

Time to turbo-charge financial reporting

Ged Simmons, country manager, IBM business intelligence and performance management, UK and Ireland, looks at how performance management is a bridge too far for the humble spreadsheet.

The spreadsheet has been a staple of business admin for decades. In fact, before the computerised spreadsheet was created (as far back as the 1970s), accountants used them in paper form for hundreds of years. For financial reporting in particular, they still create the backbone of performance management and planning for many modern businesses.

However, as the business world has evolved, so have the demands of its reporting tools. Simply calculating profit and loss and documenting assets and liabilities is no longer enough. Now, external customers can pay for services and products in a variety of ways, from online banking to electronic invoicing and PayPal. Similarly, corporate intranets allow employees to manage their own accounts, using self-service HR software for flexible benefits and online expenses. Add external payroll

providers to the mix and it's easy to get lost in the maze of systems.

Herein lies the problem. Spreadsheets are integral to modern admin. But the myriad payment types and systems could threaten the foundations of financial reporting, particularly for midsize companies (up to 1,000 employees and revenues below £250 million) who strive for growth but may not have the robust technology in place to report or predict it. At a time when tight financial reports are an absolute must, it's time for every business to ensure its own technology can keep up with change.

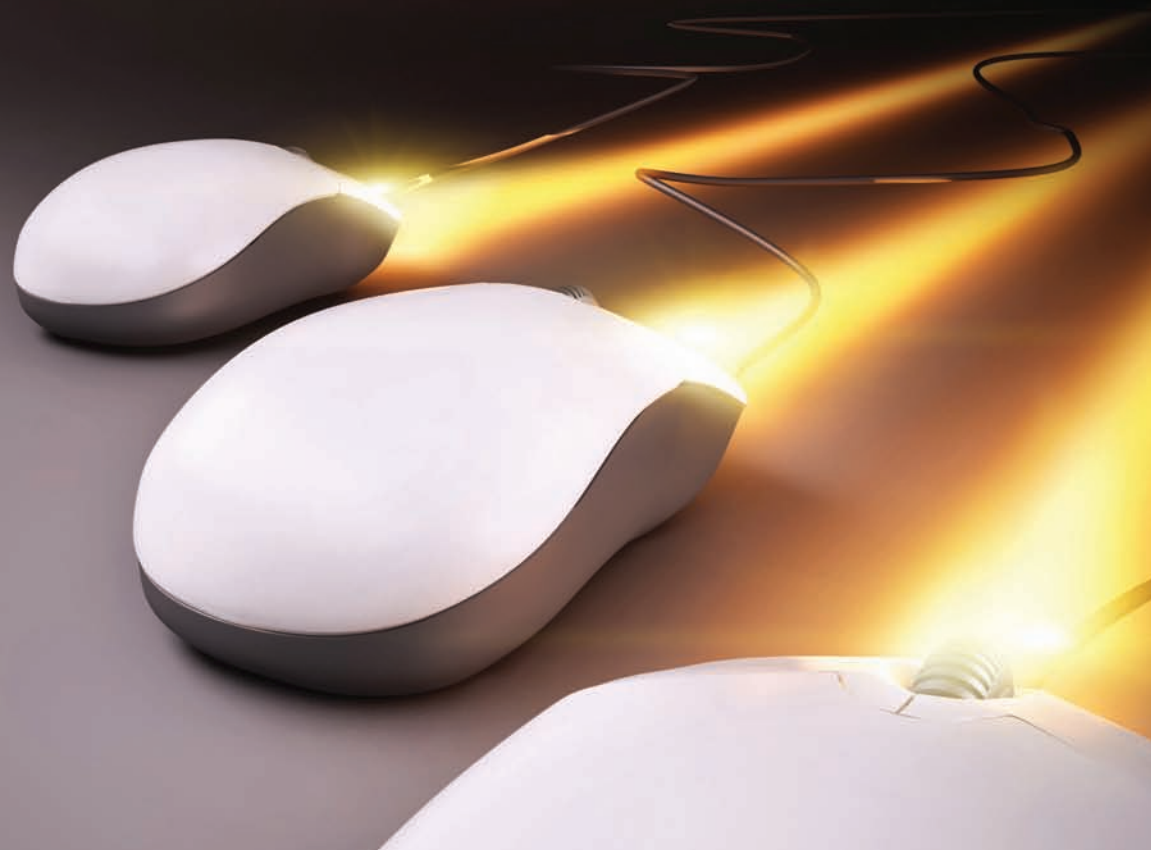
The spreadsheet trap

It's easy to see why many midsize companies have fallen into the spreadsheet trap. Unlike more sophisticated software, spreadsheets are very easy to use. A rudimentary IT skill, they rarely require



extra training for employees. Similarly, spreadsheet programmes are usually included as standard on most administrative software packages, so there's no need for additional investment. In short, basic spreadsheets have been an easy option for a very long time.

