



BY OPENING UP TO TECHNOLOGY, **THE FINANCE FUNCTION MODERNIZES THE CLOSE**

AT FIRST, IT SOUNDS LIKE EVERY FINANCE EXECUTIVE'S DREARIEST VISION OF THEIR LONG-TERM CORPORATE DESTINY: being held captive by a period-end closing of the books that has no clear start or finish. But implementing technology that can process end-of-period tasks in real-time will liberate them—and boost the performance of their companies—in ways they can scarcely imagine.

FLEXi

CFO
An **argyle** Company

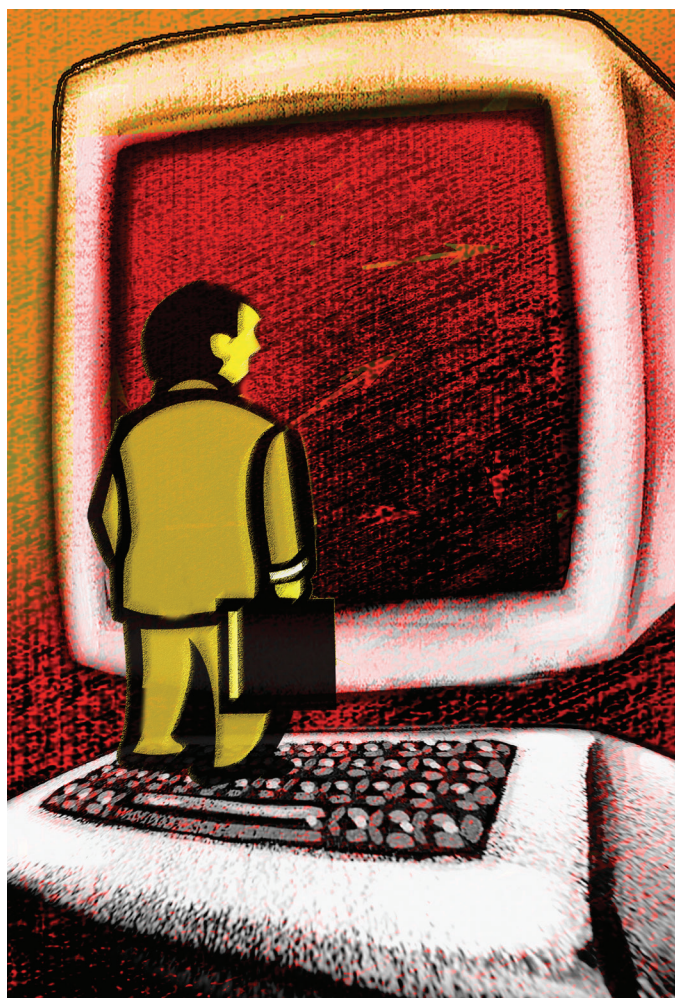


WITH THE APPROPRIATE TECHNOLOGY, finance executives are now capable of remaking the oft-rushed ritual of closing the books—clogged by such constraints as spreadsheet silos and manual extraction processes—from a painstaking event into an ongoing efficient practice. It’s the difference between, say, cramming for a final exam and absorbing the relevant material bit-by-bit throughout the semester. By conducting more close-related tasks in, or near, real-time, the finance function has a head start when it comes time to reconstructing the just-ended month, quarter, or year. The implementation of automation achieves faster, more accurate results at a lower cost. The overall business also benefits by freeing up members of the finance function, i.e., reallocating them from low-value duties to interpreting and analyzing data and serving as clarity-providing business partners to senior management and supporting business unit managers.

Several factors have converged to heighten the urgency for this much-needed transformation. The push for better information—more timely and credible, while also easier to understand and act upon—is coming not only from internal management, but also from external sources such as regulators and investors. Their goal: to use it with confidence in reaching timely decisions that allow them to optimize return and create value. Currently, the finance function finds itself immersed in data, wading in the stream of business information that perpetually pours into its computer drives and smartphones. But finance’s ability to harness such vast data, using it to understand trends or drive consistent reporting, is struggling to keep up. Finance may be able to engage with the data, querying it to address an urgent problem, but the function’s members haven’t had the tools to consistently mine it for meaningful insights, deriving their strategic priorities and objectives from it.



