BALANCING EFFICIENCY AND ACCURACY

While Meeting Financial Reporting Demands

from the Expert Network at

NASDAQ OMX

REPORTING REQUIREMENTS: FASTER, CHEAPER, ERROR-FREE AND INSIGHTFUL

Financial reporting teams, often led by Controllers, face mounting pressure to provide accurate, useful, and timely data, while also decreasing turnaround time and costs. Regulatory agencies don't care if an organization is short of staff or if its financial management system amounts to a collection of spreadsheets. Schedules must be met and accurate information provided — period. Executives who need timely information to make business decisions are also unlikely to be overly sympathetic.

Finance departments are definitely feeling the pinch. In a recent IMA study on "The Evolving Role of the Controller," almost 80% of respondents reported increased demands over the past 3 years for forward thinking and strategic analysis. Approximately 75% said they were also being asked to improve productivity through automation and streamlining processes.[1]

Although increasing demands can be difficult to meet, there is an opportunity for finance teams to view these new expectations in a "glass half full" light. Strong reporting processes can help businesses respond more effectively to change, reduce compliance risks, prevent financial "hiccups," and build competitive advantage. The bottom line? Finance professionals who can rise to the challenge have an opportunity to dramatically increase their value to the organization. However, doing so requires organizations to first address the myriad of reporting obstacles that remain all too common, including:

1. Time — Nearly all the CFOs (86%) in a CFO.com and IBM Business Analytics survey reported needing "several days or more" to collect and consolidate the data required to answer meaningful business questions. 80% of respondents required several more days to perform a "full analysis" and reported that during that time, "productivity goes down and opportunities that depend on that data are either delayed or missed entirely."[2]

2. Lack of automation — Many reporting challenges can be traced to the continued use of manual processes, which chew up huge amounts of time and resources. A Ventana Research report found that it took companies using "little or no automation" almost twice as long to complete their close process as those that were fully automated (9.1 days vs. 5.7 days).[3] Manual data entry, reliance upon Excel spreadsheets and disconnected legacy systems, and different user skill levels also lead to errors.

3. Heavy reliance on spreadsheets — Spreadsheets can be valuable tools; however, any financial professional worth his or her salt can detail their shortcomings — multiple versions, a high degree of errors, and lack of agreement on whose version is correct, just to name a few. Multiple studies suggest that close to 90% of spreadsheet documents contain errors.[4] According to Ray Panko, a professor of IT management at the University of Hawaii and an authority on bad spreadsheet practices, spreadsheets contain errors in 1% or more of all formula cells and "in large spreadsheets with thousands of formulas, there will be dozens of undetected errors."[5]

Yet most companies continue to rely to some degree on manual updates for financial reports. A joint CFO Research / IBM survey reported that 63% of companies still manually updated all reports, with only 8% reporting full automation.[6]

4. Legacy Software applications — Financial professionals must be able to support dynamic, forward-thinking business environments; but too often, their efforts are hampered by technology that is firmly entrenched in the past. Financial applications implemented years (often decades) ago can no longer keep pace with modern demands. Lack of integration with other business systems, dated user interfaces (even green screen…yes, it still exists), dated reporting/dashboard tools, and the need for manual workarounds to compensate for inadequate functionality are common obstacles.

5. Lack of Integration — Legacy software solutions make it extremely difficult to obtain a timely, single view of financial data. Applications are rarely integrated across organizational units, and separate business units often have their own unique systems.

- 28% of 930 CFOs surveyed by Oracle and Accenture cited the lack of integration amongst systems as their greatest technology concern.[7]
- 50% of CFOs, Senior finance professionals and Controllers in a recent Trintech survey reported using more than 4 different ERP (Enterprise Resource Planning) or point systems across the R2R (record to report) process.[8]

The impact of these challenges obviously varies from organization to organization, but there is one general outcome — they become less agile. That's an obstacle companies operating in highly competitive environments can scarcely afford. The answer? There isn't just one; but ironically, the way to address many of the technology-driven issues listed above is with technology itself. Put simply, modern business environments demand modern business solutions — and that includes the finance department. While getting the right technology in place isn't necessarily easy, it is worth it. Research consistently indicates that companies with highly performing finance departments outperform their peers. In fact, an Accenture survey found a 70% correlation between high-performing finance departments and high-performing organizations, particularly in an economically challenging environment.[9] Businesses whose finance teams are trying to meet 21st century demands with the equivalent of a rotary dial telephone would be wise to take notice.

[1] Desroches, Denis, and Raef Lawson. "The Evolving Role of the Controller." (n.d.): n. pag. IMANET.ORG. Institute of Managment Accountants, 2014. Web. Nov. 2014. http://www.imanet.org/PDFs/Public/Research/netsuite_0107_2014.pdf.

[2] "Why Manual Reporting Is Crushing the CFO." www.domo.com. Web. <http://www.domo.com/blog/wp-content/uploads/2013/07/CrushingtheCFO5small.pdf>.

[3] Olshan, Jeremy. "88% of Spreadsheets Have Errors." MarketWatch. MarketWatch, Inc., 20 Apr. 2013. Web. <http://www.marketwatch.com/story/88-of-spreadsheets-have-errors-2013-04-17>.

[4] Ibid.

[5] Owen, David. "LINKING NUMBERS AND NARRATIVES Correlating Quantitative Reports with Qualitative Analysis." A Report Prepared by CFO Research CFO Publishing LLC, July 2012. Web.

[6] "The CFO as Catalyst for Change." Http://www.oracle.com/us/solutions/cloud/cfo-researchreport-2172100.pdf. Oracle, 2012. Web.

[7] Integrated Marketing Services, "Study on Cost Drivers in the Financial Close Process." Trintech. Trintech.com, Feb. 2014. Web. 01 Nov. 2014. <http://www.trintech.com/wp-content/uploads/2014/02/IMTSTrintech-Financial-Close-Survey-Findings-Feb2014.pdf>.

[8] "Delivering Value in a Complex World: The Next Battleground for the Finance Organization." http://www.accenture.com/sitecollectiondocuments/pdf/accenture-2011-high-performance-finance-study-a4.pdf. Accenture. 2011.