

Redefining Digital World-Class Record-to-Report

Bill Marchionni, CPA

Zach Deming

August 17, 2022



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Q&A

Asking Questions



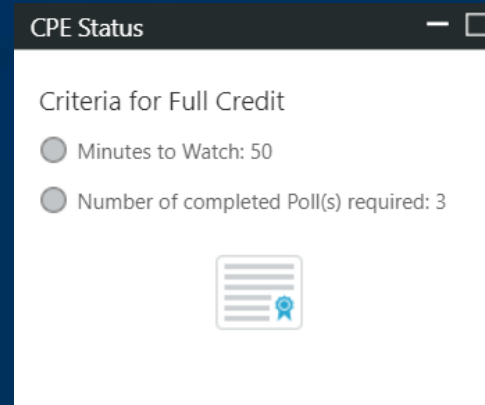
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Moderator

Sue Khawaja

**Business Development Manager,
Business Development
IMA**



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Featured Presenter

Bill Marchionni, CPA

Senior Director, Finance Advisory Services,
A2R Global Program Leader
The Hackett Group



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Bill Marchionni's Biography

- Bill Marchionni serves as the Global Program Leader for the Account-to-Report Advisory program at The Hackett Group. 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.
- Bill received his MBA from Emory University, and his B.S. from New York University, and is also a Certified Public Accountant.

Featured Presenter

Zach Deming

Vice President,
Marketing
BlackLine



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Zach Deming's Biography

- Zach Deming is the vice president of marketing at BlackLine. In this role, he partners with accounting and finance leaders to help them realize how traditional manual accounting process are not sustainable. After fifteen years in the industry, he has seen first-hand how technology has empowered thousands of accounting teams to automate the ordinary, so they can shift their focus to the extra-ordinary. Zach believes the Accounting department is the best equipped with the data, knowledge, and expertise needed to guide their companies with strategic and actionable business intelligence.
- BlackLine is an organization that drives digital transformation for finance and accounting teams, in part by encouraging a mindset of continuous improvement. Zach firmly believes that this is a concept every part of the business must embrace. While change management is hard, he believes if you don't adapt and evolve, then you put you and your organization at a competitive disadvantage. Connect with Zach on LinkedIn.

Learning Objectives

1. Recognize best practices for addressing and reducing record-to-report process complexity.
2. List the six components of a world-class record-to-report service delivery model.
3. Explain how digital world-class organizations are leveraging technology for sustained and differentiated performance.

Poll Question 1:

How have recent market conditions impacted your digital transformation roadmap?

- a. Nothing has changed, we were and still are full steam ahead
- b. We paused some, or all, of our efforts due to the current business environment
- c. We are still progressing but have slowed efforts on a few fronts
- d. We are accelerating digital transformation efforts

Poll Question 1 Results: (Placeholder)

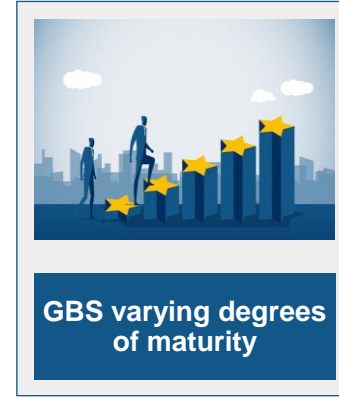
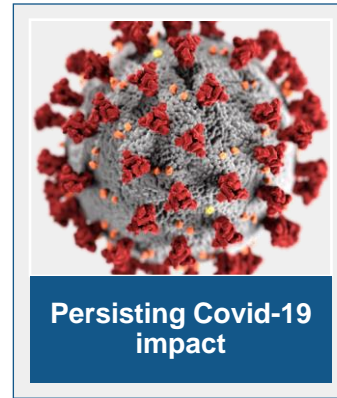
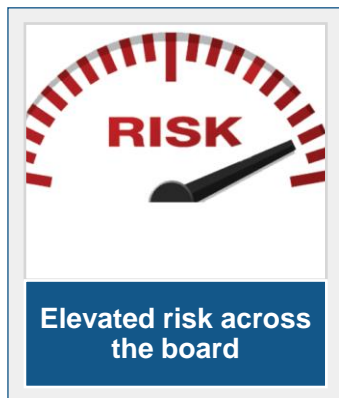
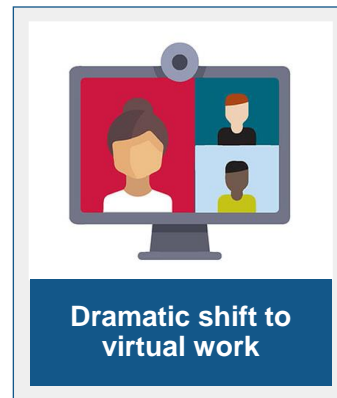
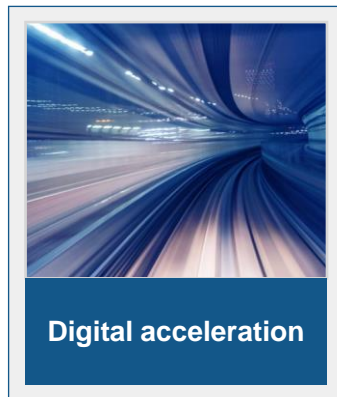
Agenda

1. Digital, and the Impact on Skills
2. Complexity, and the Service Delivery Model
3. Record-to-Report (R2R): Cycle Times and Cost
4. Select R2R Best Practices
5. Aligning F&A Priorities to Strategic Objectives
6. Rethinking Accounting: How to Shift from Cost Center to Value Creation
7. Q&A

