Part 1 of our consolidation series

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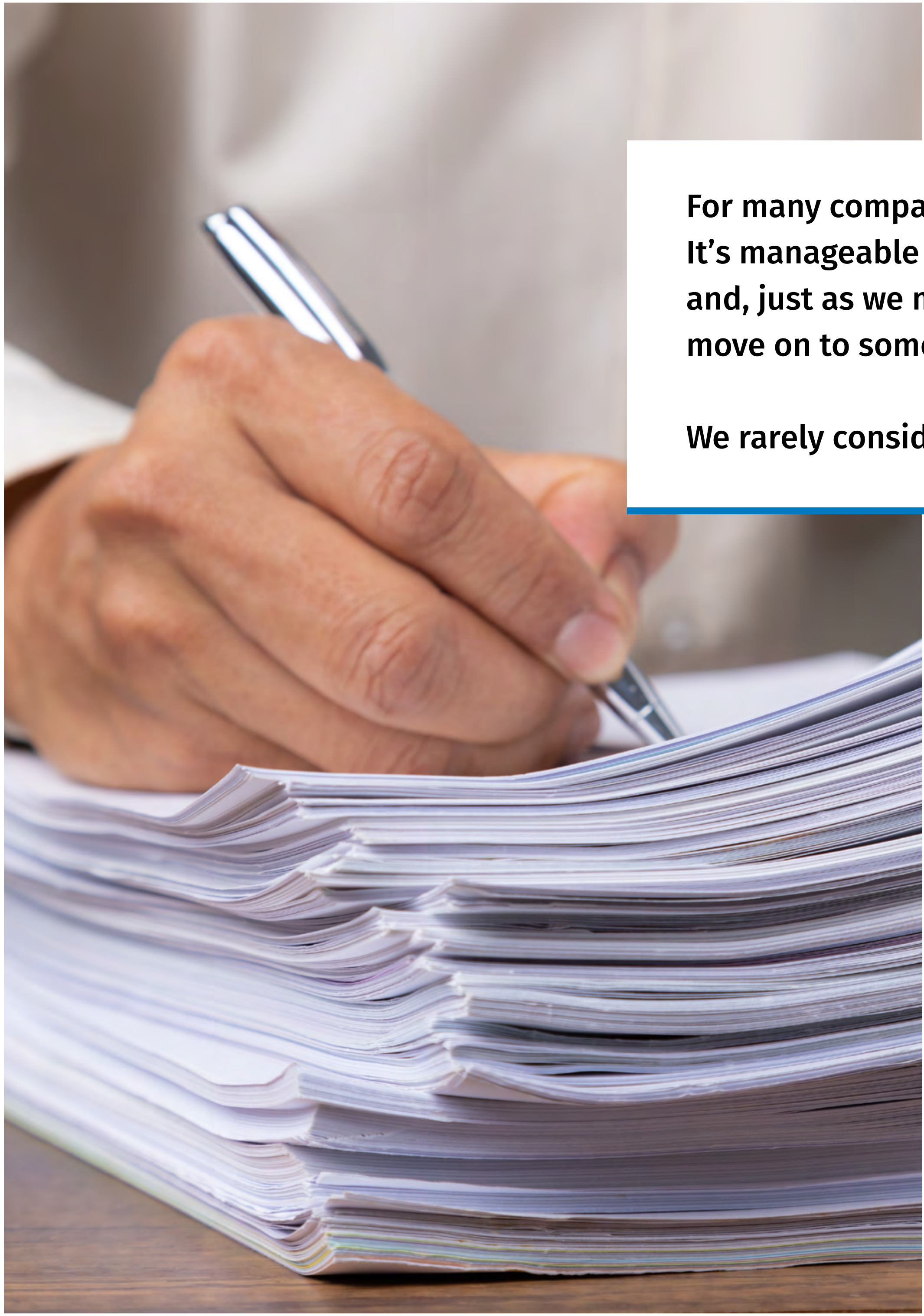
CCH® Tagetik

Four hidden costs of a legacy **consolidation and close** process

Why standing still could be your most expensive option.

