E-book

Connect and consolidate: Transforming telecom consolidations

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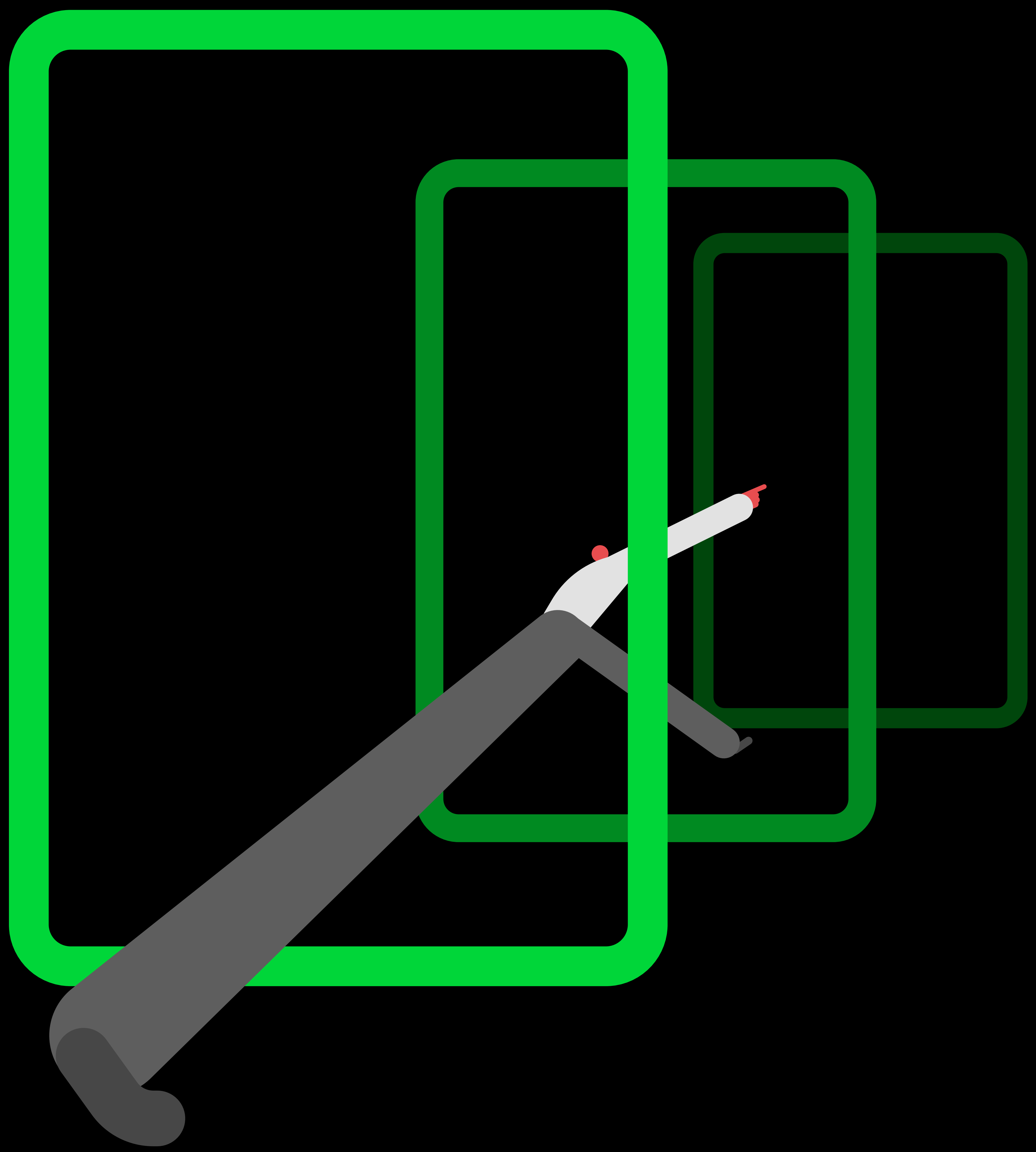


Empower telecom finance

You cannot overstate the importance of efficient and accurate financial consolidation in today's rapidly evolving telecommunications landscape.

