



The State of Finance & Accounting Management for Midsize Companies

Reconciliation and period-end close processes are notoriously labor intensive. Contributing workflows are often decentralized and disjointed, and tasks must be completed under unrelenting timelines. The financial statement must be produced on time, and it has to be right.

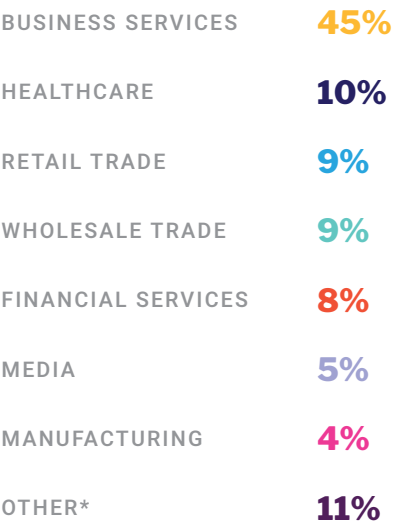
These challenges have only been magnified as organizations scramble to complete the close with a remote workforce.

How are F&A teams maintaining (and increasing) their efficiency and strategic value in the organization? To better understand the state of finance and accounting management in the U.S. mid-market, [Gatepoint Research](#) conducted a survey of 125 executives between February and April 2020.

SURVEY DEMOGRAPHICS

Industry

Respondents represent firms from a wide variety of industries.



*Transportation, Education, High Tech Mfg, Public Administration, Construction, Consumer Services, Telecom

Job Level

62% of survey respondents hold director or executive-level positions in their organizations.



Revenue

Respondents represent organizations with up to \$750 million (USD) in annual revenue.

\$500-750M	14%
\$250-500M	7%
LESS THAN \$250M	79%



Accounting Team Size

Most organizations surveyed have fewer than 10 accountants involved in their financial close processes.

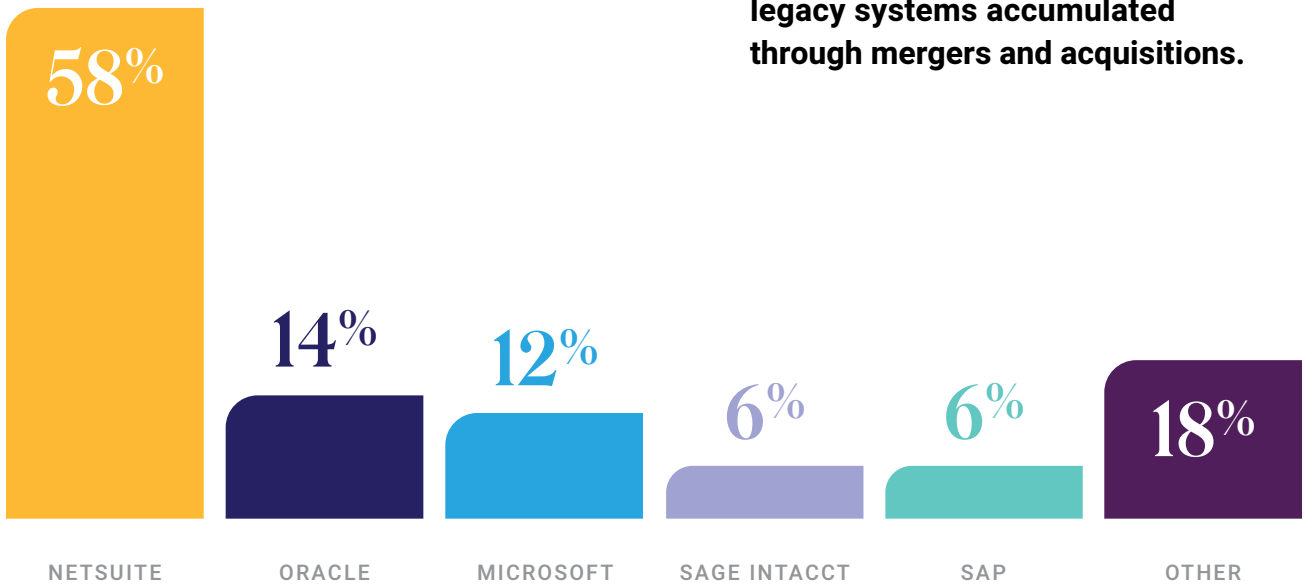
FEWER THAN 10	52%
11 TO 20	31%
21 TO 30	8%
MORE THAN 30	9%



