BusinessFinance
Best Practices for Finance Executives

Remote Control

Having enhanced the automation behind their analytical capabilities, the finance executives at TV Guide.com are now managing business at a click of a button. Well, nearly.

BY ERIC KRELL

Contributing Editor ERIC KRELL reports on governance, risk, and compliance for *Business Finance*.

The media industry — and television in particular — has grown vastly more complex in recent years. TV channels continue to multiply, networks have expanded their Web programming, and recent labor unrest has further complicated the picture.

TVGuide.com, the division of Gemstar–TV Guide International Inc. that provides online television listing and content, has sharpened its visibility into current and future media and business trends and opportunities thanks to a major programming switch, from highly manual to increasingly automated financial-analytical capabilities. The finance team responsible for this transformation has enjoyed a ratings improvement of its own by devoting less time to number-crunching and more time to supporting business partners in strategic decision-making activities.

"We are able to analyze a lot of data quickly, so I spend more of my time playing the business partner role as opposed to playing the data-gathering role or the traffic cop role," says TVGuide.com Vice President, Finance and Research, Jonathan Kahan. "It's a lot more value-added and a lot more fun."

TVGuide.com watched the primary currency of its business — unique users — increase year-over-year by nearly 50 percent in Q3 2007. Advertising revenue for the same quarter increased 84 percent over the previous year. The performance is inspiring, yet Kahan is equally impressed by how quickly he can access the figures. "Now, when someone gives me a call and says, 'I need a number,' it's a five-second exercise," he says. "It's no longer a two-hour exercise."

Kahan credits strong management support, his experience, the technology implemented, and the skills his team possesses for bringing about these improvements. The changes are noteworthy for two reasons. First, the implementation of a new business intelligence tool took place in 2005, when most companies were scrambling to understand and adhere to the SEC's disjointed implementation of the Sarbanes-Oxley Act. Second, TVGuide.com has leveraged process, people, and technology improvements to initiate a rolling forecast in a business where forecasting revenue is often as challenging as predicting the exact temperature it will be tomorrow.

"Things change constantly," he explains. "On a macro level, it's very easy to say, 'In January, the average temperature will be 35 degrees.' Yet, today, on January 8, the temperature is 55 degrees. There are so many variables." He says that the new analytical technology allows the division to forecast more accurately on a granular level.

Compared to other media types, such as television and print, the sales cycle for online advertising is much faster — more along the lines of four to six weeks out as opposed to two to three months in advance. This makes forecasting difficult, although more companies in other industries confront similar forecasting challenges as the economic "weather" and all the variables influencing it grow increasingly numerous and complex.

COMPLIANCE AND OTHER CRITERIA

The complexity is evident in the data TVGuide.com must access, track, understand, and respond to in running its business: Prior to 2005, the division tracked about six key measures; today, it regularly monitors a myriad of different metrics. Despite that intense focus on the numbers, the data is only a starting point.

"This is mostly about a discussion with the business," says Kahan. "We can now say what is and what is not performing well. And then we can say, 'OK, let's make a tactical change as a result.' The objective is to ensure that we maximize the revenue in the deal that we're selling. What levers can we pull in light of the current reality?"

TVGuide.com's ability to hold those finance-business discussions originated in a 2005 chat between Kahan, then the division's finance director, and

KEYS TO SUCCESS: What Factors Made a Difference at TVGuide.com

TVGuide.com Vice President, Finance and Research, Jonathan Kahan identifies the following keys to success in his division's effort to greatly improve its financial analytical capabilities:

Smart IT systems: The capabilities that TVGuide.com developed require more than a powerful business intelligence or BPM tool. "You need to make sure that the back-end systems these applications pull data from are configured correctly," Kahan notes. For example, if a company wants to report on travel expenses by individual, they need to be captured that way in the general ledger.

The right people: Just as the right BI tool requires the right systems, so does the right IT environment require the right people to make it hum. Kahan values process-oriented individuals who possess a "fantastic knowledge of the business." He also believes that Excel aptitude is a strong indicator of success because Excel wizards also tend to adapt quickly to other business tools. Self-motivation is also a must. "They don't just produce a report and think that they're finished," he adds. "They create the report and then ask what the data means and what we can do with it. I want people who think creatively and constantly about ways to improve the bottom line."

