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CPE Status

Criteria for Full Credit

○ Minutes to Watch: 50

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The Association of Accountants and Financial Professionals in Business

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Moderator

Sue Khawaja

Business Development Manager, Business Development

IMA

Featured Presenter

Bill Marchionni, CPA

Account-to-Report Global Advisory Program Leader

The Hackett Group

Bill Marchionni's Biography

- Mr. Marchionni serves as the Global Program Leader for the Account-to-Report Advisory program. In this role he assists CFOs, Controllers, and other Finance leaders with their transformation efforts through insights gained during over 25 years of work in public accounting, industry and consulting. His expertise is in Finance Operations and Finance Transformation, including the areas of finance function re-design; process re-engineering; revenue and cost management; working capital management; strategic planning, forecasting and analysis; and statutory reporting.

- Prior to joining The Hackett Group, Bill served as CFO of a privately held diversified consumer products company. Prior to that, he held an executive level finance position at a publicly traded energy provider. Mr. Marchionni has also worked for Big-4 Consulting and Auditing firms.

- Mr. Marchionni received his MBA from Emory University, and his B.S. from New York University, and is also a Certified Public Accountant.

Learning Objectives

1. Describe the quantitative performance levels and underlying best practices of digital world-class record-to-report organizations.

2. Explain how leading companies transform raw transactional data into valuable information for other parts of the enterprise.

3. Recognize how to free up capacity to engage in knowledge-based work.

4. Summarize the impact of digitization on the skills, roles, and responsibilities of record-to-report professionals.

Hackett Overview

Hackett has empirically defined digital world-class and has the intellectual property and end-to-end transformation understanding needed to get you there

The Hackett Group brings a broad array of integrated, business improvement capabilities and intellectual property to help our clients drive solutions and improve both efficiency and effectiveness in their organizations
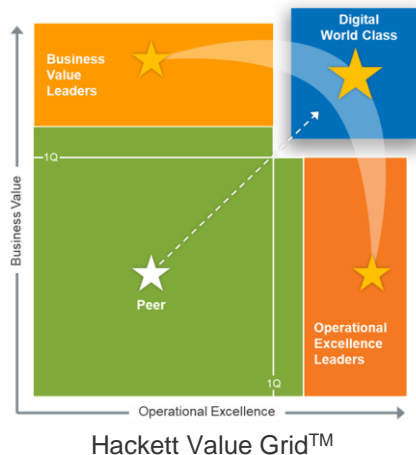
Hackett has Empirically Defined Digital World-Class

Business Value
- Effective decision support
- Better alignment to the needs of the business
- Higher quality & accuracy

Operational Excellence
- Lower total costs
- Faster cycle times
- Higher productivity

Hackett Value Grid™

Hackett's intellectual property explains how to close the gaps

93%

of Dow Jones Industrials

91%

of Fortune 100

96%

of Dow Jones Global Titans

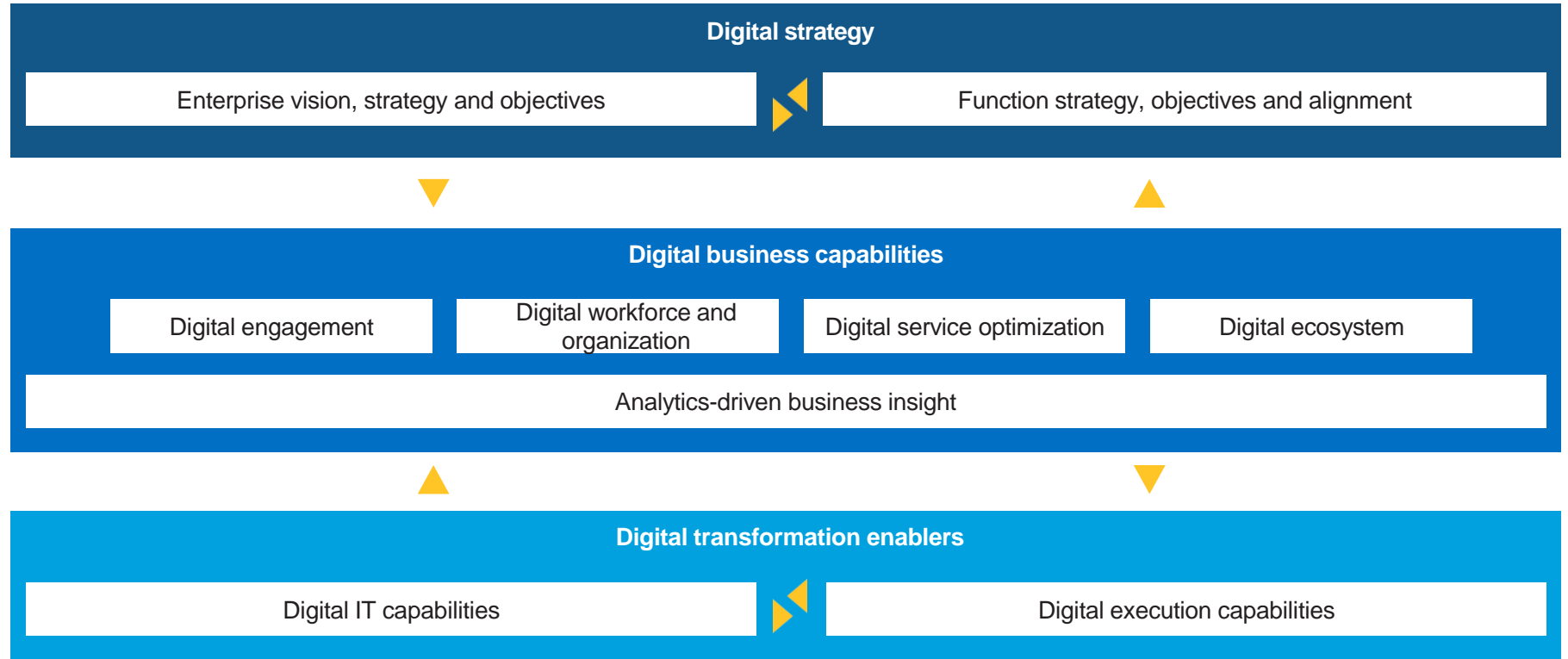39,295 Performance metrics 19,750 Benchmarking studies 2,000 Best practices 700+ Process maps

