High-Performance Record-to-Report Process
Balancing Speed and Quality for Effective Shareholder Stewardship
The financial crisis of 2007–2008 had a lasting effect on global economies and companies alike, and while the recovery has taken a tenuous hold, the aftershocks of that crisis continue to prevent a full recovery to pre-2008 levels.

In this environment of continuing financial volatility, there has been increased debate about companies’ perceived lack of corporate governance and financial reporting controls—particularly those in the financial sector. Central to this debate is the way in which companies deal with the disclosure and mitigation of risk and the importance of published statutory filings that enable investors and other stakeholders to assess a company’s ability to create “sustainable value.”

This examination of the tenets of shareholder stewardship is a timely one, as companies and individual investors have made significant investments through new acquisitions, renewed investments in subsidiaries and individual investments in debt and equity securities. This influx of new capital has resulted in greater scrutiny and enhanced shareholder expectations—not only with respect to business results, but also in regard to the transparency of company operations and processes in light of a more complicated regulatory environment.

The timely and accurate reporting of operational results for external and management purposes is a crucial first step for finance organizations in the quest to fulfill the mandate of good shareholder stewardship. To that end, the close process must be robust, controlled and technology-enabled to provide an accurate snapshot of company performance, enabling executives and boards to make prudent business decisions. Moreover, a robust close process anchored in leading practices and technologies provides the added benefit of freeing up finance resources for value-added activities. This helps the finance organization fulfill its mandate as a partner to the business in managing the company’s growth agenda and focus on strategic opportunities.

It appears, in fact, that companies are increasingly realizing the need for effective financial close and reporting processes. The Accenture and Oracle global study “The Challenges of Corporate Financial Reporting” which probed companies’ close, filing and reporting processes, found that fully 82 percent of large companies surveyed have made substantial changes in the last three years to the way they approach and manage the three phases of the financial close and reporting process. Figure 1 (below) from that study illustrates the rate of change across various geographies.

Based on the level of investments in the close process, companies clearly recognize that, in a business environment defined by greater levels of uncertainty and permanent volatility, the ability to make better decisions quickly and with confidence is not only important but can be a key differentiator for creating a competitive advantage.

![Figure 1. Reporting areas that have undergone substantial changes in the last three years](image-url)

Yet, despite that recognition and the resulting investment in financial close technology, Accenture's research on performance management, and its experience working with clients across industries, indicates that many firms are still unable to obtain full value from their performance management and reporting investments.

In fact, in the Accenture High Performance Finance Study, which surveyed 536 senior executives from 20 countries, only 54 percent of respondents indicated their company had advanced performance management and reporting capabilities.

One reason for this apparent lack of confidence in their systems may be the fact that financial executives face significant challenges from new and changing regulations, continued market and economic volatility, attracting and retaining top talent, and managing the significant volumes of new data being generated. (See Figure 2.)

As a result of the changing environment, finance organizations have seen their workload expand while experiencing greater pressure to perform faster, with greater accuracy and reduced costs, in a highly complex environment.

While most finance organizations are keenly aware of the need for change, their key priority is to cope with the amount of day-to-day work. An increase in complexity as a result of expansion, globalization, strict regulations and a scattered IT landscape often leads to a continued focus on transaction-based activities, leaving less time for truly value-added matters.

One environmental factor—the proliferation of data across the enterprise—appears to be particularly detrimental to the financial close and reporting process. The Accenture and Oracle global study previously mentioned also found that many finance professionals face serious challenges in managing and reporting their company’s financial and non-financial data, with 84 percent of finance managers saying it is difficult to control the quality of financial data and other supporting information across the entire process, from close to filing.²

The difficulty of compiling data is exacerbated in multi-national enterprises where, for example, reconciling and maintaining the chart of accounts takes on average 26.8 man-days. In contrast, organizations with national offices take almost 50 percent less time to complete this activity—13.5 man-days.²

Beyond just making the close process more complex, data-related issues have very tangible and damaging impacts on the close process, including delays in regulatory submission, last minute changes, potential restatements and increased process costs. "The Challenges of Corporate Financial Reporting" study claims that 88 percent of surveyed companies have experienced delays in the last 12 months when executing financial close, reporting and filing, of which 70 percent were due to data-related issues.²

The second reason the investments in financial close technology may not have had the desired effect is the way companies have approached the upgrade of their close capabilities. The Accenture/Oracle study pointed to organizations taking a piecemeal—rather than holistic—approach to investing as the main reason that capability upgrades fall short. The study results imply that process improvement, data integrity, and user adoption focus must accompany software investments for financial close improvement initiatives to meet the needs or expectations of most organizations.²

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Figure 2. The impact of environmental factors on the finance organization

How would you rate the affect of the following environmental developments on your finance organization?