Strong leadership: Kahan credits his boss, Senior Vice President, Digital Media, Richard Cusick, with knowing what he wanted. "He and my peers in the business are very, very good at telling me what they want," Kahan says. "I've been in organizations where what they wanted switched every month, and this makes our job more difficult." While Kahan's team remains ever-flexible, he appreciates how clearly his partners in the business explain their perspectives and needs and are interested in collaborating with finance to meet these needs.

The right corporate team and culture: In early 2007, Gemstar–TV Guide International opted to implement business intelligence tools across the corporation, which increased the resources that Kahan's team can devote to expanding their analytical technology. The decision reflects the corporate culture's support of finance. "The culture treats finance as important and believes that the numbers mean something," he adds. "That's key."

his boss, Richard Cusick, who is now senior vice president, digital media.

At the time, "we struggled with the same kinds of things everyone was struggling with," Kahan reports. His finance team contended with managing multiple data in different places, the constant e-mailing of files with important financial information (a constant version-control risk), and — above all — a complex and exhausting consolidation process. Cusick summoned Kahan and identified the key metrics he wanted to see to help him manage the business in a less reactive manner. The direction was invaluable. It was also rare, as many finance executives across all industries know: Business colleagues often remain uncertain of what metrics they need to manage more proactively. "He was very, very specific about what he wanted to see," Kahan recalls, "and it was really easy to support him."

Armed with clear guidance, Kahan and his team went tool-shopping. They settled on Applix TM1 (now owned by Cognos and soon to be owned by IBM; see "Your Application Vendor Has Just Been Bought," page 33).

The subsequent ease of implementation and configuration provided compliance benefits. Kahan's team found the tool relatively easy to adapt to internal controls that were part of the company's Sarbanes-Oxley compliance effort.

For example, until a specified day, everyone can work on the budget in TM1; once this specified day arrives, write access automatically goes away and the tool becomes read-only. This compliance change could be handled within finance. Other changes required some collaboration with IT. For example, a new IT control requires changes to the application to be entered on a test server first and then on a production server. This additional process step leaves an audit trail for IT should they need it.

Once the application was implemented, Kahan was able to quickly deliver all of the measurement areas his boss requested; these included revenue by advertiser, revenue by salesperson, revenue by industry, revenue by section of the Web site, traffic to different sections of the site, and site traffic compared to competitors' site traffic, among others.

FIXING THE DEFROSTER

The new business intelligence capabilities helped TVGuide.com look further ahead with greater clarity. Prior to the implementation, the finance team excelled at extracting four pieces of information. "But we struggled at how to interpret it — and once we understood it, we did not know how it might impact the future," Kahan recalls. "It was as if we were driving down the road and our defroster didn't work. Now, we have visibility four to five miles down the road. We can really see what the business is doing."

For example, at the beginning of 2007, the finance team looked ahead and saw a road block that frequently crops up in online advertising: underdelivery. Advertisers, such as television networks, consumer products companies, and automakers (the same companies that advertise on television), pay online content providers for ad impressions: the number of ads that load on a Web page. Advertisers pay for a specific number of ad impressions, and then that base payment can be lower if all of the ad impressions are not served during a given period of time.

In January 2007, the finance team saw that the division was significantly underdelivering on ad impressions. If this trend had remained in place, this would have meant less revenue. Instead, the finance team, armed with this information generated from the business intelligence tool, held a discussion with the ad sales teams.

"We were feeling some pain there," Kahan notes. "And my number one task was making the pain disappear." This was accomplished by working with the business to identify tactical adjustments to increase the number of ad impressions. "When we notice that we don't have the full delivery of the ad impressions we need, we can speak to the client and say, 'Let's get you A, B, C, and/or D so that we can maximize our full delivery,'" Kahan explains.

This metrics-based discussion between finance and the business now takes place continuously. The new tool helps, of course, but so have the human resources changes Kahan has been able to put in place as a result of the efficiency and visibility gains. For example, he hired a finance manager who is primarily responsible for closely tracking actual revenue against forecast, sharing this information with the business, and then helping to identify responses if weaknesses crop up. This attention helped to spot and resolve last year's underdelivery issue quickly.

One of the linchpins to the success of this ongoing collaboration is the finance team's ability to connect disparate pieces of data to help give the sales team and executives a more accurate picture of performance. For example, TVGuide.com tracks its revenue against its competitors' revenue — data it plumbs from Nielsen, the marketing information and audience measurement firm. TM1 also is fed the data from the ad-serving system and the division's internal Web reporting system to, as Kahan says, "put different pieces of data together to get a pretty good look at what happened, what's working, and what needs to change."

