Introduction

Since Hyperion Corporation introduced HFM (Hyperion Financial Management, an 'on-premise' technology) all the way back in 2000, it has become the world's leading group consolidation product. Seventeen years later the focus of HFM's new owner, Oracle, appears to have shifted to their cloud based FCCS (Financial Consolidation and Close Cloud Services) product. This has led many existing Hyperion customers to ask us what the best way forward is for them. Should they:

- Upgrade HFM and continue to use that on premise;

- Move the on-premise solution to a private cloud service provider (and upgrade as appropriate);

- Move to FCCS; or

- Evaluate other options in the marketplace?

It is these questions which we address in this white paper.

We will begin by reminding ourselves of the strengths of HFM which are often taken for granted by regular users. We will then consider the upgrade options to allow its continued use and then look at the impacts of moving it to a cloud environment to extract the broadly recognised and generally accepted benefits this approach facilitates.

Having reminded ourselves why we adopted HFM we will compare it to FCCS and consider the case for migrating to Oracle's cloud product.

Finally, we will look at an alternative to the Oracle consolidation tools, suitable for HFM users and consider the value in migrating to this.

HFM (Hyperion Financial Management)

What's so good about HFM?

Oracle tell us that,

"Hyperion Financial Management provides financial consolidation and reporting that enables you to rapidly consolidate and report financial results, meet global regulatory requirements, reduce the cost of compliance, and deliver confidence in the numbers."

We firmly endorse this view, but what features of HFM make it possible?

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Built in Financial Intelligence

Within the HFM metadata we build hierarchies which we can subsequently drill in on to easily move from summarised values back to detailed ones. Importantly, we can also build alternative hierarchies to, for example, present a separate statutory and management view of results.

All of this is built on the core financial intelligence of HFM which allows it, for instance, to treat both P&L accounts and BS accounts in an appropriate manner.

Finally, metadata is structured so that it is impossible to load data to invalid intersections. For example, if we have a balance sheet account it will only be possible to enter data against the appropriate movement type.

This functionality quickly becomes expected by HFM users but the lack of it in some other systems can increase build times, reduce data quality and increasing ongoing maintenance costs – hardly a recipe for streamlining financial processes.

Data Integration

HFM is accompanied by FDMEE (Financial Data Management Enterprise Edition – previously known as Up Stream) which is a user-friendly tool to collect and map data from multiple diverse ledger systems to the group chart of accounts. Importantly it has built in validation functionality which allows errors to be resolved through a point and click front end. This allows local accountants to be responsible for loading their own data for the group consolidation. Although a separate tool to HFM, this is one of the most important parts of the consolidation process.

Within HFM itself, or through the Excel add-in (Smart View), we can collect non-GL data and adjustments e.g. balance sheet movements through forms. These are segregated from the GL loads.

Journals

We can post journals in HFM which are isolated from data submissions. We can simplify the processing by creating templates and even submit the journals through Excel.

Process Control

HFM incorporates a workflow process to ensure that the data collected for consolidation is 'correct'. For example, we build validation rules to test that the balance sheet does balance. Only if this test is met will the local accountant be able to 'submit' his or her data for consolidation. At that point, no further changes can be made and the group accountant can see that the data is ready for consolidation.

This process control mechanism combined with FDMEE ensures confidence in the submitted values.

Ownership Percentages

HFM allows us to record the percentage ownership and consolidation methods to be applied on consolidation. This means simple groups can run their consolidations without the need for custom rules. Furthermore, we can change the group structure over time (organisation by period). This way we can deal with acquisitions, disposals and group restructures. Without this functionality, we face increased manual effort.

Customisable Rules

HFM incorporates a sophisticated calculation engine which can be used for:

- Complex cashflow calculations

- Customised consolidation eliminations

- KPI's and other calculations

Whilst the syntax of these rules is sometimes perceived as difficult to learn, the possibilities they open up make the effort worthwhile. Once the rules are established, the syntax becomes more commonly understood and, where required, maintenance becomes an easy task.

