

## An AVATAR case study

for publishing

### Key applications

Management accounting and project costing

### Summary

Harcourt Publishers uses all three AVATAR financial ledgers (Nominal, Purchase and Sales) to provide a reliable, flexible accounting system and high-quality management reports.

### Key benefits

Features such as multi-currency and inter-company transactions, combined with work in progress reporting, fulfil all Harcourt's accounting needs.

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*Russell Clayton, Financial Controller*

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# Harcourt Publishers

## – a fully accountable system

Harcourt is one of the UK's leading medical and scientific publishers. In addition to a current catalogue of 170 journals and an extensive back catalogue of books, the company publishes around 400 new book titles each year.

These appear under a number of respected imprints such as Academic Press, Churchill Livingstone, Mosby and W B Saunders. Although its traditional business remains buoyant, Harcourt is rapidly taking on the role of content provider as it increasingly

publishes on-line. In 2001, the year in which Harcourt became part of Reed Elsevier, the UK company's turnover was £100 million.

A business of this size and complexity requires a robust and versatile accounting system. Harcourt Publishers found such a system in AVATAR. Developed and supported by Littlejohn Frazer, AVATAR has successfully provided a reliable and flexible solution to Harcourt's accounting needs for over five years.

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## A tailored approach

When Harcourt decided to install AVATAR, it did so for a variety of reasons. First among them was the ability to tailor the system to suit a particular set of accounting requirements. In Harcourt's case, these centred around the need to view the figures for each imprint as well as the whole operation. Russell Clayton, Financial Controller, takes up the story:

“We are divisional in structure because all our titles publish under imprints, not under the Harcourt name. At that time, we wanted to be able to look at a P&L from the point of view of each imprint. The way that AVATAR is structured made it much easier for us to set up the general ledger codes to reflect this aspect of our business. That was certainly a major factor in our decision, as it made the whole process much more transparent.

“I think part of the appeal was also the Littlejohn Frazer name – it's reassuring to know that the people who are programming the software also know something about accounting!”

## Extremely robust

Harcourt began by implementing the Nominal and Purchase ledgers, adding the Sales ledger three years later. According to Russell Clayton, one of the most impressive features of all three financial ledgers is their reliability.

“It's impossible to overstate the importance of robustness,” he explains. “As far as I'm concerned, there is no point having all kinds of fancy extras if the system isn't fundamentally sound. AVATAR has been rock solid. We've had very few technical problems and no major incidents. I'm sure we would have people screaming at us from the States if we were missing reporting deadlines – but that's never been an issue because, thanks to AVATAR, it's never happened.”

## Multi-currency essential

Just as importantly, the AVATAR system contains a wealth of features designed specifically for publishing companies. One

of these, multi-currency support, is essential for Harcourt. Russell Clayton again: “At the time when the system went in, our main multi-currency requirement was US dollars because we buy products from the US part of the group and act as a distributor for these into EMEA markets. Today we source a lot more of our products in the Far East and need to support six currencies including Singapore dollars.

“Any accounting system that doesn't have this capability is worthless to us, so it was a huge advantage that it comes built into AVATAR. It's also a very simple process to set up new currencies and work with them in AVATAR.”

## Inter-company now standard

When Harcourt Publishers acquired Mosby in October 1998, the latter retained its status as a separate UK company. Support for inter-company transactions therefore became a new requirement. Littlejohn Frazer developed this for Harcourt and it

was installed early in 1999. It is now a standard feature of AVATAR.

## Project costing

One of the central functions of AVATAR, in Russell Clayton's view, is its Project Costing ledger. This allows Harcourt to record – and analyse – the origination costs and expenditure for each product, whether a journal or a book. It also allows for easy and accurate comparisons between different editions or titles, as well as providing a much needed, up-to-date view of all work in progress.

“It's primarily a system of record on the journal side,” Russell Clayton explains.

“This is not negligible if you consider that we maintain a cost record for every single issue we publish. With 170 titles altogether, some of which are weekly, you're talking about a lot of individual records.”