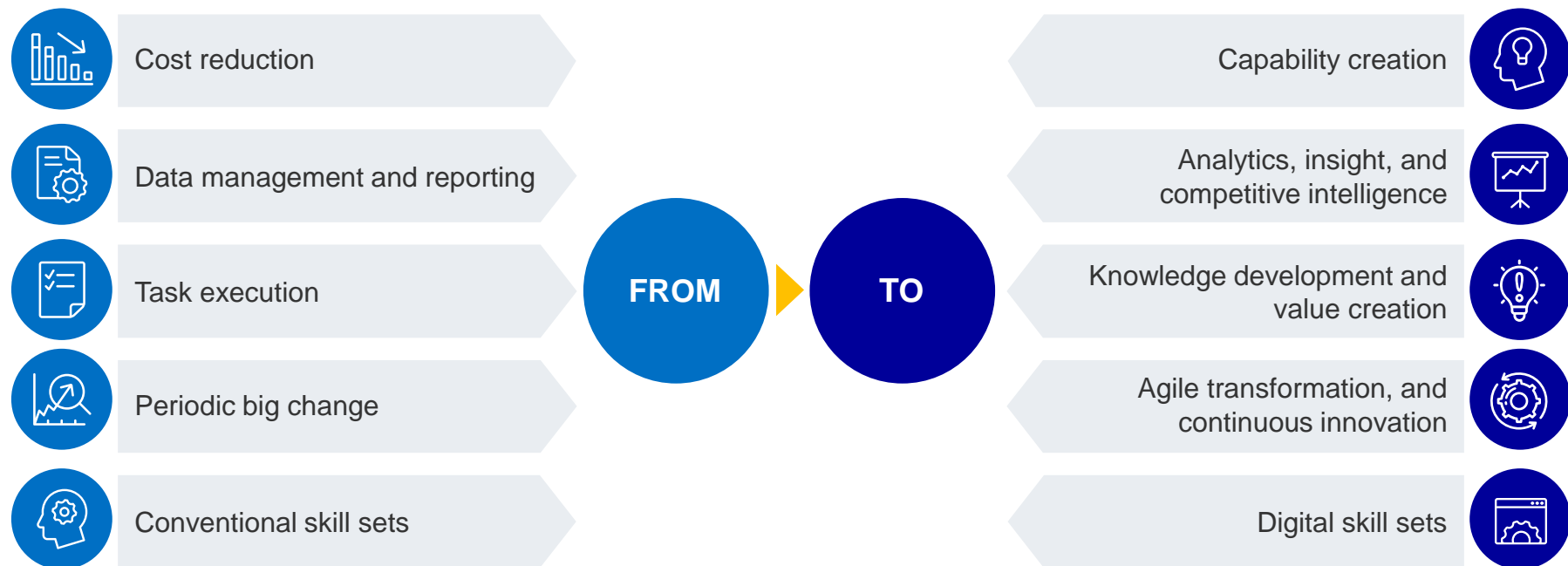


Digital, and the Impact on Skills











We are living with unprecedented volatility and uncertainty and fast pace of change



Companies continue to shift their focus to drive competitive advantage



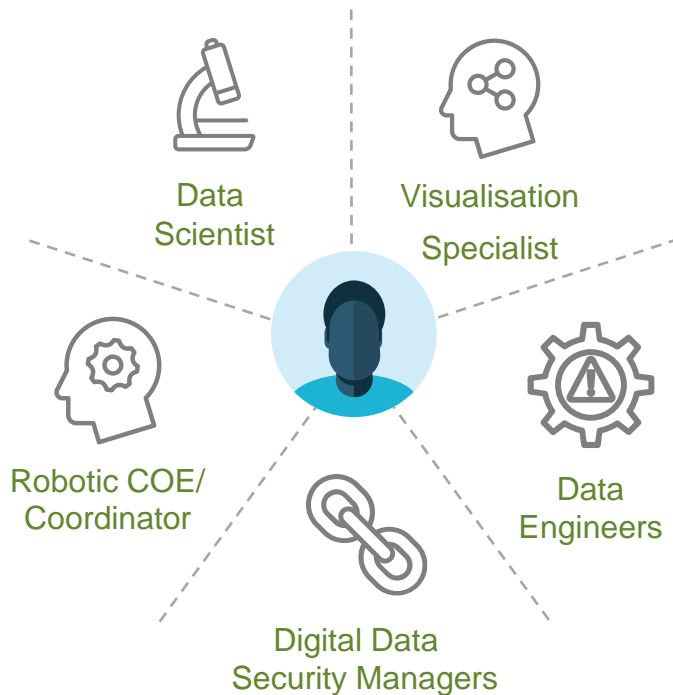
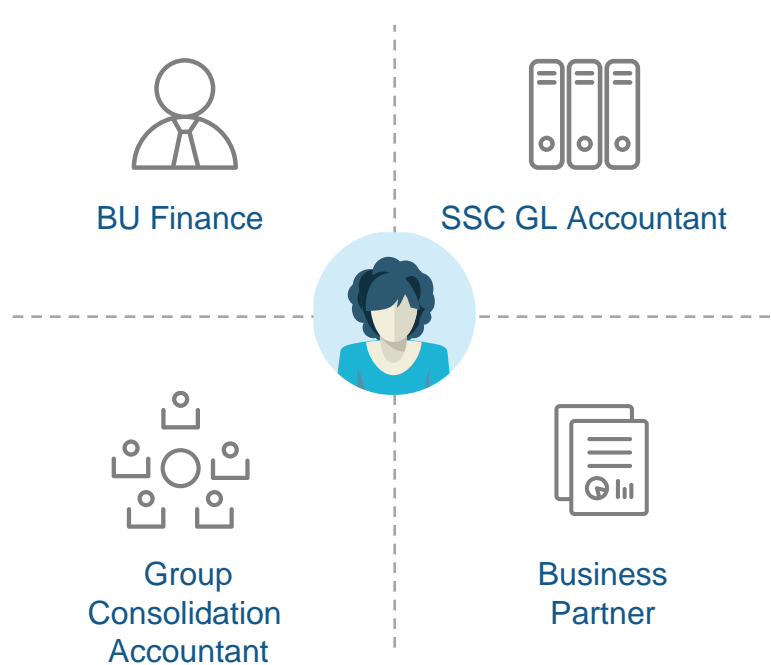
The critical skills to drive digital success are more than “digital”

<p>AGILITY & CHANGE ORIENTATION</p> <p>Comfortable with change and shifting priorities; able to deal with ambiguity and uncertainty.</p> 	<p>DATA SAVVINESS</p> <p>Ability to analyze and interpret data for key messages and storylines to support business-decision making.</p> 	<p>ANALYTICS AND MODELING</p> <p>Ability to perform statistical data analysis using multiple methods, modeling techniques and associated tools.</p> 	<p>SERVICE DESIGN</p> <p>Skilled at customer-centric design of end-to-end processes. Ability to analyze and design process changes that improve customer experience</p> 	<p>TECHNOLOGY SAVVINESS</p> <p>Affinity with and understanding of technology and how to use digital tools to improve service delivery.</p> 
<p>CREATIVITY AND INNOVATION</p> <p>Ability to create diverse and novel ideas; curiosity, broad interests and boldness.</p> 	<p>VERSATILITY</p> <p>Possessing an all-around, multi-faceted skill set that can be used to perform a wide variety of jobs and tasks.</p> 	<p>CRITICAL THINKING</p> <p>Ability to conceptualize, apply, analyze, synthesize, and/or evaluate information.</p> 	<p>BUSINESS ACUMEN</p> <p>Ability to understand key business drivers; knowledge of factors, priorities and business demands.</p> 	<p>CUSTOMER FOCUS</p> <p>Ability to empathize with its internal stakeholders and focus on optimizing and continually improving user experiences.</p> 

