Can Change Be Managed?
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The act of managing change is familiar to business executives, who are typically experienced in tackling the market fluctuations, product evolutions, and other changes faced by their organizations and industries.

But today’s managers are also being challenged to adjust to and anticipate changes that occur with more frequency, and in some cases, have greater impact than ever before.

The reasons for this are well known to finance and accounting professionals. We’re dealing with more data—bigger data, if you will—coming at us faster than ever.

Businesses themselves are growing and becoming more complex, adding ERP systems and bringing on entirely new corporate entities. Meanwhile, customers are asking for more, better, and faster.

The common denominator to all this is, of course, change. Can it be managed?

This issue looks at some of the more important dimensions of change and offers the most effective solutions.

At a High Level

Executives and top managers need to take “big picture” views of all business operations. These views, says COSO Chair Paul Sobel, include assessing high-level impacts of change, from external forces like the effects of climate change to internal considerations of organizational culture.

Sobel explains how COSO can help in Managing Change: How COSO Looks at the Big Picture.

Organizational considerations also play into structuring the new types of project teams that are needed to take on change within the business. In Change Happens: What Counts Is What You Do About It, BlackLine’s Susanna Metzler shares tips on how to hire for key roles in today’s project teams.

As for taking on major software upgrades, BlackLine’s Molly Boyle notes that today’s accounting processes are closely linked to ERP systems. In Reducing the Risks of an ERP Upgrade, she explains why a successful ERP upgrade plan should begin by upgrading core accounting processes.

At the Human Level

Process, system, and other changes rely greatly on the humans who will implement and manage them. Accounting professionals are fast broadening their skills in everything from analytics to systems design, and they’re finding welcome homes in change-savvy organizations.

In Keys to Successfully Achieving Internal Transformation, BlackLine’s Patrick Villanova details the kind of skills he and other executives are looking for, and why those skills have become critical in navigating the regulatory landscape.

Also, see A New Reality: Accounting Interviewees Are Asking the Questions for some suggestions on how accountants themselves should assess the change-worthiness of prospective new employers.

Adding Automation

For a look at how accounting automation can help promote positive change, check out The Power of Process Integration: Combining Account Recs, Matching & Journals.
Managing Change: How COSO Looks at the Big Picture

For employees at all levels of an organization, change is inevitable.

In manufacturing, it may come with new production machinery. In engineering, with new CAD software. In banking, new regulatory oversight.

For Accounting, change comes with finance automation technology.
In most industries, change is a necessary part of growth and success. But it can pose major challenges—a fact well known to the supervisors, managers, and executives tasked with planning for orderly change.

It's these people who are the main audience for much of the work coming from the Committee of Sponsoring Organizations of the Treadway Commission, more commonly known as COSO.

COSO was formed “to guide executive management and governance entities on relevant aspects of organizational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting.”

To do that, COSO publishes comprehensive guidance on internal controls and risk management, along with other related materials. Within these materials, the concept of change—and how to deal with it—is a major topic.

COSO Chair Paul Sobel, who is Vice President and Chief Risk Officer at Georgia-Pacific LLC, points to COSO’s updated Enterprise Risk Management framework as evidence. The framework is organized around five major components, which are supported by a number of principles.

Encouraging Executives

“Principle 15 is called ‘Assesses Substantial Change,’” he says. “It’s intended to encourage executives to look at all the ways change can affect the organization’s strategy and business objectives.”

“Change can come from internal innovation or changes in leadership, and it can come from external sources, like changes in markets and customer preferences,” he says. “It can happen quickly, but it can also occur slowly, and the impact can be profound.”

Sobel cites climate change as an example.

“I’ve had executives asking about just that—how to deal with climate change,” he says. “Since there are so many potential outcomes from climate change, the best approach is to narrow your assessment down to specific effects of climate change—things like water shortages or intensifying natural disasters that might affect your business directly.”

Solid Planning

At a higher level though, the COSO materials strive to help executives build an organizational culture that—rather than running away from change—can recognize and respond to changes of all types with the confidence that comes from solid planning.
Paul Simon once sang, “After changes upon changes we are more or less the same....”

