Strategies for Better Management Reporting

Better management reporting requires better information–delivered in the right format at the right time. And those in the Controller's office, as the stewards of certified financial information, feel the pressure to ensure data quality and to distribute reports in a timely fashion to those who need them.

The following essays discuss some of the steps–both tactical and strategic–that Controllers can take to improve their reporting ecosystems. The essays are selected from our ongoing series, Controllers' Corner: Two-Minute Essays on Financial Management and Control. The authors are industry thought leaders who have extensive backgrounds in finance and accounting, and broad experience advising clients on financial processes and systems.

- **Improving Management Reporting with Shared Services**–Tom Willman, Bryan Hall and Bill Marchionni, The Hackett Group
- **Reporting on the Fly**–Gary Simon, Group Publisher, FSN Publishing Limited
- **Strategies and Tactics to Take Your Reporting Beyond Finance**–Delbert Krause, Business Unit Executive, Cognos software, IBM Information Management
- **Reporting–Simplified, Standardized, and Centralized**–Patrick Jelinek, IBM Global Business Services

Improving Management Reporting with Shared Services

Tom Willman, Bryan Hall and Bill Marchionni, The Hackett Group

Smart decision-making requires relevant information in the right format at the right time. Yet, in spite of the time and resources that Finance and IT teams have spent to gather, prepare and report on information, there is still a large, unfulfilled demand for quality and timeliness.

Q. Given the pressure to improve decision-making while driving down costs, what options are open to the Controller's office for improving the reporting ecosystem?

In our last essay for Controllers' Corner, we discussed the idea of using a shared services or center of excellence operation to help meet management reporting needs. One of the things we have heard from companies that have actually made this change is that, when you ask them why they are successful, they invariably come back and say that it is because they first established credibility by providing transactional services in that type of delivery model.

The companies we talked to that have done it and done it well tend to be those shared service organizations that are pretty mature. Moving consolidations into a shared service environment is one trend that's maturing. And we recently talked to a major consumer products company that is launching two major projects, both intended to drive reporting into a shared services environment, after recognizing that this technology has been successful at a process level.

That's not to say that if you are developing a shared services strategy and are just starting that journey that reporting shouldn't be part of the dialogue. But it's important to recognize that there may be some resistance.

Breaking Down the Barriers

The reason that familiarity with a shared services environment is so important is that there tend to be strong emotional barriers that can prevent organizations from being comfortable or confident in shifting the responsibility or location of reporting. For example, there may be a manager for a particular country or region who has finance people on site, pulling information together locally. They have built a working relationship and they communicate well. The idea of that role or a portion of that role being performed somewhere else, by someone else, is disruptive. The country manager will ask, “Am I going to get the same level of support that I was getting when I had someone right here?” That’s where we have to take a step back and say “no, it’s a completely different model.”

In the shared services model, the linchpin of the process and the delivery mechanism has to be that common technological core and making sure that the data is consistent globally. Today, much of an organization’s data is interrelated, whether in the classic areas of inventory data going into accounting or in using external market share data to examine how we are performing against plan.

It is important to point out, however, that the model for management reporting is different from the model in the transactional shared services world, where there is not as much interaction and dialogue with, say, the country manager we mentioned earlier. In the shared services model for reporting–as the companies that have done this have made very clear–they spend more on travel and in making sure that the people who provide these services take the time to stay close to the business and understand what the requirements are, than is necessary on the transaction side. So, with a shared services approach to management reporting, that country manager will still get the direct support that he or she needs. We want to be very careful not to “take something away from the business” that the business needs.

> *“In the shared services model, the linchpin of the process and the delivery mechanism has to be that common technological core and making sure that the data is consistent globally.”*

Efficient and Effective

Shared services can have a very direct impact on efficiency while improving effectiveness. If you look at the opportunities now available to finance, there aren't many other situations where you can do that, working against constrained budgets and the type of realities we are dealing with in today's economy. That's another thing that we are calling people's attention to.

The finance organization may have tried to make this sort of change before and gotten pushback. But now they can use the difficult realities of the economy to help break through some of those barriers. While a few industries are insulated from the current upheaval, most are still looking at very challenging times in the near term. So, this isn't the time for political infighting. What we are saying to most of the CFOs we talk to is, "Look, this isn't a new idea to you. But if you were unsuccessful in getting the organization on board with it before, maybe now is the time to revisit the issue."

