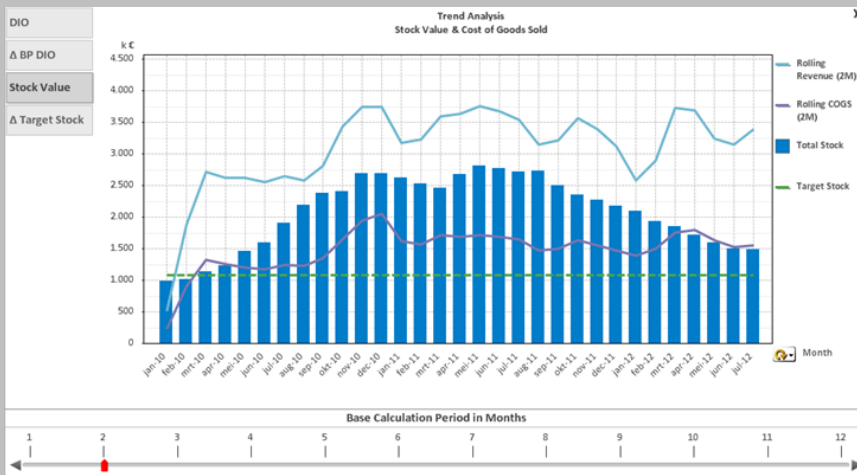
This ERP plug-in was developed by a Belgian company called DiscoverEdge, who are a team of business intelligence experts. The plug-in extracts data directly from your SAP or Navision system and immediately creates a working capital dashboard. There is no need to debate about measurement definitions. You can instantly see your receivables, inventory and payables positions on a daily basis and compare that performance against the targets that have been set by the business. It comes at a very reasonable cost and can be fully up and running in as little as 2 days. In extreme cases where you have heavily customised your ERP it may take longer.



## Drill-down capability

You can then drill down through the dashboard to view information at any level all the way down to the individual customers, suppliers or stock items. It will tell you the current position compared to what optimal performance would have been, if achieved. This allows you to specifically target the underlying performance issue.

Customer	DSO	DSO Prev. Year	Δ BP DSO	APT (12M)	ATO	Amount Open	%	Amount Overdue	%	Revenue (12M)
<b>Total</b>	88 days	81 days	41 days	59 days	384 days	4,694.184 €	100%	2,277.693 €	100%	19,591.920 €
Don Balón	78 days	79 days	27 days	58 days	616 days	1,411.240 €	30%	506.082 €	23%	6,623.162 €
Boombastic	111 days	97 days	60 days	58 days	248 days	736.761 €	16%	420.225 €	18%	2,419.837 €
TTT-The Ticky Tie	96 days	84 days	42 days	57 days	174 days	361.545 €	8%	174.238 €	8%	1,382.051 €
Rode & Vite	111 days	63 days	80 days	66 days	340 days	220.973 €	5%	158.697 €	7%	728.152 €
El Traigo do Benfica	74 days	97 days	45 days	62 days	215 days	242.811 €	5%	146.721 €	5%	1,200.781 €
Urras Shop	83 days	58 days	46 days	62 days	409 days	185.231 €	4%	109.238 €	5%	815.120 €
La Legion Mercenaire	104 days	97 days	58 days	56 days	283 days	116.341 €	2%	73.603 €	3%	410.457 €
The Corner Store	76 days	103 days	17 days	62 days	1,106 days	304.008 €	6%	67.049 €	3%	1,463.047 €