Budgets and Forecasts

In HFM we can store budgets and forecasts and report them against actuals. HFM should not be considered a full planning system as, practically, we are limited to the actuals group structures which are typically not ideal for the build-up of budgets and forecasts. For example, we may wish to budget by staff member although that is not needed for consolidated actual reporting. Nonetheless, HFM does provide a solution to the two most important challenges. How to collect data reliably from multiple business units and how to report variances.

Smart View

Smart View is used extensively by some organisations and neglected by others. We regard this Excel add-in as one of the strongest features of HFM. Its two-pronged functionality allows the building of heavily formatted reports in Excel and, most importantly, the ability for users to undertake ad-hoc queries. An example might be drilling down on a variance to budget. As previously mentioned, it is often used to load data too.
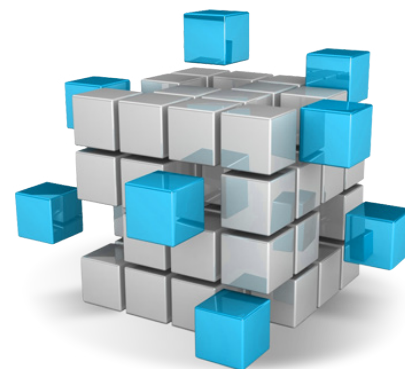
HFM Support

Whist we expect an announcement to extend the support period from Oracle, to the best of our knowledge.[1] Oracle currently offer premier support for the latest (11.1.2.X) versions of HFM until December 2018. Support (Premier and/or Extended) for the earlier versions was not available beyond July 2013.

HFM in a Private Cloud

The move to cloud computing is widespread as the awareness of the effort and skills required to host on-premise software spreads. HFM is not a 'set and forget' technology, but is business-critical, so handing the responsibility for it to experts has significant appeal. This is amplified as accountants are, by their nature, risk averse and understandably hesitant to change from well proven and successful solutions to new ones in the cloud. The move to private cloud computing solves this issue.

In a typical private cloud scenario, an organisation moves its HFM application(s) to a specialised environment, purpose built for HFM. There are no changes to the application and the access to the system by end users and administrators alike is through a simple URL. Further, the specialist private cloud can ensure the tightest of security, often tighter than a traditional on-premise deployment and is controlled by strict service level agreements, often exceeding those in place between finance and IT departments.

Organisations usually take this opportunity to upgrade the HFM system to its then latest release.

HFM in a private cloud is often seen as a 'stepping stone' to complete cloud based software solutions and is seen as expeditious as it minimises change management, risk and expenditure.

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1 As at June 2017:
  http://www.oracle.com/us/support/library/lifetime-support-applications-069216.pdf

FCCS (Financial Consolidation and Close Cloud Service)

What is FCCS?

Oracle has embraced the cloud and with that has come FCCS (Financial Consolidation and Close Cloud Services). This is not HFM moved to the cloud but a newly developed product.

Users will immediately recognise they are dealing with a new tool as the look and feel of FCCS is entirely different to HFM. For those who are used to upgrading from one version of HFM to the next and barely noticing the difference this could come as quite a shock.

Those of a more technical persuasion will be interested to note that FCCS does not rely on a relational database as HFM does but instead is built on Hyperion Essbase. Indeed, FCCS is a variation on PBCS (Planning and Budgeting Cloud Service).

Perhaps the most important change with FCCS is in the implementation philosophy. The licenser of HFM receives a foundation application only. They then work with system implementation consultants to populate it with their group chart of accounts, entities and rules. With FCCS, Oracle is encouraging a much more standardised approach by providing their best of breed chart of accounts and rule sets as the basis of an application. It is possible to work around this but that could be seen as negating one of the key features of the product and indeed limiting Oracle's ease of update routines. Instead, the intention is that customers adopt the best practices that Oracle has identified and enjoy the benefits of a Software as a Service (SaaS) solution.

Standardisation

The extract from an FCCS accounts dimension to the side illustrates how standardisation works in FCCS.

The members prefixed with "FCCS_" cannot be renamed or removed. These are standard accounts which Oracle references on standard (pre-built) forms and reports. Customers are encouraged to simply add their own detailed accounts below these summation points for data collection and detailed analysis.

This is quite a change from past practice but it should be noted that the alias (description) of the standard accounts can be changed and it is possible to move the accounts. That means they could be shifted outside of the primary reporting hierarchy if a customer did not wish to follow Oracle's prescribed approach.