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. Mr. Hall may be contacted at bhall@thehackettgroup.com.

About Bill Marchionni

Bill Marchionni is a Senior Business Advisor for the Finance Executive Advisory Program of The Hackett Group. Mr. Marchionni provides insight to CFOs and other finance leaders, sharing his expertise in the areas of revenue and cost management; working capital management; process reengineering; and strategic planning, forecasting and analysis. Mr. Marchionni may be contacted at wmarchionni@thehackettgroup.com.

About Tom Willman

Tom Willman is the Global Practice Leader of the Enterprise Performance Management Executive Advisory Program for The Hackett Group. With more than 15 years of experience in finance, accounting and consulting in a wide range of industries, Mr. Willman focuses on helping CFOs and other finance executives transform their organizations by deploying more efficient and effective processes, service delivery models and enabling technologies. Mr. Willman may be contacted at twillman@thehackettgroup.com.

Reporting on the Fly

Gary Simon, Group Publisher, FSN Publishing Limited

Smart decision-making requires relevant information in the right format at the right time. Yet, in spite of the time and resources that Finance and IT teams have spent to gather, prepare and report on information, there is still a large, unfulfilled demand for quality and timeliness.

Q. Given the pressure to improve decision-making while driving down costs, what options are open to the Controller's office for improving the reporting ecosystem?

Organizations of all sizes and hues regularly cite their lack of satisfaction with management information. Whether it is issues with timeliness, quality or relevance, management reporting is rarely out of the spotlight. Despite step-changes in technology, for example, massive databases, improved ease of data exchange and strides in business intelligence tools, the shortcomings of management information remain stubbornly unresolved.

So, if the technology has improved so much and we are still not meeting management's needs, then perhaps we are looking in the wrong place for a solution. Are human (organizational) factors a bigger part of the problem than we sometimes care to admit?

Anecdotally, the answer appears to be "yes." For example, a finance function's obsession with accuracy (waiting for that last accrual before closing the books), although essential for statutory reporting and tax returns, can be a detriment to timely flash reporting, budget preparation and monthly management reporting.

> *"One of the keys to improving management information therefore, is to deeply embed collaborative technologies into the reporting cycle, reconnecting users with each other and the processes for which they are responsible."*

Power play and fear of sharing information between different functions can act as a severe impediment to performance. ”Critical” spreadsheets kept in the hands of one or two specialists can stifle the introduction of important reporting changes as well as limiting the relevance of reported information.

So what can be done to encourage the “right” organizational behaviors and does technology have a role to play? Clearly some character traits are impossible to remedy through technology alone. But recent developments could certainly encourage a more conducive atmosphere.

Much has been said about the “democratization” of information, for example, the way in which information is assembled, what is disclosed and what is distributed. Collaborative technologies, especially workflow, shared web space for projects, (SharePoint) finance portals, instant messaging systems and email all have a role in binding the producers and consumers of management information so that they are all better connected to the processes on which they rely. As a consequence, they are better informed, more able to spot errors and better placed to suggest and propagate best practice through an organization.

Historically, reporting practices have ignored this human component. The focus has been transactional – which works well when transactions are completed as planned but fail miserably when things go wrong. Effectively, information workers inhabit two worlds, namely the structured world of management reporting for predictable processing of information, and the world of telephone calls, ad-hoc meetings and walking corridors when things go wrong!

One of the keys to improving management information therefore, is to deeply embed collaborative technologies into the reporting cycle, reconnecting users with each other and the processes for which they are responsible. Not only is this the way to improve knowledge sharing, reporting accuracy and timeliness, but it fully supports a learning organization that is committed to continuous process improvement. Finally, it provides a more fulfilling “user experience,” positively reinforcing all of the improvements previously made and setting the scene for enduring change.

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.

Strategies and Tactics to Take Your Reporting Beyond Finance

Delbert Krause, Business Unit Executive, Cognos Software, IBM Information Management

In spite of the time and resources that Finance and IT teams have spent to gather, prepare and report on information, there is still a large, unfulfilled demand for quality and detail.

