



# PHITEK

## Sound accounting at the speed of business – Improving accounting systems for a highflying global technology business

Speed obsesses today’s successful businesses. The notion of the quick and the dead, particularly in technology driven markets, is real. But doing business quickly requires equally fast decision-making. And that only happens when information systems provide the right information, at the right time. With an IPO on the horizon, New Zealand based Phitek Systems, a global leader in active noise cancellation technologies, wanted real-time financial information on every aspect of its rapidly growing global business. Managers were looking for consolidated month-end reporting that provided clear, real-time snapshots of its progress. Phitek Systems also wanted to establish process controls and build in reporting flexibility necessary to keep its operations nimble.



### No time to wait

Phitek Systems’ active noise cancellation technology platform is recognised as a world leader and has pioneered the growth of an entirely new product category. But it’s a complex business, involving overseas manufacturing and sales offices, multiple component suppliers, and products sold directly and through brand partners for global distribution.

The decision to implement SAP Business One was mostly about visibility. One of the challenges it faced was finding an accounting system that could work seamlessly across its global offices. The main sticking point was Phitek Systems’ China office, which manages the bulk of the company’s manufacturing. Separate accounting databases for operational expenses protracted reporting on China’s operating expenses and the company’s overall trading position. Another

complication involved invoicing, invoices had to be issued from New Zealand, but the time lag between offices meant issuing proforma invoices, introducing duplication of work.

### New controls

With SAP Business One, Phitek has introduced new management controls at several levels, streamlining systems regulating supplier approvals and purchase order generation. Adjunct supplier information, such as ISO compliance and audit reports, can be attached to supplier records. The regime brings new precision to Phitek Systems’ supplier management.

New levels of accuracy are now also evident in the creation of bill of materials – a once onerous task in the absence of an embedded system assigning part numbers to over 3,000 items. In centralising this information, Phitek has accelerated the product build process and streamlined purchasing, getting

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more products to more people, when they need them.

### Picturing costs

One of the challenges facing original design manufacturers (ODM), like Phitek Systems, is managing consignments. Components are often delivered directly to third-party manufacturers, who then ship finished goods directly to Phitek customers. But when accounting systems are unable to handle inventory in every warehouse, such logistics can be problematic, limiting control over consigned materials and complicating the collection of real cost information and subsequent reporting.



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Phitek Systems finance manager Ellen Wan explains: "Finished goods costs fluctuate from month-to-month, but we weren't always able to collect real costing information, which created some difficulties for our management team. They needed to know sales orders, delivery dates, and shipped goods for each month in order to assess revenue and forecast future revenues."

Phitek Systems now has a better picture of actual sales and shippable backlog for each period. It can more accurately, and at any given time, forecast revenue for the month.

**"We now have the systems to control and modify spending habits at each cost centre."**

Ellen Wan, Phitek Systems Finance Manager

## Smarter reporting

SAP Business One reporting flexibility enables Phitek Systems to produce customised reports more quickly. Says Wan: "Weekly reports now take just five minutes to prepare. Month-end closure is faster, too. XL reporter is a very powerful tool for customising financial reports and producing management reports very quickly. We can prepare any report we need, rather than being constrained by predefined reports."

Phitek Systems uses XL reporting to prepare management accounts showing the gross margin for every transaction.

Its China office directly enters transactions, which are linked real-time via terminal server to Phitek Systems' Auckland head office system. With a single database able to manage multiple currencies, month-end consolidations are a thing of the past.

## Better discipline

Wan says department managers have more accurate data now that every transaction is attributed to individual cost centres and reported accordingly. "We now have the systems to control and modify spending habits at each cost centre," Wan says.

Phitek is currently evaluating Job Costing for SAP Business One to track research and development costs and, down the track, gauge return on investment and qualify for tax credits.

## Highlights

### Customer

Phitek Systems: Global leader in active noise cancellation technologies

### Business challenge

Phitek Systems had outgrown its business accounting system. Limited reporting systems and separate databases did not always deliver the desired level of financial transparency. It needed better information faster.

### Solution

SAP Business One: Financials, Purchasing, Inventory, Sales, General Ledger, Production, Bill of materials, XL reporting

### Payback

- Streamlined supplier management and purchasing
- Bill of materials accelerates the product build process and brings improved accuracy to purchasing product components
- Improved control over consigned goods and tracking of real costs
- A clear picture of sales and shippable backlog for each period, providing an improved basis for accurate and real-time monthly revenue forecasts
- Reporting flexibility delivers better information faster. Weekly reports that once took four hours to prepare take just five minutes
- Cost transparency – every transaction is attributed to individual cost centres and reported accordingly