330 Implementation and configuration guides 30+ Best practices scorecards

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Contents

- Digitization
- CFO's Perspective on Account-to-Report
- Account-to-Report Digital Performance Levels
- Integrated Value Chain
- Impact of Digitization on Talent
- Closing Thoughts

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The Five Essential Digital Business Capabilities

Digital strategy

Enterprise vision, strategy and objectives

Function strategy, objectives and alignment

Digital business capabilities

Digital engagement

Digital workforce and organization

Digital service optimization

Digital ecosystem

Analytics-driven business insight

Digital transformation enablers

Digital IT capabilities

Digital execution capabilities

Source: The Hackett Group

Getting to digital world class requires focus on six key levels

1. Technology enablement

26% more Account-to-Report process automation

2. Data and analytics

38% more analytical time focused on proactive decision-making

3. Modern architecture

32% of finance organizations with large-scale cloud deployments that are more likely to meet enterprise objectives

4. Operating model evolution

80% more enterprise-aligned resources in the next-generation operating model, with a focus on digital operations as a backbone for finance

5. End-to-end process ownership

75% more highly likely to have an end-to-end general ledger accounting/consolidation process with a dedicated owner

6. Business partnering and talent management

5.8X more finance managerial and professional staff rotated through business operations as part of a formal career development program

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Poll Question #1

Which of the following areas are 'top of mind' to you and your Record-to-Report organization? (Please select all that apply)

a) Human capital

b) Technology

c) Organization and governance

d) Analytics and information

e) Intercompany accounting

f) General accounting and close

Poll Question #1 Results Placeholder

The Record-to-Report Function: What is 'top-of-mind' for CFOs today?

There are six topics that most often come up when speaking with Finance leaders today

Current state of A2R	Human Capital *Are we able to acquire and retain the right talent with the right skills?*	Technology *Are we leveraging best practice technology enablement to drive efficiencies?*	Service Partnering *Should we build internally (captive/ in-source) or by (outsource)?*	Service Delivery *Have we deployed best practices and leveraging end-to-end process standards?*	Organization & Governance *Do we have the right governance in place to drive standardization and capabilities?*	Analytics and Info Management *Are we measuring what matters and do we have the right reporting in place?*
Cost Accounting		✓				
Project Accounting		✓				✓
Fixed Asset Accounting	✓	✓	✓			
Intercompany Accounting		✓	✓	✓	✓	✓
General Accounting & Close	✓	✓	✓	✓	✓	✓
Enterprise Consolidation	✓	✓			✓	
External Reporting	✓	✓			✓	✓

Human Capital: *The skills gaps are continuing to widen in key areas…need to improve retention and acquisition of the right people*

Technology: *Nearly every process has technology challenges not currently solved by current application and system architecture.*

Organization & Governance: *Lack of strong process governance drives inefficiencies within the core accounting processes.*

Analytics and Information Management: *Large amounts of data exist; however, have limited information to make business decisions.*

Intercompany Accounting: *Transaction volumes continue to grow due to upstream transactional issues…current ERP does not support matching so most work is done within Excel…considering outsourcing process*

General Accounting & Close: *Process takes too long…closing journal volumes are growing and most are not necessary…reconciliations are labor intensive…most adjusting journals are caused by ineffective technology solutions and transactional errors in upstream processes*

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Simplify, Standardize and Eliminate

Improvement with the close process is a critical first step that of often overlooked

Month-end processes not documented and managed
Closing processes should be evaluated to ensure only the most critical and time sensitive activities are performed and ensure the process is effectively monitored

Reconciliations are cumbersome and time consuming

Reconciliations should be assessed to determine timing and frequency as well as apply risk tolerances to specific accounts

Chart of accounts are not consistent

Assessment should be performed to drive to a single common chart of accounts where possible

Journals and intercompany transactions are excessive

Ensure thorough understanding of journal types including intercompany trading partners to determine opportunities to simplify and potentially eliminate unnecessary work

Materiality thresholds are not followed

Evaluate extent to which materiality policies exist and extent to which they are followed to identify additional opportunities for removal of work

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Poll Question #2

Which of the following best describes your Finance / Record-to-Report organization's current transformation focus?

a) We have major initiatives underway that will impact Record-to-Report

b) We are primarily in continuous improvement mode

c) Initiatives are task specific (do not cover the entirety of a process)

d) Other

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Poll Question #2 Results Placeholder

Transformation of Record-to-Report is a process of simplification, standardization of data and workflow integration, and enabling digital technologies

Common

- **Exception reports are manually retrieved to identify process errors or out-of-tolerance conditions**
- Centralized repositories for work papers and supporting documentation
- Some standardization on intercompany charges confirmations and settlements
- **Standardized journal entry and account reconciliation** templates, policies, procedures
- Clear definition and application of materiality and estimate thresholds
- Consistent and integrated close checklists and calendars
- Minimized use of top-side entries

