NUCLEUS RESEARCH

RESEARCH NOTE
COMPLIANCE IS NOT ENOUGH

THE BOTTOM LINE

Companies that rely on an ad-hoc arrangement of Excel statements in order to close their financial statements and complete budgets are missing an opportunity to improve productivity, reduce turnover, and get more value from their data.

Too many companies continue to utilize ad-hoc and labor intensive arrangements of Excel spreadsheets for closing their books, budgeting, and forecasting. In many small and medium sized businesses, spreadsheets form the basis of financial statements and the financial close process because of limited IT resources. While this may appear to have low ongoing costs compared to the adoption of a purpose-built application, it probably ends up costing more in lost productivity, errors, and rework. In other companies, financial statements are run directly from an ERP system. Although this is a cost-effective way to create GAAP-compliant financial statements, the transaction-oriented nature of the underlying data can make it difficult to create analytical tools for end users outside of the finance department.

When CFOs or controllers have the opportunity to automate these processes, they often balk at the expense and assume that as long as their statements are GAAP compliant, nothing needs to be changed. However, Nucleus has examined hundreds of deployments of financial performance management applications and found that automation of financial statement-related workflows increases productivity, enables better decision making, and can reduce turnover costs for finance-related roles.

Improved productivity

Companies that adopt automated systems for financial close and budgeting find that it makes employees more productive. Poorly automated financial systems require employees in finance-related roles to spend too much time in Excel spreadsheets: building them, fine tuning them, reconciling them, and populating them with data. Because these systems are not purpose-built for budgeting or financial close activity, much of the work is repetitive. They can also be confusing, which makes for both reconciliation projects and error rework. When a major metals manufacturer deployed IBM Cognos 8 Planning, the controller's productivity improved so much that he was able to perform a full employee's worth of new analytical work after the deployment. Similarly, a Blackline Systems user was able to cut the length of time people spent on the financial close by more than 50 percent.

TOPICS

Business Intelligence & Analytics

Enterprise Applications

Higher returns on data-related investments

Using an automated financial statement system to organize and expose financial data means that people can access it for analytical purposes and make better decisions. For example, Blue Mountain Resorts used IBM Cognos TM1 to expose weekly financial data to line-of-business managers who used that information to better allocate labor across their enterprise, and reduce labor costs by $2.5 million per year. Another way to increase returns on data-related assets is to eliminate any labor intensive workflows that are relied on for report building. Envision Credit Union used IBM Cognos TM1 to create standardized and customized reports, eliminating the need to manually build Excel-based reports, and made its accounting staff 15 percent more productive. Similarly, AT&T used Blackline to expose all its financial data to line-of-business managers and auditors, dramatically reducing the volume of Excel-based report building.

Reduced turnover costs

Eliminating labor-intensive work reporting and financial workflows has value beyond just improving productivity. In finance departments, turnover can be high if people have to spend more time on rudimentary reporting tasks than on analytical work. It can also be high if poor automation requires people to work unpaid overtime every time the books are closed. One company that eliminated this costly phenomenon with IBM Cognos TM1 said, "*One reason people were leaving was dissatisfaction with gathering data rather than analyzing it. TM1 cleaned this up. People now leave at a decent hour, and turnover is down. In one department it's down from 100 percent per year to three percent.*"

CONCLUSION

Companies that have not automated workflows related to financial statements and budgets may be losing out. When the financial close or budgeting workflows are supported with automation, employees spend less time on labor intensive and error-prone workflows, which can reduce the size of finance departments or make more time available for higher-order finance tasks such as analysis of operating results or evaluation of financing alternatives. In some companies, the post-deployment improvement in work life for finance staff can be so dramatic that turnover declines. Automating the financial close or budget processes also makes data more available for analysis. When an application takes data that would normally be stranded in Excel spreadsheets or transaction-oriented ERP databases and exposes it to non-finance users such as business analysts or line of business managers, companies are better able to generate returns on their data-related assets by helping their employees make better decisions.