REAL WORLD CASE 4

Boehringer Ingelheim: Using Web-Based Tools for Financial Analysis and Reporting

Boehringer Ingelheim (www.boehringer-ingelheim.com) is a huge company, with $7.6 billion in revenue and 32,000 employees in 60 nations. But the Ingelheim, Germany–based pharmaceutical maker says Web-enabled reporting and financial applications are making the company as nimble as some of its smaller competitors when it comes to running financials.

Like many large corporations, Boehringer is turning to Web-based financial and analytical tools to rapidly consolidate and present key financial data on a daily, weekly, or monthly basis. The company uses a Web-enabled version of SAP AG's financial software, which allows it to drill down and draw conclusions based on the latest available financial and operational data. "I want to be told where I stand and where we are heading" says Boehringer's chief financial officer, Holger Huels. "I like to be able to see negative trends and counter them as fast as possible." More important, Boehringer is now able to close its books for most of its divisions just two hours after the close of business at the end of each month, says Huels.

That's a big change for Boehringer's accounting department, which previously had to wait for printed reports and then pick through them manually. The staff used a variety of software tools for financial analysis, says Tony Ciancio, Boehringer's director of accounting. The closing process spanned three days each month, including the time required to reconcile data from the disparate systems.

The pharmaceutical company switched to the SAP Financials SAP R/3 system a little more than a year ago, after a 14-month rollout. Delivering the necessary information required some integration work with several procurement systems that tied into SAP. Boehringer also had to write custom interfaces to link its SAP system to its Manugistics production planning application.

The new system uses the Cognos Inc. (www.cognos.com) Impromptu reporting tool to report financial results from an Oracle-managed data warehouse, which takes feeds from the SAP system each night, says Ciancio. Impromptu then creates standard income statements, cost center reporting, and account-level analysis. Impromptu also lets the accounting staff drill down to individual transactions. Ciancio says that with three and a half years' worth of SAP data, his department can spot product sales trends and track expenses such as personnel costs, which are frequently reviewed and compared with net sales and other metrics.

The biggest difficulty in implementing the new system was training staff to deal with the unique way the SAP application deals with pharmaceutical-specific accounting procedures as it reports revenue, says Ciancio. Despite the amount of time required for training, the system has made the accounting department much more productive, in part because the staff can now run up-to-date reports whenever needed, according to Ciancio.

Boehringer also uses the Cognos PowerPlay business intelligence tool, which permits multidimensional views of profit-and-loss data. "We can quickly analyze revenue and expense information by switching the columnar and row data, and also bring in different dimensions or measures such as budget or prior year, then drill down and get subsets of the data," Ciancio says. Executives can access this data through Cognos Upfront, which securely delivers the reports via a browser over the Boehringer intranet. The system also allows for ad hoc analyses. The most common of these are transaction reviews that let users get fast summaries by customer account or product.

Ciancio says the new system is running as efficiently as possible, but it has limitations. For instance, there is still a one-day lag in reporting because some parts of the global organization are still using different systems. Boehringer usually closes the books for four of its divisions in 12 hours, typically on the first business day of the month, Ciancio explains. However, three units don't use the SAP Financials system and its general ledger. So those units have to close independently, and then the financial data is consolidated through Excel spreadsheets into the Cognos Finance tool for reporting, which requires manual intervention and takes another day. "For many reports, this is acceptable. For others, we are evaluating options for getting real-time updates and reporting up to the minute to the Web," Ciancio says.

But Boehringer plans to roll out the Web-based SAP Financials system to most of its subsidiaries worldwide over the next few years says Ciancio. Despite some problems, the company is convinced that the savings from the new system have already exceeded expectations, he says.

Case Study Questions

1. What are the business benefits and limitations of Boehringer's Web-based financial analysis and reporting systems?

2. Which of Boehringer's financial analysis and reporting systems are MIS tools? DSS tools? Why?

3. How could the Cognos tools used by Boehringer be used for marketing and other business analysis and reporting applications? Visit the Cognos website to help you answer.