

Modernizing Key Financial Processes Through Accounting & IT Collaboration

Survey reveals urgent need to transform manual accounting processes for agility, resilience, data access, and quality

Executive Summary

A recent survey by IDG of F&A and IT leaders at 250 US companies revealed that the rapid disruption caused by the pandemic has pushed these leaders to divert time away from making strategic decisions and nurturing business partnerships to performing manual accounting, compliance, and/or financial close processes.

This paper explores how organizations are responding to these pain points by shifting their technology priorities, and examines the challenges they face in making this pivotal change. It concludes by suggesting that F&A leaders have no time to waste in moving key processes to the cloud for greater agility, scalability, and long-term resilience.

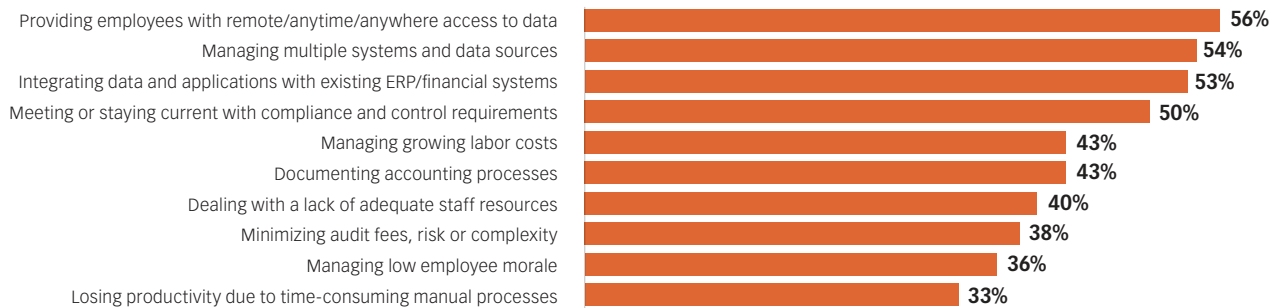
Ongoing digital and economic disruption is motivating the historically change-hesitant fields of finance and accounting (F&A) to acknowledge that modernizing their key processes is not just necessary, but overdue.

A recent survey by IDG of finance and IT leaders at 250 US companies revealed that the abrupt dislocation caused by the pandemic has also increased the pain of more chronic issues—particularly the need to divert time away from making strategic decisions and nurturing business partnerships to perform manual accounting, compliance, and/or financial close processes.

While companies may previously have ignored these pain points out of a combination of other investment priorities and sheer inertia, they are now recognizing that F&A needs to join the rest of the business world in pursuing the benefits of cloud migration and automation.



FIGURE 1. Top Financial Close Challenges



Source: IDG

Managing data interferes with deriving value from it

The pain point most frequently cited by survey respondents (56%) is the need to provide employees with remote or anytime/anywhere access to data (Figure 1). While this was previously a long-term goal, the COVID-19 pandemic abruptly made it a necessity, one that's likely to remain top-of-mind as many companies maintain the shift to remote or hybrid work.

Beyond this acute need, respondents cited an array of chronic issues caused by the ongoing proliferation of necessary F&A data, systems, and applications. More than half (54%) say it's hard to manage a constantly growing and changing number of systems and data sources, often because this involves many manual processes. In addition, 53% say it's also difficult to integrate F&A data and applications with the company's enterprise resource planning (ERP) and financial systems, which hinders their ability to achieve a more holistic view of the business. This may explain why it's a challenge for fully half of respondents to meet or stay current with compliance and control requirements, a critical concern given the potentially disastrous consequences of noncompliance.

In short, F&A teams don't seem to be getting enough of a return on the time they have to invest in managing their data.

Manual work interferes with strategy

The survey also revealed that even as companies are expanding F&A's role in shaping business strategy, F&A teams lack the time and capacity to meet the demand. In fact, nearly all (94%) respondents agree that the time they're forced to spend on manual accounting, compliance, and/or financial close processes interferes frequently (53%) or at least some of the time (41%) with their ability to focus on strategic projects.

In addition, financial and executive respondents report that top leadership frequently (62%) or occasionally (38%) makes ad-hoc requests for financial information. Business can't delay its decisions until accounting delivers fully closed books at the end of the month or quarter. It needs agile data and insights to respond to market shifts in real time, so F&A is expected to set other tasks aside to respond as quickly as possible. In normal times this is a constant, if manageable, distraction—but over the last year, F&A has had to respond promptly to these requests while working remotely in a pandemic, which has added an extra layer of frustration.