The financial close process that has served a company well in the past should be left there. Many CFOs can still only imagine the many benefits their companies might derive from an upgraded financial close process—but they are increasingly eager to make it a reality. Christopher Iervolino, a research director at Gartner, says that “clients are looking for—or should be using—applications that are easy to use, have a lower cost of deployment and maintenance, and are more efficient by streamlining the consolidation and reconciliation process.” In an environment where timeliness is a key component of effective decision-making—by boards, whose members are facing increasing oversight, as well as by regulators—most companies can no longer afford to limit their investments in technology to such discrete processes as routing invoice approvals and scanning receipts for T&E expensing.



Automating the end-to-end process not only eliminates time-wasting rework, but also provides management with improved visibility and control, allowing for better decision-making. A disjointed 90-day close process, characterized by an abundance of error-prone manual activity, can be reduced to a sleek 10-to-15-day consolidation and close at the end of every quarter. “What companies want boils down to two things: wishing they could be more efficient or wishing they knew more so they could make better informed decisions,” says Spencer Kuo, solutions manager at Flexi Software, maker of an integrated suite of accounting modules known as FlexiFinancials. “They may have identified an immediate pain point, but once they begin looking at what can be done, they can see how much more room they have to automate.”

It’s more than just the obvious advantages of automation, such as reducing the cycle times of discrete tasks, that drives finance leaders to remake their companies’ financial closing processes. Modernizing the system also elevates the CFO’s role, making it increasingly strategic. When Flexi developed its first electronic workflow approval system, 18 years ago, “we couldn’t really convince the finance function that it would be helpful for them to avoid paper, the manila folders and inter-office envelopes that they carried from office to office,” recalls Dmitry Trudov, president of Flexi’s Financial Software Division. “They didn’t know much about technology.”

In 2008, with finance executives feeling the heat to manage costs and pump productivity, they warmed up to the prospect of investing in automation. “As CFOs and controllers started getting more familiar with the technology—and younger people started getting into accounting—they were open to seeing that while the company had been doing things the same way year after year, that was not a reason for continuing to do things that way,” says Mr. Trudov. “A younger generation wasn’t willing to accept the green screen interface and the mouse clicks. They saw what a good system, with high-quality accounting functionality, could do.”



A manual, paper-driven process like accounts payable, for example, can be transformed by technology into a respected repository of centralized data relating to the company's spending patterns and cash position. By decentralizing the responsibility for processing an invoice—having it scanned and entered into the workflow system upon receipt in the appropriate department, rather than routing it to a centralized AP function—the risk of committing errors can be diminished. Freed of such repetitive tasks, AP can increase its footprint by, say, monitoring cash flow in real-time or maximizing early-discount options. That same strategic chasm can be crossed by other individual processes, such as accounts receivable, ultimately uniting to improve the performance of the entire finance function. As accounting processes gain efficiency, finance department employees will transfer their focus from collecting and scrubbing data to analyzing and leveraging it.

Far from displacing the CFO or finance staff, introducing automation—which typically begins

with the most repetitive monthly tasks—signals to the rest of the business that the finance function sees innovation as a step stool to climb its way to performing higher-level tasks: generating insights, managing risks, driving strategy. Emerging from their back-office habitats, finance workers will collaborate with other functional leaders, combining their data and using analytics to isolate trends and identify insights that will enable management to drive better results. "CFOs don't have to be sitting in the back and crunching numbers," says Grace Bolen, assistant vice president of Product Marketing at Flexi. "They can be out there consulting with department managers, asking about certain trends they're seeing that are out of line with the industry or with company history."

By incorporating technologies, redesigning processes, and reassigning employees, finance can build a better-documented, more efficient and accurate financial close. Beyond that, the function can also play a key role in positioning the business to gain and maintain a competitive edge.