ERP

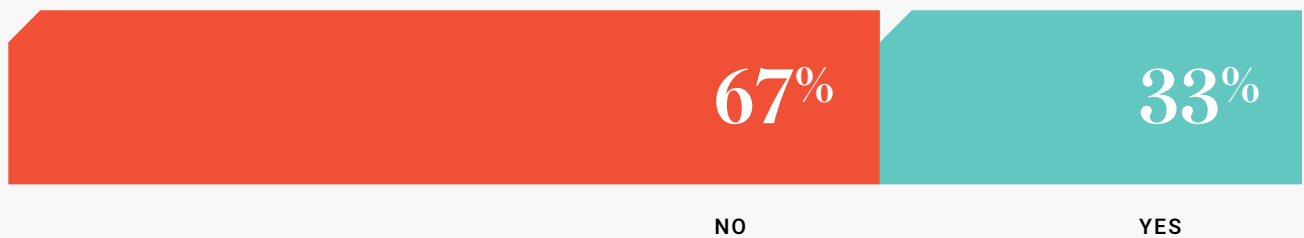
The dominant ERP provider is NetSuite, used by 58% of respondent organizations.

Notably, within the same organization, there was disagreement among respondents on what ERP was being used. Many respondents cited using multiple ERPs; likely a result of legacy systems accumulated through mergers and acquisitions.



Close Management Tool Usage

When asked if they use any other close management tool, more than two thirds of those surveyed say they rely entirely on their ERP or Excel.



A DISCONNECT BETWEEN MANUAL PROCESSES & OTHER CHALLENGES

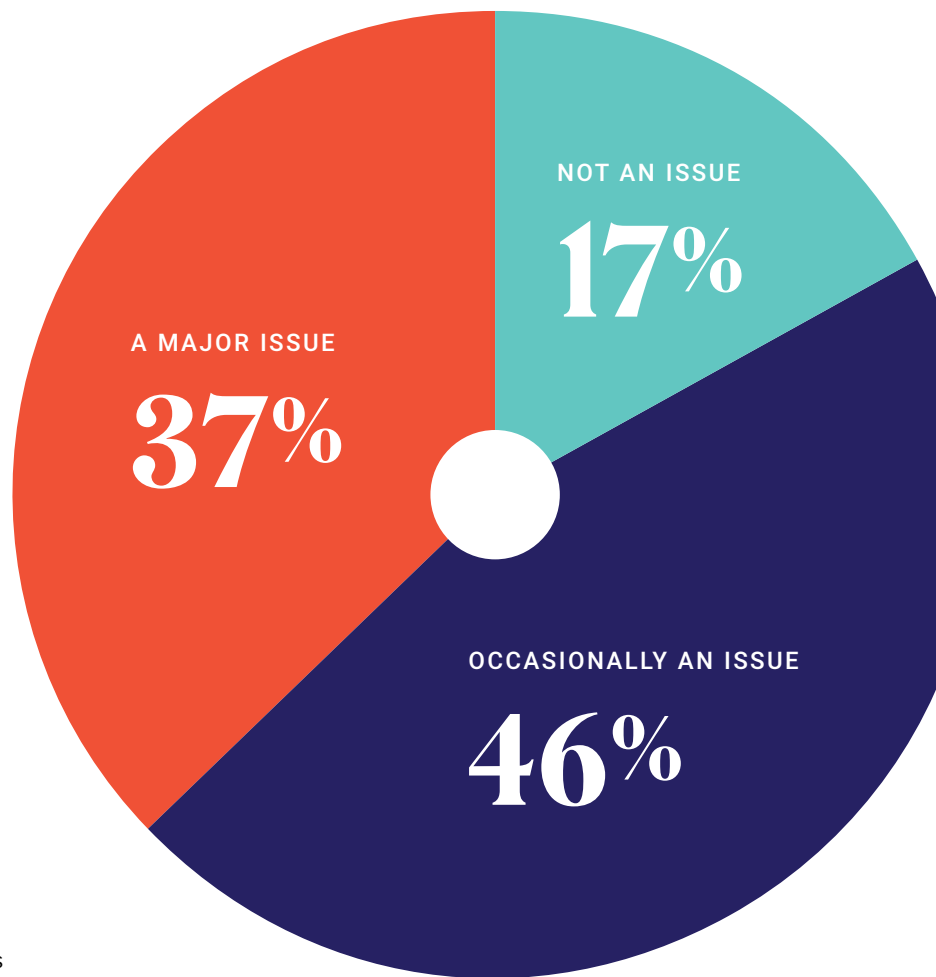
Unsurprisingly, manual effort is a considerable problem for the majority of organizations surveyed—37% of survey respondents identified manual effort as a major issue.

