

# STREAMLINE FINANCIAL REPORTING WITH DISCLOSURE MANAGEMENT SOLUTIONS

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## Report Highlights

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**Demand for expedited financial information is a top priority for those in financial management.**

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**Those with disclosure management solutions are 109% more likely to automate financial reporting.**

**p5**

**Organizations with disclosure management solutions are 77% more likely to be able to add commentary to financial reporting.**

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**Users of disclosure management solutions are 2.4x as likely to have XBRL tagging capabilities.**

SEC and other regulatory compliance is a top priority of CFOs, IROs, controllers, and similar GR-related roles. This report will highlight how disclosure management solutions can automate and expedite financial reporting, which is frequently a meticulous and hyper-sensitive process.

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**Disclosure preparation can be arduous, and often as technically challenging, as financially rigorous. It is a vital, yet delicate process with many moving pieces.**

In this post-Great Recession era, deeper financial transparency overshadows disclosure reporting. For many publicly traded companies, as soon as quarterly earnings season ends, preparations almost immediately commence for the next earnings season. It's an essential business cycle, updating your current shareholders and potential future investors. It's also a critical component of remaining SEC compliant. Disclosure preparation can be arduous, and often as technically challenging as it is financially rigorous. It is a vital, yet delicate process with many moving pieces. Regulatory compliance and full disclosure (to current and potential future investors) makes accurate and efficient financial reporting crucial. Disclosure management solutions can bring all the moving pieces together in a cohesive, accurate, and efficient manner.

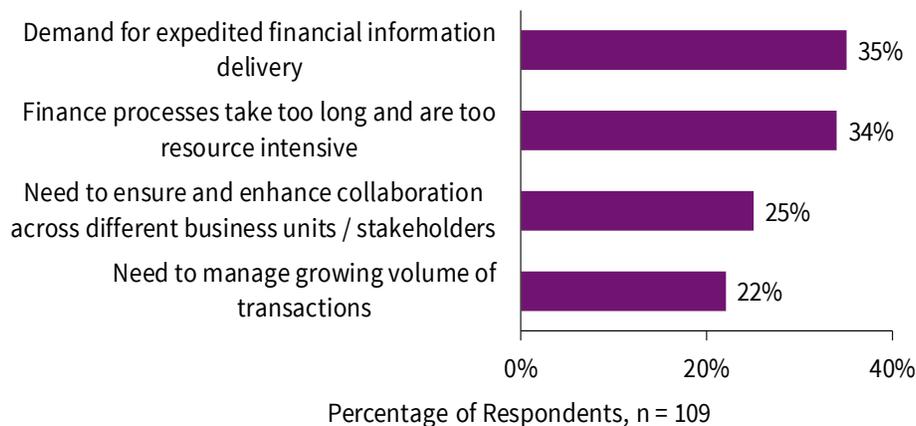
Finance and IR teams tasked to the process often not only have to worry about the financial calculations and prepping for regulatory reporting, such as a Form 10-Q (quarterly earnings), but also eXtensible Business Reporting Language (XBRL) requirements. The formatting of the financial data for XBRL reporting purposes presents a host of additional reporting challenges (see the sidebar on page 3 for more on XBRL). Resources are often added to prepare the financial data, and to translate this data into XBRL-formatted tagging, upon filing with the SEC. Disclosure management solutions can greatly assist in this preparation and formatting process.

### The Pressure to Churn & Burn Financial Data

Financial reporting as a business function can be both scheduled and anticipated (as is the case with quarterly or annual reporting). It can also be ongoing and sporadic (such as with a Form 4 inside ownership filing). Data must be accurate and efficiently produced. Disclosure management solutions

automate workflows to assign responsibilities and delineate execution. Such workflows assist in reducing some of the top pressures identified by financial management respondents, such as the pressure to expedite financial information. This top pressure was shared by 35% of all respondents (see figure 1). Likewise, disclosure management automated workflows also help alleviate the second highest ranked pressure, according to 34% of respondents, who indicated that financial processes take too long and are resource intensive.

