

Solution Overview

<http://www.oticon.com/com/home.htm>

Customer Size: 4800 employees

Organization Profile

Founded in Denmark in 1904 by a man whose wife suffered from hearing loss, Oticon A/S is a leading global manufacturer and seller of hearing aids. Among its products is MultiFocus, the world's first fully automatic hearing aid, and DigiFocus, the first digital instrument at ear level. Oticon has sister companies in more than 20 countries worldwide. Oticon has its own independent research centre, located in Eriksholm in Denmark.

Business Situation

Oticon's finance department wanted to improve its key functions and processes, namely financial consolidation, budgeting, planning, forecasting, and reporting with an integrated solution. Oticon made a strategic decision to unify all its Performance Management solutions under Microsoft, its vendor of choice. Oticon's first priority was to rebuild its system for financial consolidation for monthly, quarterly and year-end reporting.

Solution

Oticon chose a solution that would satisfy its financial consolidation requirements but also have the ability to integrate all the key finance functions it had previously identified such as budgeting and forecasting. Using Microsoft Office PerformancePoint Server 2007, Oticon developed a solution that would automatically consolidate financial results from companies while allowing users at both local and enterprise levels to work in Excel, the undisputed tool of choice in finance.

Partner(s)

Solver

Software and Services

Microsoft Office PerformancePoint Server
Microsoft SQL Server 2005 Enterprise Edition

Vertical Industries

Electronic Components

Country/Region

Denmark

Oticon Hears The Value of Performance Management with Microsoft Office PerformancePoint Server 2007

A century-old history of hearing aid innovation

With a history that goes back more than a century and a pattern of continual growth that has seen it expand from a one-man operation to a multinational company, Oticon A/S is a classic story of success. The Danish company, which develops and sells innovative hearing solutions, boasts annual revenues of roughly €682 million. In addition to its headquarters, production facilities and research centre in Denmark, Oticon has offices in most parts of Europe, as well as in the United States, Japan, China, Australia and New Zealand.

Oticon's finance department faced many challenges related to financial consolidation, budgeting, planning, forecasting, and reporting. Disparate systems and data sources were creating redundant work for finance users, as well as raising questions about the consistency and accuracy of information. At the same time, poor acceptance of a solution introduced in recent years resulted in finance users switching back and forth between the solution and Excel spreadsheets, with the latter identified as their working tool of choice.

As they searched for solutions to these challenges, Oticon's senior finance decision makers quickly realized that the answer lay not in several solutions but in one that would bring all key finance functions and systems under a single, integrated technology structure. Oticon recently decided to unify all of its finance technology solutions under its preferred vendor: Microsoft Corporation.

"We wanted to move away from a portfolio of non-integrated solutions and go with a single vendor that could provide the full package," says Ulf Hilton, Group Finance Manager for Oticon. "Not only is Microsoft a big vendor that can deliver the technology and performance we were looking for, our users were already familiar with many of their tools, particularly Excel, which they like very much."

As a first step towards this cohesive, single-vendor technology architecture, Oticon decided to rebuild its financial consolidation model using a Performance Management solution from Microsoft.

"The key deciding factor was Excel and the fact that this solution would naturally integrate Excel into the model," he says. "The second factor was performance. We knew that if we gave users something slow they would be annoyed and of course Excel has the muscle to perform according to their expectations."

Beyond being a Microsoft technology, the Performance Management solution also made sense for Oticon's finance department because it would consolidate into one system all the key functions and processes in finance.

"We didn't want to have to maintain a financial consolidation system with user security and accounts and then also have to maintain another system for budget and yet another for forecasts," says Hilton. "We wanted something that could handle the entire range and it was clear that Microsoft would be able to provide what we were looking for."

Building a better solution for financial consolidation

With more than 50 business operations around the world, consolidating financial figures for monthly, quarterly and year-end reporting presented a challenge for Oticon. Locally, users were entering and updating their performance data

into a Web-based database located on a central server. With this system, the server was capturing and calculating data in real-time, which slowed down the pace at which users could enter their numbers. The system was even slower during budgeting period, when the system was constantly being loaded with volumes of data from different sources.

To consolidate budgeting figures from its various global entities, finance users at Oticon headquarters had to export the information from the central database to Excel spreadsheets, which they used to make calculations and adjustments. Corrections made to the database required users to import or enter these revised figures into a third system.

“That made no sense because users were essentially doing double work,” recalls Hilton. “This also created uncertainty about the accuracy of the work since users had to translate data between the local and central models.”

