

# REAL-TIME FINANCIAL REPORTING: THE NEED FOR SPEED

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→ **Nick Castellina**, Research Director,  
Business Planning and Execution



## Report Highlights

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**Thirty-five percent (35%) of respondents indicated that demand for expedited financial information delivery is their top pressure.**

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**Best-in-Class organizations are 62% more likely than All Others to have real-time updates to financial metrics.**

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**The Best-in-Class are 2.7 times as likely as All Others to have automated financial reporting including narrative analysis.**

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**Organizations with real-time access to financial performance are able to deliver information in time for decision-making 86% of the time.**

This report, based on a survey of 109 organizations, illustrates the need for real-time financial reporting, provides recommendations on how to create reporting efficiency, and outlines the benefits that organizations that take a real-time approach to reporting have seen.

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**Not only is financial reporting required by various regulatory bodies, but when utilized effectively, financial reports can be a valuable source for informed decision-making across the organization. For this reason, 57% of the Best-in-Class have real-time updates to financial metrics.**

The reporting of financial results is extremely important in today's business environment. Not only is financial reporting required by various regulatory bodies, but when utilized effectively, financial reports can be a valuable source for informed decision-making across an organization.

Unfortunately, financial reporting can be a time consuming, complicated process. This is particularly true as organizations spread geographically, implement more business technology, and are subject to more regulatory mandates. These factors make it extremely difficult to provide accurate information to the various stakeholders when they need it.

Aberdeen's [2014 Excellence in Financial Management Survey](#) found that in order to speed up the reporting process, Best-in-Class organizations are 52% more likely than All Others to have implemented integrated business systems that create a complete and auditable system of record. As a result, 57% of the Best-in-Class have real-time updates to financial metrics. Top performers can be more effective when enabling decision-making across the organization while remaining compliant.

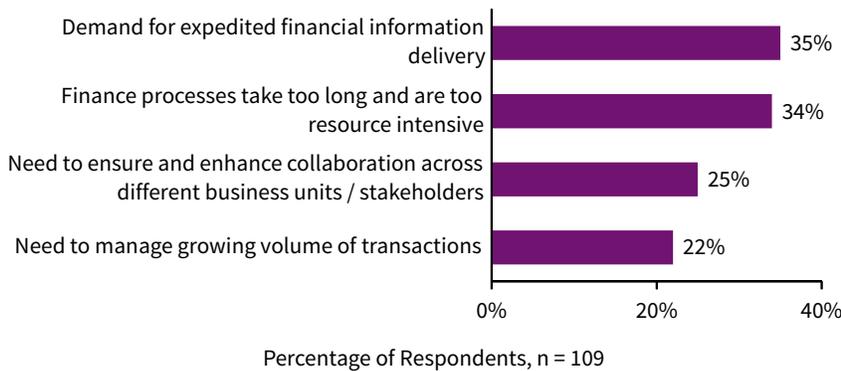
## The Need for Speed

Aberdeen's [2014 Excellence in Financial Management Survey](#) required respondents to select their "top two" pressures in financial management. The most prevalent pressures indicated that while both individuals inside the organization and external as, such as regulatory bodies, are continually demanding financial information more quickly, the amount of time that it takes to provide this information proves a major hurdle. Whether consolidating data from multiple systems, applying varied controls and rules, or formatting, 34% of respondents indicated that finance processes take too long and are too resource intensive. In order to remove these hurdles and provide financial reports to business leaders (for improved decision-making) or

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regulatory bodies (to ensure compliance and avoid fines), top performers must transform the ways in which they compose, prepare, report, and file financial information.

**Figure 1: Demanding Reporting Efficiency**



Source: Aberdeen Group, June 2014

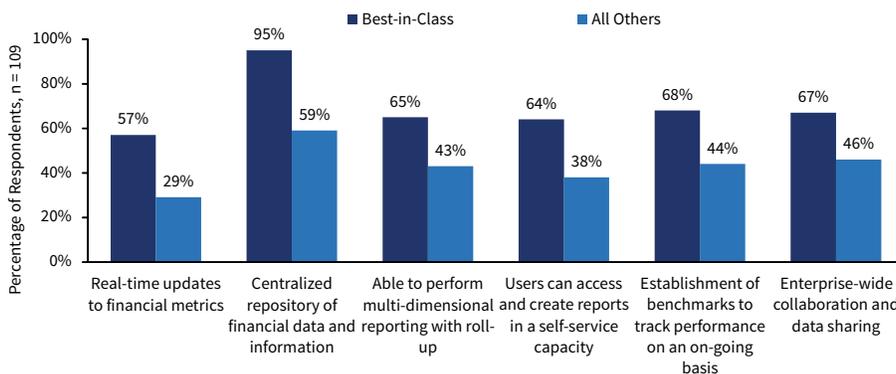
The Aberdeen maturity class is comprised of three groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics, each respondent falls into one of three categories:

- **Best-in-Class:** Top 20% of respondents based on performance
- **Industry Average:** Middle 50% of respondents based on performance
- **Laggard:** Bottom 30% of respondents based on performance
- Sometimes we refer to a fourth category, **All Others**, which is Industry Average and Laggard combined

## Best-in-Class Capabilities for Financial Reporting

At a high level, top performers do a better job of enabling all key stakeholders to access essential financial data, collaborate, and use the data as intended. This capability starts with ensuring that the organization's data is accurate and up-to-date. Truly, Best-in-Class organizations are 62% more likely than All Others to have real-time updates to financial metrics.

