





Gary Simon
CEO FSN & Leader of the
Modern Finance Forum
LinkedIn

Dear Colleagues,

FSN's Innovation in the Finance Function Survey 2018 is one of the largest surveys of its kind covering responses from more than 1,000 senior finance professionals worldwide. It is the first time that there has been an in-depth study of attitudes to innovation in the finance function and it reveals startling insights about the appetite for finance innovation, including the impact of culture, attitudes to risk, organizational politics, style of project investment and levels of confidence in measuring return on investment. (You can download a free copy of the full report and analysis [here](#))

The research shows unequivocally a strong link between innovation and performance. Those organizations that are early adopters of technology or invest in innovation in a balanced way across the enterprise outperform organizations that are diffident and risk averse. These leading finance functions close their books faster, produce more accurate financial forecasts and are less tied to legacy systems and traditional ways of working.

Regional differences, especially between economically advanced and developing nations, color attitudes to where investment is most needed in the finance function. Nevertheless, wherever finance professionals reside and no matter how sophisticated their investment plans, all agree that the number one priority for innovation is around the need for better business insight.

Yet earlier FSN research, (The Future of the Finance Function 2017) highlighted that only 6% of CFOs understand the technologies available to them. Only 37% know what solutions are available in the market and only 25% of CFOs have the time to investigate opportunities for technology innovation. Determining the innovations that will help companies achieve better business insights is the first step on their journey.

With this in mind, FSN has created the “Innovation Showcase”, an opportunity to bring to the attention of hard-pressed finance professionals what we consider to be leading innovations in core finance processes that could materially improve the way you work both now and in the future. Our work this year covers ten leading vendors and, in this document, we showcase the work of BlackLine, a leading provider of specialist financial applications in the cloud.

We hope that you find the innovations set out in this document thought-provoking and interesting. But above all we hope that the contents will inspire you to explore innovation in your own organization and discuss with colleagues how you can leverage these developments to take your finance processes to the next level.

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THE BLACKLINE INNOVATION SHOWCASE

BlackLine has been an innovator from its very inception when it set out to solve the common but highly specific problem of the complex financial close process. The fact that BlackLine's solutions do not fit neatly into any major software category, for example, ERP, Corporate Performance Management (CPM) or Business Intelligence (BI), speaks volumes. The software was developed to meet the specialist but not uncommon requirements of the financial close process which had simply been overlooked by other software vendors. BlackLine is an innovator because it set out to eliminate these inefficient process gaps within the financial close by automating the accounting processes and enabling them to function continuously, thereby improving the integrity of financial reporting and providing companies with greater visibility into their operations.

In this showcase we highlight three major BlackLine innovations, namely; finance modernisation, benchmarking and machine learning and, finally, robotic process automation.

Innovation 1: Finance modernisation through plugging the gaps in the close process

Despite the maturity of ERP solutions and the apparent breadth of CPM suites, there remain significant functionality gaps in core financial processes. Many of these gaps are still being plugged by spreadsheets and manual controls, and one can find them peppered throughout the financial close, account reconciliation, intercompany accounting and controls assurance processes.

In this era of constant technology innovation, many companies remain mired in multiple spreadsheets and manual reconciliations for their accounting and finance processes. Notwithstanding the obvious time and efficiency issues that come with a labour-intensive and difficult to manage workflow, the effect on performance is equally detrimental.

FSN's survey on the Future of Financial Reporting showed that the majority of companies still use manual methods of reporting and data collection. The report also identified a spiral of spreadsheet use compounded by 'unforgiving' ERP and CPM systems unreceptive to change, an over-reliance on the IT function for even the simplest changes and the necessity to plug the functionality gaps with even more spreadsheets.

But spreadsheets are not only being used for recording and managing transactions, they are also misguidedly being used to control the process itself. Task lists to control the process or guide the steps of a reconciliation are relatively commonplace, but do not support collaborative working across functions and processes.

BlackLine's aim is to close these gaps in the financial close process by automating and organizing the finance and accounting process so that each link in the chain is visible and data integrity is maintained. This means month or year-end close periods no longer need to be a disorganized scramble of process tasks, controlled in spreadsheets, that are prone to errors and delays.