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Meanwhile, many companies have been implementing or upgrading ERP software to drive their digital transformation—but some companies haven't, and even the most sophisticated ERP systems can't do everything. That leaves many respondents to perform multiple accounting and financial close tasks outside the ERP, often manually with spreadsheets. So it's no surprise that 95% of IT managers in the survey say that keeping track of and integrating data across systems, including ERP, creates IT challenges to some (49%) or a great (46%) extent. For F&A respondents, the most commonly mentioned challenges included task management such as tracking and managing global accounting and financial close checklists (cited by 64%), providing supporting documentation for auditors (62%), calculating and preparing journal entries (59%), matching transactions and analyzing variances (56%), intercompany accounting (45%), and balance sheet reconciliation/substantiation (43%).

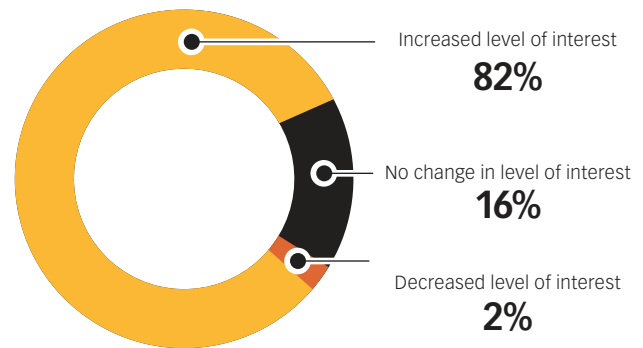
Respondents also broke down their specific challenges to managing and integrating data from outside of ERP systems. Data security, mentioned by 64%, is a perennial top priority. However, the other leading issues—technology compatibility (62%), cost and budget considerations (48%), and gaps in skills and resources (39%)—strongly imply that F&A teams need tools that smoothly supplement their ERP system’s capabilities and are simple for non-IT staffers to implement and use.

A quest for IT/business collaboration

As data becomes more valuable as an asset and a strategic driver, IT and F&A must work together more closely than ever, both to align strategies and to ensure that IT can support F&A execution. This further reinforces the need for new tools to supplement ERP capabilities—especially since almost three out of four (72%) survey respondents say it’s very (32%) or somewhat (40%) challenging to get IT teams and finance/executive teams to collaborate effectively around technology needs and capabilities.

Interestingly, IT executives are significantly more likely than their F&A peers to say that collaboration is very challenging. This may be because IT is responsible for executing on F&A’s needs e.g., finding the right tech, making sure it provides the capabilities the finance teams need, and making sure it integrates well with other systems in the environment. However, it’s also possible that IT finds collaboration challenging because it wants to be seen less as a supporting player and more as an equal partner in strategic activities that drive revenue.

FIGURE 2. **Skyrocketing Interest in Modernization**



Source: IDG

activity (cited by 66%), entering and changing markets and adopting new business models (63%), and organic organizational growth (62%). In addition, 61% are anticipating the impact of seasonal fluctuations, although IT leaders are significantly more likely (69%) than other respondents (53%) to cite this, possibly because they’re more aware of how these shifts impact internal systems.

Possibly as a result of this increased need, 92% of respondents are planning a cloud migration in the next 12 to 24 months. Most (42%) are taking a hybrid approach of extending their on-premises systems into the cloud, while 30% are only planning to migrate a few applications. But 20% intend to move as many applications to the cloud, with IT leaders twice as likely as other respondents to say so, probably because they have more input and insight into infrastructure planning.

Integrating new cloud systems with existing systems is one of the biggest barriers to migration, suggesting that F&A must address this challenge to ease its other pain points.

Companies are pressing urgently ahead

The majority (82%) of survey respondents say the experiences of the last year have intensified their organizations’ interest in modernizing their accounting technology. In particular, roughly half say that completing (47% of finance/executive managers) or supporting (50% of IT managers) financial tasks remotely over the last 12 months was more challenging than they expected (Figure 2).

Looking forward, respondents don’t expect things to get easier. In fact, they believe financial transactions will increase in both volume and complexity over the next 12 months, largely due to mergers and acquisitions (M&A)

However, 31% of respondents say that the need to integrate new cloud systems with existing systems is one of their biggest barriers to cloud migration. This suggests that F&A must address this challenge to ease its other pain points.

