

Disclosure Management for budgeting, planning and forecasting — the next frontier?

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‘Disclosure Management’ has made a profound impact on the group financial reporting process, bringing order and control to what is often regarded as a somewhat haphazard process characterized by multiple stakeholders, file formats, documents, outputs, applications and personal productivity tools. Enabling technology, such as IBM® Cognos® Disclosure Management, provides a secure environment in which multiple participants with different roles and responsibilities across many different departments can collaborate in the controlled assembly of complex outputs and filings yet continue to work independently.

To date, much of the effort in disclosure management has been directed at external disclosure, i.e. statutory and regulatory reporting and filings involving the intricate assembly of structured data (typically financial tables) and accompanying unstructured commentary within tight deadlines and according to strict accounting standards. In this setting, disclosure management has not only provided a platform for more effective control and compliance but has also provided the collaborative environment which has led to productivity gains and accelerated reporting timescales. This is leading many companies to examine whether the same level of success can be achieved in other reporting domains, such as, budgeting, planning and forecasting (BPF).

In some respects the BPF processes are in an even better place to benefit from the craft of disclosure management than external reporting processes. Take, for example the annual budget cycle. The lengthy, sometimes indeterminate timescales of the corporate budgeting process, coupled with the fact that budgeting is far less codified than statutory reporting, provides the potential for substantial time savings if the power of collaboration can be harnessed. Added to which, budgeting is more pervasive across the enterprise, typically involving the participation of a far greater number of users in the construction of the final budget for the organization.



At its core, the budgeting process suffers many of the same disadvantages as an ‘untamed’ financial reporting process, namely; the proliferation of spreadsheets (structured data), budget and management commentaries (unstructured data) distributed over a wide variety of reports and active participants ostensibly working toward a common goal, but limited by the practical challenges of working across a distributed organization operating in different time zones.

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However, the collective experience of those working in statutory reporting processes illustrates that these are precisely the sorts of conditions that will benefit from disclosure management. For example, rather than assembling budget projections and management commentaries in isolation, disclosure management applications such as IBM Cognos Disclosure Management allow budget holders to ‘deposit’ their final spreadsheet tables and budget commentaries in a ‘master’ document managed separately by the budget administrator at the center. Each iteration of the budget (there are usually several) can be saved and compared with previous iterations under careful version control and shared between responsibility managers regardless of the complexity of the organizational structure. In common with statutory reporting, numbers can be successively summarized and dynamically linked to text notes.

For senior management, the disclosure management environment means that the summarized budget can be reviewed in one place, drilling down to underlying numbers or commentary as desired. Crucially, being able to comprehensively review all of the text and commentary in one environment helps all levels of management reach a more complete understanding of the proposed budget and more readily assess the implications for the business, helping to build consensus and strategic alignment along the way.

Workflow can be used to manage the passage of the budget through different levels of review and approval. Furthermore, leveraging the comprehensive publishing capabilities of disclosure management solutions, the final budget can be distributed across the enterprise in a variety of digital or print formats as desired.

An added bonus is that the greater participation of budget holders, working together, can lead to better agreement between them and more accurate forecasts as a result.

So it seems that the impact of disclosure management on budgeting processes can be expected to be just as profound as on statutory reporting – if not more so. The native collaboration capability of disclosure management solutions and the visibility of the process that it affords, minimizes the number of budget iterations and reduces the time it takes to assemble a consolidated budget. An added bonus is that the greater participation of budget holders, working together, can lead to better agreement between them and more accurate forecasts as a result. Finally, the effort expended in assembling the budget ‘book’ in one period can be carried over to subsequent periods, giving an informed starting position for the new budget cycle.

As such, budgeting, planning and forecasting processes provide fertile territory for finance functions seeking to build on the productivity gains provided by disclosure management solutions.

About Gary Simon

Gary Simon is the Group Publisher of Financial Systems News (FSN), one of the world's largest providers of independent news, analysis and thought leadership on regulatory, systems and process issues that impinge on the finance function. He is a graduate of London University, a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the British Computer Society, with more than 27 years of experience in implementing management and financial reporting systems. Formerly a partner in Deloitte for more than 16 years, he has led some of the most complex information management assignments for global enterprises in the private and public sector.

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