For the world of finance and accounting, the roles involved are changing

Traditional roles are changing

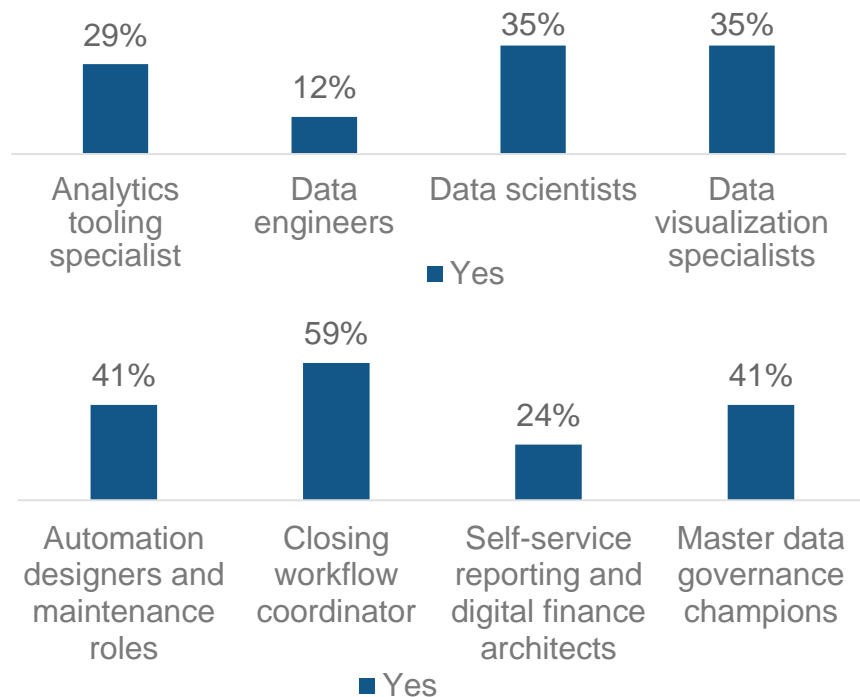
New roles have and are emerging



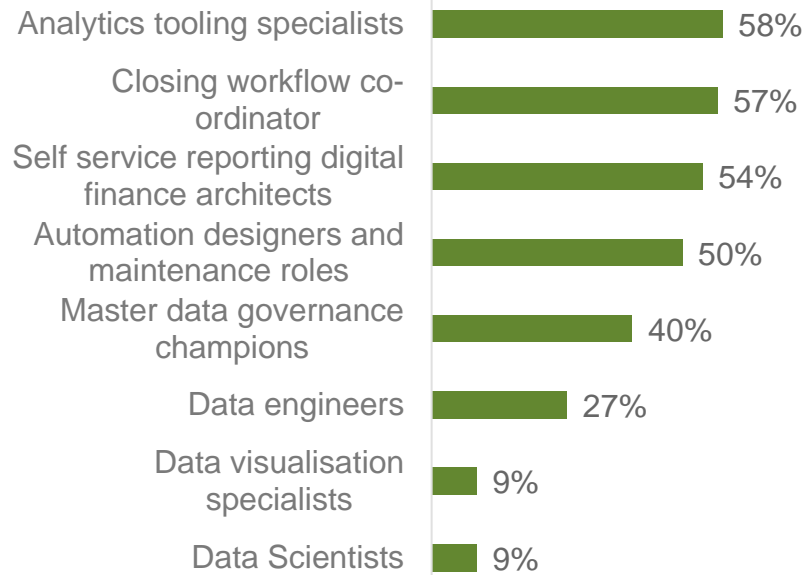
There is an expectation that there needs to be investment in new roles

Data engineering, data science and data visualization roles are not as much of a priority for A2R typically

What new / emerging roles do you have today?



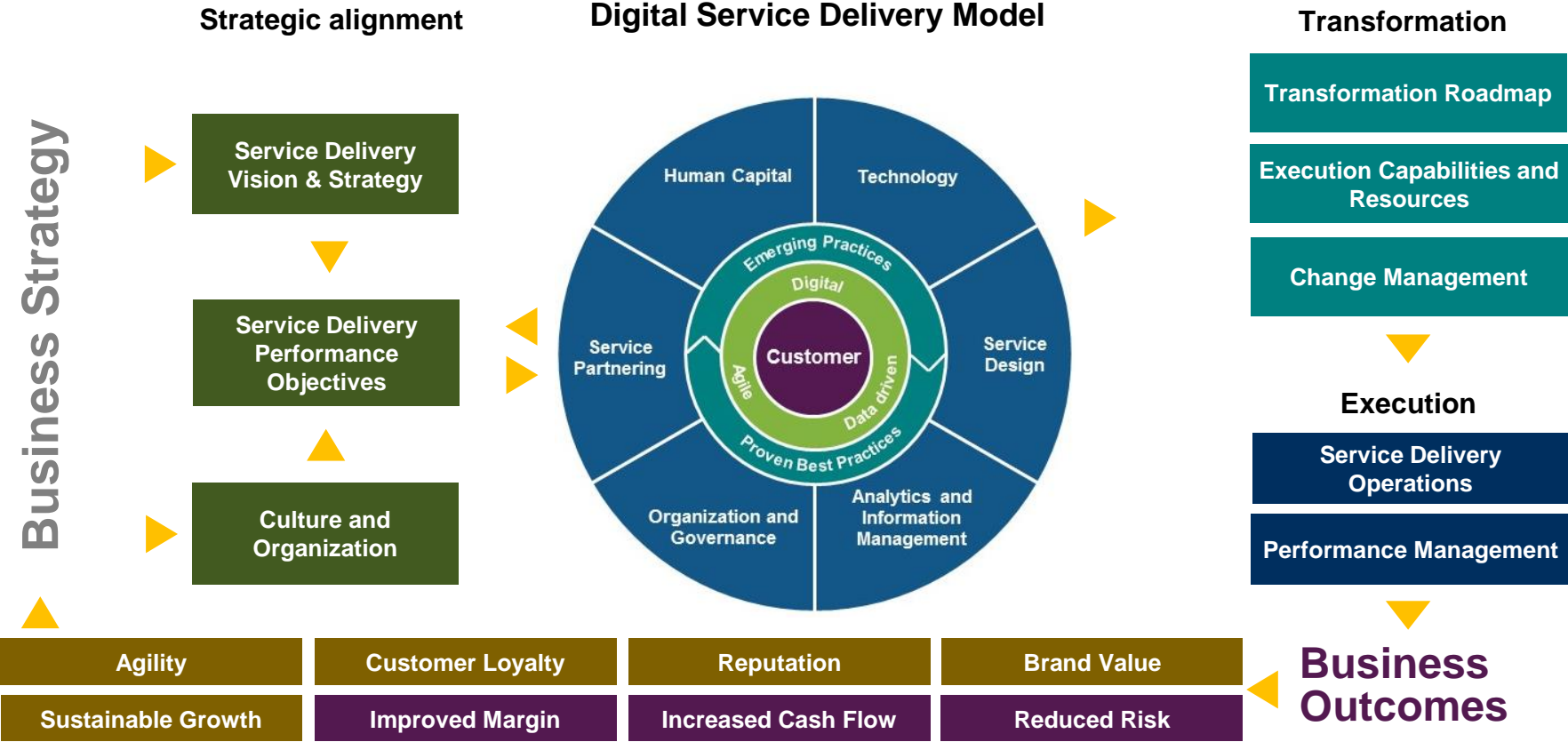
For those who do not have these roles today, how many expect to have these roles in place in 2 years?