The BlackLine platform supports a variety of close tasks including high volume account reconciliation, balance sheet substantiation, task management, transaction reconciliations, journal entry and variance analysis. Its innovative software enables companies to manage their processes and exert an automated level of control over their financial information that can accelerate the process and help to eliminate human error and fraud.

The decision to move BlackLine into the cloud, taken many years before the mass market trend towards cloud based computing, was both innovative in its day and transformative. It provided the platform that forms the basis of collaboration, an uninterrupted process (Continuous Accounting), and real-time insight into the status of the close process together with the financial impact of outstanding work.

Innovation 2: From benchmarks to machine learning

A bi-product of BlackLine's presence in the cloud is that it generates a ready-made repository of systems performance and usage data showing exactly how end users interact with the application during the close process. The company has used this aggregated and anonymised data innovatively to identify key benchmarks for the close process and refine its offerings through the smart use of data science and machine learning. The breadth of sectors and regions from which the anonymized data is drawn allows BlackLine to generate real time, actionable benchmarking, intelligence, and analysis of accounting and finance operations.

Customers can benchmark internally, or against their sector and regional peers, empowering the finance function to continuously improve efficiencies as they strive to exceed their benchmarks. The data provides statistics like average number of completed tasks, on-time completion percentage, average reconciliation rejection rate and auto-reconciliation rate, providing unprecedented visibility into accounting operations.

This insight isn't typical of publicly available sources of benchmark data. These tend to focus on performance ratios and high-level comparisons between finance functions, such as number of finance professionals to revenue and overall time to close the books. On the other hand, BlackLine's innovation brings a completely different perspective to benchmarking process data, taking it to a whole new level of granularity based on dissecting, for example, the day-to-day activities of the financial close process in fine detail. This reveals information about productivity and process bottlenecks, for example between different regional accounting teams or outsourced providers, but importantly it also informs how these issues can be fixed.

All of this is done without delving into commercially sensitive transaction data since the benchmarking is confined to the process rather than transactions. But these operational benchmarks can also usefully form the basis of internal benchmarks that can be used as the foundation of continuous process improvement.

However, benchmarking is just the tip of the data science iceberg. BlackLine are using their wealth of data to improve processes for its customers. Machine learning is the process of giving computers the ability to learn without being explicitly programmed. It requires enough iterative data for the machine to recognise patterns and learn from them, and in BlackLine's case this data is derived from almost 2000 anonymised customers over the last 10+ years. The technology employed is based on Apache Spark, supplemented by a library of algorithms, and resident data scientists who use the Python high level programming language.

BlackLine's data scientists have begun to identify instances where their customers could benefit from even more automation, but that fall outside of the core product offering. For example, there is substantial value to be derived from the transaction matching process. Before BlackLine, most of their customers would reconcile manually, but graduated to automated matching when they chose BlackLine's solutions.

In many instances, up to 95% of matches could be reconciled automatically, leaving around 5% to be checked manually. But BlackLine has also collected more than ten years of records of how these exceptions were fixed, and so can teach their machine learning algorithms to discover patterns within the exceptions, raising the automatic matching rate closer to the 100% mark. Of course, the final one percent of exceptions are so idiosyncratic that it is probably not cost-effective to resolve them via machine learning techniques, but in high volume environments with millions of transactions to reconcile, taking the reconciliation rate from 95% to 99% yields enormous savings in processing time, human endeavour and cost. Furthermore, automated reconciliation, augmented by machine learning, is substantially more accurate than with human intervention.

The potential for other use cases for machine learning is largely being driven by customer need. As iterative processes are identified, BlackLine's data scientists are training algorithms to speed up and improve even more of the accounting process. And this also makes BlackLine's approach innovative. While other vendors' interest is at the level of integrating their applications with machine learning engines, BlackLine is going a stage further, getting its 'hands dirty' by embracing the tools and developing use cases with inhouse data scientists.