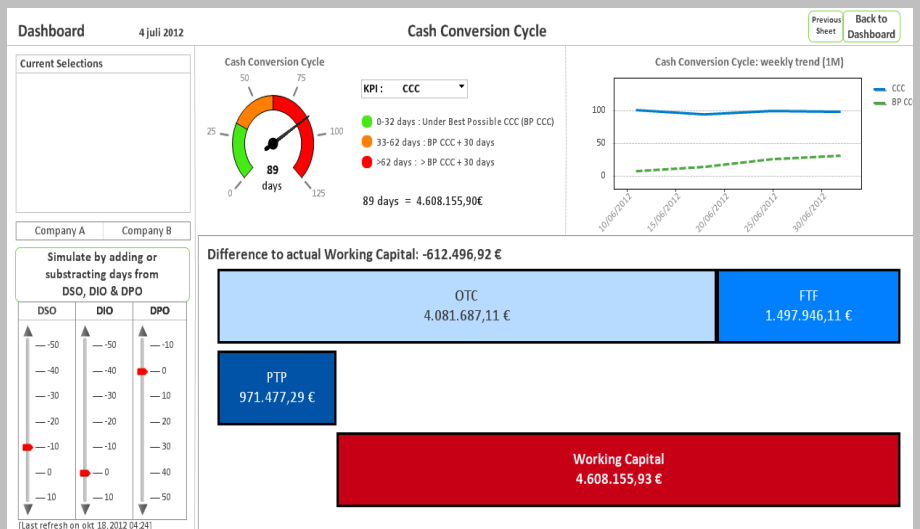


## Monitor Trends

You can then compare performance against historic trends to understand if there are any patterns emerging in working capital performance. The trending tool allows the analysis to be on a monthly basis, but also rolling average calculations from 2 to 12 months automatically. So you do not have to decide upfront on the number of base periods in your company's calculation.

## Simulate Outcomes

The Working Capital Monitor gives you the ability to set targets for working capital performance that are simply communicated and transparent. To ensure that targets are reasonable there is an instant simulation tool that tells you quickly how many days of DSO (Days Sales Outstanding), DIO (Days Inventory Outstanding) and DPO (Days Payable Outstanding) must be achieved.



## The question has changed

The Working Capital Manager means that you no longer need to ask the question of how you are performing, but now you can drill down to the causes of that performance in an instance. So in future if you do need outside assistance with working capital, the usual lengthy and detailed data analysis is no longer required as your company will have those answers already. That means your starting position will not whether you have a problem or not, but what are you going to do about it. Gone are the days of extracting data from ERPs to dump into ever larger spreadsheets that take ages to refresh. It cuts out the risk of a calculation error that could skew results. It allows more time to interrogate the root causes of problems rather than being focused on the highlights. It means that decisions can be based on detailed facts and not high level intuition.

## Conclusion

We at Informita are very excited about The Working Capital Manager. In the early 1990's extracting transactional data was seen as a real revolution in data analysis, but required very good data manipulation skills. These skills are only possessed by the very few. Data warehousing was the next false dawn that has failed to deliver working capital reporting to the majority of companies that possess such tools. The Working Capital Manager means that you will have instant working capital analysis and simulations at your fingertips every working day, cutting out the need for third parties to perform such analysis or to design reports in your ERP environment. It finally delivers ERPs' original promise of turning masses of transactional data into live information to help the business make decisions about working capital management.

## About Informita

Informita was formed to act as an advisor to companies in the areas of working capital and procurement, focusing on Analytics, Implementation and Advisory. Informita is there to support your working capital and procurement programmes from cradle to grave in a cost efficient and effective manner. Our people have a mixture of deep industry and consulting experience across many sectors and geographies. This gives us the ability to bring insights across many industries and cultures.

## About DiscoverEdge

DiscoverEdge offers Business Analytics solutions that help CFOs manage their day-to-day financial challenges: cash and working capital. By extracting value from your existing ERP, their solutions will help you to optimize your cash management in a few clicks for a reasonable price. They are located in Belgium and assist both national & multinational clients aspiring to have a healthy cash position.

Website: [www.informita.com](http://www.informita.com)

Twitter/Facebook: @informita

Email: [info@informita.com](mailto:info@informita.com)

Phone: +44-20-3286-4109  
+44-7769-260-042

The logo for Informita, featuring the word "Informita" in a black, cursive-style font. A thick red horizontal line is positioned below the text. The logo is contained within a white rectangular box.