

In Advince Newsletter Fall 2013 – Express Version

- ***IT Due Diligence – the best way to spend summer vacation***
- ***Improving the management reporting: It's more about culture than technology***
- ***Standing Room Only at Advince seminar on Strategic Sourcing***

Getting in touch: Filip Ekstrand

filip.ekstrand@advince.se | +46 (0)702 62 25 57

IT Due Diligence – the best way to spend summer vacation

For some Advince key staff members, vacation was quite spare this summer due to an unusually high demand for participating in the IT part of Due Diligence projects.

“When the train leaves the station, either you are on board or not”, says Filip Ekstrand, whose family saw less than usual of him in July and August as he and his Advince team travelled the Nordic countries doing IT DD for two Private Equity firms spotting good investment opportunities. And good they were indeed – in both cases the transactions also actually occurred, reflecting the improved market & general business conditions in the Nordic market. Having a history of founders & entrepreneur’s businesses, quite some IT-related challenges need to be tackled by the new owners & management, challenges where Advince can provide valuable expertise.

Improving management reporting: It's more about culture than technology

Many of the Advince projects at PE-owned companies start with the need for better reporting. (See the Business Intelligence theme page in spring 2013 Newsletter available here: <http://tinyurl.com/md4ruz6>.) As repeatedly claimed by Advince, founded on vast experience from successful and fixing unsuccessful BI projects, selecting and buying technology is the wrong end to start.

Joakim Mårlöv, BI Architect and a member of Advinces senior advisory network: “It is not unusual, especially at former founder/entrepreneur-owned companies, that the financial reporting is ran by the so called “Hot Dog-salesman Principle”: You should have more cash in your pocket in the evening than in the morning. What products, customers and channels are more profitable than other you have no idea about.” Then comes a Private Equity firm as an owner, with their demands on cash flow forecast and reports on decreases in working capital, plus financial data necessary for bank covenants. This is a cultural upheaval for some firms and what you need is a process for establishing common KPI’s and reporting dimensions such as Customer Groups and Regions. Technology or IT consultants can never do this for you!

Standing Room Only at Advince seminar on Strategic Sourcing

The Strategic Sourcing Seminar held in Stockholm 2nd of October attracted lots of senior people from both public and private sector to share ideas, thoughts and experiences within the strategic sourcing field. The seminar was jointly organized by Advince and *Sourcing Professionals Nordic* (www.spnord.se), experts in this area. As Keynote Speaker, Helene Molander from *PostNord* shared her experiences from several very large sourcing projects both from the public and private sector.

One of the topics was if the drivers for a sourcing initiative are solely financial and cost cut cuts implying focus on savings per hourly rates, the result may be that no saving is achieved in the long run. The saying “if you pay peanuts you get monkeys” is true since the suppliers tend to include cheaper labor in the delivery or just decrease the number of people involved. This is something the supplier’s seldom tell the customers but is often noticed along the term for the contract.

Almost all organizations struggle to create value in the procurement process. The seminar showed that the way forward, both from a trend perspective but also as a non-negotiable necessity, is to create fundamentals for a “value based sourcing”, which is connecting all internal parts in the organization and involving them in the procurement process and to liberate the sourcing process from being “just one transaction based task”.

The presentations from the seminar are available here: <http://tinyurl.com/ltxksh5>