



AirBorn

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All too often, businesses in growth mode – especially those growing by acquisitions – run into barriers posed by legacy information systems. An acquired company’s systems may be incompatible with the parent’s, and they may be outdated or otherwise incapable of performing required functions. This situation typically forces the acquirer to undertake time-consuming technology integration projects or spend unplanned budget on replacing the acquisition’s systems with those currently in place.

Companies that avoid this dilemma have a tremendous advantage over competitors. AirBorn Inc. is one of those rare organizations, and Host Analytics played a key role in their successful systems integration.

Based in North Texas, AirBorn Interconnect began in 1958 as an electronic connectors manufacturer for military and aerospace use, and those markets still account for approximately 75 percent of its sales, according to Craig Bray, AirBorn’s accounting manager. In recent years, the parent company, AirBorn Inc., has pursued a growth strategy acquiring companies with complementary products that enable it to expand into new markets. In 2002, AirBorn purchased CARON Enterprises, based in Pennsylvania, that makes filtering subassemblies and processing equipment for manufacturers of electronics equipment. In 2007, AirBorn stepped up the pace and acquired two companies: Central Minnesota Tool, a precision manufacturing and tool stamping company, and Toronto-based StrataFLEX Corp., a manufacturer of printed circuits and assemblies. After these acquisitions, AirBorn Inc. had approximately 1,000 employees.

Managing Separate Entities

Management’s strategy is for each subsidiary to remain largely autonomous in terms of operations and finance. But since they are one corporation, AirBorn Inc. must produce consolidated financial statements and other consolidated reports. Acquiring CARON in 2002, AirBorn had CARON shift to AirBorn’s financial and enterprise resource planning (ERP) systems. When it made the two more complex purchases in 2007, however, that was not an option.

“Not only were we looking at disparate charts of accounts for the finances, we were looking at disparate databases,” says Bray. “We didn’t have the IT resources to pull all that into one single database.” In addition, because StrataFLEX was Canadian, currency conversion became an issue. And because AirBorn was planning more acquisitions, this situation would reoccur.

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Faced with these integration challenges, AirBorn chose to be proactive. "My boss, our CFO, was adamant that for any new acquisitions we were going to have a consolidation package to make our lives easier," Bray recalls. CFO Richard Sunderland and Bray studied products from several vendors and found that they would require substantial effort in-house to implement and maintain, which was unacceptable. "We've got a very lean IT staff," he says – only five people at headquarters and some of the subsidiaries outsource the IT function. In addition, AirBorn realized that in buying those packages, it would be paying for capabilities it did not need for the consolidation task.

When Finance found Host Analytics, its web-based delivery model of software as a service (SaaS) immediately made sense. "Everything could be handled through the accounting department," Bray notes. "We weren't going to need anything from our IT group other than Internet access, which we already had." Sunderland and Bray evaluated the Host Consolidator module of the Host Corporate Performance Management (CPM) Suite and decided it could provide exactly what AirBorn needed. It allowed the business units to retain the desired autonomy without having to change the ways they work or adjust to new software, while enabling the corporate level to consolidate all financial information. Compared to the other products considered, Bray says, "Host allows us to work with fewer resources and get more out of them."

Simple Implementation

Getting Host Consolidator up and running took only about one month, according to Bray, and that mostly involved determining data sources, formats and relationships. During the implementation process, AirBorn also found a simpler way to handle the consolidation.

Initially, Finance planned for the subsidiaries to upload their data from Excel to Host over the Web. But the team soon decided to have them send Finance the Excel files and let Accounting load it. "That gives us time to review their items, and if we have questions, we can go over them" before they are finalized, Bray explains. "And if they make any changes, they have to let us know about it." This process uses Host Consolidator as a check on the independent financial reports of the subsidiaries. It is easy for Bray to compare past reports, and it creates a sense of accountability for their numbers among those who are involved in preparing and sending in the reports, he says.

Furthermore, the flexibility of Host Consolidator allows Finance to use the same accounting terms and accounting codes for like items, regardless of what they are named in the subsidiaries' financial systems. This creates a common definition layer that permits "apples-to-apples" comparisons and reports, Bray explains. That is a particular benefit for decision-makers. "Through Host I create Excel reports and send them to our senior managers," he says. "They can see the consolidated numbers and breakouts of each company in the same report."

Used in this way, Excel and Host are intermediaries between the subsidiaries and corporate finance, so there is no need for all parts of AirBorn to have identical financial systems. As a further check, the CFO gets the actual financials in reports from each subsidiary's ERP system. "We are able to compare those for accuracy versus what I've loaded," Bray notes. With accountability established, conflicts are rare, he adds.

Saving Time and Effort

Currently Bray alone handles moving Excel data into Host Consolidator from files submitted by the business units, but he doesn't find it much of a burden. Without the Host software, he estimates it would take a full day to produce a consolidated financial report – not including currency conversions. Instead, he says, "I probably spend 30 minutes a month putting the financials together. I'm saving a day's worth of time each month by using Host."

As it's set up now, there is almost no impact on finance employees at the subsidiaries – only the time it takes to export data into Excel from their accounting system – but oversight is guaranteed for corporate accounting. And the issues many companies experience around Excel regarding consistency and quality of data are moot because spreadsheets aren't circulating widely and Host Consolidator maintains the single source of reliable data.

Seeking as little disruption as possible to the work habits of finance employees across the company, the corporate accounting group did not want to stop using Excel. With Host Consolidator's Excel-like interface, finance employees aren't required to learn an unfamiliar interface. Using Host Consolidator, Finance can receive Excel files from subsidiaries and afterward send Excel reports to executives, with confidence in the data.

In addition, the currency conversion occurs seamlessly. "We get the information from StrataFLEX in Canadian dollars, and Host Analytics translates it into U.S. dollars," Bray explains. AirBorn adjusts the exchange rate monthly, and Host automatically handles the conversion calculations.

Moving Ahead

Host Consolidator has taken a central position in management of AirBorn's key financial data. "Host is the database of record for our corporate financial reports," Bray says. "The consolidated financials are all based in Host, so we don't have to do anything with the ERP systems" of the subsidiaries.

AirBorn has not quantified the return on investment from adopting Host Consolidator because there are no previous numbers to compare to the current efficiency and effectiveness. Nevertheless, Bray says he's sure that the costs avoided through this solution would be substantial, and he points out that adopting Host was a relatively small expense in the context of the purchase of two companies. "We got a valuable tool that prevented headaches at a reasonable cost," he says.

AirBorn is an unusual case in that it did not have an outdated solution to replace. Rather, the company anticipated its need, proactively sought a way to address it and had no down time in bringing the new acquisitions' financial data into the corporate fold.

Management already has its next expansion on the drawing board. "We are looking at setting up a U.K. manufacturing site instead of just the sales office that we have there now," says Bray. Not only will creating this adjunct to AirBorn Interconnect require another set of financial data to include in corporate reports, it will force the company to deal with currency conversions from British pounds and euros. With Host Consolidator, Bray sees no problem in doing this.

About Host Analytics, Inc.

Host Analytics is the leading provider of on-demand corporate performance management. Host Analytics' solutions help financial and departmental executives improve their budgeting, forecasting, financial consolidations, dashboarding, scorecarding, reporting and analysis. Founded in 2000, Host Analytics delivers its suite of corporate performance management solutions using Software as a Service on-demand delivery. Host Analytics serves the enterprise, large and midsize company and public sector markets. Host Analytics was included in JMP Securities' prestigious *"Hot 100: The Best Privately Held Software Companies."*

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