Wolters Kluwer



For many companies, consolidation is a process that simply exists. It's manageable if a little long-winded, was implemented years ago and, just as we might be thinking there's a better way, we need to move on to something more pressing.

We rarely consider how we would benefit from refining it.

While delaying an upgrade may just mean you're avoiding the inevitable, something more worrisome could be at play; sticking with an inefficient system could be symptomatic of a Finance team so stuck in the trenches it jeopardises the company.

In this whitepaper, we explain how traditional consolidation methods are draining your financial, operational and human resources and why an end-to-end, automated strategy is the key to unlocking Finance's insight-generating potential.

Learn:

- The indicators of a costly consolidation process
- Why we ignore mission-critical consolidation updates
- Four cost drains of legacy consolidation systems
- How to evolve financial close and consolidation with automation.

Indicators of a costly consolidation process

How do you know if your process is leaking resources? If you're reading this, chances are you already have an inkling something is amiss.

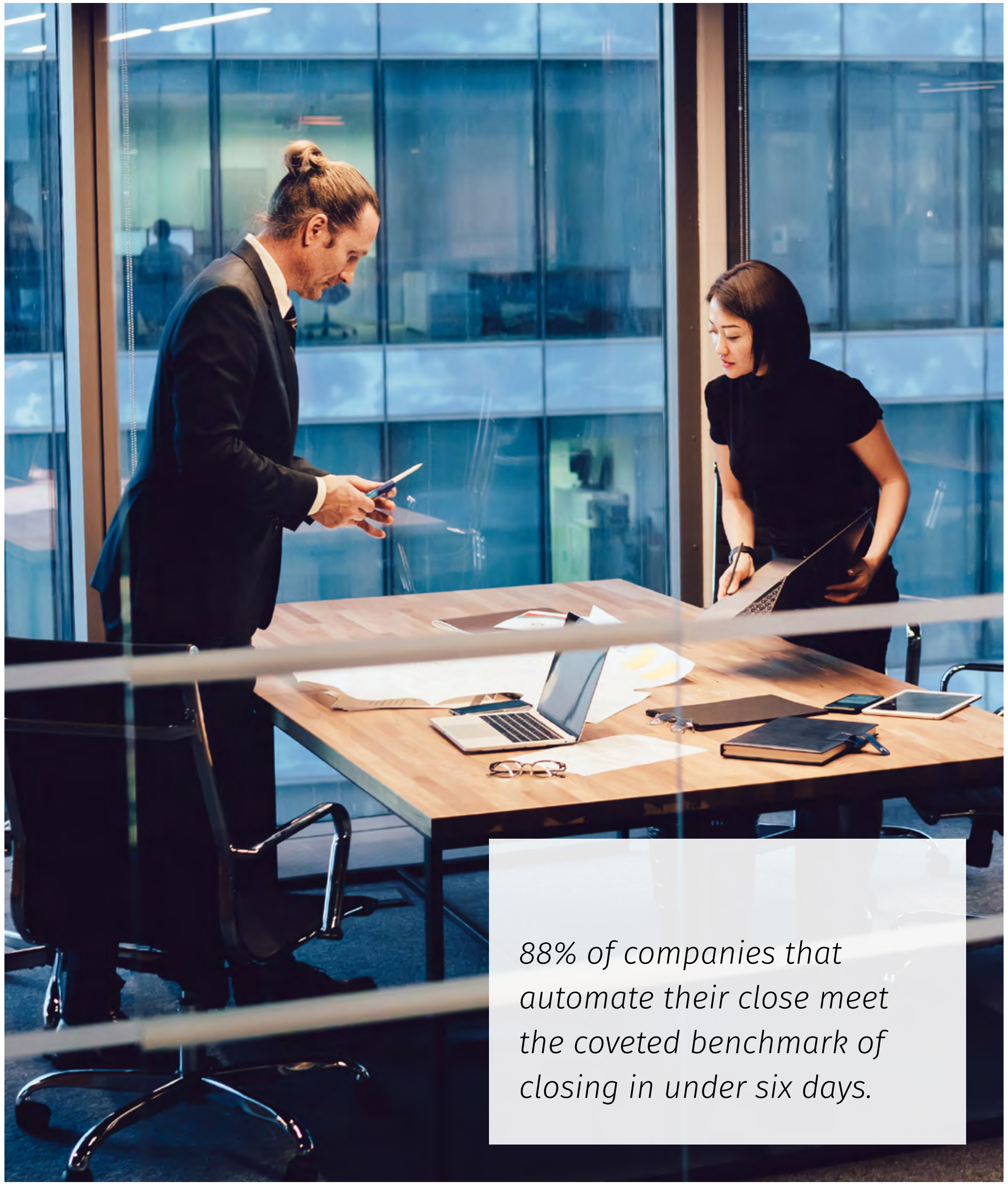
Have you experienced:

- Late nights at the office during your financial close
- Extremely slow data processing
- An inability to update the system to incorporate the latest organisational change or rely on IT to do it for you
- An ever-growing number of peripheral Excel spreadsheets
- Frustration when last-minute changes occur, forcing you to consolidate again
- A low level of data quality and an increasing risk of errors
- An inability to fulfil your role as a business partner because you're overwhelmed with menial tasks, lack transparency and analytic tools.

Four indicators your process is ailing:

1. Your monthly or quarterly close takes longer than six days.
2. You haven't updated your process for years.
3. Your system requires high levels of customisation for allocations, FX/currency conversions, intercompany eliminations or M&A.
4. Your process is split across different point solutions. E.g. one solution for account reconciliation, one for local close, one for group consolidation, reporting, disclosure, iXBRL, planning and by specific regulatory requirement.

If you see these maladies reflected in your consolidation process, they're not insurmountable. All it takes is a little automation. In fact, 88% of companies that automate their close meet the coveted benchmark of closing in under six days.



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Cost 1: Financial statement errors

Misstatements chip away at essential foundations: FTE time, money, and reputation. Are you willing to incur these costs?

Misstatements most often occur when systems fail to accurately capture business transactions, or when reporting processes are not adequately aligned with the requirements of the applicable framework.

From evolving reporting requirements to currency translations, sub-group to group, child to parent company, one accounting system to the next: the chance for errors and misstatements is high. Even more so when completed in uncontrolled spreadsheets or using data that's collected by hand.

Take account reconciliation, for example, a close process that's especially vulnerable to error. Account reconciliation is an essential vetting process going into the close. And yet, when executed manually in spreadsheets, account or balance sheet reconciliation is akin to gold panning. There you are, standing knee-deep in a cold glacial stream of accounts, sifting through line items for erroneous, fraudulent or irreconcilable transactions, one pan, one number at a time. The same goes for other processes under the umbrella of consolidation and close, whether that occurs during data collection, calculation, reconciliation, or roll up.

The consolidation process is onerous at best, and massively erroneous at worst. It's risky. It makes audits incredibly difficult. After all, it's pretty easy to gloss over an out-of-place figure when you're spreadsheet-blind after a day spent zoomed in at 150% in Excel.

Cost 2:
Human resources consumed by menial tasks

The only real path forward is an entirely new one.

The cost of human resources swallowed by a legacy consolidation system is layered like an onion.

First, there's the top layer: long, manual consolidations require someone — or some few — to oversee the process. Investigating unreconciled accounts takes time, as does hunting down the latest numbers, vetting them and running them through a system with achingly slow data processing.

Then there's the more conspicuous layer of human resource consumption: IT. Legacy consolidation systems inundate IT with systems management, the task-list of which is never-ending.

The president of IT consulting firm, Resolute Technology Solutions, Rod De Vos, sums up the impact,

> **"As a company expands, the growing number of accounts, entities, transactions and amplified organisational complexity all increase the probability of errors and risk. Without automated systems, these issues must be addressed by an ever-increasing headcount. And usually, until the urgent need for staff is addressed, individual workloads and stress will increase resulting in a suboptimal work environment."**

Ultimately, the more you automate, the more your staff is freed up to focus on mission-critical, value-driven aspects of their job. Finance can focus on analysis and reporting. IT can focus on maintaining critical networks and assisting operational units. For those with legacy systems, tweaking the software code to include automation or new capabilities only adds to the burden on both departments.

