cadency
BY TRINTECH

2020

Global Record to Report Benchmark Report

THE FUTURE OF FINANCIAL AUTOMATION

FOREWORD

A decade ago, using Robotic Process Automation (RPA) to help increase the efficiency of an organization was a relatively niche idea. But today, RPA has been implemented throughout most companies in some way. From lowering HR costs to streamlining supply chains, RPA has revolutionized how organizations do business.

However, despite how RPA has improved the workflow and efficiency of most other parts of a company, historically the office of finance has lagged behind other business units when it comes to adopting new technology that can improve how their department conducts their day-to-day work. This lack of automation comes at a time when the average office of finance is struggling to keep up with the growing pressure of their increased workload while constantly being told to "do more with less." Until recently, many finance professionals were chained to their desks however in today's highly mobile and connected society, the ability to support a remote workforce is a necessary staple.

Automating low value repetitive tasks completed by the office of finance is finally starting to gain more traction and year after year the interest in the benefits of financial automation grows. Despite the growing interest, there's minimal research available to show where and how organizations are automating in their R2R processes or what goals they have in mind when implementing automation.

To better understand what the future of automating the R2R process looks like, Trintech surveyed almost 200 companies across 31 countries to discover what has been automated, what is currently in the process of being automated and where organizations are looking to adopt automation in the future.

David King
Trintech Chief Marketing Officer

EXECUTIVE SUMMARY

This report provides an analysis and evaluation of the current state of the office of finance and the issues faced during the Record to Report (R2R) process. Data was collected through an interactive webinar poll and a global survey of financial professionals across nearly 200 enterprise organizations.

The research found that the array of challenges faced during the month end process is diverse, however, reconciliations top the list as the biggest challenge. Additionally, results showed that more and more organizations are looking at their Record to Report process holistically and identifying a lack of standardization across all processes as their main roadblock to efficiency. In our experience with enterprise organizations, we find that this lack of standardization is commonly related to the enforcement of standards rather than defining them.

Looking into organizations' current automation practices, the research here indicates that only 20% of respondents have "Established" or "Advanced" automation in place. The research also reinforces that most organizations are at least starting the move towards automating some parts of their office of finance and indicates there are only a few laggards that have not started implementing automation at all.

The above insights indicate that there is huge potential for organizations to achieve significant ROI through the implementation of automation technology. While organizations just starting down the automation path have not achieved the ROI of a full R2R process, they are beginning to see benefits in their specific, isolated pockets of automation.

As to the exact plans for the future, respondents indicated that over the next 1-2 years many organizations are pursuing efforts to standardize and further automate their month end processes.

While all will be working towards strategic transformation of the entire financial close process, they are doing it at different paces. Some are leading the way with exploring Artificial Intelligence (AI) for things like risk ratings while others are just beginning to automate low value, rule-based tasks. Regardless, working with a technology partner to develop a clear roadmap to meet your organization's needs and pace can be essential to successfully transforming the office of finance.

By 2025, the biggest challenges the office of finance expects to face, according to the survey, are personnel related. Attracting and retaining talent will likely become even more difficult, especially if organizations don't move away from manual and menial activities that are, quite frankly, a waste of time for today's accountant. The workforce is already focusing on bringing greater value to their organizations by generating actionable insights and we expect this will continue to be a trend in the future.

In summary, the research shows that while organizations haven't implemented end-to-end financial automation, the benefits that it brings to the office of finance are starting to get the attention it deserves. And as time goes on, organizations will have the opportunity to reap the ROI that comes with removing manual processes and automating more parts of the R2R process.

However, it's important to note the challenge this could spell for some. The organizations that remain hesitant about automating their office of finance and the ones who choose to automate only a few processes, will deny themselves additional ROI and struggle to keep up with their business counterparts that moved forward with their automation strategies.

The key to avoiding this is to embrace positive change. Now is the time to take the first step by standardizing and automating your R2R process.

"Organizations need to spend more time understanding risk and less time managing data—approaches that deliver that efficiently and effectively, and drive quality into the process, have immense value."

Jim O'Connor
Managing Principal
Advisory Practice
Hackett Group

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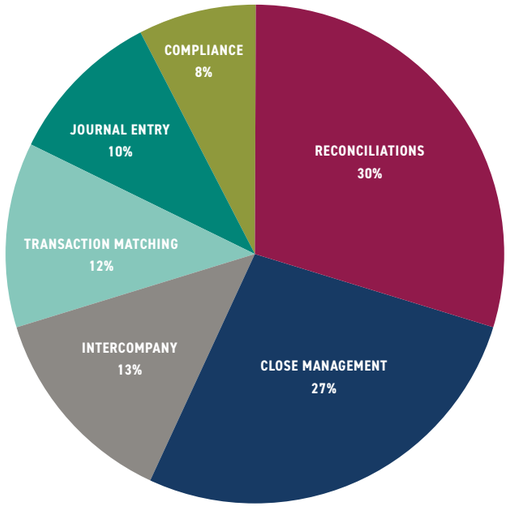
1.0: THE BIGGEST CHALLENGE FOR THE MONTH END PROCESS



Where do you see the biggest challenge during the month end process?

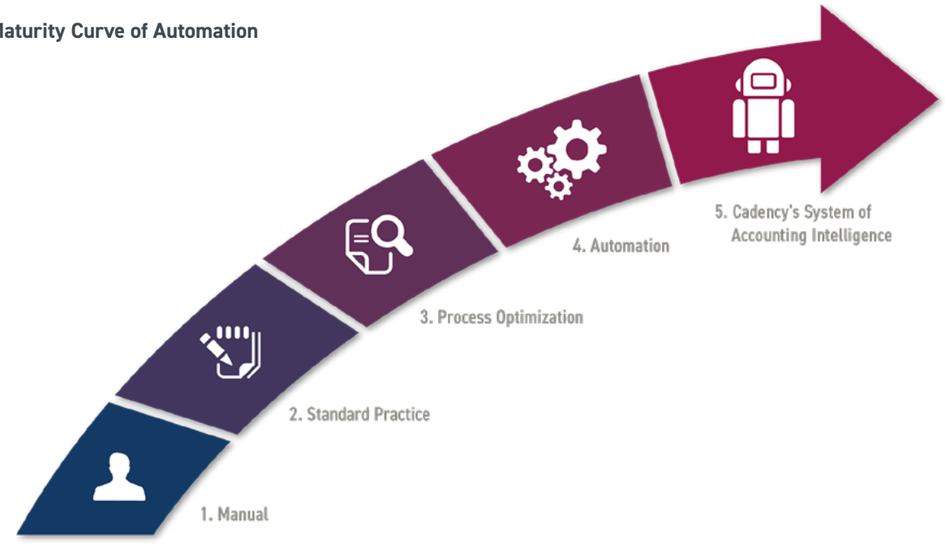
The vast majority of organizations Trintech works with focus on their reconciliation process as the first step in automating their Record to Report (R2R) process. Primarily, this is because properly reconciled accounts and transactions are the bedrock of the financial close process and organizations can quickly achieve significant levels of automation with a strong and proven ROI. After implementing automation for reconciliations, F&A professionals gain back significant time that can then be spent on additional transformation steps or higher value activities.

