

FrieslandCampina cuts financial reporting cycle times by 50 percent



Automating financial reporting processes for a €9 billion business

Overview

Business challenge

In 2007, Royal Friesland Foods and Campina merged to create Royal FrieslandCampina – a €9 billion dairy cooperative. The manual financial reporting processes used at Corporate Finance were no longer adequate for the complex reporting requirements of the new combined entity. FrieslandCampina needed a solution to automate and enhance controls over financial reporting.

Solution

FrieslandCampina's office of finance implemented IBM® Cognos® Financial Statement Reporting (FSR), a single, secure platform for automating each step in the financial reporting process. In Cognos FSR, report data is integrated with source data – making reports dynamic and automatically updating them with near real-time changes. FSR also enhances controls, auditability and accountability in the reporting process, offering workflow, task management, compliance checklists, full audit trail reporting and embedded business rules and validation.

FrieslandCampina is one of the world's largest dairy cooperatives, with more than 19,000 employees across 25 countries and annual revenues of €9 billion. The company works with nearly 15,000 dairy farms and processes over 10 billion kg of milk per year. It sells a wide range of dairy products – milk, cream, butter, cheese, yoghurt and baby foods, as well as ingredients such as lactose, whey proteins, caseinates, and so on – under 30 major brands globally.

The company was formed in 2008 as the result of a merger between two large Dutch dairy cooperatives: Royal Friesland Foods and Campina. The merger meant that the size and complexity of the company effectively doubled, which created a number of challenges for the office of finance. One of the key issues concerned the company's need to create all annual and interim financial reports that would meet International Financial Reporting Standards (IFRS) and other regulatory requirements dictated by the countries in which the company operates.

A complex reporting challenge

“We had a situation where both of the merged companies had a financial reporting process which had worked for them in previous years, but which wasn't adequate for a business of the size of FrieslandCampina,” comments Pieter van der Velden, Director of Corporate Reporting and Accounting at FrieslandCampina. “We decided to use a solution from Hyperion to consolidate all the financial data, but the creation of the actual financial reports still required a manual process based on a multitude of spreadsheets. Change management and version control were not available, so we were concerned that errors could creep into the process. Moreover, the whole process relied on a small number of staff, which was risky – if key people got sick or left the company, it could have created bottlenecks, delays and magnified risks for the whole reporting process.”

As a further complication, separate reports had to be created for two different holding companies, and each of these reports needed to be produced in three languages – Dutch, English and German. Tight submission deadlines meant that all six reports had to be created in parallel, which multiplied the risk of errors and inconsistencies. This was an outcome the company could not live with.



Business Benefits

- Provides sophisticated change management controls that mitigate the risk of errors creeping into reports.
 - Reduced external auditor review requirements and audit fees.
 - Reduces the time and manpower required to create six unique versions of their annual report by approximately 50 percent.
 - Enables more people to collaborate on the creation of reports, eliminating editorial bottlenecks and reducing dependence on a small number of key staff.
 - Enables senior managers to monitor the status of reports in real time to ensure that deadlines are met for all external and regulatory reporting requirements.
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Redesigning reporting processes

As part of a wide-ranging initiative to create a best-in-class office of finance for the merged company, FrieslandCampina decided to redesign its corporate financial reporting process to impose tighter internal controls, increase automation, reduce the risk of material errors in reports, and make it easier for different departments to collaborate where their content was integral to the report.

“We began looking for an IT solution that could help us enhance the reporting process, and found that the issues we were facing are quite common,” says Pieter van der Velden. “Most companies have a robust process for collecting and consolidating financial information, but the ‘last mile’ of actually creating and publishing the report is the most challenging – and most critical. One day we mentioned our challenge to a consultant who was actually working on something totally different, and he suggested we look closely at IBM Cognos Financial Statement Reporting [FSR].”

A strong case for IBM Cognos FSR

FrieslandCampina asked the IBM Cognos FSR team to visit its headquarters and provide a demonstration of the software’s capabilities.

“The demonstration showed us that IBM Cognos FSR was exactly what we needed,” comments Pieter van der Velden. “From there, the project moved very quickly because the business case was so obvious. Once we explained the benefits to our CFO, he approved the purchase immediately, and the whole deal was done within a month.”

Meeting a tight deadline with Centre Consulting

To implement the solution, FrieslandCampina worked with Centre Consulting, an IBM Business Partner that specialises in IBM Cognos software.

