



# Reasons to Transform Finance and Accounting

**By Russ Banham**

The BlackLine Finance Controls & Automation Platform delivers a modern solution for complete automation.

# Introduction

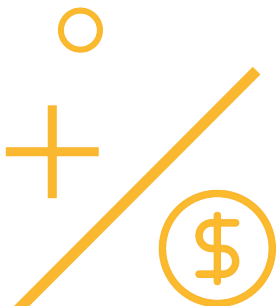
Automation is the best friend of productivity, the former unleashing the latter. Yet, there is only so much automation in many Finance & Accounting organisations and, therefore, only so much productivity.

Too many accountants are still bogged down in the trenches using spreadsheets to accomplish complex accounting and finance tasks. The various processes involved in closing the books, reconciling intercompany transactions and tracking key finance controls are completed the same way they were completed a generation ago—manually.

This is no way to operate a modern finance organisation. The enormous amount of time these arduous processes consume can be redirected to assist the CFO as the company's steward of enterprise performance management. In many businesses, the CFO is charged with enhancing business intelligence, developing more accurate forecasts, and tightening internal controls to assure accurate financial reporting and proper compliance. These needs would benefit by the intellectual firepower of Finance & Accounting, if only accountants had the time to provide it.

Automation is the solution, created to simplify and ease manual, repetitive processes. ERP systems, for example, automate many of the accounting processes required to run an efficient organisation. But, they also leave loose ends that need to be tied together manually, such as the necessary clearing of intercompany transactions, the monitoring of internal controls to address compliance risks and the processes leading to an accurate financial close.

BlackLine automates all these burdensome manual tasks—tying up the loose ends to liberate accountants to apply their talents strategically. It all began with the company's debut account reconciliation software in 2001, which signified the development of an entirely new category of business technology. The product eliminated the drudgery, inefficiency and compliance risk inherent in the customary manual spreadsheet-based process, while offering unparalleled visibility into the underlying financial data.



BlackLine has since added many new automated functions, often created in tandem with the company's enterprise-level and mid-market customers. Today, this robust platform comprises a variety of packaged solutions and key enabling technologies efficiently addressing multiple Finance & Accounting needs. The enormous amount of time accountants previously invested in manual exercises can be reinvested in value-added activities, ensuring data transparency, enhanced controls and the integrity of data for reporting and compliance purposes. At the same time, CFOs are given the help they need to distil wide-ranging business intelligence to more accurately predict enterprise performance outcomes.

BlackLine is building upon its longstanding leadership in this market category with the introduction of the first end-to-end platform for Finance & Accounting—Finance Controls and Automation. This complete solution consists of a variety of packaged solutions, products and other key enabling technologies, in addition to related services. Since the system is highly configurable and integrated, customers can acquire the entire set of solutions and products at once or add them over time.

The new platform addresses the growing regulatory compliance responsibilities under Sarbanes-Oxley, and Foreign Corrupt Practices Act, as well as the COSO Framework. Best of all, it responds more effectively to CFO needs for greater visibility into enterprise performance to improve strategic and tactical decision-making.

The bottom line is that BlackLine continues to evolve and transform the way companies automate finance and accounting to attain competitive advantage. A community of more than 1,000 clients globally have trust BlackLine for its modern approach to complete finance automation. Its new unified cloud platform is predicated on being the world's most trusted technology for financial insight, compliance assurance and productivity. Here are five reasons why CFOs and Finance & Accounting teams must consider BlackLine's Finance Controls and Automation platform as a vital adjunct to their companies' ERP and GRC systems. BlackLine's solutions have become so vital to Finance & Accounting that they now are recognised as an entirely new category of financial management applications—Enhanced Finance Controls and Automation. This new category, designated by Gartner in August 2014, recognises the value of these automated solutions when deployed across multiple financial value chain applications.

# 1

## REASON # 1

# Efficiency and Time Savings are Direly Needed

**Performing complex exercises manually on spreadsheets not only absorbs an enormous amount of time, the work is repetitive and tedious. With a war on talent raging, is this any way to treat the skilled individuals peopling Finance & Accounting?**

The answer, of course, is no. From a humanistic standpoint alone, no one should have to sift through a mountain of spreadsheets and myopically peruse each line item, one spreadsheet after another. This is also no way to assure accuracy for reporting and compliance purposes, as spreadsheets are rife with human errors and version control challenges. In the post-Sarbanes-Oxley era, the importance of a fully validated (not just verified) financial close cannot be understated.

BlackLine's longstanding mission is to relieve Finance & Accounting of the drudgery dogging their work through the most accurate, efficient and transparent financial and accounting automation.

