

Catalytic Solution, Inc. (CSI)

CSI Produces Cleaner, More Efficient Financial Management Processes

The Challenge

After a sustained growth spurt said “hello” to Catalytic Solutions, Inc. (CSI), the company sought a way to convert its spreadsheet-heavy financial planning, analysis and reporting into a more time and energy-efficient model. Founded in 1996, the global developer and manufacturer of advanced catalytic coating solutions had by 2001 pushed the limits of its homegrown financial management system following successful rounds of financing, the ramping up of its production activities and the securing of contracts with large customers such as General Motors. “The size and complexity of our business had grown exponentially over a short period of time,” notes CSI Senior Vice President and CFO Kevin McDonnell. “We needed to improve the speed and the quality of our planning, reporting and analysis. We wanted to spend less time inputting numbers and more time looking at our numbers. To do so, we needed an integrated tool that would be more reliable, more robust and more flexible.”

The Solution

CSI’s previous Excel-based financial management system worked well during the company’s early stages thanks in large part to a group of technically savvy senior managers. The model “lacked a sufficient means of auditing changes and providing version control,” explains Vice President, Finance Mike Redard. “We had really pushed the limits of Excel.” CSI’s previous planning and reporting system, for example, was unable to pull in current data from the company’s ERP system and integrate that information into the forecast or into variance analyses.

The fact that CSI was outgrowing its planning and analysis tools became painfully apparent during forecasting activities and in planning sessions with the executive team. In those sessions, financial managers sifted through stacks of spreadsheets to search for an answer each time a question was raised. Tracking down those answers sometimes required 24 hours. “As you work through multiple iterations of planning and forecasting, your people have a greater need to compare multiple pieces of information and to drill beneath certain numbers to identify their root cause,” Redard notes. “In Excel, it became virtually impossible

to do that. We consumed large amounts of time trying to piece together why this month’s numbers differed from last month’s numbers.” Those answers often raised additional questions about accuracy. “When you made changes at one level, you needed to determine whether those changes were moving up into the financial statements and linking properly,” Redard adds. Those issues may have been challenging, but they are also typical. A July 2003 survey by a leading corporate finance publication found that 73 percent of responding finance executives use spreadsheets as their company’s primary planning and budgeting software. CSI, however, elected not to take a typical approach to supporting planning, reporting and analysis processes.

A 20-year veteran of corporate-finance, McDonnell had used KCI Computing, Inc.’s CONTROL performance management software in previous senior-level positions with different companies before joining CSI in August 2002. CSI earlier this year purchased CONTROL and its real-time business intelligence (BI), planning, forecasting, reporting and analysis capabilities. In August 2003, CSI unveiled the software to 25 users with the help of KCI consultants.

“One of the primary benefits of CONTROL is that it’s completely customizable,” says CSI Manager of Financial Planning & Analysis Karl Pearson. “And KCI’s consulting team, which is very seasoned and very willing to do what it takes to make their solution work, played a key role in allowing us to customize the system.”

CSI uses CONTROL, which links directly to its ERP system (Microsoft Navision’s Axapta), for all of its financial planning, reporting and analysis activities. That includes planning and analysis activities surrounding operational expenses, salaries and capital investments. The solution also produces the company’s financial statements.

McDonnell and his senior staff’s drive to automate as much as the financial management process as possible delivered immediate benefits. Before processes can be automated, they must be documented. Pearson says the documentation established

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-- KARL PEARSON,

consistent financial planning, analysis and reporting processes with a crystal-clear audit trail. “It also helped generate buy-in throughout the organization as we collected and examined the assumptions that would support and enable the automation.”

Redard credits CONTROL with helping CSI greatly reduce the length of planning and forecasting processes. Completing a multi-year revenue projection, for example, now requires a few days, Redard reports. The same activity, before CSI began using CONTROL, typically required about 30 days. “It was a very iterative, manual process before,” he notes. “It was difficult to look at that information and quickly and easily view all the components of the projection that you wanted to see.”

The improvement was evident during a recent revenue-planning session with CSI's executive team. The team ran through four-year revenue projections directly from CONTROL on a laptop. As the executives fired questions at the team, “we were very quickly able to go right to whatever piece of information we wanted -- to highlight, drill down or narrow our vision on the fly,” Pearson notes. Redard agrees that the CONTROL's flexibility, functionality and interface greatly improved the efficiency and value of the working session, and of the companies financial planning and reporting processes in general.

“We can drill to the foundations of all our summaries and get to the assumptions driving the numbers,” he says. “We can immediately make a decision of whether that's a good assumption or bad assumption, make a change and move on. We no longer spend four hours verifying whether or not that information is tied or not.”

Although CSI is a private company, it has a number of investors and lenders, and its financial reporting obligations are significant. Prior to implementing CONTROL, CSI would export data out of its ERP system into Excel spreadsheets, where finance and accounting analysts would crunch the data. “Frequently, we would complete a first draft and then information or assumptions would change,” Redard recalls. “You would make an adjustment and then have to go through the process again. That created a lot of manual work.” In the short time since CONTROL has been live, CSI has shaved the length of its closing process by about 10 percent. “And we're hoping to eventually cut the time it takes to close by 50 percent,” Pearson says.

Pearson also noticed a substantial reduction in the time he spends tracking down data for accountants and other managers. When an accountant working on a forecast related to the company's bonus program requested data from Pearson, it took him “five or 10 minutes”

to deliver the information. In the past, that simple request would have required the FP&A manager “a couple of hours” to ferret out the data from the right spread sheet and then confirm whether the information was accurate and up to date. “Now, there is much less stress involved,” Pearson explains. “We know the information is accurate. When I receive a request for data, it's a matter of saying, ‘Sure, I can do that. Here you go. Bye-bye.’”

Those quick exchanges, McDonnell notes, help his financial planners and analysts focus on planning and analysis, and let them say “goodbye” to less value-added tasks.

Maximum Returns

By using CONTROL to support its business performance management processes, Catalytic Solutions, Inc., has achieved the following results:

- Reduced the length of its financial close process by 10 percent within weeks after implementation; expects to reduce close process by as much as 50 percent within next 12 months.
- Established reliable, highly automated processes with transparent audit trails for calculating and presenting financial information.
- Reduced from two hours to 10 minutes the amount of time it takes financial analysts to address typical data requests from accountants, greatly increasing the speed with which informed decisions can be reached.
- Improved the quality and efficiency of executive financial planning sessions by answering questions and conducting drill-downs “on the fly.”
- Reduced the time required to complete comprehensive, long-term revenue forecasts from 30 days to three days.

Customer Business Profile

Catalytic Solutions, Inc. (CSI) manufactures and delivers a break-through technology that significantly improves the performance and reduces the cost of catalytic converters. CSI's unique and proprietary Mixed Phase Catalyst (“MPC®”) catalytic coating technology is fundamentally different from other approaches and enables CSI to produce catalyst formulations with superior catalytic performance, greater durability and cost-effectiveness for a wide range of environmental applications. Precise mass-production methods assure excellent coating control and predictable performance. CSI is a privately held company with corporate headquarters in Oxnard, Calif., and offices in Michigan, United Kingdom and Japan.

Take your financial management practices to the next cutting-edge level with CONTROL®, the one-stop solution that inspires the insight that drives performance. Contact KCI at (310) 921-6222 or info@kciCorp.com.