

# Re-Imagining the Financial Close



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# Introduction

The financial close process has long been a critical activity allowing organizations to accurately record and report on their past performance. This accuracy is clearly not only essential for the organization to understand what has happened but also to ensure it meets the legal requirements to perform and publish a financial analysis. Considering the additional importance of using the actual data to seed planning and budgeting amongst other processes — effective, timely and accurate close processes are no doubt in the best interests of every organization.

Amidst a steady flow of changes to global reporting regulations over the years, significant parallel shifts have occurred in the technology to support the financial close. These shifts fuelled a desire to perform financial close processes increasingly faster while maintaining and improving the integrity and accuracy of outputs.

To prosper and thrive in this new world, most organizations have been forced to adapt. And the pandemic has only accelerated the change, though, for many organizations, such change was ultimately inevitable. Today, there's more disruption in markets, and it occurs at a faster pace. As technology and methods of investing evolve, challenging traditional business models with something entirely different is faster and easier than ever. There are plenty of recent examples — the advance of the smartphone or the rise of Netflix, Tesla, Airbnb and Uber, to name a few.

Organizations therefore need robust financial close processes to gain information quickly and report to the market with more speed and accuracy than ever before. Unnecessary time delays, manual processes, different versions of the truth, and inaccuracies in data and reporting therefore must all become relics of the past.



# Now Is the Time to Re-Imagine the Financial Close

In this white paper, we examine the business changes that have occurred in recent years, the impact on the close process, and we propose the way forward. We will highlight how change and increasing complexity is driving the need for improved insights and information outside of traditional close cycles and how this can be delivered in a truly unified financial close solution.

We also highlight how a unified financial close solution can provide more automation, remove the complexities of the past and meet the diverse requirements of even the most complex organization, both today and well into the future.

## The Increasing Pace of Change

We have seen unprecedented change recently as a result of the global COVID-19 pandemic. While the total economic impact currently remains unclear, economists widely agree that the global economy will face severe negative impacts. One estimate puts the global drop in gross domestic product at -4.5%, but the drop could even be higher. Industries such as travel and transport, hospitality and retail have been widely affected, and public services have been stretched beyond their limits as typical spending patterns have been turned upside down.

Complexity and change have and will continue to come at organizations from all angles. Millennials, for example, expect much more from employers — more feedback, better internal communication, more flexibility, and more benefits, to name a few expectations. There is, of course, increasing change resulting from ongoing compliance and regulations. And finally, organizations must consider the ongoing changes from new, non-financial data reporting requirements for ongoing risk management and, more recently, sustainability/ESG reporting.



### Challenges in Financial Close and Reporting

For Finance and Accounting teams still reliant on legacy corporate performance management (CPM) software or spreadsheets and manual processes, the financial close and reporting processes add another enormous scope of complexity. Here are a few of the key close challenges for mid-size to large organizations:

- ☑ Integration and validation of data from multiple sources
- ☑ Complex accounting for complex ownership structures
- ☑ Currency translations and adjustments
- ☑ Intercompany eliminations
- ☑ Account reconciliations
- ☑ Multi GAAP and IFRS parallel reporting
- ☑ Adjustments and allocations

### Manual Processes Are Still the Status Quo

CFOs are also under increasing pressure to focus their efforts on value creation rather than just routine accounting, control and compliance. But unfortunately, despite 20 years of Finance Transformation, manual processes are still the status quo. In fact, according to PWC’s Leading Finance in the Digital Era report (see figure 1), only around a third of Finance tasks are automated today.