Let's look first at these benefits from an account reconciliation standpoint.

While ERP systems provide massive amounts of detailed information, they leave numerous loose ends that must be tied up manually by accountants. For example, the ERP system can verify if the Accounts Payable sub-ledger total agrees with the Accounts Payable general ledger total, but the underlying data feeding the sums is not transparent. Consequently, accountants must manually verify all the figures in the general ledger are correct, which is typically accomplished by scouring relevant data on a spreadsheet-by-spreadsheet basis.

It was this burdensome responsibility that compelled the creation of the original BlackLine to automate the account reconciliation process. How onerous was this process prior to the company's solution? For a large, multinational consumer products concern, with both outsourced and captive shared service centres and a general ledger

comprising 85,000 balance sheet accounts, the tasks were overwhelming. The company's ERP system did wonders, adding up all the numbers into a tidy sum. But it did not provide the granular levels of detail needed by operating management. More than 600 people in Finance & Accounting slowly and carefully mined a mountain of spreadsheets, challenged by the different ways the documents were executed and used across the enterprise.

Many times, for instance, accounts were routinely added or deleted, but it was difficult to ascertain who was responsible for each account. Some accounts had been assigned to the wrong person or not assigned to anyone. Creating and maintenance a company-wide master spreadsheet list was an exercise in futility. Human errors proliferated, version control issues were common, and the back and forth emails needed to ensure accuracy were never-ending.

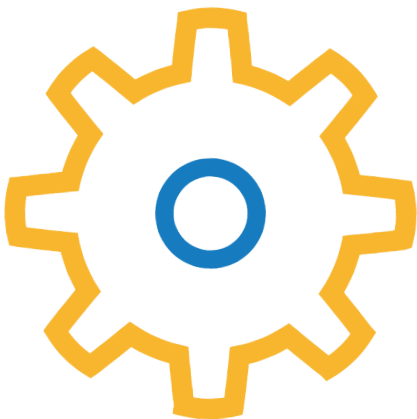


#### **BlackLine developed the right technology**

Finance & Accounting at the global enterprise is able now to verify the correctness of the account balances across all 85,000 balance sheet accounts (45 percent of the accounts globally are actually auto-certified). BlackLine verifies if the account balance agrees with the predicted amount by comparing the data in two systems—like the ERP system and bank statements. Discrepancies are easily discernible and can be quickly investigated and corrected.

An intuitive interface for performing and validating account reconciliations has replaced the former use of spreadsheets. All of the manual activities in the account reconciliation process that squandered time and wounded morale in Finance & Accounting are now automated. Using the product, the company has saved more than 14,500 hours of its accountants' time, enabling their reassignment to more value-added analytical activities.

Thanks to complete visibility into account data, the consumer product company's CFO rests assured that its internal controls are world class, with insightful reporting into the entire process.



# 2

## REASON # 2

# Time Wasted Consumes Vital Resources Needed Elsewhere

**Expediting the financial close with accuracy is every CFO's objective, given the tremendous amount of time and effort put into this comprehensive activity. BlackLine's account reconciliation product assisted this goal, without sacrificing accuracy for speed. Significant improvements were made in shortening the close, but more could be done.**

Aligning with its enterprise-level and midmarket customers, BlackLine targeted another process that consumed substantial Finance & Accounting resources—manual journal entries. By automating this process, even more time could be redirected towards an expeditious and more assured financial close.

BlackLine's Journal Entry product simplifies the tasks involved in journal entry management. Like the account reconciliation tool, the product simplifies the tasks before Finance & Accounting, in its case by helping them create, review and approve journals, then electronically certify and store them with all supporting documentation. Not only does this save accountants time and the company money, it frees Finance & Accounting to focus on strategic performance management tasks.

These features were important to a large, multinational paper and building products company, beleaguered by multiple ERP systems across the world. Hundreds of people manually provided journal entries, either keying them in manually or uploading the documents from their respective regions. For compliance purposes, they saved their backup documentation but stored them differently. Some scanned the documents, for instance, while others printed them out. It was not uncommon for backup documents to be stapled together, gathered with other documents, secured with paper clips and then sent to an offsite storage site. No visibility into the journal entries and backup documents existed, impeding CFOs in gauging and improving performance.

To validate the accuracy of the logged transactions, Finance & Accounting had to print out each journal entry, scrutinise it for errors and fix any mistakes. The journal would then be posted and a final version printed—final in the sense that if subsequent errors were discovered, the backup documentation was accessed to set the record straight. Since there was no centralised repository or tracking system for the records, locating proper records was complicated and wearisome.