See how optimising human resources means more time spent on analysis in *Five paybacks of CCH® Tagetik's consolidation and close solution.*

Discover part 2 of our consolidation series:
Five paybacks of CCH Tagetik's consolidation and close solution →

Cost 3:
Data-less decision-making

Consolidation and close are the foundation that all other financial processes branch out from.

“Drive strategy!” “Tell us what’s going to happen next!” “What are the risks of this initiative?” “How should we proceed?”

The C-suite of today sees Finance as a strategic partner to the business. At the same time, Finance is still learning to juggle its other new roles as data steward, data interpreter and data prophet.

Yet, if you can’t be confident in your consolidation, how will you ever be confident in your analytics, reporting, or recommendations?

Consolidation and close are the foundation that all other financial processes branch out from. A lagging, isolated, poorly systematised system eats away at the success and impact of all other processes, including decision-making.

You could have cultivated the most sophisticated culture of analytics, purchased cutting-edge software, and still your efforts would be undermined by your inadequate foundational processes.

According to an FSN report on the Future of Financial Analytics, only 14% of companies consider their analytic efforts to be insightful, i.e., an analytics mindset pervades everything an organisation does. The remaining 86% characterised their analytic capabilities as subpar.

At its core, close and consolidation is a data management issue. Implicitly, it’s a large part of the analytics problem. Without integrating the consolidation and close process into the rest of the financial management mix, you’ll continue to experience data management issues that hinder your ability to trust your data, your reports, and your decisions.

Read how data-*driven* decisions help Finance to become a strategic advisor in *From a legacy consolidation and close process to CCH Tagetik.*

Explore part 3 of our consolidation series:
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Cost 4:
Bound to the office in a virtual world

Electronic file boxes of all consolidated materials and data changes make for less arduous and faster audits.

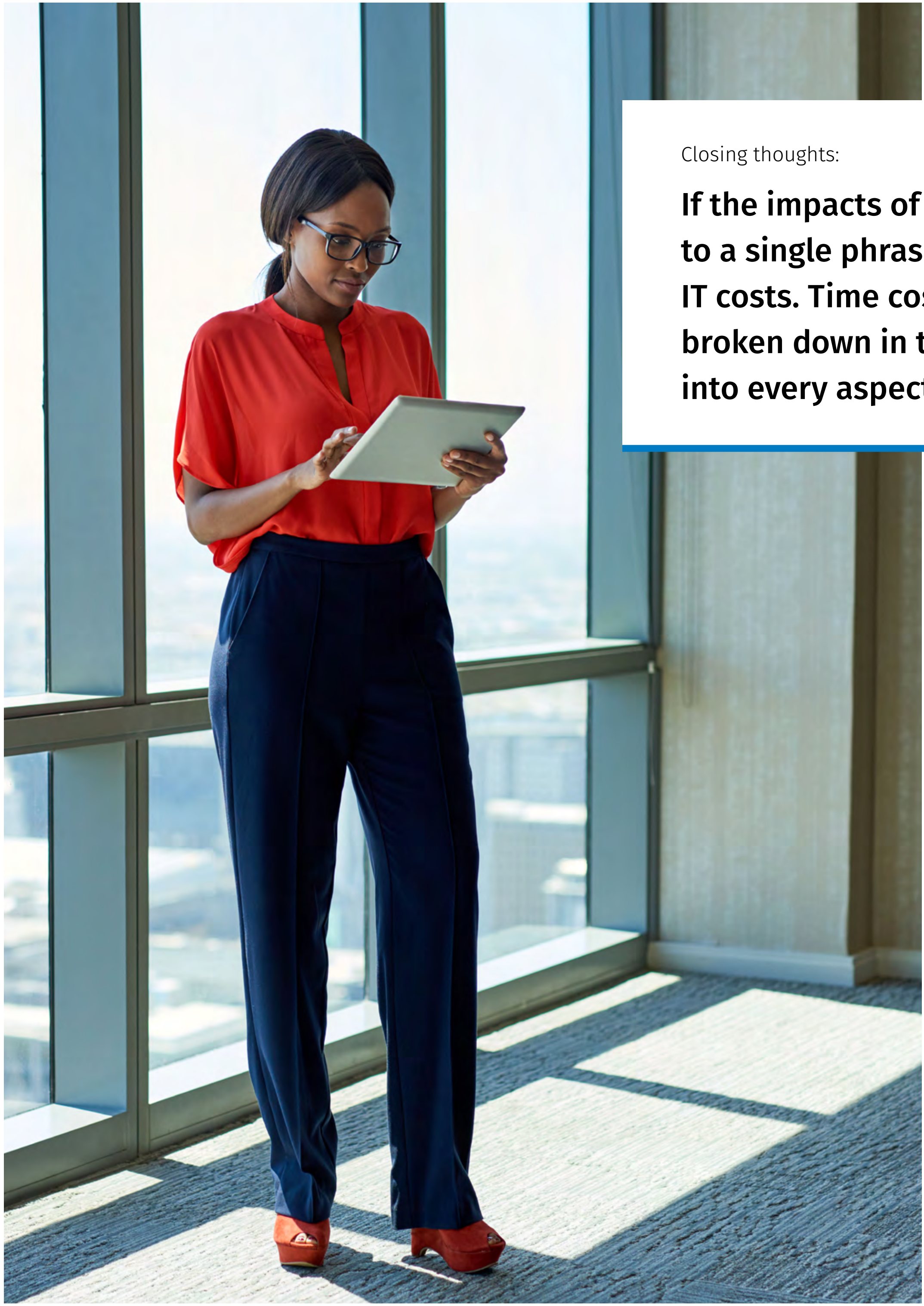
The post-COVID world is more virtual than ever. In an instant we've been forced to work from our homes and move entire enterprises online. The digitisation of finance had long been touted as an incoming trend, but the pandemic pushed it through to an urgent red-light action item. After all, if we cannot access our financial systems remotely, how can we possibly complete our financial processes?

