




HOW TO OPTIMIZE CLOSE CYCLE USING HYPERION FINANCIAL MANAGEMENT

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Not long ago, the advent of sophisticated computing and advancements in communications led companies to aspire to a “virtual close”. Recent studies conducted by the Hackett Group suggest that the top 10% of companies close their financial books in less than five days and want to reduce this further.¹ The introduction of the Sarbanes–Oxley Act (SOX) and eXtensible Business Reporting Language (XBRL) has moderated these perceptions resulting in a clear shift of companies’ preference from speed to accuracy. However, the need of the hour is a judicious mix of speed and efficiency in the financial reporting process without undermining accuracy.

Financial consolidation solutions centered on Hyperion Financial Management (HFM) are highly effective in helping businesses streamline their close process. It is possible to significantly enhance efficiency and performance through HFM solutions, especially when the company has accumulated a number of discrete financial systems.

¹*The Hackett Group Benchmarking - Solutions Book of Numbers*

Stages of Automation in HFM

Improvements in computation methodologies, close-integration and standardization of Hyperion Enterprise Project Management (EPM) systems like Strategic Planning, Budgeting and Financial Consolidation are facilitating the dissemination of management analysis. However, many times, internal processes leave little scope for organizations to condense their reporting timetable or to allow major advances in the depth of management information.

Before rolling out any improvement initiative it is important to establish the nature of bottlenecks and determine whether these are process-oriented or technology-oriented.



1. Process Changes

It is observed that a longer close cycle is associated with inaccuracies and a need for rework – thus, 'getting it right the first time' must be the key principle for finance and accounts staff. Organisations often view the internal deadlines as moving targets. Such a view need to be avoided at all costs. In such a situation, the operational changes necessary can range from a full-fledged process revamp to minor tweaks for quick wins.

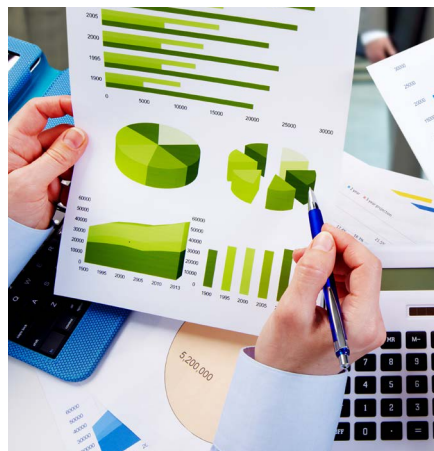
a. Elimination of non-value-add activities



Often the capabilities of consolidation systems are extended to leverage financial data for internal management reporting. At times, data related to key performance indicators (KPIs) is fed into systems that are no longer relevant in light of the evolving business scenario.

It is critical to conduct a well thought-out analysis to ascertain whether such extensions in reporting objectives could lead to a longer close cycle.

b. Common chart of accounts



One of the common pitfalls of inorganic growth is the plethora of discrete information sources.

Harmonization of the chart of accounts becomes a vital requirement to break these resultant silos. The importance of a unified reporting layer built over the common chart of accounts cannot be undermined.

In many organizations, roll-outs of an HFM solution are often seen as a first step towards the long-term vision of unifying management information systems. HFM, along with its arsenal of data integration tools like Hyperion Financial Data Quality Management (FDM) and Oracle Data Integrator, can offer quite a few tactical solutions to meet the organization's requirements for management and statutory reporting during such transition.

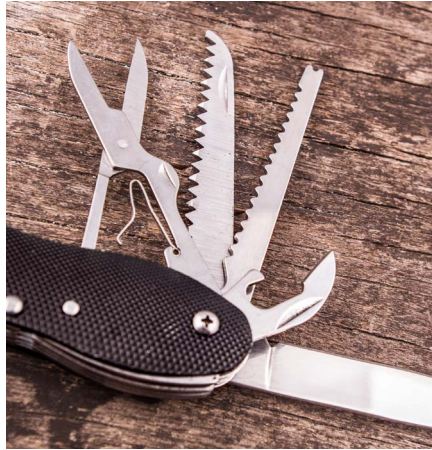
c. Process of soft close at month-end



The saying, "the more you sweat in peace the less you bleed in war" holds true in the corporate context. Typically, controllers conduct multiple reviews before the monthly financial statements are finalized. In the long run, a soft close can continue to reduce variability in the estimates and accruals.

Most organisations are able to integrate their trial-balance loads with HFM which provides them a head-start. By instituting a soft close many reconciliation activities can be shelved. Introducing the soft close process can also reduce the top-side adjustments being applied directly in HFM.