This lyric may still ring true, even in today’s environment of rapid change and innovation. In general, the foundations of business remain the same: make a better product and you’ll profit; invest wisely and your future will be successful; hire talented people and your organization will thrive.

But some things are certainly changing. Accounting automation is here to stay and yes, it can be disruptive. However, those using it—accountants, controllers, finance managers, and others—are calling it a positive disruption for various reasons.

Change Happens: What Counts Is What You Do About It
Susanna Metzler is a Strategic Innovation Manager at BlackLine, and previously served as an Accountant, Senior Accountant, and BlackLine’s Global Subject Matter Expert for Johnson Controls (formerly Tyco).

She explains that continuously working with spreadsheets was a major challenge. “The spreadsheets were often inaccurate, because accountants would simply carry over the previous month’s tabs into a new tab in the existing spreadsheet,” she says.

“That meant they would also carry over the previous month’s formulas. The volume of data would change, yet the formulas stayed the same, which could cause human errors. “We’d discover that we dropped a row or picked up something we weren’t supposed to pick up. We’d have errors, resulting in unidentified variances, and we’d have to spend valuable time chasing them down.”

Manual accounting processes inhibited internal, external, and SOX audit efforts. Metzler’s team spent many hours tracking down paperwork, validating support, and returning responses to the audits. Also, it was difficult to build close relationships with the audit teams to improve quality in the organization’s finance and accounting functions.

“The audit reports initially went to the controller first, but didn’t always filter down to the preparers or approvers,” she says. “If there was a question—and there were many—the controller would question the approver. But the detail wouldn’t get down to the people who were doing the work—the preparers and approvers.”

This further slowed down and disrupted the process. Preparers and approvers couldn’t get the specific details and support they needed in order to grow in their positions. As a result, they often felt under-valued, since they weren’t privy to the issues that would arise.

Enter Automation

Accounting automation changed all of that, says Metzler.

With automation, auditors were now able to share the same technology platform. They now had the ability to perform audits in real time while communicating online with preparers and approvers.

Communication flowed freely, so accountants had closer associations with the processes and personnel who were depending on their work. The work itself was expedited and errors decreased significantly.

But undergoing such a change is challenging in itself. This is also something Metzler witnessed at her previous organization.

“We had better communications throughout the organization,” she says. “And our accountants were positioned with a seat at the table with higher levels of management—providing more strategic value to the business.

“Many accountants flourished, but others felt intimidated. There will always be those who say, This is the way I’ve always done it. Why should I do it any differently?”"
The Need for Change Management

Metzler and others say it’s critically important to put a change management process in place—one that pays attention to the people who will be undergoing the change, encouraging them to advocate for it.

The first step to creating advocates is recognizing the difference between pre- and post-automation team building.

Before cloud computing, changes in technology systems would typically be one-time projects, with a team of users and engineers pulled together by the IT department to facilitate the change. The team would be disbanded once the change was in place and successfully tested.

Now with cloud automation, change is a constant, and finance and accounting teams can function continuously while changes are implemented. But with this, employee buy-in becomes even more important and teams require people who can fulfill certain roles. BlackLine identifies these five key roles.

Sponsor: CFO, VP of Finance, Chief Digital Officer, Chief Accounting Officer. These are examples of people who can frame a vision for the project, connect that vision to the strategic goals of the business, and help motivate the team to keep it on track as the changeover unfolds.

Champion. This is a role for an engaged and passionate individual, one who knows the current accounting processes and who can evangelize for the new technology.

Communicator. All team members should be able to communicate their understanding of the change and its purpose, but some are better than others. The communicator may be the best person to sit at meetings with other finance groups or business units.

Enabler. This person takes responsibility for working with each accounting role, through individual meetings or training. They help guide the way through the changeover, and communicate the career development benefits of learning ways to thrive in the new automated landscape.

