Reinventing your finance tech stack

A comprehensive plan for revitalizing your finance and accounting applications

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Introduction

Expectations for finance and accounting have changed: be more efficient, be more agile—yet be more strategic. There is more competition for finance leaders' time than ever before. New activities such as digitizing critical business processes and evaluating new technologies demand time, all in addition to traditional finance activities.

Unfortunately, a gap is evident. The bulk of finance and accounting teams are still running unintegrated on-premise applications and spreadsheet-driven processes for core accounting processing, close, planning and reporting. These outdated methods are holding them back from modernizing business processes and doing more with less.

However, change is underway. Finance and accounting teams are taking ownership of their applications destiny, leading the charge by deploying applications themselves in order to work better and smarter.

This white paper, based on RSM's experience working with finance and accounting teams of every size, provides a practical three-part game plan for modernizing your finance and accounting application landscape. We have designed this plan with practicality in mind: get near-term rapid value through accounting automation, and use the efficiency gains to upgrade financial planning and analysis (FP&A), and then renovate the core.

> 72 percent of senior finance professionals believe more chief financial officers (CFOs) will be responsible for technology in the future, but almost a third of them are currently struggling to make the best use of technology.[1]

1 FSN Future of the Finance Function Survey 2016 reveals CFOs role is overhyped http://www.fsn.co.uk/channel_enterprise_financials/fsn_future_of_the_finance_function_survey_2016_reveals_cfos_role_is_overhyped#.Wfot5sKWyUI

Where finance and accounting is headed

Finance and accounting organizations are expected to move from being transactional, and often internally focused, to being more strategic and more closely aligned with the line-of-business and external partners.

However, successfully navigating this move requires reducing low-value and repetitive tasks, and freeing up, training and recruiting finance talent. It often requires using technology to reallocate resources that are currently devoted to spreadsheet-based risk management. Such repetitive tasks include checking variances, hunting down reconciliations, updating manual close checklists, and double-checking financial reports or pre-consolidated results.

On the technology front, acting as a business partner not only often requires remolding talent, it means upgrading planning, forecasting and management reporting processes, both beyond spreadsheets and beyond purely financial key performance indicators (KPIs) in order to incorporate non-financial line-of-business measurements, and to create more collaborative plans and bottom-up forecasts.

Current finance technology landscape

When working with finance and accounting organizations, we see three recurring patterns that hamper productivity and collaboration and create risk:

1. **Aging out of the ERP:** Many finance and accounting organizations are running aging on-premise enterprise resource planning (ERP) and accounting applications that are hard to change, difficult to use and access, and challenging to integrate. With new digitization initiatives that require ERP systems to be more integrated with new and evolving applications, from e-commerce platforms to customer relationship management (CRM) and new subscription billing systems, they're increasingly becoming a resource drain.
2. **Manual financial close:** Nearly all finance organizations are still relying on spreadsheets for financial close. For example, a recent survey by Financial Executives Research International (FERF) of 1,700+ finance leaders at public and private companies found that over half of those surveyed continue to reconcile accounts manually, still using spreadsheets.[2]

> 90 percent of spreadsheets contain serious errors, while more than 90 percent of spreadsheet users are convinced that their work product is error-free.[3]

3. **Spreadsheet-centric FP&A:** Budgeting, planning and analytics also remain stubbornly reliant on spreadsheets. In a recent BARC Research study, more than 86 percent of respondents agreed that spreadsheets were their preferred reporting method, thereby limiting the ability to model scenarios, forecast and measure performance—in short, placing a ceiling on how strategic finance can be.[4]

Finance technology maturity self-assessment

If you recognize any of the below scenarios, then you should act soon to modernize your finance function.

Exposure area	Self-assessment scenarios
Business process	We have manual integrations, such as between our ERP and accounting, and upstream systems (CRM), and downstream processes (financial close and planning) that often lead to rekeying data or discrepancies.
Financial close	Our reconciliations, journal entries, intercompany processes, consolidated financials or allocations are dependent on spreadsheets and create downstream risk.
Budgeting and planning	It takes too long to collect and manage the budget-setting process from cost-center managers, and manually rolling up spreadsheets is often a lengthy and error-prone process.
Reporting and analysis	We have difficulties accessing and analyzing data. Extracting data from the ERP for analysis, and creating financial and management reports, is often a multiday, highly repetitive process. Changes to the underlying data after the reporting packages have been completed requires a significant amount of rework to correct and reproduce reports.
Forecasting	Reforecasting takes a similar amount of effort and time to complete as the annual budgeting process, restricting the ability of the company to react quickly to changes in performance. Our forecasts typically have large variances, often due to the fact we're unable to do it continually, not on the latest actuals, and our models are often out of date.
Change management	Our IT-owned ERP and plethora of spreadsheets used to support close, consolidation, reporting and budgeting processes mean making changes is both time consuming and risky.

