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Jaguar Mining

INDUSTRY:
Mining

COMPANY SIZE:
\$50 million

SYSTEM SETUP

GENERAL LEDGER:
RM Sistemas for Brazilian operations,
QuickBooks for North American
headquarters

**CONSOLIDATIONS, BUDGETING,
PLANNING & REPORTING:**
Adaptive Planning

How Small Can Be Strong

JAGUAR MINING IS A YOUNG BUSINESS, BUT ITS INTERNATIONAL OPERATIONS REQUIRE far more sophisticated consolidation processes than can be easily managed through Excel spreadsheets. To keep the numbers accurate without breaking the bank, the company turned to a hosted business performance management (BPM) solution aimed at the midmarket.

BPM Magazine: Tell me a little bit about what Jaguar Mining does.

Bob Katz: It's a Canadian gold mining company with operations in Brazil's Minas Gerais state. The company's headquarters are in Concord, New Hampshire, with 10 people in that office (it has 500 employees worldwide). Jaguar is really operating as a startup, although it's been in business for two or three years, because we're just now getting going with our mining properties. Jaguar's accounting and reporting are continuing to evolve to support the growing needs for management information and decision support.

I was originally brought in to assess the Excel solution the company had in place to support consolidation, budgeting, and forecasting, under my BI consulting company, F.A.C.T.S. (which stands for Financial Analysis and Control Technology Services LLC). Jaguar was using QuickBooks to do its headquarters accounting, with consolidations handled through an Excel spreadsheet process to include the Brazil results. About a year before I came on board, Jaguar felt they needed something more substantial to handle the consolidations process. They tried to build a consolidation/budgeting tool in Excel but found the workbook files too complex to manipulate on an ongoing basis. Excel wasn't structured enough to handle Jaguar's consolidations without somebody more or less spending their full time maintaining an Excel workbook.

BPM: What would a spreadsheet designed to handle corporate consolidations look like?

Katz: Corporate consolidations at Jaguar used to be performed in Excel as part of what was defined as the "corporate model" — three separate workbooks, composed of over 100 linked spreadsheets, containing the financial and operational data for the mining and headquarters locations. Each sheet represented different functions for each mine and plant, including operating, capital, and cost data, as well as the monthly financial results.

The headquarters and local accounting staff would enter monthly accounting detail from the QuickBooks and RM systems and their associated trial balances into the corporate model to produce the external financial statements. Changing ledger accounts and reports, consolidating adjusting entries, and last-minute audit adjustments, however, made the Excel process very difficult to manage. In addition, Jaguar lacked a dedicated IT staff or a proficient VBA programmer who could address changes needed to support the model.

BPM: So, what did Jaguar change to get the budgeting and consolidations processes under better control?

Katz: The company is currently modifying its budgeting and consolidations processes to accommodate Adaptive Planning, which is an integrated, distributed, on-demand solution. The structured nature of the Adaptive Planning database has allowed a compression of the management of data because you can now look at various slices of the database associated with each individual function, from a mine, a plant, or an

admin/headquarters operation. And then within the functions, the various capabilities of the functions within the model, such as capital, production, cost, debt — each is identified in Adaptive as a separate sheet. It's a much-simplified view of the business model.

In addition, we have a dedicated individual member of the Brazil finance team — who's actually sitting with me today — who'll be the Adaptive Planning champion for the Brazil mining operations. He'll be working with the local Brazil finance staff to guide them to enter their forecasts and budgets directly into Adaptive rather than through Excel. And the folks up here in Concord have already entered their actuals, forecasts and budgets directly into Adaptive. The consolidations and budgeting processes are much quicker, more reliable, and better integrated now.

BPM: *What do consolidations and reporting look like?*

Katz: The headquarters and Brazil operations, in Brazilian GAAP, load their trial balance feeds from their source ledger information into separate plans in Adaptive and then add any consolidating adjusting entries or adjustments to support Canadian GAAP reporting. We've created some ETL capabilities to mirror what a transaction-based system would do in terms of a change in accounts and add that as a separate entity. After reviewing the screens to reconcile the respective entities, Adaptive exports the consolidated external financial statements and associated reporting to formatted Excel documents or templates so that we can present that for external and internal management reporting, both for financial and operational data.

BPM: *How have these new processes been working for Jaguar?*

Katz: We haven't gone through a whole cycle yet to determine what the full extent of the productivity gains will be, but the fact

that everyone is looking at the information at the same time and in the same way is extremely valuable. Now we have a collaborative tool that allows everyone to be current and on the same page. In the past, everybody had their own individual Excel workbooks and then we had to figure out who had the most current information. It also gives us new tools with which to analyze our information.

It's also clear that making changes in

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consolidations will be easier now. Before, when our auditors requested some last-minute adjustments, they couldn't be reflected back through the local ledger in time to address the external reporting timetable. Adaptive Planning allowed us to create an adjustment entity very quickly to accommodate those changes. Modifying the Excel-based corporate model would have been virtually impossible without much reprogramming and investment.

BPM: *Do you think other small companies that might still be using spreadsheets for their performance management processes should consider a BPM software package?*

Katz: I think many small and midsize companies trying to optimize their business processes would benefit from moving to a structured BPM database instead of using Excel spreadsheets. And, clearly, being accessible via the Web is an advantage of an on-demand application if you have dis-

parate functions or offices around the world. Even small companies with sales and service operations in remote locations would stand to benefit because they can upload specific information and have it accessible to management. The challenge for small companies is not taking on a large and expensive implementation.

I've had a lot of experience with large-scale BPM systems, specifically Cognos, Hyperion, and Business Objects. And I have found that unless you have a large IT department or have a mature financial staff with some IT capabilities, they're just too complex to implement for small and midsize companies. I've been involved in several implementations within companies that I used to work for that spent high six- and even seven-figure implementation costs to get these packages working, as well as having dedicated resources to support it. Obviously when you've got a small company, you don't have that luxury.

Looking for an option in between spreadsheets and those big BPM systems was really the only alternative that Jaguar had. They couldn't exist with the Excel model that they were using, and they weren't ready to step up to a full-scale BPM solution. They needed a solution in that in-between, midtier level, that could do the consolidations, get some basic information into the system quickly and out of the system at low cost.

BPM: *What advice would you have for a small company looking for that BPM middle ground?*

Katz: I'd certainly advise them to determine their information and business process goals as well as what their organizational capabilities are and then work backward toward deciding the functions and capabilities needed for an integrated BPM solution. And of course, find a good, experienced partner to help with the implementation. **bm**