Scorekeeper. The scorekeeper should have a detailed understanding of the key performance indicators (KPIs) that will determine whether the change is successful. Such KPIs may include real-time measures of process performance and user activity that demonstrates adoption of the new roles and processes.

Metzler notes that other than the sponsor role, the candidates for these roles may come from different levels within the organization.

“Titles aren’t particularly important here,” she says. “What’s important is willingness to undertake the role itself, and the ability to work well with others. After all, we’re all in this together, and we all benefit when the change is successful.”
There’s plenty that can go wrong with an ERP upgrade: new dependencies, master data changes, unexpected downtime, insufficient training, mounting costs, missed deadlines, plus the potential negative impact on customer service and satisfaction.

Experts agree that the better a project is controlled through effective planning, staffing, and up-front investment, the more likely a successful outcome becomes.

That’s why Molly Boyle, Finance Transformation Expert at BlackLine, maintains that companies facing an ERP upgrade should think about an upgrade to their core accounting processes—possibly as the first step.
Critical Linkages

For a business to function successfully, ERPs and other sources of accounting data must be closely linked together. This linkage facilitates the performance of functions like closing the books and reporting to stakeholders and investors. Exchange of information should be nearly real-time and the data must be reliable.

"The accuracy and completeness of data feeding financial close processes is critical, and the ERP is a huge component of that," says Boyle. "When the ERP system is upgraded, the introduction of new processes and rules can add risk and complexity to the close."

It’s well known that spreadsheets carry a high degree of risk. An innocent formula error can wreak havoc on controls and results. And with the growing volumes of accounting data, there's no guarantee it'll be caught in time. Using out-of-date numbers can introduce errors into reports that are used for critical business decisions.

"Undertaking an ERP upgrade without fixing the accounting processes first runs the risk of the well-known and often feared ‘garbage in, garbage out’ conundrum," she says. "It's much better to bring in accounting automation first, so you're dealing with your 'desired state' rather than replicating the 'current state' in the ERP."

Monolithic ERP

According to Gartner’s 2018 Strategic Roadmap for Postmodern ERP, many organizations focus on monolithic, vendor-first ERP strategies that do not support digital business initiatives.

Because of this, process design decisions in many cases are made by the ERP team rather than the accounting group. A likely result, according to Boyle, is an increased risk of disrupting the financial close and reporting processes during the upgrade. This can slow down the close and add the risk of errors creeping into financial statements.

She offers these reasons for making an accounting upgrade part of the overall plan.

It’s a Rapid, Tangible Win for the Organization

An accounting upgrade helps "put better supports under your house" prior to the ERP effort, Boyle says. "For instance, a high volume of open items on the balance sheet can put the brakes on an ERP upgrade."

Accounting automation helps address those without a massive, seemingly impossible manual effort. As an example, BlackLine’s Transaction Matching solution automatically clears open items in ERP systems. This enhances balance sheet integrity by saving time and reducing go-live risk.
It Can Free Up Accounting Resources to Help with the ERP Upgrade

With accounting automation, teams can dedicate more time to the ERP upgrade—an important ingredient to project success.

Says Boyle, “Staff accountants and accounting managers are often some of the heaviest users of the ERP system and data. They’re the most knowledgeable about processes, pitfalls, and improvement opportunities for the new ERP system.

“Accounting automation can free up as much as 50% of their time to help with the upgrade.”

BlackLine maps and links the new to the old, so accountants and auditors can perform and verify tasks and results in a consistent fashion, before and after the upgrade. There’s also a huge reduction in reliance on time-consuming validations and controls that would only be needed without automation in place.

“Digital transformation is a fact of life today,” says Boyle. “It offers new opportunities for measuring, tracking, and enhancing business performance, but it also creates new challenges in managing change.

“That’s why it’s essential to put a strong digital foundation in the form of accounting automation in place before—not after—businesses perform ERP and other business upgrades.”

It Insulates Accounting From Disruption & Unnecessary Risk

Accounting automation puts preventive controls in place—close templates, workflows, and completeness checks—that help insulate accounting teams.