The role of the corporate accounting or finance team is crucial, as they must manage and consolidate the financial data of telecommunications infrastructure and service providers.

In this e-book, we will explore the latest strategies, technologies, and best practices to help you overcome the challenges associated with financial consolidation and reporting. With expert insights and practical guidance, you can optimize your financial consolidation processes and maintain credibility with stakeholders.

Get ready to drive the success of your telecom organization today.

The importance of financial consolidation

What is financial consolidation?
Financial consolidation combines data from different company parts in a report to show your overall financial picture.

Consolidated financial statements are necessary for regulatory and compliance purposes, as they provide a transparent and auditable record of your company's financial performance. It helps you see how your company is performing. You'll have information that stakeholders, investors, and regulators need.

Financial consolidation is critical for telecom infrastructure and service providers, as they often consist of multiple entities. The consolidation process helps consolidate the financial data from all these entities into a unified view.

Ideally, you can then make informed decisions about your business and its financial health.

The problem with today’s financial consolidation processes

The complexities of telecom companies
Telecom companies across content and service delivery, infrastructure, and other businesses, often have multiple entities for regulatory, legal, and tax purposes. Each entity could have its own geographic location, data, systems, and accounting practices.

Across entities, you might also have to deal with the following:

- Decentralized payables (where different entities pay their own bills)
- Interentity transactions (such as intercompany loans)
- Multiple currencies
- Emphasis on organic and inorganic business growth
- Asset depreciation and decommissioning
- Leasing agreements
- Interexchange agreements
- Carriage agreements
- Multitenancy

In addition, telecom companies often have complex financial structures, such as joint ventures, partnerships, or special-purpose entities. Complexity can cause a lack of visibility across your entities, limiting the effectiveness of traditional consolidation approaches. If you have multiple systems, you may get inconsistencies in financial reporting.

If your company adds more entities, you’ll increase the complexity even more, handicapping your finance operations. Complexity can hurt your business badly.

You’ll end up with:

- Having to maintain and juggle multiple systems and processes
- Control and workflow concerns
- Inefficient reporting
- Limited or no visibility across entities

In the end, complexity problems may get so bad that you’re unable to scale and grow your business.

A reliance on manual processes
In a recent study by the Financial Executives Research Foundation and Robert Half, 58% of companies manually reconcile accounts, and in the US, only 22% use software for reconciliations. The traditional consolidation process is time-consuming if you're using manual processes. Let's say you consolidate financial data in spreadsheets using copy-pasting and data-entry techniques.

It's prone to errors, leading to inaccurate financial reporting, increasing inefficiencies and creating undue risks for regulated segments of the telecom industry.

It also means reporting is slow and difficult to generate, making it hard for stakeholders to access the most current and accurate financial information.

Problems with late adjustments
It can be particularly challenging to update consolidated results if you make late adjustments, a process that you may need to repeat multiple times.

As a result, it can be difficult to know what the final consolidated results will be until the end of the close process.

Increasing timeline pressures
Corporate accounting has long been viewed as the financial data custodian and curator for telecommunications infrastructure and services providers, such as local exchange carriers, multiple system operators, internet service providers, fixed wireless, MVNOs, and construction.

Consolidations have been a routine part of many corporate accounting departments for as long as most can remember. What has changed over time is the complexity and compressed timelines of consolidations.

The timeline pressures and complexity of today's business environment are significant challenges for financial consolidation in telecom companies. The pace of business has increased exponentially, and stakeholders demand timely and accurate financial reporting.

Regulatory requirements, such as the Sarbanes-Oxley Act, require you to provide more transparent and detailed financial reporting, which can be time-consuming and complex. Additionally, stakeholders, including investors, lenders, and regulators, increasingly demand more frequent financial reporting to understand a company's financial position better.

In response to these demands, companies are shortening their reporting cycles. The timelines for consolidation are compressing and driven by the need for:

- Financial reports that are on time.
- Transparency of relevant information about the business to financial stakeholders.
- The need for a well-documented and controlled consolidation process that preserves and enhances financial reporting integrity.
- Increased regulatory requirements.
- A desire for more frequent financial reports.
- Tightening reporting deadlines.