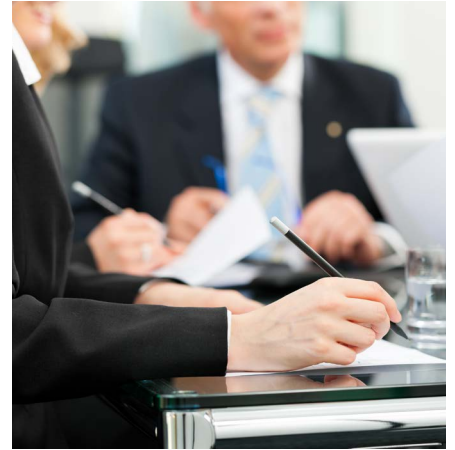
d. Integrated solution for statutory filings



In most organizations, the task of XBRL tagging is either outsourced or performed internally after finalizing financial statements. Either of these situations stretches the overall duration of the close cycle. Tools like Hyperion Disclosure Management offer the opportunity to fully integrate and thus automate the record-to-report cycle.

Likewise, the newly introduced Hyperion Tax Provision solutions offer a single version of data for both financial reporting and tax requirements. This integrated solution reduces the data collection effort and provides a better audit-trail through easy traceability of information.

e. Dedicated team for financial reporting



Where economies of scale permit, organizations must use a managed services or a factory approach. This can bring a sharper focus to operations and lead to a substantial reduction in the close cycle. Besides, these approaches can provide an added advantage of greater standardization and predictability to the reporting function.

Technology Initiatives

Eliminate Non- value-add activities

Common Chart of Accounts

Introduce Soft Close

Integrated Reporting Solutions

Dedicated Teams for Financial Reporting

Process Change

IT Systems Consolidation

Master Data Management

Automate Administration tasks

Balancing factors to optimize close cycle



2. Technology Initiative

HFM is often described as a finance-owned and IT-supported system. On most occasions, the organizational challenge is not concerning the lack of information, but to have a reporting tool that works 'the way business thinks'. Thus, in order to realize the true value of HFM, it is crucial that business users are able to assume greater self-sufficiency.

Technology plays the role of an enabler during the implementation of HFM systems as addressing the business and regulatory complexities often becomes a priority. It is incorrect to assume that technology alone can solve major problems surrounding the financial close. Nonetheless, some key factors related to technology can make the journey easy.

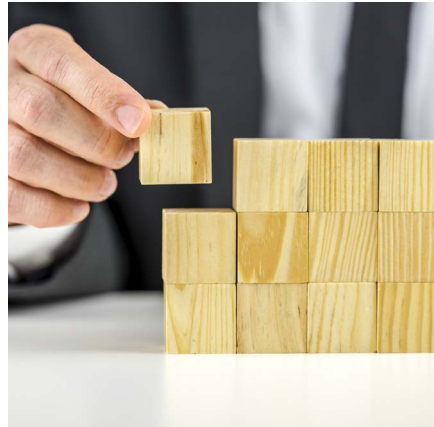


a. Consolidate IT systems for smooth operations



Apart from operational glitches, maintaining a wide range of products can introduce an additional challenge in the timely compilation of monthly results. It always helps to unify the IT backbone on a common platform. This standardization can provide an edge to the company's endeavour to improve their IT service and shorten the close cycle.

b. Streamline metadata management



Absence of a proper master data management strategy often results in information mismatch across different sources. Essentially, master data updates need to be completed in a narrow window prior to the start of the monthly close cycle. With the passage of time, ongoing maintenance of master data across EPM applications like HFM or Hyperion Planning can become challenging. Automation of this process using Hyperion Data Relationship Management (DRM) or custom integration tools can improve the data quality.

c. Automate admin routines



For the financial close process, substantial information is required from General Ledger (GL), Human Resource (HR), Tax and other sources. Oracle Data Integrator or other integration tools can be extensively leveraged to automate some intensive and recurring tasks such as:

- **Data load process**
- **Balance roll forward**
- **Routine calculations or KPIs**

Automating these tasks greatly reduces the administrator's involvement and provides self-sufficiency to end users. This can set the platform for optimizing the month-end cycle.



References

With the objective of addressing growing aspirations, implementation programs need to be sufficiently flexible and balance the priorities of different stakeholders. Increasing advancements in technology make it imminent that a multi-prong strategy be deployed to make the entire process a success. A smooth transition requires all-round synergy that can overcome the challenges involved at different levels – technology, process and human resource.

For more information, contact askus@infosys.com



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