Q. What options are open to the Controller's office for improving the reporting ecosystem?

Tackling the information requirements of finance and business stakeholders, or more simply, ensuring the right level of quality and detail for financial reporting, continues to be a very high priority for virtually all organizations. Recent economic events have exacerbated the problem, with many organizations suffering from inadequate reporting across financial and operational systems. The Controller's office, as stewards of certified financial information, feels the pressure at both ends of the spectrum – to ensure data quality and accuracy, as well as to distribute information to those who need it.

This essay will discuss some effective steps – both strategic and tactical – that can improve financial reporting and analytics. To lay the groundwork, let's establish three recurring reporting priorities that guide finance teams.

1. **Financial statement reporting**
   The primary activity and output from financial consolidation systems and processes are the highly formatted, structured financial statements that align with the specific information and layout unique to the particular organization. This foundational set of statements is the cornerstone of reporting. Key requirements include a single chart of accounts, a centralized, validated set of financial results, controls for overseeing the process, and the delivery of the statements.

2. **Financial reporting and analytics**
   A secondary, but related activity is supporting financial and operational decision making, typically by supplying financial reports that compare data over time. Typical outputs are current month vs. same month last year, current quarter vs. same quarter last year, year-to-date vs. year-to-date last year, and the appropriate variance calculations. Financial reports communicate important performance metrics and results to the company and the business units. The same data also supports the many ad hoc requests from CXO's that send finance teams off on emergency fact-finding missions. Key requirements include the same financial data that supports financial statements, plus supporting financial details, analytical tools, self-service report creation and distribution.

3. **Management and operational transaction reporting**
   Many, many reports across transactional and operational systems are required to get to the right level of detail for decision making. Business stakeholders, while gaining value from reports that measure financial performance, also need access to the supporting transaction detail, perhaps by customer, product, sales channel, region or all of the above. Important comparisons across history, plan, budget, forecast and actual add considerable value for business analysts. Key requirements are enterprise reporting systems that can coordinate and manage data across multiple systems, a wide variety of reporting, analytic and scorecarding tools, and multiple delivery mediums including print, web and mobile.

Without a doubt, finance has a leadership role in each of these areas. While finance teams are generally confident in their ability to deliver financial statements, most companies separate financial reporting, analytics and enterprise reporting tied to IT projects, management and infrastructure. The opportunity here and, frankly, the *requirement*, is for finance to assume a leadership role and, working with IT, to define the complete set of reporting requirements.

A long-term strategic linkage between finance reporting leadership and IT is, of course, the ideal. Short of that, however, what can be done in the near term? There is a starting point for critical time-sensitive financial reporting that provides a foundation for other reporting.

> *"But it does not require an approach that 'boils the ocean.' An effective process can deliver value one step at a time, starting with financial statements, then extending to financial reports and ultimately to broader enterprise reporting."*

1. **Start by renewing financial consolidation systems and processes**
   This investment alone can help standardize and organize the chart of accounts for reporting, and centralize financial data for statement reporting–two very important conditions for delivering financial reports. While those are important, the opportunity here is to not accept financial statements alone as the end result. The investment of money, time and learning can and should be directly connected to broader demands for financial reporting as well.

2. **Extend financial consolidation to deliver financial reporting and analytics**
   Upon completion of a consolidation system renewal, extend the information, complete with security and rules, to a high-performance environment specifically designed to support a broad community of finance and business users. The reporting process should offer self-service access, dimensional analysis, slice-and-dice analytics, integrated charts, ad hoc reporting, and report/dashboard/scorecard portal creation for regularly scheduled distribution.

3. **Embrace enterprise BI for management and operational reporting**
   Once financial consolidation systems are confidently delivering financial results, and finance teams are leveraging the information for financial reporting and analytics, it is time to take the next logical step. Enterprise business intelligence (BI) is specifically designed to meet the reporting challenge, functioning at the layer above transactional and operational systems, and capable of coordinating and aligning data across multiple sources and definitions into one business reporting layer, aligned with validated financial results.

What are the rewards to this approach? Establishing the proper framework to satisfy the many reporting demands of the organization will cost money as well as time. But it does not require an approach that "boils the ocean." An effective process can deliver value one step at a time, starting with financial statements, then extending to financial reports and ultimately to broader enterprise reporting.