A GROWING APPETITE FOR A STREAMLINED CLOSING CYCLE



INDEED, THE COLLECTIVE IMPACT OF LEARNING to execute traditional processes in new ways promises to be much more dramatic than remaking existing accounting and reporting procedures. In ten years “accounting will be much different,” says Mr. Trudov. “Human intervention will be reserved for strategic roles, not mundane tasks. And there will be a decision-support infrastructure that only gets CFOs or controllers involved when they can provide the best value.”

As ultramodern as such a scenario may sound, it’s also inevitable. The constant drumbeat of competition, combined with the persistent scrutiny that regulators and other stakeholders apply to financial results, leaves little room for financial close and reporting processes that require an overabundance of patience or are lacking in clarity

and precision. Even smaller enterprises, which in the past wouldn’t have had access to leading-edge tools, need to apply technology to restructuring their close processes. In fact, they are already doing so in the restaurant industry. “Over the last five-to-ten years, the industry has seen a lot of margin compression, and there’s oversaturation so a lot of restaurants are under significant cost pressure,” says Dan Brannan, senior vice president of InfoSync, a Business Process Outsourcing provider that offers payroll, financial reporting services, and Flexi-powered accounting solutions to a customer base comprised mostly of restaurant groups. “They are looking at solutions that do not require them to make a large capital outlay upfront. There has also been lots of private-equity investment in the industry, and those financial buyers are rolling up franchisees, and don’t want to make big investments in upgrades or in people.”



Mr. Brannan served as a controller, CFO, and VP of Finance in the restaurant industry starting in 1995. His involvement with Wichita-based InfoSync began as an investor in 2004 and expanded into the COO role two years later. Among smaller restaurant groups (100 units or fewer) “many of them have very manual processes,” he says. “In some cases, they are taking the invoices they receive and sending them by FedEx package to a corporate office where the team is entering invoices.” Even some of the larger industry players, he notes, have only added automation on an à la carte basis, implementing workflow and business process solutions. If a member of the management team raises a question about costs—why is one unit spending so much more on food than the others?—they must call or email the accounting department to obtain sufficient detail. By implementing a document-management tool that integrates with InfoSync’s main platform, executives can drill down into the financials on a self-service basis,

scrutinizing supporting documentation including invoices and receipts. “They have the data at their fingertips,” says Mr. Brannan. “They can also build their own KPIs [Key Performance Indicators] and have access on a daily basis to a visualization of the data.” If rising labor costs are eating into their already-scrawny margins, senior managers don’t want to wait until the end of the month to find out. InfoSync’s clients see their consolidated results every day. The quarterly close, which has historically required at least a week to process can now be completed in a three-day period. “They want the information on an accelerated basis,” Mr. Brannan says. “Their survival depends on being able to react to market changes.”

The scale and speed of such shifts demand that companies acquire a level of nimbleness that technology can provide. In the restaurant industry, for example, business models are being reshaped by customers’ growing preference for take-out options. With “a handful of national food-delivery groups chasing the opportunity,” says Mr. Brannan, “there’s a lot of analysis going on within restaurants, trying to figure out how to give their users what they demand and still make money. There’s a lot of cost in delivery services.”

As businesses grow, they stack layers of complexity atop traditional accounting processes. Mr. Kuo recently conducted a 6:00 AM demo for an international shipping company whose participating employees were in Singapore and Belgium. Their dissatisfaction with their current ERP was centered on the fact that it couldn’t convert a sufficient number of currencies. For example, their U.S. division might strike a deal with a Mexican firm—booking it in pesos—but their U.K.-based parent firm would want it converted to pounds for consolidated purposes. Meanwhile, the gain/loss on the exchange must be captured accurately as rates fluctuate. “By focusing solely on accounting solutions, we can develop this real-world level of functionality that accountants require and support the implementation according to what our clients need,” says Mr. Kuo.



