

BUILDING A SUSTAINABLE FINANCE FUNCTION IN A VOLATILE WORLD



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> Future-proofing your finance and accounting function

Middle market companies today deal with familiar finance and accounting challenges: high employee turnover, resource constraints, inefficient processes and outdated technology, all of which can hinder growth and productivity. Many of these companies have discovered that a holistic approach to finance and accounting optimization—one that aligns a finance team's people, processes and technology with a company's strategic business goals and priorities—offers an effective solution to these challenges.

However, more mid-sized organizations are under pressure to solve a new set of challenges:



Giving finance and accounting teams the agility needed to address changing rules, including revised revenue recognition and lease accounting standards, and emerging imperatives, such as aligning financial disclosures with a organization's environmental, social and governance (ESG) commitments.

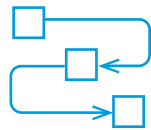


Optimizing finance teams for greater resilience: adapting and recovering quickly in the face of disruptions, volatility and uncertainty

RSM provides solutions that enable middle market finance and accounting teams to implement smart, sustainable, cost-optimized answers to these challenges. In this guide, we distill our industry-leading experience and insights into a set of best practices for future-proofing your mid-sized organization's finance and accounting operations—building resilience, reducing risk and enabling smarter growth, no matter what lies on the road ahead.

➤ Groundwork: Understanding and assessing your present capabilities

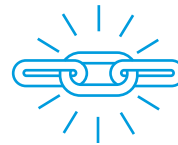
The first step in future-proofing your finance function involves understanding your team's current capabilities and areas of concern. A high-level snapshot includes five key tasks:



Evaluating the effectiveness of the current operating model



Taking inventory of major finance and accounting capabilities, tools and processes



Evaluating areas of relative strength and weakness within this inventory



Cataloging any work in progress to upgrade or expand these capabilities



Assessing priorities for future upgrades or for rolling out new capabilities

This information gives you a starting point, but it isn't enough. ----->

RSM best practice

Invest in a comprehensive finance and accounting discovery process with a deep-dive assessment across three standard dimensions:



TEAMS AND TALENT

- › How big is your team?
- › What skillsets and areas of knowledge are considered most valuable?
- › What is the state of your recruitment and retention programs?
- › Is your organizational design and structure aligned with your existing responsibilities and business goals?
- › Which functions, if any, do you outsource today?
- › Do you currently balance internal versus outsourced functions to optimize your processes and costs?
- › How effective is your third-party support network for payroll and other key functions?

BUSINESS PROCESSES

- › Are your reconciliations and general accounting functions generally accurate and efficient?
- › What are your current deadlines?
- › Do you consistently meet these deadlines?
- › Who currently uses your financial statements for decision-making or oversight activities (e.g., bank lenders, private equity investors)?
- › How is the business structured in terms of reporting hierarchy and regulatory oversight?
- › Are you consistently meeting your regulatory compliance and reporting obligations?

TECHNOLOGY

- › Where and how do your finance and accounting teams use technology to facilitate key tasks?
- › To what extent have you automated key processes or functions?
- › How many core finance activities still depend entirely upon manual processes?
- › How much time and attention does your team spend on tasks that *could* be automated?
- › Are you satisfied with the performance and reliability of your current systems?
- › Are you using AI, machine learning or other robotic process automation, or do you want to understand where these capabilities may add value?

RSM INSIGHT: Preparing for the future always begins in the present: Compile a current, comprehensive and honest assessment of your current finance and accounting capabilities, processes, priorities and attitudes. Before moving ahead, however, it's also important to understand how the pace of change has accelerated—and to think about what that means when it comes to planning and preparing for the future.

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➤ Change, complexity and chaos: Understanding today's finance environment



When RSM works with mid-sized organizations to improve finance and accounting performance, we recognize that every organization faces a unique set of business needs, performance goals and operational pain points or challenges. But our experience working with so many clients, representing such a wide range of industries, channels, regions and business models, has also confirmed that mid-sized firms share a universal challenge: dealing with change.

There are three ways that change drives significant sources of cost, complexity and risk for the middle market:

- Volatility—a measure of just how far and fast conditions can change—is a constant source of concern for many organizations.
- Rapidly evolving technology—technology evolves far more quickly today than it did just a few years ago, and there's no reason to believe this trend is stopping or even slowing down.
- Changing business models—every industry has experienced at least one wave of technology-driven disruption that upends business models, reshapes customer expectations and levels the playing field for new competitors.