Manual Effort

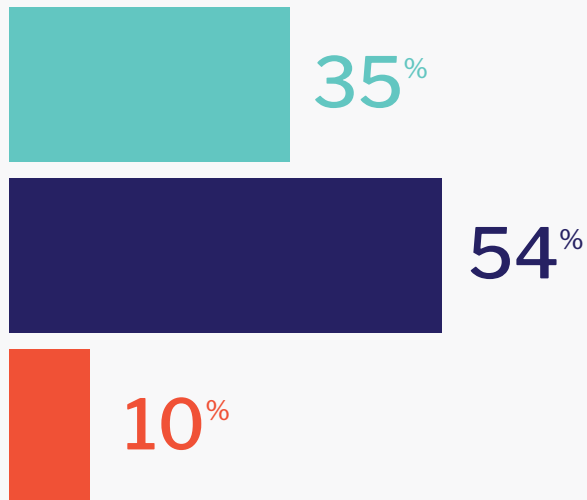
Manual processes are typically at the root of many F&A challenges. However, there was a slight disconnect between respondents' perception of manual processes and their effects.

While 50% or more of respondents indicated that limited visibility, lack of timeliness, inconsistent processes, and uneven workflows were an occasional issue, over 30% said that they were not an issue.

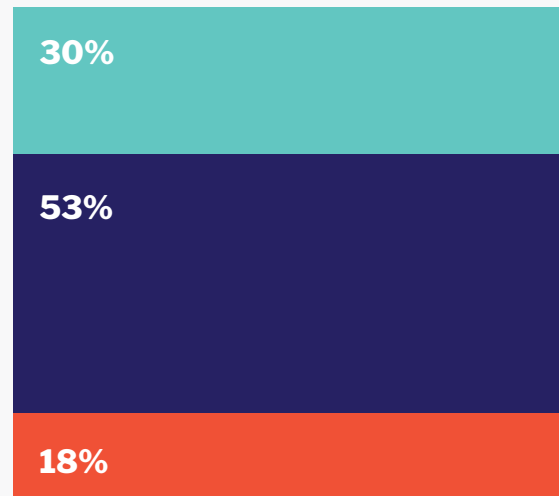
These results are surprising given that moving away from manual to technology-driven processes significantly improves visibility, timeliness, consistency, and workflows. It is unclear whether respondents simply set a lower bar for these areas or whether they lack understanding of what is possible.



