IBM

Business challenge

Austrade's offices must comply with local labour laws and legal frameworks across 47 different markets. This diverse structure provides unique challenges in creating financial plans on a global basis.

Transformation

To meet the challenge of creating financial plans and budgets on a global basis, Austrade is using analytics to cut through the complexity and make smarter financial decisions.

Helen Thurley
Budget and Reporting Systems
Controller
Austrade

Business benefits:

Optimises
analysis, compliance and reporting for Austrade's expenses and grants budgets

Manages
personnel budgets across 65 remuneration schemes and 300+ employee entitlements

Accelerates
month-end financial processing from five days to four hours

Australian Trade Commission
Improving financial performance across a complex international organisation

The Australian Trade Commission (Austrade) contributes to Australia's economic prosperity by offering services and advice for Australian businesses, tourism operators and citizens. Austrade operates as a statutory agency within the portfolio of Foreign Affairs and Trade.

"Analytics helps us adjust for local variations, helping to facilitate informed decision-making."

Helen Thurley
Budget and Reporting Systems Controller
Australian Trade Commission

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Ensuring cost-effective global operations

As governments worldwide look to cut back on spending, downward pressure on budgets is placing increased emphasis on cost efficiency.

For government agencies that focus on international affairs such as trade or tourism, measuring productivity can be a tough challenge. With hundreds of offices in different countries around the world, how can these agencies develop financial plans that deliver maximum value for public money, while also complying with all the applicable local labour laws and legal frameworks?

The Australian Trade Commission (Austrade) needs to be able to operate globally in order to market the Australian economy to the wider world. At the same time, it needs to align these global operations with Australia's "Smaller Government" policies, which aim at increasing efficiencies and reducing costs across all areas of government.

To ensure cost-effective global operations, Austrade needs a robust budgeting and forecasting process to help it maintain tight control of costs. However, with a diverse workforce and operations across different markets, analysing and forecasting its financial position at the end of each month was a complex, time-consuming process.

Identifying hidden cost drivers

Helen Thurley, Budget and Reporting Systems Controller at Austrade, explains: "Our financial resources are stretched more thinly than ever, and to continue to improve our services, it's vital to obtain the best value for every cent we spend.

"To achieve our goal, we aimed to drive efficiencies throughout the business. This meant measuring the performance of each of our local offices, and determining if they were meeting their targets. The challenge was that cost efficiency depends on a number of interrelated factors, which vary from country to country.

"In managing our property leasing and maintenance costs of approximately AUD25 million per annum, agreements are often written in local language in line with local contract law, using local currency rates. It is important to capture this information globally in a clear and consistent fashion, identifying critical dates and complying with audit requirements. We often have a small window of opportunity to re-negotiate leasing arrangements and we need to manage these negotiations in a timely manner.

"Remuneration and employment conditions also play an important role; for example, across a number of locations including China, Japan, Sri Lanka, Spain, Italy and Australia, employee entitlements will differ based on the individual's tenure. Variations such as these must be considered when we are generating our reports and forecasts. Our analytics solution takes into account each employee's increase in tenure over time to achieve greater accuracy in budgeting and forecasting.

"For instance, due to national, cultural, seasonal and school holidays, different countries have very different leave patterns. With such a diverse workforce across the globe, this can make it very difficult to tell whether an office is having difficulties, or whether it's just that a large number of people are on leave that month. In managing our leave liability of more than AUD30 million, cultural patterns in leave takings can have a big impact on whether a given office runs a surplus or a deficit in a given month."

In the past, Austrade relied on a manual, spreadsheet-based approach to analyse various costs. At the end of every month, the finance team was facing a considerable challenge to interpret data from multiple different source systems, using vastly different assumptions and methods.

"Because so many people were working in their own spreadsheets, there was no real standardisation or consensus on our methodology," Helen recalls. "The effect was multiple versions of the truth across the organisation, and a lack of trust in our month-end reports. To play our part in Australia's 'Smaller Government' initiative, we looked for a way to increase our efficiency and do more with less."

Building a trusted reporting platform

To solve the challenge, Austrade decided to implement a comprehensive financial performance management solution based on IBM Analytics software.

"We wanted to create a single, consolidated view of our operations across the globe, which would make it easier to see where we stood at the end of every month," says Helen. "We wanted to start our transformation project as soon as we could, and we felt that IBM offered the mature analytics portfolio we needed to achieve that goal."

Within just three months, Austrade had created its first budgeting models in IBM® Cognos® TM1®. Over time, the solution was extended and enhanced to cover more of the complexity of its international operations, such as currency conversion, employee remuneration and lease management.

