



The Sweet Taste of Success

Confectionery Giant **The Hershey Company** Kisses Its Dated Account Reconciliations Processes Goodbye

by **Andrea Haynes**, Senior Editor

It started with the production of hand-wrapped chocolate kisses in a rural area of Pennsylvania in 1894. Now, The Hershey Company is a global entity with 18,000 employees, 70 locations, and 80 brands of candy and snacks — including the 70 million Hershey's Kisses it produces every day.

For a company with ambitions to grow on a global scale while increasing market penetration in North America, financial operations have to be smooth and reliable. But after years of expansion, Hershey found its systems and processes, which tracked approximately 4,000 general ledgers across one chart of accounts, required a lot of work to get the insight it needed.

Reconciliation of accounts was particularly problematic, with 4,104 active account reconciliations, prepared by 121 people, and 77 people approving them — all with varying styles, formats, and deadlines. Data was kept in spreadsheets, on paper, and in emails, and was stored in shared drives, local computers, and file cabinets rather than in a central repository.

It was clear that Hershey needed a different approach to account reconciliation. “As a global organization, having visibility to the entire balance sheet is a need,” says John Zimmerman, Director of Financial Data Systems at Hershey for the last seven years. “The more global we became, the more oversight we needed into the chart of accounts. We were looking for process efficiency around balance sheet control, preparation, and reconciliation.”

At a Glance

Goals: Upgrade financial systems for better visibility and oversight into balance sheets, as well as journal entry preparation and reconciliation processes

Strategy: Implement five BlackLine products in tandem with an SAP S/4HANA deployment

Outcome: Gained enhanced efficiency and visibility during account reconciliation; created greater consistency across accounts; alleviated potential risks from lack of oversight; and automated journal entry processes for quicker analysis



The Hershey Company

Headquarters: Hershey, Pennsylvania

Industry: Food processing

Employees: Approximately 18,000

Brands: 80+ brands around the world, including Hershey's, Reese's, Hershey's Kisses, Jolly Rancher, Ice Breakers, and Brookside

Revenue: \$7.4 billion

Company details:

- Global confectionery leader known for its chocolates, sweets, mints, and snacks
- Founded in 1894 by Milton Hershey, who later created the model company town of Hershey, Pennsylvania
- The Milton Hershey School for orphaned boys, founded in 1909, educates underserved boys and girls and is recognized as one of the premier K-12 private schools in the country
- The Milton Hershey School Trust was established to ensure the long-term viability of the school; as this trust is the controlling stockholder of The Hershey Company, the company's financial performance directly supports the education of the school's students
- Nourishing Minds, a global initiative sponsored by The Hershey Company, provides basic nutrition to help children learn and grow
- www.thehersheycompany.com

SAP solutions:

- SAP ERP 6.0 and 7.0
- SAP S/4HANA Finance (via a central finance deployment)
- To be deployed: SAP Customer Relationship Management, SAP Trade Promotion Management, SAP Customer Business Planning, SAP Environment, Health, and Safety Management, SAP Product Lifecycle Management, SAP S/4HANA for central finance foundation

Zimmerman, impressed by Hershey's ethical reputation, had joined the company 20 years before as an internal auditor. He learned the inner workings of the company from how the chocolate is made to how it is sold, and on to the underlying technology and quality controls.

In 2016, leadership for the financial systems upgrade project went to Zimmerman and his team. Based in North America and Asia, the team is responsible for the technology and controls that enable the business operations. Created in 1999 when Hershey implemented its SAP system, the department is the bridge that integrates the company's financial processes, navigating between the IT and finance departments.

Investigating the Options

Zimmerman's first step for the system upgrade was to create a project management team of nine people representing a broad range of expertise. It included representatives from the controlling, Sarbanes-Oxley (SOX), global shared services, record-to-report, and external reporting teams.

"As we pooled them together, we started to plot out how to make this successful and what success looks like for us," says Zimmerman. "The vision was to combine a technology upgrade with process improvements that would better meet the needs of the growing global company, enhance operational efficiency, and lead to a greater return on investment."

The team researched a number of approaches, including a homegrown application that called for employees to attach reconciliations via a spreadsheet. This homegrown approach provided some oversight of approvals and a central repository for reconciliations.

However, a pilot program in Canada quickly showed that it would be unsustainable for dealing with more than 40 company codes. The team had to find another option — a transformational solution that was not myopically attached to the current financial processes.