**Figure 1: Top Pressures Identified in Financial Management**



Source: Aberdeen Group, June 2014

Disclosure management solutions foster collaboration. Their ability to integrate into back office systems consolidates enterprise-wide data validated by the alternate systems' protocols. The solution operates from this pipelined data source,

#### **Brief history on XBRL**

As of June 15, 2011, the final phase of the SEC implementation of *eXtensible Business Reporting Language*, better known as XBRL, had transpired. This was a critical component of the SEC's Interactive Data program, which sought to develop a more user-friendly, uniform language/format to streamline the distribution of earnings-related and other material financial data. By developing this format, analysts and investors, as well as the SEC itself, were provided an easier, more seamless means to import and export financial data, be it spreadsheets or platforms.

The implementation began in June 2009 and was parsed into three phases (phase 2 – June 2010, phase 3 – 2011). In short, all companies reporting under US GAAP were now required to submit their financial statements in an XBRL format. Corporations were relegated into the different phases based on different criterion ([see here for more details on phase criteria and implementation](#)). By June 15, 2011, the final phase took place, thus mandating XBRL as a filing requirement for all GAAP reporting companies.

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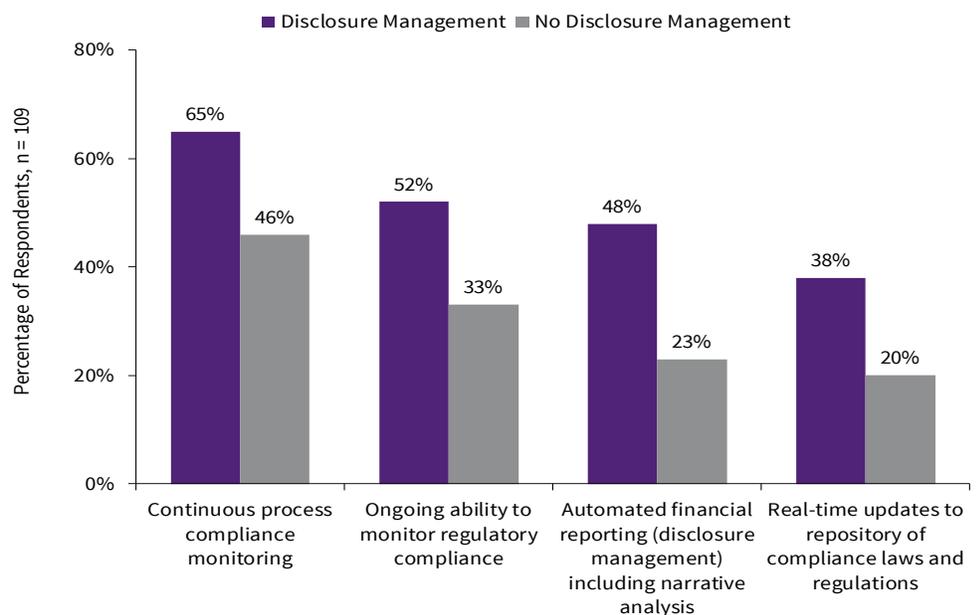
which helps to ensure the information gathered and used to prepare regulatory filings is accurate, and in full compliance.

### Reduce Allocated Resources Where You Can

Disclosure management solutions can free up time and resources via automation. Rather than expending valuable manpower on preparing financial reports, *automate* this function. Automation is faster and reduces the potential for human error. Users of disclosure management solutions were 109% more likely to automate financial reporting (see figure 2).

Reducing manpower for monitoring and updating changes in compliance is clearly attractive. Those with disclosure management solutions were found to be 56% more likely to have ongoing regulatory compliance monitoring as a function in the platform. Should changes arise, those with disclosure management solutions were 90% more likely to enjoy real-time updates to the subsequent systems.