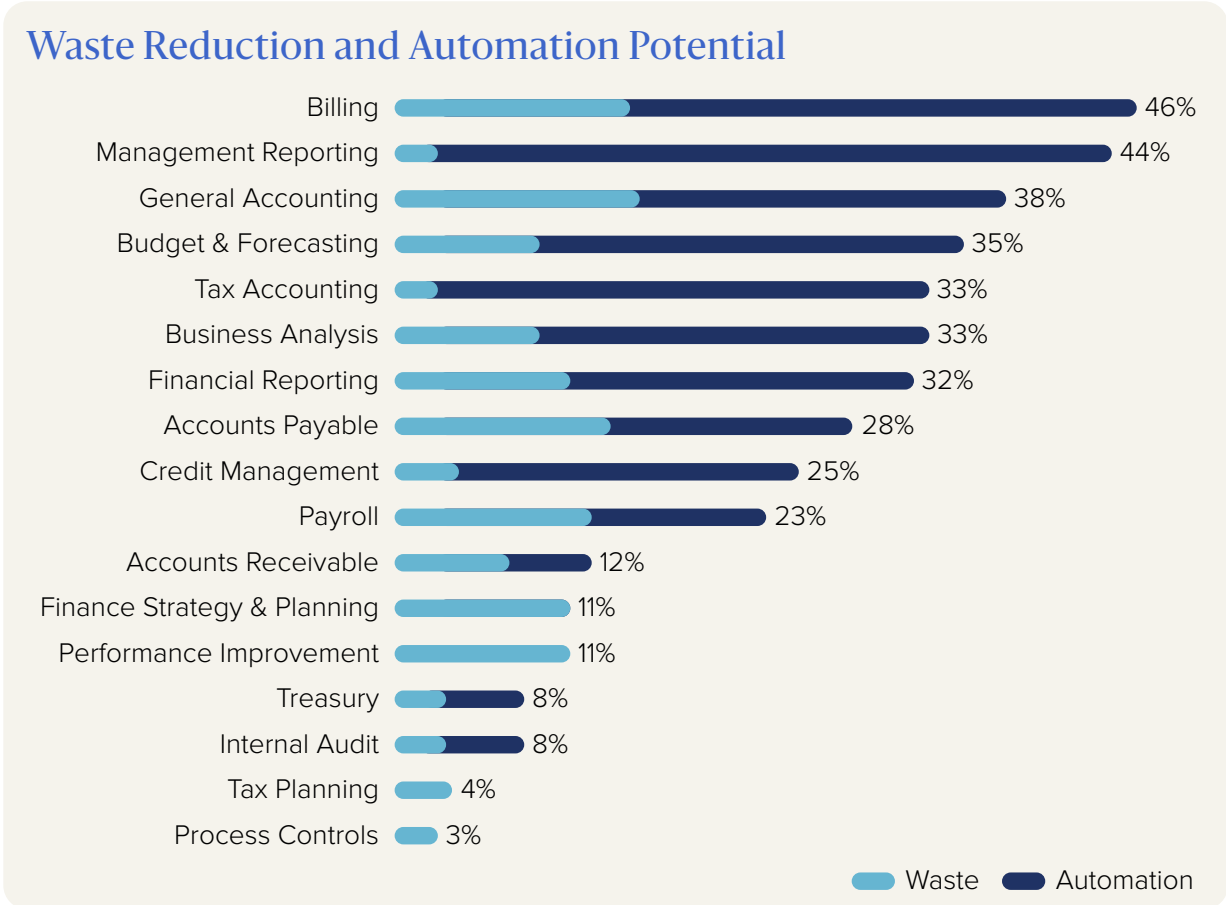


Figure 1: Automation Holds the Key to Improved Efficiency

What's the net impact to organizations? A 2019 Ventana Research Finance Benchmark survey found that 48% of organizations take longer than six days to close the books. For Finance and P&L leaders who require accurate and timely data to inform key decision-making, the traditional month-end close cycle is clearly a material barrier to driving performance.

## What's Holding Organizations Back?

We've since seen the introduction of terms such as the "connected financial close" and "connected reporting" to describe the integration of key Finance processes as increasingly more "modules" came to market to handle tasks such as account reconciliations, tax provision and financial reporting.

Unfortunately, in many organizations, the evolution appears to have stopped after the first purchase of a CPM solution.

While connected Finance solutions (see figure 2) have propelled Finance Transformation for over 20 years, these solutions aren't really designed to help the largest and most complex organizations drive performance in this new era.

For large, global organizations with complex Finance processes, connected Finance solutions are difficult to scale to meet today's requirements. Why? Because each and every departmental and corporate application or model must be connected or integrated — adding risk, cost and complexity to already-taxed Finance teams.