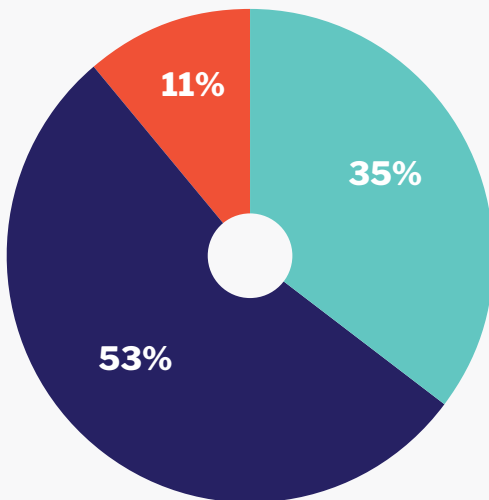
Limited Visibility



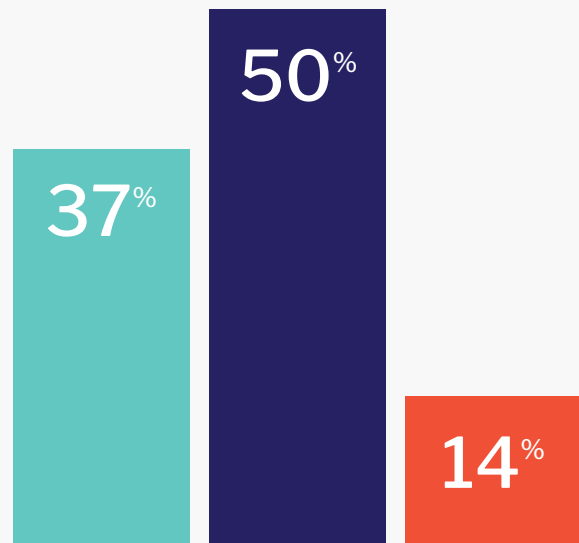
Lack of Timeliness




Inconsistent Processes




Uneven Workflows



 NOT AN ISSUE

 OCCASIONALLY AN ISSUE

 A MAJOR ISSUE

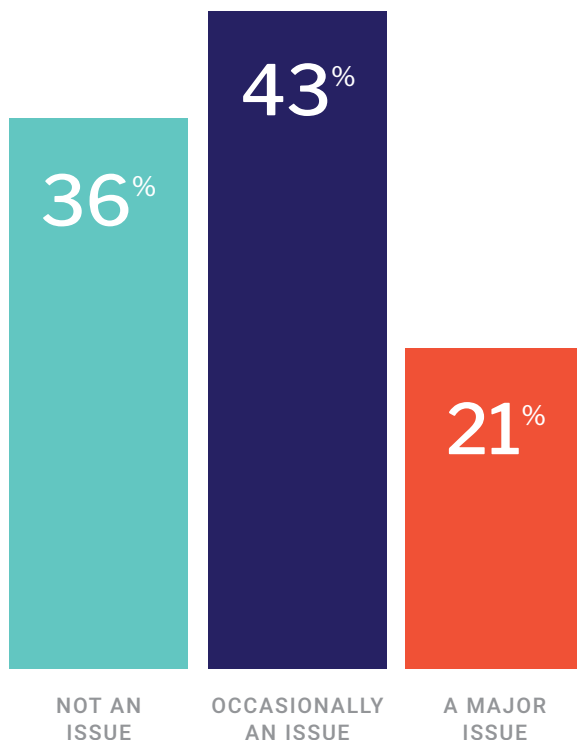
MANUAL PROCESSES INTRODUCE RISK & INHIBIT GROWTH

Despite the widespread adoption of cloud-based solutions, a surprising number of F&A leaders still rely on manual processes.

Critical financial data is collected in spreadsheets and communicated via email or uploaded to a shared drive.

Organizations struggle with version control and accuracy is called into question—especially when an audit is underway. In fact, 21% of respondents indicated that time-consuming audits were a major issue.

Time-Consuming Audits



Spreadsheet use is still pervasive, with 67% of organizations relying entirely on their ERP or Excel for close management.