Achieving

- **Exception reports are published for general distribution to identify process errors or out-of-tolerance conditions**
- **Standardized process for intercompany charges confirmations and settlements requires manual intervention**
- Integrated consolidation, with drill down capabilities
- **Point solutions introduced** to address account reconciliations and consolidations
- Automated **financial reporting with integrated reporting tools** tied with XBRL to automate external reporting
- Leverage GBS and Centers of Excellence to drive global close effectiveness
- **Aligned chart of accounts and ledger design** to seamlessly support statutory and legal entity reporting

Next Generation

- **Exception reports published and routed to process owners for review and to resolve identified conditions**
- **Automated, digitalized reconciliation processes**
- **90%+ automated journal entries**
- **Automated intercompany matching & reconciliation**
- **Continuous versus monthly close**
- **Single source of truth enabled by thick ledger or accounting hub**
- **RPA and machine learning to drive automated close process and fill in system "white spaces"**
- **Data Lake architecture to support consistent, near real time global reporting data**
- **Drive visibility and continuous improvement with Process Mining tools**
- **Virtual Audit of transaction processes**

Top Performers have significant performance advantages in efficiency, standardization and automation

Top Performers have significant performance advantages

Record-to-Report Efficiency	Record-to-Report Process Standardization	Record-to-Report Process Automation
Lower Overall Process Cost — **59%**	Chart of Accounts Complexity (fewer accounts) — **57%**	Higher R2R systems integration — **42%**
64% — Lower Intercompany Process Cost	**58%** — More standardized policies	**25%** — Higher journal entry automation
Fewer Overall FTEs — **52%**	Prevalence of a Record-to-Report Global Process Owner — **2X**	Higher levels of account reconciliation automation — **73%**

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There are Three Key Levers that "Move the Needle" in Record-to-Report

Experience shows that to achieve World Class Record-to-Report, companies should focus the close and must approach transformation in this sequence

Simplify

Standardize

Eliminate

Automate

Relocate

1 — Evaluate end-to-end processes, transactions, policies and capabilities and improve

2 — Exploit technology to automate processes

3 — Where human intervention is necessary, place service in optimal location

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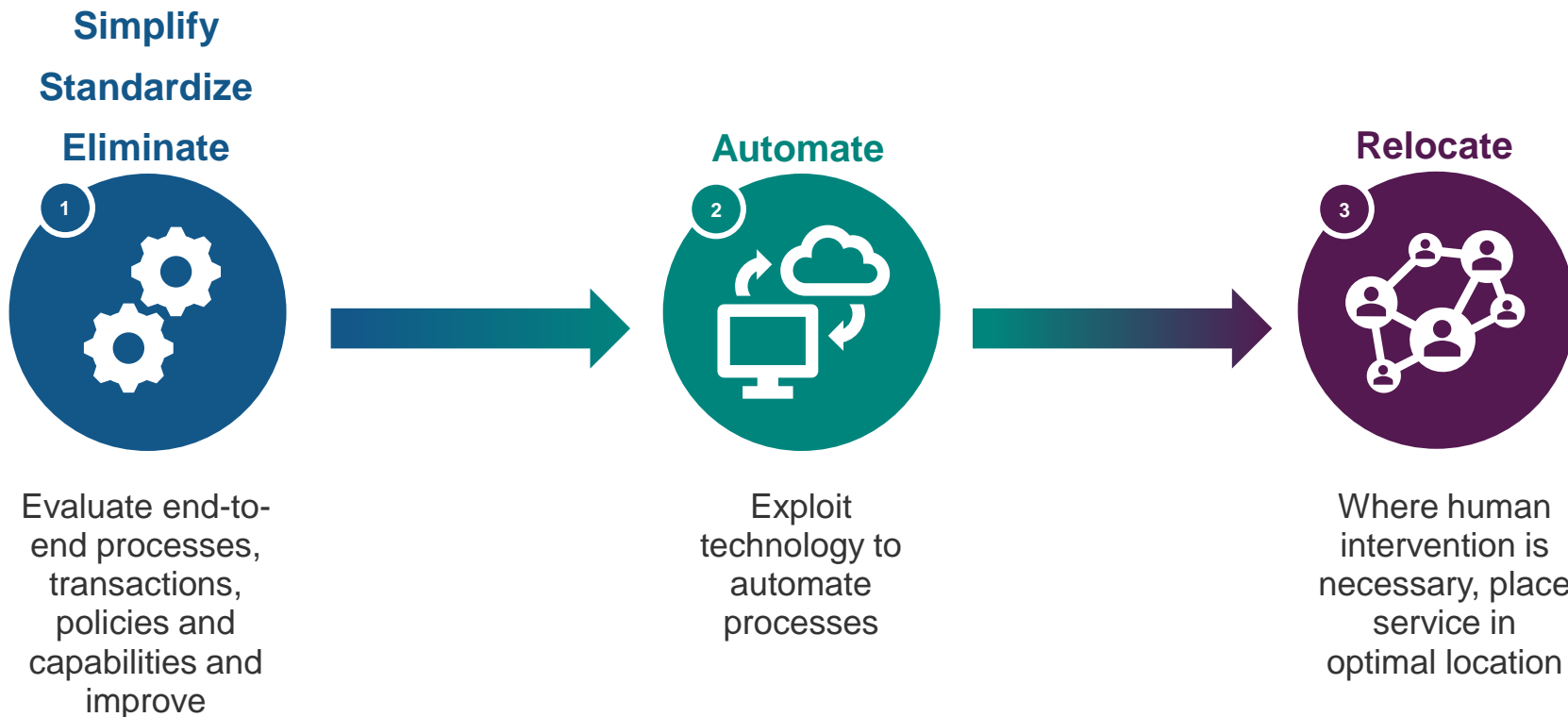
Things to do to Achieve Top Performance

