NEIS Insight

ACCOUNTING CONTROLLING REPORTING

Specialisation is great and can be highly efficient, but only if blended with generalists it can become effective.

In large companies Accounting & Reporting is often segregated organisationally from Controlling. These organisational Silos create more often than not also knowledge Silos.
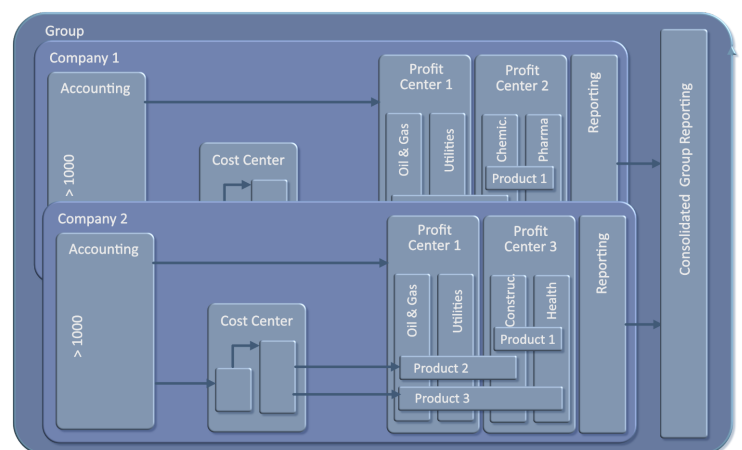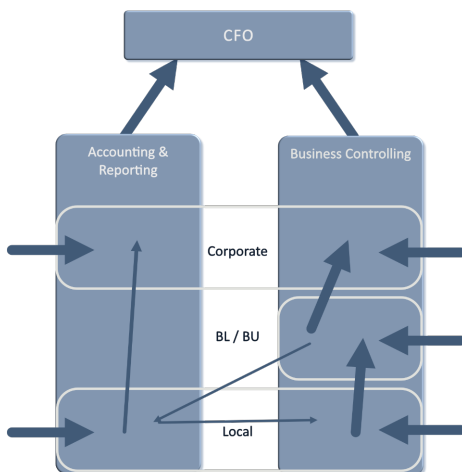
However understanding all areas of finance and the overall context is important in order to design and maintain accounting & reporting systems for groups.

Here is why.

OVERVIEW

Often heard and somewhat true is that Accountants and Controllers are just using the four basic math-operators + - / * and thus, so the faulty conclusion goes, it is quite easy.

That is actually far from true. But why?

Already from medium size Groups onward, the structures become quite multidimensional and if one would like to draw the complete representation of the value flows through the structures and systems (the picture here is only a very simple

representation) one would end up with a picture like a very complicated CPU architecture or an electronic circuit board. To not get lost in these flows requires a good understanding

of accounting, controlling and reporting and that on a company level and best also on a corporate level. If historical grown systems need refurbishment, then the understanding should be really profound.

In Group Chart of Accounts often more than 2'000 accounts

are shown. Not always documented what the content should be. These are booked directly to profit centers (3 - 30) or first into cost centers (50 - 150). At cost centers we find substructures cost centers collecting cost to be distributed later to other cost centers and cost centers charging directly a product/service orders/project WBS elements (1'000 to 1'000'000). From all those a Reporting is distilled which serves at least the legal requirements but most often in addition also Management Information System requirements. This individual company (5-500 within a group) reporting goes into a consolidation system, where all Group inter-company relations are handled.

And then the manager will rightfully know, how much revenue and

Gross Margin is product 1 making in the Oil & gas industry across all group companies, broken down by major customers.

Even though that all is so dead simple in many companies you will get no answer at all or the figures are not so reliable and eventually misleading.

It is not extremely complicated but already somewhat complex and in order to shape and design such a system you need to understand accounting, controlling, reporting, consolidation and of course the business model. Additionally you need good quality & creative support from IT, from in-house or external consultants who know the software and its possibilities well. In order to handle this cross functional work you need some generalists and not only specialists within finance.

Another facet is standardization. In order to reach reliability and comparability I am of the opinion that a strict standardization is essential.

Reading / Listening recommendation:

Range

a 2019 book

by David Epstein

Simple minds think that if you implement everywhere SAP (or alike) then everything is standardized. Unfortunately that is again far from the truth. It needs much more.

It needs thinking, it needs concepts and those need to be implemented.

But attention the concept needs to work for all group companies, otherwise standardization is gone. Thus a little deliberation is required in the beginning and a consistent implementation during the roll-outs, which might take some years plus some further years to really adapt the system to the business requirements.
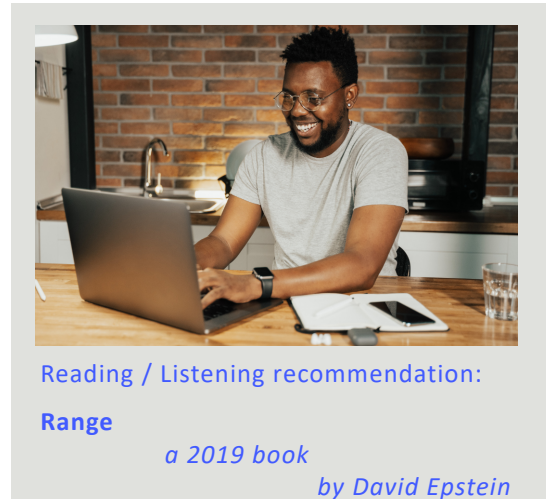
However if you create such a consistent and reliable Enterprise-Back-Bone you have created a considerable competitive advantage.

It makes controlling easier, management more spot on at decision making, pricing optimizations and margin improvement fall into place.

Thus the many advantages utilized will generate nice dividends which compound over time and finally represent a tangible & recognizable competitive edge.

RECONSIDER CAREERPATHS FOR FINANCE

For talents which feel attracted by a more generalist view I can only recommend to work in Accounting & Reporting and to work in Controlling as well. That prepares you to be a really good CFO understanding both sides of the aisle and not just one. But as not everyone can / would like to become a CFO that also prepares you for all tasks and projects in Finance.

The decision makers like CEOs ,CFOs and CHROs I can only invite to deliberate about developing a workforce in finance which represents diversity. More to the point they should besides having specialist, foster career paths for

finance employees which makes them work in Accounting & Reporting and in Controlling. Moreover give those generalist tasks to adapt the finance system to the current needs of the business, with a little bit of IT-affinity they should be prepared for it and bring the company a big step forward.

Sharpen your Management Information System, which can only be done if you sharpen the source and that is your ERP, your Enterprise-Back-Bone.

Have a nice day!