While the survey shows that the reconciliation process is the most challenging aspect of the month end process and thus the logical first place to start automating, there is a very close second area identified as the biggest challenge during the month end process.

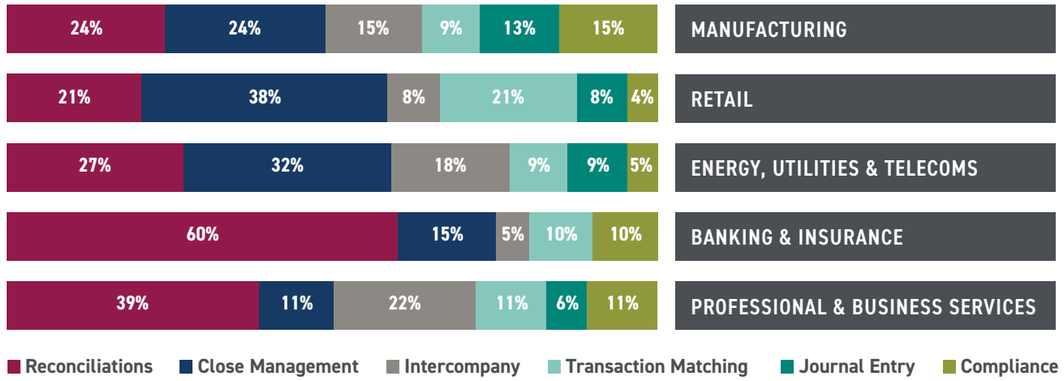
Results show that 27% of the respondents feel the overall management of the close process is their biggest challenge. There are two reasons for this – it can be a considerable challenge to track and monitor the entirety of the closing checklist across global organizations and it can be cumbersome to execute a number of technical close tasks across a variety of systems in the correct sequence. For example, executing depreciation runs in multiple systems after the relevant postings have occurred. This is why many enterprise organizations are turning to close automation tools to execute tasks in their ERP based on defined dependencies.

Finally, in our experience, organizations that strategically automate typically focus on Intercompany (13%), JE (10%) and Compliance (8%) when they are farther along the maturity curve of automation. We can expect as time goes on that these three will become a larger focus for automation.

Maturity Curve of Automation



1.1: THE BIGGEST CHALLENGE BY INDUSTRY VERTICAL



Results

As we breakdown the results by industry, we find that for most, the largest challenges are similar. However, when analyzing the outliers, we can identify that key challenges do vary somewhat based on industry verticals. With this knowledge, organizations can begin to identify areas where they are likely to encounter great opportunity or potential pitfalls as they move to automate their financial processes.

Most notable:

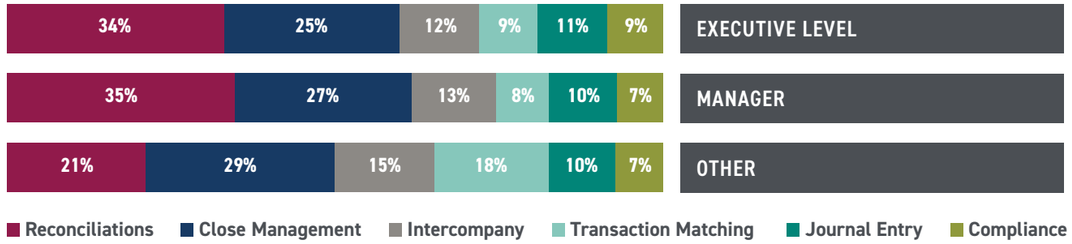
- *60% of respondents from the banking and insurance industry indicated reconciliation is their greatest challenge during the financial close process.*
- *For the majority of industries, transaction matching is a fairly consistent issue for respondents (between 9-11%) but when we look at retail, this number doubles.*

Analysis

Likely, the first noted outlier is due to the fact that the banking industry handles more than their own GL balances, as they handle their client's funds as well. Because of this, reconciliations are more of a business-critical requirement rather than an internal control. With this added requirement to completing the month end close, it makes sense that this is a key struggle within their industry.

The second notable insight, while not likely a surprise when you consider the nature of the industry, is the comparably large number of respondents in the retail industry that listed the transaction matching process as their biggest issue. The retail industry typically has a much higher volume of transactions and when they are managed manually, this quickly becomes a massive drain on resources. Additionally, if there is a significant challenge in actually matching the transactions against each other, this means there will not be enough time to sufficiently track down differences or exceptions.

1.2: THE BIGGEST CHALLENGE BY SENIORITY



Results

Looking at the data by three levels of seniority—executive, manager and other, we can see some interesting variances. There are key insights into what affects the day to day lives of each employee level that can shed some light into what organizations need to focus on.

- *Those at the executive and manager levels tend to have similar challenges with no more than a 2% difference in any given category. This is likely due to the fact that these employees deal with the entirety of the R2R process at a higher level and must look at everything more holistically.*
- *When you compare the results of staff-level employees to those of their more senior coworkers, you see that they have a much heavier focus on transaction matching and less of a focus on reconciliations.*

Analysis

The focus that staff-level employees have on transaction matching is likely due to the work that they are performing. The nature of transaction matching (for those companies who are not already utilizing an automated transaction matching tool) is typically one that is manual, highly repetitive and time-consuming. It's possible that upper management isn't as aware of some day-to-day issues that are handled by the employees performing these tasks and thus the gap in perceived challenges is created.

As for the managers, the likely reason for their identification of the reconciliation process is that ensuring the timely completion and quality of reconciliations is commonly a major problem for organizations. These issues are more apparent when you look at the reconciliation process as a whole, something a manager is likely required to do. To remedy this, managers can put in place a proven solution that allows for an improved workflow. After implementation, managers can approve or reject a reconciliation based on the quality of the work completed. Without a workflow tool, this can be quite difficult.

AUTOMATION IN ACTION

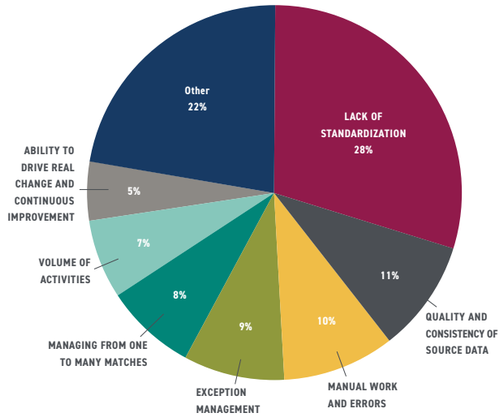
Western & Southern Financial Group had six life insurance companies with separate charts of accounts, each with various reconciliation and compliance processes. They needed a way to standardize their reconciliation, certification, financial close and reporting processes.