**Figure 2: Providing Real-Time Data**



Source: Aberdeen Group, June 2014

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In Aberdeen's [2014 Excellence in Financial Management Survey](#), respondents were ranked on the following criteria:

- **Percentage of reports delivered in time needed by managers:**
  - Best-in-Class - 94%
  - Industry Average - 77%
  - Laggard - 55%
- **Percentage of stakeholders with access to financial data:**
  - Best-in-Class - 99%,
  - Industry Average - 74%
  - Laggard - 43%
- **Percentage of accurate financial reports:**
  - Best-in-Class - 94%
  - Industry Average - 89%
  - Laggard - 52%

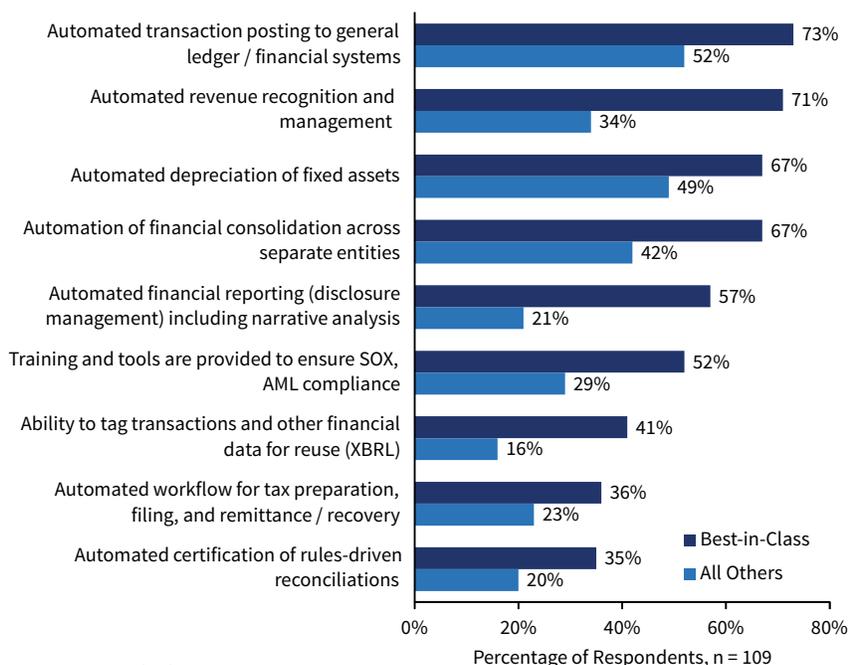
But real-time data is useless if employees can neither find nor use it. This is why top performers make it as easy as possible for employees to access data. Ninety-five percent (95%) of the Best-in-Class have a centralized repository of financial data and 65% have the ability to perform multi-dimensional reporting. This means that they can drill down to individual business units, products, or even sales people; making the data more useable for decision-making. Useability is increased exponentially when employees can play with the data and view it in ways that make the most sense to them. In fact, the Best-in-Class are 68% more likely than All Others to enable users to access and create charts and reports in a self-service capacity, without relying on IT. This enables employees to measure themselves on an ongoing basis in order to do things like alter forecasts. It also makes it easier to share and collaborate on the data with relevant stakeholders. These capabilities are essential for making sure that available data is accurate, relevant, useable, and shareable.

Even if organizations have simple, accessible real-time data repositories, it does not necessarily mean that finance departments will be able to report effectively in all of the formats that are demanded by stakeholders. Remember that the number two pressure facing organizations was the amount of time and effort that it takes to complete reports. This is where automation comes in to play. Best-in-Class organizations are more likely to automate the reporting process from end-to-end (Figure 3). This can be accomplished through a variety of technologies, as illustrated in the sidebar. The capabilities within these technologies provide process flows for managing the varied actions that are required for generating all types of financial reporting. These automation processes can include high-level reporting prepared for a broad audience; for example the Best-in-Class are 2.7 times as likely as All Others to have automated financial reporting including narrative analysis. Alternatively, automation can mean very specific functionality, such as automated workflows for tax management, a capability that Best-in-Class organizations are 57% more likely to have. But whatever the final goal is, all available data must be generated on a real-time basis and consolidated into a single, central

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repository (possibly contained within a solution like Enterprise Resource Planning). Note that 73% of the Best-in-Class have automated transaction posting to their financial systems and are 60% more likely than All Others to have automated financial consolidation across separate entities. Of course, automation may not always create perfect reports, so there should still be some organizational checks in place to ensure accuracy before publishing.

