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Dear Colleague,

Innovation is central to the success of the modern finance function and the businesses in which they operate. 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.

With this in mind, I am delighted to bring you FSN’s 2019 “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. And for the first time this year, we have reviewed and commented on two case studies for each vendor, to illustrate some examples of innovation in practice.

All 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. But innovation is very much in the ‘eye of the beholder’ and every finance organization is at a different stage of maturity. Some of the innovations assembled in this Showcase are at the leading edge of technological developments, others are around the architecture of the products or the way that vendors seek to reduce implementation risk. But if you’ve always relied on spreadsheets then even the simplest ideas, such as a unified transaction environment or a specialized budgeting tool can be innovative and game-changing.

Our work this year covers ten leading vendors and in this document, we showcase the work of BlackLine. We have then identified independently for each of the ten global software vendors featured, three areas that we consider to be differentiating and interesting innovations to bring to the attention of modern finance leaders striving to understand and leverage the latest capabilities. As such, this document is not a product review. It simply represents what we consider, in our experience of the market, to be great examples of innovation in finance processes.

Last year’s FSN Innovation Showcase was read by more than 14,000 finance professionals and we received some fabulous feedback. We hope that you find the innovations set out in this year’s 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 and the featured vendors, 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 modernization, machine learning and benchmarking and, finally, robotic process automation.

Innovation 1: Finance modernization 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 labor-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.

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

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 anonymized data innovatively to identify key benchmarks for the close process and refine its offerings through the smart use of data science and machine learning.

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 recognize patterns and learn from them. 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. The effectiveness of machine learning is reliant on having high volumes of relevant historic data from which to learn and draw new inferences.

One area where machine learning is being deployed to great effect is in the automatic matching and reconciliation of high volume transactions. Currently BlackLine customers can reconcile between 80% and 95% of transactions automatically, leaving the remainder to be checked manually, but, from May 2019 BlackLine's customers will be able to use out of the box machine learning that will draw on a decade of data of matched, unmatched and manually reconciled transactions from over 2,600 customers. BlackLine's Intelligent Matching can, in effect, read between the lines, identifying key pieces of data in strings that otherwise do not lend themselves to standard matching rules. It is expected that using this repository and new machine learning algorithms BlackLine will be able to raise the reconciliation rate to 99% or more, saving considerable time and money.

BlackLine is also using the breadth of sectors and regions from which the anonymized data is drawn 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.

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 in-house 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 organization. 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.

The integration of BlackLine's Smart Close application into SAP came about after BlackLine's acquisition of Runbook, a provider of financial close and automation solutions to the SAP market. BlackLine has used this innovation as a starting point for ERP automation, and is working to expand Smart Close across other common ERP platforms in the next year. The process will use elements like RPA to execute ERP dependent tasks from within BlackLine's cloud platform.

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.

Case Study: LV= (Liverpool Victoria)

INTRODUCTION – FSN’S VIEW

This case study highlights the innovative way that BlackLine fills in the gaps in the financial close process left by more traditional ERP and CPM (Corporate Performance Management) applications. In this case study, end-to-end process automation sweeps away a highly manual and spreadsheet-bound process.

INNOVATION IN ACTION

There are two stand-out innovations in this case study. Automation that eliminates the ‘spreadsheet-spiral’ and innovation that releases time to improve reporting and control.

ELIMINATING THE SPREADSHEET-SPIRAL

FSN’s research reveals that organizations frequently succumb to a spreadsheet-spiral (ever increasing numbers of spreadsheets) when applications are impervious to change, there is an over-reliance on IT and important gaps exist in the process. Finance professionals impatient for change typically ‘pave over the cracks’ in the process with spreadsheets but in this case, the introduction of highly automated and specialized account reconciliation software enabled auto-reconciliation of thousands of items and eliminated a plethora of spreadsheets.

TRANSFORMING REPORTING & CONTROL

The introduction of advanced automation yielded significant productivity gains in its wake, allowing management to focus on “problems rather than process” while improving reporting quality and internal control. And that transformation happened in impressively quick timescales, fueled by BlackLine’s innovative reconciliation software delivered off the shelf. The case study reminds us that innovation is a virtuous circle, i.e. that organizations need to innovate in order to release time to innovate even more.

Strengthening internal controls and freeing managers to focus on problems, not processes



“BlackLine enables us to spend more time looking at problems instead of processing data. And managers are so pleased to have their evenings back.”

—Andy Young, Head of Finance, Liverpool Victoria

Liverpool Victoria (LV) serves more than 5.8 million customers with a range of financial products. The company was recently recognised for the second year running as Moneywise Customer Services Awards 2017 Most Trusted Insurer.

The Challenge

As a result of continued expansion, LV has become one of the United Kingdom’s largest insurance companies. Yet with that expansion came challenges, especially for the accounting and finance organisation.