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In the Cloud

There are many upsides to Cloud deployments and the arguments both for and against have been rehearsed at length elsewhere. We will not rehash them here other than to remind readers that, as with any outsourcing arrangement, moving to the cloud does mean being dependent on the cloud supplier to offer a suitable level of responsiveness, performance and support.
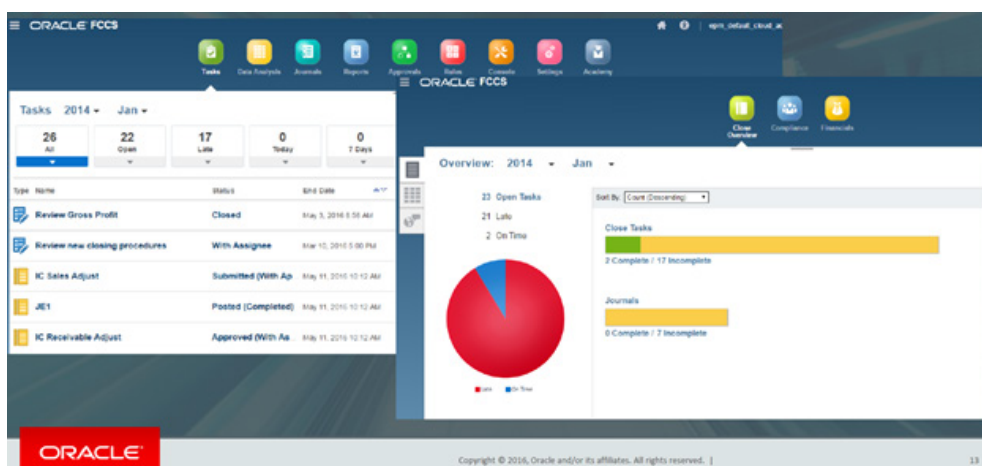
Functionality

Oracle are very familiar with the functionality of HFM and have endeavoured to make it available within FCCS. There are currently, however, two significant gaps.

At present, FCCS does not include the ability to write custom rules for consolidation and calculations as we have come to enjoy in HFM. Instead, simple calculations can be attached to members within the metadata. This is seen by some as a significant limitation although there is an expectation that it will be addressed in the future.

The other functionality currently missing from FCCS is HFM's 'Organisation by Period' feature which allows us to move entities within the group to reflect restructures; with the history shown in one location and current data shown in another location. To work around this, it would be necessary to create new entities which has the consequence of additional reporting and analysis effort.

Although lacking functionality in the above two areas, FCCS does include two interesting additions that are of significant value to some organisations.

Firstly, FCCS includes the Financial Close Management (FCM) product. This is used for centralised management of period-end close activities across the extended month end cycle. It helps manage all financial close cycle tasks, including ledger and sub-ledger close, data loading, mapping and financial consolidation. It has not yet enjoyed a large take up within Australia as a 'paid for add-on to HFM' but as a bundled addition to FCCS it is worth considering.

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The second add on is Supplemental Data Manager which we expect to prove valuable for many organisations. This is a module to collect information for disclosures which might not follow the dimensionality of the core financial model. Examples might include headcount or details of hedging arrangements and as such it helps organisations reach a point where all relevant data can be collected through the consolidation system rather than some still being submitted via unaudited mechanisms such as e-mail or disparate non-connected spreadsheets.
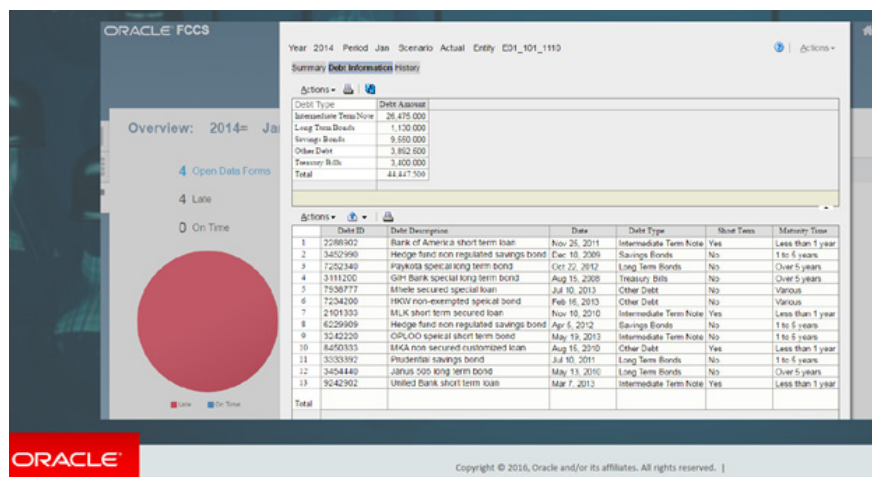
Implementation

