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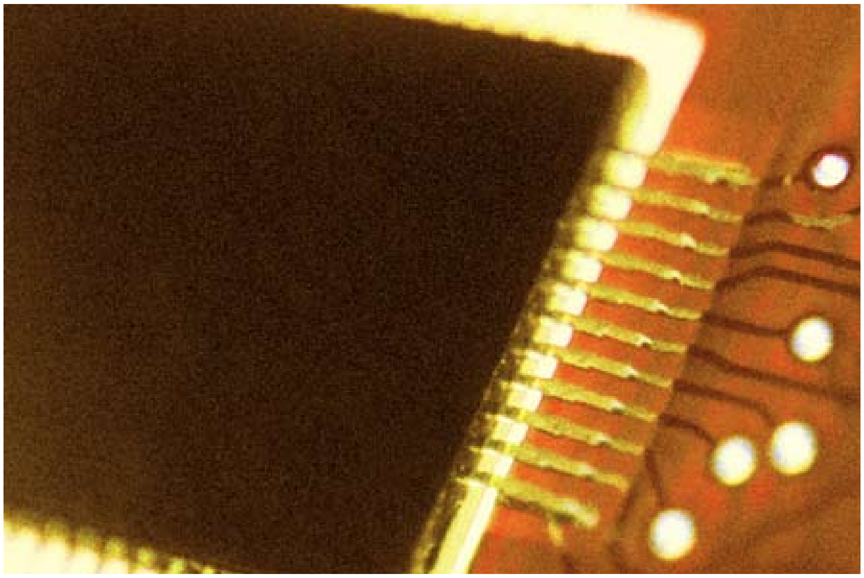
Common Technology Eases the Transition to IFRS

Bryan Hall and Bill Marchionni, The Hackett Group

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 IFRS preparation checklist includes many items, including embedding the new rules into operations and transactional systems. Companies can utilize technology to support this transition with an automated and auditable system of record for financial consolidation and reporting.



Q.What role can software and systems play in making the transition and providing ongoing support for IFRS?

From a technology standpoint, we know from our experience with successful finance organizations that having an integrated operating model, a common technological platform and common global process ownership will reduce the impact of the change to IFRS. If a company is on a single technology platform, it will enable a much easier and less risky conversion to IFRS, and ultimately a less costly one. We've seen that centralized reporting in shared services and having a global process owner for the general ledger (GL) side of things can also help.

To the extent that IFRS is an "add" to many of the other benefits an organization can gain by doing those things, we think that everyone today ought to be having this discussion. Those companies who are already under IFRS, did they really take full advantage of the opportunity it presented? The reality is probably not. There is still a significant opportunity there, and we imagine that will be evident as the data starts to emerge out of the European theater.

Some organizations are asking if IFRS is something that they will be able to comfortably address internally or should they find a partner to help them identify the best way to transform their environment. Right now, we don't think there will need to be an extensive use of external resources. But that question will evolve as companies move through the process.

We think there are things that organizations can and should do with in-house talent. Irrespective of where they are in their current implementation, there will need to be a dedicated team to monitor what's going on in the regulatory world–what's going to be mandated and when. Companies can perform those internal assessments themselves, including the statutory report inventory that we talked about earlier. (See Finding the Opportunities in IFRS, in the Controllers' Corner series.)

There will also be some areas, such as revenue recognition, that are going to be of critical importance from an IFRS perspective. That might be an area where companies will need external resources. With IFRS, there are going to be technology platform issues, and a lot of changes in policy and procedure as well.

The good news, for US-based companies, is that there's time to do this the right way, to build these capabilities internally. Companies can incorporate it into other initiatives and do it the right way once, as opposed to thinking of IFRS conversion as a "one off."

That's what every US organization ought to be taking a hard look at as they think about their strategic plans around the control function. They know this is on the horizon, but so are numerous other things that they need to think about. Finance people will ask, "How do I rationalize my key controls? Can I accelerate my close? How do I get better visibility and get information to management sooner?" All of those questions have always been present in most businesses, and can be addressed along with the IFRS issue.

At the end of the day, whether it is pre- or post-conversion, thinking about it as part of the continuum of the overall control process is a better way to think about the IFRS project.

About Bryan Hall

Bryan Hall is the Practice Leader of the Finance Executive Advisory Program for The Hackett Group. Mr. Hall has more than 20 years of experience in finance, accounting, systems and consulting, with a focus on transforming the finance function through effective planning, efficient process management and working capital management.
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