"The relationship between accounting and operational activities has historically been a "pitch-this-over-the-wall" exercise. There's never enough transparency. But we're changing that with Trintech's solutions. They offer us real-time visibility into these activities that we just didn't have before."

— Western & Southern Financial Group

Trintech's solutions provide a standard workflow enforcing their standards around the review, certification and approval of reconciliations. In addition, 70% of high-volume transactions are matched automatically, freeing up time for the research and resolution of exceptions. With Trintech's solution, 80% of general ledger reconciliations are automatically reconciled while real-time reporting highlights potential bottlenecks, offering a snapshot of the company's exposure to risk. The solution provides an automated "reconciliation by exception" workflow that has decreased the escalation process to financial reporting by nearly one month with an ability to provide more timely, summarized reconciliation reporting for each of Western & Southern's 6 insurance entities.

2.0: ROADBLOCKS TO HAVING THE MOST EFFICIENT PROCESS



What prevents you from having the most efficient process?*

Results

After learning where organizations are finding challenges, the next step is to focus on what's causing the issues. With that goal in mind, respondents were asked to identify what was preventing them from having an efficient month end close process. The responses provided insight into the overarching themes that plague the office of finance, independent of what process they struggle with most.

Most notably, the respondents reported that:

- *A lack of standardization is the largest issue. This is typical of enterprise organizations, but not necessarily for the reason that some people might think.*
- *Beyond standardizing, responses were spread out fairly evenly but can be addressed with the a similar solution.*

Analysis

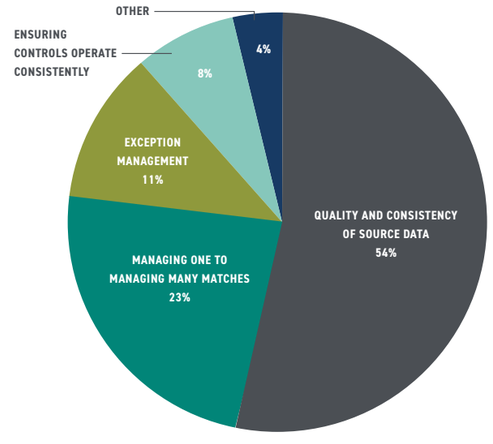
For any organization, developing standardized templates and global policy can be a challenge, but others have been there before and there are tried and true best practices to guide you. In many cases the root of the issue doesn't stem from creating standards, but instead comes from enforcing them.

Aside from standardization, the vast majority of responses (change management, missing enforcement, the volume of activities, matching, quality of data, and manual work) can be easily addressed through proven technology and automation.

In the following sub-sections, we will take a deeper look at this data, broken down by the process respondents identified as their biggest challenge.

**Depending on the answer to Question 1*

2.1: TRANSACTION MATCHING



What prevents you from having the most efficient transaction matching process?

Results

Looking specifically at respondents who identified transaction matching as the process they struggled with the most, we find that the vast majority of issues stem from either the quality and consistency of the source data that they're working with, or the manual processing that accompanies it when matching said data.

Analysis

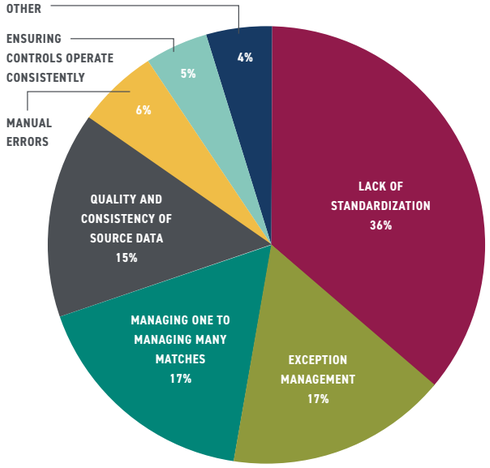
Having issues with source data when attempting to complete the month end process is unfortunately fairly typical of enterprise organizations. As these

organizations grow, more data must be processed and the risk of error due to manual processing grows in tandem. Historically, the response to this has been to hire on temporary staff, or have the existing staff work late hours and long nights. This is a short term and costly solution that results in organizations needing to throw additional money at the problem every month end and/or lowering the morale of their full-time accounting team. However, as more organizations automate this process, we can expect the problems that arise from a manual process to diminish.

The other significant challenge is managing both one-to-many matches and many-to-many matches. Of course with a manual matching process, the 1:1 match can often be found relatively easily where there is a serial or transaction number. However, it quickly becomes challenging when there are multiple matching items on either or both sides of the equation. Spreadsheets begin looking like a paint by number as individuals try to color-code transactions to find the matches that net to zero. This is certainly a challenging part of the process that can be alleviated with the use of technology. We have found that organizations who free up time in the matching or data-harmonization process can see the most significant gains in exceptions managed.

Which brings us on to possibly the most interesting point on this chart – only 11% of the respondents said that exception management was their biggest challenge in transaction matching. In a world that is becoming increasingly automated, we predict that this figure will actually increase over the coming years. As more organizations automate their source data and matching processes, they will enable their team to spend more time on exception management. Since the purpose of the transaction matching process is to find exceptions, mismatches and missing entries, more time allocated to this process will likely identify exception management as a bigger challenge.

2.2: RECONCILIATIONS



What prevents you from having the most efficient reconciliation process?

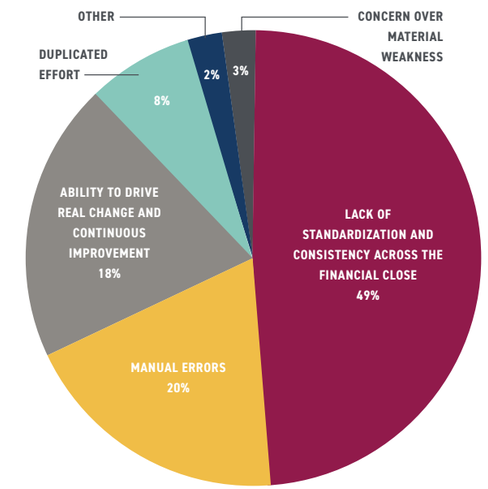
Results

Looking specifically at respondents who identified reconciliations as the process they struggled with the most, we see a more even distribution on the areas identified as roadblocks to having the most efficient process than those who selected transaction matching. Additionally, these responses more closely match the overall data of the cumulative results.

Analysis

While the answers were fairly evenly split, a lack of standardization was still the clear majority. As previously mentioned, this is incredibly common as enforcing any level of standardization through the usage of spreadsheets is challenging for global organizations. Unfortunately, until a solution is put in place to ensure standardization and reduce manual intervention, this is likely to persist as the main cause of issues in the reconciliation process.

2.3: CLOSE MANAGEMENT



What prevents you from having the most efficient close process?

Results

Looking at respondents who identified the close process as the area where they struggle the most, we see again that a lack of standardization is causing the greatest amount of complications.

