

FSN Executive Briefing

Benchmarking the financial close in the cloud ushers in a new era of performance

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Benchmarking is one management's favoured tools for driving performance. The ability to compare a business's performance with similar businesses across industries, geographies and even sectors can be very compelling. Yet it's not without its drawbacks – most notably the difficulty of finding appropriate, trustworthy and up-to-date benchmark data. But the advent of benchmarking in the cloud is set to sweep away the historic way of doing things and usher in a more relevant, modern and responsive approach to benchmarking based on the availability of accurate real-time measures.

Benchmarking for Insight

Businesses have been benchmarking performance for more than three decades, a phenomenon that has escalated with the growth of data, the democratisation of information and of course the ubiquity of the internet. But benchmarking is not a panacea and sources of reliable data are few and far between.

Some organisations embark on informal benchmarking, trying to assemble trustworthy data from published sources such as the Annual Report and Accounts or perhaps using more formal benchmarking services marketed by specialist providers. But it is often difficult to find an independent and objective source of data that exactly matches the desired criteria. This matters greatly because the key to the value of benchmarking vests in the quality of the 'match' between the circumstances of the organisation and the benchmark database. And this means being very clear about what

is going to be measured and the parameters or dimensions of the comparable data. But it is not always easy to get both of these things right.

Measuring with precision in the financial close

Reliable benchmarks around the efficiency of the financial close process are particularly difficult to find, despite the process being relatively well understood and codified. Most publically available benchmarks revolve around the 'average days to close' and for publicly quoted institutions, the elapsed time from year-end to earnings release and audit sign-off. While these comparisons between companies of a similar size and industry can yield broad brush comparisons they cannot provide deeper insights because little is known about the set of applications in use and the way in which the resources are deployed. Without a complete picture it is not possible to draw robust conclusions about performance and productivity.

Choosing dimensions

Choosing the 'right' dimensions for comparison can also be a challenge – even companies within the same sector and of equivalent size can have completely different operating models. And for multi-nationals the underlying group structure, accounting policy and even the degree of autonomy given to operating businesses can have a profound effect on the efficiency of the financial close process.

The cloud – a new paradigm for benchmarking

New opportunities in the cloud are now redefining the benchmarking industry as 'true' cloud vendors, i.e. those that provide multi-tenanted software applications (one application shared by all customers) position themselves as trustworthy and secure information providers. In the normal course of their work, cloud-based vendors of finance applications have access to

information about how the application is used by different companies and provided this information is anonymised and secure it can form the foundation of a new model of benchmarking that offers unique advantages as follows;

- So often with the benchmarking of core financial processes it is not possible to make exact comparisons because of doubts about the equivalence of the underlying technologies and systems architectures. With benchmarking in the cloud, each company participating in the benchmark is using exactly the same technical environment (application, processing platform and version).
- The data is available in real-time which allows participating companies to compare results at any given point in time rather than rely on survey data that may be months or even years old. In addition comparisons can be made at say, month-end or year-end to give detailed view of comparative performance at peak times, or for a specified period where data may not otherwise have been available.
- A single application removes doubts about what is being measured because the terminology and benchmark calculations are consistent across all participants' data. So performance measures derived from a cloud-based benchmarking engine are reliably the same.
- The advantages that drew a participating organisation to the cloud in the first instance also accrue to benchmarking. For example, the results can be made

available to participants whenever and wherever they are situated, allowing insights gleaned from a cloud-based benchmark to widely distributed – benefiting the whole organisation at the same time.

- The data is derived directly from the application and not a survey – thus eliminating doubts about the trustworthiness and provenance of the data.

Benchmarking the financial close process

Benchmarking plays a particularly important role in the financial close process because very few organisations maintain their own set of benchmarks and comparisons. So the launch of BlackLine Insights, an innovative benchmarking service from BlackLine is particularly welcome. It deals with task management, intercompany eliminations, reconciliations and journal management which are frequently poorly served by existing providers of ERP and CPM (Corporate Performance Management) solutions and yet can present a major stumbling block in the close process.

BlackLine applications are used by more than 1,200 companies and thousands of users, building up a formidable store of accessible benchmark data that is spread over mid-sized to large companies in all of the major trading regions of the world.

Taking reconciliations as an example, it means that on a fully anonymised basis, an organisation can choose its peer group for comparison (based on geography, size, industry SIC code) and see, for example,

the average elapsed time for reconciling accounts, the percentage of reconciliations that can be auto-matched, the percentage that are rejected or perhaps the percentage of reconciliations that are delivered late. Viewing similar data over time allows organisations to see how well they deploy resources compared to their contemporaries and whether by redeploying people they can improve productivity. As such, benchmarking can act as a platform for continuous performance improvement.

Summary

Benchmarking in the cloud could be transformational since it provides real-time data and insight into performance, probably for the first time. The real value comes from knowing that all participants are using the same application and broadly for the same purpose (financial close) and therefore benchmarking is extremely potent. Insights gleaned can provide the foundation for collaboration amongst finance teams as they strive for continuous performance improvement. BlackLine Insights represents the start of a new era in benchmarking and the data set can only become richer and more useful as it grows. Smart CFOs know that process innovation and automation can make a remarkable difference to the performance of the modern finance function and cloud-based benchmarking provides a unique opportunity to make a step change in how they operate.

About Gary Simon

Gary Simon, is rated by LinkedIn as one of the UK's top 10 business leaders in 2015 and is leader of the FSN Modern Finance Forum on LinkedIn with more than 43,000 members. He is a graduate of London University, a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the British Computer Society with more than 30 years' experience of implementing management and financial reporting systems. He is the author of four books, many product reviews and whitepapers and as a leading authority on the financial systems market is a popular and independent speaker on market developments. Formerly a partner in Deloitte for more than 16 years, he has led some of the most complex information management assignments for global enterprises in the private and public sector.

About BlackLine

BlackLine is a leading provider of Enhanced Finance Controls and Automation (EFCA) software and the only one that offers a unified cloud platform supporting the entire close-to-disclose process. The BlackLine Finance Controls and Automation Platform is designed to help midsize companies and large enterprises strengthen controls, lower compliance risks and gain greater efficiencies and visibility. Delivered through a scalable and highly secure cloud model and built from a single code base, the platform supports many key accounting and financial processes including the financial close, account reconciliations, intercompany accounting and controls assurance, fuelling confidence throughout the entire accounting cycle. More than 120,000 users across 1,200+ global companies in over 100 countries currently leverage BlackLine to increase accountant productivity and elevate controls and compliance functions to 'Modern Finance' status, with customers comprising more than 25 of the Fortune 100 and over 100 of the Fortune 500. BlackLine complements existing enterprise systems for Corporate Performance Management, Governance Risk and Compliance and Enterprise Resource Planning. The BlackLine Financial Close Suite for SAP® Solutions is an SAP-endorsed business solution, joining the ranks of fewer than 40 other software offerings. BlackLine also is an SAP Gold Partner, Oracle Gold Partner, and participates in the partner programs of NetSuite and several other ERP providers.

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