Complexity, and the Service Delivery Model

Designing & Executing an Optimized Service Delivery Model

The Key to world-class performance



The Hackett Digital Account-to-Report Service Delivery Model

The Key to World-class Performance

Human Capital



- Talent strategy for global A2R pool
- Development of partnering skills
- Development of core technical accounting skills
- Continuous learning and development programs

Service Partnering



- Service partnering / sourcing model strategy & design
- Outsourcing partner relationship model

Organization and Governance



- Leveraging global business services for transactional efficiency;
- A2R COEs
- Account-to-Report Global Process Ownership (design)
- Governance councils (execution)

Technology

- Simplified technology landscape with high levels of standardization, integration and governance
- Leverage of best-in-breed solutions (e.g.; workflow, intercompany, close and consolidation, reconciliations, reporting)
- Emerging prevalence of cloud-based solutions
- Smart automation, artificial intelligence, robotic process automation



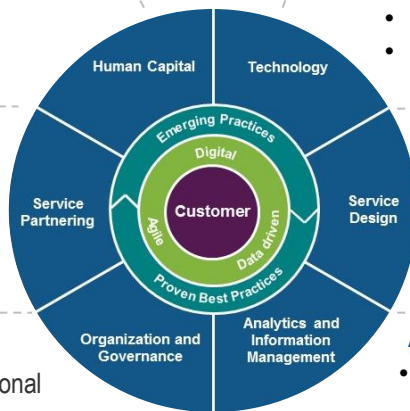
Service Design

- Self-service reporting / push reporting
- Enterprise standards; global scale
- KPI framework
- Agility playbook
- Critical path management



Analytics and Information Management

- Standardized and integrated information architecture and unified automated data stream
- Master data management driven
- Standardized chart of accounts and reporting solutions
- Risk-based assessments (JE materiality, fixed asset capitalization, reconciliation model)
- Simplified statutory, legal entity and management reporting allocations



Service Design

	Recording	Entity Close	Validation and Upload	Group Consolidation	External Reporting
1	Develop simple, standard, globally governed and centrally executed processes				
2	Commit to a global standard calendar of tasks enabled by workflow/calendar technology				
3	Minimize manual activity and drive automation of necessary planned activity				
4	Risk assess the balance sheet and spread the workload across the quarter and year				
5	Aim to bring forward activities and relieve pressure on the bottleneck of the close				
6	Drive preventative automated controls and push back on over control or unnecessary depth and granularity in accounting				
7	Bring focus to upstream and downstream process handoffs to optimise end to end				
8	Encourage a template approach that underpins standard group GAAP compliant consistency and enables policy supported automation of routine accounting				

Technology

	Recording	Entity Close	Validation and Upload	Group Consolidation	External Reporting
1	Maximize usage of traditional and digital era technology to automate processes				
2	Leverage best of breed technology – <u>Process specific</u> e.g., account reconciliation, lease accounting, intercompany, group consolidation platforms, disclosure management				
3	Leverage best of breed technology – <u>Enterprise wide</u> e.g., workflow technology, dashboard visualisation, process mining				
4	Use virtual collaboration platforms to enable a pivot towards virtual working				
5	Drive digitization of all tasks and pursue an automated critical path for the close				
6	Harness smart automation technologies selectively - RPA, Chatbots, NLG				
7	Develop cognitive automation and algorithm driven accounting				
8	Enable tracking of digitized activities via calendar task management, workflow, automation technologies and develop dashboards to provide real time oversight				

Poll Question 2:

Which of the following is your primary reason for wanting to improve/optimize your close and consolidation process?

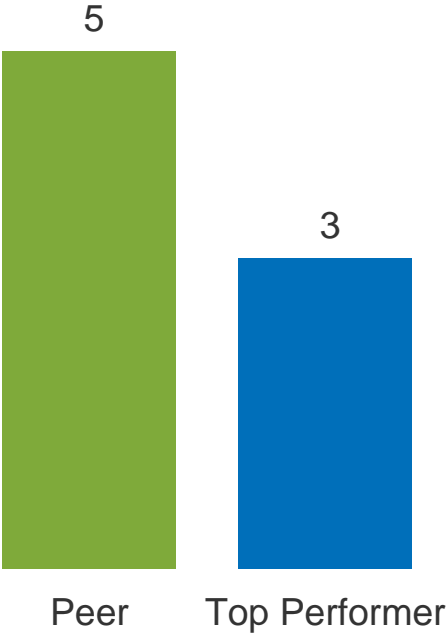
- a. Improve controls
- b. Increase agility
- c. Free up staff time for more valuable work
- d. Eliminate month-end workload peak
- e. Speed up cycle times

Poll Question 2 Results: (Placeholder)

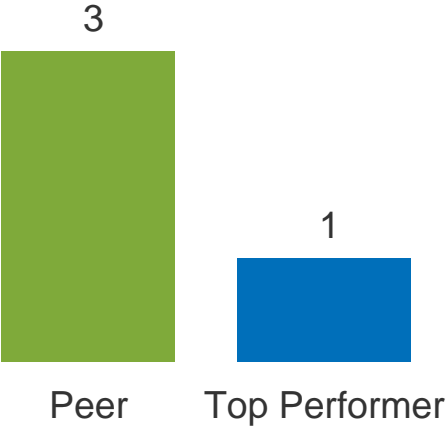
Record-to-Report (R2R): Cycle Times and Cost

