

Financial Reporting—Turning Information into Insight

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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?

The State of Reporting Today

Finance organizations have made significant progress over the past 10 years in improving the infrastructure and processes they use to generate internal and external reporting.

They have implemented ERP suites, data warehouses and reporting tools to help accelerate the close and provide accurate and timely information. However, spreadsheets remain the book of record for many organizations. This is due to a lack of information standards and a reliance on many interim data sources and multiple BI tools. The result is high-



level consolidated information that frequently falls short in providing the deeper analysis needed to support truly informed decision making.

The significant volume of merger and acquisition activity in the marketplace has left many organizations with an overwhelming amount of data, but many have limited access to actionable

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information. One reason for this is that many legacy systems do not store the required financial data at the same level of detail – e.g., line of business, customer, product, or channel.

Global organizations also face challenges reporting under multiple GAAPs. Typically, local GAAP reporting is produced offline, which can be a highly manual effort supporting a large number of local reporting requirements. Multi-GAAP reporting is a key capability for organizations to consider before migrating to IFRS (International Financial Reporting Standards) as their primary financial reporting standard.

Opportunities for Improvement

Reporting measures the key drivers of the business, enabling finance to assess organizational performance against targets and competitors. Finance needs facts supported by trusted data to answer:

- *Are we maximizing shareholder value?*
- *Do we understand our revenue and cost drivers and their impact on the bottom line?*
- *Do we understand and proactively manage our risk?*

To answer these questions, key performance indicators must be defined, sourced, and delivered in a timely fashion in a self service environment. Finance data needs to be captured and stored using one, consistent enterprise-wide language, based on common definitions. Standards must be defined and adhered to for critical information such as the chart of accounts, legal entities and cost centers, product hierarchies, and channel definitions. This reference data should be managed and shared across systems to create an integrated view of all financial information.

Reporting Based on Trustworthy Data

A solution such as IBM Cognos® 8 Controller enables finance to base their reporting on just such an integrated view. Controller enables finance to consolidate multiple views of the enterprise from legal, management, and tax perspectives, or in terms of budgets, actuals, and forecasts. In addition, information can be audited and tracked to its original source—a critical item in SOX compliance—through the entire reporting process from data capture and processing to output.

When used in conjunction with IBM Cognos 8 Business Intelligence, disparate data can be connected

for flexible analysis and presented in drillable reports, scorecards and dashboards that deliver business insights based on reliable, and verifiably accurate data.

As the authors of the 2008 IBM CFO Study said, “With data turned into information then turned into insight, finance moves beyond ‘taillights’ to a keener sense of ‘headlights’ with which to illuminate the future direction of the enterprise.”¹

About Keith Novek

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Endnotes

- 1 The Global CFO Study 2008, IBM Global Business Services, in cooperation with The Wharton School, Economist Intelligence Unit, IBM Corporation 2007