The company’s existing reconciliation process was dependent on the use of spreadsheets—a system that not only couldn’t keep up with the increasing amount of data but provided few internal controls. The process was also highly manual, and lacked the real-time visibility so crucial to a rapidly growing global company.

INDUSTRY

Insurance

REGION

EMEA

ADOPTION DATE

2016

ERP

Oracle

USERS

50

PRODUCTS

Account Reconciliations

BUSINESS IMPACT

Saved time with auto-reconciliation; freed managers to focus on problems, not processes; strengthened internal controls; streamlined audit process

“We were highly reliant on Excel, and all of our reconciliations were done in separate spreadsheets. With paper reconciliations, there’s no guarantee that queries are resolved, and there’s always the risk of lost or missing data,” said Andy Young, head of finance at LV. “We were reconciling 3,000 items, and the reporting of those reconciliations and their aging was a lengthy and cumbersome process. Plus, we couldn’t always find supporting documentation.”

Why BlackLine

To reduce the organisation’s reliance on spreadsheets for the close, LV developed an in-house software solution. Yet the new system soon created additional challenges.

“It couldn’t cope with daily reconciliations, and reporting was clunky and time consuming,” said Young. “It also had very slow response times. Our managers would take work home and sit there, press the button, watch Coronation Street, then press the next button. That’s how slow the system was.”

“With BlackLine, there’s one version of the truth, which aligns with the GL.”

—Andy Young, Head of Finance, Liverpool Victoria

When the in-house system crashed in late 2015, the company stepped up the search for a new reconciliation solution, one that would not only strengthen internal controls but also save staff time through automation. Because of the recent collapse of the old system, the new solution also had to be implemented quickly.

“BlackLine was our preferred option. We could attach all the documents we wanted, we could store them, we could have different people check in and review alongside reconciliations,” said Young. “BlackLine gave us the control framework we needed to make sure everything was working properly, and we weren’t getting any issues coming through in our balance sheet reconciliations that would cause problems later. And, we were able to go from implementation to go-live in only five weeks.”

The Results

Saved time with auto-reconciliation. Young and his team rely on BlackLine to auto-reconcile thousands of items. “Our investment system and Oracle ERP are reconciled automatically in BlackLine, which has given us a huge benefit in terms of the amount of reconciliations we have to actively do each month. Plus, all non-moving balance sheet reconciliations can be pushed to ‘reconciled’ to save more time.”

Freed managers to focus on problems, not processes. BlackLine’s auto-reconciliation capabilities and real-time visibility have reduced the number of late nights required from managers during the close. Managers also now have time to focus on the value-added work of accounting, such as strategy and analysis. “BlackLine enables us to spend more time looking at problems, instead of processing data,” said Young. “And managers are so pleased to have their evenings back.”

Strengthened internal controls. LV’s previous spreadsheet-based close process exposed the company to ever-increasing risk. Today, with BlackLine, the company has full end-to-end control of every process, with complete visibility into individual responsibilities. Standardised templates ensure processes are consistent across all business units. “With BlackLine, there’s one version of the truth, which aligns with the GL,” said Young.

Streamlined audit process. With BlackLine, LV staff no longer need to spend days aggregating paper files and spreadsheets prior to audits. Instead, auditors are granted instant access to the records they need, when they need them. Supporting documentation is attached within BlackLine, as well. “Our auditors love BlackLine,” said Young. “They’ve been very positive in their reports to the Audit Committee.”

Case Study: : Saint-Gobain

INTRODUCTION – FSN'S VIEW

This case study provides an exemplary illustration of how innovation managed in a step-wise fashion can yield impressive change. FSN's research consistently reveals that successful innovation happens in two distinct phases, namely; process standardization and process automation coupled with innovative technology.

INNOVATION IN ACTION

There are two stand-out innovations in this case study. Firstly, the use of innovative reconciliation software to enable process standardization across Saint-Gobain and secondly, the deployment of a cloud SaaS based solution as an accelerant.

INNOVATIVE SOFTWARE ENABLING STANDARDIZATION

FSN's experience shows that many organizations introduce advanced technology without firstly refining the underlying process. The results are inevitably disappointing, but this case study illustrates how a dedicated focus on standardization as a precursor to advanced automation pays dividends. Blackline's innovative reconciliation software enabled this organization to streamline and simplify key aspects of its close cycle, as well as realizing a commensurate improvement in control.

CLOUD AS AN ACCELERANT

Historically, process standardization has proved elusive for many organizations as they grapple with the practical obstacles of the on-premises world. But this case study shows how the advent of the cloud allows organizations to deploy a standardized (streamlined) approach quickly across multiple time-zones and geographies without the delays and burden of rolling out complex hardware and infrastructure. In a matter of months, advanced reconciliation capability in the cloud was deployed across 25 countries and 629 legal entities.