RSM INSIGHT: For finance and accounting teams, change can be a catalyst for value and opportunity, but it can also create new sources of uncertainty and risk. Finance and accounting teams are learning how to tip the risk-reward balance in their favor when it comes to process and technology upgrades, but many still overlook the importance of people in this story.

RSM INSIGHT: Accounting teams that struggle to leverage technology innovation today will continue to fall further behind in the future. This is also true, however, for finance and accounting teams that invest blindly in technology "solutions" without understanding the problems they're trying to solve.

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RSM best practice

Finance and accounting teams that seek to improve resilience across their processes, technology and people are far more likely to achieve their future-proofing goals.

Midsized organizations should focus on four ways to build more resilient and adaptable finance and accounting teams:



Pursue talent with combined accounting and technology skills—potentially a major advantage as finance and accounting organizations continue to invest in automation, AI and other forms of advanced technology innovation.



Consider outsourcing, third-party solutions and offshore resources to support and complement in-house talent.



Strive to build diverse and dynamic finance teams that are better prepared to mitigate and minimize uncertainty and volatility.



Recognize that long-term challenges in hiring and retaining certain types of talent (most notably accounting graduates) will mean finding ways to do more with less, as well as doing what it takes to retain top talent.

The stakes are especially high for finance and accounting teams that are still trying to achieve a more balanced approach to building resilience. Enough companies have mastered this task, or are on the right track, to make playing catch-up a tall order for their less successful competitors.



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INDUSTRY-SPECIFIC INSIGHTS

Megatrend 1: Access to capital

Challenged to raise capital for growth?



Tech/media/telecom: Preparing businesses for investment; navigating the fundraising process; managing cash burn while driving growth



Real estate: Changing regulatory, sustainability and environmental, social and governance (ESG) requirements; stricter lending criteria and higher borrowing costs; volatility affecting valuation processes and norms

Megatrend 2: Workforce/talent

Struggling to find and retain star employees?



Life sciences: Mitigating the impact of rising wages and pricier benefits packages; recruiting and retaining talent with critical business, technology and science skills; international labor issues



Private equity: Talent shortages in critical leadership positions, especially within finance; CFOs typically replaced after merger or acquisition

Megatrend 3: Digital transformation

Pursuing the biggest upside with IT modernization and cloud migration?



Private equity: Enhanced operational efficiency; smoother on-ramp to speed of play; agility in responding to investor demands; technology underpins most value creation plans across sectors



Business and professional services: Practical automation applications; adopting data-driven decision-making; achieving operational efficiencies and process innovation

Megatrend 4: Cybersecurity

A never-ending battle to protect critical systems and data?



Health care: Patient data attracting skilled and persistent attackers; heavy compliance and reporting burden; cost and complexity of legacy and third-party IT systems



Business and professional services: Preventing data breaches; compliance with privacy laws across multiple jurisdictions; employee cybersecurity training and awareness



Nonprofit: Many nonprofit organizations are underprepared for a security breach, but a data theft can lead to damage to the organization's reputation and compromised trust with donors and stakeholders

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➤ Taking action: A 4-phased approach to finance and accounting modernization

It's important for middle market organizations to take a coordinated and comprehensive approach to all the changes required to build a resilient, robust, future-ready finance and accounting function. You can achieve this goal in the context of finance and accounting modernization: a structured, multi-stage methodology that aligns your needs, priorities and outcomes.