Given this reliance on spreadsheets, it's not surprising that instead of delivering on strategic initiatives, F&A professionals are stuck chasing down errors, reconciling data, and trying to make decisions based on incomplete or inaccurate data. Continued reliance on manual processes puts organizations at a competitive disadvantage.

They take too long.

According to The Hackett Group, 69% say that manual effort is the number-one bottleneck in the financial close process.¹ We frequently hear that organizations can close on time, but they aren't confident in the completeness and detail of the activities.

It's risky.

People- and spreadsheet-intensive processes breed errors. Censuswide Research found that 55% of finance leaders are not completely confident they can identify financial errors before reporting results.² There's a lack of visibility, and therefore, accountability in this environment.

It's expensive.

In traditional manual accounting, people are the process. To scale or manage business and accounting changes requires more people—but people are costly. And the law of diminishing returns means you'll become less and less efficient as you add more people.

The environment deeply affects morale.

We frequently hear accountants say, "I didn't go to college to do this." Job dissatisfaction leads to attrition and recruiting challenges. The Gallup Group found that \$3,400 is wasted for every \$10,000 spent on an accountant who is actively disengaged.³

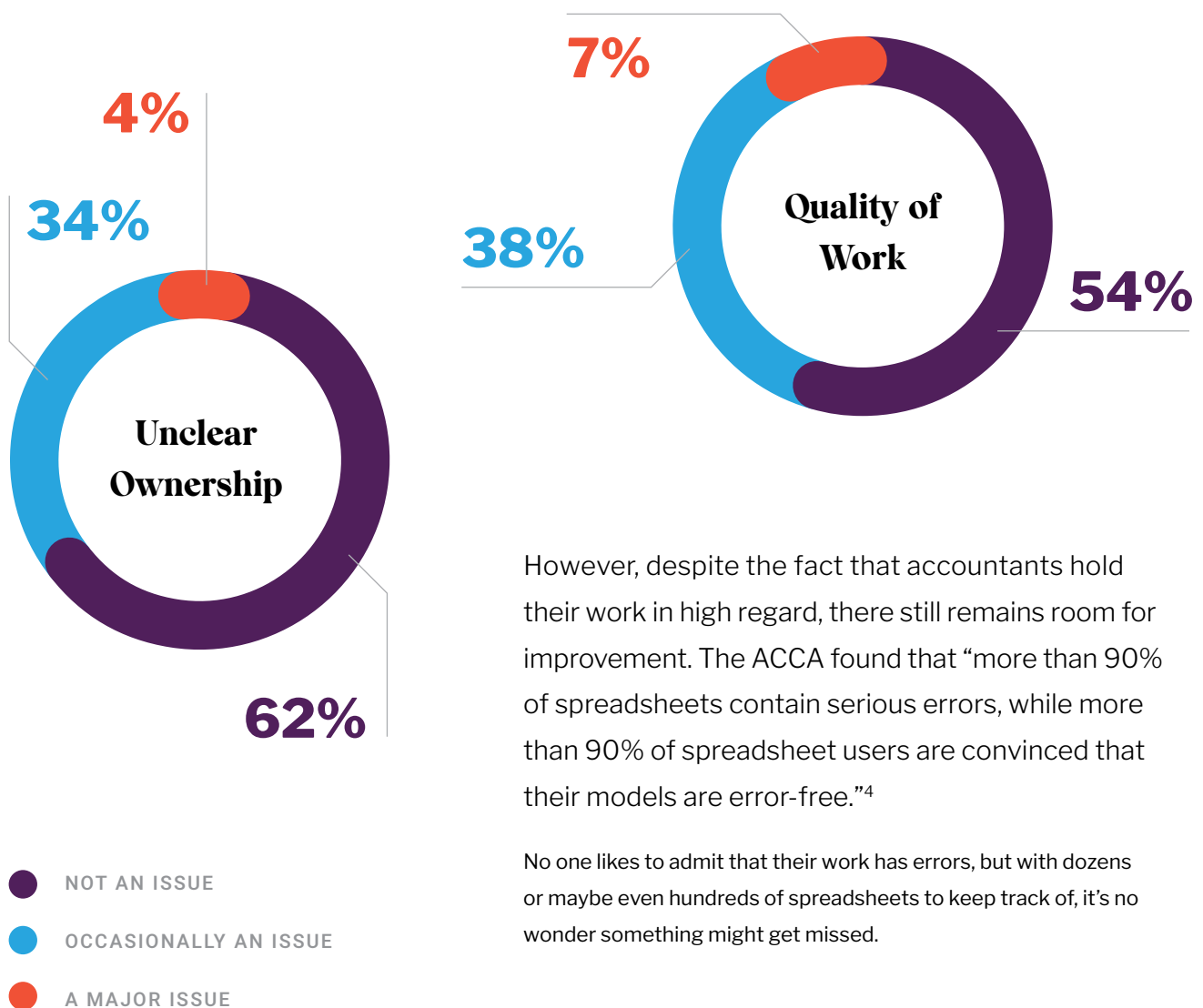
¹Streamlining the Financial Close Process, The Hackett Group, 2017

