

Whitepaper:  
The Digital Finance Agenda  
How to know when you've out-grown  
your Financial Close process

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## Have you outgrown your Financial Close process?

According to “SAGE: The Digital CFO” survey, over 50% of finance departments reported that they have been requested to provide more real-time data and a better quality of insight. For those with outdated manual processes, this is a major challenge and the mass relocation of staff into remote working arrangements exacerbated it.

As a temporary stopgap many organisations purchased cloud-based collaboration tools like Zoom, Microsoft Teams, Slack or Google Workspaces to replace the face-to-face element of the current manual processes. But the finance departments that had already completed their digital transformation were in a much better position. Having cloud-based financial data, process automation and advanced analytical tools made these organisations far more agile - and able to monitor performance in near real time to make truly data-driven decisions with confidence.

It is now clearer than ever before that organisations that want to stay competitive must have a robust digital strategy - and within that, the digitisation of finance is more than inevitable, it is essential.

## The digital agenda for finance

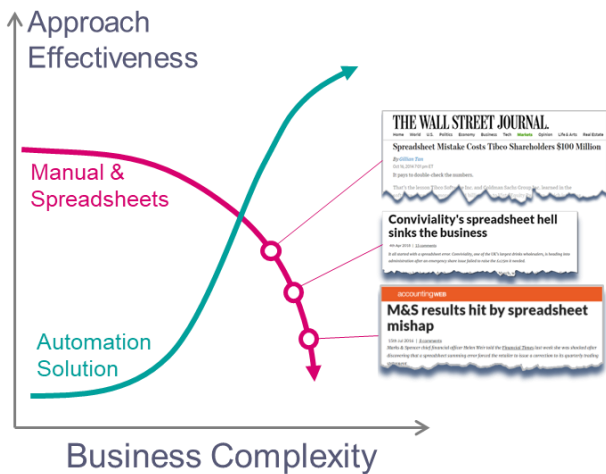
For finance, digitisation means bringing automation and advanced analytics tools to all financial processes that are being done manually and/or with spreadsheets, and the value proposition is clear - with digital technologies:

- Outputs can be generated faster, more frequently and at lower cost
- Better analysis can be performed, and greater insights provided
- Non-financial data can be easily merged with financial data for analysis
- Audits become easier to complete and less time consuming
- Highly qualified staff spend less time on low-value-add manual activities
- Fewer errors are made, and managers can have confidence in the numbers

This latter point regarding the reduction in errors, is particularly key for the Financial Close process due to the critical nature of the outputs.

Financial reports drive much internal decision making and are a key performance indicator used by external stakeholders like regulators and investors. So, it is essential that they are 100% accurate.





Failure to get financial reporting right has caused many companies severe embarrassment through the release of incorrect data, and for an unfortunate few it has spelled disaster.

It has been estimated that nearly 20% of large businesses have suffered financial losses due to spreadsheet errors, and it's simply due to the volume and complexity of data that's generated by modern businesses.

### Strategic objectives

Not surprisingly then, digitisation is now the number 1 objective for many finance departments - the only question is: what should you be aiming for with your digital strategy?

The answer to this depends on many things but the biggest factors are the type of outputs you need from finance, and the frequency of those outputs - those two requirements alone will establish much of your digital objectives, but advances in automation, artificial intelligence and analytics have transformed the options. Finance can now move beyond being the 'keepers of historical records' to delivering far more valuable and strategic outcomes for the business.