## Connected Finance Solutions – Fragmented

Multiple Applications, Points of Maintenance and Data Integration

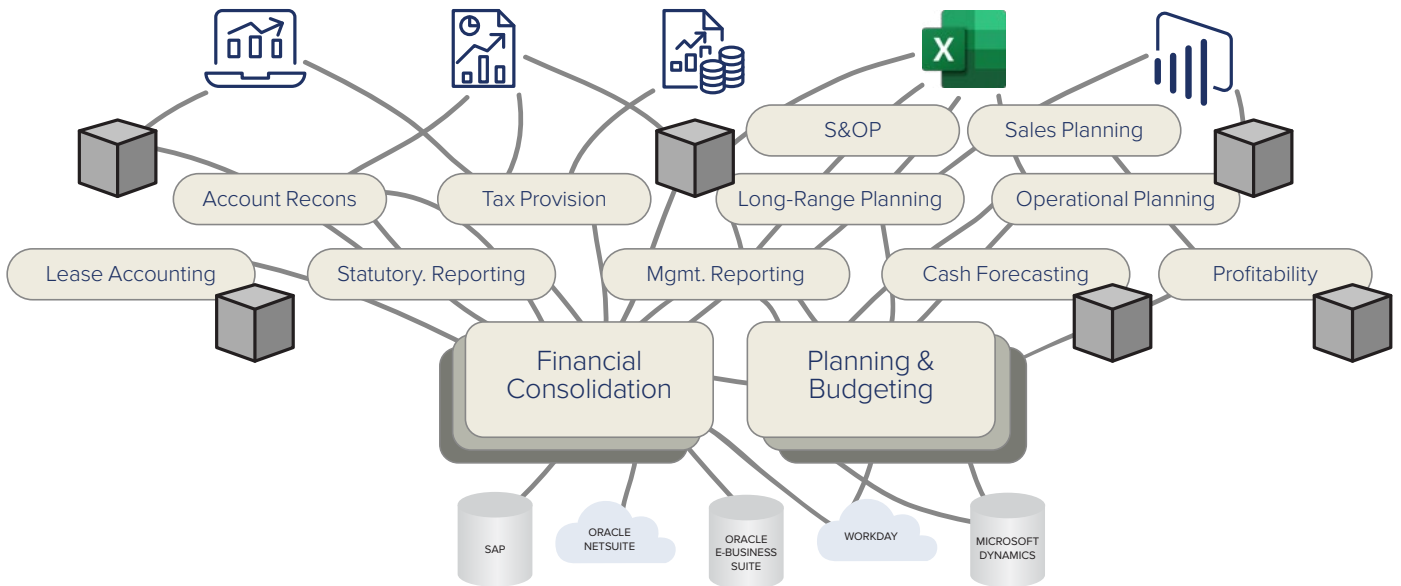


Figure 2: Connected Finance Solutions – Fragmented

## Re-Imagining the Financial Close

Here are some important factors to consider:

### Fragmented Software & Processes

Connected Finance solutions require fragmented cubes, modules and sometimes third-party software to support critical financial close processes, financial data quality, reporting and analysis. At scale, the constant addition and introduction of new software and processes adds risk, cost and complexity across the Office of Finance.

### More Data Management & Administration

The traditional fragmented software and technical processes needed to support close processes create added technical complexity and administrative burden on the Finance team. This burden includes moving and reconciling data, constantly managing metadata in multiple systems, monitoring data latency and managing security between fragmented products or models. All of this dilutes the ability of strategic Finance teams to focus on driving performance and supporting critical decision-making.

### Lack of Critical Close Capabilities

Many connected Finance solutions, particularly for financial consolidation, lack the functionality to deal effectively with complex requirements, such as consolidating and eliminating inter-company balances automatically without rules, effectively handling alternate hierarchies without duplication of data, or automatically recognising the calculation/data impacted status. Some even offer no financial intelligence. What does that mean? It means all the core “financial logic” required to support monthly financial processes — such as debit or credit account types, multiple hierarchies, dimensionality and currency translation — must be built completely from scratch.