“Centre Consulting did a fantastic job despite our demanding, tight deadlines,” comments Erna de Jonge, Manager of Corporate Reporting at FrieslandCampina. “We purchased the software in October and the goal was to complete the next financial report in Cognos FSR by April. We were one of the first companies in the Netherlands to implement FSR, and we had a few challenges during the project, but thanks to the expertise of Centre Consulting, support from IBM and the dedication of our own in-house team, we achieved our objectives.”

Boosting collaboration

With the solution up and running, FrieslandCampina found its financial reporting process was more efficient and considerably easier to manage, and greatly increased confidence in the accuracy of the data in the reports.

“The first major improvement with Cognos FSR is that it’s much easier to get more people involved in the process,” comments Pieter van der Velden. “The solution handles version control and keeps a full audit trail, so we can control who is making changes to the draft and track mistakes much more easily. Given the number of departments who have input to the reports, this has been a critical outcome for us.

Solution Components

Software

- IBM® Cognos® Financial Statement Reporting

IBM Business Partner

- Centre Consulting
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— Pieter van der Velden, Director of Corporate Reporting and Accounting, FrieslandCampina

As a result, we don't have to rely on a small team of 'gatekeepers' to ensure that changes are made correctly. Previously we used to have severe bottlenecks just prior to the deadline because the editorial team was overloaded by the need to make the inevitable last-minute changes. Now, we can distribute the work across more people and give teams from the treasury, tax and employee benefits departments more responsibility for making and checking their own disclosures. This is important because they have the real expertise and knowledge of their own areas.”

Reducing risk

Erna de Jonge adds: “If key staff become ill or leave the company, it's not a big problem because the financial reporting process is embedded in the software – we no longer have to rely on the knowledge of specific individuals.”

“Having a more structured, documented and controlled process is also very valuable when we hand the report over to the external auditors, because we can show them exactly what the data is – specifically where it originated at the source, and any and all changes that have been made. The year before we installed IBM Cognos FSR, our auditors had to check 16 different versions of our report; this year, they only had to examine and verify one and review the changes to this version by examining the audit trail. Our audit bill is much lower as a result.”

Simplifying the translation process

Improved version control also helps when the company begins creating the translated versions of its reports.

“Once we are confident that the Dutch version is nearly complete, we can duplicate the entire report to begin creating the English and German versions,” explains Erna de Jonge. “If there are any late changes to the Dutch version, they are fully tracked, so we can make sure the same changes are applied to the other two versions. This is critical in avoiding mistakes and inconsistencies between the reports.”

Fifty percent faster

Pieter Van Der Velden adds: “One of the best measures of the success of the IBM Cognos FSR project is that we were able to create the six versions of our annual report in about 50 percent less time. And looking to next year, we're confident it will be even quicker: we have already spent quite a lot of time tagging data so that it can be updated automatically the next time we create the report. The tagging feature in IBM Cognos FSR is very powerful, and we're pleased that it supports XBRL [eXtensible Business Reporting Language] in case we need to implement it as part of IFRS compliance in the future.”

The company is also investigating the possibility of integrating the tagging system with Adobe® InDesign. This would allow the finalised content of the report to be automatically formatted and laid out in a predesigned PDF template, further reducing cycle times and associated risks. This automation of the final stage of the process would save considerable amounts of time during the publishing and printing process.

Pieter van der Velden concludes: “With Cognos FSR, we gain a more efficient, more controlled method of generating our annual financial reports and other financial statements. The process is not only more streamlined, it’s also more transparent – senior managers can get an immediate overview of the status of a report at any time, which helps to ensure that we meet our deadlines. Best of all, our auditors have confirmed that we have built a reporting solution that matches the level of our peers, so FrieslandCampina can be confident that its financial disclosures are full and accurate.”

About Centre Consulting

Centre Consulting is entirely focused on enterprise performance management and group finance. It works in areas including strategic finance, planning, budgeting and forecasting, management reporting, analytics and business intelligence, financial consolidation and legal entity management. It also helps companies automate the creation of financial statements and reports, with fully incorporated XBRL tagging.

The combination of performance management knowledge and a passion for quality enables Centre Consulting’s certified consultants to translate the customer’s business case into optimised business processes powered by the latest information technologies. By delivering this added value, Centre Consulting aims to be a market leader in enterprise performance management, and to maintain a close relationship with its customers and partners.

To learn more about Centre Consulting, please visit www.centreconsulting.nl.

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