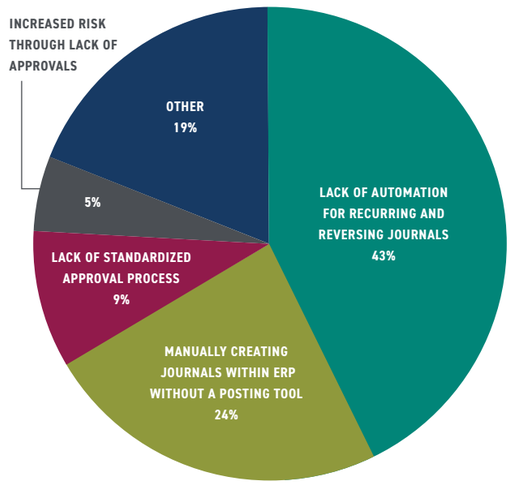
Analysis

Similar to the reconciliation process, this lack of standardization is not particularly surprising, nor is it likely to change until a solution is put in place to ensure standardization and reduce the reliance on manual intervention to enforce.

Alternatively, the lack of a standardized process could be due to the varying checklists being used across the organization, which makes truly measuring the performance of different entities and business units incredibly difficult. With a lack of standardization also comes a greater level of complexity when we start to consider dependencies. For example, a depreciation run of fixed assets can only be executed once the relevant postings have been performed. It may be difficult to find when those postings have happened in different parts of the business without a standard process.

However, it's worth noting that this group of respondents were the only ones to have both manual errors and the ability to drive real change as some of their top challenges. This is likely due to the fact the close process is completed at the end of the month, quarter or year and accounting teams are under a tight deadline. When accountants have to rush to close the books, the likelihood of errors caused by manual processing increases. Additionally, with limited time to complete the close process, it makes sense that companies would have difficulty finding additional time to make any improvements to their status quo.

2.4: JOURNAL ENTRY



What prevents you from having the most efficient journal entry process?

Results

Looking specifically at respondents who identified journal entry as the process they struggled with the most, we see that the lack of automation for recurring and reversing journals is what prevents these organizations from having the most efficient process.

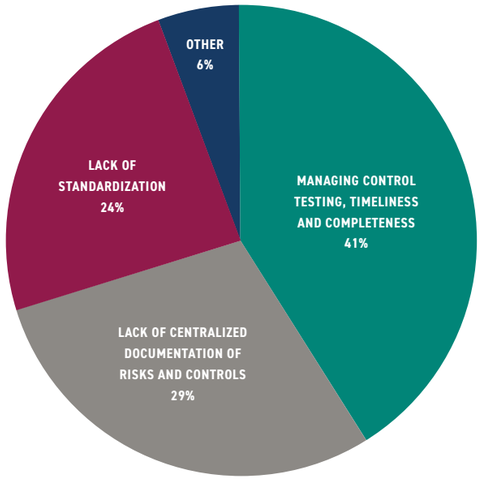
Analysis

Unlike the other subcategories, these respondents appear to have a greater understanding of both the specific part of the process that plagues them the most and what can be done to remedy this problem. With a firm grasp of how to solve their issues by automating

the process, it's likely that a lack of automation will not remain the dominant answer for long.

But, it is surprising that such a significant number of respondents (24%) are not already utilizing a journal posting tool and are instead manually keying in journals to the ERP. We have worked with a significant number of companies who have multiple ERPs and were challenged by users having to log into multiple systems. For these organizations, and those surveyed, change in this area seems to be a common priority on their roadmap to transformation. With ERP specific changes, such as migrating to SAP® S/4HANA, this tends to introduce a level of finance transformation which often includes the consolidation of ERPs as part of the migration.

2.5: COMPLIANCE



What prevents you from having the most efficient compliance process?

Results

Looking at respondents who identified compliance as the process they struggled with the most, we see that managing, centralizing, and standardizing their compliance or internal controls process all present significant challenges.

Analysis

Working with global organizations, we often find that the biggest bottleneck in the compliance process is tracking down necessary information. While only 29% of respondents reported that the lack of centralized documentation was their biggest struggle, those respondents and the 41% who said that managing control testing timeliness and completeness, all likely suffer from the same issue. In order to alleviate these problems, organizations need to be able to centralize, and ease access to, the information that is needed to properly complete their compliance process.

AUTOMATION IN ACTION

Every month, Dr Pepper Snapple Group accounting resources are responsible for reconciling approximately 2,100 general ledger accounts. Using Excel templates, the DPSG finance team manually tracked the submission and status of each balance sheet reconciliation. This approach was incredibly time-consuming and lacked visibility. They needed a solution to automate and standardize general ledger reconciliations to streamline their existing process while being able to identify continuous areas of improvement moving forward.

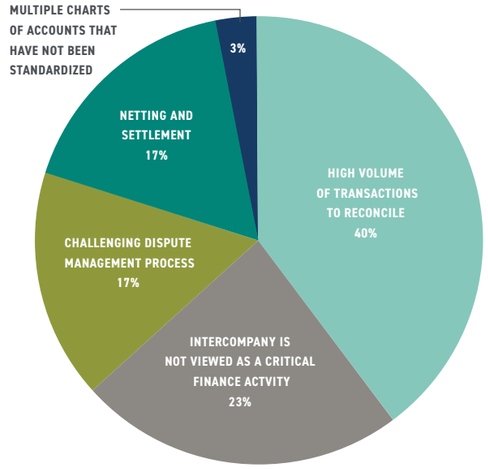
After researching several solutions, DPSG selected Trintech's solution.

"Cadency provides us with true visibility into the status of every general ledger reconciliation and increases compliance and accountability throughout our organization."

- Dr.Pepper Snapple

It also allows for a more efficient method of communicating with auditors and more timely access to data and KPIs to support executive decision-making.

2.6: INTERCOMPANY



What prevents you from having the most efficient intercompany process?

Results

Looking into the respondents who identified the intercompany process as the area they struggle with the most, we see that the sheer number of transactions that must be handled is causing the most issues.

Analysis

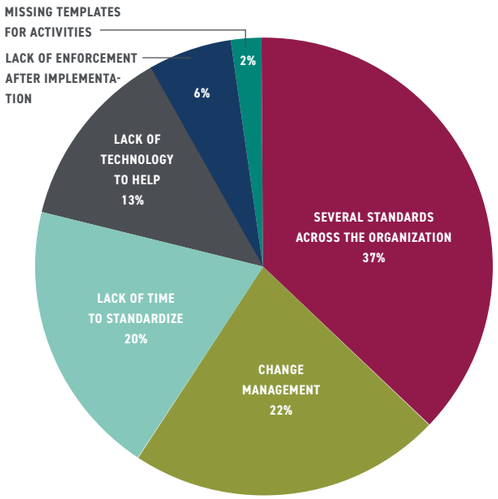
In recent years, the intercompany accounting process has begun to get the attention it deserves as one of the most complicated and labor-intensive tasks that the office of finance completes. Generally speaking, before this increase in attention, it was not given the resources it needed to be completed efficiently. We likely see the amount of work needing to be done as the most selected response here because the automation of intercompany processes is not yet widely adopted. Automating processes like reconciliation, transaction matching and journal entry, have been at the forefront of companies minds for a long time now. As organizations begin to realize that the same efficiency gains that were made in those processes after they were automated can be made in the intercompany area, the volume of transactions will likely begin to dip in popularity as the most common causes of inefficiency.