Ventana Research recommends that companies digitise their close BEFORE ANYTHING ELSE because of its pivotal role in the accounting cycle and to avoid disrupting the entire financial management system.

"Software can manage the checklists that guide the close, ensuring all steps in the process are performed as they should be and in the proper order. Tasks can be assigned to specific accounting team members letting them know their assignments and due dates, while alerting managers when tasks are overdue."

The benefits go on. Software can electronically manage the paper trail of attachments, review notes, signoffs, and comments. Electronic file boxes of all consolidated materials and data changes make for less arduous and faster audits.

While the future remains up in the air, one thing is for certain: critical, repetitive processes, like consolidation and close, must be virtualised if for nothing else other than the safety and well-being of your finance staff.



Closing thoughts:

If the impacts of a legacy consolidation process could be boiled down to a single phrase, it would be "cha-ching." People costs. Resource costs. IT costs. Time costs. Of course, the costs don't end with those we've broken down in this whitepaper. These costs have longtails that snake into every aspect of financial management.

Disjointed consolidation processes muddy the regulatory compliance waters where mixing calculations and methods becomes a dangerous trust game — can you be sure your figures and your subsidiaries are prepped like-for-like? Can you be confident information is gathered accurately?

Large companies with subsidiaries that cross borders also have to deal with currency matching and fluctuating interest rates which require updates so constant, final figures are always behind.

We could go on, but the point has been made; legacy consolidation systems are costing you more than the comfort of using them is worth. It's time for the office of finance to evolve from the bottom-up. Only then can finance meet their potential as a strategy-driving, data-centred, forward-thinking department that decision-makers rely on.

While we all have an eye on alluring technologies — like predictive analytics and forecasting — we must remember that, to use these technologies, you must first have a firm foundation of consolidated data. And that's precisely what automated consolidation and close promises.

An accelerated process that streamlines corporate data and allows Finance to do what they do best: understand the numbers.

Request a callback to discuss your consolidation and close evolution →

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Visit our consolidation and close hub →

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