However, it is in the book publishing side of the business where project costing really comes into its own. The AVATAR ledger helps Harcourt to allocate costs correctly, recording them by project and by up to 40 different cost types such as binding, distribution or paper within each project. The cost type function was custom-designed for Harcourt and has given the company a much more detailed breakdown of costs than ever before. As a result, the Finance department has easy access to high-quality data which can be analysed in more meaningful ways.

## Work in progress reviews

Harcourt is also able to extract management reports from the Project Costing ledger. These allow for regular reviews of work in progress and help Russell Clayton's team to identify any costs within the balance sheet that are never going to be recouped.

“While most of our costs on journals are incurred over a two-month period around the time of publication, typical lead times on a medical book can be about three years before publication,” he explains.

“That is quite a long time for costs to be tied up in the balance sheet, so they need constant review. We're now able to produce regular reports from AVATAR and hold monthly or bi-monthly reviews of work in progress.

“This is a very important issue for us on the book side of the business. There will always be titles that are abandoned at some stage in publication for whatever reason. Our job is to make sure we keep on top of that and write those costs off as appropriate. It's a constant battle, but AVATAR is helping to drive along this process. It's ideally suited to the way we work.”

## Seamless data transfer

Ongoing developments to the system have ensured that AVATAR keeps pace with Harcourt's changing business needs. Software interfaces written by Littlejohn Frazer have been particularly effective in saving the department's time. One interface takes journals information that has been downloaded into Excel from Harcourt's business systems and uploads it automatically into the AVATAR Nominal ledger. Not only does this minimise keying errors and make employees' work more interesting, it also provides valuable extra time for analysing the figures.



“Our accountants can now spend time reviewing a journal and making sure it’s right, instead of just punching it in,” Russell Clayton comments. “We’re also finding that there’s much more time for analysis before we report because the loading up of entries is so much quicker.

“We currently have to report in four days. Now we can finish the numbers at midday on Thursday then spend the rest of the day reviewing them – and the quality of the result we report becomes that much better. AVATAR has helped us to spend more time on what we should be doing and less on the mechanics of data handling.”

An additional benefit is that Harcourt’s international operation uses the ComShare FDC consolidation package. Since AVATAR has the ability to export figures into this package, it is very easy for the Finance team to download from AVATAR into the required reporting format on ComShare FDC. The whole process, says Russell Clayton, is ‘a lot more seamless’ than it was before.

## Intelligent data

Another time saving interface has revitalised the company’s work in progress accounting, by allowing accountants to upload budgets automatically into the Project Costing ledger. Previously this information had to be entered manually, taking up important resources.

Just as importantly, AVATAR feeds the data warehouse which Harcourt uses to analyse its business by integrating the accounting system with market-leading Business Intelligence tools from Cognos.

## Low cost maintenance, highly efficient

As Harcourt’s system is continually under development, the people most closely involved in using AVATAR have built up strong working relationships with Littlejohn Frazer.

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“The Software Development Manager at Littlejohn Frazer is particularly knowledgeable about accounting as well as IT,” confirms Pam Murray, Credit Manager at Harcourt. “That’s very important because when we require a new feature or change to the system, our request is understood from an accounting perspective. We have direct contact with Littlejohn Frazer whenever we need it.”

In the five years that Harcourt has been using AVATAR, Littlejohn Frazer has made numerous tailored additions and enhancements to the system. These have helped the Finance department to respond to the demands of rapid company growth, as well as ensuring continuity of support.

“Because AVATAR is so reliable, we are able to do a lot of the day-to-day support in-house,” concludes Russell Clayton. “And when we need help from Littlejohn Frazer, they are very good at responding quickly. The low maintenance costs have allowed us to spend most of our budgets on development work, which is obviously our preferred option. Overall, AVATAR is very good value for money.

“Harcourt has grown rapidly through acquisition in the five years since we installed AVATAR. The system has shown real staying-power and flexibility during that time. It does everything we ask of it.”



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