As part of its reporting requirements, Oticon also needed to adjust for inter-company transactions. But since its system lacked the ability to automatically identify and eliminate these internal transactions, users had to do this manually, adding yet another step to the process.

Users’ ability to override calculations in Excel added further to the risk of Oticon building its reports on inaccurate or incomplete information, says Hilton. Ironically, this was one of the issues Hilton had hoped to resolve when Oticon implemented a dedicated Web-based budget system a few years earlier. While this budget system blocked unauthorized revisions to pre-set formulas, its effectiveness was hampered by poor user acceptance, says Hilton. Oticon users worked on Excel whenever they could, says Hilton. Outside of entering and updating data in the central database, users at both local and enterprise levels turned to their Excel spreadsheets for doing calculations, adjustments and creating what-if scenarios, says Hilton.

“We realized that in the finance world, you simply cannot take Excel out of the work process because it is what users want to use,” he says.

A more efficient and effective process

Working with Solver Inc., a global Microsoft Gold partner headquartered in Los Angeles, Oticon began building a solution with Office PerformancePoint Server 2007, an integrated performance management application with comprehensive capabilities that include financial consolidation, planning, budgeting, and forecasting. Office PerformancePoint Server 2007 is based on Microsoft SQL Server 2005, which enables it to provide scalable and secure data management. It also offers the additional advantage of utilizing the 2007 Microsoft Office system, which is comprised of programs most Oticon users were already familiar with, including Word, PowerPoint, Outlook, and of course, Excel.

Henrik Ipsen, a senior Solver consultant based in Europe, says Oticon’s plan was to roll out its Performance Management solution in three phases. The initial phase would address financial consolidation, while the second and third phase, respectively, would build up budgeting and forecasting functionalities as well as integrating to other existing business intelligence solutions and local ERP systems.

For Phase I, Oticon plans to eliminate its current financial consolidation solution and in its place use Office PerformancePoint Server 2007. With Excel as the front-end tool for this solution, Oticon users will be able to enter their figures directly into their preferred spreadsheet program. Additionally, the data would be captured and calculated locally within Excel. Once users were finished with their work, the data would be saved and loaded automatically onto the server.

"This effectively increases the speed with which they could enter and compute data," says Ipsen. "And since everybody knows Excel, this will make it very easy for users to learn and adapt to the new system."

The new solution will speed up reporting cycles and ensure greater accuracy since users will no longer have to translate information between models. The new solution is also designed to execute the necessary adjustments – such as elimination of inter-company transactions – on the database server.

"With Office PerformancePoint Server, it's all in one solution," says Ipsen. "And this integrated environment will mean greater accuracy and security."

By eliminating the various disconnected databases, Oticon is also advancing towards its goal of unifying all of its technology solutions under the Microsoft umbrella. Ipsen says this makes sense on so many different levels, including performance, scalability, and cost of ownership.

"Performance-wise, we already know Microsoft's solutions are quite superior," says Ipsen. "And since Office PerformancePoint Server is built on SQL Server 2005, it would be very easy for Oticon to leverage that investment in the future."

Implementing and maintaining a Microsoft solution is also easier and more cost-effective than a lesser known solution because of the widespread knowledge of Microsoft technology, says Ipsen. "With Microsoft it's easier to get resources for maintenance and that brings down the cost of ownership," he says.

A solution that guarantees success

Once Phase I is completed, Hilton says he expects immediate significant improvements in the company's financial consolidation process. He looks forward to a streamlined financial consolidation with no more redundant tasks, minimized data inconsistencies and inaccuracies, and faster results now that most manual functions have been automated.

"We're a very lean organization so we're always looking for ways to simplify our processes while improving results," says Hilton. "With this solution, we believe we will achieve just that."

Also, Excel being a key component is critical to the success of the project. "Having Excel as part of this solution – that alone will almost guarantee success with our users. With this new solution, we expect they will be quite happy and receptive to the improvements," says Hilton.

Beyond the direct benefits to Oticon's financial consolidation process – and in the near future to its budget and forecasting processes – the new solution will also allow the company to move towards complete integration of all its systems, says Hilton. Oticon is now using Microsoft Dynamics to manage its sales and customer data. Linking these solutions to Office PerformancePoint Server 2007 would complete the fully automated data life cycle and enable quick adaptation to business intelligence solutions.

"With this implementation, we're well on our way to fulfilling our larger vision of having a unified technology architecture with Microsoft as our vendor of choice," says Hilton. "We believe this is the way of the future and we're going to continue in that direction."

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