THE ULTIMATE GOAL: REMAKING DECISION-MAKING



THE IMPETUS TO QUICKEN THE PACE OF CLOSING the books and finalizing all financial reporting arose from a trend that isn't likely to slow down anytime soon: the quickening pace of business. "In today's environment, changes are happening much faster than before," says Ms. Bolen. "Decision-making happens not just after an acquisition or merger or a closing period. Companies need the ability to make better decisions—and at a moment's notice."

It's perhaps unavoidable, then, that the decision-making process itself—much like the financial close—will be rebuilt from the inside out. As management gains increasing visibility

into data, and as that data grows in terms of both accuracy and volume, the number of useful decisions that become possible, even just theoretically, is enough to overwhelm an MBA. Articulating the payoff for companies investing in automation, Ms. Bolen says that Flexi's technology "helps reduce the stress of the closing." But rather than dissipating it, that stress may be displaced, moving from data processing and reporting and lodging itself in the decision-making process. After all, with the financial reports available to them, it's never too soon for finance executives to act on the fact that the cost of production has been steadily creeping up over the past few months.



The same finance executives who were formerly buried in spreadsheets may now find themselves drowning in data. What can be done? “What we are trying to do is simplify the decision-making process,” says Mr. Trudov. By incorporating artificial intelligence (AI) technology, the system can learn to handle 90% of the necessary data-processing, leaning on humans only when it encounters exceptions. Blockchain, the distributed ledger technology that serves as the backbone of Bitcoin, will validate transactions and seamlessly link invoices to contracts. Such advances in automation, among others, would have a significant impact on security and speed—and will soon become more affordable, according to Mr. Trudov. Over the next few years, he envisions a centralized cloud-based platform provider that can afford to invest in such capabilities by serving a multitude of companies. “In accounting,” says Mr. Trudov, “everything is going to keep changing.”

He says that not as a detached observer, but as a participant—and an enthusiastic one. He’s not expecting that a single, automated platform will magically materialize. “That’s the company I’d like Flexi to become,” he says. “And we’re already working on it.” That’s hardly surprising, given

the company’s nearly two-decade history of foreseeing a future where increased accounting complexity would underscore the necessity of integrating technology to achieve a speedier financial close—long before most CFOs were ready for it. By taking a real-time overview of the entire close process, Flexi can identify, and address, the areas that need improvement.

The next transformational shift, Mr. Kuo says, will evolve from envisioning “the future of accounting software when, in effect, there is no accounting software. Nobody will be posting transactions, and there will be far fewer accounting clerks and other staff. There will be more business analysts, spending their time analyzing information. Over time, AI will become more prevalent in making business decisions. Instead of a finance employee looking at a report and deciding to reallocate some overhead expenses, AI will handle that on its own, flagging it when intervention by a higher-level human intelligence may be needed.”

The fully transformed financial close of the future may be difficult to imagine, but it’s critical to see it coming. As the pieces of an emerging landscape start to fit together, businesses must keep finding ways to picture their place in it.





ABOUT FLEXi

For over 25 years, Flexi has focused on simplifying accounting and accelerating the financial close process for accounting and finance executives around the globe. Flexi's comprehensive platform was built by accountants, for accountants, with an understanding of how stressful the period close is, how complicated multi-entity books can be, and how frustrating audits are when accurate reporting is not easily available.

We scrutinized every step of the process and developed our comprehensive platform with functionality far exceeding that of other platforms. These include: continuous close capabilities, process automation through a powerful workflow engine, complete and accessible audit trails, and, of course, security that exceeds even the most stringent requirements by the world's largest banks.

The end result is a process-driven financial management system that is flexible enough to meet the unique needs of even our most demanding customer. Delivered in the cloud or on-premise, over 20,000 users across dozens of industries rely on Flexi's accounting software.

Is this the year you're determined to make your mark on the company with a game-changing accounting system? If so, take a closer look at Flexi for:

- Automation, time savings, and a faster closing process
- Enterprise software that delivers top-tier functionality without a top-tier price
- Flexibility to deploy in either on-premise or cloud environments
- Expertise and support that you can rely on to solve even the most complex accounting challenges

For more information, visit www.Flexi.com.