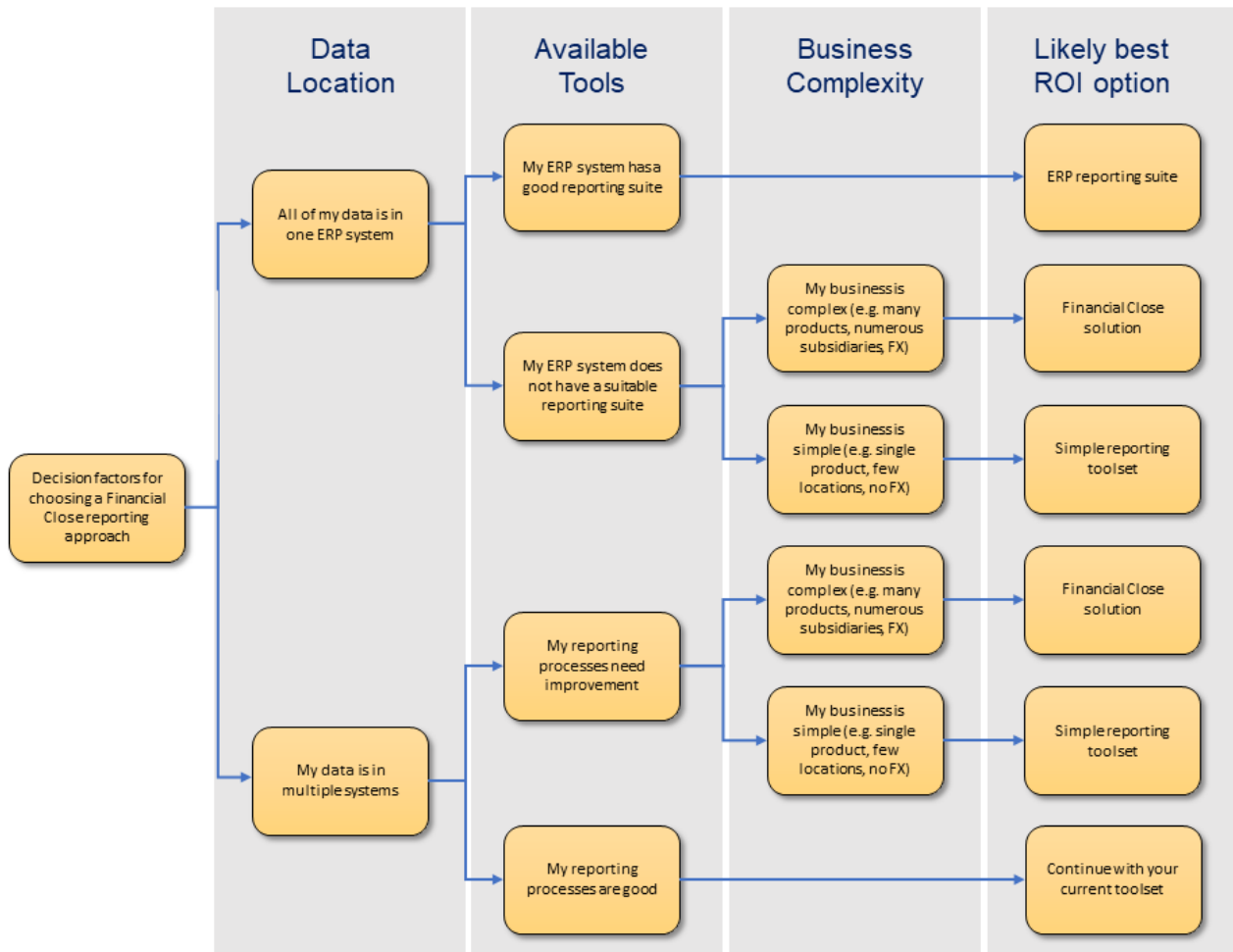
### What do you want your finance department to be?

Type of output required	Predict future performance	<b>Futurists</b> (This requires AI/ML tools for predictive analytics)		
	Explain current performance			
	Custodian of past performance	<b>Historians</b> (This requires just the basic tools)		
		Outputs required every month	Outputs required every 2-4wks	Outputs required in near real-time
<b>Frequency of output</b>				



## Financial close solutions - How do you choose the toolset you need?

The easiest way to know what type of Financial Close solution suites you, is to consider where your data is located, how good your current processes are, and how complex your business is. The following decision tree illustrates how this comes together:



The above illustration may not cover your particular situation - it is a simplified model to demonstrate that there are choices, and that it is important to have a logical argument for what tools you opt for.

Most growing businesses end up with a complex environment; they have multiple ledger systems, intricate reporting logic, subsidiary operations in several countries, different 'charts of accounts' across the organisation, FX rates to manage. If this sounds familiar and similar to your situation, then there is really no choice but to purchase a Financial Close toolset.

Struggling on with spreadsheets when the situation is clearly too complex can only lead to one outcome. And when it goes wrong (and it usually does at some point) the first question we've seen boards ask finance is; "How did we get here?" quickly followed with instructions to "Fix it." In these situations, no one thanks you for the small amount of money you have saved by not buying an appropriate toolset when you had the chance.



## What do financial close solutions look like?

The question then becomes what does a Financial Close solution look like? And the answer is it must include the following 9 core capabilities:

- Data Connectors** - It is essential for your Financial Close solution to get access to the data, but you do not want to start writing any code yourself, so your solution must support data source connectors. These give you access to a wide variety of standard applications like SAP and Oracle, and data file formats such as Excel and CSV and enable you to bring data into the solution without any manual interventions. RFP questions for potential suppliers:
  - These are the systems that my data resides in, how would you get that data?
  - If later I needed data from another system, how would I get it?
  - At each period end there are new actuals to bring in, how does your solution manage this periodic accumulation and adjust for it?
- Support for Non-Financial Data** - Financial reports generally focus on income statements, cash flows and balance sheets; but it is common to also need to report some corporate KPIs such as changes in product sales (e.g., by product type, channel, customer segments) or in operational expenses. To add such KPIs into reports requires access to non-financial data such as customers, employee headcount, operations, supply chains or sales pipeline. So, the Financial Close solution must allow this data to be merged into the analysis. Some RFP questions for potential suppliers should include:
  - How does your solution support non-financial data?
  - What examples of non-financial data have you dealt with?
- Data Integration and Validation** - In Financial Close solutions data is captured from source systems and files with minimal or no human supervision, therefore, it is important to ensure that the data meets the desired quality standards before it is used in your reporting. The most common check on financial data is the trial balance report which can help identify missing entries or posting issues. Your Financial Close solution should be able to conduct a trial balance balancing test and undertake any other bespoke verification checks that you can think of, and (importantly) it should halt the process if any of these tests fail, so you can make the required adjustments. Some RFP questions for potential suppliers should include:
  - Can the solution perform a trial balance check?
  - Can I add my own bespoke data verification checks, if so, how?
  - What does your solution do if a verification test fails?