**Figure 2: Automate to Liberate Resources**



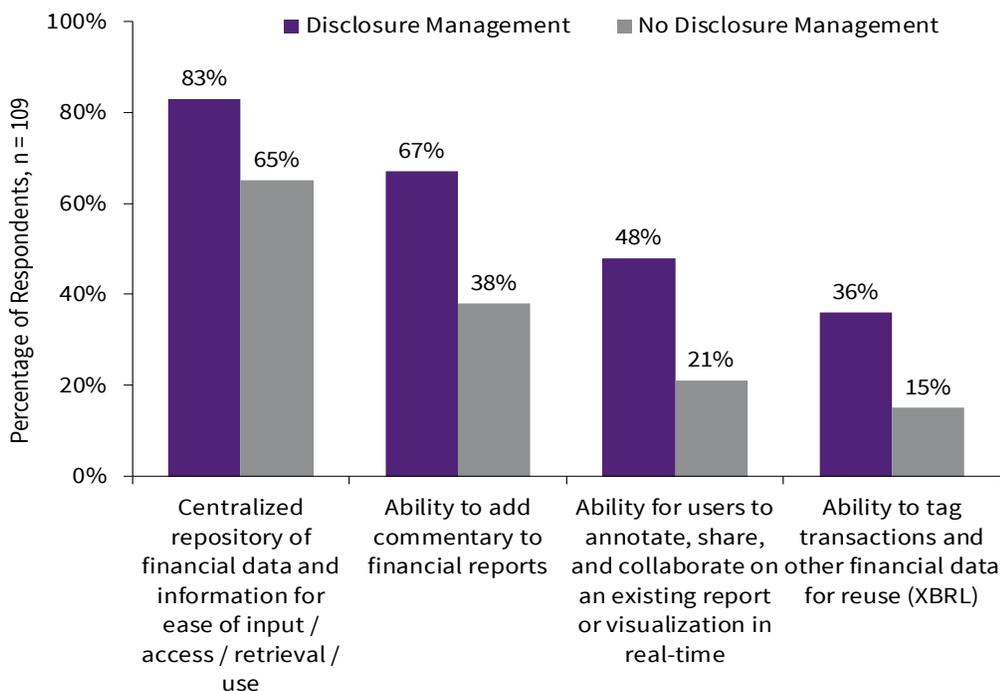
Source: Aberdeen Group, June 2014

**Those with disclosure management solutions were 109% more likely to automate financial reporting.**

### It Takes a Village

As seen when reviewing pressures, the need for collaboration was a top priority, as well. Within financial reporting, there is perhaps no more significant collaborative function as annotating commentary and footnotes. The data found here is often material in nature, and requires detailed explanations. Disclosure management solutions users enjoy the compelling benefits of sharing and collaborating on existing reports in real time. Via disclosure management, respondents were 2.3 times as likely to have this capability (see figure 3) and 1.7 as likely to have the ability to add commentary to financial reports.

**Figure 3: Centralized Location and Increased Collaboration**



Source: Aberdeen Group, June 2014

## Those with disclosure management solutions are 2.4x as likely to have XBRL tagging capabilities

*The Aberdeen survey respondents were ranked on their performance in the following criteria:*

### Percentage of reports delivered in time needed by managers:

Best-in-Class – 94%  
All Others – 70%

### Percentage of accurate reports in the last 12 months:

Best-in-Class – 94%  
All Others – 80%

### Decrease in risk exposure over the past year:

Best-in-Class – 9%  
All Others – 3%

### Days to close a month:

Best-in-Class – 4.79  
All Others – 5.93

The pangs of translating financial data into an XBRL-recognizable format creates additional challenges for finance and investor relations teams. It might (and frequently does) require IT involvement to convert the material financial information into data that can be received electronically online. This potentially slows the reporting process down, or can even be outsourced (thereby increasing risk and expenses). Disclosure management solutions reduce the potential bottleneck, risk, and costs, by enabling the financial data to be formatted into SEC-compliant XBRL tagging at the meta-data level. Those with disclosure management solutions are 2.4 times as likely to have this capability versus those with no such solution.

