CNH Industrial Cultivates Automated Account Reconciliation Landscape

by Ken Murphy, Senior Features Editor

CNH Industrial — a global capital goods corporation specializing in the manufacture of agricultural and construction equipment, along with commercial vehicles and powertrain solutions — designs, produces, and sells machines “that keep agriculture and industry growing,” as pronounced on its website. A lot of this growth is driven by technological innovation that CNH Industrial bakes into its products and solutions, which its customers then use to bring improved sustainability and efficiency to production and processes.

A complex, global organization with more than 63,000 employees, 64 manufacturing plants, and 50 research and development (R&D) centers, CNH Industrial deploys several SAP ERP instances to run mission-critical processes for its end-to-end business. The finance organization relies on SAP ERP Financials to track and manage more than 7,000 accounts, including nearly 1,500 from legal entities in North America.

At a Glance

Goals: Introduce visibility and consistency into account reconciliation processes and tasks, mitigate risks in financial closings, and ensure accuracy of overall financial statements

Strategy: Implemented Account Reconciliations, Task Management, Journal Entry, Variance Analysis, and Intercompany Hub by BlackLine

Outcome: Increased reconciliation efficiency for more than 7,000 global SAP accounts, and established end-to-end visibility of account reconciliations, journal entries, tasks, and variance analysis, while increasing quality and global consistency
Today, CNH Industrial’s corporate accounting team uses the BlackLine Financial Close Suite for SAP Solutions from SAP partner BlackLine to automate and manage accounts and track close processes. But it wasn’t always this way. Until a few years ago, CNH Industrial relied on a homegrown application and a slew of manual processes to manage account reconciliations. The difference between then and now, to use a farming analogy, is akin to the difference between J. I. Case’s initial threshing machine in 1842 and the modern day combine, equipped with GPS and suited for the operator’s comfort: The previous environment was far more time consuming and error prone to the point of being almost unrecognizable from its modern-day equivalent.

“We had experienced accountants spending time printing and copying rather than doing value-added work,” says Jenna Stengert, Senior Corporate Accounting Specialist at CNH Industrial. “We wanted much more consistency and visibility than we were getting.”

The homegrown reconciliation application that business replaced was little more than a database, according to John Springsteen, CNH Industrial’s Intercompany Accounting Manager. “One inefficiency with the system was that account preparers, approvers, or reviewers could not attach any supporting documentation to a reconciliation,” he says. Hence, the company’s printers and copy machines were overworked, as account stakeholders stuffed file cabinets with paper-based...
documentation that had to be retrieved for an audit or other follow-up verification.

A lack of consistency also manifested itself across the 16 industrial locations in North America, along with several R&D facilities, because there wasn’t a standard month-end checklist for precisely what each location had to submit to corporate accounting. Poor visibility for management was compounded due to ambiguous posting rules for the many intercompany transactions between different business units.

“We had to find a better way to gain comfort on the completeness and accuracy of our financial statements,” Stengert says. The BlackLine solution would provide easier access to the underlying support and help the business achieve better consistency and visibility into the processes that are related to maintaining and tracking account reconciliations.

All-In on Automation

CNH Industrial started its BlackLine implementation with a phased rollout of the Account Reconciliations product to corporate accounting and select locations in North America in 2011, followed in subsequent years by Journal Entry, Task Management, Variance Analysis, and Intercompany Hub.

According to Stengert, the business chose BlackLine for two main reasons, the first being its ease of use. “It’s an incredibly simple system to navigate and is very user friendly,” she says. The other reason was ease of integration with SAP ERP. The cloud and web-based Account Reconciliations product provides templates formatted to standard journal entries and general ledger (GL) postings within SAP ERP, which customers can easily configure for company-specific accounting rules for use with SAP’s capabilities for controlling and profitability analysis, the new GL, and other finance functionality. As system administrators, the corporate accounting team could also set workflow rules and create templates to allow mass uploads of information for future implementations. This made later deployments incrementally easier and less time consuming for administrators because they had an established workflow and templates to follow.

The incrementally easier implementations are made even more efficient by the fact that CNH Industrial no longer has to rely on BlackLine for initial training; corporate accounting can easily provide the training itself. BlackLine Account Reconciliations is still being rolled out globally, with several locations in Europe scheduled for the summer of 2017, and most of the project work is now being performed in house. “When new entities roll out the product now, they fill out several templates that they provide to corporate accounting, and we can review and complete within days and have their training ready to go the following week,” Stengert says. “The import tools make for very efficient implementations. An import template is filled out with a list of users that need access, the list is imported right into the system, and those users are automatically created. And that also holds true for their account balances and grouping of individual accounts into reconciliations.”

After experiencing the reduced time and effort that accountants and controllers spend on financial closing processes as a result of the centralized, online system of Account Reconciliations, CNH Industrial was all-in on additional implementations for even more automation.

Driving Compliance

Task Management and Journal Entry were the next products to implement, which — like Account Reconciliations — ended the need for preparers, reviewers, and approvers to have to hunt down supporting documentation. CNH Industrial used Task Management a little differently than most companies, who generally use it to automate a month-end checklist. While the business does use
Task Management for this purpose, it expanded the product’s use to include additional workflows, such as storing support and evidence of supplementary schedules on its footnotes to provide even more workflow visibility among preparers, approvers, and reviewers.

Another use, according to Stengert, is driving Sarbanes-Oxley (SOX) compliance by loading lists from external auditors — including provided by client (PBC) lists — directly into Task Management. “The task module retains the history of the communication on every PBC item and all the documentation in a nice, usable format with a consistent numbering system,” she says. “So whether it’s the initial listing, the sample selections, or the support for those sample selections, we can go back to look at prior years for guidance.”

