FINANCE TRANSFORMATION ROADMAP:
USING PROCESS REENGINEERING AND DIGITAL TECHNOLOGY FOR SUCCESS
TOP PERFORMERS WITHIN FINANCE AND ACCOUNTING TAKE ON NEW RESPONSIBILITIES

No matter the industry, product, or service provided, Chief Financial Officers (CFOs) and Controllers in today’s mid-market organizations are dealing with a literal onslaught of new financial challenges previously assigned to larger, more complex organizations. The only option has become to step up or step aside, a decision no competitive organization worth its weight wants to have to consider. Whether on the path to obtaining additional financing, preparing for M&A or an IPO, or simply retaining or gaining market advantage, the role of finance and accounting needs to embrace new processes and technology to accomplish any of these aspirational outcomes.

MOVING FROM FINANCIAL STEWARD TO BUSINESS STRATEGIST

A transitional pivot means that in today’s world, there is a need for efficiency and timeliness in completing base-line tasks that is more critical than ever. The job of CFO/Controller has simply become harder and more complicated. Individuals are having to transition from being a traditional provider and steward of financial facts into a business strategist, fully embedded in and essential to corporate success. Let us look at some of the considerations needed for a financial transformation, applying both process reengineering and digital technology.

THE CRITICALITY OF BACK OFFICE TASKS REMAIN

With added responsibility being the new reality for F&A leaders and their teams, back-office tasks have not taken a back seat in their necessity or importance for every organization. No de-prioritization or change in base-line necessity here.

Fiscal responsibilities will always include:

- Providing business transaction oversight
- Managing business performance
- Ensuring accurate financial reporting
- Delivering timely close processes

ACCOMPLISHING TRADITIONAL CHORES WHILE ADDING INNOVATION

But as the role and responsibilities of the CFO and Controller evolve and grow, these individuals become the de facto owners of both traditional responsibilities and the evaluators and implementers of 21st century-based processes. What is the breakdown?

First, performing conventional financial tasks remain a priority:

- Closing your subledgers in a timely manner
- Managing your general ledger and journal entries
- Performing reconciliations and eliminating intercompany transactions
- Evaluating and conducting flux analysis
- Reviewing accuracy of actuals vs. budget
- Tracking and forecasting cash flow
- Delivering accurate reporting and supporting business leaders
- Defining Key Performance Indicators (KPIs) for business operations
- Meeting regular deadlines, such as monthly close and annual audit
Next, adding more innovative approaches to finance and accounting must become the norm:

- Evaluating current processes, procedures, and identifying the close bottlenecks
- Creating and calculating transformation results via a process topography schematic
- Obtaining education on revenue recognition, cost accounting, and process efficiency
- Acquiring and implementing more automated, accurate, and time-saving technology solutions
- Implementing and validating regulatory compliance controls
- Working more efficiently with auditors on data requests and follow up items

**WHAT’S NOT WORKING?**

Blending the workings of traditional financial accounting with a forward-facing, technology-oriented approach is tough. It brings most organizations face to face with a litany of challenges with systems and practices that may not have been critically evaluated, altered, or updated for decades.

A list of typical roadblocks to reaching a true finance transformation includes some that are procedurally oriented and others that are linked to outdated or non-existent technology. Chances are there will be something on this list that will resonate as an impediment for most enterprise F&A teams.

- Processes that are manual, labor-intensive, and often dependent on key personnel
- Little real-time information, making management dashboards difficult and unreliable
- Need to use complex spreadsheets for results consolidation
- Difficulties in gathering key performance information, with multiple versions of “the truth”
- Lengthy close cycles that result in missed business opportunities
- Large numbers of journal entries, and a lack of supporting audit trail documentation
- Intercompany transactions that are difficult and time-consuming to reconcile
- Materiality limits and concepts that are not properly employed
- Lack of synergy between tax provision and compliance methodologies
- Internal reporting not clearly defined, and supporting data not readily available
- Poor connection between actual results vs. forecast, due to disparate systems and timeframes

