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## Overview

### Challenge

To introduce a business performance management tool to remove inaccuracies and improve efficiencies within the labour budgeting and forecasting process.

### Why IBM?

IBM Cognos provided a robust solution that could address inefficiencies in financial reporting and in labour cost forecasting.

### Solution

Eraring implemented TM1 and TM1 Web to perform financial reporting and to forecast labour costing.

### Key Benefits

By implementing TM1 and TM1 Web, Eraring Energy transformed their complicated financial and labour reporting into a streamlined, web-enabled system providing accurate, timely analysis and accountability throughout the organisation.

*“Decentralisation and accountability of our budgeting and forecasting system was enabled by deploying TM1 Web. Our cost centre line managers can now access, view, and manage their respective cost centre reports. Budgeting time was substantially decreased and line managers now have the ability to retrieve their financial reports in an easy-to-use format and timely manner.”*

— Adela Murphy, Eraring Energy's  
Financial Systems Accountant

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# Eraring Energy adopts TM1 Web for collaborative budgeting and forecasting

Eraring Energy is a state owned corporation that manages a diverse set of electricity-generating assets located throughout New South Wales, Australia. Eraring Energy has a combined generating capacity of over 3,000 megawatts (MW), including Eraring Power Station at 2,640MW, which is Australia's equal largest.

## Challenges faced

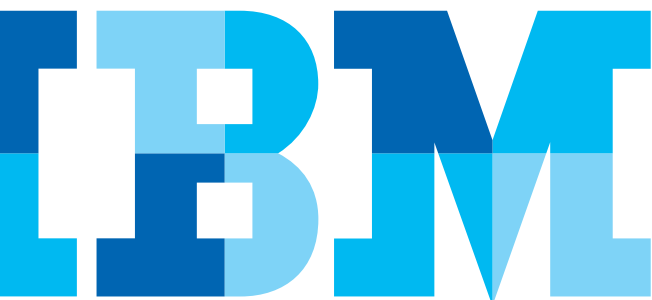
Managing a diverse set of electricity generating assets located throughout New South Wales, Eraring Energy not only needed to provide efficient energy sources but it also needed to run their business operations much the same way; in a timely, accurate and efficient manner.

With a generation portfolio consisting of 10 power stations – 86 percent of capacity being sourced from Eraring Power Station and the remainder consisting of smaller hydro and wind generation plants – Eraring Energy's employees range from shift workers, contractors, day workers, right through to executives. With such a wide range of employment levels and pay structures, labour budgeting and forecasting had become complicated due to manual processing with a substantial amount of cost averaging.

According to Adela Murphy, Eraring Energy's Financial Systems Accountant, “The problem with running our labour budgeting manually meant that it was not only time consuming but inaccurate and unreliable. We had a lot of cost averaging and it was difficult to identify where the variances were coming from.”

## Strategy followed

The solution was to introduce IBM® Cognos® TM1® as a business performance management tool to remove inaccuracies and improve efficiencies within the labour budgeting and forecasting process. The primary requirement was to use IBM Cognos TM1 to identify real labour costs by sourcing the variances accurately, with plans to decentralise the financial reporting at a later stage using IBM Cognos TM1 Web.



In 2004 Eraring Energy decided to implement TM1 into their labour forecasting system, with assistance from Applix (acquired by Cognos in 2007) and its partner Cubewise. With implementation complete after only one month, TM1 saved the finance department at least 2 weeks in data entry and consolidation in quarterly labour forecasting.

Murphy commented, “With TM1 we can now pinpoint why the labour budget is out. Once we had streamlined the process it improved our labour budget variance analysis.”

The next area of focus for Eraring Energy was to address the issue of accountability of the budgeting process. By deploying budget data entry and reporting via the web, Eraring Energy was able to decentralise their budget and forecasting system – responsibility and accountability immediately shifted from the finance department to the cost centre managers.