There is no clear upgrade path from HFM to FCCS as the architecture is completely different. Now that we are dealing with a multi-dimensional database (Essbase) in FCCS rather than a relational one in HFM, dimensionality is a little different and the nature of forms and other components has also changed.

This means that to move to FCCS is to create a new application. Where possible, data and hierarchies can be converted from HFM to FCCS. Otherwise rebuilding is necessary.

Simple calculations can be converted from VBScript to Essbase member formulas but more complex calculations may not be easily achieved at this time.

Once data, including history, has been loaded to the new application it will, of course, need to be reconciled.

Organisations who adopt this approach should likely take the opportunity to re-think their consolidation processes and reporting so as to take advantage of Oracle's best practice methodologies, the assessment of which will likely drive an organisation's willingness to transition to the new product.

Should we migrate to FCCS?

Smaller organisations with simpler consolidations will find FCCS a compelling package. It can be implemented with minimal involvement from IT. Its standardisation makes for a rapid implementation and its cloud based support makes for a potentially lower ongoing cost of ownership.

Organisations with more complex requirements will have to consider whether or not they can simplify their current approach or if not, whether the changes required would negate the benefits FCCS has to offer.

What are the Alternatives?

Other Vendors

Several vendors exist in the consolidations arena. We will not review them here but Gartner are a widely-respected information research and advisory company which can provide an overview of the market place.

Taysols has direct experience with several of the alternatives to Oracle HFM. Many of these products, whilst being effective in themselves, lack the maturity that would be expected by users of HFM. The closest in our experience is OneStream. OneStream was created by one of the original developers of HFM and one of the founders of FDM. This provides a mature alternative which follows the design philosophy of HFM whilst extending its functionality to allow a broader set of Performance Management and reporting needs.

OneStream

OneStream closely follows the design of HFM so will be familiar to both users and administrators. It is available in the cloud (both public and private) and as an on-premise installation. We have found OneStream to be much less onerous to install and maintain compared with the Oracle Hyperion suite. This is because it is one unified solution rather than multiple products linked together. OneStream estimate software installations to take two hours and upgrades about 45 minutes which, to date, has been confirmed by our experience.

Functionality

Being very familiar with HFM, the OneStream developers have succeeded in delivering the functionality HFM users will expect. They have also been able to take the product forward in three interesting ways.

Firstly, they have taken the task flows we find in HFM and transformed them into guided workflows to step users through their month end process. Since the data loading and consolidation are no longer in separate tools, these are truly end to end. We have found these workflows allow OneStream to be adopted with minimal user training and very high end user satisfaction.

Secondly, OneStream incorporates a feature they call 'Extensible Dimensionality' which greatly enhances its value for budgeting and forecasting. This allows different structures to be used between the budgeting/forecasting scenarios to the actuals scenario but variance reporting to take place at their common points. Examples would include having a less granular accounts structure for planning purposes or an additional product dimension to satisfy 'bottom up' budgeting.

Finally, OneStream has been built as an Extensible Platform that can easily accommodate additional solutions such as Account Reconciliations, Workforce Planning alongside Profitability and Cost Analysis. Our recent experience of implementing the Accounts Reconciliation module suggests these add-ons are robust, reliable and highly functional.

Implementation

Although some components, for instance metadata, can be extracted from HFM and loaded to OneStream, a direct migration from HFM to OneStream, at the push of a button, is not possible. Instead it is necessary to build a new application which could closely follow that which existed in HFM, if that were still appropriate.