<table>
<thead>
<tr>
<th>Regulation</th>
<th>53%</th>
<th>40%</th>
<th>7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent volatility</td>
<td>46%</td>
<td>43%</td>
<td>11%</td>
</tr>
<tr>
<td>Talent</td>
<td>40%</td>
<td>49%</td>
<td>11%</td>
</tr>
<tr>
<td>Data</td>
<td>40%</td>
<td>51%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Note: Due to rounding, total may not equal 100 percent
Source: Accenture 2011 High Performance Finance Study, November 2011
The Importance of the Record-to-Report Process

Based on the significant amount of investment in technology solutions for the close process, it appears that some companies believe that the implementation of an enterprise resource planning (ERP) system alone will provide a more streamlined, efficient and standardized set of processes and a shorter close cycle. While it is true that the larger “off the shelf” ERP applications can provide certain leading practices for transactional processing, there are a number of other areas that need to be addressed to deliver on the expected ROI, including process optimization and governance, organizational alignment and workforce skill development. All of these areas need be part of an overall solution if the company is to see the desired return on its technology investment.

To that end, companies should focus their efforts on developing a robust, end-to-end, record-to-report process. This can be built on an integrated vision and strategy, aligning leading practices, technology infrastructure, processes and people, as the key to delivering timely and quality reporting. The improved speed and accuracy of reporting supports more effective decision making among senior management and other executives relying on vital financial performance information.

Shifting Focus from Speed to Quality

In the late 1990’s some companies gravitated towards using a “virtual close”, with the goal of closing the books in hours rather than days. Enabled by the integration of various application systems, the premise was that a faster close was a better close—even though it was often based on a more costly and time-consuming process and did not necessarily guarantee sustainment or improvement of the quality of accounting information. In recent years, our observation is that companies have started to focus their efforts and resources on delivering a streamlined, “quality close”.

Our more than ten years of studying high-performance finance organizations supports what we also see among some companies: The best-performing finance organizations—those we call “Finance Masters”—excel in the capabilities and practices that help the enterprise maintain focus on profitability and results in a volatile global economy. These firms have a view to all facets of the business—such as people, technology, operations, process, and financials—that drive the corporate strategy. They also use reporting and key performance indicators (KPIs) focused on current and future performance.
Lowering the Barriers to a High-Performance Close

The process of closing the corporate books and reporting on the results has grown increasingly difficult and complex. Companies that have undergone frequent organizational restructuring, for example, must change reporting structures and account for new operating results.

Regulatory concerns are another significant hurdle. Changing statutory regulations in US GAAP (Generally Accepted Accounting Principles) are ongoing, and must be reconciled in many cases with IFRS (International Financial Reporting Standards) as well as local GAAP (local country statutes).

As well, companies that have not made the most effective use of enabling technologies, been unable to effect continuous improvements in their reporting processes and failed to align organizationally may have also placed themselves at a disadvantage. As reliance on financial systems grows, companies become more vulnerable to ever-expanding legacy systems and their complexity which can, over time, pose barriers to change.

In our work with high-performance companies in a wide range of industries and geographies, Accenture has developed an end-to-end process (Figure 3) beginning with the collection of source transactions and other accounting data and ending with the creation of internal management reporting and external statutory reporting. Streamlined and effective internal management reports—in particular—provide insight into the key value levers and metrics, enabling companies to focus on managing future performance rather than on reviewing past events.

Accenture’s Integrated Record-to-Report Process can help companies refocus their efforts and resources. The process promotes an efficient close moving the organization’s attention and actions around the month-end process from data processing to information analysis supported by global standard processes, policies and internal controls based on leading practices.