A request for proposals (RFP) went out to vendors. Zimmerman wanted a simple solution with functionality that the team could roll out at its leisure, rather than as part of a big-bang implementation. Because Hershey is also doing a global rollout of SAP S/4HANA Finance via a central finance deployment, the solution needed to integrate with the company's SAP ERP system. For example, Hershey does manual journal entries, and since there was no fix for mass journal entry processing, the company needed a trusted SAP partner that could automate journal entry postings and approvals as well as provide better account reconciliation and an efficient mass global close.

A few companies responded to the RFP, and SAP partner BlackLine, a cloud software provider, rose to the forefront. (For more information about BlackLine's offerings, see the sidebar at the end of the article.)

Early in 2017, Hershey decided to implement five BlackLine products in a staged approach: Account Reconciliations, Task Management, Consolidation Integrity Manager, Journal Entry, and Transaction Matching. It began a training program for employees to facilitate quick user adoption.

At the same time, it worked with BlackLine to establish the connectors between the SAP and BlackLine systems and to define the necessary information to begin to pilot and use account reconciliation. “These products all have a similar set of functionality and syntax,” says Zimmerman. “When fully deployed, they will interconnect with each other and the SAP S/4HANA central finance deployment.”

Account Reconciliations

Hershey first implemented Account Reconciliations, which provides online workflows to approve the accounts and auto-certification of zero-balance accounts and subledgers. It provides templates that standardize processes across the globe, including a bank template, a prepaid template, and an accrual template. Use of the templates for documentation of processes had a number of benefits, including risk mitigation.

“The expectation was that employees would attach their existing reconciliations in BlackLine and use the certification functionality,” Zimmerman says. “It gave visibility to the account reconciliations the organization was performing in a central repository so they could capture the specific certifications of the preparers and approvers. This gave us a first pass at how well the ownership and execution of the account reconciliations were being performed. We now have a better set of reconciliations and more descriptive and consistent documentation. And as people transition roles, the reconciliation process does not leave with them.”

Task Management

“The Task Management product is basically a checklist of what you want to monitor,” Zimmerman says. Hershey’s aim was to shorten its close process, which takes four-and-a-half days to complete, with management review stretching it to day six. Then additional management reporting — for example, of brand profitability performance — follows.

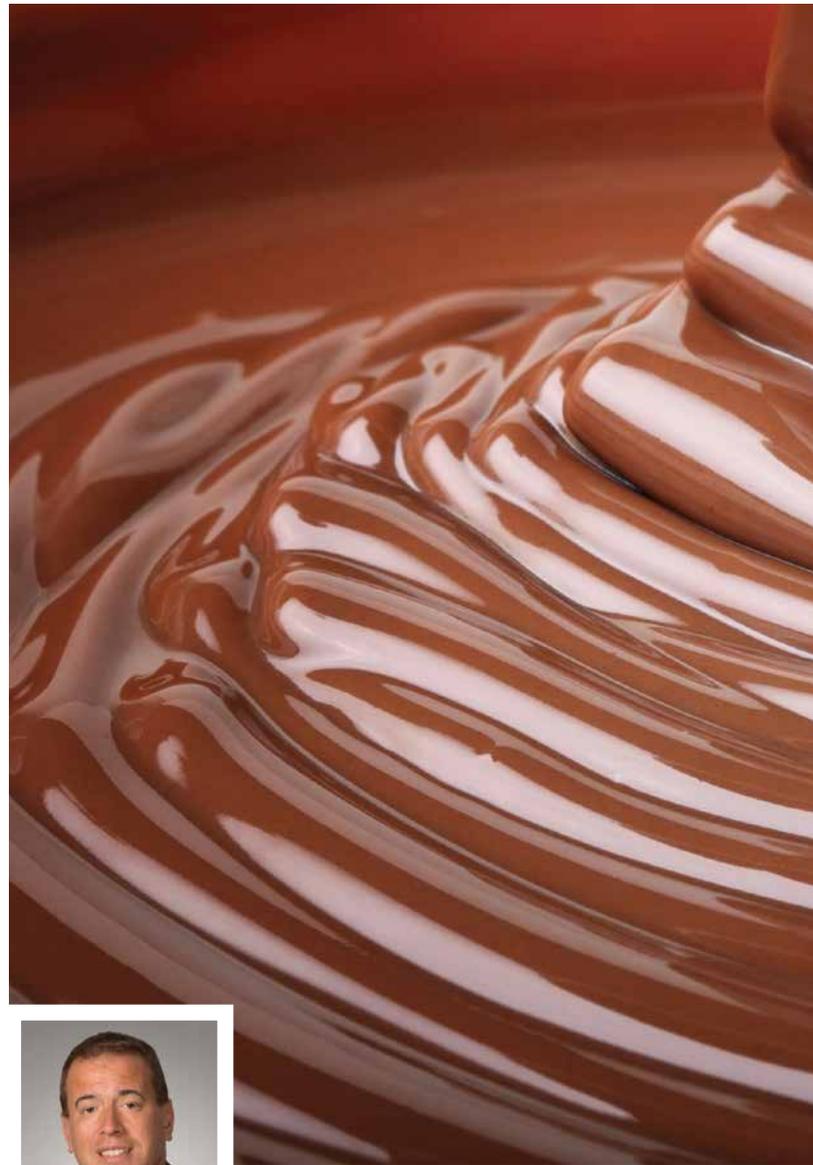
The company did not want to lose that cycle as it moved to SAP S/4HANA, but it also wanted better sets of documentation and monitoring of the close process than the use of spreadsheets provided. This is why in October 2017, the company started to implement Task Management, which includes a repository for documentation with a checklist of tasks for executing and monitoring the close.