This helps protect Accounting and the ERP project from risks both during and after the upgrade. For instance, BlackLine makes it easy to reconcile pre- and post-upgrade ERP data by storing historical financial information such as pre-go-live GL balances and the chart of accounts.
Patrick Villanova has seen plenty of changes taking place since he entered the accounting profession with PwC in 1999. He joined BlackLine in 2015 and became BlackLine’s Chief Accounting Officer in 2019.

Today, with all the industry talk about “digital transformation,” it hasn’t escaped him that it takes many smaller transformations to create the higher-level transformation that business leaders are striving to achieve.
Everyone talks about digital transformation, finance transformation, and other types of quantum leaps and changes. How do you see these things playing out in Accounting and Finance?

Patrick Villanova: For one thing, the accounting landscape is getting more complex. Regulators from the SEC and PCAOB, as well as internal and external auditors, are becoming increasingly more stringent. Maintaining compliance can consume the majority of your time if you don’t have thoroughly-vetted processes and internal controls in place.

Of course, process automation is a substantial ingredient in establishing effective and efficient internal controls. In fact, it’s become a necessity because the systems landscape is more complex across the entire business.

Without process automation, it would not be possible to provide timely and accurate financial information to the key decision makers within the company.

BlackLine Magazine: What’s an example of how greater system complexity has impacted internal behavior?

Patrick Villanova: Well, it’s safe to say that the days of IT performing an ERP or other financial system upgrade in isolation are long gone. Today, there’s so much interdepartmental system dependency that you need representation from a range of disciplines—Accounting, Finance, Sales Operations, IT, etc.—to ensure the ultimate system upgrade is not only technologically viable, but also meets the business’ needs.

BlackLine Magazine: What about IT? How has the relationship between IT and Accounting and Finance changed?

Patrick Villanova: It’s changed in a couple of ways. Thanks to cloud-based automation systems like BlackLine, Accounting can design or modify processes without requiring direct assistance from IT. This helps with overall efficiency and it relieves some of the technical pressure on IT as compared to traditional on-premise accounting software.

But at the same time, Accounting and IT are cooperating on a higher level now. Historically, Accounting would confirm with IT that the system was secure, firewalls were in place, and data was not corrupted—the basic InfoSec concerns. There was minimal dialogue about actual system design, functionality, and outputs.

Now we’re evaluating systems, processes, and tools together, working on requests for proposals, and partnering with IT on broader technology roadmaps.

BlackLine Magazine: How do these changes—greater system complexities and interdepartmental collaboration—reflect on the evolution of accountants’ own skill sets?

Patrick Villanova: Accounting and Finance groups are now seeing and looking for people with skills that go beyond pure Accounting.

We look for people with systems knowledge, analytical skills, good communication, and a genuine desire to systematically minimize the mundane manual aspects of their daily routine.

Professionals who know Accounting—and, more importantly, comprehend how financial systems can serve as the backbone for strategic decision making—realize that interdepartmental communication and collaboration are critical for their own success.

Accountants with that vision and skillset are in high demand today, and will be for the foreseeable future.
A New Reality: Accounting Interviewees Are Asking the Questions

As technology impacts Accounting more and more, it’s no surprise that today’s accounting professionals are expected to possess a wider range of skills than ever before.

The better a job hunter’s analytical skills, systems knowledge, and business acumen, the more likely a desirable employment result becomes—whether the applicant is fresh out of school or looking to add responsibilities to an already flourishing career.

But what may be a surprise is that savvy job applicants are better prepared than ever before to assess their prospects of success with a new employer, and to use that information to determine whether or not to accept that call-back interview.
Questions Candidates Should Ask

While HR and hiring managers expect candidates to be able to answer their interview questions, they should also expect to get some questions in return.

Examples, according to Molly Boyle, Finance Transformation Expert at BlackLine, typically fall into three basic categories. Does the prospective employer have:

• A culture of continuous improvement?
• A plan for embracing new technology?
• A program for professional development?

