

BUSINESS INTELLIGENCE

By [Tim Whitemore](#), CPA, MTX

[Tarica & Whitemore PC](#)

Is your business intelligent? Read on to see how we can help you become a more intelligent business with the use of data mining.

Data mining has been defined as "the nontrivial extraction of implicit, previously unknown, and potentially useful information from data" and "the science of extracting useful information from large data sets or databases". Wow! That is a mouthful. A more simplified albeit larger definition can be found at:

<http://www.anderson.ucla.edu/faculty/jason.frand/teacher/technologies/palace/datamining.htm>

What we do ranges from complicated data analysis of accounting data located in your databases to simple report automation.

We have found over the years the accounting software programs do an excellent job of capturing data but a less than stellar job of communicating useful management information to the users. Most new clients repeat the same mantra: "our software doesn't help us run our business better". This is true whether the accounting software is Peachtree, QuickBooks, MAS 90, Great Plains or SAP. In fact, I have an excellent story regarding SAP. As you may well know, SAP is perhaps the largest accounting enterprise software in the world utilized by companies such as Coca Cola and believe it or not Microsoft.

We have a client in the wholesale computer industry that approached us several years ago to assist them in selecting a new accounting system. The client was a very successful mid size wholesale computer distribution company that was running on Platinum software (a mid tier software company). In addition to being difficult to operate, the system failed to provide them any useful information to help them run their business. We evaluated a number of solutions including Great Plains Dynamics, and at the client's request SAP. They chose SAP. As a computer company, they were a backend provider of services to SAP installations and saw it as an excellent fit to learn the ins and outs of R3 Financials. Additionally, they got it for "only" \$70,000 since they were a backend solution provider.

We pleaded and begged them to reconsider. Don't misunderstand me, SAP is a fine software package; however, it is for much larger organizations and requires a significantly higher number of employees and overhead to operate it. After hundreds of thousands of dollars of consulting fees, they got their wish. Subsequently personnel costs skyrocketed; after 5 years of effort and even less management information than before

they switched to our recommendation - Great Plains. The point of this is that "great software does not equate to great information".

Even with good software, the reporting tools offered by the accounting software, often fails to provide the user with information that they can use to plan the future. You see accounting is by definition the accumulation of historical data. The "canned" reporting tools give you historical information such as Profit and Loss Statements but little insight in to why the bottom line is what it is. It is understanding what that data is telling you that makes it useful to managers.

How do we approach a solution to this problem?

- 1) We sit down with the managers to determine the information they want to more effectively run their businesses.
- 2) We review the databases to determine what information is being captured that may be useful to providing the manager what they want
- 3) We develop programs that automate the extraction and reporting of the information to the managers. These reports are often interactive and allow the manager to further analyze subsets of the data without us reprogramming the software.

Here are a few solutions that we provided to clients. We developed systems for wholesale gasoline distributors using MAS200 that automated the detail State reporting requirements for excise taxes. We have developed programs for Wine distributors that analyze and forecast inventory needs, and programs that analyze and report salesman performance information.

There is a world of information in your accounting records. To tap the potential, give us a call.