Recovering and thriving post-pandemic

Respondents recognize the importance of integrating and managing data across cloud and on-premises systems, particularly ERP—not just to recover from the pandemic-driven economic slump, but to make full use of data for competitive advantage. This is reflected in their top technology investment priorities: improving efficiency and

reducing costs (cited by 45%), improving data trustworthiness/accuracy (42%), improving collaboration (38%), unifying systems and data (37%), and reducing the support burden on IT (34%). All of these are clearly aligned with the interconnected challenges of delivering faster, more reliable, more trustworthy responses to ad-hoc requests for data so people can collaborate better and achieve more accurate strategic decisions in real time.

To reduce complexity and streamline integration with ERP systems, they're considering cloud-based financial accounting solutions, with perceived benefits that align with their pain points. In addition to improving agility and scalability (46%) and improving data access and control (44%), respondents believe cloud modernization will make them appear more progressive and forward-looking, and therefore a more attractive M&A target (37%). They also expect it to help with compliance and audit preparation (37%) as well as automating and accelerating currently cumbersome manual processes (36%). Interestingly, finance and executive respondents are significantly more motivated by M&A appeal and access to new functionality, while IT respondents find the potential for freeing up internal resources more compelling.

Moreover, 94% of respondents call it critical (23%) or very important (71%) that new financial accounting solutions are

provided by or certified by SAP, presumably reflecting SAP's market dominance in enterprise software solutions.

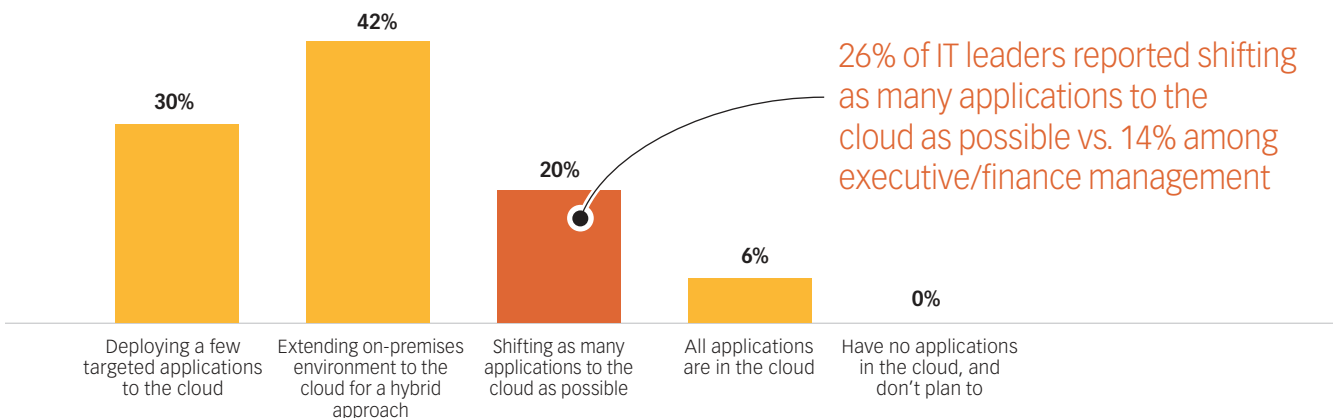
BlackLine delivers an industry-leading solution

Finance and accounting have never had a better opportunity, or a more urgent need, to pursue modernization and automation. BlackLine can help companies free their F&A teams to focus on strategic goals and business partnerships while still getting maximum value from their data.

BlackLine partners with SAP to deliver leading solutions for accounting and IT. Named Partner of the Year in Solution Extensions at the 2021 SAP Pinnacle Awards for the highest level of integration with SAP systems, BlackLine offers a solution extension that complements and extends core SAP software such as SAP ECC and SAP S/4HANA. BlackLine's tools enable finance to work more efficiently and effectively, elevating its role in the organization and better support strategic objectives. In addition, BlackLine's close relationship with SAP is unique among solution providers in this space, enabling companies to derive more value from their existing SAP implementation—or jumpstart a broader SAP transformation that frees up resources through greater automation—so they can meet the demands and possibilities of this unique moment.

FIGURE 3. **Cloud is Key to Easing Pain Points**

CLOUD MIGRATION STRATEGY FOR FINANCIAL/ACCOUNTING APPLICATIONS, NEXT 12-24 MONTHS



Source: IDG

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