The main disadvantage of spreadsheets, however, is that they are often a collaboration black spot. A spreadsheet document cannot be updated by more than one person at a time, so they are not only



inefficient, but often leave companies with a document management nightmare. On top of this, they require a time-consuming, if relatively simple, administrative effort to collate all the financial information from the increasing number of systems at work in modern business.

While efficiency and productivity issues will undoubtedly dent the spreadsheet's dominance, recent changes to legislation have threatened the status quo with more immediate effect, especially for public companies. The Sarbanes-Oxley Act of 2002, relevant not only to US companies but also global companies working with them, has enhanced corporate responsibility in terms of financial disclosure and accountability. Similarly, the EU Transparency Obligations Directive requires a number of stringent accounting methods, including periodic financial reporting.

Turbo-charged accounts

Essentially, many midsize companies have accepted that their financial reporting systems need streamlining. But what some don't realise is that this doesn't mean getting rid of spreadsheets altogether. In fact, spreadsheets are still a useful method of documenting information in a simple and inexpensive way across the business. The first step is understanding which features to exploit, and which limitations to avoid.

For example, spreadsheets are still useful as personal data files for every employee. But when it comes to accounting, collaborative software should be used to avoid different employees updating different systems and leaving them with multiple, inaccurate accounts. Similarly, spreadsheets can still be used for basic figure analysis, but they are entirely unsuitable for data storage. Databases give you more control, stability and flexibility over the information you store.

There are a number of ways you can use your existing spreadsheet system more effectively. Dashboard tools can take basic spreadsheet analysis and give it an intelligent edge, allowing you to make better-informed financial decisions for the future without having to update your entire reporting infrastructure. It's also important to share best practice across the organisation. Information sources such as the IBM Cognos Innovation Centre (www.ibm.com/software/data/cognos/innovation-center) allow you to access a number of blueprints to make the most of financial reports.

In the current economic climate, accurate financial reporting is absolutely business critical, for now and for the future.

However, it is also a time when many midsize companies are unable to overhaul their reporting systems owing to slashed IT budgets. The answer to the problem lies in making the most of what you already have: taking your existing system and turbo charging it so it can match the pace of modern business. This doesn't mean abandoning spreadsheets altogether, but simply using them better.

Connecting with the future

MLL Telecom sharpens financial focus using IBM Cognos Planning to replace spreadsheets, allowing staff to concentrate on core tasks.

'Before, we spent most of our time worrying about the integrity of our data. Now, we can concentrate on what it really means.'

MLL Telecom is a midsize company that plans, deploys and manages wireless networks for UK mobile operators. A leader in radio wireless technology, and its augmentation with copper or fibre, MLL is one of the UK's largest providers of wireless backhaul.

Dealing with data difficulties

MLL's financial data is split into two main groups: existing contracts and prospect information. Using spreadsheets to account for these two very different data models was becoming increasingly impractical, according to Zoë Turner, financial planning manager at MLL Telecom.

'We rely on our financial data to make accurate forecasts for the future,' she says. 'But our spreadsheet-based system was becoming unmanageable. The system was so complex that it needed an expert to run it, and it could take up to half an hour to refresh the data.'

'We weren't comfortable with the integrity of our data, because the spreadsheets were exposed to potential corruption. In turn, we

couldn't rely on producing accurate sales predictions and forecasts.'

MLL needed a business-planning tool that would not only speed up access times, but also present accurate and relevant data, to ensure that revenue forecasts could be relied upon to support the business. Furthermore, Turner and her team needed a future-proof reporting tool that could be developed in line with market changes.

A new era for financial forecasts

MLL Telecom trialled six planning and forecasting products. However, Turner opted to implement IBM Cognos Planning: 'We selected IBM Cognos Planning because of the strong dimensions and the size of the data cubes, it was the only solution on the market that exactly suited our needs. The time analysis and rolling forecast features mean we can keep a realtime eye on our budgeting.'

'MLL's finance team can follow a step-by-step process to submit data and access the information they need at the click of a button,' comments Nick Patrick, account manager at Inca Software.

Inca Software, an IBM Cognos Business Partner, trained Turner and her team to be able to build, manage and maintain a model on IBM Cognos Planning, to anticipate future developments in the market.

Sharpening the financial focus

'Before, we spent most of our time worrying about the integrity of our data. Now, we can actually concentrate on what it really means,' Turner explains. 'IBM Cognos Planning has actually changed the focus of our department to give us several benefits for the future.'

Now, MLL is considering a wider roll out of IBM Cognos Planning to the sales teams and account managers. 'Our sales teams give information to us and we input that data into the system. In the future, we'd like to cut out that middle stage, and allow the sales teams to use the solution themselves,' Turner says.

'IBM Cognos Planning has transformed the way the finance team works, allowing us to concentrate on what we're here to do.' ■

Further information

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