Consolidation Integrity Manager

The company also started to implement Consolidation Integrity Manager in October. It allows the company to take its subsidiary business units’ trial balances and map and consolidate them into the SAP system. “This module does the consolidation, and the many-to-one relationship provides better visibility into the accounts of our subsidiaries,” Zimmerman says.

Journal Entry

The Journal Entry product will eventually replace Hershey’s custom-developed programs for mass journal entry posting.



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About BlackLine

BlackLine is the creator and premier provider of Enhanced Finance Controls and Automation (EFCA) software to streamline financial close operations. BlackLine's unified cloud platform and broad range of solutions puts it in a class by itself — and the company is recognized by Gartner as a leader in providing both EFCA and Financial Corporate Performance Management (FCPM) software solutions.

BlackLine is designed to automate and control financial close processes for midsize and large organizations as well as to complement ERP and other financial systems.

BlackLine enables customers to move beyond outdated processes and point solutions to a continuous accounting model, which embeds real-time automation, controls, and period-end tasks within day-to-day accounting activities. As a result, BlackLine helps companies achieve modern finance and ensure an efficient and more accurate financial close.

One of the few solutions selected 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 its clients, such as The Hershey Company, CNH Industrial, and Under Armour, 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.



In terms of journal entry support and approvals, a lot of the process had been done through emails that were subsequently attached to the posted journal entry in the SAP system. BlackLine is an SAP partner for journal entry processing, and the product provides standardization and an efficient approval and posting process. The kickoff was in late November 2017.

Transaction Matching

Zimmerman expects to look at the Transaction Matching product in 2019. It gives flexibility to the clearing process, allowing easier matching than a more rigid setup in the SAP system. “The ability to match and clear open items is useful, and it will become more useful as organizations experience changes in the tax environment, specifically on the international side,” he says. “I expect these changes will lead to more sets of open item accounts that require matching.”

The Deployment Strategy

As part of the phased approach to the implementation, the team set an objective for every month. For example, in April 2017, the aim was to identify clearing accounts.

“You expect the balance to be zero at the end of every month,” says Zimmerman. “The previous process was that we would go into the SAP system and take a screenshot of the account balance being zero for documentation purposes, and cut and paste it into a spreadsheet to certify it was zero. Scrapping the inefficiency of that, we used the BlackLine connector to bring the balances over and validate them. We invoked the certification rule that if this is a clearing account and the balance is zero, you should just certify it.”

As the project moved through the summer, the central repository provided visibility into the quality of account reconciliations around the globe. Discrepancies in processes and documentation practices became evident, and, in May 2017, the team began to adopt the templates that BlackLine provides to help standardize reconciliations.

In particular, the use of the accrual template showed the disparate sets of formats, templates, and documentation in use. This was a business process issue rather than a technology issue, and to address it, the team engaged a third party in the fall to provide training and to help document what each account is for, and how it is reconciled. This training continues in tandem with the technology rollout.

The Results

Looking ahead, there are plans for the continued in-tandem rollouts of BlackLine functionalities and the central finance deployment as well as other SAP S/4HANA products through the 2020-to-2021 time frame. “Success for us is enhanced efficiency through a combination of technology and process improvement that provides better visibility into our financial processes,” Zimmerman says. ■