Cycle Times

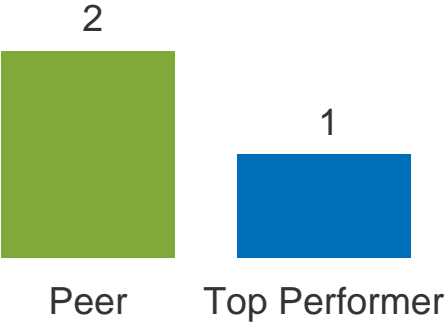
Days to Close GL - Quarterly



Days to Consolidate - Quarterly

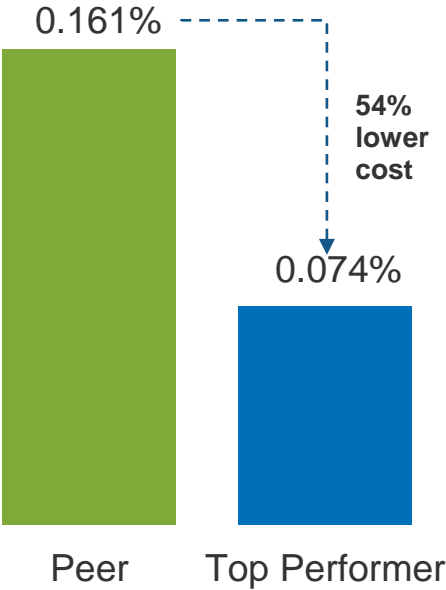


Days after Month-end to Report

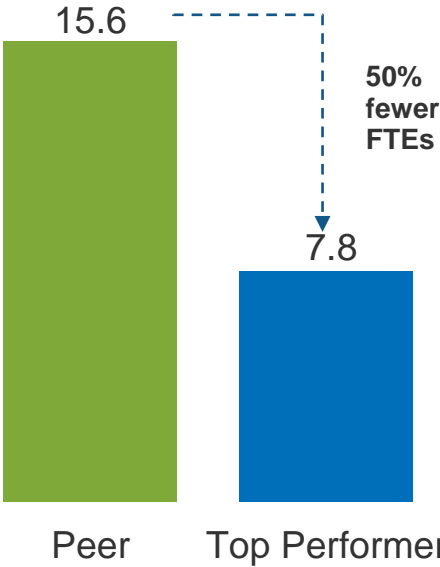


Resources

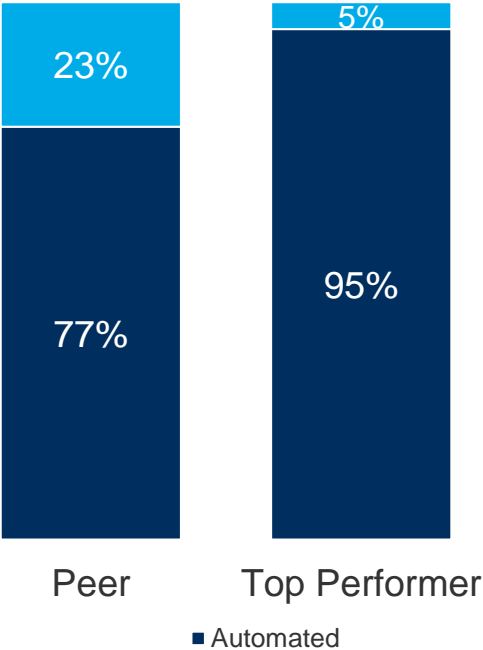
Process Cost as Percent of Revenue



FTE's, per Billion of Revenue



Manual Journal Percent Automation



Select R2R Best Practices

Top Performers are delivering a high proportion of the key best practices

- | | | | |
|---|---|----|---|
| 1 | Strong focus on automation and are able to deliver tangible successes | 9 | A high percent of manual journals are posted pre-WD1 |
| 2 | Implemented a standard global closing calendar and track compliance | 10 | A high percent of manual journals are posted pre-approval |
| 3 | Standard roles and delineation of responsibilities for the full end to end process | 11 | Balance sheet has been risk assessed to reduce time/effort and smooth the workload |
| 4 | Strong drive towards removing A2R capacity from the BU finance teams | 12 | Effectively deployed materiality thresholds to reduce low value work |
| 5 | Maximize delivery of A2R via shared service centers and/or centers of excellence | 13 | Strong intercompany policy, and process and compliance are enforced |
| 6 | Closing co-ordinator role that drives the close to deliver reports on time | 14 | Intercompany process is highly automated and centrally managed with minimal disruption |
| 7 | Well aligned KPI's focused on the 3Es – Efficiency, Effectiveness, Experience | 15 | Lease accounting process is centrally managed and enabled by a lease accounting solution |
| 8 | Dedicated CI improvement team who are obligated to help deliver KPI targets | 16 | Fixed assets process is automated and error free |

Final Thoughts

1

Be hyper-focused on complexity reduction

2

Build an agile Service Delivery Model

3

Go after the “Promise of Digital”

4

Be disciplined and rigorous in design and delivery

5

Repeat



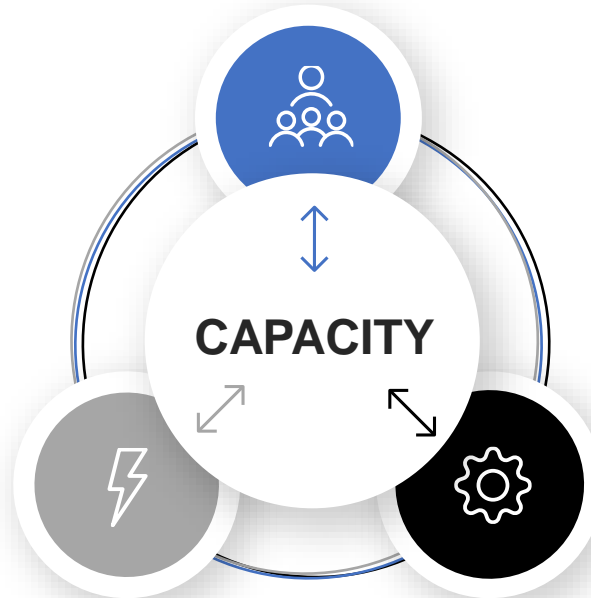
Aligning F&A Priorities to Strategic Objectives