²Mistrust in the Numbers, Censuswide Research, 2019

³2018's Biggest Finance Focus: Improving General Accounting and Reporting Processes, APQC

ACCOUNTANTS SHOW GREAT PRIDE OF OWNERSHIP

A quality that is often attributed to accountants was highlighted in the Gatepoint Research survey: they show great pride of ownership. When asked about unclear ownership and quality of work, over 50% of respondents indicated that they are not an issue.



However, despite the fact that accountants hold their work in high regard, there still remains room for improvement. The ACCA found that “more than 90% of spreadsheets contain serious errors, while more than 90% of spreadsheet users are convinced that their models are error-free.”⁴

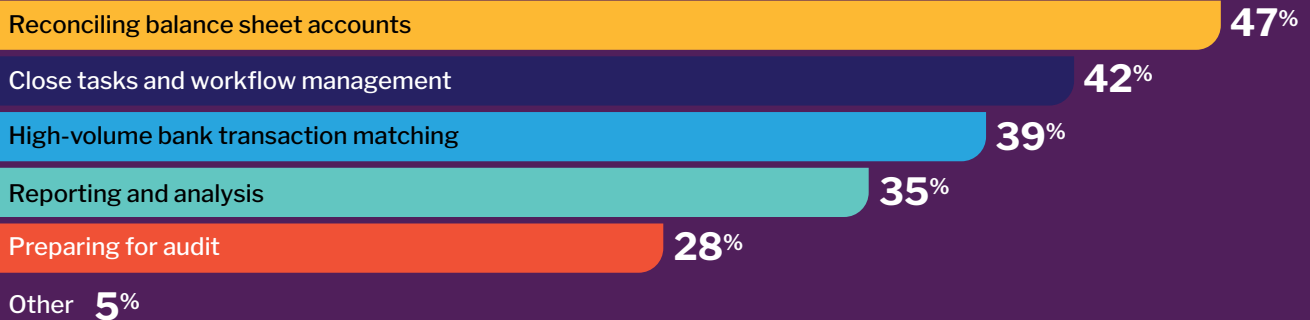
No one likes to admit that their work has errors, but with dozens or maybe even hundreds of spreadsheets to keep track of, it's no wonder something might get missed.