RSM best practice

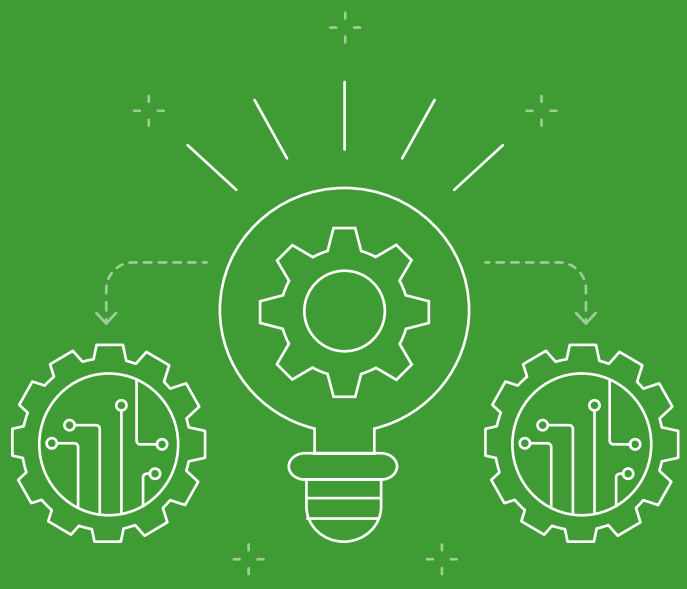
Finance and accounting modernization should follow a structured, four-phase methodology that builds resilience across every aspect of your company's people, processes and technology systems.

- **PHASE 1: ASSESS**
Taking the time to understand an organization and its needs before implementing any solutions is critical. The RSM assessment diagnoses your needs, sets priorities and identifies dependencies that may affect the implementation process. An assessment is also a critical tool for getting value from a modernization project: reducing cost and risk, minimizing waste and inefficiency and focusing resources where they are most useful. The assessment process is especially critical for technology implementation, ensuring faster time to value and minimizing the risk of project failure.
- **PHASE 2: IMPLEMENT**
In this phase, we move ahead with the targeted and prioritized people, process and technology improvements identified during the assessment stage. The implementation process may include a combination of in-house, fully outsourced and hybrid resources, depending on your mix of capabilities and available bandwidth.
- **PHASE 3: STABILIZE**
We devote a separate phase of our modernization strategy to a breaking-in period for newly implemented capabilities. This includes monitoring results, making adjustments and setting the stage for performance and efficiency gains. It's a critical step that is designed to avoid the complications and capability gaps that can result in projects that fall short of their goals or even fail completely.
- **PHASE 4: NORMALIZE**
Finally, we focus on long-term value and performance by continuing to deliver stabilized technology and process improvements. These improvements are another key to maximizing a program's performance, efficiency and reliability gains—and, ultimately, to establishing a more resilient, versatile and efficient finance and accounting function.

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➤ More ways to benefit from modernization

Our modernization strategy is a proven route to achieving finance and accounting resilience. But it's important to recognize all the ways modernization creates value for our clients.



RSM best practice

A structured approach to finance and accounting modernization should deliver value on three levels, above and beyond achieving your resilience goals.



RISK MITIGATION

As organizations build a more stable and resilient finance and accounting function, they benefit from a state of permanent audit readiness.



COST SAVINGS

The modernization process eliminates inefficient, unnecessary and redundant systems and processes. This leads to direct dollar-for-dollar cost savings, in addition to intangible, indirect sources of cost avoidance.



INTELLIGENCE AND AGILITY

Modernizing the finance function can accelerate the close process from weeks to days—freeing up resources and providing timely information for strategic planning and decision-making.

➤ Working with RSM: 7 unique keys to value



This guide was designed to give organizations a set of practical steps for building more resilient finance functions that have staying power to thrive and succeed in a fast-changing world. Many middle market organizations see the value in working with an advisor with the experience, knowledge and insights to set a clear path and help ensure a successful outcome.

Working with RSM can be especially valuable and rewarding, thanks to seven unique sources of value:

- A dynamic, responsive provider with extensive experience advising middle market clients
- A scalable advisor who supplies the right solutions and services throughout the business life cycle—from startup to IPO, exit or through any business transition or growth opportunity
- Best practices and recommendations based on a successful blueprint that are tailored to your unique needs and goals

- A portfolio of technology solutions that meet your individualized requirements
- A deep bench of advisors with industry-specific experience and first-rate domain knowledge, from finance and accounting to technology and taxes
- An industry-leading commitment to operational excellence

Above all, we are committed to serving as a trusted and reliable source of advice and insights. We begin every engagement with a detailed assessment—a critical first step to understanding your needs and establishing the foundation for our holistic approach to finance and accounting optimization.

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➤ Your key to staying one step ahead

Guiding a midsized organization toward its growth and profitability goals has never been more challenging—but the opportunities have also never been more compelling for companies that rise to the challenge. Working with RSM can make the difference, giving your finance and accounting team the experience, sound advice and practical insights needed to stay one step ahead in a fast-changing world.

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