

Saudi Mechanical Industries Co.

Financial Period Closure Optimization Case Study



LIFE-HOURS SAVED

2400

Company Background

Saudi Mechanical Industries Co. (SMi) is a Saudi Arabian manufacturing company specializing in engineered components and water systems solutions. Established through a joint venture with National Pump Company of Arizona, USA, the company has evolved from an assembly production line to a fully integrated manufacturing facility. SMi serves diverse sectors including Oil & Gas, Agriculture, Automotive, Valves, Transportation, and Mining, exporting over 60% of its production with the "Made in K.S.A." tag to markets across the USA, Europe, and the Middle East. The company manages its financial operations using Oracle Fusion Cloud applications for enterprise resource planning, including financial management, cost management, and supply chain operations.

Challenge Overview

Saudi Mechanical Industries Co. faced critical operational challenges that significantly impacted its financial closing processes and overall financial management efficiency. The company struggled with:

- 1. Extended Month-End Closing Cycles:** The financial period closure process was taking approximately 2 weeks every month, causing significant delays in financial reporting and decision-making.
- 2. Complex Reconciliation Issues:** The company experienced ongoing reconciliation discrepancies between Fusion General Ledger, Cost Management, and Landed Cost Management modules.
- 3. Audit and Compliance Risks:** Governance challenges emerged during audit periods due to unexplained differences across multiple financial periods. The inability to provide clear explanations for discrepancies posed significant risks to the company's compliance posture and audit outcomes.
- 4. Limited Process Visibility:** The organization lacked adequate visibility into the root causes of reconciliation issues, making it difficult to determine whether problems originated from system configurations, business processes, or user practices.

More than

3 Million
SAR

5. **Substantial Unreconciled Balances:** More than 3 million SAR remained unreconciled for a period exceeding 36 months, representing a significant financial exposure and creating uncertainty in financial statements.

Solution Implementation

To address these critical challenges, Saudi Mechanical Industries Co. implemented a comprehensive financial reconciliation and process improvement solution. The implementation focused on several key areas:

1 Analysis and Root Cause Identification

We conducted an extensive analysis of transactions and system configurations to identify the specific issues generating reconciliation discrepancies. This included:

- Detailed transaction-level analysis across General Ledger, Cost Management, and Landed Cost Management
- Identification of data flow issues between integrated modules
- Assessment of timing differences and cutoff procedures
- Evaluation of user practices and business process adherence

2 System Configuration Optimization

Based on the analysis findings, we implemented targeted configuration changes within Oracle Fusion to:

- Resolve root causes of reconciliation issues
- Establish preventive controls to avoid recurrence
- Optimize integration points between financial modules
- Implement automated validation rules and checks

3 Process Improvement and Training

The solution included best practice adoption and comprehensive user training to address process gaps:

- Documentation of standardized reconciliation procedures
- Implementation of workflow rules for consistent transaction processing
- User training programs focused on proper system usage
- Establishment of periodic review and monitoring protocols

4 Deliverables

The implementation provided Saudi Mechanical Industries Co. with:

1. **Detailed Reconciliation Analysis:** Comprehensive reconciliation files with classification of 16 distinct root causes that contributed to the differences between modules
2. **Corrective Action Plan:** Systematic approach to resolve previous period reconciliation issues, including specific remediation steps for historical discrepancies

3. **Enhanced Control Framework:** Improved validation mechanisms and financial controls to prevent future reconciliation issues

Benefits Realized

Following the implementation, Saudi Mechanical Industries Co. experienced transformative improvements in its financial operations:

1. **Accelerated Period Closure:** The month-end closing cycle was reduced from 2 weeks to a significantly shorter timeframe, enabling faster financial reporting and more agile business decision-making.
2. **Improved Reconciliation Accuracy:** The implementation of enhanced validation mechanisms and system configurations dramatically reduced reconciliation discrepancies across General Ledger, Cost Management, and Landed Cost Management modules.
3. **Enhanced Audit Readiness:** With clearly documented reconciliation procedures and resolved historical discrepancies, the company achieved better audit outcomes and strengthened its governance and compliance posture.
4. **Increased Process Visibility:** The solution provided comprehensive visibility into transaction flows and potential issues, enabling proactive identification and resolution of discrepancies before they impact period closure.
5. **Resolution of Historical Issues:** The 3+ Million SAR in unreconciled balances accumulated over 36 months was systematically addressed and resolved, providing clarity to financial statements and reducing financial exposure.
6. **Streamlined Financial Operations:** Configurable workflow rules and standardized processes created a more efficient and consistent approach to financial transaction processing across the organization.
7. **Single Source of Truth:** By resolving integration issues between modules, the solution established Oracle Fusion as a reliable, unified source of financial information for the entire organization.
8. **Empowered Finance Team:** Through comprehensive training and best practice adoption, the finance team gained the knowledge and tools necessary to maintain reconciliation accuracy and prevent future issues.

This implementation transformed Saudi Mechanical Industries Co.'s financial operations, addressing long-standing reconciliation challenges and establishing a foundation for efficient, accurate, and timely financial reporting. It not only resolved critical technical and process issues but also built organizational capability to sustain these improvements over time. The success of this project has positioned Saudi Mechanical Industries Co. for continued growth and operational excellence in the competitive industrial sector.