

Welcome

Thank you for your interest in BH Consulting. We are committed in educating and assisting organizations to improve their efficiency of doing business by molding software around their business processes. Microsoft has over a 90 percent market share of the office productivity field which means there is a good possibility that your business uses Microsoft Office which includes Word, Excel, Access, Power Point, and Outlook. However, most of those companies are not harnessing the power that is included in this business package.

In this issue, we will explore the rich tools that are included in Microsoft Office applications that many businesses do not utilize or even realize are available to them. Even though this particular issue is geared towards the finance/budgeting areas of business, all departments can improve by educating themselves and begin to understand the great benefits and advantages of incorporating the power of Microsoft Office into their business.

Forecasting / Budgeting Companies that use technology to drive a forward-thinking process gain ground over their unenlightened competitors.

For corporate managers trying to control the strategic planning process, this adage can strike close to home. Holding fast to long-term goals is challenging, to say the least, in this ever-evolving business climate. But the external environment is not the only problem.

Many companies end up disregarding budgets and forecasts because they were not really "best-laid," even when they were first formulated. In some cases, corporate plans are little more than a rehash of the previous year's budget, perhaps with a blanket percentage increase or reduction in spending applied across the board. In other cases, senior management develops broad expectations but never connects those goals to the budget that dictates line managers' decisions.

Within most organizations, a seemingly impenetrable gap separates what strategic planning recommends from what the budget can support.

Better Analysis Means Better Budgets

In many companies, one department's plans dictate what the budget for other departments must look like. For example, if a company's sales plan calls for a revenue hike of 10 percent or 20 percent, that company's manufacturing unit should expect its production levels to increase by the same amount. If the sales plan is inaccurate, the manufacturing plan will be off base, too, as will budgets based on those plans.

Tom Spina, owner of Space Coast Fire and Safety, a Fire Suppression and Extinguisher Company in Cape Canaveral, Florida, is well aware of the problems caused by the interconnectivity of different departments' budgets. Until 2002, the company, which services fire extinguishers for clients, based its sales plans on summaries of information gathered from sales managers. This planning process didn't provide enough data for Spina to accurately predict the company's needs. He wanted better forecasts of future demands -- so he needed a way to nail down a more precise sales plan.

Spina hired BH Consulting to consolidate information from Excel spreadsheets and provide real analysis of the sales data. The consolidation enabled sorting information by customer, geographic district, month and week. He says, "Once we created the budget template and loaded historical data, within a one-week period we had gathered the salespeople's budget data, generated the kind of sales analysis we wanted down to the customer and month, and reviewed and finalized the sales budget. It showed us which customers were doing better or worse for us compared to last year and allowed sales managers to input explanations as to why a particular customer's sales were budgeted up or down."

While technology will not fix a poor strategic planning process, it can enable companies to collect and analyze a richer reservoir of information, which improves the quality of their plans. As long as a business uses backward planning processes, it will lose ground to more enlightened competitors that let their planning dictate budgets and find the technological means for grounding the strategic planning process in hard data.

The Spreadsheet Syndrome

Forecasting using Excel spreadsheets limits the use to a single application. Why use spreadsheets when there is highly focused, multi-user, planning tool available? Managers fail to realize there is a better tool to utilize than linking spreadsheets together.

There are numerous benefits to a centralized database system including:

- The most common benefit is all users share a single database, while limiting who can view or change data. With a spreadsheet there are sharing issues, and typically the same data exists in more than one spreadsheet within the forecasting suite. This gives rise to lots of maintenance, data integrity and unreliability issues.
- The ability to use import procedures to load data into the system such as product / customer hierarchies, and new products / customers. This would be very hard to achieve in a spreadsheet. Adding new items typically means inserting new rows/columns into numerous tables and spreadsheets, and revising existing subtotal ranges. This tends to be quite time consuming and error prone.
- It is easy to change a product or customer's position in the hierarchy, or in reports with a database. However, the order of items depends on their order in the spreadsheet's rows or columns. You can do clever stuff with 'sorts', but this is likely to make achieving other 'must have' functionality much harder, and is an inelegant solution. Changing the 'parent' of an existing item is an extensive manual job.
- Changing forecasts at any level of Product or Customer automatically recalculating the changes to the 'parent' and 'child' items, in real time. To perform the same function in spreadsheets would take an extremely clever design! It is highly likely that, if you achieve this functionality through clever spreadsheet design, you will find other 'must-have' functions virtually impossible, or it will make the spreadsheet too slow to load or operate properly.
- With database custom software it is easy to track how forecasts and actual data have changed through time. Unfortunately, unless you are highly disciplined in archiving past forecasts and have the spreadsheet skills to compare them this task is difficult to match.

Time Is Money

In the time-is-money world of forecasting and planning, replacing old spreadsheets with a streamlined, focused application is an obvious means of reducing costs. An advantage has been more detailed reporting. Systems pull data from a number of disparate systems, a capability that has been lacking, which gives the means to produce richer management, sales and production reporting. At the same time, it empowers middle managers by giving them

the data they need to set forecast targets. One of the biggest benefits is that it has caused managers to become more aware of performance targets and hitting strategic goals.

A budgeting manager at a major lending company in Tampa, Fla., remembers how tedious and expensive his company's old budgeting process was. "We used 600 Excel files to prepare the budget, and the end users had to dial in to our headquarters and download all 600 of those files to their personal computer," he says. "It took anywhere from four to 10 hours for a district manager to download those files, tying up his time and his computer. And once he did his budget on those files, it took him another day to upload that data back to headquarters."

Now, the company's managers do not download or upload anything. "It used to take us three days to do one phase of the budget, and now we can do one pass of the budget in four hours," he says. "Overall, it's reduced the entire budget preparation period from nine months down to four months, without changing the number of passes in the budget -- That's been our greatest savings. We have 100 users spending half the time they used to spend on the budget."

