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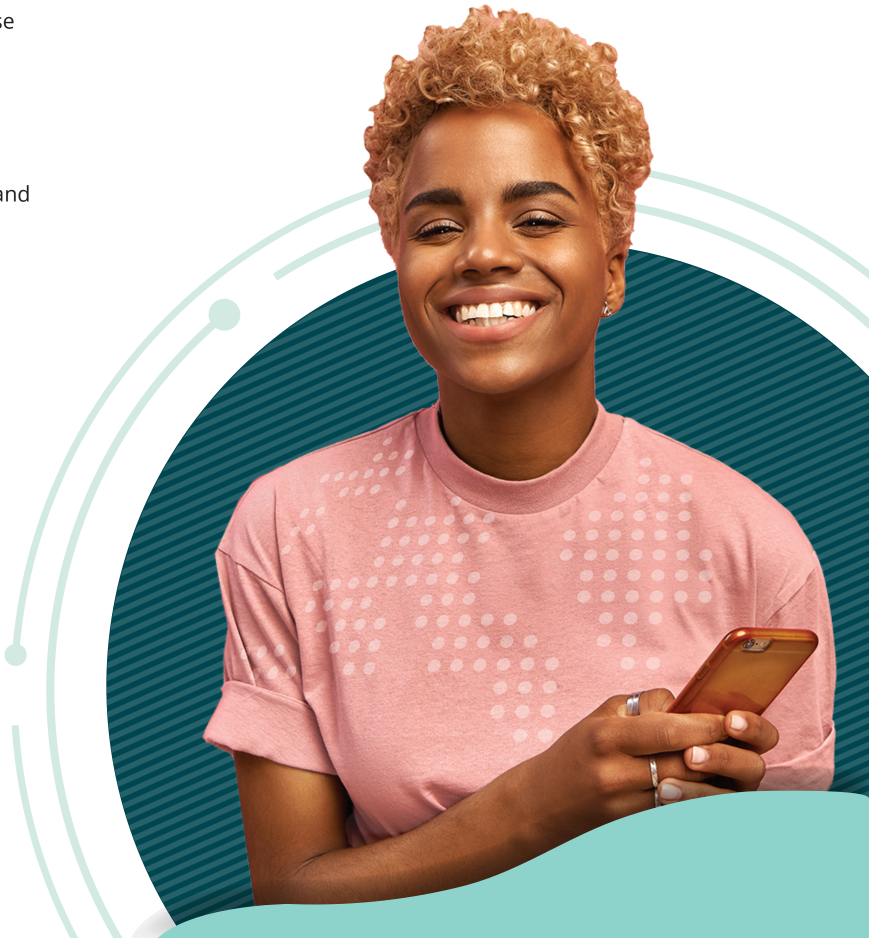
With the right tools and processes in place, organizations can eliminate unnecessary tasks and work smarter. The result: a streamlined financial close and better insights.

TRANSFORMING THE FINANCIAL CLOSE PROCESS WITH WORKFLOW AUTOMATION

Whether performed monthly, quarterly, or at year-end, the financial close process can be a challenge for many finance departments, with manual processes and a lack of end-to-end visibility creating inefficiency or, worse, inaccuracies. The situation has intensified in the midst of the COVID-19 pandemic, as leadership teams are challenged to rethink established processes to accommodate a dispersed work-from-home workforce.

The fragmented workflows that characterize the traditional financial close process can put companies at greater risk for reporting errors and bottlenecks while burdening the finance department with unproductive administrative tasks. Processes established over time have created a mix of reconciliations, confirmations, reviews, and verifications. Any merger or acquisition activity has likely further increased complexity, with additional layers of disparate processes and handoffs between distributed businesses and multiple Enterprise Resource Planning (ERP) platforms. Factor in the new realities of the global pandemic, and organizations are looking at a perfect storm of inefficient processes that could limit their ability to effectively perform financial duties and may introduce incremental operational risks.

To help manage the financial close process, along with myriad other finance functions, Deloitte has been innovating with solution provider ServiceNow to develop a platform solution to automate finance service delivery. The aim is to streamline cross-functional processes and promote seamless data sharing even in the face of a highly distributed, remote workforce.



The business challenge

The financial close process at many organizations could be categorized as fragmented, inefficient, and labor intensive. The process often requires accountants and finance professionals to hunker down for days and weeks on end, collecting data, inputting journal entries, monitoring controls, reconciling accounts, and fixing errors in preparation of required financial statements.

Orchestrating the financial close process across multiple business units and time zones has traditionally relied on manual handoffs, email strings, and conference calls, which are hard to monitor, can be error-prone, and potentially invite miscommunications. The impact of COVID-19 exacerbates the challenge. Accountants and business managers in the home office can no longer huddle in a conference room to pore over spreadsheets. The additional challenges of collaborating and sharing documents across teams of remote workers put further stress on manual and inconsistent processes resulting in poor data quality and control gaps.