Automated accounting processes and increased efficiency with BlackLine



The world leader in sustainable housing has deployed BlackLine's Finance Controls & Automation platform among 25 of its shared service centers to automate, enhance reliability and harmonize its reconciliation and accounting control processes.

A leader in the housing market, Saint-Gobain designs, manufactures, and distributes high-performance construction materials that address the challenges of sustainability, resource efficiency, and climate change.

The company has a rich, 350-year history, and has grown to more than 170,000 employees in 66 countries and approximately €40 billion in annual revenue.

The Challenge

The Saint-Gobain Group is comprised of nearly 900 subsidiaries and three business divisions: Innovative Materials, Products for Construction, and Building Distribution.

In 2008, the company created Shared Services Centers (SSC) to centralize, standardize, and simplify the accounting processes globally. These SSC's span 25 countries and 629 legal entities.

INDUSTRY

Construction

REGION

Europe

ADOPTION DATE

2011

ERP

SAP

PRODUCTS

Account Reconciliations, Task Management, Journal Entry, Transaction Matching, Enhanced Reporting

BENEFITS

Digitalization and automation of the accounting close; centralization, standardization, and reconciliation of accounts; increased accuracy and efficiency; reinforcement of internal controls; and enhancement of SSC and client relationship.

Previously, each SSC prepared account reconciliations in its own way and then submitted them for review. This process, largely manual and still paper-based, was very time-consuming. It also hampered the traceability and accuracy requirements of the internal accounting teams, and both the internal and external auditors.

“After setting up our shared service network in 2010, we shifted our focus to improving and maximizing efficiency. Several parts were identified, including streamlining and consolidating accounts payables and automating customer and general accounting. Overall, we wanted to improve and standardize all our reconciliations and internal control operations,” says Pascal Perrier-Gustin, Director of Shared Service Centers and Financial Organization Projects at Saint-Gobain Group.

“In other words, our goals were to standardize our accounting processes through automation, strengthen internal controls, accelerate the monthly close, and ultimately, improve the relationship between the SSC’s and our customers.”

Why BlackLine

The search for a solution that would allow the SSCs to achieve these goals continued.

“Finally, our U.S. SSC chose BlackLine’s Finance Controls & Automation platform to achieve its initial streamlining and automation goals. After considerable research, it soon became clear to us that BlackLine could help our entire SSC network to achieve a flawless level of internal controls. After analyzing the other options on the market, we validated the U.S. entity’s choice. BlackLine’s functional coverage, modularity, and cloud/SaaS deployment met all of our needs, and we adopted it in our SSCs worldwide,” explains Perrier-Gustin.

Today, nearly 2,000 company employees are using the BlackLine platform—accountants, CFOs, and entity controllers—as well as external auditors. GL balances are automatically loaded into BlackLine monthly, increasing automation. Users can prepare and approve reconciliations more efficiently, and leadership and auditors have the visibility they need.

“The implementation of BlackLine was very fast. In about fifteen days, we deployed BlackLine to the first SSC (approximately fifteen users) via two WebEx training sessions. Our users can also do online training courses, conveniently accessible through BlackLine University, or if necessary, we contact our customer success manager directly.

“On average, the full deployment of a SSC network took about six months,” says Perrier-Gustin.

The Results

Perrier-Gustin continues, “BlackLine not only makes it possible to standardize and automate accounting process, but also provides a level of full traceability that helps us meet the demands of internal and external audits. BlackLine offers quick access to information, allowing you to follow the reconciliation process and evaluate its progress.”

At the same time, BlackLine helps auditors work faster and more efficiently, which has a definitive impact on managing accounting costs.

“Even if, at the onset of the project, our objective was not necessarily to reduce costs, but this naturally happened with BlackLine. Paper printing and information storage costs have also decreased.

“But overall, BlackLine’s main contribution has been to help us adopt a “lean” attitude to our general accounting. Additionally, we can ensure that the processes carried out by each of our SSC’s are as fluid as possible, with minimal associated tasks, and in a timely manner,” says Perrier-Gustin.

It’s difficult for Perrier-Gustin to quantify the gains generated by BlackLine’s fast implementation, but he is pleased with the positive return on investment.

“The SSC directors are satisfied because they are now able to standardize the methods of account reconciliation and better prepare their financial close. In the same way, client CFO’s appreciate the solution because it helps them carry out their task of monitoring and controlling account reconciliations while also facilitating balance sheet review.

“Additionally, both internal and external auditors benefit from the homogenization of processes. A BlackLine-equipped SSC network means easier audits and improved process quality.”

Finally, our other main objectives, to attain better accuracy and increased efficiency for the financial close, were achieved.

“That’s what matters most to us. Account reconciliation is a primary exercise in accounting processes, and should be done with the utmost care. Thanks to BlackLine, we have been able to automate and streamline the reconciliation of our accounts, and we have a clear view of the progress of our close process at all times,” concludes Perrier-Gustin.

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 organization 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.

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Innovation Showcase 2020

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