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The State of Reporting in the Office of Finance…and Beyond

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The current economic crisis requires more insight into information than ever, and an inability to meet these demands has forced organizations to fall back to a reliance on spreadsheets and manual integration of information.

The following question was posed by IBM Cognos to Kathleen Wilhide, research director of IDC's Compliance and Business Performance Management Solutions practice, on behalf of IBM Cognos customers as part of the company's analyst series *Controllers' Corner: Two-Minute Essays on Financial Management and Control*.

Q. What are the reporting and analysis processes that impact decisions and expose organizations to risk?

A. Financial and performance reporting satisfaction continues to be a challenge, despite investments in reporting being made by IT over the years. The needs of end users and business stakeholders still are not being met — and access to critical information is lacking. The current economic crisis requires more insight into information than ever, and an inability to meet these demands has forced organizations to fall back to a reliance on spreadsheets and the manual integration of information.

IDC research echoes the same three themes time and time again when surveying end users on gaps in their reporting processes — data accuracy, integration of information from various sources, and end-user access to and usability of reporting solutions. These gaps in reporting expose companies to bad decision making.

A recent IDC survey indicated that 85% of organizations still consider spreadsheets their main solution for reporting, despite investment in more formal reporting solutions. This is especially true for CFOs and the office of finance. Finance is the center of both internal performance reporting and external statutory and stakeholder reporting. The mashup of results is the product of manual integration efforts, typically based on spreadsheets. However, spreadsheet-based reporting doesn't scale, cannot easily integrate information from different sources, and does not meet the needs of operational users closest to the business. These reporting gaps prevent finance from being a business partner and relegates it to manual rekeying. At the same time, these gaps prevent operations from having the information to make the best decisions.

The conundrum faced by CFOs today is that even as finance personnel work to close the reporting gaps, transactional needs are being met. Statutory reporting requirements for the most part are being met as well. But from a performance perspective, the limitations of manual reporting solutions put organizations at risk. The massive investments in ERP systems and transactional views of information are only the foundation of reporting and are not strategic reporting and analysis solutions. CFOs must expand their technology plans for financial and performance reporting to tap into the wealth of transactional information across systems. Survival in today's environment requires both finance managers and operations managers to respond more quickly to business threats and opportunities that are buried in enterprise information.

Assessing the gaps in reporting should be a priority for organizations. Guidelines for assessing these gaps as identified by IDC surveys of end users include the following:

- **Data accuracy.** Transactional systems have a set of checks and balances that are designed to ensure the integrity of information. Certainly, requirements such as Sarbanes-Oxley strengthened those checks and balances. When an organization has multiple transactional systems that support operational results, reporting needs are met through manual, spreadsheet-based methods. As information is manipulated and reformatted, the organization moves further and further away from a single source of the truth. Unless the organization is running one single system for all financial and operating transactions, the accuracy of information is at risk.

- **Integration of information from various sources.** In addition to posing data accuracy challenges, information integration is a costly value proposition. Many CFOs cite the issue of having "several versions" of the same number. Systems are designed with multiple frameworks for master data that are hard to reconcile. Integrating this information requires a methodological approach and assessment to ensure that integrity is retained, and the depth of and access to integrated performance reporting are limited by the time this process takes. When reporting processes require organizations to perform information integration manually via downloads and rekeying, the scope of integrated performance management information is limited, and as finance struggles to meet requirements for insight, the risk of error increases.

- **End-user access to and usability of reporting solutions.** Building custom reports from transactional systems generally requires IT or power user support. The process of analyzing information requires custom report building that cannot be completed on a timely basis, limiting the ability to use information for decision support. Additionally, older business intelligence investments may include reporting tools that are not designed for the operational end user. By not addressing the issue of usability and enterprise access to information and analytics, organizations are not tapping into their information assets and may miss opportunities for performance improvement.

Best-in-class finance departments are making strategic investments in information access. This includes not only addressing issues around reporting and analysis as cited earlier but also improving the management reporting environment to improve the ability to plan, budget, forecast, perform ad hoc analyses, and support business decisions impacting cost, profitability, and efficiency. Investing in reporting and analysis is a critical step that CFOs can take to step up and empower organizations with the information needed to navigate through economic downturn.

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