We tend to see leading companies tackling their intercompany challenges in two separate ways, either as a detective or preventative control.

With 40% of respondents reporting their biggest challenge as the high number of transactions to reconcile, this tells us they are taking a detective control approach to intercompany transactions. This approach takes transactions that are posted and reconciles retrospectively which can create a significant challenge when a majority of these transactions will be non-trade transactions entered manually with text descriptions. Unsurprisingly, this often results in a lack of standardized data, or matching identifiers, which makes matching AP and AR items an even more time-consuming process.

On the other hand, we are also seeing an increasing number of organizations take a more preventative control approach, though there is certainly some way to go. A preventative control approach means transactions are approved by both parties and tied together with a match key before they are posted to the ERP. This can be achieved with a sophisticated workflow where a non-trade transaction is requested from one party and approved by the counterparty before being booked in the ERP subledgers. Organizations that take this approach can alleviate many of the challenges surrounding intercompany transactions.

2.7: ROADBLOCKS TO STANDARDIZATION



What is the main obstacle when standardizing finance processes?

Results

In a recent webinar that presented information from the original survey and asked the audience of financial professionals what the main obstacle to standardizing their R2R processes was, respondents reported that:

- *Multiple standards across the organization was the biggest problem for the office of finance.*

Analysis

Varying standards across an enterprise organization is fairly typical and becomes a larger issue as a company grows. As mentioned previously, the issue doesn't likely lie with establishing a global standard, but enforcing it.

Most of these obstacles (79%) can be solved through the implementation of a proven technology solution. Challenges resulting from change management, missing enforcement and the presence of several standards across the organization can all be alleviated with a solution that enforces and implements standards within finance processes. The standards will still need to be defined by your organization, but the enforcement can be effectively implemented through a reliable technology solution.

Additionally, a lack of standardization between manual and repetitive tasks means additional time is required to check and make sure everything is done correctly. Further time is needed to correct any issues found which means there isn't any time left to standardize future tasks and the cycle continues every month end. Implementing automation to correct this recurring cycle has a time investment at the start, but the long-term time savings delivers a healthy ROI.

AUTOMATION IN ACTION

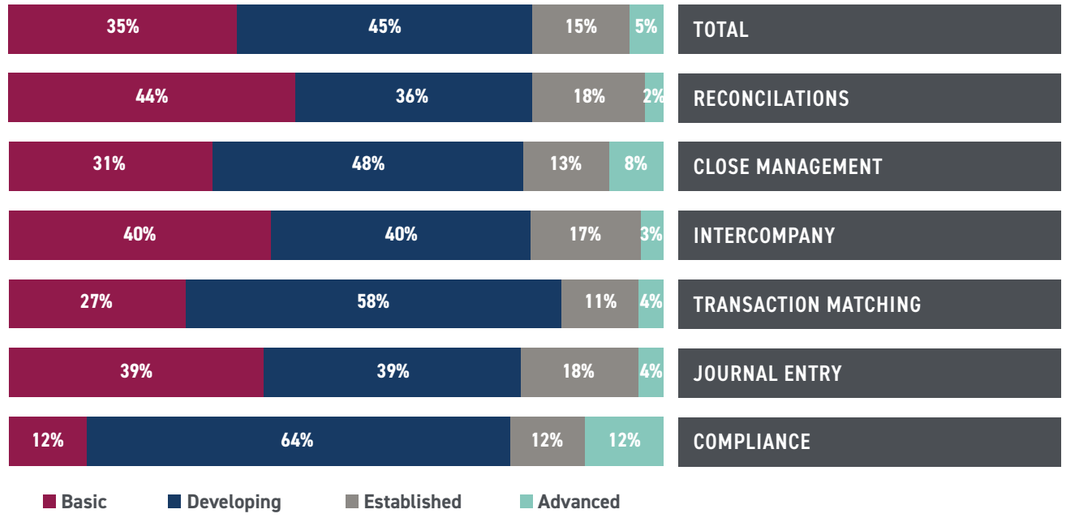
Ingram Micro operates in 40 countries, has 225 entities, and buys 6-12 companies a year. Although they had an overall reconciliation and close process, it didn't offer much insight for the executive team and only offered snapshots on a monthly basis. Instead, they needed visibility on a global scale.

"With Cadency, we now have visibility into the financial close process on a daily basis, as well as harmonization and standardization across all our countries and entities. So, a close process being done in Peru is the same process being done in Germany or the United States."

- Ingram Micro

With the Cadency solution, Ingram Micro was able to drive standardization and gain insight into the close process across the organization. Additionally, they gained consistency from a top-level framework, but were also able to dive in and perform process improvements where needed.

3.0: MATURITY OF AUTOMATION



How far along are you with the automation of your processes?

Results

In order to identify where the market was in terms of automating their financial processes, the survey asked participants to rate their level of automation. The responses offer some insight into the progress that organizations have made in automating their office of finance. Most notable:

- *Only 20% of respondents have "Established" or "Advanced" automation in place.*
- *The compliance process has and is currently receiving the highest level of attention as it leads in both the developing and advanced responses.*
- *The reconciliation process has the highest percentage of respondents in the basic and established responses indicating this is where most organizations start.*

Analysis

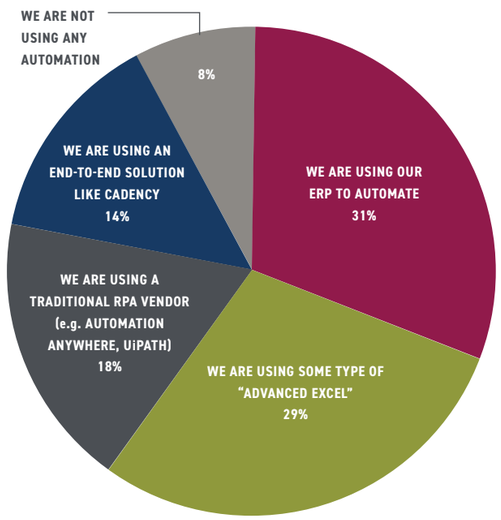
The large number of respondents who indicated that they're developing automation for their compliance process suggests that organizations are starting to move up the automation maturity curve and take their corporate social responsibility, financial governance and other regulatory mandates more seriously.