Companies can thus benefit from a process that:
- Is highly disciplined and coordinated from start to finish
- Delivers clear communication and enforcement of a close calendar
- Creates ownership and responsibility by designating a close process owner
- Provides continuous monitoring of key performance indicators and flash reporting
- Allows for the adoption of leading practices

In Accenture’s experience, an effective close process enabled by significant automation and integration on the technology front can help companies close their books by the second workday, generate reports by the sixth workday and report results by the 20th workday (Figure 4).

An appropriately skilled and trained finance workforce is essential to delivering an efficient close. Our work in this space confirms the need for clearly communicating roles and responsibilities to employees and investing in substantial cross-training to help deliver the expected results.

The integrated record-to-report process takes place in five steps:

**Step 1 – Aggregate sub-ledger transactions**
During this initial step, companies record transactions as they are created, approved and posted. They perform end-to-end intra- and intercompany accounting (processing) and manage all interfaces between general ledger and other systems such as multiple ERP systems, legacy systems, sub-ledgers, and other feeder systems. Ideally, this process is automated as much as possible and also

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**Figure 3. Accenture Integrated Record-to-Report Process**

<table>
<thead>
<tr>
<th>Aggregate Sub-ledger Transactions</th>
<th>Analyze and Adjust</th>
<th>Integrate Plans and Forecasts</th>
<th>Consolidate</th>
<th>Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>- General - overall process, technology, people, and governance</td>
<td>- Tax</td>
<td>- Investor relations, external reporting and SEC filings</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Accenture, April 2014

**Figure 4. Company close milestones**

- Day 2 Close
- Day 6 Report Available
- Day 20 Results Reported

Source: Accenture, April 2014
standardized across all business units and geographies.

The following elements need to be addressed during this step:

- Data collection and validation: Data collection errors and high volumes of late adjustments
- A lack of common financial language: Multiple reporting/transactional chart of accounts, inconsistent accounting policies
- Unclear guidelines pertaining to intercompany transaction management processes
- Labor intensive process: Numerous manual processes (e.g., account payable accruals) and numerous manual entries to adjust, reclassify, correct

**Step 2 - Analyze and adjust**

During Step 2, companies are encouraged to develop a risk-based reconciliation schedule (looking at monthly versus quarterly accounts and other internal reports), develop a timetable for completing reconciliation and assign a formal account owner to each account.

ERP vendors are now offering modules specifically focused on account reconciliation, such as Oracle’s Account Reconciliation Manager (ARM). There are also tools from BlackLine Systems, Trintech, and Chesapeake System Solutions that can easily integrate with major ERP systems. These will help maintain tight control of the reconciliation and account ownership and sign-off functions.

**Step 3 – Integrate plans and forecasts**

During this step, activities are focused on integrating plans and forecasts and preparing the trial balance for reporting. Among the key actions are implementing a strict timetable, issuing clear and concise instructions, and instituting well-documented and understood procedures and policies. At the same time, the company should focus on and formally measure improvements to the close process.

Companies should also address the following:

- Confirm if spreadsheets or planning/budgeting tools should be used
- Confirm if the budgets and forecasts are used during the close process
- Confirm the degree to which Excel is utilized

**Step 4 – Consolidate**

Consolidation is the process of combining the financial and operational results of affiliated companies or business units to help produce amalgamated and “complete” results and reports. This process is normally executed through the use of a consolidation tool or within the general ledger. Consolidation collects, validates, translates, and maps summary financial transactions and other data across business units within any one organization.

The types of journal entries created in the consolidation step are elimination entries to remove intercompany transactions, to reflect ownership and equity accounts for the consolidated entity, and to record various top-line allocations and adjustments.

The complexity of the consolidation process is strongly dependent upon the legal structure of the organization, the number and locations of legal entities, and the number of layers embedded in the consolidation process.

**Step 5 – Report**

During this step, companies are focused on generating consolidated financial statements such as balance sheet, income statement and cash flow and supplemental reporting in accordance with appropriate accounting principles and regulatory requirements such as GAAP, IFRS, Basel II, Basel III, Dodd-Frank, and Sarbanes-Oxley. Once approved by the Board of Directors, financial results are then submitted to the appropriate authority, for example, by creating 10K or 10Q forms for submission to the Securities and Exchange Commission in the United States. Finally, the finance organization generates management reports designed for internal use and decision support.

For reporting purposes, companies should consider using a single data source—structured to meet multiple country and statutory reporting requirements—to manage internal (management) and external (financial/regulatory) reporting needs (Figure 5).

