

**Corporate Veritology** is the study of truth in an organization. It examines:

- Where information comes from
- Ways in which the truth of the information is tested and verified
- Providing for timely access to the information, its sources and “chain of custody”
- Ways to continue to assure that the information remains reliable

### **Key Concepts:**

True and readily available information is the lifeblood of a successful organization.

*Information Quality* is a function of the truth (accuracy, timeliness, completeness, etc.) of information and its availability at the time it is required to make business and operational decisions.

*Actionable information* is both true and immediately available. Compromise on either of these qualities results in information that is not as useful, or even detrimental, to your decision-making processes.

### **Where Information Comes From:**

Business and operational information is required by management at all levels and by the Board of Directors to manage and improve Revenue, Profitability and Risk. Unfortunately, that information is sometimes provided in a process that involves manually extracting information from various sources, summarizing and updating it to provide the “best view” of the information and then passed upwards in management. This “rinse & repeat” process is performed many times before senior leadership receives it.

Most often, a subtle degree of “spin” is naturally introduced at each instance to present the information in the “best light”, based on the desires of the individual involved. It also, unfortunately, introduces time delays in the availability of information, reducing its value in understanding the “now” state of your operations.

### **Ways in Which the Truth of the Information is Verified:**

Assuming that day-to-day operational information is entered into your systems properly (a function of Processes and Technology policies along with human compliance), the most accurate information available are the data extracted directly from your systems – accounting, inventory, sales, marketing, quality, etc. If reporting via the human chain is consistent with data extracted and consolidated from the systems, the truth can be verified, as well as the truthfulness of the people involved in the process.

In terms of the raw data and summary and analysis of that data, it should be consistent across various systems. As examples:

- Sales data must track, over time, with actual income booked and received.
- Inventory on hand must be consistent with manufacturing input and shipping output.
- Changes in the Balance Sheet must be consistent with Income, Expenses and Debt.
- Customer Satisfaction reports should be consistent with the rate of customer turnover and the stability and growth of customer sales.

### ***Providing for Timely Access to the Information:***

As information ages, it becomes less valuable to management in maintaining and improving the health of the business. For example, in cash intensive businesses with rapid inventory turnover, an accurate, automated daily cash position will allow optimization of operating credit arrangements, reducing interest charges and perhaps enabling easier access to emergency cash through a good relationship with preferred lending institutions. A monthly, human managed, cash position will simply not be adequate.

Accordingly, direct extraction of data from systems coupled with automated, consistent and verifiable consolidation, summarization and validation of the resultant information will produce the fastest and most reliable business information possible. The process requires the following characteristics:

- Extracting the correct data from each of your systems. This does NOT require a single integrated system, but reliable extraction tools running alongside the existing systems.
- Consolidation and summarization of the data using auditable processes that have been developed by the responsible managers and vetted by other managers and staff with knowledge of the data and desired results.
- Creating charts, graphs and indicators that provide meaningful results to middle and senior management, hopefully updated on an hourly or daily basis. The relationship between results and business goals is called a “Dashboard”, regardless of its appearance.
- Providing for the ability to “drill down” into the supporting data to be able to quickly investigate unusual changes in business results – both good and bad. Management needs to understand the linkages between data points that accurately correlate “cause & effect” amongst thousands of original or source data points.

### ***Continue to Assure that the Information Remains Reliable:***

Trust, but Verify – Continuously. Even well structured, automated systems can go awry. Over time, people can become lax and processes may not be followed properly. Applications updates may not be applied properly, workflows break or confuse the proper reporting, or data may be corrected and not restored properly. A few steps to verify on an ongoing basis are as follows:

- Periodically check for consistency among various indicators, including, cash flow, accounts receivable, inventory, reported sales, orders shipped, balance sheets, etc.
- Ask meaningful questions about changes (good and bad) in reported results to validate that the responsible managers understand the results from their operations.
- Maintain effective internal audits, hopefully automated to minimize effort, and consider at least informal external audits either semi-annually or annually.
- Provide for independent communications with your customers to assure that they are not only satisfied with your company, but delighted enough to recommend you to others.

Reasonable attention to your data sources and periodic verification will assure that your business information is accurate, true and timely.

*Avistas is prepared to assist you with refining and improving your corporate veritology environment.*

***Contact Avistas today for a free consultation to discuss ways to assure the Truth in your organization.***