> *"Unless an organization is extremely well governed, distributed teams execute bespoke processes to handle the similar business activities,"*

explains Jade Shopp, partner, risk and financial advisory, at Deloitte & Touche LLP. "Disparate processes are inefficient and require more communication, making the entire close process more cumbersome."

The labor-intensive financial close process can also have a negative effect on employee morale. Finance professionals work late nights and weekends to get the job done, and different constituencies involved in the workflow may not know what the others are doing. This can create unnecessary rework resulting in delays while causing frustration among colleagues.

By devoting so much time to labor-intensive financial processes, finance professionals have less bandwidth to focus on more strategic activities and initiatives. Finance organizations that do not embrace process automation through digital technology, and are seeking to attract and retain younger talent, could face increased risk of employee dissatisfaction and turnover.

Existing technology poses challenges

While ERP platforms are well equipped to house and handle massive amounts of financial data and transactions, they may be limited in their ability to transform customer interactions into GAAP-compliant financial records. To address the gap, many stakeholders in finance and other departments are required to participate in multiple handoffs to get data organized, which can be time consuming, inefficient, and error prone. The lack of standardized processes may result in duplication of effort, inconsistent controls, back-and-forth emails, and manual re-entry, creating bottlenecks. The result: employees work harder, not smarter.

How new technology can help solve the problem

With the Deloitte and ServiceNow Finance Close Automation (FCA) app, fragmented manual workflows can be replaced with a unified, digital environment that puts the task at the center of everything. This approach alters the way work is performed by leveraging the workflow and automation capabilities of the ServiceNow platform to connect financial professionals to what they need, when and where they need it, regardless of whether they are down the hall in a shared office space or working remotely.

The solution can help identify and manage bottlenecks for faster remediation while accelerating the financial close through an end-to-end platform and connectivity to ERP systems. ServiceNow's internal deployment of FCA has resulted in a one to two day reduction in the accounting close cycle, has increased cross-functional labor efficiency by 3-5 percent, and eliminated close to 5,000 emails in a single month.[1]

"Typically, the close cycle is a ping-pong game of emails, conference calls, and text messages," says Matthew Ku, senior manager at Deloitte Consulting LLP. "This solution can centralize communications around all those handoffs, streamlining efforts and saving time."

The solution enables a controlled, more predictable close process that can help reduce stress and free up the finance team's time to work on more rewarding, value-added activities. It can also enable finance to better manage non-ERP-centric tasks outside of the close, including consolidation and reporting.

EMBRACING THE VIRTUAL CLOSE

Progressive finance organizations are embracing the notion of a virtual close, which entails:

Managing virtual teams:

As the workforce is increasingly distributed across geographies, it's difficult, if not impossible, to manage work in a timely fashion without automation.

Evolving close cycles:

Work activities typically done on a monthly basis are performed throughout the month, sometimes daily, to smooth out the peak workloads that historically occur during the month-end close; in some instances, finance organizations are moving toward a daily or virtual close.

Dynamic service delivery:

Virtual-minded organizations are using tools such as FCA to dynamically manage the workload by matching work effort demands with work force supply on a real-time basis.

Supporting remote workers:

The COVID-19 virus has placed additional demands on finance organizations to support a newly remote workforce. This escalates the need for real-time collaboration to maintain required service levels and effectively govern process execution.

The enterprise value proposition

Beyond its ability to streamline the financial close, FCA is also designed to provide transparency and enable self-service as it relates to audit and compliance reviews. Through automated controls and end-to-end process transparency, FCA can enhance process governance and drive greater accountability. It can also help reduce employee turnover and key person risk.

FCA can benefit the greater enterprise in other ways. The software enables reporting and analytics self-service, helps streamline planning and forecasting cycles for periodic business forecasting and budgeting, and delivers key metrics to define and manage service levels, which aids in continuous improvement. FCA's knowledge management capabilities also play a role in case management, helping manage one-off finance-related workflows and transactions.

Guide to getting started

As opposed to a big-bang approach, it's generally more effective to roll out FCA in an iterative fashion. Identify specific financial processes that are most problematic and focus initial efforts on improving those areas.

While the end goal is enterprise process optimization, companies shouldn't spend an inordinate amount of time optimizing processes before uploading them into the ServiceNow platform. Instead, consider refining processes to a point, incorporate them into the system, and leverage ServiceNow data and metrics to determine where to focus subsequent process optimization.

The bottom line

Finance organizations are challenged by a highly manual and resource-intensive financial close process that introduces operational risks and could erode employee morale. With an effective platform and consistent enterprise-wide processes in place, organizations can reduce unnecessary tasks and work smarter to increase confidence in financial results, while freeing up capacity for better service and a more satisfied workforce.

For more about how finance close automation can save time and free up resources for your financial organization, visit:

https://www2.deloitte.com/us/en/pages/about-deloitte/solutions/servicenow.html

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[1] https://www.servicenow.com/content/dam/servicenow-assets/public/en-us/doc-type/infographic/finance-close-automation-infographic.pdf