Security issues
In addition to manual limitations, the traditional consolidation process also poses risks to financial data security.

The use of spreadsheets makes managing permissions and access to financial data difficult, increasing the risk of data breaches and unauthorized access. This can have significant consequences, such as financial loss and damage to your reputation.

What happens with a traditional consolidation process?
Whether bringing the data together or distributing the financial results broadly, the financial consolidation process has long been an arduous task of information assembly, validation, and reporting.

The consolidation process for many telecom finance teams is sometimes measured in months, often weeks, but rarely days. The traditional approach to consolidation, still used by many companies both inside and outside the telecom arena, incorporates human capital, manual processes, and different technologies to bring data and information together to form the basis for consolidation.

The financial consolidation process in many organizations follows a pattern along these lines:

- The close process begins with a detailed calendar that sets target dates for each business unit to close its books and submit results to the corporate accounting group.
- It's common to see business units needing a week or more to close their books, which means the corporate accounting group can't start the consolidated close until a week or more after the period ending date.

- The corporate accounting group receives the business unit results, often through offline mechanisms such as email.
- Such submissions often require manual manipulation to align the results of the various business units using harmonized accounting policies and account grouping structures. This is a painstaking process.
- Some corporate accounting groups set up a consolidation entity inside the financial reporting system to house the consolidation-and-elimination journal entries separately. However, many others continue to rely on a simple spreadsheet tool.
- Whether it's journal entries, separate columns and rows, the intercompany activities and the investment/equity accounts get eliminated, and the books for any acquisition-related balances are adjusted.
- The consolidated accounts are manipulated and put into a financial reporting framework. This is often the beginning of the "financial reporting last mile."

Traditionally you have a time-consuming, error-prone multistage consolidation process, no matter how well organized, communicated, or executed.

To preserve financial reporting integrity, checks and balances, and manually prepared account reconciliations using spreadsheet files and printouts, are often assembled to prove the numbers.

The old way of consolidation no longer works. Financial consolidation is crucial for telecom companies to understand their financial performance and make informed decisions. No one disputes that the old way of preparing a consolidation no longer works. It's extremely inefficient and comes with risk. Reliance on spreadsheets and manual procedures keeps many finance functions from playing greater strategic roles in their organizations.

While clutching manual processes and spreadsheets is comforting for many finance people, everyone must recognize that approaches to financial consolidation have advanced significantly in recent years.

It's time to improve the financial consolidation process and augment your analytical finance function's real-time reporting capabilities.

The need for change—the next generation of consolidation

Telecom financial executives should switch to intelligent financial management platforms and access continuous, accurate, and consolidated financial reporting.

Doing so can improve the accuracy and timeliness of financial reporting, reduce the risk of errors and inefficiencies, and enhance financial data security.

You want tools that can:

- Automate the consolidation process.
- Consolidate data across multiple systems.
- Provide real-time reporting.
- Offer a unified view of financial data across entities.
- Improve transparency and financial reporting integrity.

4 key characteristics of cloud financial management systems

1. A scalable accounting foundation enables automation

Today, telecoms often add virtual and physical entities to their corporate structures, whether new markets, services, or service-delivery partnerships. However, traditional accounting and finance systems struggle to add these entities. On-premises solutions cannot replicate the systems and processes for new entities across geographic jurisdictions.

Robust cloud financial management systems alleviate this shortcoming. They can add new business units seamlessly without additional hardware, software, or configuration investments and support you with training and user resources.

You achieve significant productivity gains when all business entities use the same system. Automation means you can redeploy corporate accounting staff to more strategic activities. Finance's role changes from a mere preparer to an analyzer and reviewer. It shifts mindset and positions finance to add value to information and moves beyond simply reporting it.

2. Supports faster growth
Many telecom companies look to take advantage of growth and M&A opportunities. Your corporate accounting or finance function must be agile enough to enable the corporate strategy by establishing books and records aligning with your business. They'll want and need to roll up a new entity without missing a beat. You will need a turnkey solution to get your systems and processes up and running, generating valuable information to support all the decisions made at the beginning of creating a new entity.

