IBM

Finding Efficiency in Your Reporting

Tom Willman, 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 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?

One Version of the Truth

When it comes to reporting, the issue of "one version of the truth" is pervasive– the issue of everybody looking at the right cascade of measures throughout the organization. When we talk about profit on a conference call or talk about how we are performing in a specific country, we need to know that the set of measures we are using actually links to all the other measures that roll up and down the organization.

One of the best ways to achieve that, especially for a global organization, is by consolidating reporting into a shared services environment. A consolidated reporting platform for some, if not all, of the organization's reporting, would go a long way towards assuring that those measures are consistent.

But historically, we have seen that companies will sometimes make a play for that at the wrong level. They may have someone three or four levels down implementing the technology, without having a dialogue about the process and service delivery model. As a result, these organizations will not achieve near the results that were available to them if they had undertaken that broader discussion, which involves asking "where should my people be and why, and what activity should they be doing as it relates to the reporting process?"

Relevant Information

Another issue concerning reporting is that we find many finance organizations wasting effort and energy on unnecessary reporting.

A corporate manager for an individual country, in Europe for example, ought to be very focused on sales and marketing and competitor positioning, and how their product is performing with local customers. But that manager may not need to be as concerned with how the corporation's global supply chain is doing in manufacturing the product they happen to be selling. Companies are often sharing reports with that country leader that aren't relevant to his or her job. Part of the transformative effect of a move to global process and role ownership is a focus on more specialized and more relevant information.

Efficient Use of People

As part of our key issue research in the latter part of 2008, we asked all of our members at the C-suite level, "what are your priorities in addressing the economy?" And the number one priority, not surprisingly, was how to increase efficiency while maintaining effectiveness in the finance organization. We then asked another question later on in the same study, "what are you doing differently to help reduce costs?" One of the cost-saving steps was postponing or delaying projects. And in some cases, the first to go was the discretionary IT budget. So, we've got two conflicting answers to a similar question. On the efficiency front, we spend a lot of time talking about, for example, how to get payables from 19,000 invoices per FTE to 20,000 invoices per FTE. But remember, those FTEs doing transaction processing are people making $40,000 a year. The people doing reporting in an organization are $150,000+ people. These companies have very expensive people becoming spreadsheet jockeys.

When we talk about moving some of our reporting, and perhaps some initial stage analysis as well, into a shared services environment, the impact on a resource of that cost is multiples of the benefit we get from eking out the next layer of incremental improvement in transactional processes. This is not necessarily a case of looking for staff reductions, but it is a case of doing more with less. Much of the dialogue around efficiency misses the fact that only about a third of our finance dollar goes to transactions. Two thirds are going to matters such as compliance, tax and treasury, and business analysis and reporting.

So this is a time for calling back up to the CFO to say that if we really want to have an efficiency discussion that's right for the business, we have got to talk about reporting. We are saying that this is not a discretionary project–not just a "nice to have." This is actually a cost savings measure that improves your nimbleness as a business.

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About Tom Willman

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