

EDC Internal Audit

Driving Excellence in EDC through Assurance and Advice

Lead & Opportunity Management Final Audit Report Report Nr. 27/10 January 14, 2011

Distribution:

To: President & CEO
Senior Vice President & Chief Financial Officer
Senior Vice President, Business Development
Vice President & Corporate Controller
Vice President, Customer Experience Group
Director, Customer Experience Group

CC: See attached distribution list

Audit Team:
S. Slechta
T. Wilson

Vice President Internal Audit
Monica Ryan

CC: Senior Vice President, Legal Services & Secretary
Senior Vice President, Human Resources & Corporate Services
Senior Vice President, Insurance
Senior Vice President, Business Solutions & Technology
Vice President, Transportation Sector
Vice President, Resources Group
Vice President, Extractive
Vice President, Information, Communication & Technology
Vice President, Infrastructure & Environment
Vice President, Commercial Markets & Small Business
Vice President, Marketing
Vice President & Chief Information Officer
Vice President, Financing
Vice President, Project Finance
Vice President, Credit Insurance Underwriting
Vice President, CIB & PRI Underwriting
Regional Vice President, Small Business Solutions
Regional Vice President, Quebec Region
Regional Vice President, Atlantic Region
Regional Vice President, Western Region
Regional Vice President, Ontario Region
Vice President, Strategic Planning & Corporate Communications
Director, Enterprise Architecture
Director, Planning & Government Relations
Manager, IT Business Management
Principal, Office of the Auditor General
Director, Office of the Auditor General

Introduction

In accordance with our FY 2010 Audit Plan, EDC Internal Audit performed an audit of EDC's Lead & Opportunity Management (LOM) process. In 2008, EDC implemented Siebel's Customer Relationship Management (CRM) software to support the LOM process. The CRM software was internally branded as C3. Significant improvements have been made to C3 since its implementation to both enhance user experience and support Lean initiatives. Continuous improvement has also been applied to the LOM process through initiatives such as BD Effectiveness and more recently, the Customer Management Model.

Audit Objectives & Scope

The overall objective of the audit was to evaluate whether C3 provides the functionality required to effectively support EDC's LOM process and whether this functionality is being effectively leveraged within the following sub-processes of LOM: territory management, account planning & management, sales call planning & management, lead management, opportunity management, pipeline management, forecasting, and monitoring & continuous improvement.

Internal Audit Opinion

In general, C3 is being effectively leveraged within the Business Development Group to support their lead and opportunity management activities. In addition, performance metrics based on C3 data are being developed to gain insight into the effectiveness of business development efforts and promote continuous improvement. However, in our opinion, *Opportunities Exist to Improve Controls*¹ surrounding the use of C3 as a corporate solution. Most CRM enabled companies leverage their technology investment to support their business planning and business forecasting processes. Although the technology underlying C3 is well positioned to support these processes, its use in this capacity is limited today. One of the main reasons is due to poor data quality within the Company Index (CI), which interfaces with C3. CI overrides C3 data, resulting in inaccurate company and contact information within C3. This not only impacts daily operations, but also diminishes the usefulness of C3 functionality, such as account planning, which requires reliable customer hierarchy information. Secondly, not all business opportunities are recorded in C3 (e.g. renewals), making it difficult to use the C3 pipeline for business planning and forecasting purposes. Finally, the timeliness with which both leads and opportunities are recorded in C3 is inconsistent due to limitations in the design of the lead and opportunity objects. These limitations have created a bias towards recording only "winnable" transactions in C3. We have recommended that the feasibility of decoupling CI and C3 be examined. In addition, an analysis should be done to determine if the C3 pipeline and account plan information should be leveraged as the basis for business planning and forecasting. The results of this analysis should influence the C3 roadmap and future enhancements. The following section provides details regarding the major² and moderate audit findings.

¹ Our standard audit opinions are as follows:

- **Strong Controls:** Key controls are effectively designed and operating as intended. Best in class internal controls exist. Objectives of the audited process are most likely to be achieved.
- **Well Controlled:** Key controls are effectively designed and operating as intended. Objectives of the audited process are likely to be achieved.
- **Opportunities Exist to Improve Controls:** One or more key controls do not exist, are not designed properly or are not operating as intended. Objectives of the process may not be achieved. The financial and/or reputation impact to the audited process is more than inconsequential. Timely action is required.
- **Not Controlled:** Multiple key controls do not exist, are not designed properly or are not operating as intended. Objectives of the process are unlikely to be achieved. The financial and/or reputation impact to the audited process is material. Action must follow immediately.

