



Software Approaches to Reporting and Consolidation

Today there are mainly four software approaches to support financial consolidation and reporting. Recent acquisitions by some of the world's leading software houses have put some new focus on this space. These moves may change the landscape a bit that started out to be dominated by the mainframe solutions in the 70's and early 80's.

Learn about some of the basic pros and cons behind the current four approaches.

General Ledgers

This approach suggests consolidating within the GL itself. The advantage is usually low or no software cost for the additional consolidation module. The disadvantage is a lack of built-in functionality for the consolidation process.

There is a lack of flexibility and management reporting capabilities. Changes in structures and chart of accounts are difficult to do and may affect the entire general ledger system. There are often great limitations in reporting and analysis, this is even more so when data outside the current general ledger system needs to be accessed. It requires all entities within the group to be on the same GL system, which is almost impossible due to global mergers and acquisitions of companies already using other systems. The recent buys by SAP and Oracle of Outlooksoft and Hyperion confirm the ERP solutions shortcomings.

Data Warehouse Solutions

This is an IT intensive approach. Indexed and coded data is loaded from GL systems into a multi-dimensional or relational data storage. Unique calculations to support the consolidation process are then performed in the system and output reports then generated. The advantage with this approach is that it can be customized. The drawback is that it is going to be owned by IT with very specific finance knowledge required – often a rare combination. The solutions fall short with the advanced calculations required especially when it comes to currency conversion.

Packaged Applications

These are the acknowledged category leaders, providing sophisticated pre-defined built-in functionality supporting data capture, consolidation and reporting addressing both statutory and management reporting requirements. The advantage with this approach is that it is owned by finance. Its built-in intelligence secures automatic and complete audit trail. The control mechanisms provide further advantages, as do the foundations for management reporting and analytics from a corporate perspective.

Packaged Applications Combined with Data Mart

Integrating a packaged application – for the entire consolidation process – with a data mart for reporting, analysis and dissemination of management information. One reason for this could be that the consolidation process owners want to control the data access, and only publish data to a Data Mart for further analysis when the consolidation process is completed. Another case would be when executive management requires additional non-financial data, held in other systems, in combination with data from the consolidation application. The data marts may be optimized to present data in a way that suits these other systems such as HR systems or tasks such as reporting/analysis without impacting the consolidation application performance.



Addedo Ltd

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