As more organizations move toward the "Established" and "Advanced" categories in the rest of their financial processes, they'll discover the significant benefits that come with automation. In a study of Trintech customers that automated the full R2R process, and would be considered in the "Advanced" category, it was proven that after implementing Cadency, there was up to a 10% reduction in the risk of revenue impact due to misstatement. Additionally, the organizations achieved up to a 90% reduction in the number of accounts that need to be reconciled and up to a 99% reduction in preparation time on reconciliations for their reconcilers.

This type of ROI is reiterated by third-parties. In a study performed by The Hackett Group, they reported that the top performing organizations who embraced financial automation required 65% fewer FTEs, were able to close four days faster and could automate 95% of their JE process.

As companies expand their commitment to automation in the office of finance, they will achieve significant efficiency, time savings and risk mitigation ROI throughout the R2R process. The organizations that remain within the "Basic" category will fall behind their business counterparts. To learn more about the possible ROI that your organization can achieve through automation, check out the Cadency self-service ROI calculator.
https://roi.hobsonco.com/trintech/cadency/self_service

3.1: TOOLS USED FOR AUTOMATION



Are you already using automation in your R2R process? If yes, which tools are you using?

Results

During the previously mentioned webinar, participants were asked what, if any, automation tools they were using in their R2R process. Most notably, the respondents reported that:

- *92% of respondents polled are using some form of automation in their organization.*
- *Despite most organizations automating at least part of their R2R process, there is a large gap in the level of automation being deployed.*

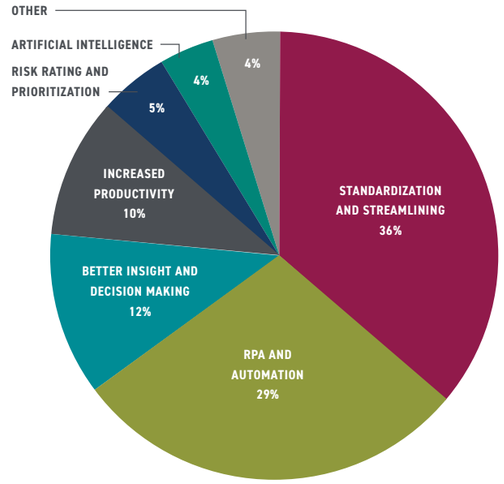
Analysis

Due to inherent risk of errors caused by manual processing, it is encouraging to see that only 8% of organizations say they have absolutely no automation being used today. Especially compared to a decade ago where the most prevalent form of 'automation' was the most simplistic of options, like excel screen capturing.

As time goes on and the adoption of automation continues, organizations that still use "advanced Excel" automation and those that have no automation at all will continue to fall behind their peers. The more forward-thinking offices of finance that utilize proven automation will be able to dedicate their time to higher value tasks and contribute to the overall growth of their organization.

Additionally, while some organizations are using their ERP to automate, many are finding that it isn't enough. They may have purchased SAP® S/4HANA or the latest version of Oracle® with the intent that a new ERP system will fix all their problems, but they quickly find that significant gaps in automation still exist. We can expect that in the future this will continue to drive the shift towards more complete R2R automation.

4.0: KEY AREAS OF IMPROVEMENT UNTIL 2025



What is your key area for improvement over the next five years?

Results

When looking at where the office of finance is today, it's also important to identify where organizations are prioritizing their efforts in the future and what goals they would like to achieve. Respondents key areas of improvement for the next five years show they are mostly in the middle of the maturity curve of automation (pictured on Page 6).

Most specifically, they reported that:

- *Standardization and streamlining of financial processes is the largest priority over the next five years.*
- *RPA and automation, along with the benefits of better insight and decision making, are going to be a priority for 41% of the organizations.*

Analysis

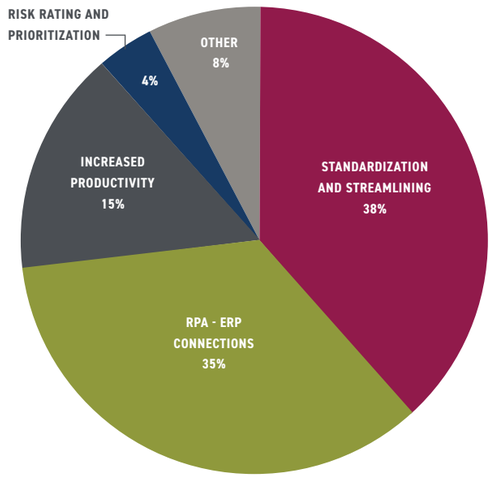
These results are in line with the maturity curve of automation. Organizations that adopt automation for their office of finance must first start by standardizing their processes. Once complete, this provides a platform on which to base reliable automation and provides a steppingstone to enable greater automation and gains in efficiency within all processes.

Beyond standardizing and streamlining, responses aligned with the act of, or the benefits of, automating financial processes. In the next five years we can expect organizations to continue, or begin, their automation journey and the office of finance as a whole to move up the maturity curve.

Additionally, one note-worthy thing to remember is that in today's marketplace there are a considerable number of organizations that are embarking on financial transformation projects, many of which are currently being triggered by the need for a new ERP.

This provides a great opportunity for organizations to standardize processes globally. While some may have already moved to a standard chart of accounts, many auxiliary processes remain unchanged. This surely impacts the priority level of standardizing and streamlining the financial close for over a third of the respondents.

4.1: KEY AREAS OF IMPROVEMENT IN TRANSACTION MATCHING



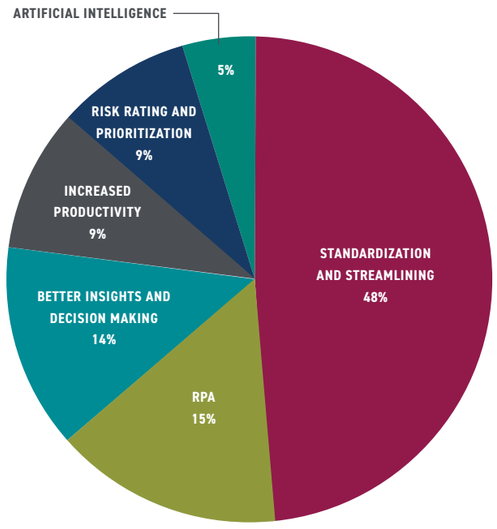
What is your key area for improvement over the next five years in regard to transaction matching?

When looking specifically at respondents who identified transaction matching as the process they struggled with the most, we can get a good idea of where these organizations are headed in the next five years.

While not dramatically different than the collective results, with fewer priorities identified overall and the majority looking to standardize and streamline or improve their RPA and ERP connections, these organizations appear to have a clear grasp on their goals and how they can achieve them.

The transaction matching process is one of the first things that we suggest organizations automate due to the high ROI and large amount of low-risk tasks that are completed during the process. Because of this, and the data we've collected, we expect that in the next five years a significant number of organizations will look to automate this process.