1	Eliminate, Simplify, Standardise then Automate
2	Standardise the calendar tasks
3	Define and implement clear roles for the full end to end process
4	Use SSCs to execute high proportion of tasks
5	Remember…materiality is your friend
6	Co-ordinate the close centrally
7	Choose good KPIs and set targets
8	Dedicated CI focus to deliver targets

9	Try to do manual journals earlier
10	Move manual journals to rules based approaches
11	Risk assess the balance sheet
12	Fully automate the fixed assets process
13	Make the fixed assets process error free
14	Instill governance around the Intercompany process
15	Drive for intercompany process automation across all scenarios
16	Centrally manage lease accounting

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Poll Question #3

Which of the following best describes your current Record-to-Report technology architecture?

a) Fragmented

b) Predominantly ERP

c) ERP coupled with Best in Breed solutions

d) Other

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Poll Question #3 Results Placeholder

Finance has several component process areas that are part of an integrated value chain

There are often areas of overlap between account to report and other analysis and reporting processes

Source Transactions → Recording → Accounting → Reporting → Analysis → Modelling

Purchase to Pay
Customer to Cash
Time to Pay
Production

Tax

Account to Report

Finance Planning & Analysis /Controlling

Treasury

Risk Management and Control Monitoring

Master Data Management

Service & Relationship Management

Analytical Insight and Intelligence

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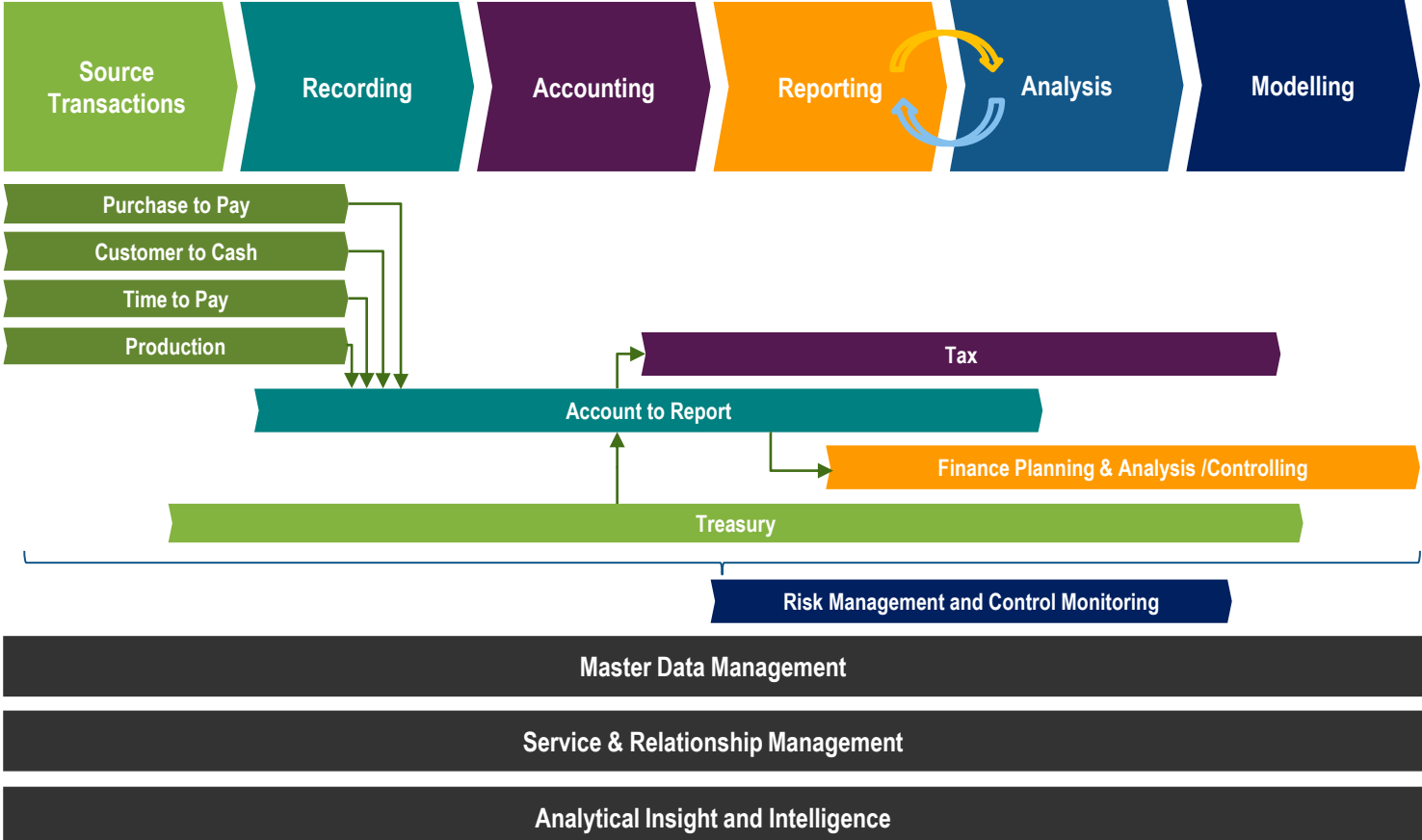
Top Performers understand the systems landscape in a functional sense……

