



Overview

The need

Manual, spreadsheet-based processes were limiting Bazan Group's ability to react quickly to fluctuating oil prices and margins.

The solution

Bazan worked with Biconix to replace hundreds of linked spreadsheets with an IBM® Cognos® TM1® solution – modeling the entire business faster and at a much greater level of detail than ever before.

The benefit

Bazan has gained a common language and a single source of truth for financial decision-making. Increased automation saves weeks on budgeting. Drill-down and what-if capabilities reveal new levels of insight.

Bazan Group

Refining budget processes to gain high-grade insight with IBM analytics

The oil industry can be a turbulent place. The prices of crude oil and petroleum products are highly volatile, which means margins for refineries are constantly changing. Success also depends on a refinery's ability to keep its costs under tight control, run its operations as efficiently as possible, and ensure that profitability is maintained even when market conditions are unfavorable.

With a 70-year history at the forefront of Israel's oil industry, Bazan Group (known internationally as Oil Refineries Ltd., or ORL) has an acute understanding of these challenges, and is always looking for ways to become more efficient and react more quickly as the market shifts. When it reviewed its finance processes, the company saw an opportunity to do just that.

Avi Elimelech, Head of Planning and Control, explains: "We need to have a detailed plan of which materials to buy, what manufacturing to schedule, and what our costs will be – but the process of creating budgets was slow and manual, involving hundreds of linked spreadsheets. Collecting and checking all the data was laborious, and it took six weeks to build the budget."

Tina Boostenay, CIO, adds: "We wanted to automate this complex process on a robust solution that would enable many people to contribute to the budget with only minimal training."

"This isn't a regular technology project – it's a strategic transformation of the way we understand our business. The Biconix solution with IBM Cognos TM1 gives us a common language to talk about finance and a single source of information. We don't argue about numbers any more – we can get straight to the point, and make decisions," says Avi Elimelech, Head of Planning and Control at Bazan Group.



Solution components

Software

- IBM® Cognos® TM1®

Applications

- SAP ERP
- SAP Business Warehouse

IBM Business Partner

- Biconix
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Transforming budgeting with IBM Cognos TM1

Bazan Group considered various solutions. From a technical perspective, it wanted an analytics tool that would integrate seamlessly with its existing SAP ERP and SAP Business Warehouse environment. From a business perspective, it needed to be able to model the whole organization at a very detailed level. Each of Bazan's manufacturing sites has its own specific requirements and limitations, which meant that a highly sophisticated financial modeling approach was required.

David Donin, CEO of Biconix, the solutions partner that developed and provided the solution to Bazan, comments: "Our philosophy is that a solution should help you do smarter things, not just do things smarter. We wanted to help Bazan build a solution that would give them new insight as well as optimizing their existing processes. We leveraged the power and flexibility of the best tool for the job – IBM Cognos TM1 – to reach these goals."

Tina Boostenay says: "The experience that Biconix brought to the project was vital. Their consultants come from a finance background, so they were very quick to understand the business requirements and translate them into a technical solution. They speak the business language."

Data for the budgeting process comes from various sources: an SAP ERP system, which provides finance and logistics information, a Linear Planning system for manufacturing information, and spreadsheets produced by another ERP system at one of Bazan's subsidiaries in the Netherlands. This data is loaded daily into SAP Business Warehouse, which integrates directly with IBM Cognos TM1 via the Cognos SAP-certified connector.

Tina Boostenay comments: "The integration between TM1 and SAP means that instead of spending hours manually exporting data from our transactional systems into spreadsheets, we simply get the data we need, updated automatically every day. This makes it much easier to compare our plans and budgets against actual results, so we can see where there are variances and fine-tune our planning processes to make them more accurate."

The IBM Cognos TM1 model accurately maps Bazan's business down to a very detailed level, allowing the company to take all the relevant costs and inter-company transactions into account, as well as including factors such as the estimated value of current inventory. Moreover, since the system also contains data from the last three years, it is now possible to perform historical comparisons, track trends, and assess the impact of seasonality on the company's business.

“The ability to drill down and understand how each business unit contributes to the overall budget is extremely powerful.”

— Tina Boostenay, CIO, Bazan Group

Avi Elimelech comments: “The business logic was far from straightforward, and millions of data-points needed to be taken into account – but Biconix and our own team did an excellent job of creating a profit and loss model that gives us much more accurate insight into business performance.”

Because the new Cognos TM1 analysis tools are so useful, user adoption has been swift. At launch, the solution had 10 users; within the first year, that user-base has grown to 50.

Scenario modeling and drill-down capabilities

By replacing the company’s spreadsheet-based budgeting process with the centralized database and in-memory analytical engine of IBM Cognos TM1, Bazan has not only cut out weeks of manual effort for its finance team – it has also increased flexibility in the planning process itself.

“Before, if we wanted to look at different versions of a budget, we had to create copies of all the spreadsheets and then manually alter the relevant figures, assumptions or calculations,” says Avi Elimelech. “It was possible, but it was extremely laborious.

“With TM1, we can create a new version of a budget within a few minutes and a few mouse-clicks – so we have more scope to assess different scenarios and look at ‘what if?’ situations. As a result, we can consider a much wider range of options before we make decisions – and if circumstances change, we can change our plans more easily too.”

Tina Boostenay adds: “The other big advantage of TM1 is the ability to drill down from the top level of the budget into each part of the business – allowing us to really understand where the costs are being created, and why. This is a very powerful capability, and it’s very difficult to do with spreadsheets. As a result, our managers can make better decisions about how to make cuts or investments by seeing where the costs really are.”

Above all, the project is driving cultural change within Bazan. With a single system at the heart of its financial analysis processes, Bazan has been able to create a common language for talking about financial performance. Key metrics are well-defined and widely understood throughout the business – so decision-makers no longer need to argue about whose figures are correct, or how a result should be calculated.

“Today, we can have much more sophisticated and valuable discussions about our data than we ever did before,” concludes Avi Elimelech.

“Ultimately that means we can get our budgets settled more quickly and with less effort, and make faster decisions based on more solid evidence. As we build additional models in TM1 for forecasting and cash-flow, this analytical culture will become an even more powerful force to drive better decision-making at Bazan.”

About Bazan Group

Located in the bay area of Haifa, Bazan Group (known internationally as Oil Refineries Ltd, or ORL), is Israel's largest oil refinery. Bazan is capable of refining approximately 9.8 million tons of crude oil per year, providing a variety of products used in industrial operation, transportation, private consumption, agriculture and infrastructures.

For more information, please visit www.bazan.co.il

About Biconix International

With more than two decades of hands-on experience in diverse fields, Biconix offers a full range of wholly integrated financial performance management and business analytics solutions. These solutions bring value to the comprehensive planning, reporting and analytical needs of organizations – turning data into information, and knowledge into wise decisions.

To learn more about products, services and solutions from Biconix, please visit www.biconix-intl.com



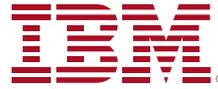
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Business Analytics solutions enable companies to identify and visualize trends and patterns in areas, such as customer analytics, that can have a profound effect on business performance. They can compare scenarios, anticipate potential threats and opportunities, better plan, budget and forecast resources, balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organizations can align tactical and strategic decision-making to achieve business goals.

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