

# Hobbs Dresses for success with Inca

**HOBBS HAS TRANSFORMED ITS FINANCIAL AND MANAGEMENT CULTURE WITH COGNOS TO DELIVER A FASTER MORE RESPONSIVE PLANNING SOLUTION.**

An initial management buyout in 2002 first highlighted the limitations of the Excel planning application, not only in its ability to produce consistent, accurate numbers, but in the lack of scenario planning and forecasting functionality required by the due diligence process. With a second management buyout looming in 2004, Mike Trotman, Hobbs Finance Director, knew that in order to face the rigours of the MBO process they would need to find a faster more responsive planning solution.

The Hobbs finance team felt that the existing Excel planning application took a simplistic approach to assumptions on variables such as overhead allocations and did not reflect the newly created departmental structure. "We had tried to adapt Excel, but always felt that the output was suspect. In order to meet the evolving planning needs of the business as well as deliver answers to the testing questions regularly placed by Private Equity partners and the bank, we needed to rethink our forecasting, budgeting and reporting process. We wanted to build a model that would replicate the complexities of our business, with the ability not only to allocate overheads, but also to perform detailed cost analysis at a departmental, warehouse and logistics level," explains Mike Trotman.

Having examined the market to find the right combination of software functionality, consultancy advice and project support, Inca became the obvious choice to provide Cognos Planning. Hobbs were also fortunate at this point to recruit Judy Lane, from high street retailer Oasis's finance team, who had recently completed a Cognos Planning implementation. With the further MBO just eight weeks away, Mike and Judy took the decision to deliver the forecasting phase of the project.

"It was a definite advantage to have Judy working with the team as with her previous experience she could help us move quickly. Inca was the right partner to help us build a project plan to deliver on time despite the aggressive timescale", comments Trotman. He continues, "Inca's approach was efficient and

we used them to validate our approach and results. Technical consultancy was used to help build seven versions of our model that would illustrate a variety of store opening, margin, "like for like" sales and cost scenarios to satisfy the Private Equity Investors covenants for financing the business".

The finance team felt that the formality, accuracy and speed of response from these scenarios became a very important part of

all adjustments provided Hobbs with a level of transparency that would have been impossible to achieve using Excel.

Once the forecasting model was complete, the Hobbs finance team was able to use the structure of the four year plan to form the budget, but rapidly add more detailed assumptions and create a full P&L for each store. Having completed its first financial year using Cognos Planning to improve speed and accuracy, there is now more work for Hobbs to do creating a participative culture within the budgeting process.

Mike Trotman explains, "One of our first tasks was to transform the quality of the management accounting process, as before the management buyout this had taken a "rear view mirror approach" with no devolved responsibility. The new board wanted to change this and also give departmental managers more responsibility and accountability for costs to transform the financial culture of the business. Cognos Planning gives us a sophisticated tool that can be easily adopted by the users as we move forward."

The Finance team are now responsible for giving more detailed support to areas of the business, with information about sales, stock and overhead allocations being discussed at review meetings. All planning information will eventually be held in Cognos Planning and the tool is also used to analyse actuals.

"As a finance function we understand that when we present a forecast, people within the business need to connect with the numbers as this is the only way to improve budgetary performance and management reporting", comments Trotman.

Hobbs finance team has performed a strategic role by working with influencers in the business to set and agree Key Performance Indicators and remove layers of spreadsheets to simplify and automate sharing budgetary information, using Cognos Planning.



establishing the relationship with investors, engendering confidence in Hobbs' management of the investment.

The forecasting model was delivered on time for the MBO process, which required four rounds of due diligence by different parties. With the legal requirements placed on directors, there was a specific need to ensure the accuracy and consistency of the forecast figures. The ability to apply a strict audit trail to