



BAE SYSTEMS

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CONTROL® brings new era of integrated, collaborative financial management

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BAE SYSTEMS is a systems company, innovating for a safer world. BAE SYSTEMS employs nearly 100,000 people including Joint Ventures, and has annual sales of around \$18 billion. The company offers a global capability in air, sea, land and space with a world-class prime contracting ability supported by a range of key skills. BAE SYSTEMS designs, manufactures and supports military aircraft, surface ships, submarines, space systems, radar, avionics, communications, electronics, guided weapon systems and a range of other defense products. BAE SYSTEMS is dedicated to making the intelligent connections needed to deliver innovative solutions.

Integrated Defense Solutions, headquartered in Austin, Texas, employs more than 900 people at three major facilities in the United States. Integrated Defense Solutions creatively adapts and integrates technologies to rapidly produce solutions for the homeland security and defense markets. Products include chemical and biological agent detectors and systems, mine countermeasure systems, aircraft maintenance, repair and overhaul, aircraft modification and assembly, airborne target presentations, aircraft countermeasures dispenser systems and expendable countermeasures, intelligent combat systems, and mission equipment upgrades.

The Business Environment

Competition is fierce in the aerospace industry, as companies vie for government contracts (Army, Navy, etc.), as well as foreign and commercial contracts. IDS needed a new financial system that could handle the unique challenges. The company’s homegrown legacy system wasn’t capturing all key financial data needed for effective planning; it couldn’t handle the new Oracle accounting system; it wasn’t Y2K compliant; it didn’t provide multi-dimensional views of data; and it was not integrated.

Potentially complex contracts, long contract periods, and numerous billing options put extra demands on the financial planning process, from bidding to reporting. Moreover, each contract potentially could contain multiple sub-assemblies.

“We basically get contracted anywhere from two to 200 systems over a period of 12 to 24 months,” explains John White, Director of Financial Planning for IDS. “Because it’s long-term contracting, it’s complex from the standpoint that, even for just two units, we have to budget out the engineering effort, the design effort, then the production effort, and then the testing effort, in sequence over that full life cycle.”

“We evaluated several companies,” White recalls. “Some people thought we were only going to replace our existing system, but what we ended up doing was expanding that to include all financials. We decided not to just go duplicate what we presently had; we wanted to move forward and incorporate the balance sheet items such as billings, cash, work in process, accounts receivables and unbilled. And instead of one or two people controlling the input, we wanted to proliferate it through the organization for better ownership and accountability.”

The Solution: CONTROL

After evaluating all the options, IDS chose CONTROL. It was the only product that provided the depth and breath of multi-dimensional functionality for the entire financial planning spectrum. But beyond that, it offered superior technology and was easy to use, totally dynamic and incredibly priced for the value. Plus, it was backed by KCI, a vendor with proven A&D competency and experience.

“We felt the other vendors...did not know the requirements as well as KCI”, states White. “What KCI was able to bring to the table made our implementation much more efficient and enabled us to get it done more quickly than we would have otherwise at a lower overall cost.”

CONTROL enables IDS to see the *whole* picture, examine finite detail, and continually plan, adjust, predict, and report in real time. It delivers the enterprise knowledge and drill-down facilities required for better decision-making and operating results.

With CONTROL, IDS can simulate the cost and revenue streams, as well as key balance sheet items of each project—and projects within projects—over the months or years of each

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contract. Both the business development office, which pitches new business; the program control organization, which estimates remaining effort on firm business; and the financial planning team can now contribute to the forecasting effort using one common database.

CONTROL gathers and takes into account complex billing calculations for each forecast. From “progress payments,” where IDS receives 80 percent of costs and the balance on delivery, to “milestone billing,” where IDS receives incremental payments as the team meets pre-defined progress points, **CONTROL** helps make sense of all the varying details so the information can be used more effectively in operational decisions.

“With **CONTROL**, we forecast out over the entire life of that job,” says White. “We forecast out the cost as well as the revenue stream, and the gross margin we’re going to be earning. And you can see how the billing and the cash are going to work. Then we add the balance sheet, and the work that’s in process.”

CONTROL has enabled White’s team to not only forecast, but also easily compare actuals with forecasts.

Integrated data, processes, functions

At the end of each month, analysts bring data into **CONTROL** from an Oracle-based data warehouse forming the basis for accurate forecasts of current-year, sales, profit, cash, work-in-process and other key balance-sheet metrics, as well as a good three-year window for the next operating plan cycle.

“Before KCI and **CONTROL**, we didn’t have a centralized database that gave us a comprehensive view of the enterprise,” recalls White. “We had independent worksheets. We did some linking, but it wasn’t very user friendly. Having **CONTROL**’s centralized database is a lot more effective for us—it’s all right there, and you push a button and you see where you are, any time you want to.”

Now IDS has the consolidation, flexibility, speed, and robust capabilities that could not be provided by spreadsheets. Most importantly, it has a collaborative solution that unifies the business planning and performance management process.

Seamlessly integrating IDS’ whole financial planning process, from future business forecasts with actuals to-date to reporting, **CONTROL** now provides IDS with a centralized, industry-standard database that includes all key information regarding future business and existing business. Future business data combined with existing business data become

the profile for the business for the next two to three years.

“If someone sees an opportunity six months to a year from now, they will put it into the bookings system,” says White. “And we select one of about 40 **CONTROL** templates that can model that program, so we can see what we think will be its revenue, and its cost stream, gross margin stream, the work in process, and other cash items, and so on.”

For existing business, IDS uses entry sheets KCI developed. They look at each existing contract in terms of its actuals and funding, and profile that out over as many months as long as the program runs. They get to see the exact same data as for future business—the revenue stream, gross margin stream, work in process, receivables, unbilled. Everything they need.

“**CONTROL** has added a lot of value, not only in terms of forecasting revenue and gross margins,” says White. “It has integrated the whole process. We can now forecast accurately billings and cash, and our work in process, and our unbilled, so that we can now see not just the P&L side, but we can now see the balance sheet side as well. And that’s been key for us. So, now that we can have variance explanations on either the P&L or the balance sheet, we’re able to drill down to the contracts and more accurately be able to define what’s going on with those contracts.”

Reaping rewards...and fast

Greater accuracy, better accountability, and a higher level of collaboration with **CONTROL** have enabled the financial team to get in sync with the people, who are closest to the customer.

“I’ve got several users who know what is going on in their lines of business,” says White. “And they are the people who are responsible for the input now.” This collaborative team environment benefits the business by producing more accurate information more efficiently. In addition, closing the books now requires less time and fewer people, and provides the business with access to better information.

“We had the immediate benefit of closing our cycle time—to develop reports—from three weeks with two people, to about two or three days with one person... Improvements to our planning process in 2001 were immediate, in that we were able to plan out the balance sheet more precisely and monitor our variances better.

“We’re providing better information to the organization, so that they can better manage the business... I’ve gotten a lot of favorable feedback.”

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@kccorp.com.