Recently, Austrade has also taken its first steps into predictive analytics, using IBM SPSS® Modeler to predict patterns in annual leave.

Helen comments: "The predictive analytics capabilities of the solution are particularly valuable. Predicting when employees working in different countries are likely to be taking time off allows us to adjust our forecasts to give a much more accurate picture of each office's likely performance throughout the year."

Making savings and boosting services

Austrade has now achieved its aim of building a single, accurate and trusted view of productivity across the organisation—making it simple to identify and unlock cost-efficiencies.

"Our single version of the truth is especially important when it comes to managing operational costs such as property leases," explains Helen. "We have built an application to analyse each lease in terms of cost, renewal date and other requirements, such as whether the

floorspace is appropriate for the number of people who are working there. We now have a reliable system to receive timely alerts about critical dates, and we can manage the timing of refurbishment projects across our portfolio of more than 240 leased properties, comprising offices, residences and storage facilities. We can also easily meet the strict audit and reporting requirements related to this data.

"We can also manage capital projects effectively by modelling the hours and costs incurred in each phase of a project. We can drill down into the detail and make better-informed decisions to achieve our outcomes."
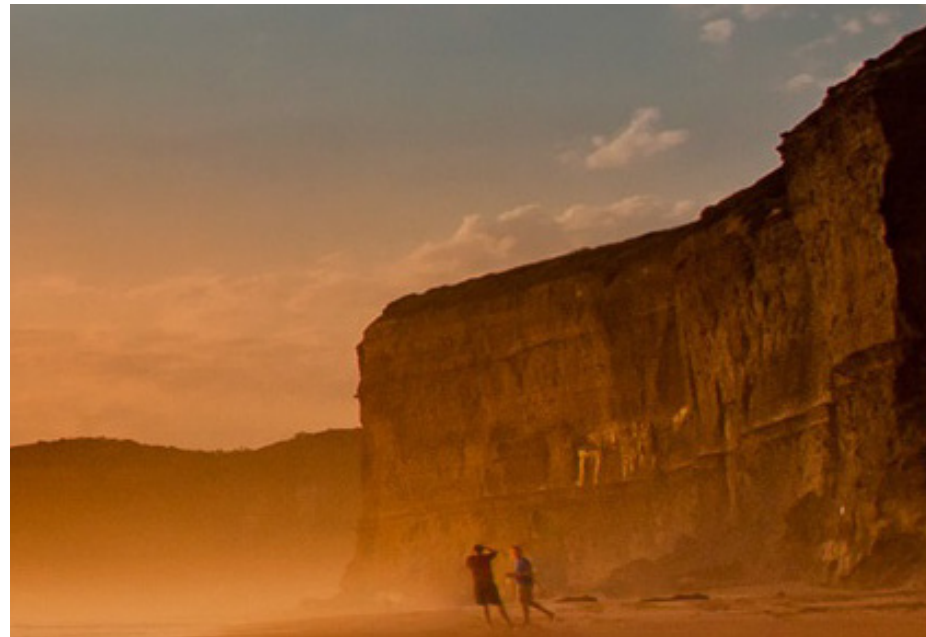
"For example, analytics helps us track metrics such as tenure much more accurately, even as contractors move from one role to another. With this visibility over our long-term skills requirements, we can manage recruitment when it makes sense to do so, and gain insight into our contractor costs."

Faster reporting, deeper insights

By modelling all these aspects of the organisation automatically, Austrade's analytics solution is now dramatically reducing the time required to complete essential budgeting and reporting tasks.

"There's a significant reduction in number-crunching—processes are running automatically overnight," says Helen. "It used to take more than five working days to complete all our month-end reporting requirements; now it only takes four hours. Even though our team has been cut from four people to two, we can still deliver the reports and analyses that Austrade needs – and that would be completely impossible without our analytics solution."

She concludes: "With IBM Analytics powering our financial planning processes, we are continuously finding innovative ways to reduce costs and drive efficiencies in our offices around the world—helping us succeed in our mandate to strengthen Australia's economy."

Solution components
- IBM® Cognos® TM1®
- IBM SPSS® Modeler

Take the next step

IBM Analytics offers one of the world's deepest and broadest analytics platform, domain and industry solutions that deliver new value to businesses, governments and individuals. For more information about how IBM Analytics helps to transform industries and professions with data, visit ibm.com/analytics. Follow us on Twitter at @IBMAnalytics, on our blog at ibmbigdatahub.com and join the conversation #IBMAnalytics.

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