Why IBM Cognos solutions? We have been at the forefront of financial and business reporting for more than 20 years. Through the careful application of fit-for-purpose consolidation functionality, combined with high performance reporting solutions, we offer a unique approach to both the short- and long-term reporting needs of the Controller's office.

About Delbert Krause

Delbert Krause is the Business Unit Executive, Financial Performance Management Solutions, for Cognos Software in the Information Management division of IBM. In addition to his formal training in finance, Mr. Krause has more than 20 years of experience in consulting, selling, and marketing performance management software solutions for finance, business and IT users. Mr. Krause can be reached at delbert.krause@ca.ibm.com.

Reporting – Simplified, Standardized, and Centralized

Patrick Jelinek, Managing Consultant, IBM Global Business Services

Smart decision-making requires relevant information in the right format at the right time. Yet, in spite of the time and resources that Finance and IT teams have spent to gather, prepare and report on information, there is still a large, unfulfilled demand for quality and timeliness.

Q. Given the pressure to drive down costs and improve decision-making, while making investments that return value quickly, what options are open to the Controller's office for improving the reporting ecosystem?

As the economy continues to sputter and grind along, organizations are left with a greater need for insight and visibility to drive the actions that will help them survive a global recession and position them to capitalize on the recovery. They are facing the age-old quandary of how to do more with less. Long gone is talk of a "multi-year big bang" and global ERP implementations to enable insight into the business across all borders, both geographical and organizational. Instead, the focus is on identifying low-cost alternatives to simplify, standardize and centralize reporting.

For good reason, Finance generally owns the final measurement of how a company is doing and how it will be doing in the future, from a cash flow and profitability perspective. For this reason, Finance is the ideal location to drive change and transform an organization's reporting and performance management culture.

There are philosophically two ways to embark upon such an endeavor. The first approach is for Finance to take

> *"Finance is the ideal location to drive change and transform an organization's reporting and performance management culture."*

a top-down view, focusing on what drives profit and success across the financial metrics and down into sales and operations. This is basically an outside-looking-in focus, where the company must cast aside preconceived notions and truly assess what measures or changes will drive what impacts to the business.

The second alternative is to take an enterprise view of the various metrics and measures that are used across the various business silos and then assess which ones truly drive management decisions and actions and thus should be standard measures for the organization. Through executing either approach (or a hybrid of both) and with a substantial amount of executive support, Finance can drive standard reporting across the enterprise that is most likely radically more streamlined and focused than they had originally relied upon and commanded to be created from a myriad of sources. This effort to identify what information drives decisions and actions should yield tangible cost savings as well as positive business impacts.

Armed with the knowledge of what is truly needed, Finance can work with other functional groups such as IT to develop a flexible reporting architecture to connect and consolidate numerous disparate source systems. Once information is available across the organization, Finance can push standard reports from centralized locations, potentially capitalizing on lower cost resources, economies of scale and reduced time spent manually reconciling multiple systems in offline, uncontrolled spreadsheet analysis. Finance can drive one version of the truth across the organization.

Another benefit of simplified, standardized and centralized reporting is that it enables day-to-day knowledge sharing by the organization's business analysts, helping to expedite synergies and the sharing of lessons learned, and helping to identify trends across business units more easily. Furthermore, creating a global repository reduces the time needed for implementation as well as the costs associated with licensing and maintaining a standard reporting tool for use across the organization. Other gains that could be seen include a greater ability to enhance data mining, predictive modeling and real-time alerts to changes in key metrics or value/cost drivers.

A key concept needed to drive any improvements in reporting regardless of technical capabilities, is the notion that you must know what you must know. The starting point has to be to assess the information you need, followed quickly by the capability to make that information readily available across all borders.

About Patrick Jelinek

Patrick Jelinek is a Managing Consultant within IBM's Strategy and Transformation practice, focusing on Financial Management in the Industrial Sector. He has helped to design and implement numerous transformations across Fortune 100 companies, in addition to managing and developing training for IBM's Business Performance Management global community. Patrick Jelinek may be contacted at pjjelinek@us.ibm.com.

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

Produced in Canada
May 2010

P24604

IML-14244-CAEN-00