It's enabled us to see where our cost overruns are occurring and where our revenue deficits lie, whereas before we didn't know why we were behind on our revenues. Now we know the 'why' behind the numbers, and as a result we can make better decisions about where to allocate our resources."

Some employees didn't like the new software. "Four people left because they didn't like the idea of using the new applications, partly because they realized they wouldn't be pushing numbers anymore. Those people were not replaced. Our thinking from the outset was that we wouldn't get rid of anybody, just redirect what they do to more value-added activities."

Utilizing the Power behind Microsoft Office

Microsoft has provided the ability for businesses to create custom programs using Microsoft Office applications such as Excel, Word, and Access using Visual Basic for Applications (VBA). These programs can be tailored to mold around your business process. Whatever your business requires can be implemented into the program; it gives companies the opportunity to create software that matches their business processes instead of having to create business processes around a piece of software.

One alternative to creating custom programs for your business is to purchase off-the-shelf software. This is usually a cheaper initial solution, but there are considerable drawbacks. Usually your business processes must change to revolve around the software package because it is unchangeable or not adaptable to your current way of doing

business. Unfortunately, many managers do not consider the cost of having to change their process and breaking employees' routines. In addition, off-the-shelf programs typically only do a fraction of what your business needs and managers are forced to create small "side processes" to keep track of information that the program does not handle.

Your company's business processes and information are vital to its success. These processes will change over time due to uncontrollable factors such as monetary constraints, personnel changes, market shifts, or technology advancements. The only way to improve a business process is by changing it via a better alternative or modifying the existing process. If your current business processes are pinned around an unchangeable, off-the-shelf software package, the business will be limited due to the inability to adapt to the constant business changes that occur.

What is Visual Basic for Applications?

Microsoft Visual Basic® for Applications (VBA) is a powerful development technology for rapidly customizing business processes or packaged applications and integrating them with existing data and systems. VBA offers a sophisticated set of programming tools based on the Microsoft Visual Basic development system, which enables organizations to utilize and customize Microsoft Office to meet their specific business processes. This helps them save time and money, reduce risks, and deliver precisely what businesses need.

A quick example of VBA code is to create or record a macro in Word or Excel located on the menu bar. Open the macro that was just created in the Visual Basic Editor and you will see that Microsoft Office has created the VBA code needed to run the macro. In a matter of minutes, a customized program was created without having to understand how to program the computer! To make this fully functional and powerful for your business, logic could be added that matches the business rules for your particular business process. For example, logic statements could be added to the code that would "tell" the computer to look at the leading character of a list of invoice numbers. The invoice could be marked or tagged, formatted, removed, emailed or whatever your business requires.

The possibilities are endless. Not only does this place the power in the hands of the people that work with the business process details each day, but there is little to no additional hardware to purchase because the programs run from each computer or from a network server; the development platform is the user's computer.

Implementing a Cost Effective Business Solution

In most established businesses, the internal processes have usually arisen over a number of years in response to events. Changes, "improvements," and controls are introduced because a problem is discovered and given high profile. The result is often

a nightmare of manual and semi-automated procedures, poorly documented if at all. Custom computer programs by far are a great way to reduce business cost, organize and report business information, increase data integrity, and reduce time to market because computers are fast, reliable, and only do what has been defined by the business owners. A custom computer program can enforce and establish a well thought out business process. However, not all processes should be automated; only those where a return on investment can be achieved should be considered. Solutions using Microsoft Office products can range from a simple, single user utility add-on to a complete, multi-user database application incorporating Excel, Outlook, and Word features. After determining which processes should be automated, the following steps are a good guideline to follow to begin to implement a solution no matter how large or small the scope of the project is:

1. Document the current business process with a flow chart. Be sure to mark when and where critical business decisions are made in the process and all relevant information/data that is transferred, migrated, or transformed.
2. Analyze the process and look for areas where improvements could be made. Be sure to bring in all expert parties that have authority over their particular section of the process and do not assume things that have been taken for granted over the years. Ask tough questions, challenge the process, and keep the big picture in mind. Mark the improvements on the flow chart.
3. Communicate and review the business process with the programmer. A good programmer will make sure he or she not only understands the entire process, but also why things need to be done the way they are documented. The programmer should review existing data formats that will be handled in the process and determine the best tool(s) to use.
4. The programmer should present his recommendations to the tool(s) that will be used and a brief sketch of any user interfaces that will need to be created along with general functionality of the user forms. This is the time to make sure the programmer understands the entire process and correct any misunderstandings he or she may have.
5. The programmer develops and tests the solution. During this time, it is a good idea to begin to establish expectations with all personnel that will be affected by the automated process. A business can only improve if it changes and it is human nature to resist change, so these improvements should be communicated effectively and with an encouraging attitude.
6. The programmer has users begin to test the application for both functionality and for business correctness. A user training session may be necessary depending on the scope of the project. Final adjustments are made and the performance is reviewed.
7. Communicate to the organization when the new process will be implemented and be sure to have a designated person to assist users with questions.

A Better Way of Budgeting

Many companies buy expensive budgeting software and standardize their processes to the point they lose the valuable information they once had. Organizations wanting to realize the potentially huge benefits should not have to standardize their processes. Company's competitive advantage is their unique and vast array of information and resources. Standardizing the process only loses that competitive edge.

At BH Consulting, we analyze existing processes and current resources, develop a plan to solve a problem or automate a process, and implement the solution using the software platform that most companies currently own. In fact, most companies already have the hardware and software platform to build upon, but many are not utilizing it to its fullest potential. Let BH Consulting assist your business in improving its efficiency and reducing the cost of doing business.

Acknowledgements

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