**THE CFO AND CONTROLLER’S HERE AND NOW — AND WHAT’S NEXT**

So far, we have dealt with lots of lists, even before some solutions begin to emerge — stay tuned. The fact remains that many CFOs and Controllers are dealing with the reality of reduced staff, general team (and personal) burnout, all compounded by the ongoing need to source, hire, and retain more technology-savvy staff. With a lopsided focus on closing the books vs. gaining a better understanding of the business, the need to transform the outdated financial paradigm is more imperative than ever.
APPLYING A FINANCE TRANSFORMATION ROADMAP: UPDATE, STREAMLINE, AND AUTOMATE

With a baseline of tasks and realities now articulated, it is time to move on to a roadmap to enact a finance transformation across virtually any — and every — organization. Three consistent guiding principles need to be applied to improving all finance processes. These include:

1. **Acceleration**
   Moving from when you are closing your books today to closing in 5 business days

2. **Velocity**
   Combining both speed and focused direction on your close bottlenecks

3. **Agility**
   Building a quick and nimble plan and sticking to it

DELIVERING FASTER AP, AR, INVENTORY, AND FA MONTHLY RECONCILIATIONS

The current state of reconciliations typically consists of manual tracking and matching of open invoices. Finance teams struggle with the volume of invoices, accruing on a monthly basis, and basic procurement management just to keep the business running. And most organizations are paper-based and still relying on the tedious chore of scanning paper-based documents into digital files to complete, validate, and track documents.

The desired state includes a full-scale switch to purchase orders. Automated accrual schedules become the standard operating procedure to close AP, AR, and inventory sub-ledgers. This becomes the new normal, along with the use of OCR to match invoices with associated receipts. These advances empower the means to close sub-ledgers earlier and to then move on to other essential close activities. Clients that have perfected these methods have been able to push their closing process to 5 business days.
STANDARDIZING AND CENTRALIZING THE CLOSE PROCESS

The existing paradigm of the close process is one truly mired in outdated practices. Just consider the status quo. Siloed, disjointed close checklists require tribal knowledge from individual contributors and are often dependent on one person’s activities. The lack of visibility and undefined dependencies create an environment where finance teams elevate the pressure in a condensed time-frame to accurately produce financial information leaving most resources daunting for the upcoming close process.

The aspirational scenario? To create a global close checklist where you can gain full visibility, centralization, and clear due dates of who is working on what close activities. This will greatly assist all team members, specifically in the reality of reduced staff, and will minimize the hours collectively spent on the close process, including monthly, quarterly, and annual mandates. Utilizing shared dashboards will standardize and centralize close activities, improve management oversight, and ensure balance sheet reconciliations from the sub to the general ledger. This will more organically help with compliance regulations, such as SOX, and is a job perfectly suited for new technologies such as cloud-based close management software.

IMPLEMENTING FASTER, MORE ACCURATE FINANCIAL REPORTING

There is the requirement for regular financial reporting, a mandatory but often extremely difficult component of the operational and compliance mix. In today’s enterprise, it is a common fact: Reports are often not available for days — even weeks — after the GL close. Not a good situation; and given that reporting metrics and standards are constantly in flux, it makes the dilemma even more complicated. The finance team is simply too busy to support additional demands, while long lead times negate an immediate understanding of business success or the ability to react with real-time remediation. It becomes impossible to adjust investments (up or down), to improve procedures such as inventory management, and to understand where to apply cash to initiatives such as operational improvements.

The desired state then is real-time reports and business intelligence dashboards to the leadership team in a much faster fashion allowing for feedback and decision-making. Accelerating the financial close process allows for executives to understand the data faster and to come up with other reporting metrics that are beneficial for the business. This is what top performing organizations have been focusing on in the past 8 years - Data, data, data.
REAPING THE BENEFITS OF FINANCE TRANSFORMATION

A transformed finance operations position will ultimately include quicker, more accurate, and actionable information. Quicker, more accurate reporting results in both better decision making and the ability to react to scenarios, both positive and negative, with speed and decisiveness. This means added insight across the business at large, and the real capacity to elevate the finance function to a partnership role with other business stakeholders.