To truly become a strategic business partner the Finance function must dramatically reduce its transactional workload. Unleashing the true value of Finance requires efficient processes that minimize manual tasks, such as performing allocations, calculating depreciation or posting manual journal entries to free up the Finance team to focus on value-added analysis and decision support for the organization.

Automating and unifying the financial close and reporting process ensures faster delivery of financial, operational and sustainability/ESG results to management for accelerated decision-making. It also allows results to be delivered faster to external stakeholders.

# Finance Needs to Lead at Speed

As CFOs maneuver their organizations through the warp-speed environment of the 2020s, Finance Transformation is in vogue again. Why? Well, Finance chiefs at large, sophisticated organizations cannot afford to manage their organizations with the same technology widely used for the past 20 years. At least not if the goal is to actually help teams move with the agility and pace required to drive performance through periods of volatility and disruption.

With the debate on the need and value of Finance Transformation settled, Finance teams can now finally focus on taking the steps needed to lead at speed. And that journey starts with a simple objective.

To lead at speed, Finance teams must finally conquer the complexity of disconnected CPM tools and financial close processes.

And Finance teams must find ways to move ahead of the traditional month-end financial close cycle.

## Breaking the Month-End Close Cycle with Financial Signaling

The increasing market volatility and disruption of the 2020's are reshaping and accelerating the future of Finance. CFOs and their teams now face a new inflection point. Analyzing revenue, costs, cash flow and operational signals on a weekly or even daily basis is no longer just a vision — it's essential to navigating through rapidly changing business conditions.

Unfortunately, the panacea of the “virtual close” or the “continuous close” where the books are closed every day and consolidated financial results can be instantly shared with stakeholders is just not feasible. And it's especially infeasible when the transactional data is sitting in multiple GL/ERP, CRM, HCM and other systems.

How can Finance and Accounting teams break down the barriers of the month-end close cycle?

Financial signaling (see figure 3) brings the vision of **daily close performance reporting** to reality by **empowering Accounting and Finance teams** with daily or weekly insights into **key metrics and drivers of the business**. These “signals” can highlight critical opportunities or risks that require action.

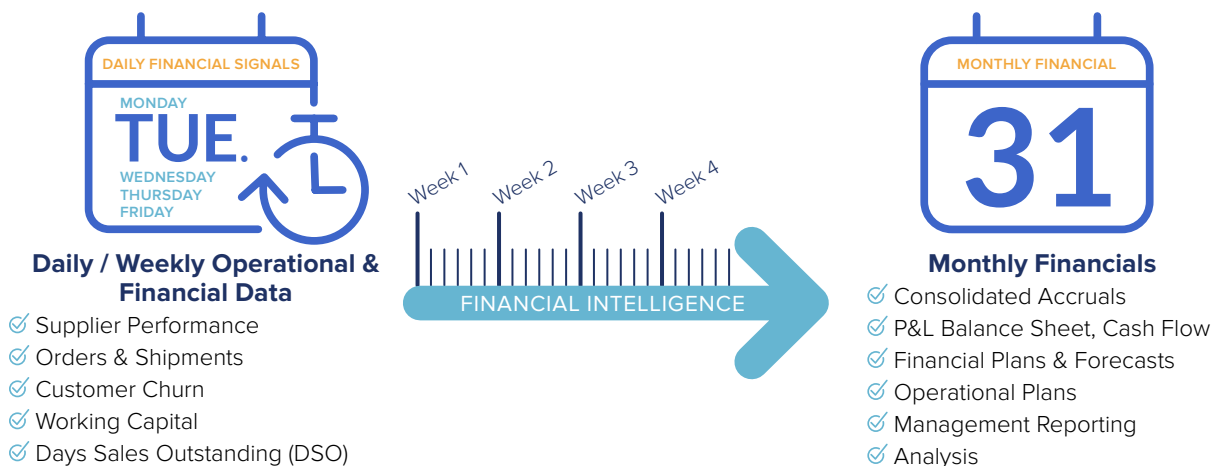
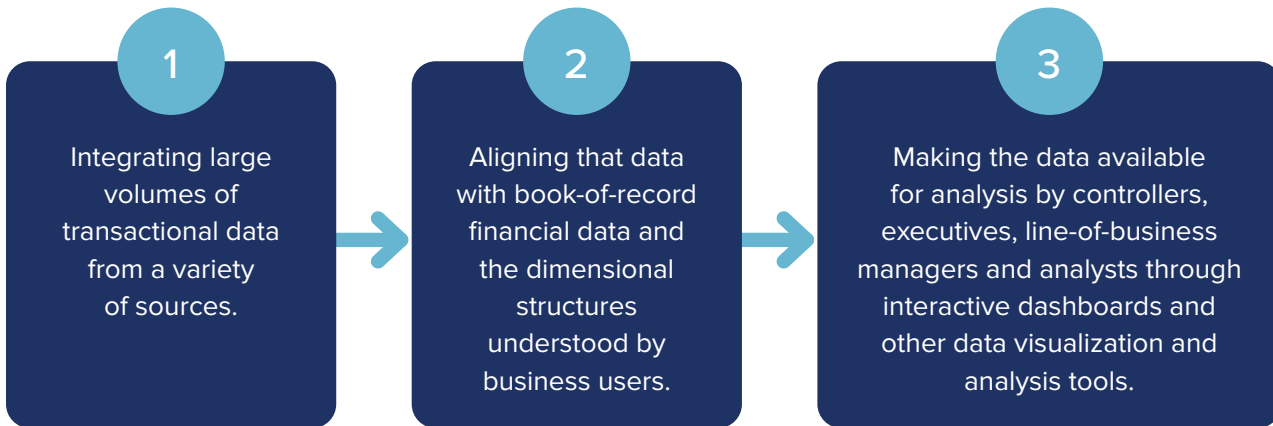