More than five days each month were spent ensuring the integrity of the journal entries for the financial close. Errors were common, requiring additional time to fix the mistakes, given no real workflow or standard approval processes. From an internal controls perspective, it was an uphill climb to ensure the company had a sound validation process in place. This enormous amount of time and labour could have been focused on value-added accounting and finance activities.



#### **BlackLine takes the pain out of the process to deliver full automation**

Journals are now posted at the paper manufacturing company to the general ledger system on demand or in a batch on a schedule. Pre-posting the validation upfront safeguards that the journals are not rejected from the general ledger due to entry errors. Backup documentation is automatically attached to each entry—paper clips and staplers relegated to desk drawers.

All the back and forth of phone calls and printed, scanned, emailed and faxed documents that created immense traffic jams have disappeared. Records are retained in a centralised system and not individual employees' computers and file drawers. When an exception is discovered, there is no need to chase down the applicable employee, thereby improving risk mitigation. All that manual waste has now given way to high-level analyses.

Aside from the product's accuracy and visibility, which in turn create greater confidence around the financial close, the company estimates it has saved 40 percent of its accountants' time previously engaged in managing the journal entries. These resources are now applied more productively, liberating Finance & Accounting to access and research specific journal entries and backup data to assist more strategic imperatives.



# 3

## REASON # 3

# Financial and Accounting Processes are Rife with Risk

**Managing a task through its lifecycle requires the use of checklists, both corporate and departmental. Typically, accountants physically compile various lists using spreadsheets to manage different responsibilities, such as vetting the credibility of the files provided by clients for auditing purposes and other tasks related to internal controls and reporting. Inconsistent manual processes heighten the possibility of human error, with corresponding impact on the accuracy of the balance sheet and P&L statement. The need for risk mitigation is palpable and immediate.**

These were key issues at the aforementioned global paper manufacturer, which wanted greater assurance of its internal controls. Like all companies, it sought to maintain proper compliance with all laws, regulations and accredited accounting and finance policies. It wanted automated ways to detect business errors and correct them immediately, as well as greater internal controls focus on the reliability of financial reporting. Improving task management was seen as a means to these ends.

The problems were acute: When the company needed to ensure the accuracy of the tasks performed by its hundreds of accountants, the CFOs visibility into their actions and the status of the tasks was thwarted by spreadsheets executed using different workflows. Making matters worse were the different times zones in which accountants completed their tasks.

Other problems ensued. Since many individual accountant tasks are dependent on colleagues' input, a constant stream of emails coursed back and forth. Key closing items were occasionally missed when a new accountant was hired to replace one that had left the company's employ. A physical record of remaining financial close tasks may not have been saved by the former employee or was lost, making it impossible for the new hire to know next steps. Obviously, there was little in the way of risk management in accountants' task management.





### **BlackLine took charge of the problem with complete control**

By completely automating the manual process, the paper company has access to a central repository of month-end checklists that are compiled in a consistent manner across the enterprise. Real-time dashboards and reporting capabilities provide Finance & Accounting clear and immediate visibility into completed and outstanding items. In cases of accountant turnover, successors know exactly the steps that remain to assure an accurate financial close.

The CFO is able now to ensure that each task is on track and all accountants are meeting strict established deadlines—wherever in the world they may reside. The risks related to the old way of managing tasks have been eliminated or mitigated, making compliance a much less worrisome obligation.

Other companies can achieve similar benefits, which can be augmented by the use of additional BlackLine products, such as the company's Variance Analysis and Consolidation Integrity Management tools. With the Variance Analysis product, companies identify which accounts require monitoring—this way when new balances are imported, any accounts that deviate from defined parameters are targeted for further investigation.

Using the Consolidation Integrity Management product, Finance & Accounting can verify that data used by and conveyed between different systems is properly transferred and reconciled. This is particularly useful for companies that have ERPs or General Ledgers feeding into it. Obviously, having all these tools at hand and integrated is the optimum way to ensure proper risk identification and mitigation



# 4

## REASON #4

# Integrity is Everything in a Balance Sheet

**The most important and pressing responsibility of Finance & Accounting is verifying the accuracy and integrity of all account balances in the general ledger and then preparing the balance sheet as part of the organisation's financial reports. This process involves comparing the general ledger account balances with other sources of this data, such as bank statements and high-volume transactional data. While ERP systems can validate data and related sources, one cannot rely on this information for verification purposes.**

The solution in many companies is to have Finance & Accounting tick-and-tie millions of individual transactions, a process that can consume hundreds of hours each month to complete. Exhausted accountants soon wonder why they ever considered the profession as a career. But, without their effort, the business cannot rest assured that the balance sheet is in fact accurate.