FOCUSING ON PROCESS IMPROVEMENT

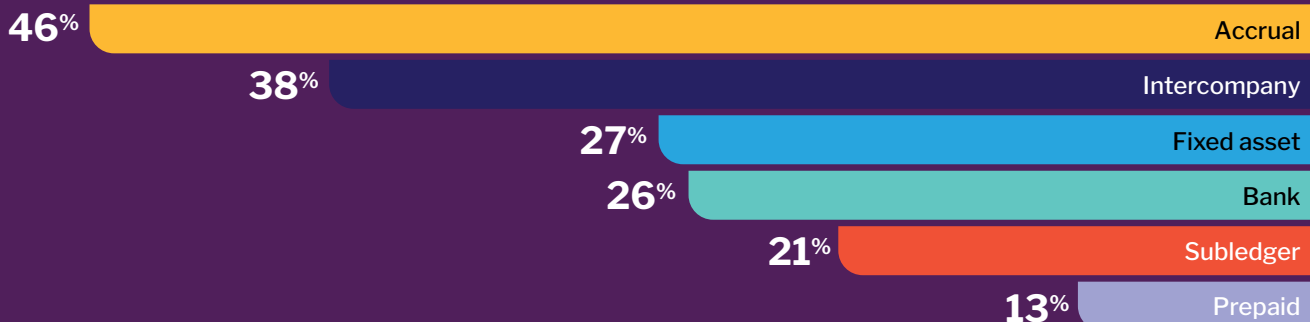
Unsurprisingly, the top three processes that respondents think take more time and resources than they should are reconciling balance sheet accounts, close tasks and workflow management, and high-volume bank transaction matching.

Additionally, the top three types of reconciliations that cause the most organizational headaches are **accrual**, **intercompany**, and **fixed asset reconciliations**.

Processes That Take More Time & Resources Than They Should



Reconciliations That Cause Organizational Headaches



→ The good news is that finance innovation and behavioral change can reduce 30 to 40% of time and resources used on labor-intensive close activities.⁵

Centralize Your Close for Greater Accuracy

Cloud-based financial close solutions like BlackLine can integrate directly with your ERP for near real-time access to your business data. Users can also upload supporting data, such as their payables or credit card transactions, so that everything is stored in one place for easy access.

With both the system of record and the supporting information in one centralized solution, the technology can then automatically reconcile accounts on a daily basis. **This enables F&A teams to reduce the huge spike of manual work at month end and focus on the exceptions and analysis of account activity.**

Implement Leading-Practice Automation

The system also has out-of-the-box reconciliation templates to automate accrual, intercompany, and fixed asset reconciliations, among others. Templates provide a best-practice approach to ensure the accuracy, quality, and completeness of your account reconciliations, with the flexibility to customize certain fields and rules to meet your organization's evolving goals and requirements.

For example, the Accruable Items template allows users to establish categories of accrued items in one account, and related activity for each category display on the account reconciliation. Additionally, the accruable item activity history is stored together with each accruable item.

The expected balance is automatically calculated for each item based on the sum of activity from prior and current periods. If desired, future periods can be loaded in advance and will be automatically included in the calculated balance in the appropriate future periods.

The GL balance is also automatically populated in the system. Automating the consolidation, calculation, and reconciliation of accruable items **saves accounting teams significant time and promotes increased completeness and accuracy.**

Increase Visibility & Control

Furthermore, documenting all close activities, assignments, and due dates in the cloud increases visibility and control over day-to-day demands and future expectations.

Everyone can log into a continuously up-to-date dashboard or report to see exactly where a reconciliation is in its preparation, and review how much work has been done and how much still needs to be done.

Lastly, bank transactions tend to be high-volume and time-consuming—let the technology do the work for you.

F&A teams no longer need to spend time ticking and tying data. Instead, Finance and Accounting can shift to higher-value work and strategic projects, and reduce the risk associated with manual reconciliations.