A centralized workflow view, providing all stakeholders with access to supporting documentation whenever needed, was a unifying theme for CNH Industrial’s BlackLine implementation. This certainly held true for performing variance analysis, which, like the account reconciliation and journal entry processes, previously depended largely on spreadsheets as preparers manually pulled balance sheet and income statements to analyze. The master document for variance analysis, however, was accessible by a few select users, and it could only be edited by one user at a time in Microsoft SharePoint. This restriction proved challenging as users had just a three-day turnaround to identify and explain variances above a predetermined threshold. “One important thing Variance Analysis allowed us to do was get more people involved with knowledge about the business, with no limitation on the quantity of preparers who can provide their analysis at the same time,” Stengert says. “Dashboards make reporting simple for the administrator as well — to easily track the completion status and send out reminders.”

CNH Industrial was one of the first companies to roll out the BlackLine Variance Analysis solution, which is a more recent addition to the BlackLine portfolio. As such, the business was involved with some of the initial product enhancements based on its current variance analysis process, including comparison periods, thresholds, and calculations. CNH Industrial continues to play a strategic role with this solution and partner with BlackLine on additional enhancements to this product today.

“When we began to explore the solution, the driving idea was that since we were already loading our balances into the BlackLine software (for account reconciliations), we might as well analyze them there as well,” Stengert says. “This is an exciting collaboration because we are continuing to make the Variance Analysis product more usable for us, while at the same time, enhancing the product for every BlackLine customer, especially around its calculation ability, user experience, reporting, and ease of administration.”
Consistency Among SAP Instances

Intercompany Hub was also relatively new when CNH Industrial implemented the product; designed to automate reconciliation of transactions among different sides of the business. For CNH Industrial, intercompany transactions are common between many legal entities within several global instances of SAP ERP. Without the Intercompany Hub, each legal entity would record entries on their respective ledgers, and the company would need to reconcile all timing and calculation differences between the entities.

BlackLine Intercompany Hub automates this workflow much like the other tools; when the transaction is completed, it posts to the ERP systems for both the initiating and receiving legal entities simultaneously, alleviating the challenge of having only one side of the business create a booking, and reducing errors arising from discrepancies. With the Intercompany Hub, postings are automatically booked consistently even if the two sides of the business are working in different instances of SAP ERP Financials.

CNH Industrial rolled out Intercompany Hub to corporate accounting in early 2017. “Right now, we are testing it out on a few select legal entities while working on our rollout plan and training package before expanding our use of the product,” Springsteen says.

Added Trust, Improved Standards

One result of introducing automation to account reconciliations was CNH Industrial’s creation of the Account Reconciliation Quality (ARQ) program. With increased transparency of accounting and reconciliations in the SAP ERP and BlackLine solutions, the company has far greater trust in the accuracy of its financial statements. With this confidence and accessibility of information, a newly formed internal quality team known as ARQ can conduct reviews of accounts, regardless of physical location of the preparer or approver and provide training based on the results.

By reviewing the account reconciliation quality, consistency, and adherence to company standards through ARQ, corporate accounting now has a baseline to use as a starting point for potential process improvements. “Once you have that visibility, you can identify your strengths and weaknesses,” Stengert says. “For example, now that account reconciliations are in the BlackLine suite, we can review all the plants’ inventory calculations to confirm they are being calculated consistently and according to company policy. If not, we can investigate the root cause and take steps to mitigate risks.”

Greater consistency also creates efficiencies in the external audit process. “Before BlackLine, locations may have had different types of formats for their reconciliations, making it very difficult to follow — where now, there is consistency across the board,” says Springsteen. “The supporting items and required adjustments are all presented in the same format, which makes it easier for auditors to pick up a reconciliation and follow it from start to finish. We have even given auditors direct access and trained them on BlackLine so they can perform a lot of the work without our input.”

Inside BlackLine’s Platform for Transforming Key Finance and Accounting Processes

BlackLine’s Finance Controls and Automation Platform helps midsize companies and large enterprises improve the accuracy and reliability of their financial reporting, achieve process efficiencies, and improve visibility into their finance and accounting (F&A) operations. The platform enables customers to move beyond outdated processes and point solutions to a “Continuous Accounting” model. With Continuous Accounting, real-time automation, controls, and period-end tasks are embedded within day-to-day activities, allowing the rigid accounting calendar to more closely mirror the broader business.

Delivered through a scalable and highly secure cloud model, and built from a single code base, the BlackLine platform supports many key F&A processes, including financial close, account reconciliations, intercompany accounting, and controls assurance, fueling confidence throughout the entire accounting cycle. Through BlackLine’s cloud analytics software, BlackLine Insights, CFOs access real-time data to benchmark, analyze, and improve the efficiency and performance of their F&A organizations using aggregated and anonymized data collected from BlackLine customers.

BlackLine’s platform is purpose-built to transform and modernize mission-critical F&A processes — with enterprise-grade accuracy, automation, and transparency. BlackLine complements existing enterprise systems for corporate performance management; governance, risk, and compliance (GRC); and enterprise resource planning (ERP). One of the select few solutions across all categories and industries to be an SAP-endorsed business solution, the BlackLine Financial Close Suite for SAP Solutions complements the SAP suite of solutions by providing a comprehensive offering for account reconciliations that extends the functionality inherent in SAP ERP. Running alongside SAP software, BlackLine provides clients, such as CNH Industrial, with unprecedented visibility into account reconciliations, financial close, and other key accounting processes — ensuring accuracy in the numbers, minimizing risk, and maximizing efficiencies.

For more info, visit www.blackline.com.