Best-of-breed technology

Enterprise resource planning (ERP) core

Master data governance tools

Group consolidation and reporting systems

Analytics and modelling tools

Interfaces from digital sources

Data warehouse systems

Chatbots

Cognitive automation programs

Intelligent data capture

Natural language generation

Robotic process automation

Data visualisation tools

Finance illustration

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Modern finance system architecture

The full finance function is dependent upon an architecture that is growing in complexity
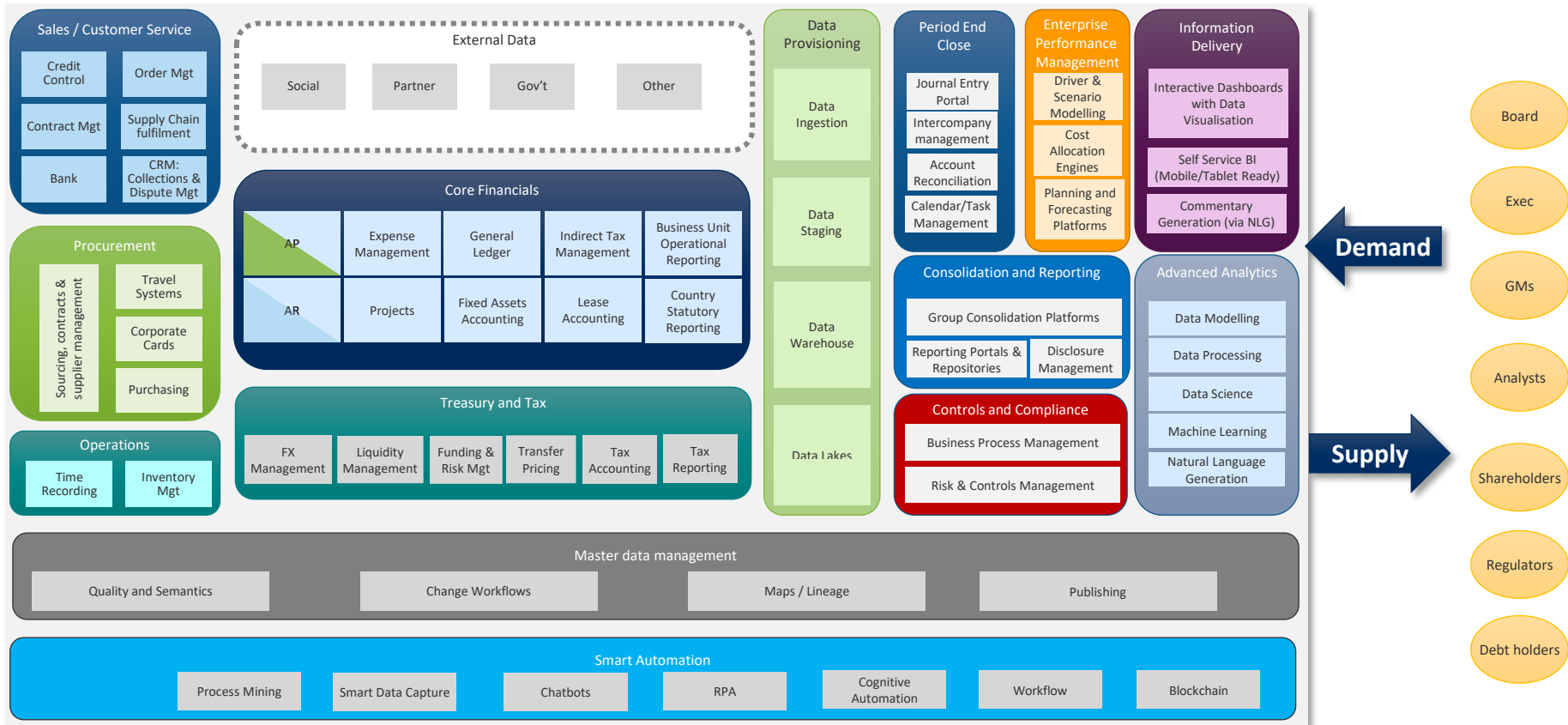
Modern architecture

Becoming digital world-class requires a simplified and integrated finance technology architecture

22%
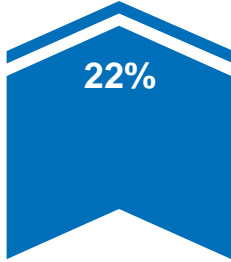
Projected YOY growth in adoption of cloud-based point solutions

11%

Decline in the use of legacy applications

42%
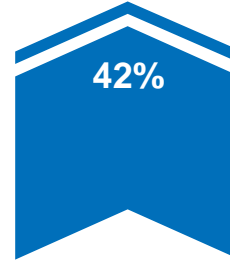
Higher integration of subsystems with the GL vs. peers
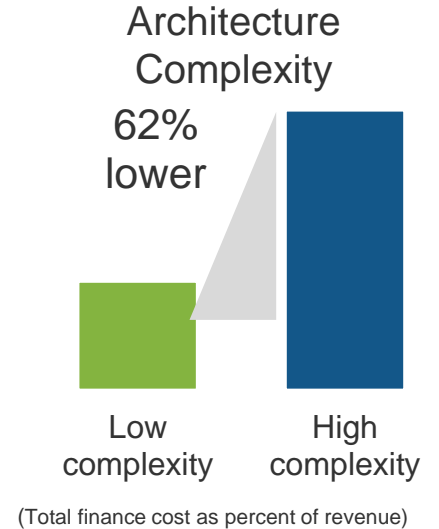
Architecture Complexity