Cloud financial management systems are ideal for ramping up new entities:

- Existing divisions or companies can be used to configure the new entity's accounts quickly.
- Report writers can adjust reporting to meet the different jurisdictional and GAAP requirements.
- The chart of accounts is easily adapted to localize reporting to meet the new business unit's needs.

Your financial management system can streamline your business by unifying core finance tasks like accounts receivable and accounts payable, allowing you to efficiently use a single customer and vendor database across your entire organization.

Investing has become complex as companies use legal and risk-management strategies to reduce risk. If you're making minority investments while maintaining control, your system must combine the results within a unified platform without additional offline analysis.

3. You can manage a new consolidation process
Here are some of the benefits you'll get with a cloud financial management system when handling your new consolidation process:

- **Easily accessible data and documentation**
  A cloud financial management system allows you to integrate all consolidation information at any time. Your subsidiary data, such as local markets or regions, is at your corporate accounting staff's fingertips.

  When gathering the necessary information for preparing the consolidation, you eliminate the need for copious emails and other inquiries back and forth between those working in corporate accounting and colleagues in the various business units.

  Your supporting documentation is at the fingertips of whoever needs it and creates a permanent archive. You eliminate the cumbersome binders or the file directories full of spreadsheet backups littering many servers today.

- **Drill-down transparency**
  The corporate accounting staff now has drill-down transparency into business-unit data to enhance their understanding of the financials as the results roll up.

- **Collaboration tools**
  Chat tools and the ability to save electronic notes allow your people to communicate easily with those working in your business units. You can directly document those conversations and attach them to the relevant accounts and reports.

- **Transactions are more efficient, accurate, and organized**
  Cloud-based financial management systems streamline relationships and easily track transactions between different company entities. Since all the data is within 1 system, it automates removing and consolidating entries, making the accounting process more efficient. You'll have a single journal entry for each interentity transaction.

  These systems also automatically reconcile accounts and manage intercompany transactions, reducing the risk of errors or missed entries.

- **Foreign currency headaches sorted**
  For some telecom companies, foreign currency transactions balances, and operations are common pain points during consolidation. Cloud financial management software allows you to isolate foreign currency impacts and choose the reporting currency. You could then pivot to results in the parent's presentation currency and the local subsidiary currency.

4. You get better insight
Globalization has increased the complexity of preparing and analyzing consolidated results. Though this is less of an issue for service providers, it may be important to infrastructure providers—for example, tower companies with facilities in the US, Canada, and elsewhere. Traditional consolidation processes often result in a gap between the originating data and the data inside the system or spreadsheet used to perform the consolidation. This gap inhibits transparency, limits insight, and creates a reporting delay.

A cloud financial management system eliminates the gaps between the consolidation and the data. The configuration has a profound outcome—real-time consolidated financial information is now available to decision-makers at the push of a button. You eliminate the accounting "black box" that often arises when executives must wait several weeks for the consolidated financial results, sometimes impeding important resource allocation decisions.

Redesign and architect a new consolidation process

Telecom companies must improve financial consolidation processes to meet stakeholder and regulatory reporting needs and adapt to the evolving business landscape. Addressing consolidation challenges using a cloud financial management system can propel your telecom's finance function and organization forward.

Benefits of doing this include:

- Accelerating new entity initiation and integration in any jurisdiction with a corporate consolidation function.
- Drill-down insight from the consolidated perspective to the operating entity.
- Improved control and opportunities to use a single system across the business to centralize core processing functions.
- Greater coordination throughout the close process between those working in the business units and those in the corporate accounting group.
- Real-time consolidation from across the business at any time without the need to wait for the period to end.

Never in history has the finance function been so data-rich yet time-poor.

But with a truly integrated cloud financial management system, the consolidation process becomes automated, reintroducing quality and trust to the close process.

Senior finance executives can circulate timely information with confidence. This enhances the credibility of your finance function and opens the door to opportunities to add incremental value.

As a senior financial executive, ask yourself, is your consolidation process a source of value creation or a barrier inhibiting greater strategic contribution?

