



## How the Best Suppliers Achieve Transformational Financial Visibility

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### Real-Time Margin Management, Capacity Optimization and Long-Term Cost Planning offer a distinct competitive advantage

"It's budget season - time to cease commercial activities for a few months while we figure out next year's budget forecast!" Sound familiar? Being a primary input into this process for hundreds of suppliers, CSM hears it every day. However, some leading-edge suppliers are transforming their laborious, long-term financial forecasts into a real-time, decision-making weapon. They are extending their five-year plan to include not only revenue (pricing) and volume, but also aggregating all facets of cost for every part now and into the future. At the same time, their commercial organizations are gaining dramatic process efficiency and speed in the quoting, costing and forecasting activities. These improvements unlock a true real-time strategic enterprise forecast for upper management. These companies have the ability to dynamically extract detailed six-year profit and loss information for their products, plants and customers for rapid decision making.

### Why you aren't doing it...

Today's long-term forecasting process involves Sales and Marketing, sometimes with Finance, being tasked with building up a five-year forecast for production, awarded and, maybe, high-probability quoted business. They take a great deal of time to "scrub" the information in Excel files. After a couple of months, the final plan is delivered in Excel or Access to Finance. The output delivered is simply revenue and volume for parts.

Finance wants to bolt-on detailed costs for only current production parts in order to formulate the 12-18 month P&L forecast for management. So they take the Sales and Marketing near-term timeline and send it out to the plants for detailed cost information for their parts. Another month or two goes by and that detailed cost information arrives from each plant, usually in an individual Excel file. Finance then has to spend more time aggregating all of the plants' spreadsheets into a consistent enterprise P&L forecast. Every year valuable resources are diverted from other important enterprise initiatives.

### The Cost of Disconnected Supplier Commercial Processes

#### Current Excel for Quotes and Forecasting

Isolated BOM Inputs

Isolated Manufacturing Inputs

Months of Forecasting "Fire Drill"

Slow Opportunity Response with Minimal Product Knowledge Reuse

12-Month Profit & Loss Forecast for Production Business



#### Integrated Supplier Commercial Toolset

Long-Term Cost Planning

Capacity Optimization

Today's Live, Real-Time Forecast with Alternate Market Scenarios

Rapid Opportunity Response with Reuse of Highest-Margin Product Knowledge

Six-Year Rolling Profit & Loss Forecast by Products, Customers and Plants

## with a Streamlined Commercial Process

What is bubbled up to upper management for decision making? An 18-month plan that is six-months old. It is devoid of any essential cost/margin/capacity utilization information over the two- to six-year horizon from which the most strategic and costly decisions are made.

At the same time, the commercial organization builds quotes to react to business opportunities. The Sales team initiates opportunities in Excel files that are then shoved around various departments to build up all of the necessary facets of cost. Once delivered to the prospect/customer, these Excel files, which contain valuable financial information on future business opportunities, are stored away on individual desktops.

What is gained from this process? Islands of un-networked Excel spreadsheets on desktops housing Awarded and Quoted business. The commercial team launches each new quote from scratch, responds slowly to opportunities and inconsistently represents costs. Worst of all, the essential margin/cost/capacity utilization information for the valuable two- to six-year strategic horizon of the enterprise is locked away in individual customer Excel vaults gathering dust.

### **What you could be doing...**

Today, a single common commercial tool can manage opportunity initiation, quoting/costing, business forecasting and win/loss/market share. The tool can dramatically improve the speed and accuracy of the quote process, report wins/losses/market share and formulate real-time, long-term forecasts. It also provides a single interface to manage these commercial processes, eliminating the multitude of disaggregated Excel files that the commercial team interacts with today. Even more valuable for upper management, the same software tools aggregate all pricing, costs, capacity and tooling information across production, awarded, quoted and even

targeted opportunities for true enterprise operational and financial visibility over the strategic long-term horizon.

Companies who implement this are:

- Evaluating needed incremental investment/capital purchases with real time capacity utilization by plant and machine
- Effectively managing cash flow
- Assessing business portfolio's potential risk profile by customer, plant and part over a near- and long-term horizon
- Testing impact of multiple alternate market volume scenarios on the enterprise in real time
- Identifying their highest-margin products for wider commercialization
- Assessing the impact of input material fluctuation on the enterprise in real time
- Improving collaboration and negotiation with their vendors for direct materials
- Realizing hidden value from investment in ERP, PDM and Project Management Systems
- Instantly dash boarding P&L by plant, product and customer over a six-year horizon

Suppliers can achieve significant commercial process improvements while simultaneously unlocking the ability to successfully manage their margins for true advantage over their competition. And the best suppliers are beginning to do so now. CSM believes implementing these commercial improvements is perhaps the most vital initiative that supplier management should embark on today. It costs little to implement and the strategic return on investment cannot be underestimated. Your survival may depend on it.

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