Figure 3: Financial Signaling



Examples that offer these signals include data on the sales pipeline, customer orders or shipments, customer renewals, supplier deliveries, working capital and key metrics such as days sales outstanding (DSO). With weekly or daily insights into the trends and signals inherent in these data points, managers can immediately take action to proactively impact the period-end results.

How do Finance teams get there? Effectively performing financial signaling requires three key capabilities:



# Re-Imagining the Financial Close

Financial signaling provides a unique opportunity for Finance and Accounting teams to re-imagine the financial close and challenge the mindset that key data cannot be available before the books are closed. And it allows them to do so in a unified and seamless process that is controlled, auditable and complete.

By unifying key financial close processes and using financial signaling to continually monitor daily or weekly intercompany, customer and supplier transactions (see figure 4) from across the organization (and across disparate IT systems), Accounting and Finance teams are empowered to proactively manage risk and drive performance.

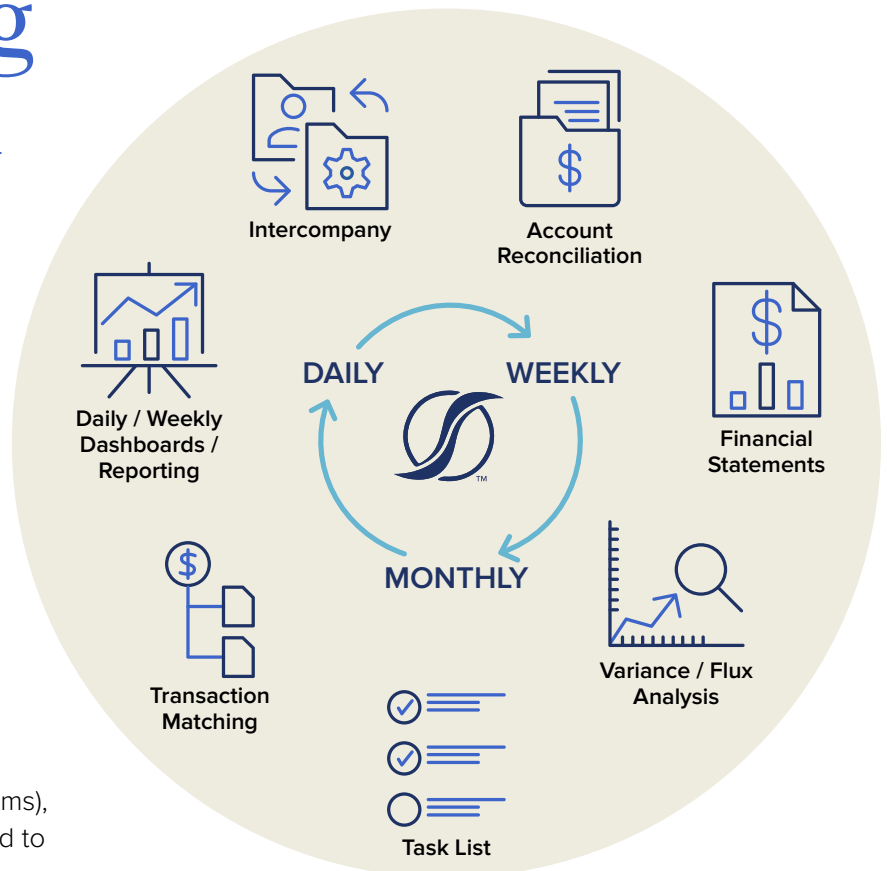


Figure 4: Complete Financial Close and Compliance Process

Organizations can achieve the following benefits by taking the steps to re-imagine the financial close process:

- **Providing a single 'data value chain'** (see figure 5) by collapsing multiple feeds of source data into one single direct connection and then re-purposing the data for multiple processes. Organizations can then seamlessly move through the reconciliation and attestation processes, then through to management reporting and finally to consolidation and financial reporting with a **single line of sight** back to transactions.
- **Reacting faster to changes** and identifying when abnormalities appear earlier. This increased visibility into financial and operational data can effectively serve as an early warning system to help identify actions and enable informed decisions at the speed they require.
- **Improving resource management** by more equally distributing manual workloads from month-, quarter- and year-ends to within the periods. This equitable workload can lead to fewer temporary staff requirements at peak times and result in valuable people doing more of what they are qualified to do.
- **Increasing visibility and transparency** by creating clear task management and workflow to guide users through the close process, providing instant visibility on progress and process completion whilst ensuring governance and control in what takes place and when.
- **Saving time with automation** by identifying and reducing repetitive manual tasks. Such automation is achieved by organizing all processes in a single unified platform and streamlining critical processes with interactive visualizations and collaboration capabilities to increase both control and accountability.
- **Reducing TCO** by fully unifying the financial close in a single software solution and eliminating the time, effort and costs of maintaining, integrating and upgrading multiple legacy CPM applications and processes.