“Continuous improvement shouldn’t be just an empty phrase,” says Boyle. “A job candidate should ask for specifics—how does the accounting and finance department evaluate itself? What are some process KPIs for meeting deadlines, ensuring accountability, and demonstrating efficiency? And, more generally, who in management has the responsibility of measuring improvement?”

Plenty of organizations now say they’re dedicated to technology, or transformation. But it’s best to get some detail by asking questions like:

• What does the tech landscape look like?
• What’s the company’s ERP platform?
• What automation tools are in place, and what does the roadmap look like?
• Is the company evaluating advanced technologies like machine learning and RPA?
• How might these be applied to workflows and other processes?
Employee Development

Finally, says Boyle, look for specifics around employee development.

Questions may include:

- Are there cross-training or rotational programs?
- Are formal mentorships available?
- What about CPE credits and professional conferences—does the company support these?

“All too often a company will hire resources for a specific, critical job,” she says. “Then, they'll offer the employee an opportunity to do more advanced work without taking away the day job.”

“Employee prospects should be careful not to get trapped by this. They should be willing to work hard and go the extra mile, but they should ensure the employer will set them up for success.”

The right kinds of questions can go a long way in helping the prospective employee make an informed career decision, notes Boyle. Today's prospects are already asking these questions, so it's in companies' best interests to be prepared to answer them.

It will ultimately create a mutually beneficial relationship.
Many accounting teams begin with BlackLine by implementing Account Reconciliations. But not every new customer realizes how Transaction Matching and Journal Entry add muscle—and efficiency—to the entire reconciliation process.

So says Katie Morris, Product Marketing Manager at BlackLine.

“No matter what the industry, companies that follow Generally Accepted Accounting Principles (GAAP), or accrual-basis accounting, are going to have to book journal entries as part of the reconciliation process during period-end,” she says.

But she notes that there’s plenty of pressure during the close cycle. There's time pressure, the need for maximum accuracy, and the inevitable growth in data sources and data volumes.

This is where Transaction Matching and Journal Entry come in.
Transaction Matching Does the Work

Most accountants have experienced the manual process of ticking and tying transactions between data sources to reconcile an account. Credit cards, bank accounts, payroll, and inventory are examples of processes that may require manipulating high volumes of data.

Take bank accounts, where bank fees and in-transit items often trigger anomalies in the reconciliation process.

"With a bank reconciliation, you're pulling data from the bank and trying to match that with data from the general ledger," Morris says. "But often they don't match.

"Bank fees have to be taken into consideration, and there are items in transit. Either of these may show up in the bank data or in your general ledger, but not both."

Adding BlackLine's integrated Transaction Matching engine to Account Reconciliations significantly decreases the time spent managing this data. BlackLine's user-defined matching rules guide the engine to automatically make correct matches, letting users spend their time focusing on the exceptions.

"The key with Transaction Matching is that it runs in the background while you perform other close activities," she says. "That way, when you go to pull up your bank reconciliation, the manual work, or matching of transactions, has already been done."

Automating Journal Entry

With BlackLine, journal entries identified during the reconciliation process can be posted directly into the ERP system. There's no need for keying manual data or performing work in disparate systems, so the risk of inaccurate or untimely entries decreases.

As an example, Morris points to the process for reconciling prepaid items, such as rent. She notes that prepaid rent or insurance can be amortized over 12 months, and many companies have hundreds of prepaids, for facilities, equipment, and so on.

Booking these types of entries manually means performing some type of calculation in spreadsheets, preparing the journal entry, getting appropriate sign-offs, then going back to the ERP system to post, and doing that 12 times a year.

"As you can imagine, there's lots of room for error," she says. "That's because there's no version control, and you've got multiple people performing these different functions in Excel and other systems.

Make It Continuous

Automating these processes—reconciliations, transaction matching, and journals—creates a practical and powerful first step in the move to modern accounting.

"There will always be pressure when closing the books," Morris says. "But companies are now realizing that with an integrated accounting platform like BlackLine, automation solutions can be proactively applied throughout the month—and the year. By the time the close comes around, much of the work that can be done beforehand is already finished.

"Integrated processes like these go a long way to make that happen."