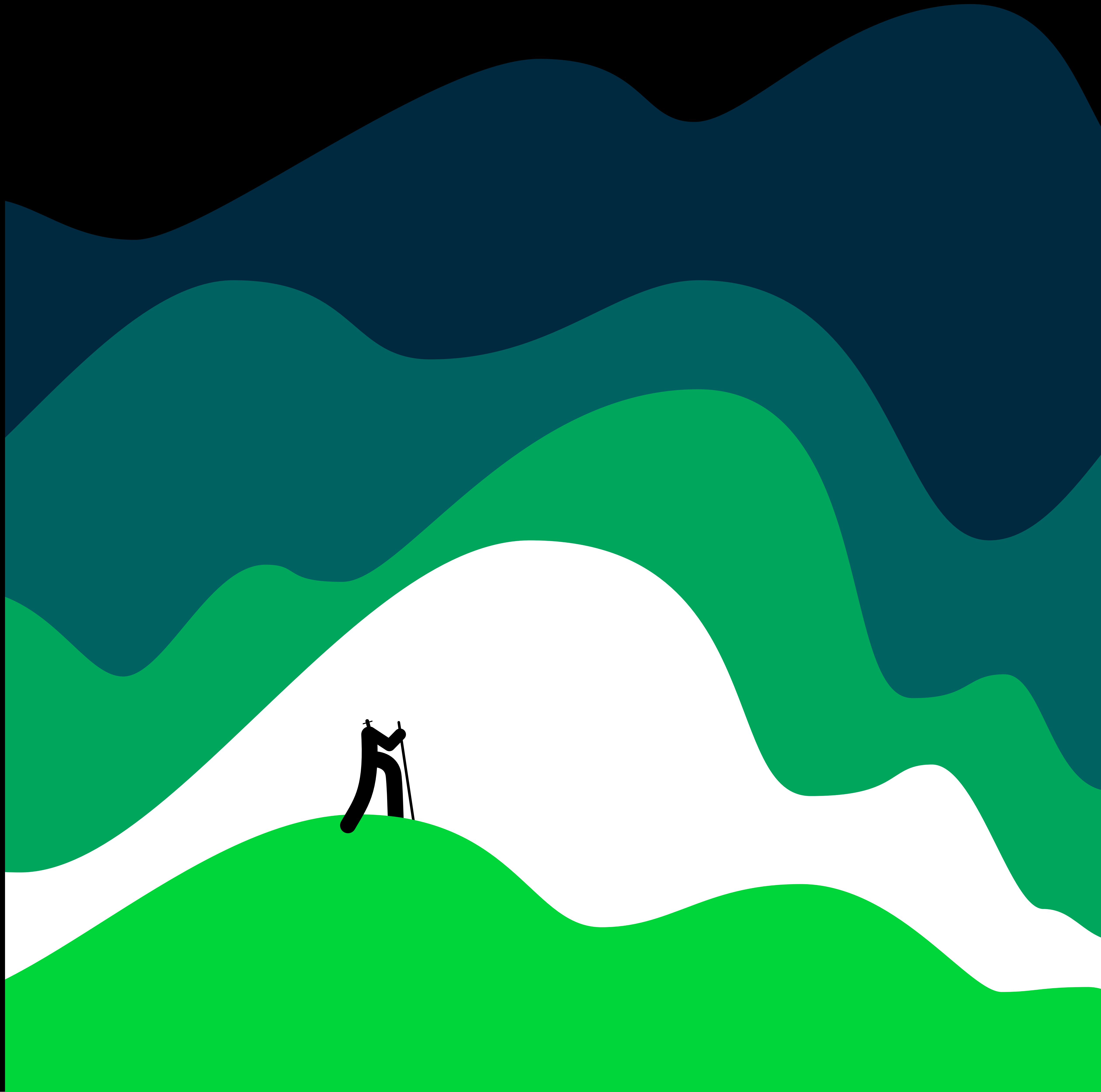
About Sage Intacct

Sage Intacct is AICPA's preferred provider of cloud financial applications. Sage Intacct streamlines accounting while delivering real-time budget versus actual visibility and detailed financial reporting for finance teams.

Our modern cloud solution, with open APIs, gives organizations the connectivity, visibility, and efficiency they need to drive business performance.

At Sage Intacct, we help organizations strategically grow their business through detailed insights to support critical decisions.

Learn more at **sageintacct.com**.



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