An effective process will help deliver external and internal or management reports and scorecards that help the firm meet its business, tax and treasury objectives and create value across the enterprise.

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**Figure 5. Single data capture to meet broad reporting requirements**

- **Transaction Data**
  - Statutory requirements
  - External vs. Internal differences

- **Master Data**
  - Company codes
  - GL accounts
  - Profit centers
  - Cost centers
  - Assets
  - Projects
  - Other master data attributes, etc

- **Financial Reporting**
  - US GAAP
  - IFRS
  - Local GAAP

- **Management Reporting**
  - Planning/Budgeting
  - Operations
  - Analytics
  - Etc

- **Tax Reporting**
  - Planning
  - Compliance
  - Defense

- **Treasury Reporting**
  - Hedging
  - Liquidity planning

Source: Accenture, April 2014
Foundational Elements for Success

There are a number of elements which can help maintain the continued efficiency and effectiveness of the record-to-report process. Companies should keep these in mind when considering investments to improve the process:

Organization and talent management

The organization’s financial operating model should be aligned to satisfy the external and internal reporting and analysis needs of the business. Consideration should be given to which organizational model (centralized, decentralized or hybrid) works best.

Talent management is a key priority as companies need the right people, with the right expertise, in the right roles. Leading companies often employ a talent management structure based on these steps: 1) Define the talent needs; 2) Attract, source and retain talent; 3) Develop talent potential; and 4) Deploy the right talent to the right place.

Process and accounting model

A well-defined, end-to-end process can help finance organizations capitalize on the firm’s market position and leverage its assets. Our experience indicates that value within high-performance organizations may be realized through a closed-loop process, which integrates finance and business strategy. One critical cornerstone for both managing

the business and for reporting results to governing bodies is the chart of accounts (COA). As seen in Figure 6, when properly designed and correctly governed, a good COA can allow companies to exploit business trends in real-time to foster innovation and competitive differentiation.

Technology

High-performance organizations leverage data and technology to support process efficiencies and effectiveness across the organization. This is particularly important today, when data volumes are doubling every few years and where unstructured data is becoming as important as structured data. Numerous benefits are to be found in the integration of technology solutions. Simplifying and integrating the IT architecture helps to realize significant time savings and enables greater accuracy of reporting. Incorporating flexibility for enhancements and changes is a crucial enabler to accelerate the closing cycle. Furthermore, utilizing enhanced reporting capabilities helps to improve closing processes and can be applied to non-close activities as well.

Governance

In order to facilitate a high-performance close, organizations should adopt a governance framework that enables clear accountability, improved transparency and comparability of results. The framework should encompass data (which data and who has access to it); security (who should have access to which applications) and information (what information is needed and when is it needed).

Figure 6: Benefits of a well-designed chart of accounts

- Turns data into a strategic planning tool by enabling the delivery of accurate, real-time, comparable, and consistent business information
- Reduces maintenance and administration costs by eliminating duplicative work effort, reports, and processes
- Strengthens data integrity and regulatory compliance and reduces audit costs as there is significantly more control of the data and a reduction/elimination of reliance on spreadsheets
- Facilitates integration of previously isolated functions, and aids in the standardization and sharing of leading practices
- Reduces complexity when establishing a finance shared services/outsourcing model — everyone “speaks the same language”
- Can be used to assist managers in optimizing processes, meeting goals, averting problems and making decisions

Source: Accenture, June 2013
Conclusion

The notion of shareholder stewardship is central to operating in an environment marked by complexity and permanent volatility, and a well-functioning financial close and reporting process is at the very heart of effective shareholder stewardship.

A streamlined and optimized record-to-report process helps companies on two distinct levels—one, maintaining the company’s credibility within the financial community through timely and accurate regulatory submissions and two, supporting senior company management in making key decisions based on credible, targeted and accurate information. After all, companies that position themselves to make the right decisions more quickly than their competitors can be better-situated to create lasting competitive advantage, building a foundation for potential profitable growth that, over time, benefits the organization and all of its stakeholders.

Finance organizations that master the close process do not just deliver greater accounting integrity to the external finance community, but also put themselves on the path to be a key enabler of delivering business value to the business.

The High Performance Finance Reading List


Notes


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Accenture is a global management consulting, technology services and outsourcing company, with approximately 289,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.

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