This capability is how more companies are carving out competitive advantage, according to *Competing on Analytics: The New Science of Winning* (Harvard Business School Press, 2007). "Good decisions usually have systematically assembled data and analysis behind them," write co-authors Thomas Davenport and Jeanne Harris.

ROLLING AHEAD

TVGuide.com's analytical capabilities serve as the foundation for a nascent rolling forecast. Every week, the division looks at how it is performing on advertising revenue for the year and for the quarter. This gives decision-makers the opportunity to see how revenue is growing over time and compared to prior years and budgets (which are still used).

Once the second quarter arrives, the

TOOL TIME

When it came time for TVGuide.com to go tool shopping, TVGuide.com Vice President, Finance & Research, Jonathan Kahan explains, there were four reasons that ultimately helped Applix TM1 become the company's tool of choice.

Speed of implementation

Since the tool did not require the construction of a data warehouse, implementation time was three months (vs. the six months required by most competing applications).

Lower service costs

A quicker implementation meant lower professional services costs by roughly 50 percent, Kahan estimates.

Ease of implementation

The tool looks, feels, and works like a "seamless addition to Excel," Kahan says.

Ease of customization

IT's involvement (either in-house or via expensive tech consultants) has been kept to a minimum. Changing a report requires simply a spreadsheet tweak — not the hiring of an SQL expert.

> "It was as if we were driving down the road and our defroster didn't work. Now, we have visibility four to five miles down the road. We can really see what business is doing."
>
> — TVGuide.com's Kahan

finance team can compare how revenue is "pacing" to how first quarter revenue was pacing at the same point in the first quarter. "If in week one of Q2 we're at 50 percent of where we were in week one of Q1, I can say, 'Here's where I think we're going to end up as a result of that,'" explains Kahan.

This information is shared and discussed on a weekly basis with the sales team and the head of the company's digital media group. The information is also reported to corporate finance. At a local level, the most important information is advertising revenue; all 70-plus TVGuide.com people are squarely focused on the daily, weekly, monthly, and quarterly gyrations of this number.

"If we know that we're not doing as well as we need to, we know that we need to buckle down and get it done." Kahan notes. "These capabilities help us to set workflow in a more professional manner. We don't have so many fire drills anymore."

The same holds true on the finance team, which was facing a January 10 deadline to submit several quarter-end and year-end reports to corporate. Nielsen data, an important component of these reports, was not going to be available until that very date.

"And I wasn't sweating it at all," Kahan reports. "It was not going to be a problem gathering all the data, analyzing all the data, turning it into a narrative, reviewing it with everyone, and submitting it to corporate in the same day. It was a piece of cake." ■

YOUR APPLICATION VENDOR Has Just Been Bought. What Now?

The business performance management industry does not appear to have much more consolidation in its forecast, but customers should still ask their newly organized vendors to look ahead.

Like many other Applix TM1 users, TVGuide.com Vice President, Finance and Research, Jonathan Kahan is a loyal customer: He used the same tool in previous finance positions with MTV Networks and Primedia. And, like other users, he's watching closely to see how Cognos's recent acquisition of Applix (completed in October) and IBM's subsequent acquisition of Cognos (announced in November) play out.

Notes Dave Kasabian, research director with AMR Research Inc.: "The biggest risks are turnover of key resources in the acquired companies, less innovation due to turnover and acquisition/integration distractions, a decreased focus by the acquirer on PM products, and reduced customer satisfaction."

Kasabian has not heard of any of those risks coming to fruition. In fact, he expects Applix customers to remain well supported — a trend that Kahan says he so far sees no reason to doubt. However, Kasabian also advises customers of recently acquired software firms to investigate the organizational structure of the new company. This includes asking contacts at the acquired company if they will still provide the same support under the new regime. If not, find out who will own the relationship.

"They may be surprised at how forthcoming information can be if they just happen to ask the right person at the right time," Kasabian adds. "Ask for product road maps and migration plans. Understand the acquiring vendor's target market, which may be different from that of the acquired company … and how they intend to deal with product overlap."

BPM customers can expect to ask these questions less frequently in coming years. "Well, thankfully, I think we have run out of large BPM vendors to be bought, and by now most of the companies doing the buying should have had their fill as well," wrote BPM Partners President and CEO Craig Schiff in a recent blog entry. "It's time for everyone to settle down, digest what they bought, and then come out fighting."

To a lesser extent, the same holds true for BPM customers.