4.2: KEY AREAS OF IMPROVEMENT IN RECONCILIATIONS



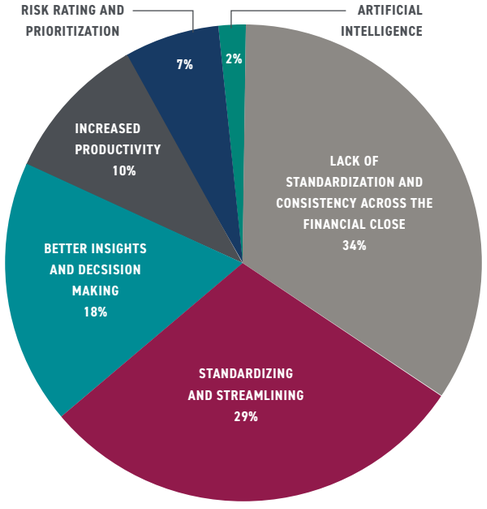
What is your key area for improvement over the next five years in regard to reconciliations?

Respondents that identified reconciliations as the process they struggled with the most, plan to continue focusing on standardizing and streamlining. This makes sense, as 36% of them noted that a lack thereof was their biggest challenge.

As stated before, the first step in automating any process is to standardize the process. With nearly half of the respondents stating that they have yet to standardized their reconciliation process, we can say with relative certainty that this process is not effectively automated within many organizations. Because this process is early on in the automation maturity curve, we expect the next five years will be largely dominated by taking the first steps in adopting automation. Additionally, those who have already begun will move into more advanced automation or RPA and gain a competitive advantage over those who fall behind. By now, you know implementation of technology through a comprehensive solution can accelerate the journey by enforcing standardization and automating additional processes.

Ultimately, looking at the 14% of respondents who are already thinking about risk ratings and AI, these companies will lead the way when it comes to establishing a world-class reconciliation process. However, while AI and risk ratings are becoming hot topics, attempting to implement these before properly standardizing and automating can lead to a loss of ROI, or worse, incorrect outcomes.

4.3: KEY AREAS OF IMPROVEMENT IN CLOSE MANAGEMENT



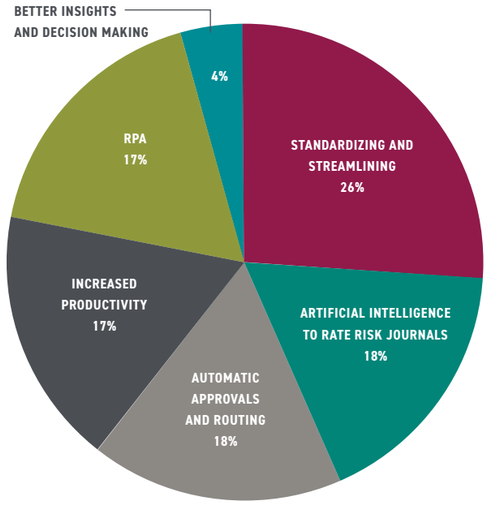
What is your key area for improvement over the next five years in regard to close management?

Looking at the respondents who listed close management as the process they struggled with the most, we can see that the interconnectedness with and between ERPs (34%) is seen as more crucial than standardization (29%).

The results of these respondents are almost identical with the average, as no answer choice has a greater than 6% difference from the cumulative findings. Also similar to the average results, in the coming five years we can expect the organizations of these respondents to continue or begin their automation journey and move up the maturity curve.

In fact, while working with financial leaders at the organizations we partner with, we have found that many global companies are already embarking on some of these more complex automation projects through the usage of ERP bots. For example, pre-built ERP bots are being implemented to not only track and monitor close tasks but execute the tasks within the ERP system based on dependencies in the organization's checklist. This has provided significant efficiency gains and can result in a faster close. We are expecting to see more organizations adopting these bots in the coming years.

4.4: KEY AREAS OF IMPROVEMENT IN JOURNAL ENTRY

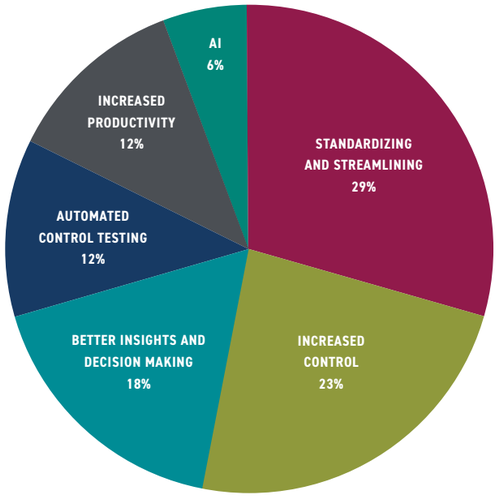


What is your key area for improvement over the next five years in regard to journal entry?

The respondents who chose journal entry as their biggest challenge show the largest amount of diversity in priorities. With only 26% of respondents stating that standardizing and streamlining is their main priority, it's likely that the vast majority already have some form of automation in place for journal entry. Over the next five years, these organizations can focus on achieving more specific goals instead of spending the time standardizing their workflow or implementing automation.

While the complexity of goals will vary from organization to organization, it's likely that the majority of future goals will in some way be accomplished through Artificial Intelligence. For example, our customers today that are focused on reducing the high level of risk in their journal entry process, are now using risk ratings driven through AI. The AI solution analyzes journal entries and assigns a level of risk which can be used to dynamically determine the workflow required for the journal to be approved before being posted to the ERP. Ultimately, this approach creates peace of mind for these organizations and enables greater levels of automation while lowering the level of risk present in their journal entry process.

4.5: KEY AREAS OF IMPROVEMENT IN COMPLIANCE

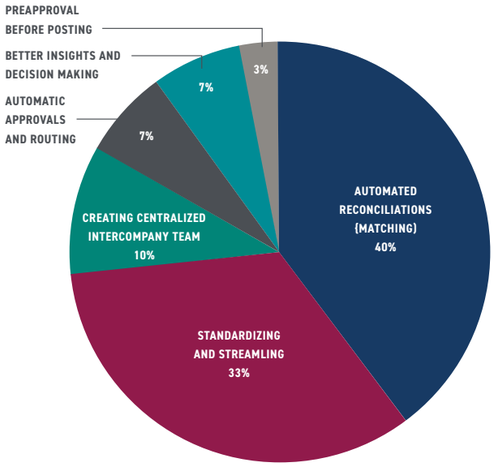


What is your key area for improvement over the next five years in regard to compliance?

This category was one of the more diverse but answers that dominated other categories, like RPA, weren't even selected by these respondents. Beyond that, the main insight that can be gained from these answers is the low number of respondents that selected standardizing and streamlining their compliance process as their key area for improvement. Due to the significant manual efforts needed to manage information from internal sources and monitor updated external regulations, it's understandable that automating this process is a high priority for organizations.

Over the next five years, we can expect to see these respondents leverage automation to complete the more specific goals that they have identified after standardizing and streamlining.