62% lower

Low complexity

High complexity

(Total finance cost as percent of revenue)

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Poll Question #4

**Which areas of talent management in Record-to-Report are areas of focus for you and your organization?
(Please select all that apply)**

a) Identifying and developing the skills of the future

b) Record-to-Report effectiveness in a remote / hybrid working model

c) Retention and development of staff

d) Other

Poll Question #4 Results Placeholder

The talent landscape is shifting away from a workforce doing transactional work to a knowledge-centric talent pool

Traditional roles are changing	New roles have and are emerging

Traditional roles are changing:
- Data entry clerks
- Financial analysts
- Assembly and factory workers
- Business services managers
- Customer service workers

New roles have and are emerging:
- Data analysts and scientists
- Innovation specialists
- Process automation specialists
- People and culture specialists
- Service and solutions designers

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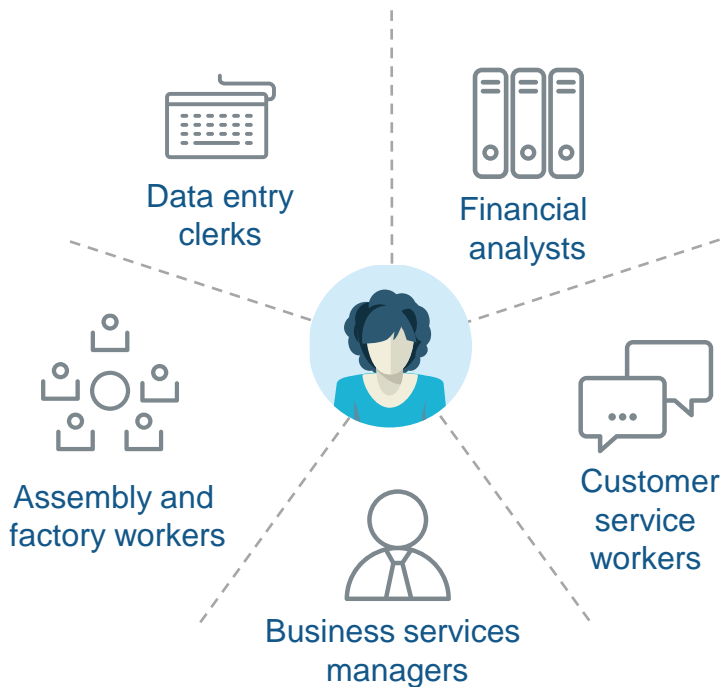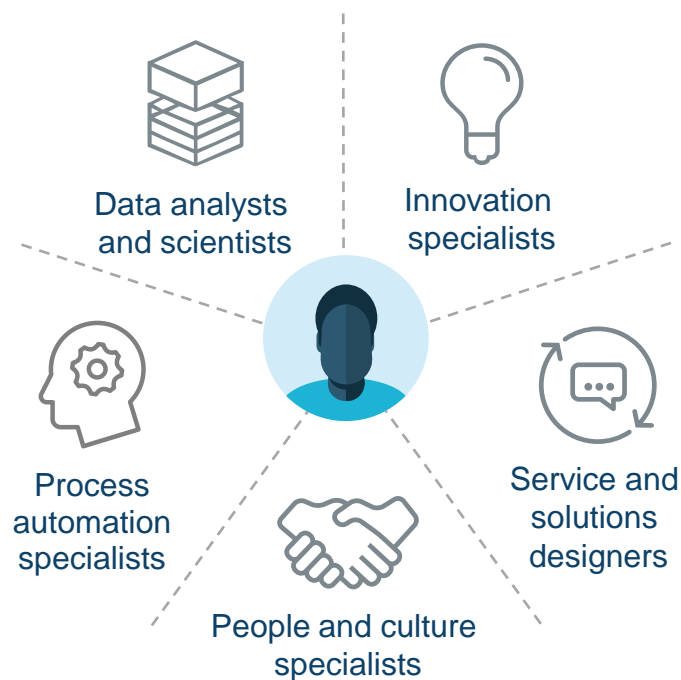
In fact, this shift has the potential to dramatically alter the shape and resource allocation across the finance organization

Capabilities

Current

Future

- **Insight Delivery**
- **Cognitive & Analytics**
- **Data Normalization & Governance**
- **Foundational & Transactional**

70% reduction in labor driven by intelligent automation

Intelligent automation will empower the workforce to add more **value** at **rapid** speeds

Organizations must **re-imagine** their operating model to meet evolving requirements

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As a result, finance professionals will have to master multiple skills to deliver on the function's expanded mandate

Data & tech savviness

Process data and extract relevant information knowledge of analytical tools and methodologies translates analyses into actionable plans

Strategic mindset

Develop strategic frameworks and visions anticipates market changes address challenges and outline future direction

Creativity and innovation

Create diverse and novel ideas, or novel combinations of ideas create and recognize new patterns/categories curiosity, broad interests, constructive criticism