## OneStream's Data Value Chain and Single Line of Sight

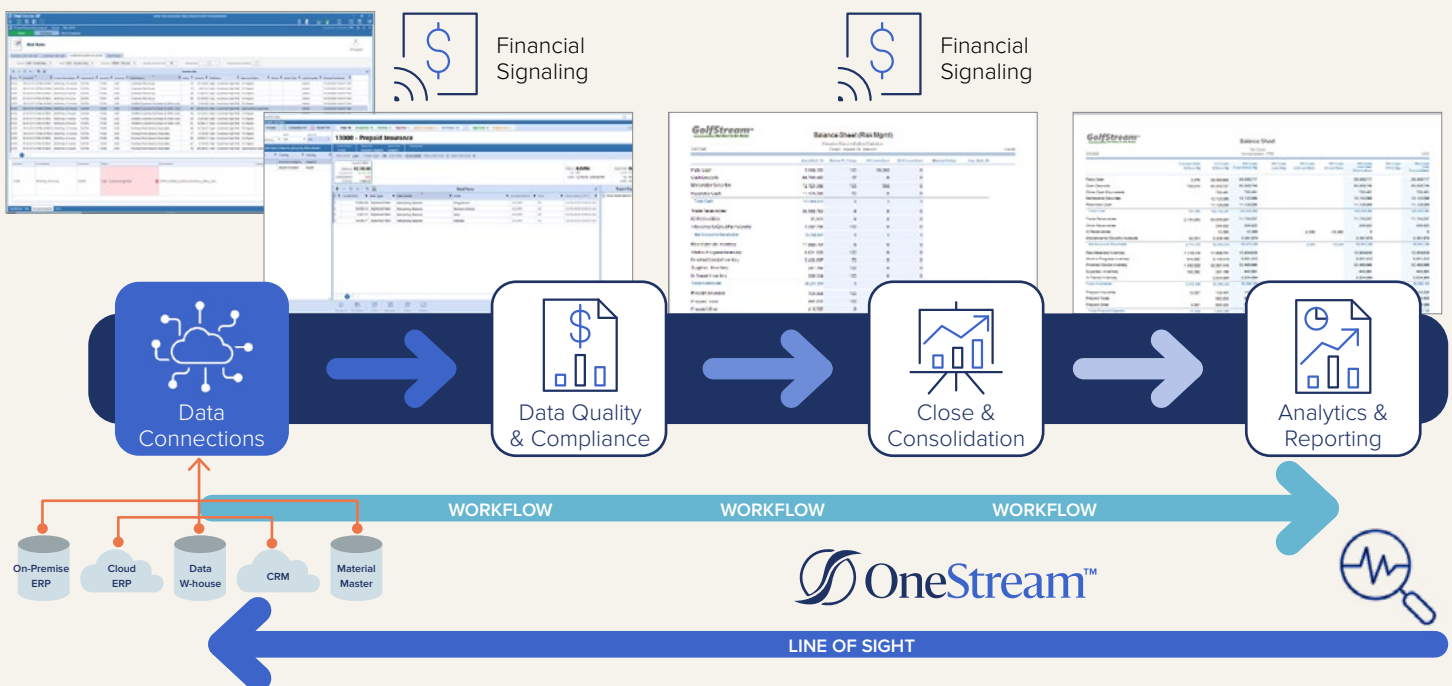


Figure 5: Data Value Chain and Single Line of Sight

# OneStream's Intelligent Finance Platform

OneStream's Intelligent Finance platform (see figure 6) uniquely unifies financial signaling with core CPM processes — such as financial close and consolidation, planning, reporting, analytics and financial data quality — for the world's leading enterprises.

OneStream is purpose-built to address the financial close, consolidation and reporting requirements of the largest, most complex organizations across the globe. In addition to its built-in financial intelligence, OneStream includes pre-built functionality designed to help streamline the financial close, consolidation and reporting, including the key capabilities highlighted in figure 7.