**Figure 3: Automating the Reporting Process**



Source: Aberdeen Group, June 2014

So what are the actual benefits of enabling real-time access to financial metrics? Comparing organizations with real-time access to those without reveals that those with real-time access are able to provide more accurate data to more stakeholders in the time needed for decision-making while at the same time providing compliant reports to regulatory bodies (Table 1). This information can ultimately affect the organizations bottom-line performance because accurate information leads to more informed decisions. For example, organizations with real-time access to financial performance data are able to provide 82% of stakeholders with access to data, can deliver that information in

Best-in-Class organizations are more likely than All Others to use a variety of applications for financial management:

- **Enterprise Resource Planning:** 86% vs. 65%
- **Accounting solutions:** 82% vs. 65%
- **Governance, Risk, and Compliance solutions:** 52% vs. 28%
- **Enterprise Performance Management:** 32% vs. 27%
- **Disclosure Management:** 33% vs. 21%
- **Financial controls solutions:** 71% vs. 36%
- **Tax management solutions:** 57% vs. 28%
- **Treasury management solutions:** 55% vs. 32%

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time for decision-making 86% of the time, and have been able to drive an 11% improvement in the amount of time it takes to make decisions over the past year. Since it enables reforecasts, access to real-time data has enabled significantly more accurate forecasts for revenue and cash. With this information, business leaders can make decisions that impact metrics like the average return on short-term investments and risk exposure. On the other hand, real-time data also impacts reporting itself. Those with access to real-time data close their books at the end of a month over one day faster, spend less time addressing tax errors, and report accurately 90% of the time (in comparison to 78% of the time in organizations without access to real-time financial metrics).

**Table 1: The Benefits of Real-Time Data**

	Real-Time	Not Real-Time
<b>Percentage of reports delivered in time needed by managers</b>	86%	68%
<b>Percentage of stakeholders with access to performance data</b>	82%	68%
<b>Decrease in time to decision over the past year</b>	11%	8%
<b>Percentage of accurate reports over the past 12 months</b>	90%	78%
<b>Variance between revenue forecast and actuals</b>	6%	19%
<b>Days to close a month</b>	4.9	6.1
<b>Decrease in the amount of time devoted to addressing tax errors in the past two years</b>	5%	3%
<b>Average return on short-term capital investments</b>	3%	2.5%
<b>Average cost of short-term borrowed capital</b>	2%	2.9%
<b>Variance in global cash forecasting between forecast and actuals</b>	3%	9%
<b>Loss due to unmitigated risk over the past two years</b>	3%	5%
<b>Decrease in risk exposure over the past year</b>	5%	3%

Source: Aberdeen Group, July 2014

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## Key Takeaways

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In order to report effectively and be in compliance with all stakeholders, as well as provide valuable information that business leaders can use to make decisions across the organization, finance departments must transform their reporting processes. No longer is it acceptable to put employees through lengthy and confusing consolidation, reconciliation, and reporting processes. Rather, top performers empower employees with the tools they need to prepare reports and provide them to key stakeholders as quickly, accurately, and effectively as possible. In order to take advantage of financial transformation, heed the following recommendations:

→ **Provide a central source for real-time financial data.**

Financial data is a lot less useable when it is not up-to-date, or easy to find (or input). Best-in-Class organizations are 62% more likely than All Others to have real-time updates to financial metrics. Further, 95% of the Best-in-Class have a centralized repository of financial data.

→ **Automate processes.** Removing the manual steps from financial reporting enables finance to prepare reports more effectively and get them into the hands of the stakeholders that need them as quickly as possible.

Whether this means applying tax codes, consolidating **data**, or preparing annual reports, the Best-in-Class are more likely to be able to automatically calculate, format, and prepare reports for consumption.

→ **Implement key technologies.** There is a wide range of software tools that can help organizations to better track,

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compose, and report financial metrics. Understand the requirements, capabilities, and employee skillsets, and then determine which technology is best for the organization. Best-in-Class organizations are more likely than **All Others** to have implemented various technologies, **ranging** from ERP to tax management tools.

These tips will lead to a more informed and compliant organization that will have an improved bottom line through the avoidance of fines and better decision-making.

For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

#### Related Research

*[VAT Management for Multinational Organizations: Efficiency and Compliance with Integrated Tax Engines](#)*; June 2014

*[The Integrated Approach to Treasury and Risk: Achieving Greater Returns through Automation and Visibility](#)*; June 2014

*[Beyond Spreadsheets: The Next Level in Planning, Budgeting, and Forecasting](#)*; May 2014

*[Excellence in Financial Management: Creating a Modern, Cohesive Finance Department with ERP](#)*; February 2014

Author: Nick Castellina, Research Director, Business Planning and Execution  
([nick.castellina@aberdeen.com](mailto:nick.castellina@aberdeen.com))

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## About Aberdeen Group

Aberdeen Group conducts research focused on helping business leaders across sixteen different B2B technology disciplines improve their performance.

Our process is simple – we conduct thousands of surveys every year to identify top performing organizations and uncover what makes them different. We share these insights back with the market in the form of in-depth research reports and content assets to help our readers build business plans capable of driving better results with the right set of tools to help them get there.

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