² The ratings of our audit findings are as follows:

- **Major:** a key control does not exist, is poorly designed or is not operating as intended and the financial and/or reputation risk is more than inconsequential. The process objective to which the control relates is unlikely to be achieved. Corrective action is needed to ensure controls are cost effective and/or process objectives are achieved.
- **Moderate:** a key control does not exist, is poorly designed or is not operating as intended and the financial and/or reputation risk to the process is more than inconsequential. However, a compensating control exists. Corrective action is needed to avoid sole reliance on compensating controls and/or ensure controls are cost effective.
- **Minor:** a weakness in the design and/or operation of a non-key process control. Ability to achieve process objectives is unlikely to be impacted. Corrective action is suggested to ensure controls are cost effective.

Audit Findings & Recommendations

1. Impact of CI on C3 Effectiveness

The relationship/integration between C3 and EDC's Company Index (CI) is impacting the effective use of C3 by limiting C3 functionality and creating additional non-value added activities. For example:

- ✓ C3's relationship hierarchy feature is currently not deployed due to the requirements to maintain hierarchy information in CI. However, the CI hierarchies are not reliable and, as a result, roll-ups for pipeline reporting or account planning cannot be effectively achieved through C3;
- ✓ Due to CI data governance issues, duplicate company records continue to be created. This makes it difficult and time consuming to locate the right company record;
- ✓ There is a business requirement for C3 to manage contacts on a 1:many basis. However, due to synchronization issues with CI, C3 was configured to support only a 1:1 relationship. As a result, if a contact is relevant to several entities, the contact must be recorded in each entity.

CI/C3 integration issues reduce the extent to which C3 can be used to support key LOM process activities, such as lead and opportunity management and account planning. Resolution of CI data integrity issues is not feasible. Accordingly, we recommend that an analysis be done to examine the feasibility of decoupling the CI/C3 interface.

Rating of Audit Finding - Major

Action Owner - VP Customer Experience Group in collaboration with VP & CIO

Due Dates - Q1 2011

2. Use of C3 to Support Pipeline Management

The lead object in C3 is not used consistently. In many cases, leads are not recorded in C3 until there is reasonable certainty that the lead will become an opportunity. One reason for this is that the existing lead qualification questions in C3 are generally not considered valuable by users. Leads cannot be qualified using quantifiable data such as customer financials, growth potential, potential deal volume, etc. Another reason is that leads are not relevant to all market segments, especially strategic accounts. Some organizations do not use the lead object in their CRM solution. Their pipeline begins at an early opportunity stage. We recommend that a formal analysis be done to determine if the use of C3 to support prospecting activities should be standardized across all market segments, or alternatively, by segment. If a decision is made to use the C3 lead object, then we recommend that enhancements be made to the existing C3 lead qualification process to ensure it adds value.

There is a clear bias towards recording only "winnable" opportunities in C3. Reasons for this bias include:

- ✓ C3 design limitations. Valuable information such as volume, expected close date, and probability of signing cannot be recorded until the solution stage. As a result, users are inclined to put less emphasis on recording opportunities earlier in the pipeline;
- ✓ C3 pipeline information is not used as the basis for in-year business forecasting. As a result, recording opportunities prior to the solution stage is perceived to be a personal preference.

Inconsistent/late recording of opportunities in C3 means that it is difficult to gain insight into the pipeline, including: pipeline revenue, pipeline health, "normal" cycle times, conversion rates, etc.

Renewals account for a significant portion of EDC's business volume. However, the related opportunity is not currently recorded in C3. An incomplete pipeline also makes it difficult to use C3 data to support in-year business forecasting.

We recommend that an analysis be done to determine whether the C3 pipeline should be used as the primary source for in-year business forecasting. If the decision is made to use the C3 pipeline, enhancements will be needed to C3. For example, consideration should be given to: recording renewals in C3, and adding volume, expected close date and probability of signing before the solution stage.

Rating of Audit Finding - Major

Action Owner - Customer Experience Group in collaboration with VP & CIO, VP Marketing, VP CMSB, Sector VPs, RVPs and Underwriting VPs
Due Dates - Q2 2011

3. Account Planning

Despite the existence of effective tools such as the CMSB Guidelines for Account Plan Development and performance measures, we found that C3 is not being used consistently to support account planning. One of the main reasons is that the creation of account plans requires accurate company hierarchy. However, the hierarchy information passed from CI to C3 is not reliable. In addition, unlike most CRM technology-enabled companies, C3 account plan details are not yet used to gain a bottom up view of the reasonability of business plan targets. We recommend that an analysis be done to determine whether account plans for Strategic & Tier 1 customers should be used to provide a bottom up view of the reasonability of corporate performance targets. If a decision is made to use accounts plan details in this manner, then consider enhancing C3 functionality in this area once CI/C3 integration issues are resolved.

Rating of Audit Finding - Moderate

Action Owner - Customer Experience Group in collaboration with VP Marketing, VP CMSB, Sector VPs, RVPs and Underwriting VP's
Due Dates - Q2 2011

Conclusion

The audit findings and recommendations have been communicated to, and agreed by management, who has developed action plans that are scheduled for implementation no later than Q2 2011. We would like to thank management for their support throughout the audit.