Finance & Accounting Value Model

How Accounting leaders align capacity to strategic initiatives

 Align to Corporate Strategy


Manage Risk & Compliance




Optimize Business Processes

Priorities for Finance & Accounting

Focus on what's important to you and your business

New Accounting Pronouncements

Remote Work Enablement

Headcount Control

Internal Controls & Compliance

Agile Financial Decision Making

GBS/SSO Optimization

Order-to-Cash Optimization

Working Capital & Liquidity Management

Intercompany Accounting

Recruit & Retain Top Talent

Support Transactions (M&A)

Data Analytics

Financial Integrity

ERP Upgrade

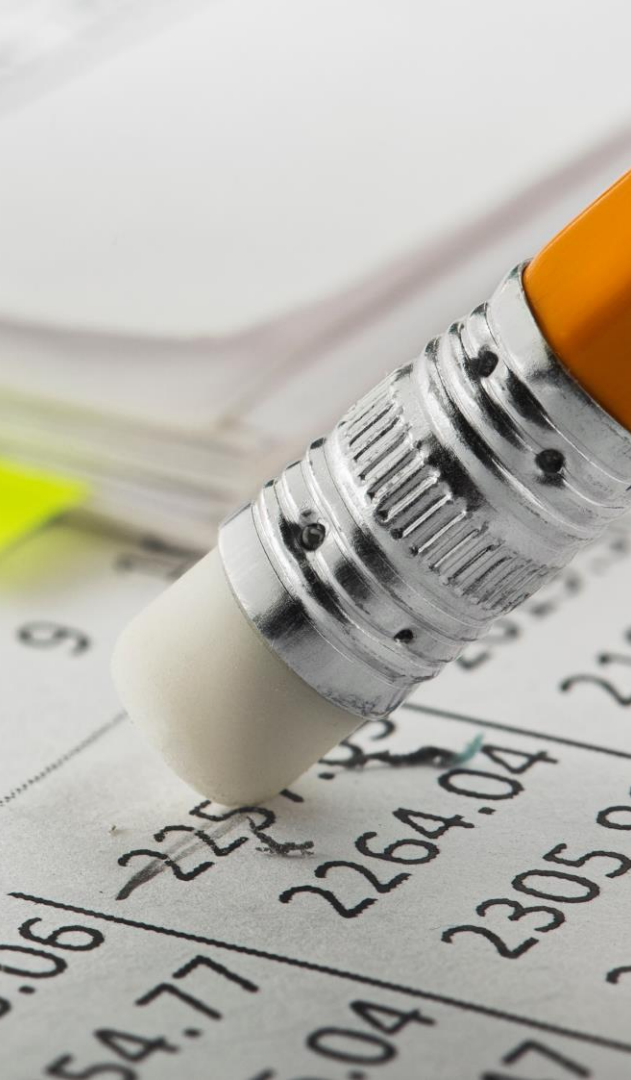
Process Efficiency

Environmental, Social & Governance

IPO Readiness

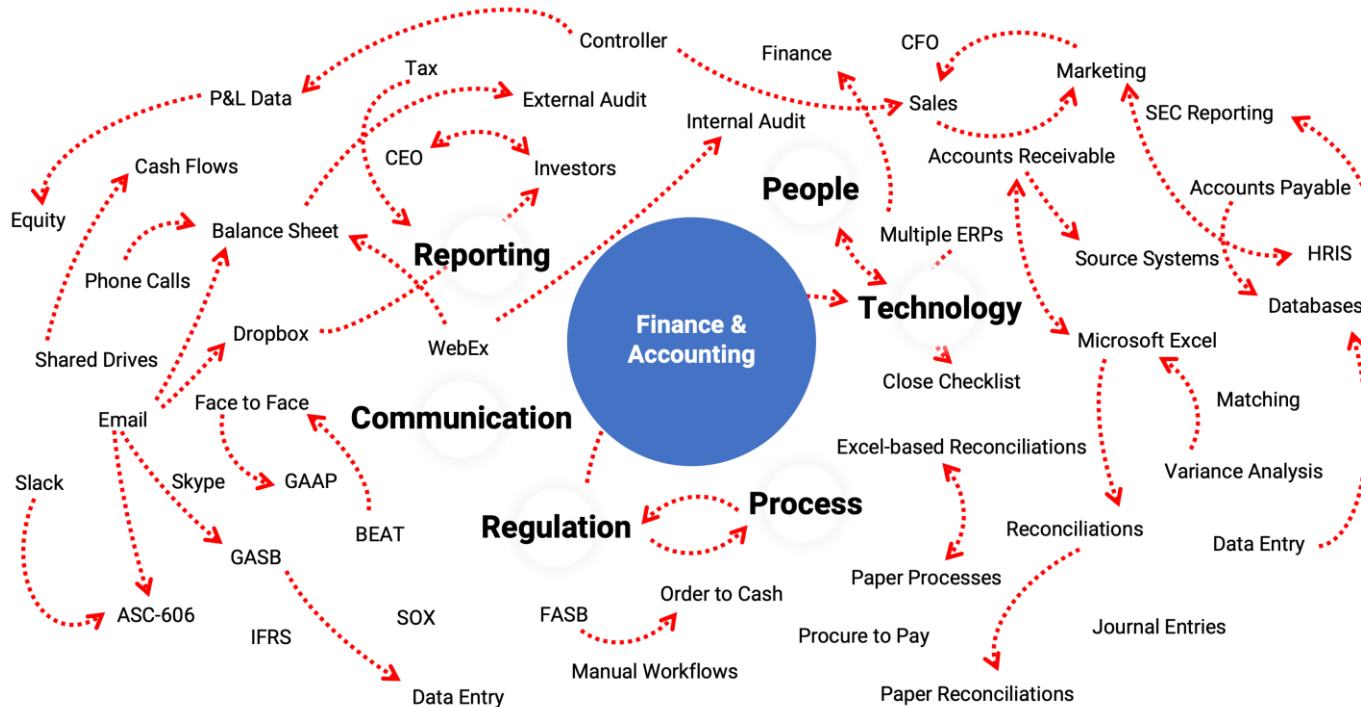
Automated Insights & Reporting

92	671.3	2,721.3
59.06	1,423.75	210.62
757.89	228.58	2,829.85
2,569.18	1,006.15	790.19
135,888.82	1,655.89	3,433.47
157,045.11	1,913.69	475.84
75,825.37	923.98	3,829.1
89,719.38	1,093.28	1,42
18,677.81	227.60	4
131,656.03	1,604.31	
116,643.51	1,421.37	
22,336.56	272.18	
43,580.06	531.05	
130,118.67	1,585	
131,764.45	1,6	
21,574.49		
101,608.85		
5,839.0		
32		





Traditional manual accounting is not sustainable.