Innovation 3: Purpose Built Robotic Process Automation (RPA)

Robotic Process Automation is the use of software, or accounting robots, to perform high volume, rules-based, repeatable tasks. It automates processes that would have been carried out by a person, eliminating repetitive processes and freeing up employees to work on more value-added tasks. The idea is broad and can be applied in many simple situations, but it isn't always suited to the accounting problems that BlackLine's customers are trying to solve.

Instead BlackLine is innovating through purpose-built RPA, specific toolsets designed for specific use cases that build on the innovation of their core product, extending automation and further simplifying the close process.

BlackLine already has customers using these toolsets for data cleansing and some instances of system administration, for example automatically reassigning tasks in the close process when, for example, an HR application reports that an employee has left the organisation. Other customer use cases that can benefit from bespoke RPA include journal entry, bank reconciliations, high volume reconciliations or any formula-driven data entry.

BlackLine's Smart Close application is their most widely-used purpose built toolset, which embeds process automation into record-to-report activities in SAP. Instead of manually following the often repetitive and sometimes error-prone click tasks of the SAP close process, accounting professionals can automate task and job scheduling, execution, and monitoring, as well as verifying the outcome and identifying anomalies. This allows BlackLine's Smart Close customers to manage the close and work directly inside the SAP environment itself, from capturing invoices and master data management to reporting and analytics.

Like machine learning, BlackLine is developing its purpose built toolset to match customer needs. This level of bespoke development enables BlackLine to innovate in partnership with its customers, to ensure their solutions continuously add value. Having already plugged the largest gaps in the finance and accounting process, BlackLine's purpose built RPA is plugging the smaller gaps too.

About BlackLine

[BlackLine](#) is a provider of cloud-based solutions that transform Finance and Accounting (F&A) by automating, centralizing and streamlining financial close operations, intercompany accounting processes and other key F&A processes for large and midsize organizations. Designed to complement ERP and other financial systems, [BlackLine's cloud platform](#) increases operational efficiency, real-time visibility, control and compliance to ensure end-to-end financial close management and accounting automation.

BlackLine's mission is to continuously improve the quality, accuracy and efficiency of Finance and Accounting by centralizing key functions within a single, unified cloud platform. Enabling customers to move beyond outdated processes and point solutions to a [Continuous Accounting](#) model, in which real-time automation, controls and period-end tasks are embedded within day-to-day activities, BlackLine helps companies modernize accounting operations with intelligent automation, ensuring more accurate and insightful financial statements and a more efficient financial close. More than 1,800 companies with users in over 130 countries around the world trust BlackLine to help ensure balance sheet integrity and confidence in their financial statements.

BlackLine is recognized by Gartner as a Leader in its 2017 Magic Quadrant for Cloud Financial Corporate Performance Management (FCPM) and as a pioneer in the cloud market for enhanced financial control and automation of FCPM.

To learn more, visit <http://www.blackline.com/>



Methodology

All of the products which have been showcased by FSN are extremely complex and sophisticated and in all cases have taken many man years of development effort. FSN has independently desk reviewed publicly available information (for example, websites, customer testimonials, videos, demonstrations, technical details and white papers) about the organisation and its products. We have then identified independently three areas that we consider to be differentiating and interesting innovations to bring to the attention of the FSN Modern Finance Forum on LinkedIn and discussed their development history, the ideas behind their creation and their direction with senior members of the management team. As such, this document is not a product review, and neither is it an exhaustive list of all the innovative ideas in the product. It simply represents what we consider, in our experience of the market, to be great examples of innovation in finance processes.

About FSN

[FSN](#) is a global publisher of thought leadership, research and “must-have” content for CFOs and senior finance professionals around the world. FSN’s highly popular and active [Modern Finance Forum](#) on LinkedIn has a membership of more than 51,000 readers in more than 23 countries and across every major industry segment. It is also the publisher of the popular www.fsn.co.uk website and regularly holds networking dinners and events for its members.

Contact:

HQ Office in United Kingdom

Clarendon House

125, Shenley Road,

Borehamwood,

Herts, WD6 1AG

Switchboard: +44 (0)20 84452688

[The Modern Finance Forum LinkedIn](#)

<http://www.fsn.co.uk>

enquiries@fsnelite.com

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