Evolution, Revolution

• **Evolution**
  – Any process of formation or growth; development
  – A process of gradual, peaceful, progressive change

• **Revolution**
  – A sudden, complete or marked change in something
  – A radical and pervasive change in society and the social structure, especially one made suddenly and often accompanied by violence
Evolution
The Transformation From Processing Efficiency to Data Mining to Strategic Business Partner
Evolution Strategy

• Where Are We?
• Where Do We Want to Go?
• How Do We Get There?
Iterative Evolution Using Adaptive Action*

- Adaptive Action
  - A process of recognizing patterns to make sense of what’s going on

- Iterative Evolution
  - Repeating the process to grow continuously

Adaptive Action Process

**What?** Facts. Getting data organized into something relevant, meaningful. Distinguish critical patterns from insignificant noise.

**So What?** Implications. Significance. Seek description and explanation, causes. What assumptions or expectations were confirmed or denied? Generalities, exceptions, contradictions, surprises, puzzles. Emergent phenomena.

**Now What?** Options for actions to take. Implications of the options. Additional analysis prompted by the results. Plan, timeline, measures for success.

**Who Cares?** Communication and Influence
What?

Desktop Software  SQL  Benchmarking
TQM  Consultants  Dashboards
Root Cause Analysis  Cognos  OBIEE
Crystal  Analytics  Six Sigma
Hyperion  Lean Techniques
So What?

• What do you think is the difference between ‘data’ and ‘information’?

• What are some examples of data?

• What are some examples of information?
• We are *drowning* in data, but *starved* for information.

*Information says something useful about the business*

Reveals Problems

Indicates Trends

Shows how business processes affect each other
What We Really Need

What we really need from analysis is not just more numbers

– We need an interpretation of what those numbers mean within the larger context of how the business is running

and...

– We need recommendations on how to improve things

because...

– Those close to the data are often the experts or at least have a closer perspective on the business processes being examined
PROVIDE CONTEXT!

12 Months
12 Months Past Due
12 Months Past Due on Mortgage.
12 Months Past Due on Mortgage. Foreclosure Imminent!
12 Days Past Due.
12 Days Past Due. Interest Accruing.
12 Days Past Due. Interest Accruing. $100 bal, $.30 interest
AN EXAMPLE OF TURNING ‘WHAT’ INTO ‘SO WHAT’
## Verification Time Study – Data Collection

<table>
<thead>
<tr>
<th>#</th>
<th>Date</th>
<th>Time</th>
<th>Task</th>
<th>Comments</th>
<th>System</th>
<th>Assoc</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8/11</td>
<td>8 min</td>
<td>Hold on 12 pcs.</td>
<td>Previously sent email to store. Searched for POD. - none found. Emailed store to request they enter Rcvg. Noted in Oracle. <strong>Waiting</strong> for response</td>
<td>R12</td>
<td>Dave</td>
</tr>
<tr>
<td>2</td>
<td>8/11</td>
<td>8 min</td>
<td>Hold on 10 pcs</td>
<td>Looked up store Leader. Emailed store for POD. Noted Oracle. Noted Sheet. <strong>Waiting</strong> for response</td>
<td>R12</td>
<td>Dave</td>
</tr>
<tr>
<td>3</td>
<td>8/11</td>
<td>5 min</td>
<td>Hold on 1 pc.</td>
<td>Looked up Store Leader. Sent email to store for Rcvg. Noted Oracle &amp; Sheet. <strong>Waiting</strong> for response.</td>
<td>R12</td>
<td>Dave</td>
</tr>
<tr>
<td>4</td>
<td>8/11</td>
<td>4 min</td>
<td>Hold on 2 pcs.</td>
<td>Looked up Store Leader. Sent email to store for Rcvg. Noted Oracle &amp; Sheet. <strong>Waiting</strong> for response.</td>
<td>R12</td>
<td>Dave</td>
</tr>
<tr>
<td>5</td>
<td>8/11</td>
<td>4 min</td>
<td>No Rcvg on invoice</td>
<td>Sent email to store for Rcvg. Noted Oracle &amp; Sheet. <strong>Waiting</strong> for response.</td>
<td>R12</td>
<td>Dave</td>
</tr>
<tr>
<td>1</td>
<td>8/14/2013</td>
<td>8 min</td>
<td>No Rcvg on 5 pcs</td>
<td>Sent email to unit for Rcvg. Noted Oracle, updated Sheet. <strong>Waiting</strong> for response.</td>
<td>R12</td>
<td>Ellen</td>
</tr>
<tr>
<td>5</td>
<td>8/26/2013</td>
<td>5 min</td>
<td>isub</td>
<td>Reversing lot/line/sku</td>
<td>11i</td>
<td>Cathy</td>
</tr>
</tbody>
</table>

### Avg time per manual match
<table>
<thead>
<tr>
<th>System</th>
<th>Time</th>
<th>Matches per Hour</th>
<th>Ratio of R12 matches to 11i</th>
</tr>
</thead>
<tbody>
<tr>
<td>R12</td>
<td>6.75 min</td>
<td>8.89</td>
<td>63.8%</td>
</tr>
<tr>
<td>11i</td>
<td>4.3 min</td>
<td>13.95</td>
<td></td>
</tr>
</tbody>
</table>
Results: The time study to compare Customized 11i Manual Match to Standard R12 Manual Match was completed in August.

While the manual match speed was higher than originally anticipated in both conditions, the relative speed of R12 to Custom 11i is definitely lower.