Why is manual accounting not sustainable?



Time

69% say manual effort is #1 bottleneck in the financial close process.

It takes too long.



Risk

55% are not completely confident they can identify financial errors before reporting results.

It's risky.



Cost

350% more FTEs on general accounting/reporting at bottom performers.

It's expensive.



Morale

34% of productivity is lost for actively disengaged employees.

It hurts morale.

Poll Question 3:

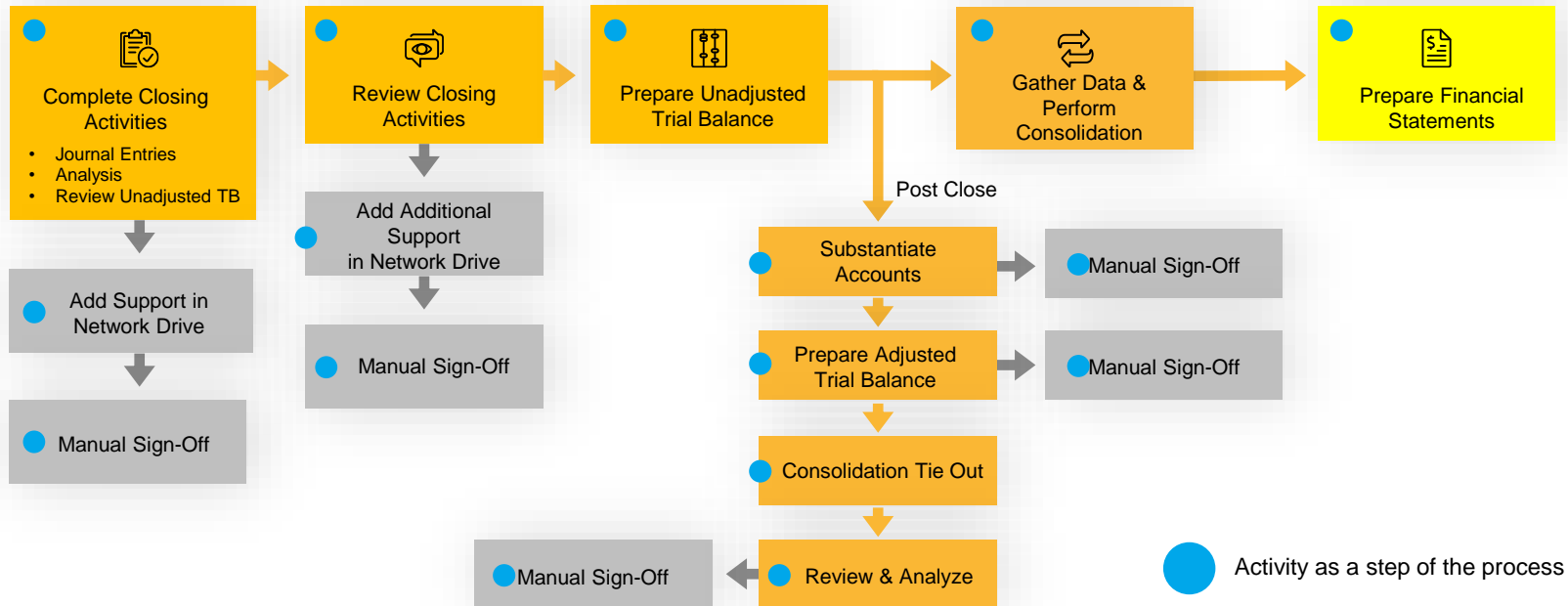
Which of the following is your biggest challenge/cost born out of traditional, manual accounting processes?

- a. Things take too long
- b. Lack of confidence in accuracy or fear too many financial errors
- c. Costs too much in terms of time and/or requires too many people
- d. My team's morale is suffering due to disengaging, repetitive work
- e. Other challenge

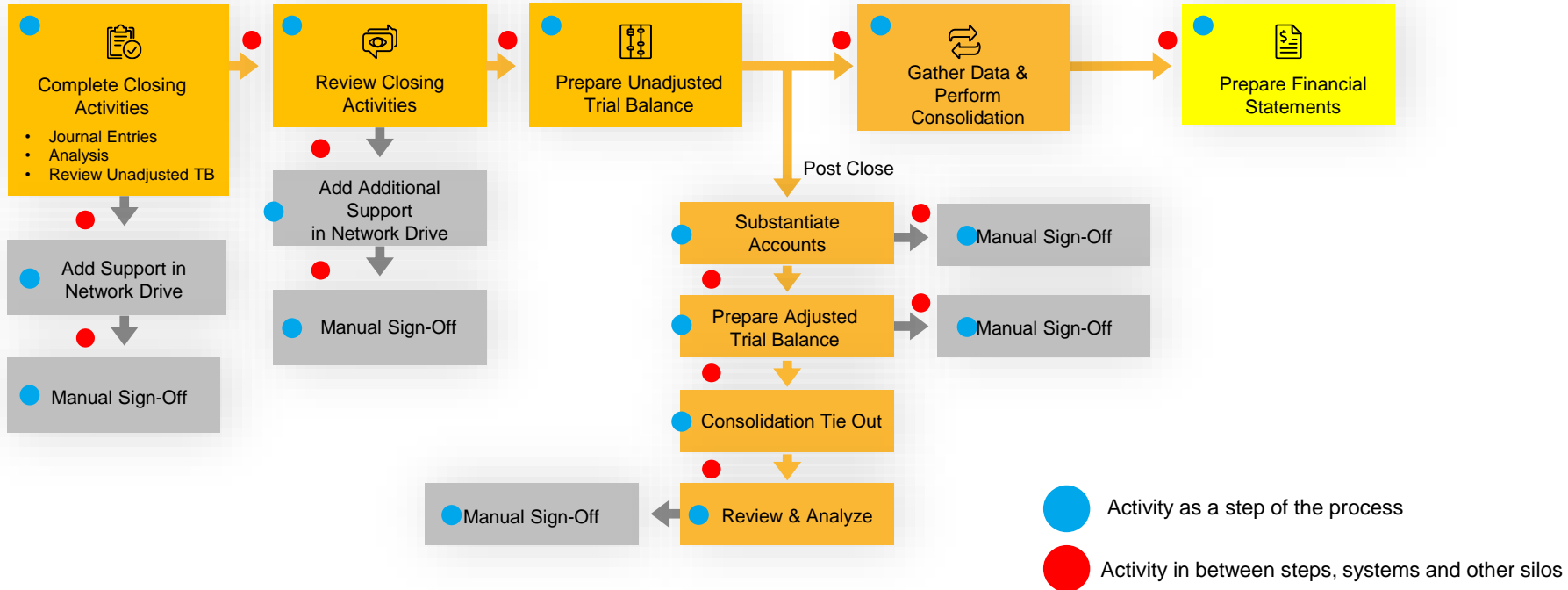
Poll Question 3 Results: (Placeholder)