Business acumen

Understand key business drivers Knowledge of factors, priorities and business demands. Identify problems and prioritize alternatives
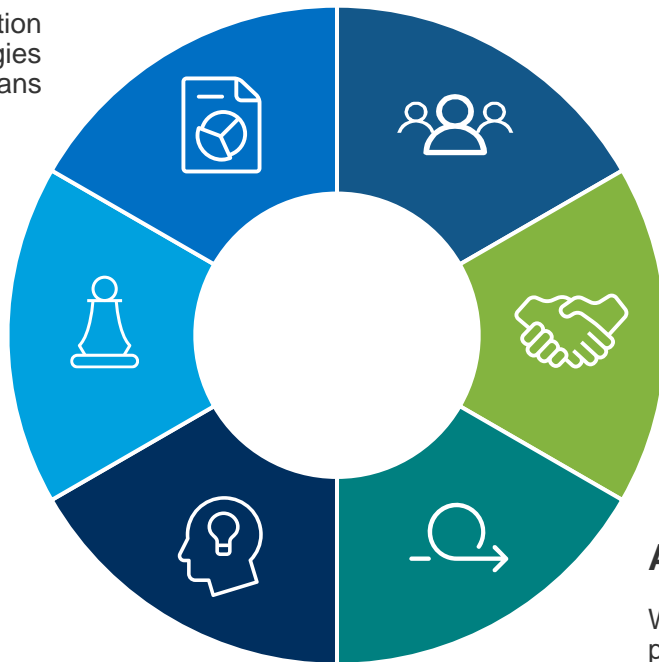
Relationship management

Advanced interpersonal skills; high social and emotional intelligence positively influence decisions open, approachable, collaborative

Agility and change orientation

Welcomes change comfortable with shifting priorities able to deal with ambiguity

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The skills initiative is growing to drive next generation capabilities within Finance

Current skills gaps and expected growth of demand in business services functions

Skill	Current skills gap	Demand growth in next 2 years
Technology Savviness	50%	89%
Data Savviness	55%	83%
Service Design	47%	80%
Analytics and Modeling	60%	73%
Creativity and Innovation	43%	73%
Customer Focus	19%	69%
Business Acumen	29%	69%
Versatility	36%	67%
Critical Thinking	32%	63%
Agility and Change Orientation	39%	63%

■ Current skills gap (large/very large skills gap)   ■ Demand growth in next 2 years (demand will increase/greatly increase)

Business acumen
- Understand key business drivers
- Business process engineering
- Lean process management
- Knowledge of factors, priorities and business demands
- Identify problems and prioritize alternatives

Data savviness
- Process data and extract relevant information
- Knowledge of analytical tools and methodologies
- Translates analyses into actionable plans

Strategic mindset
- Develop strategic frameworks and visions
- Anticipates market changes
- Address challenges and outline future direction

Agility and change orientation
- Welcomes change
- Comfortable with shifting priorities
- Able to deal with ambiguity

Creativity and innovation
- Create diverse and novel ideas, or novel combinations of ideas
- Create and recognize new patterns/categories
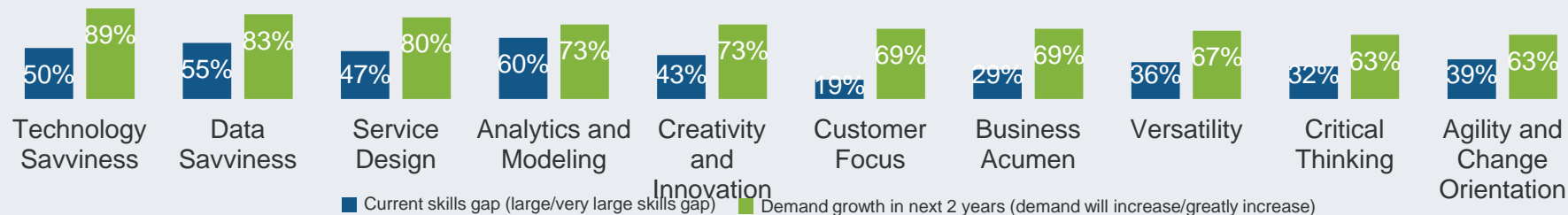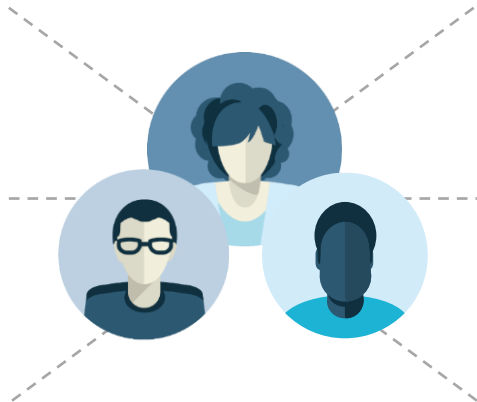- Curiosity, broad interests, constructive criticism