ADDIMG CITRIN COOPERMAN DIGITAL FINANCE TRANSFORMATION OPERATIONS TO THE MIX

Digital Finance Transformation advisory services from Citrin Cooperman and Company LLP offer an integrated approach to understand your finance and accounting operations challenges to transform the finance landscape, including a breadth and depth of strategy & business transformation consulting, tax, and audit assistance. With more than a dozen offices nationwide, their finance transformation service line and consulting offerings consistently employ rapid consulting projects, identifying challenges, creating recommendations, and building a tactical roadmap for execution taking into account cost-effective methods to address any type of budget.

The Digital Finance Transformation service line focuses on delivering rapid finance assessments for Controllers and CFOs that help them understand the root-causes of finance challenges while creating a finance transformation roadmap with recommendations to solve specific issues driving accountability and results that can be quantified for the leadership team.

Citrin Cooperman can apply expertise to help:

- Improve, accelerate, and enhance finance operations that positively influence corporate performance
- Redesign and centralize outdated processes and eliminate time-consuming business cycles
- Replace “the close” by providing real-time status update dashboards globally
- Automate finance and accounting operations that fit manual characteristics
- Transform finance into a service center to provide enhanced organizational value and ultimately better customer service — internally and externally
- Equip enterprises to meet regulatory and compliance deadlines and reporting obligations
- Assist to add tech-savvy staff that include data scientists, BI analysts, and technology specialists
- Implement proven business intelligence solutions that deliver insightful management information

Here is more information about Citrin Cooperman’s Finance Transformation Service Line.
LEVERAGING CLOSE MANAGEMENT SOFTWARE FOR FINANCIAL TRANSFORMATION

FloQast’s close management solution assists to tick off many of the demand boxes for resource-constrained CFOs and Controllers, those who understand the need for new ways to digitize and renovate outdated financial processes. FloQast brings close activities to a needed level of speed, accuracy, and collaboration with a simple to implement cloud-based solution, one that integrates seamlessly with familiar tools, such as Excel. Its intuitive nature means there are no added or repetitive tasks, and no need for a lengthy implementation effort.

FloQast adds clear visibility and accountability for both management and team contributors across the spectrum of close responsibilities and tasks. It provides real-time notifications, results, and reports that are fully documented and audit-ready, to redefine the finance department as a critical business contributor.

The FloQast Close Management Solution helps enable CFOs and Controllers and their organizations to:

- Automate routine manual close activities, adding time for value-added undertakings
- Create a consolidated, sharable, and visible close checklist
- Close sub-ledgers quickly, with more accurate accruals
- Add time and data for informed decision corrections, and added finance-based strategy initiatives
- Perform auto-matching of transactions for faster reconciliations
- Replace cyclical close limitations with real-time information available daily, monthly, quarterly, and annually
- Enhance document storage processes and meet compliance regulations (i.e. SOX)

For complete information on the FloQast Close Management solution, visit our website.
CONCLUSION

There is no doubt the role of the CFO and Controller has radically changed in mid-sized organizations, as these individuals become charged with revamping both their role and responsibilities and the processes needed to transform the finance department from number crunchers to valued business intelligence contributors. The demand for enterprises to tackle new challenges in the improvement of fiscal efficiency, accuracy, and automation, while reducing overall complexity and time lags, underscores the need both for expert skilled advice and the use of new digital technologies to reach this transformative goal.

And in addition to the changing role of the CFO and Controller, so must these individuals concentrate on the acquisition and migration of team members to more technology-savvy positions and skill sets, to support the new procedures and solutions being added to empower this professional and structural shift.

In short, finance transformation success manifests itself in improved efficiencies, reduced time to task completion, better data availability, greater accuracy of information, enhanced decision making, comprehensive reporting, and full regulatory compliance. It is all better for any business.

ABOUT THE AUTHORS

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FloQast is close management software built by accountants for accountants so they can close faster and more accurately. We built FloQast to seamlessly integrate with your existing systems and checklists, like Microsoft Excel, to work the way your team does with increased visibility & centralization for every month-end close.