THE FIVE PILLARS OF A SUCCESSFUL FINANCIAL CUTOVER

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When moving to a new financial system, planning a seamless cutover becomes a key component for success. You can invest in a modern, state-of-the art technology but without your pertinent and accurate data, the technology may not provide much value. So how do you plan for this very crucial activity effectively?

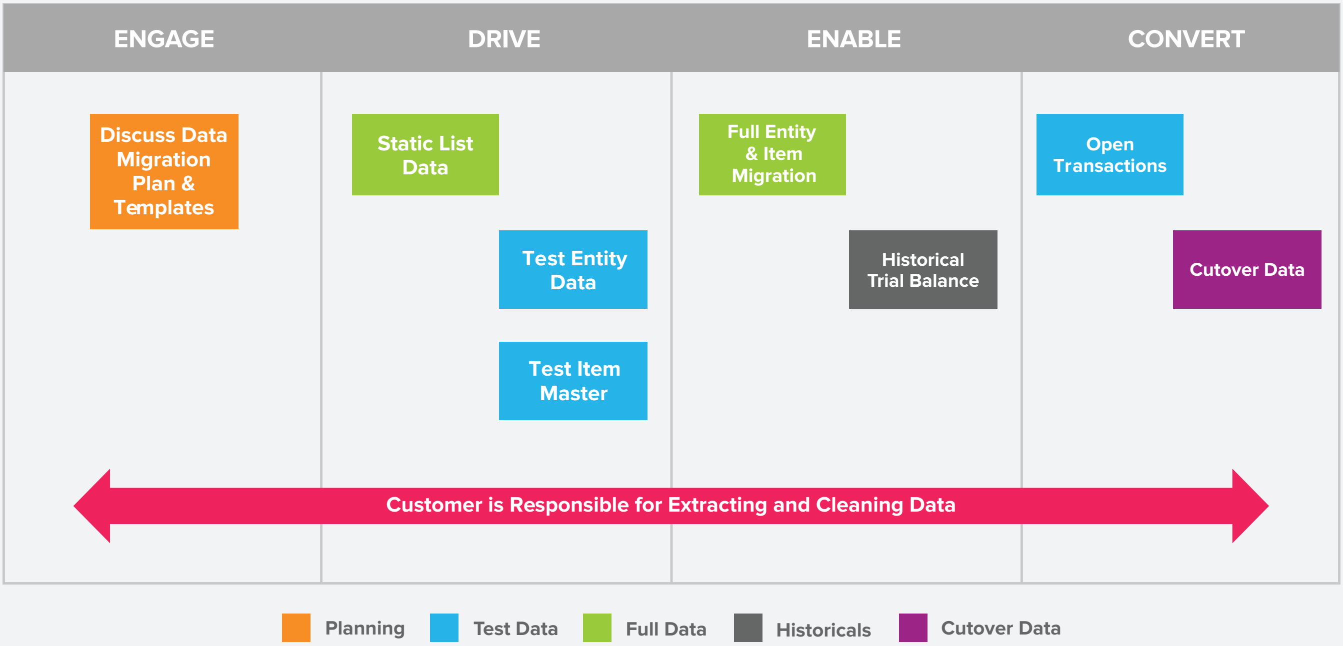
Most articles you will find on the subject are long, extensive and rather technically focused—failing to convey the simplest yet most critical considerations for a financial cutover. The purpose of this document is to provide finance and accounting stakeholders with the five key areas to consider when performing a financial cutover. Addressing these areas will ensure the success of your new financial system implementation project.

1. Restructuring the Chart of Accounts (CoA)
Moving to a new system is often a good opportunity to take stock of your existing CoA, clean up old and inactive accounts, and restructure to best leverage your new financial solution. For example, a modern system will offer dynamic and multiple segmentation options, therefore negating the need for unnecessary accounts just to be able to slice and dice your reports. You can start planning this activity very early in the process, with just a foundational understanding of the new platform.

Single Entity vs. Multiple Entities

If you have multiple operating entities, your planning may need to include additional factors, such as your existing set up.

- Are you currently on multiple financial or disparate financial systems (for example, if you have acquired a company who uses a different system than the parent)?



Financial cutover process utilized for a software organization.

- Do any of your entities have separate CoA or any statutory needs for such?
- Does your new system support a single platform and single consistent CoA for consolidation and reporting?

Planning to bring over data in an integrated, consistent manner across all your companies is essential depending on your project goals and objectives.

2. Closed vs. Open Transactions

To go live on your new system, the simplest approach to a financial cutover is to only bring in opening balances and your open transactions. Closing as many transactions as possible in your legacy system helps limit the number of open transactions to be migrated. The simpler the data, the easier the cutover. If your organization has specific business needs to bring in closed transactions details for a certain period in the past, then assess the impact early to make sure your plan has the adequate budget and timeline factored in to support this need.

3. Historical Transactions vs. Trial Balances

Another key consideration is how much historical data needs to be migrated. While the idea of having extensive history in the new system can be enticing, there are a few factors worth considering: complexity, cost and timeline.

- Do you have a tight timeline and budget to go live on the new system?
- Will you still have access to your legacy financial instance for historical reports?
- Do you have an option to store your historical details in a separate system or a database?

The recommended practice is to avoid data migration for any historical transactions at a detailed level. Instead, consider bringing in monthly trial balances for past 1 or 2 years, for minimum comparative reports.

4. Currency Exchange and Consolidation
If your organization is currently operating internationally, recording multiple types of foreign currency exchange rates can create a myriad of issues within a financial system. A process of possessing continuously updated exchange rates is crucial to maintaining proper books that can have the appropriate foreign tax rates applied during financial closing.

5. Go Live Timing
Choosing an effective time to go live is the final crucial aspect of the plan. The first day of a month or quarter or year sounds (say Jan 1) like a sound choice in theory. However, in reality, that would mean closing of the books in legacy system on the last day (say the 31st) which is often unrealistic. Assess your business and choose a timing that works strategically for you. Work with your project manager to then drive towards that timing with a detailed project plan. Understand your current close process and what a cutover will mean for your users and operations and ensure these are factored into the plan for a seamless and successful financial cutover execution.

By utilizing these five pillars, you can have peace of mind knowing that your organization is following tried and tested best practices that most companies fail to leverage. An efficient and timely financial cutover will not alleviate costs, but it will also allow you to focus on other areas of your business.