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Can finance industry deliver on demand for faster closings, more automation?

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October 10, 2022 12:01 am

A recently released **survey** by Montvale-based **Institute for Management Accountants** and **Deloitte's Center for Controllershship** found that 95% of finance and accounting professionals admit that their organizations' controllership functions "have more work to do or aren't progressing quickly enough" to prepare for the future of accounting and finance. The shortfalls: failing to gear up for real-time reporting and insights, improving the financial closing process, and re-engineering and automating manual activities. NJBIZ spoke with some experts to get a sense of what's going on.

"I've been through this movie before," said **EisnerAmper** Chief Risk Officer Peter Bible. "Each time technology advances, many CFOs and other internal accounting officers find themselves playing catchup, often because of funding constraints."

Large, publicly held companies "with multibillion-dollar market caps" are often under regulatory and shareholder pressure to close the books faster and take a deep dive into business analytics, he noted. "But for smaller, privately held companies, financial resources often have to be allocated to business operations first – and then finance and accounting may get the leftovers."

That doesn't let them entirely off the hook, however. "Creditors want fresh financial information from their commercial borrowers," said Bible. "The pressure is not as great for smaller companies, but at some point lenders will start to step up their requests."

In the meantime, firms like EisnerAmper are filling in. "We're a resource for clients, so they can leverage our expertise and knowledge in making decisions," he said. "Executives often function in an isolated world and don't always see what's going on with outside industries – but we can give them that perspective."

"These kinds of issues are pervasive, across industries and across business sizes from startups to large companies," according to Ethan Brysgel, **Marcum LLP's national financial accounting & advisory services leader**. "Business owners and other stakeholders, including shareholders, regulators and bankers, want quicker closings and

reports that are more analytical – but many businesses, especially smaller ones, run into financial and human resource constraints.”

Accounting and advisory firms like Marcum “can provide outsourced support and expertise,” he noted. “So instead of trying to retain employees with rising salary and benefits, companies can dial us or others up on an as-needed basis.”

For the perplexed

“Organizations of various sizes and stages are experiencing rapid change across their functions, including their finance and accounting departments,” according to Roman Matatov, a senior manager at PKF O’Connor Davies. “One key responsibility for a finance team is to produce prompt, actionable, organizational information, to improve decision making and help drive value. Whether a formal monthly financial reporting package in a mature business, or a 13-week rolling cash flow forecast installed to retain attention on liquidity of a startup organization, your team would be well served to possess or promptly develop this critical capability.”

Capital allocation and control is also vital, he added. “To allocate capital, you and your team will need to be skilled in developing and tracking a budget and any periodic re-forecasts, often with input of non-financial data, and in alignment with other department heads. Control maturity may escalate commensurate with organizational risk profile and complexity, and care must be exercised to balance the need for effective controls with the costs to implement, monitor, and evolve such controls.”

To accomplish this, “Consider deploying your team to design, deliver or facilitate key systems oversight; instill a division of duties, and author an authorization matrix for key transaction types,” Matatov explained. “You can often begin by utilizing spreadsheet checklists and brief, single page policies for key processes, and evolve as needed.”

“An increasing number of businesses are turning to outsourced services as a way to “stay up to date with processes and procedures,” said Nina Chmura, a Withum partner and market leader, Outsourced Accounting Systems and Services. “Small and mid-sized companies in particular, may get comfortable with the way they do things, and may not update as often as they should. Also, a company may start out with certain systems and procedures that work fine, but as it grows they may need to add controls and technology that keep up with the firm’s expansion.”

Unfortunately, she added, “accounting and finance are often seen as ‘back office’ functions. Property and equipment or research and development will get available funding, but management may not realize that investments are also necessary to keep accounting and finance systems current. If your mechanic worked on today’s vehicles with equipment from 20 years ago, they wouldn’t run too well. The accounting and

finance functions are no different. Technology means we can do more with fewer people, but first, the systems need to be in place, and running and tested.”

What does it take to get a business owner to wise up? “A lot of times it happens when an integral person leaves the company,” Chmura said. “Suddenly the owner realizes there’s a big gap that they can’t fill.”

No going back

The COVID pandemic – and the necessity for many people to work remotely – accelerated the timeline for businesses to digitally update their accounting and finance approaches, according to Al Traverso, a partner in the Manufacturing and Distribution and Not-for-Profit practices at **Sax LLP**. COVID may be less of a threat now, but the digital transformation of accounting and finance “is not reversing,” he said. “Businesses need to quickly access reliable information, and stakeholders want to see more automation, which not only reduces expenses, but also enables accounting and finance professionals to spend more time on analytical and other value-added activity.”

The “traditional monthly close is old fashioned,” noted Traverso. “Now you need daily, or at least weekly ‘flash’ reports so the CFO can track KPIs [key performance indicators] and spot trends quickly. Some software packages, for example, can flag material cost or other changes that exceed a set percentage.”

But the transition can be difficult for growing companies. “Maybe they started out with an adequate, but basic accounting software package, like QuickBooks,” he said. “Then, as the company began growing, they added bolt-ons for inventory, material requisition and others. At some point, however, the expanding business will need something hefty – and it can be difficult to move to the next level. Will a controller, who may have grown comfortable with the basic accounting package, be motivated to invest the human and financial resources to implement a new package?”

Sax professionals can help clients make the migration, he added. “First, we advise them that they need to know their costs so they can manage their margins. Then we can help them to balance their financial and other resources by focusing on mission-critical areas that need to be initially addressed. Finally, we can assist in designing and implementing processes – using their new software packages – so they can adhere to a faster close. Today, it’s all about having reliable information in a timely manner. And the time span is getting shorter.”

No escape

“All businesses, regardless of size, must be open to adopting new technologies in order to progress their controllership functions to compete in what is now a data-driven world,” according to a joint statement by **WilkinGuttenplan** Principals Bryan

Saftlas and Daniel Fiorentino. "Larger businesses may be ahead of the curve compared to smaller ones, as they may have more resources at their disposal, but all sizes must address these issues."

Besides faster closings and other updates, they said companies need to "reevaluate the existing personnel in the controllership area to ensure that the right people are in place to progress the controllership function in an expeditious manner, so the company does not lag behind its competitors."

And systems, as well as departments, need to communicate. "Businesses need more integration among their various software systems," they counseled. "If they could integrate these systems more, it would both expedite processes and provide them with more meaningful insights that lead to actionable items."

"Our firm recognizes that many businesses struggle with these areas, including our own clients, so we become their trusted advisors to help them navigate these challenges. For the clients that want to solve the problems with their own staff, we assist them in the recruiting process, interviewing and evaluating candidates to ensure they have the right employees in the right spots."

While the biggest obstacle to change is often cost, they warn that "Controllers not being able to prepare for the future of accounting is directly correlated to the decreased talent pool in the overall accounting industry. With less accountants entering the workforce each year, it creates a challenge to build the best team."