IBM

Fast Close and the reporting supply chain: The need for a joined-up approach

By Gary Simon, Managing Editor of FSN *and author of* "Fast Close to the Max®."

Cognos®
software

For the past decade many organizations have been preoccupied with the Fast Close – almost to the exclusion of everything else in relation to group financial reporting. But this focus on a single benchmark of performance may be misguided especially as internal and external reporting continues to converge.

Although there is no agreed definition of the 'Fast Close' it is commonly taken to mean the number of days taken by companies to publish their final audited accounts following the year end. It is a broad brush measure that says little about the efficiency of the underlying process. For example, two companies that produce their results thirty days after the year end are ranked equally, irrespective of whether one of them uses thirty percent more finance resource than the other to meet the deadline.

Another curiosity is that a benchmark focused exclusively on the year end says nothing about the regular monthly or quarterly reporting cycles which are the lifeblood of management reporting, performance measurement and control. Clearly, there is a need for a more holistic approach which not only drives faster reporting throughout the year but also underpins a process of continuous improvement.

To date the obsession with Fast Close velocity has been narrowly focused on the consolidation system itself – usually located in group finance at the centre. Naturally, it is highly desirable that modern consolidation software is able to compute the group results quickly. Over the years successive improvements in hardware capability .together with software techniques such as 'impacted consolidations', (where only the changes since the last full consolidation are re-calculated) have allowed marked improvements in the turn around of a group consolidation. However, whereas these time savings can be measured in hours there are bountiful savings to be made elsewhere in the Reporting Supply Chain (RSC) which can be measured in days. So where are the most fruitful areas to look?

There are several potential areas to consider if an organization is to yield substantial time savings. These relate to data capture from reporting entities, mapping to group systems and control, as well as the efficiency with which information is marshaled and reported post consolidation — the so called 'last mile'.

Collecting data from subsidiaries has always been fraught with difficulty. The heterogeneous nature of many global businesses, reflected in their diverse operational systems and charts of account has acted as a significant drag on the RSC as group finance grapple with a multitude of different systems interfaces. Even the simplest 'mapping' of data from local ERP to group systems can involve extensive manual procedures, spreadsheets, and batch transfers of files, introducing the potential for serious error along every step of the way. The scope for mistakes is also greatly magnified by the number of entities involved and frequent changes in group reporting packs brought about by management demands and regulatory change. The difficulty is that once erroneous data is in the RSC, it tends to travel through the process unchallenged, consuming valuable time and resources to put it right.

However, vast improvements in the management of data quality are beginning to have an impact. A new generation of advanced ETL (Extract, Transform and Load) tools which bind subsidiaries' systems tightly into the RSC and require little in the way of formal IT skills are allowing finance functions to exert control over mapping tables, data transfer and changes to charts of accounts so that the process of harvesting data from reporting entities becomes dependable and accurate. This level of automation accompanied by greater control and visibility across the entire organization greatly accelerates the process whilst simultaneously reducing errors.

Improvements in workflow and other collaborative technologies, whilst less developed, are also beginning to have a beneficial effect on the latter stages of the RSC. Tighter integration between document management systems and consolidation systems holds out the prospect of being able to produce the Board pack or even statutory accounts without having to navigate an assortment of Adobe® PDF files, spreadsheets, Microsoft® PowerPoint® slides and Microsoft Word documents so common in the 'Last Mile'. Additionally, improved workflow capability will enhance visibility and control over the latest versions of sensitive documents and manage who is authorized to make changes or view them. Again the automation of these historically fractured processes can be expected to increase the speed and reliability of group reporting.

Although the application of these new and developing techniques can be expected to yield welcome time savings and improvements, investments in data quality initiatives such as these should not be viewed in isolation. Creating internal benchmarks that track the monthly and quarterly reporting cycles are the key to making continuous and enduring process improvements. A faster close around the year end may be admired by the capital markets and competitors but it is the efficiency of internal reporting that underpins a capable management team.

IBM®

About the author

Gary Simon, Group Publisher of *FSN* and Managing Editor of *FSN Newswire*, is a graduate of London University, a Chartered Accountant and a Fellow of the British Computer Society with more than 25 years experience of implementing management and financial reporting systems. Formerly a partner in Deloitte for more than 16 years, he has led some of the most complex financial reporting and information management assignments for global enterprises in the private and public sector. His latest book, "*Fast Close to the Max*®" is now available from FSN Publishing Limited.

About the IBM Cognos Innovation Center for Performance Management

The IBM Cognos® Innovation Center is dedicated to transforming routine performance management practices into "next practices" that help cut costs, minimize risk, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility. Staffed globally by experts in planning, technology, and performance and strategy management, the Innovation Center partners with more than 600 IBM Cognos customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.

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.

IBM Cognos
Innovation Center
for Performance Management