4. **Computation Suite** - Whenever you are tasked with completing your company's financial close and reporting there are a great many accounting treatments and ratios that need to be produced. Some of these calculations can be quite challenging such as allocations and recoveries which may have to be linked to departmental activity levels or headcount. Any Financial Close solution should enable you to express your business specific computations without you or your supplier writing any software code (as this would make the solution unique to you as a client and may prevent you from getting bug-fixes or upgrades later). And the computational logic captured in the solution should be 100% reusable for any period without modification as this enables it to be properly tested and version controlled. Some RFP questions for potential suppliers include:

- Can the financial close platform deal with the complexities of your business processes?
- Can the system easily modify business logic and track last results and source?
- If you amend things, can your solution make journals back into source systems?

5. **Analysis Tools** - Businesses are complex and need to assess their activities in many dimensions (e.g., how are sales volumes performing in this geography, which products sold best in Q1). When businesses are modelled in a spreadsheet, they must be broken down into numerous two-dimensional models (i.e., to fit the rows and columns of a worksheet) but Financial Close solutions use On-Line Analytical Processing (OLAP) which is a database technology that supports multidimensional information. With this approach, analysts can take any view (or Slice of the data) to produce a spreadsheet-like view of some part of the business. Additionally, analysts can Drill-Down from consolidated information right back to the underlying transactions to trace issues and unexpected variances. This capability to perform sophisticated multidimensional analysis should be core to any Financial Close solution. Some RFP questions for potential suppliers include:

- How do you enable me to model the dimensions of our business?
- Can I perform Slice, Dice and Drill-Down operations on the data?
- Do you support calculated and statistical dimensions?
- How do you manage the growth of data to keep the analysis performant?

6. **Scenario Modelling** - When faced with changes in market conditions, businesses need to be able to model the new scenarios to examine their affect. There are many parameters that can need to be changed including FX rates, Interest Rates, Inflation, Demand, Supply, Labour Rates, etc. Any Financial Close solution should allow you to model these scenarios and create versions to support 'what-if insight' without amending the formal output. Some RFP questions for potential suppliers should include:

- Can your solution run user specific scenarios?
- Can it create multiple scenarios and allow for side-by-side comparisons?
- Are the scenarios version controlled?