4.6: KEY AREAS OF IMPROVEMENT IN INTERCOMPANY

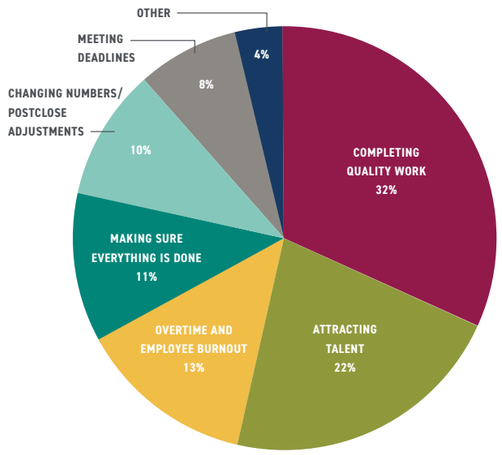


What is your key area for improvement over the next five years in regard to intercompany?

Looking at respondents who listed the intercompany process as what they struggled with the most, we see that automation and standardization are the main focus over the next five years.

Intercompany accounting hasn't historically been given the necessary attention by the office of finance. The process is typically left until the very end and isn't provided the resources needed to perform in an efficient and effective manner. However, with the majority of respondents in this category listing that they're focusing on automating the process instead of standardizing, this indicates a shift in attention and resources. As organizations begin to automate their intercompany process, the priority will likely move away from simply automating the process and towards more specific goals, such as better insights and decision making.

5.0: CHALLENGES IN 2025



When you consider the entire R2R process, where do you see the biggest challenges over the next five years?

Results

We looked at the R2R process as a whole to identify where the market foresees challenges arising as the significant shifts outlined in this report begin to manifest. The response, while having some breakaway choices, provides insight into where organizations fear their biggest issues will be.

Most notable, the respondents reported that:

- *People problems will be the biggest challenge by 2025 (35% in total).*
- *Completing quality work also plays a vital role and is a key focus.*

Analysis

Historically, the office of finance has struggled to be seen as a strategic partner in the workplace. While definitely necessary, financial professionals can be seen as purely number crunchers, tasked with doing more for less while working late nights to hit tight deadlines. But the workforce is changing, accountants no longer want to perform low value, manual tasks. Instead, they want to spend their time on meaningful tasks that can create value for the company. To achieve this, as well as the goal of completing quality work, people and technology need to work in tandem. By automating the R2R process, the lower value manual tasks can be performed by technology, and the people can spend their time on tasks that are better suited for accountants, such as variance analysis and forecasting. Leveraging technology and automation means the accountants time can be spent on taking the actionable data they now have and proposing new ways to act on it.

6.0 SUMMARY: THE ULTIMATE GOAL OF RELIABLE FINANCIAL STATEMENTS

Today's businesses have come to rely upon spreadsheets so heavily that they lose sight of the original purpose of the spreadsheets. Developed in the 80's with the intent of organizing a common household budget, many in finance have developed complicated, multi-level spreadsheet systems for their global R2R process. Organizations find themselves buried in a mountain of spreadsheets and investing an inordinate amount of human resources to maintain this highly manual process. While each individual organization may have their own goals for their processes, every office of finance must ultimately strive to confidently produce reliable financial statements. However, both manual processing and the usage of a more than 35-year-old technology hinders that every step of the way.

The good news, based on these findings, is that the office of finance is moving in the right direction. Organizations know where challenges lie and have identified ways to overcome them. We also see that companies are making the shift to automation at various paces.

To those ahead of the curve we say—well done and keep pushing the optimization of your processes. For those that might be slightly behind, we recommend fully embracing the technology available and the lessons learned by those ahead of you—to help you on your way. Additionally, select a technology vendor with a proven track record who can partner with you to help achieve your goals efficiently and effectively.

Finally, it's important to remember that despite the growth of automation within the office of finance, the market as a whole is still decidedly new to the process. There is a significant amount of growth and undiscovered ROI to be had by organizations that remove their reliance on manually processing repetitive tasks. When we revisit this survey next year to see how the market has changed, we can expect more organizations to be moving towards advanced automation in order to gain efficiency while maintaining the control and compliance of the month end close.

AUTOMATION IN ACTION

CHALLENGES:

Panera Bread Company's Finance Department had done everything that it possibly could in-house. The company was reconciling 650 cash depository accounts, credit cards and general ledger accounts – all in Excel. The volume of manual reconciliations was putting a strain on the business.

"It was a clumsy process. As preparers handed off their reconciliations to reviewers, and as the business prepared reconciliations for auditors, we were creating binders and binders of hard copies."

- Panera Bread

OBJECTIVE:

With the company's tremendous growth, Finance found itself needing an automated solution that could help it keep up with the pace. They needed to save time and costs through efficiency improvements by automating the manual reconciliation processes. Any solution selected would also need to integrate seamlessly with Panera's Oracle ERP system and had to provide the trending and reporting data that senior managers required to support other internal business initiatives, like online ordering.

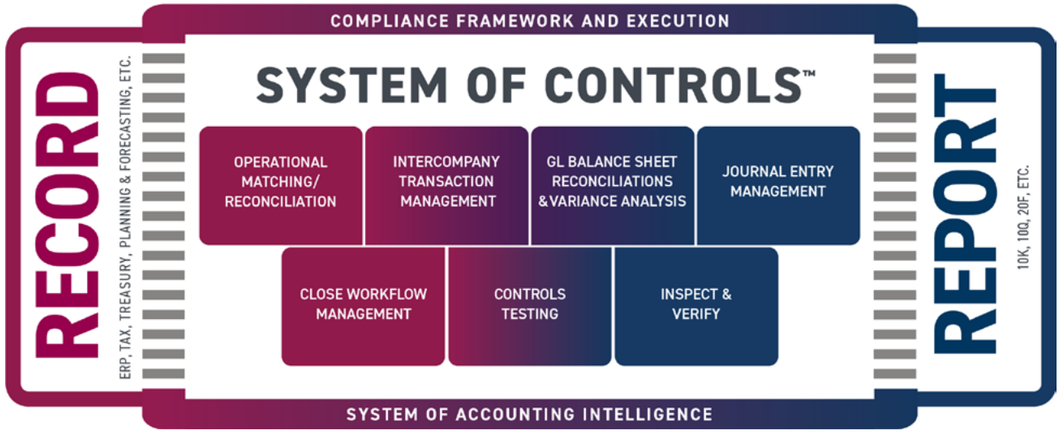
SOLUTION:

"Trintech had already helped many retail clients navigate the same path we were on, particularly the techniques employed to reconcile over/shorts. No other solution offered such a robust connection point between the high-volume cash and credit reconciliations and the balance sheet certification processes."

- Panera Bread

ROI:

Trintech's solutions provide Panera Bread Company with detailed reporting, an automated workflow that enforces top-down consistency across all processes and the ability to identify issues with cash and credit card reconciliations in a matter of days, rather than weeks.



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