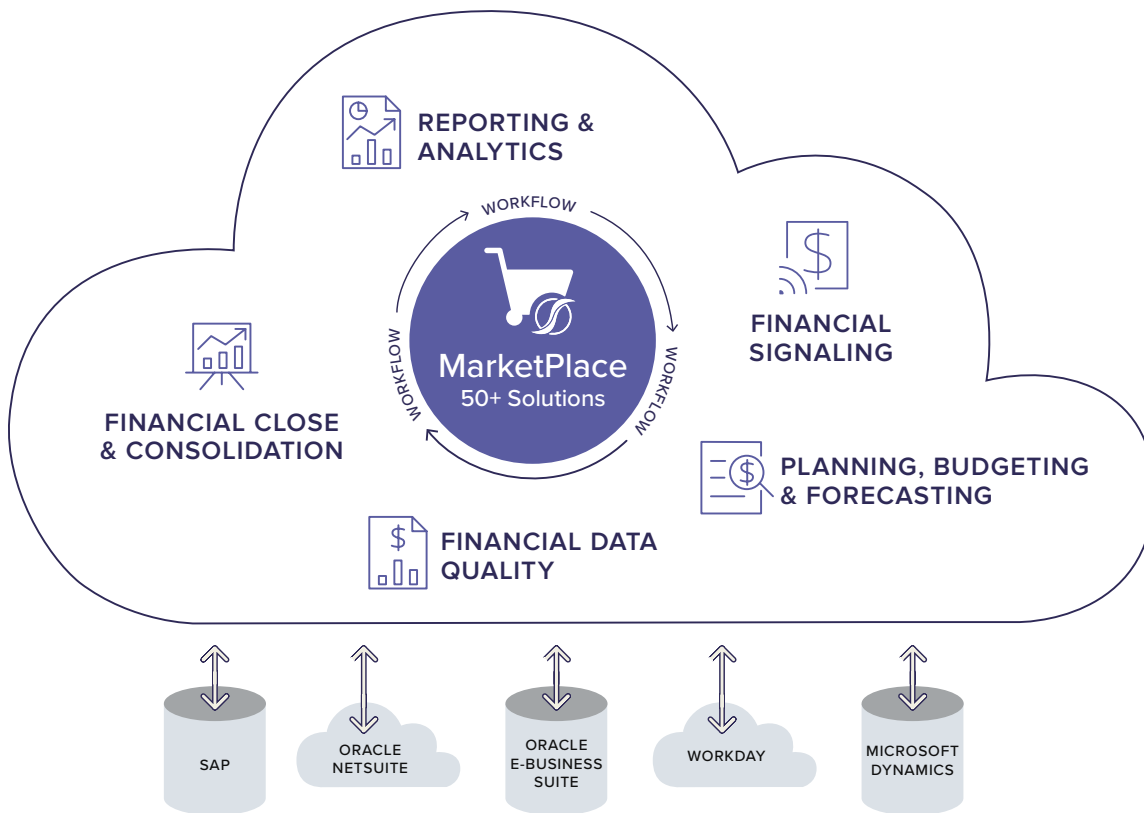


Figure 6: OneStream's Intelligent Finance Platform

## OneStream's Pre-Built Functionality for Financial Close & Consolidation

- ✓ Integrated Financial Data Quality
- ✓ Financial Close & Consolidation
- ✓ Account Reconciliations
- ✓ Tax Provision
- ✓ Guided Workflows
- ✓ Built-In Reporting and Analytics
- ✓ Transaction Matching
- ✓ Task / Close Management

Figure 7: OneStream's Pre-Built Functionality for Financial Close & Consolidation

# Customer Success Story



**BDO** is a U.S. professional services firm that provides assurance, tax and advisory services to multi-national clients through a global network of over 80,000 people working in 1,591 offices across 162 countries.

The BDO team, led by CFO Lynn Calhoun, selected OneStream because it met three primary requirements: scalability, information delivery and data integrity. In sum, OneStream fit the bill as a platform which could handle larger data volumes as BDO grows and empower key decision makers with accurate information, rich dashboarding and reporting capabilities. By combining multiple disparate data sets, OneStream creates “one source of the truth” for BDO.

OneStream helps BDO align their external, legal, management and FP&A process all within a single solution while providing a framework to address different levels of detail between budget/forecast collection and actuals reporting across Accounts, Cost Centers and Departments. All of that in turn provides additional granularity for reporting and planning across various lines of business — in a single solution that offers a unified data model.

BDO leverages OneStream’s financial signaling capabilities to report on and analyze large volumes of daily transactional data, loading 10 million records nightly. Those records are transformed into 30 to 40 million rows of data through OneStream and then made available for BDO’s users via an interactive dashboard.

**“We now have happy users who are able to absorb information the way they want with self-service reporting and dashboards. This includes a wide range of information, not just financial — including managing people and clients.”**

*—Lynn Calhoun, CFO, BDO*



# Conclusion

The rigidity and inefficiency of disjointed legacy Finance systems has been a reality for Finance organizations for years. But the unprecedented volatility of 2020 exposed the importance of an agile Finance team and processes that can effectively steer the enterprise through turbulent waters.

Though many Finance organizations have transformed specific processes and increased productivity, re-imagining the financial close will help the Office of the CFO to finally conquer the complexities and shortcomings of the traditional month-end close process and drive continuous — and controlled — performance throughout the organization.

And with a corporate mission of delivering 100% customer success, OneStream is designed for Intelligent Finance teams with a vision that spans well beyond the numbers.

To unleash the entire organization with innovations that automate tasks, eliminate low-value processes and reduce risk. To empower the organization with the data-driven insights required to unify decision-making across Sales, Marketing, Operations and Finance. And to inspire the organization to continuously evolve with a digital foundation capable of meeting the challenges of this unprecedented moment in time.



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For more information, visit our website at [OneStreamSoftware.com](https://www.onestreamsoftware.com).

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