This concern was in place at a large privately held diversified company, with businesses ranging from farming to commercial real estate development and the operation of motion picture theatres. The company's portfolio consisted of approximately 160 different legal entities, each of them using the same chart of accounts regardless of the industry it was in. Transaction matching was a nightmare. To ensure accuracy, 25 accountants had to address more than 10,000 balance sheet accounts across 160 entities' charts of accounts.

Of the 10,000 balance sheet accounts, approximately 600 were bank accounts. Matching the transactions across so many banks was time consuming, given the thousands of checks, ACH payments, wires, weeps and lockbox receipts the organisation initiated and captured each month. At the same time, the accountants had to cope with reconciling the volume of credit card payments made to the company's movie theatres. Worst of all, the entire process was manually intensive, archaic, and not productive for the entire accounting team.

It took the accountants three weeks just to get the bank accounts reconciled and attend to the credit card details. Obviously, 25 accountants and 10,000 accounts is not a good ratio, and the accountants begrudged the process as the “perpetual close.” It was common to put in 14-hour days during crunch time. Error rates were a constant problem, as were version control issues. In some cases, simple omissions were made because an accountant had too much to handle.

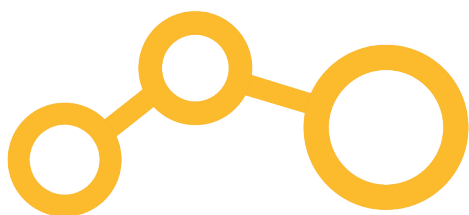
Due to its real estate holdings, the company was required to have its financial statements audited to meet its bank covenants. Thus, even though it was a private entity, it was nonetheless subject to control compliance. The various pressures mounted in Finance & Accounting, leading to a decision by the CFO to automate the process using BlackLine’s transaction matching product.



#### **BlackLine delivers productivity for accountants**

Today, the 25 accountants no longer need to tick-and-tie the tens of thousands of transactions consumed countless hours of their time. All the detail-heavy bank account reconciliations, credit card matching and intercompany reconciliations are now streamlined and automated. Unfortunate omissions are easily identified and quickly reconciled, the accuracy issues of past a faint memory. Instead of accountants squandering their skills matching transactions, they’re focused on investigating the exceptions and being better business partners to business leaders.

The time required to perform the transactional reconciliations is a mere fraction of what it was before—five days in all. Accountants now enjoy a more balanced work-life arrangement, working normal 8-hour days. Nobody even mentions the term “perpetual close” anymore. And “integrity” and the “balance sheet” go hand-in-hand.



# 5

## REASON #5

# Financial Automation IS Modern Finance

**BlackLine's robust Financial Controls and Automation platform is what CFOs need for Finance & Accounting to be better team players, strategically assisting them to improve business performance outcomes. No longer do accountants need to manually execute the ongoing tasks they have before them. Financial automation is the means towards having a modern finance operation.**

BlackLine's new integrated, cloud-based platform automatically ties together all the loose ends spring from the ERP system. These include the aforementioned Finance & Accounting tasks, in addition to many other formerly manual processes. For example, one product addresses variance analyses to better understand the derivation of the financials on the balance sheet and P&L statement. Another handles intercompany transactions to assure the proper transference and reconciliation of account information between different entities and systems. In all cases, Finance & Accounting achieves greater efficiencies, risk mitigation, data visibility, financial accuracy, and time that can be more effectively deployed.

While BlackLine's financial automation products can be acquired on a one-by-one basis, there is value in bundling them together as a fully integrated and seamless set, as Gartner recognises in its announcement of the new financial applications management category. For some enterprises, acquiring the entire platform may be the best approach, whereas for others it may make more sense to build functionality as needed. The point here is flexibility.

## BlackLine Finance Controls & Automation Platform— Modernising the Way Finance Works

In order to accelerate finance transformation, BlackLine has worked closely with customers to identify the most complex tasks in finance and accounting to make them much more strategic and fully automated to process, manage and perform. The result is BlackLine Finance Controls and Automation Platform delivering powerful cloud-based technology and real-time automation to fulfil the way finance works. BlackLine's vision for transforming the finance and accounting function truly modernises redundant processes, achieves complete finance automation, and empowers true productivity.

BlackLine moves beyond redundant, outdated accounting processes and point solutions that do not address today's needs to deliver a platform that is already serving over 1,000 worldwide clients to work smarter and much more efficient. With the unified platform of BlackLine products, finance departments can now run their mission-critical processes in real time — including financial close, account reconciliations, planning, analysis, intercompany clearinghouse, risk and compliance — on a truly reliable and secure cloud.