Rethinking Accounting: How to Shift from Cost Center to Value Creation

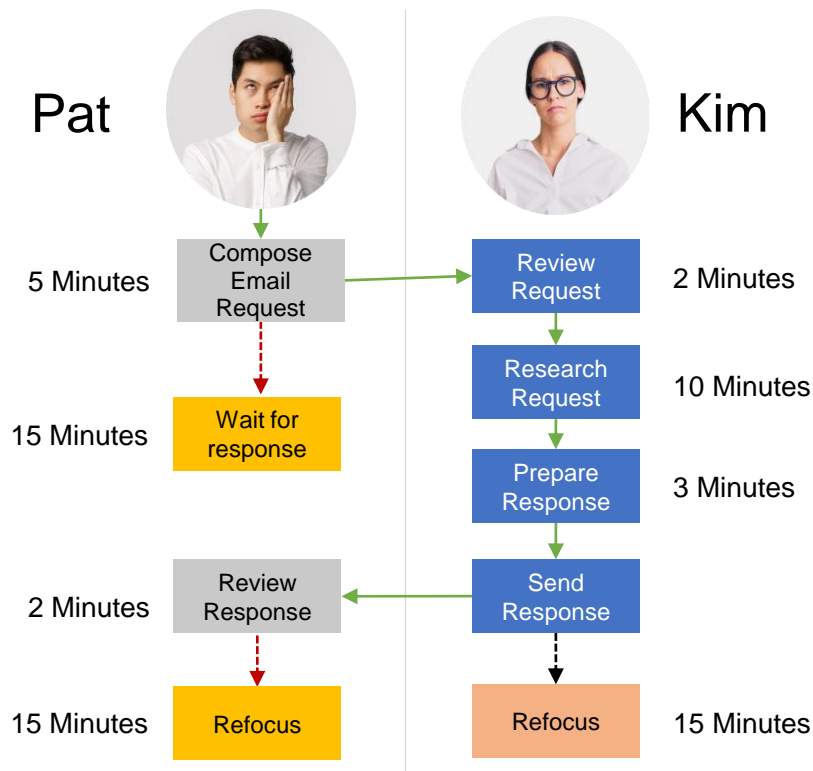
Make Sense of the Chaos



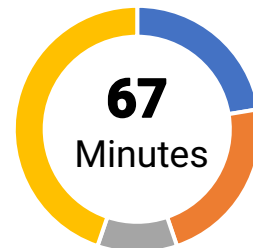
By Analyzing the Activity



Let's look at an example.



Total Company Time Wasted



■ Kim's wasted effort
■ Kim's time distracted

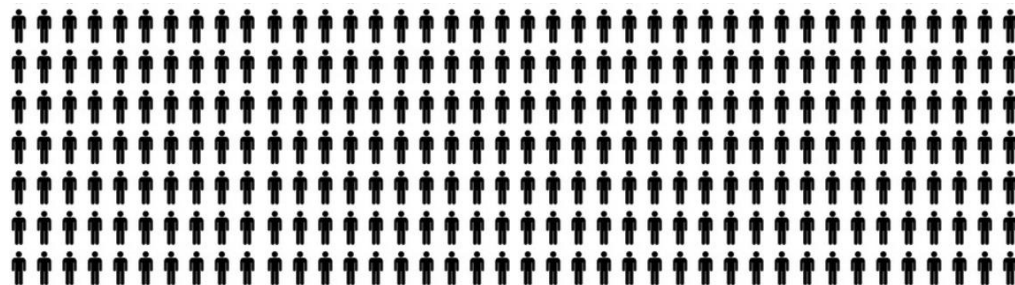


■ Pat's wasted effort
■ Pat's time distracted



Output

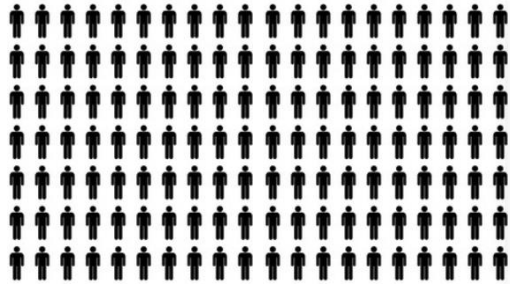
Strategic Value



Capacity

Output

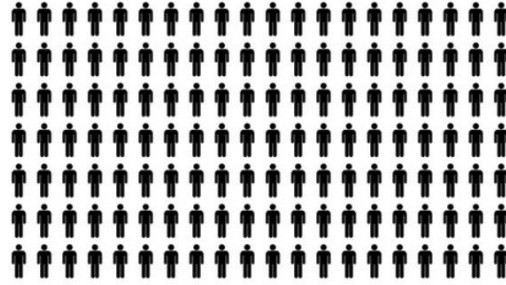
Strategic Value



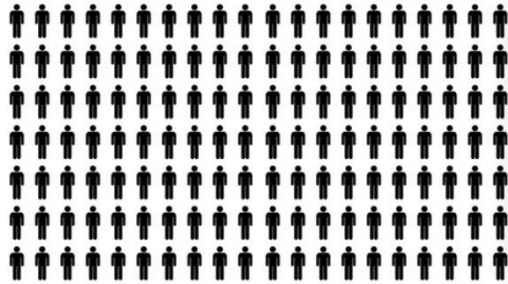
Automation

Capacity

Output



Strategic Value



Automation

Capacity

Poll Question 4:

When you hear about “automation” in Accounting, what is your first thought?

- a. It will eliminate my or my colleagues' roles
- b. A lot of hype, but still waiting to see results
- c. Oh my, yes! What I could do with more time!
- d. It feels like more change; more work

Poll Question 4 Results: (Placeholder)

Questions and Answers



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Thank You to Our Featured Presenters!



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Final Reminders

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