

## INCA HELPS BALDOR TO STREAMLINE ITS BUSINESS & ACHIEVE ROLLING FORECAST SUCCESS



Baldor UK are the leading manufacturers of industrial electric motors, drives and generators. With a worldwide business quoted on the NYSE and annual sales of \$600 million, Baldor's range of products service a full spectrum of primary industries including semiconductor, food processing, pharmaceutical, mining and automotive. Its European business focuses more on servos, drives and motion control equipment, with the UK as the centre for the worldwide design and manufacturing of such products. With OEM accounts forming its largest customers, Baldor also has many large distributors across Europe particularly in France and Spain.

The corporate division of Baldor maintains an empowerment management style, allowing regional offices to drive activities such as budgets and stock levels. The corporate office sets targets worldwide, and providing sales and profit plans are met, regional offices have autonomy in achieving their goals.

This approach has enabled James Craner, Baldor's European Controller, who has fiscal responsibility for its European operations, to review its financial procedures, identify where changes and savings can be made and implement a new set of processes to manage its budgeting and forecasting.

### THE SPREADSHEET HEADACHE!

Traditionally, Baldor in Europe used a spreadsheet process that suffered the common problems of inaccuracy and rigidity. The finance department found it increasingly complicated to maintain and update the existing annual budget template. Once each contributor had submitted their proposals, the finance department spent two to three weeks tweaking budgets to balance expectations and goals. This left plan holders with little visibility to the process, as the Baldor IT network could not support sharing large spreadsheets with stability until the final budget was delivered back to the teams at the end of the process.

By this time not only did plan holders find a very different budget to the one they had submitted, they also felt that they were not part of the budgeting process. The key consequence of this is that they did not 'buy into' the plan, with much grumbling of 'those were not the figures that I submitted!'

While the annual budgets are useful for defining headline sales and profit targets, the main problem is that the assumptions that they are based on are often out of date by the time the plan is approved, and hence are not a valid tool for controlling a dynamic business. Baldor needed something more flexible.

### IDENTIFYING THE ROLLING FORECAST SOLUTION

Baldor UK felt the spreadsheet budget process was inappropriate for its sales model. It wanted a business planning tool to create a rolling forecast, which could be quickly and easily updated on a monthly basis, reacting to the continually changing volume of sales, created by the highly volatile manufacturing industry. This would help to solve the issue of over-stocking of products.

James Craner, International Controller at Baldor UK explains, "We needed to deliver accurate financial projections for each aspect of the European business in order to meet the expectations of our customers and shareholders. We wanted to set up 'what-if scenarios' and explore the impact of 'make versus buy' decisions. Furthermore, we were keen to create a process geared towards openness and collaboration."

He continued "A monthly rolling forecast would best meet our requirements and deliver an effective and accurate solution. Such a focus would naturally increase the buy-in of plan holders, through increased data integrity, and enable them to spend less time on forecasting and more time on selling. After all, there's no point creating budgets if the sales team don't have the time to meet projections because of administrative procedures."



At this time, Baldor UK put in place an extensive business optimisation programme, with a view to changing many of its regular processes and making the company more efficient and productive. Excel spreadsheets do not work efficiently with a rolling forecast and a decision was made to investigate other more suitable technologies.

It was at this point that the company reviewed the Adaytum Planning product, or IBM Cognos Planning as it is now known.

Craner had previous experience of using the IBM Cognos Planning product and felt it met all Baldor's requirements. Craner identified what information he wanted from IBM Cognos Planning and with consultancy from Inca, the leading European IBM Cognos Partner, he tailored the Planning template to precisely meet the objectives for the software implementation. Adaytum and more recently Inca supported the successful deployment of the Analyst, Contributor and Powerplay applications.

## THREE YEARS OF ACHIEVEMENT - \$3 MILLION OF SAVINGS!

In the last three years, the business optimisation programme has helped Baldor to streamline a number of its processes and procedures. Overall, Baldor has succeeded in making \$3 million in savings through restructuring, purchasing and expenses control and forecasting management. The deployment of IBM Cognos Planning as part of this programme has contributed directly to this success and enabled some significant benefits in terms of increased collaboration and visibility, a reduction in time spent on the budget process and a more focused management of expenses and stock. Baldor UK has also achieved \$3.6 million of stock reductions, whilst at the same time sales have expanded.

The relationship between the European sales team and the finance department has witnessed considerable improvement. Baldor understands the importance of actively involving sales people in the forecasting process, as they hold the greatest knowledge of the customers. IBM Cognos Planning has enabled the plan holders to participate in a convenient and quick way, and in doing so has boosted the credibility of the budget within the sales team.

Baldor's UK, German and Swiss operations all contribute directly to the monthly rolling forecast within IBM Cognos Planning and maintain visibility of projections throughout the eight day cycle.

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Each of the 19 European sales personnel sees information that has been loaded for them from the SAP ERP system and updates sales and margins predictions for the top ten clients by product group into Contributor. On day six, the finance department moves this information into the Analyst model and reviews the changes with sales and other key managers. By day eight, all information is loaded into Powerplay, and the management team can drill down into the predictions.

Craner comments on the success, "We've received a lot of positive feedback from our sales teams on the forecasting process. By using the 20/80 rule - if you focus on the top 20% of sales, this will yield 80% of the total value - we calculate that they should not need to spend more than one hour per month on predictions. Contributor also enables them to check history and margins by product group."

## ROLLING FORECAST SUCCESS

As a public company, Baldor from time to time gives financial projections to its shareholders. Since the IBM Cognos Planning implementation, Craner is confident of the information and expectations that are being passed to the company board and senior management in the US. "We can now provide a six month rolling forecast and are looking to improve that ability to 15 months. We still provide a formal annual budget but we're investigating other ways of communicating our future strategy with our corporate head office."

IBM Cognos Planning provides a solution that is flexible enough to incorporate make and buy decisions and assess the financial impact of any profit and loss projections. This scenario planning provides valuable information, which planning provides valuable information, which helps with sales, product management and tracking new business. For instance, Baldor UK can assess the impact of attending various events, or employing additional contractors to service some of its larger client base. This visibility into potential expenditure allows for negotiation and an understanding of the risks involved.