In both cases, we are examining quantity shortages only because other variances in 11i are automated and are rejected in R12 custom interface. The results show:

- Resolutions per hour in R12 are 64% of those in Custom 11i
  - R12 – 8.89 per hour
  - Custom 11i – 13.95 per hour

Wait time in R12 is more common than in Custom 11i. This may be partly attributed to the fact that all activity in R12 is Not For Resale (NFR) versus all Merchandise in 11i. It is also a reflection of the absence of research tools via our custom workbench.

These results can be used to quantify the salary impact of standard versus custom code when multiplied with volume for shortage manual matches.
• What: Standard match productivity is 64% of customized

• So What: $$ Impact? Depends on the Volume
  – Volume X Productivity = Time to Process
  – Time to Process X Wage Rate = Cost

• The salary impact of standard versus custom code when multiplied with volume of manual matches gives the cost/benefit or risk/exposure of options.
Now What?

- Custom Code ➔ IT Cost
- Standard Code ➔ Operational Cost
- Outsource
- Tools available to mitigate Operational Cost (increase productivity while using Standard Code)
- Other methods to reduce volume
- Next Adaptive Action Round – what is the source of the manual volume and how can it be eliminated?
<table>
<thead>
<tr>
<th>Options</th>
<th>Operational Requirements</th>
<th>System Requirements</th>
<th>Benefits</th>
<th>Gaps</th>
</tr>
</thead>
</table>
| Standard Code    | 49 Non-Exempt FTE’s and 2 Exempt approx. $2.5M annually. | Interfaces Dependent on Inventory Implementation Phase  
Customized Reports for Unmatched Invoices/Receipts etc. | Minimal Risk for Upgrades and Patches  
Supported by Provider  
System Compatibility | Summary vs. Detail Match  
Highly Manual Process  
No Automation of Variance Resolution  
No Accounts Payable Reporting |
| Custom Code      | 8 Non-exempt and 1 Exempt approx. $.5M | PO/Receipt Interface from Receiving System  
Update current code for System Compatibility | Detail Level Match  
Exception Based Research  
Timely Variance Resolution  
Recovery Fee Avoidance  
Automation of Variance Resolution | Two System Platforms  
Responsible for Maintaining Custom Code  
Cost to Upgrade  
Maintain Supplier File in multiple Systems |
Who Cares? –

Translate Data into Compelling Suggestions, Recommendations, Provide Insight

Since your target audience is usually more interested in hearing about solutions than problems, make sound recommendations:

- Deliver a basic description of the improvements or progress that can be made by following your recommendations

- Describe the most relevant next steps that should be taken to address the issue(s) raised in your presentation

- Justify your recommendation as needed with good back-up documentation *possibly* including a simple cost/benefit analysis
Supplier Relations Example

Strategy: Transform SR from reactive dispute resolution to interactive business partners.

What:
- Dispute Types & Frequency (Pareto)
- Refund Rates (slice and dice)
- Process Maps

So What:
- Which take longest
- Which can be prevented

Now What:
- Supplier Webinars
- Upstream process changes
- IVR
- Drop Calls

Measures of Success – Volume, Aging, Dispute Types, Feedback
Who Cares?

AP Director, SSC VP, Controller, CFO, Merchants, Suppliers, Inventory

Able to demonstrate an increase in value to partners via empirical metrics and customer experience.

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>↓</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disputes</td>
<td>28,484</td>
<td>29,686</td>
<td>4%</td>
</tr>
<tr>
<td>Ave Days to Resolution</td>
<td>8.1</td>
<td>13.3</td>
<td>39%</td>
</tr>
<tr>
<td>Unresolved Disputes at</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year End</td>
<td>181</td>
<td>637</td>
<td>72%</td>
</tr>
<tr>
<td>Disputes &gt; 30 days old</td>
<td>0</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>14</td>
<td>18</td>
<td>22%</td>
</tr>
</tbody>
</table>
IN ADDITION TO USING DATA TO DRIVE DECISIONS, EVOLVE PERFORMANCE, OR CREATE REVOLUTION, IT CAN BE USED TO SHAPE PERCEPTIONS.
### 2013 - 2015 YTD Value Add - AP

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Avoidance</td>
<td>$45.8M</td>
<td>$57.1M</td>
<td>$71.7M</td>
</tr>
<tr>
<td>Cost Recoveries</td>
<td>$28.9M</td>
<td>$21.5M</td>
<td>$20.0M</td>
</tr>
<tr>
<td>Cash Management</td>
<td>$1.0M</td>
<td>$1.0M</td>
<td>$726k</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$75.7M</strong></td>
<td><strong>$79.6M</strong></td>
<td><strong>$92.4M</strong></td>
</tr>
</tbody>
</table>

### 2015 Highlights

**Cost Avoidance:** Mdse 3-Way Match
- Omission in Packing = $17.8M
- Price Overcharges = $4M
- Quantity Overbill = $4.2M
- NFR Price & Overbill Rejects = $13.3M

**Cost Recovery:** Debit Balance Collections = $16M
- Post Audit = $9.4M

**Cash Management:** Credit Card Rebate = $757k
Presentation Checklist

- **Relevant**: makes useful comparisons, indicates trends, reveals problems and/or helps with decisions
- **Valid**: double checked for accuracy and reasonableness
- **Concise**: precisely communicates key messages
- **Discernible**: easily viewed and understood
- **Anticipatory**: answers the most likely audience questions before they are asked
- **Supported**: sufficient back up documentation is provided/attached
- **Complete**: fully meets audience’s needs and follows the entire executive summary process
Key Takeaways

• Define Your Objective
• Data Visibility
• Tools for Data Manipulation
• Transform Data into Information
• Adaptive Action: What, So What, Now What, Who Cares