

Turn to Automation to Address the Growing Demands on Financial Reporting

Gary Simon, Group Publisher, FSN Publishing Limited

This essay is part of a series, *Controllers' Corner: Two-Minute Essays on Financial Management and Control*, which asks industry thought leaders for their opinions on critical issues facing today's finance organizations.

The current business and regulatory climate is demanding more transparency and insight than ever before. This has a direct impact on the office of finance, both as a leading stakeholder in financial reporting and in guiding the organization's decision making.

Q. What is the state of reporting today and where are the opportunities for improvement?

The credit crunch has put management reporting and control under the microscope once more. Legislators and politicians around the world have been quick to garner support for increased supervision and more transparent reporting. Whatever the outcome, the burden of additional work is likely to fall squarely on the shoulders of group finance. But how adaptable are financial reporting systems and can they cope with the extra demands?

Recent events show that reporting systems are surprisingly resilient. For example, the rigors of IFRS (International Financial Reporting Standards) were absorbed throughout



Europe without too much pain. Similarly, listed companies and those in regulated industries constantly adapt to the ebb and flow of new regulation and disclosure requirements. However, it is clear that maintaining this level of responsiveness relies heavily on finance staff burning the midnight oil. The efficiency of underlying processes, their adaptability and ability to scale remain concerns.

Foremost among these concerns is the lack of automation in many finance organizations. Interfaces between operational (source systems) and group reporting systems are often manual, giving rise to errors which are difficult to identify, trap and correct. Underlying processes in the reporting supply chain are often poorly supported by enabling technology.

Turn to Automation to Address the Growing Demands on Financial Reporting

Reporting is a collaborative process and the distinction between statutory and management reporting is becoming increasingly blurred. Yet few implementations embed the workflow capability necessary to support efficient communications and the propagation of best practices. Collaborative technologies such as finance portals, instant messenger, task management, workflow tools and the ability to append commentary can all help to oil the wheels of the group financial reporting process.

There is also a place for more specialized applications to help manage data quality in the steps leading up to the period close. For example, reconciliation software is attracting interest as organizations grapple to exert sufficient control and visibility of inter-company processing and general ledger balances before attempting a consolidation.

The limitations of current reporting methods and the lack of automation are most obvious around the so called “last mile” of finance, which covers the preparation of the Board pack and statutory filings. The typical “last mile” process relies on an assortment of disconnected spreadsheets, Microsoft® Word files and PowerPoint® presentations, with little semblance of formal version control and nothing to underpin efficient document production.

Worryingly, the situation is likely to get worse before it gets better. The current focus on cash management

and capital structures suggests that treasury management and reporting systems will become much more closely integrated in the future. Increased emphasis on regulation and compliance will encourage a tighter coupling between financial controls and financial reporting. Finally, governments’ desire to subject tax systems and processes to the same rigor as financial reporting suggests that these will ultimately merge with the mainstream of financial reporting.

Overall, it is difficult to see how the quality and speed of both statutory and management reporting will not suffer unless organizations undertake a step change in underlying process support, involving collaborative technologies and greater automation.

About Gary Simon

Gary Simon is the Group Publisher of FSN Publishing Limited, Managing Editor of FSN Newswire and the author of many product reviews and white papers on financial software. Simon is a graduate of London University, a Chartered Accountant and a Fellow of the British Computer Society with more than 23 years of experience implementing management and financial reporting systems. Simon was a partner with Deloitte for more than 16 years and has led some of the most complex information management assignments for global enterprises in the private and public sector.

Gary Simon may be contacted at gary.simon@fsn.co.uk.

“Collaborative technologies such as finance portals, instant messenger, task management, workflow tools and the ability to append commentary can all help to oil the wheels of the group financial reporting process.”

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: www.ibm.com/cognos

Request a call

To request a call or to ask a question, go to www.ibm.com/cognos/contactus. An IBM Cognos representative will respond to your enquiry within two business days.



© Copyright IBM Corporation 2009

IBM Canada
3755 Riverside Drive
Ottawa, ON, Canada K1G 4K9

Produced in Canada
October 2009
All Rights Reserved.

IBM, the IBM logo and ibm.com are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or ™), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the Web at "Copyright and trademark information" at www.ibm.com/legal/copytrade.shtml.

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products or services do not imply that IBM intends to make them available in all countries in which IBM operates.

Any reference in this information to non-IBM Web sites are provided for convenience only and do not in any manner serve as an endorsement of those Web sites. The materials at those Web sites are not part of the materials for this IBM product and use of those Web sites is at your own risk.