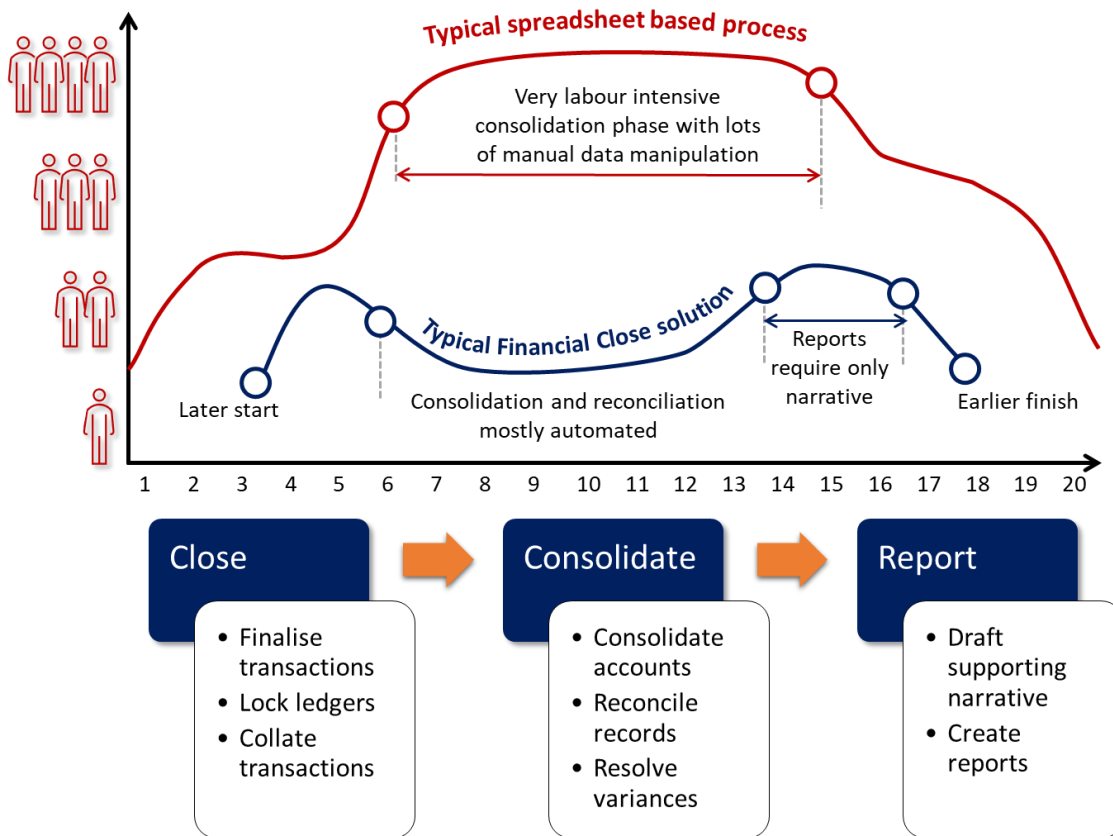
7. **Process Automation** - It is important to be able to capture and standardise your process so that it is consistently performed for each period. This reduces the amount of manual effort the process takes, eliminates workarounds and shortcuts, and improves accuracy. It also reduces audit costs as the auditors can focus on the process that is enforced by the Financial Close solution, and therefore worry less about processing errors. Some RFP questions for potential suppliers should include:
- Can I capture my processes into a Workflow?
  - How can I see progress of the Workflow and manage activities?
  - How can I change and reassign tasks if needed?
8. **Collaboration** - It is difficult to get everyone working to the same timetable or to coordinate their activities when people are spread across an organisation. So, your solution will need some sort of team coordination capability either in the form of a formal collaboration tools or as a minimum built-in messaging tools. Also, those in charge need to be able to see progress at a glance and have bottlenecks and hold-ups highlighted. Some RFP questions for potential suppliers should include:
- How do you enable my team to collaborate?
  - If I found an issue, how could I notify a particular colleague?
  - If I was notified of an issue, what information would the solution supply for me to find the problem?
9. **Reporting, Dashboards and KPIs** - Finance are often asked to produce many types of reports (financial statements, KPI information, monthly board report packs, and more). Reporting is a hugely time-consuming process that requires a lot of data gathering and formatting for presentation. Any Financial Close solution should provide 'out-of-the-box' and user-configurable reports plus dashboards to see at a glance KPI information. Also, when a number doesn't look right, your Financial Close solution should have the ability to 'touch' the numbers with drill down capability to get back to the underlying data. Some RFP questions for potential suppliers should include:
- Does your solution have configurable reports?
  - Can you easily access comparison views to examine numbers and trends?
  - Can I drill-down from the dashboard to the underlying numbers?
  - Can the dashboard be different for each user?



## Comparison and ROI: Spreadsheet processes versus an automated financial solution

Finance leaders have a unique opportunity to introduce automation solutions that will enable them to operate remotely with efficiency and effectiveness, with less need for manual intervention and faster turn-around times. Smaller finance operations with less complicated processes may get by using the 'good old trusted' spreadsheet for a while. However, those with ambitious growth plans will quickly introduce new levels of complexity. And managing these with spreadsheets just won't suffice.

If you are one such company, the time to review your digital finance agenda is now. Don't leave it too late and experience some of the extreme pains other companies have experienced, the ROI of implementing a good automation tool can pay for itself, often in less than a year.



Accountagility has provided automated finance solutions for over a decade and enables businesses with faster reporting, better analytics, lower costs, and a more resilient and adaptable business. We don't just deliver technology, we partner with our clients and join them on the cultural transformation journey that CFOs and their teams take once they've decided to embrace the digital finance journey and make their digitisation ambitions a reality.





Accountagility's ORYX suite addresses the most commonly faced challenges in Finance and allows you to see your business future. We align with the Financial Planning & Analysis and Financial Close markets, defined by Gartner; our Planning and Close/Consolidation solutions are available individually, or together on a single platform. ORYX Finance Process Automation allows businesses to automate bespoke and complex financial models and processes in a user friendly and controlled environment. ORYX supports:

- Consolidations and Eliminations
- Allocations and Recoveries
- Rapid Scenario Planning
- Revenue Recognition
- Forecasting
- Reconciliations
- Accounting Treatments (IFRS Computations, monthly accruals, equity calculations etc)
- Reporting (including integration with BI tools)
- And much more....

Other features include: Plan comparisons, Roll-Forwards, Custom built applications, and OLAP Analysis and Workflow management of tasks.

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