Murphy describes the IBM Cognos TM1-based budgeting and forecasting system as “a revolution”.

Following the initial success of IBM Cognos TM1 in the finance department, Eraring Energy took the necessary next steps of web-enabling their budgeting, forecasting and reporting system with the deployment of TM1 Web. By decentralising the budgeting, forecasting and reporting, both management and cost centres were given direct access to the monthly reporting which gave cost centre line managers greater control over their labour cost and more importantly, it gave them total accountability for their own budgets. Managing the budget over the Web saved 2-3 weeks in just consolidating and reconciling – now it is instantaneous.

“Decentralisation and accountability of our budgeting and forecasting system was enabled by deploying IBM Cognos TM1 Web. Our cost centre line managers can now access, view and manage their respective cost centre reports. Budgeting time was substantially decreased and line managers now have the ability to retrieve their financial reports in an easy-to-use format and timely manner.”

The main elements of Eraring Energy’s budgeting and forecasting system involved labour costing and data analysis. Labour costing is a very large part of Eraring Energy’s expenses, so accuracy was crucial. Using this, Eraring Energy is able to readily identify variances down to individual levels and breakdown by rate and hours; and manage headcount and annual, long service and other leave.

## Benefits realised

By implementing IBM Cognos TM1 and TM1 Web, Eraring Energy transformed their complicated financial and labour reporting into a streamlined, web-enabled system providing accurate, timely analysis and accountability throughout the organisation.

Labour information security was also an issue so by moving this information into TM1 it allowed control of security down to an element level – a substantial improvement to the existing system.

The variance analysis process used to be heavily time consuming. Once this reporting process was implemented it eliminated discrepancy of figures giving management more time to spend on labour strategy. Minimising figure analysis was definitely a value add to the variance process.

Now having such easy-to-use financial reports which can break down the information by employees, hours, labour rates etc, the finance department no longer have to do financial interpretation for the line managers. In the two years since the system was put in place Eraring Energy now run their labour budgeting and forecasting four times per year as opposed to only once per year. All cost centre line managers are monitoring their labour variances more closely now that the system is more accurate.

“We used to close off the account each month and then create, run and distribute the reports via email – all of which took 3-4 days. Now we can close off the month and reconcile then notify the cost centres to log on and view their reports,” continued Murphy.

Management now conducts monthly business review meetings with the financial reports as an integral part of these monthly reviews.

## Future

IBM Cognos TM1 and TM1 Web enabled Eraring Energy to improve their labour planning. The new system allows them to see the financial impact of the ageing workforce which in turn assists the organisation’s HR strategy and 10 year budgeting.

The next step, according to Murphy is to investigate using TM1 to improve other areas of forecasting and planning, for example, automating/decentralizing variation and substitution process, improving plant overhaul and capital project budgeting and forecasting process, and add more meaning and value to financial reporting by introducing relevant production statistics.

## About Cubewise

Cubewise is a professional consulting firm that specialises in the design and implementation of custom business planning, reporting and analytical applications.

Utilising the IBM Cognos platform, our unique blend of skills and expertise in both business and technology distinguishes us from other software consultants. As successful finance and business professionals, we approach technology from a business perspective.

Cubewise have implemented some of the largest Cognos TM1 systems in the world in terms of users, data size & complexity. IBM themselves have chosen Cubewise to implement these systems on their behalf.

With rigorous internal controls around Best Practice Quality Assurance, Cubewise have been awarded IBM's TM1 Partner of the Year for the last 2 years.

Our goal is to provide our clients with Cognos 8 & Cognos TM1 solutions that enable analysis of business challenges and provide opportunities to facilitate collaboration and insight throughout their organisations.

We have an undiluted focus and only employ expert Cognos consultants in order to ensure we deliver successful and value-added business intelligence solutions quickly, painlessly and most importantly, affordably. For more information please visit: [www.cubewise.com](http://www.cubewise.com)

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September 2010  
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