Should we migrate to OneStream?

OneStream has proven very popular in North America with two types of organisation; those that do not see the standardised philosophy of FCCS as being appropriate for them and those that wish to combine budgeting/forecasting and consolidations in a single technology available to them in a choice of deployment options (on-premise, public and private cloud). We expect the same to prove the case throughout Australia and the Asia-Pac region.

As consolidations are at the heart of OneStream's offering, HFM users seem comforted to hear from a vendor speaking their own language where Enterprise Performance Management solutions are their bread and butter. Indeed, some users have reflected that speaking to OneStream is like speaking with the Hyperion company of old.
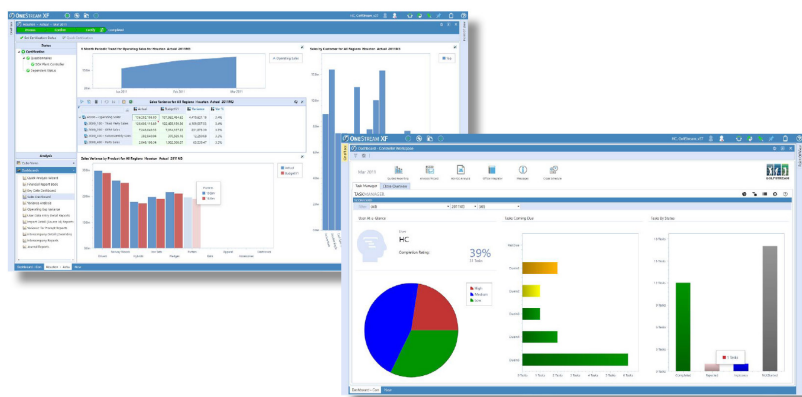
Conclusion

For those organisations currently running HFM 11.1.2.4 your version of HFM will be supported until December 2018 and continue to provide you with the class leading consolidation functionality you have come to expect.

For organisations with earlier versions of HFM, action is required to maintain your current level of functionality and to ensure third party solution compatibility, such as the organisation's preferred browser. The short-term solution is to upgrade HFM to version 11.1.2.4 either on premise or in a private cloud.

The longer-term answer is to migrate from HFM to either FCCS or OneStream. If your organisation can embrace the more standardised approach of FCCS and does not need complex consolidation rules, FCCS may meet your needs and surprise you with its additional functionality and reduced maintenance costs. If more customisation is required for your organisation's reporting needs, then OneStream is likely to be more suitable.

For advice on your particular HFM installation or to learn about our packaged upgrades to HFM, FCCS or OneStream please contact us.

About the author

Duke Pearson is a graduate of Oxford University, a qualified accountant and an Enterprise Performance Management (EPM) consultant. He has over ten years' experience with multi-dimensional software tools, with a particular focus on statutory consolidations. He has led the implementations of consolidation, budgeting and planning solutions in Australia, the UK, the Netherlands and Hong-Kong.

ABOUT TAYSOLS

Taysols was founded in 2002 and is comprised of business consultants and technology specialists who have collectively helped hundreds of organisations across a broad range of industries solve information and process issues.

Since inception, Taysols has been implementing and supporting HFM for a broad range of international groups. Even before that, our consultants were implementing Hyperion Enterprise and Micro Control - the predecessors to HFM.

Taysols is made up of three business lines, Consulting, Cloud and Support and intersecting each of these runs our disciplines of Performance Management (Consolidation and Budgeting/Forecasting), Business Intelligence (Data Integration, Data Warehousing and Visualisations) and Big Data.

Taysols is an Oracle Platinum Partner along with holding a selection of partnerships with other Performance Management, Business Intelligence, Big Data and technical vendors.

"We are constantly fielding requests for updates around HFM's longevity and decided a short, sharp whitepaper might shed some light on this complex situation. In our experience, HFM often "flies under the radar" in the realm of business critical systems however it gains significant prominence if things go wrong or when it no longer conforms to an organisation's standard operating environments. To group accountants, it is often the second most critical system behind email and so we felt that by writing this paper, group accountants have some time to consider their options."

Jayson Hammond
Director, Taysols

1300 850 032
info@taysols.com.au
www.taysols.com.au