### Disclosure Management Performance Details

The capabilities enjoyed by operating with financial disclosure solutions are clear when compared to non-users. However, these benefits are validated when the performance benchmarks critical to financial reporting are measured. For instance, managers received financial reports on time 8% more often when disclosure management solutions were employed (see table 1). This variance might seem small, but when considered in the context of filing on time or providing compliance-related data, a delta like that can make the difference between an audit, SEC violation, or penalty.

**Table 1: Performance Benchmarks: Disclosure Management vs. No Disclosure Management**

<b>Performance Metric</b>	<b>Disclosure Management</b>	<b>No Disclosure Management</b>
<b>Percentage of reports delivered in time needed by managers</b>	<b>81%</b>	<b>75%</b>
<b>Percentage of stakeholders with access to performance data</b>	<b>78%</b>	<b>71%</b>
<b>Percentage of accurate reports in last 12 months</b>	<b>87%</b>	<b>82%</b>
<b>Accuracy of revenue forecast (smaller range is favorable)</b>	<b>10%</b>	<b>15%</b>
<b>Increase in revenue</b>	<b>11%</b>	<b>8%</b>
<b>Days to report a global cash position</b>	<b>5.02</b>	<b>6.10</b>
<b>Decrease in risk exposure over the past year</b>	<b>6%</b>	<b>4%</b>

The same understanding and interpretation of the delta of reporting accuracy must be applied here. The 6% between accuracy in reports (received via disclosure management) is somewhat small. However, the potential consequences resulting from inaccurate reporting can never be understated and all advantages should be embraced. With disclosure management's superior compliance monitoring capability, it comes as little surprise that those with this solution enjoyed a 1.5 times greater reduction in risk exposure over the year.

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## Key Takeaways

The data presented here makes a strong case for the benefits of disclosure management solutions. When we consider the pressures addressed at the report's outset there really is no argument against the value of disclosure management. The favorable capabilities as well as the stronger performance levels validates this point. Three general takeaways that we hope you leave with, are the following:

- ➔ **Satisfy the Need for Increased Collaboration.** By maintaining a centralized repository for financial reporting on a disclosure management solution, collaboration flourishes. From ERP and EPM integration of enterprise-wide data, to individual collaborative edits, updates, annotations, and commentary on financial reports, disclosure management maximizes collaborative group efforts.
  
- ➔ **Free Up Resources and Enhance Processes.** With continuous, automated compliance monitoring, resources can be expended in other directions. The real-time updates following any changes based on monitoring lend themselves to faster and more accurate reporting. Operating solutions that can format XBRL coding from financial data equally save resources, as well (time, man power, and potentially money if this process would otherwise be outsourced). Of course, automating the actual reporting process also frees bandwidth, and greatly improves accuracy and efficiency. Did we mention that this is all SEC compliant?

→ **Improve Financial Reporting Details.** By collaboratively preparing the reports, with extended narrative and commentary capabilities, financial reporting can be more extensive and informative. Audit trail and query-based capabilities ensure that researching material issues on reporting is robust and precise. Actuals were proven to be more accurate, which results in more accurate cash flow projections, all of which ultimately provide more accuracy and confidence in material information that is vital to business decisions.

In short, whether freeing up resources for financial reporting and related tasks, risks, and regulatory concerns, Disclosure management solutions can assist. They'll lead to greater collaboration and integration of critical enterprise-wide data. These solutions invariably help to overcome challenges and present an opportunity to enjoy numerous benefits, all while easing the pains around disclosure management.

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

#### Related Research

[\*Improve Cash Flow Projections, Ops Efficiency & Reduce Risk with Automated AR Solutions\*](#); January 2016

[\*Bring Invoice Processing Costs Back to Earth with AP Automation in the Cloud\*](#); December 2015

[\*Automate XBRL to Improve Reporting Efficiencies. Reduce Risk Mobile Apps makes Income-Management Always Available\*](#); Nov 2015

[\*Automation: The Solution to Efficient Financial Management\*](#); September 2015

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