2 Benchmarking the Accounting & Finance Function 2016, https://www.financialexecutives.org/Research/Publications/2016/Benchmarking-the-Accounting-Finance-Function-201.aspx

3 Talking technology – spreadsheet solutions http://www.accaglobal.com/an/en/student/sa/features/talking-technology---spreadsheet-solutions.html

4 BARC Study Shows: 'Excel-lent' Planning Not a Guarantee for Business Success https://www.newswire.com/barc-study-shows-excel-lent-planning/262840https://www.newswire.com/barc-study-shows-excel-lent-planning/262840

Three foundations of finance technology innovation

Cloud

Over the last 10 years, cloud computing has seen a meteoric rise, and has become the preferred deployment vehicle for finance applications. In fact, the cloud is at the core of almost every finance stack upgrade. Cloud applications are now available for every part of the finance stack.

Cloud applications deliver mobility through anytime-anywhere web access and finance and accounting empowerment, with no need to rely on IT for upgrades. They also provide the elasticity that grows with ever increasing volumes and users, and with their web-native architectures, they are often easier to integrate with other applications.

Automation

For finance and accounting, automation means the removal of repetitive tasks that are a poor use of highly skilled resources, and reduce morale in the long term. Robotic process automation (RPA) is a technology that uses workflows, business rules and scheduling to shift repetitive tasks from people to technology. It is especially applicable to high-volume processes that benefit from consistency, such as account or transactional reconciliations.

Analytics

Report after report shows finance leaders prioritizing analytics, as CFOs look to pivot to being more strategic. The good news is that analytics no longer must be a separate initiative. Modern ERP applications like Intacct and NetSuite include real-time operational dashboards and metrics without having to extract to spreadsheets. Financial close applications like BlackLine include performance benchmarking on how the financial close measures up, as well as provide access to real-time financial results, while FP&A tools like Adaptive Insights and Host Analytics provide actual-versus-plan dashboards, formal financial and management reporting, and high-speed ad-hoc analysis, not just budgeting.

> According to FSN, 81 percent of senior finance professionals believe CFOs ultimately will be responsible for corporate data in the future.[5]

The finance technology application foundation

Close management and finance automation solutions

Close management and finance automation solutions focus on ensuring integrity, trust, controls and speed in the financial close through automation, centralization and task management. Pure-play cloud leaders in this space include vendors such as BlackLine. Some point solutions, like financial consolidation, are provided by cloud vendors including Host Analytics and Adaptive Insights.

Considerations

- Best-of-breed financial close and automation applications are typically ERP neutral, providing a range of ERP connectors
- Solutions can act as a financial reporting and controls buffer against ERP change
- Modern applications should be cloud-delivered
- Evaluate the depth of capabilities these solutions provide and understand how these will improve the process from end to end

Planning, analysis and reporting solutions

These applications provide budgeting, forecasting, modeling and analysis capabilities, as well as consolidation and reporting capabilities to enable finance to both speed planning cycles and improve management reporting processes. Cloud leaders in planning analysis and reports include Adaptive Insights and Host Analytics.

Considerations

- Best-of-breed planning, analysis and reporting applications can also integrate with your existing ERP and future ERP systems, insulating FP&A from a future ERP upgrade
- Modern solutions like Adaptive Insights are cloud delivered and provide connectors to ERP systems, as well as connect to the financial close applications to ensure consistent and validated actuals are flowing into the planning process

Accounting and ERP solutions

Accounting and ERP applications have shifted significantly over the past 10 years, moving to the cloud and growing beyond the general ledger and subledger to broader business management, and more effectively integrating with other applications. Vendors offering modern suites that are designed for the cloud include NetSuite, Intacct and Microsoft Dynamics.

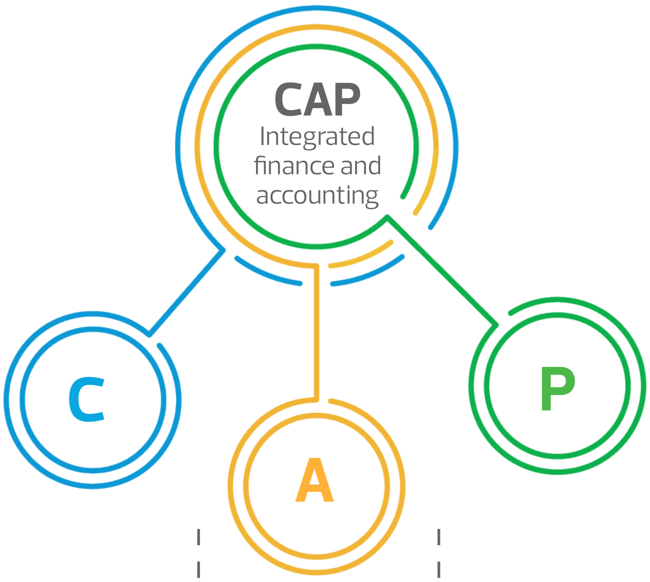
Considerations

- When evaluating ERP systems, be sure to assess the fit of these systems to the current and future state requirements of your business. Evaluate the breadth and depth of functionality and how that functionality aligns with requirements across the business and how it aligns with your business application strategy. There may be opportunities to replace or integrate with other legacy systems outside of finance with a new ERP system.
- Use the upgrade to improve business processes, such as quote-to-cash or procure-to-pay integration to eliminate rekeying between systems.
- Modern cloud-based ERPs provide mobile self-service capabilities that help employees engage with accounting processes from anywhere.