MODERN ACCOUNTING ENABLED OUTCOMES

When asked about the most important outcomes for F&A organizations to achieve, survey respondents ranked all of these areas as extremely important:

67%

IMPROVED
FINANCIAL
INTEGRITY

64%

FORWARD-LOOKING
DECISION-MAKING
AND SCALING

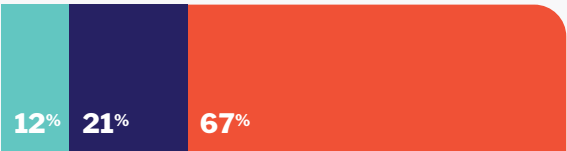
55%

SHORTER TIME TO
CLOSE AND QUICKER
FINANCIAL RESULTS

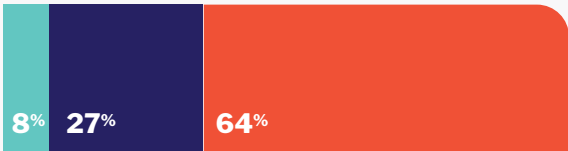
50%

CONTROLS AND
COMPLIANCE

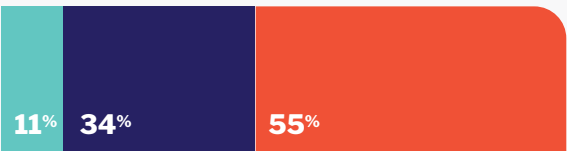
Improved Financial Integrity



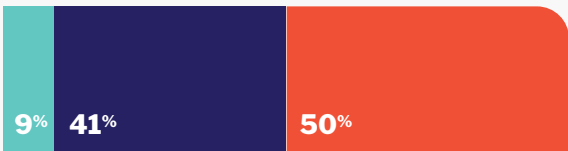
Forward-Looking Decision-Making & Scaling for Growth



Shorter Time to Close & Quicker Financial Results




Strengthening Controls & Compliance



NOT IMPORTANT

SOMEWHAT IMPORTANT

EXTREMELY IMPORTANT



To achieve these goals, the way forward is modern accounting. Modern accounting is unified, automated, and continuous.

Modern Accounting Is Unified

This means that all your systems and data are integrated in one central location.

By integrating all close tasks and workflows, F&A teams can then work to standardize processes for better consistency, efficiency, and control.

Organizations can also gain global visibility into the status, progress, and outcomes of accounting operations. Taken together, it means creating financial context, telling the financial story by turning data into information, and strengthening controls and compliance.

Modern Accounting Is Automated

Process automation can reduce the time spent on what you might typically characterize as “busy work” by automating your manual, repetitive activities.

This saves valuable time and contributes to a shorter time to close and quicker financial results.

Automating manual processes can also free up your teams to focus on higher-value activities, such as analysis and the explanation of exceptions and variances. It allows Finance and Accounting to focus on the strategic objectives that matter most to the business, like honing in on forward-looking decisions and determining how to scale for growth.

Modern Accounting Is Continuous

Continuous Accounting equips you to perform, execute, and report on F&A tasks at the speed the business requires.

Teams can deliver information and analysis to inform key decisions and align with the needs of the organization.

With a Continuous Accounting approach, Finance and Accounting can finally be the forward-looking business partner they were always meant to be.

Modern Accounting Is Achievable

All of this is achievable. There are many quick wins that F&A organizations can take advantage of to achieve modern accounting quickly and start seeing powerful and immediate results.

The BlackLine Modern Accounting Playbook delivers purpose-built solutions to unify data and processes, automate repetitive work, and drive accountability through visibility.

Learn more about how your F&A organization can close faster with complete and accurate results here: blackline.com/modern-accounting-playbook.

ABOUT BLACKLINE

Companies come to BlackLine, Inc. (Nasdaq: BL) because their traditional manual accounting processes are not sustainable. BlackLine's cloud-based solutions and market-leading customer service help companies move to modern accounting by unifying their data and processes, automating repetitive work and driving accountability through visibility.

BlackLine provides solutions for financial close management, accounting automation, and intercompany governance, helping large enterprises and midsize companies across all industries do accounting work better, faster, and with more control.

Over 3,100 companies trust BlackLine to help them close faster with complete and accurate results. The company is the pioneer and recognized Leader in Gartner's 2019 Magic Quadrant for Cloud Financial Close Solutions.

Based in Los Angeles, BlackLine also has regional headquarters in London, Singapore, and Sydney. For more information, please visit blackline.com.