Relationship management
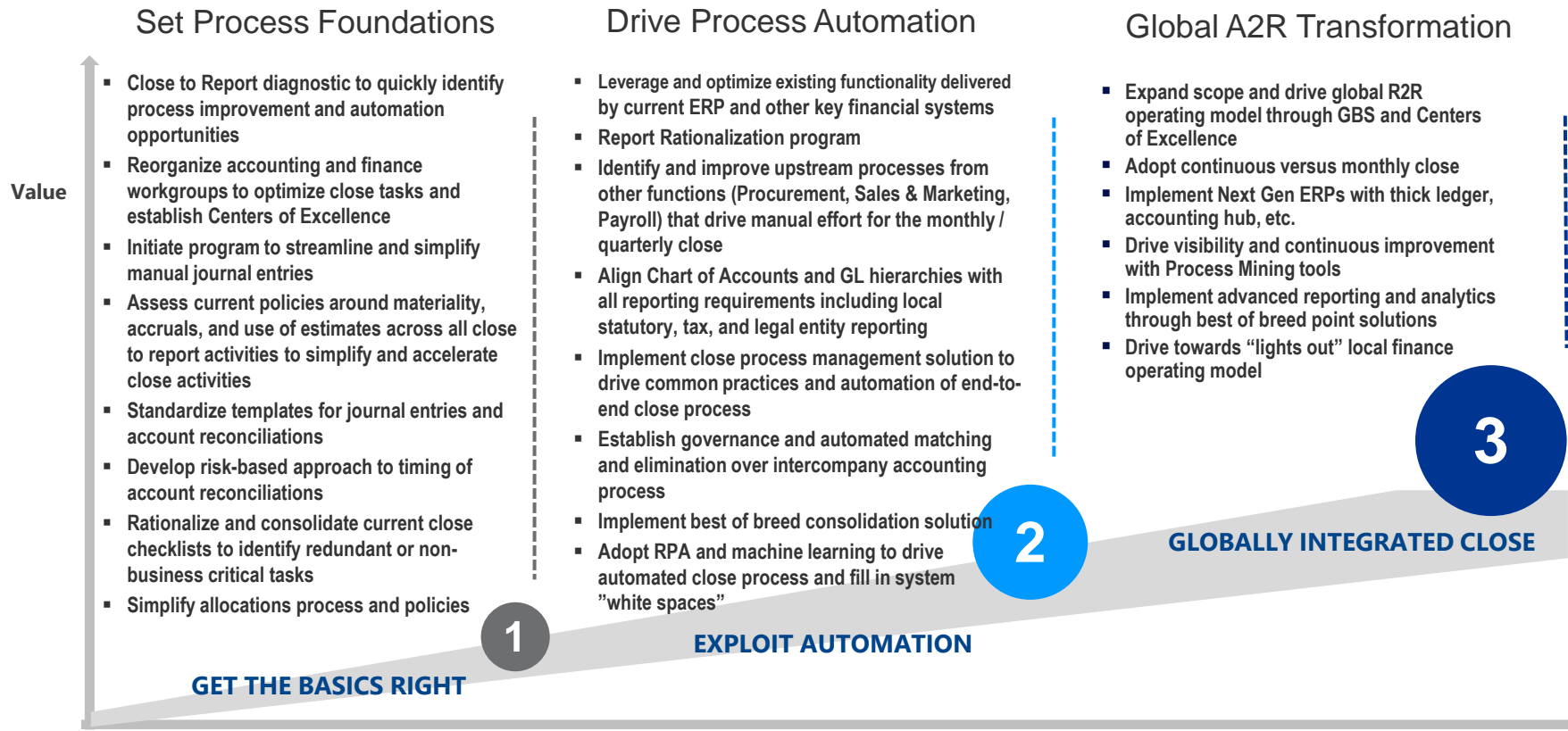- Advanced interpersonal skills; high social and emotional intelligence
- Positively influence decisions
- Open, approachable, collaborative

Source: The Hackett Group Key Issues Study

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Leading companies embark on programs enabled by automation technologies. First, they must establish foundational capabilities

Set Process Foundations

- **Close to Report diagnostic to quickly identify process improvement and automation opportunities**
- **Reorganize accounting and finance workgroups to optimize close tasks and establish Centers of Excellence**
- **Initiate program to streamline and simplify manual journal entries**
- **Assess current policies around materiality, accruals, and use of estimates across all close to report activities to simplify and accelerate close activities**
- **Standardize templates for journal entries and account reconciliations**
- **Develop risk-based approach to timing of account reconciliations**
- **Rationalize and consolidate current close checklists to identify redundant or non-business critical tasks**
- **Simplify allocations process and policies**

Drive Process Automation

- **Leverage and optimize existing functionality delivered by current ERP and other key financial systems**
- **Report Rationalization program**
- **Identify and improve upstream processes from other functions (Procurement, Sales & Marketing, Payroll) that drive manual effort for the monthly / quarterly close**
- **Align Chart of Accounts and GL hierarchies with all reporting requirements including local statutory, tax, and legal entity reporting**
- **Implement close process management solution to drive common practices and automation of end-to-end close process**
- **Establish governance and automated matching and elimination over intercompany accounting process**
- **Implement best of breed consolidation solution**
- **Adopt RPA and machine learning to drive automated close process and fill in system "white spaces"**

Global A2R Transformation

- **Expand scope and drive global R2R operating model through GBS and Centers of Excellence**
- **Adopt continuous versus monthly close**
- **Implement Next Gen ERPs with thick ledger, accounting hub, etc.**
- **Drive visibility and continuous improvement with Process Mining tools**
- **Implement advanced reporting and analytics through best of breed point solutions**
- **Drive towards "lights out" local finance operating model**

Value

1 **GET THE BASICS RIGHT**

2 **EXPLOIT AUTOMATION**

3 **GLOBALLY INTEGRATED CLOSE**

Closing Thoughts

1	**Gain a mandate to standardize**
2	**Invoke a group-level operating model**
3	**Invest in securing and retaining the best talent**
4	**Focus on optimizing and combining traditional and digital-era technologies**
5	**Rest performance targets and align with continuous improvement goals**

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Questions and Answers

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Thank You to Our Featured Presenter!

Bill Marchionni, CPA

Account-to-Report Global Advisory Program Leader

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Final Reminders

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  - On your screen
  - Evaluation Survey icon at the bottom of your console

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    <u>or</u>

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