5 FSN Future of the Finance Function Survey 2016 reveals CFOs role is overhyped http://www.fsn.co.uk/channel_enterprise_financials/fsn_future_of_the_finance_function_survey_2016_reveals_cfos_role_is_overhyped#.Wfot5sKWyUI

Introducing the RSM CAP game plan

The RSM CAP Game Plan was designed to provide a foundation for integrating new finance and accounting technologies. Three foundational components form the RSM CAP Game Plan and can help drive transformation of the technology and processes within finance and accounting:



Close automation and controls

- Cloud-based close automation technology
- Unaltered integration with ERP, general ledger (GL) and subledger
- ERP/system agnostic
- Improving efficiencies > 50%
- Completeness validation, reducing control risk

Accounting/ ERP and transactions

- Integrated financial ERP with all financial applications
- ERP designed to support effective processes (process-led technology enablement)
- Enables real-time visibility into financial drivers

Performance management and analytics

- Integrated corporate performance management (CPM) tool with GL and other financial data sources
- Eliminates use of Excel and increases informed decision-making
- Aligns financial performance with expectations
- Reduces planning cycles by > 50%

Automate the close first

We've found that the ripest opportunity within finance organizations to increase automation is within accounting teams and within the close. Automation in the close can reduce manual effort for some close tasks by as much as 50 percent. Solutions like BlackLine—which enable automating and locking down reconciliations and streamlining intercompany processes and controls—enable accounting resources to address a typically spreadsheet-driven process without the worry of upgrading an existing application.

Next, upgrade finance's strategic role

With skilled resources freed up and accounting risk mitigated through automation, finance and accounting organizations can move to step two—driving strategy through planning and analytics. Crucially, this is also addressing a typically spreadsheet-driven set of processes, eliminating any need to replace an existing application and further simplifying the move. For organizations budgeting using spreadsheets, a good place to start is cash flow forecasting, profit and loss, and balance sheet planning.

After addressing the core planning process, organizations often shift gears to take a decentralized approach. By shifting from spreadsheets, line-of-business managers can begin to engage in a better bottom-up budgeting and planning process, entering assumptions and plans.

Lastly, upgrade the core

Addressing the close, and planning and analysis processes respectively can be achieved regardless of the ERP, and they are mutually complementary. They are the least disruptive upgrades, typically replacing spreadsheets, and both deliver relatively fast time to value.

Moving ERP to the cloud enables resource-constrained teams to gain automatic updates to reduce the need to supplement with spreadsheets amidst accounting, regulatory and operating environment changes. While an ERP upgrade is never a trivial matter, modernizing it enables better business user control, strong integration with upstream and downstream processes, and typically built-in analytics and reporting. However, important best practices for an ERP upgrade include questioning how much data you really need to migrate from your old ERP, rethinking business process—not just reimplementing them, configuring the ERP not just for transactions but for reporting too, and lastly examining opportunities to integrate with other applications.

Step	Upgrade step
PHASE 1 Close management and finance automation	▪ Why first? This step immediately reduces near-term finance and accounting risk and exposure, and frees up accounting resources from repetitive transactional tasks. ▪ Identify ripe areas of automation, typically around account and transactional reconciliations, intercompany eliminations, journal posting, and financial consolidation and reporting processes. ▪ Depending on the areas of opportunity, multiple vendors may be required, such as for reconciliation and financial consolidation. ▪ Aim for efficiencies in reconciliation processes through automation of 50 percent or more, and acceleration of financial close of 40-70 percent. ▪ Ensure vendors work with existing and future ERP, and provide bi-directional data flow with ERP systems.
PHASE 2 Planning, analysis and reporting	▪ Why next? This step uses talent freed up through automation to focus on planning, reporting and analysis, to increase the organization's strategic impact. ▪ Look for areas of spreadsheet sprawl, such as budgeting, planning, modeling, management reporting and analysis. ▪ Aim for decreases in planning and reporting cycle times of 40 percent of more and increases in forecasting accuracy through rolling forecasts. ▪ Ensure vendor is ERP neutral, provides connectors to ERP systems and from the financial close and automation systems to provide a flow of actuals necessary for rolling forecasts.
PHASE 3 Accounting and ERP	▪ Why last? Financial close and planning upgrades can be achieved rapidly, independently of the ERP. Upgrading the ERP to improve business process integrity and change management, and have better integration with upstream and downstream processes, is often more successful when resources are freed up from accounting and FP&A to support the upgrade. ▪ Look for cloud ERP systems that integrate readily with best-of-breed financial close, planning and reporting applications.

Conclusion

Expectations for finance and accounting have changed, but there's never been a better time to upgrade the finance technology stack to meet these challenges.

To thrive in today's shifting market environment, organizations need to tightly align their people, processes and technology with their strategic vision and goals. Once aligned, the relentless focus must be on achieving that vision.

In today's competitive marketplace, the pressure to deliver high-quality results quickly and cost effectively is unprecedented—and your organization should utilize technology to open the dialogue to a better future.

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