WHITE PAPER

Conquering Complexity in the Financial Close

OneStream™

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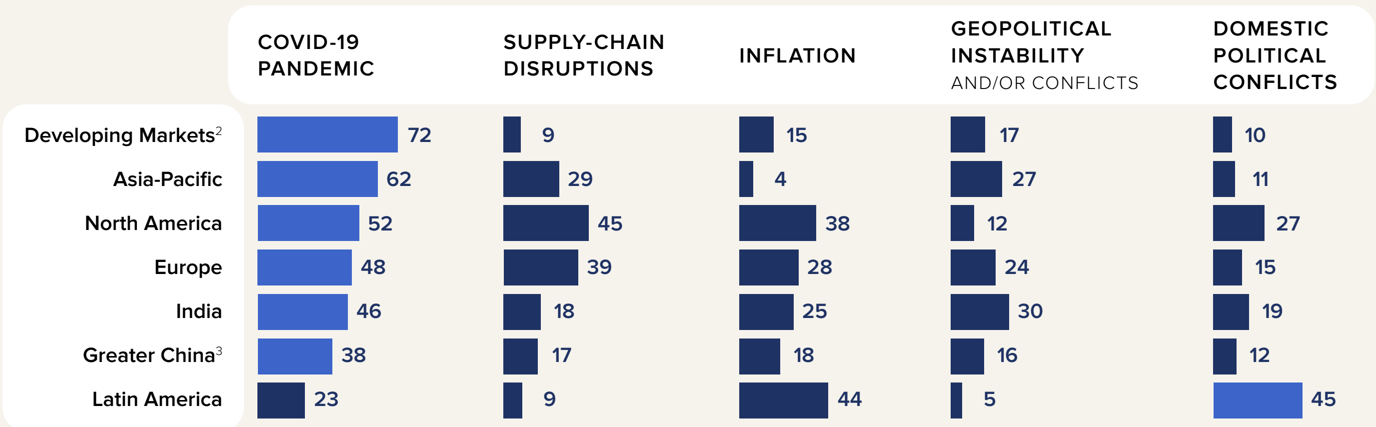
The Increasing Pace of Change

We have seen unprecedented change recently as a result of the global COVID-19 pandemic. While the total economic impact currently remains unclear, economists widely agree that the global economy will face severe negative impacts. In their January 2022 [Global Economic Prospects report,] the World Bank stated global growth is projected to decelerate from 5.5 percent in 2021 to 4.1 percent in 2022, reflecting continued COVID-19 flare-ups. Growth is expected to slow further in 2023 to 3.2 percent. Industries such as travel and transport, hospitality and retail have been widely affected, and public services have been stretched beyond their limits as typical spending patterns have been turned upside down. Most regions are expecting economic growth to be limited as a result of the Covid pandemic (see figure 1).

In most parts of the world, the COVID-19 pandemid poses the biggest risk to domestic growth.

Potential risks to economic growth in respondents' countries, next 12 months[1], % of respondents.



Top Cited Risk

[1] Out of 18 risks that were presented as answer choices. Developing Markets, n=59 • Asia-Pacific, n=141 North America, n=197 • Europe, n=331 • India, n=67 • Greater China, n=92 • Latin America, n=71
[2] Includes Middle East, North Africa, South Asia and sub-Saharan Africa
[3] Includes Hong Kong and Taiwan

Figure 1: McKinsey assessment of Risk posed by COVID-19

Complexity and change have and will continue to come at organizations from all angles. Millennials, for example, expect much more from employers — more feedback, better internal communication, more flexibility, and more benefits, to name a few expectations. There is, of course, increasing change resulting from ongoing compliance and regulations. And finally, organizations must consider the ongoing changes from new, non-financial data reporting requirements for ongoing risk management and, more recently, Environmental Social & Governance (ESG) reporting.

ESG reporting (also known as Sustainability Reporting) refers to the disclosure of data covering a company's operations in three areas: environmental, social and corporate governance. It provides a snapshot of the business's impact in these areas for investors, customers and wider stakeholders. The value of ESG reporting is that it ensures organizations consider their impacts on sustainability issues and enables them to be transparent about the risks and opportunities they face.

This includes important topics such as:

1. **Attracting Investment**
2. **Compliance with New Regulations and Taxes**
3. **Product / Service Fit for Socially Conscious Consumers**

With the constant increase of regulations concerning corporate ESG data reporting, it becomes increasingly important for organizations to accurately report on these topics. Even though ESG reporting is not yet mandatory in all countries, an increasing number of organizations disclose this information voluntarily since they've recognised the importance of communicating their business strategy and the impact their business has on our planet. In fact, according to the Governance & Accountability Institute (G&A) research, since July 2020, about 90% of the companies in the S&P 500 have already created annual ESG reports and made it a standard.

What's Holding Organizations Back?

We've since seen the introduction of terms such as the "connected financial close" and "connected reporting" to describe the integration of key Finance processes as increasingly more "modules" came to market to handle tasks such as account reconciliations, tax provision and financial reporting.

Unfortunately, in many organizations, the evolution appears to have stopped after the first purchase of a CPM solution.

Finance Processes and Systems are Often Fragmented

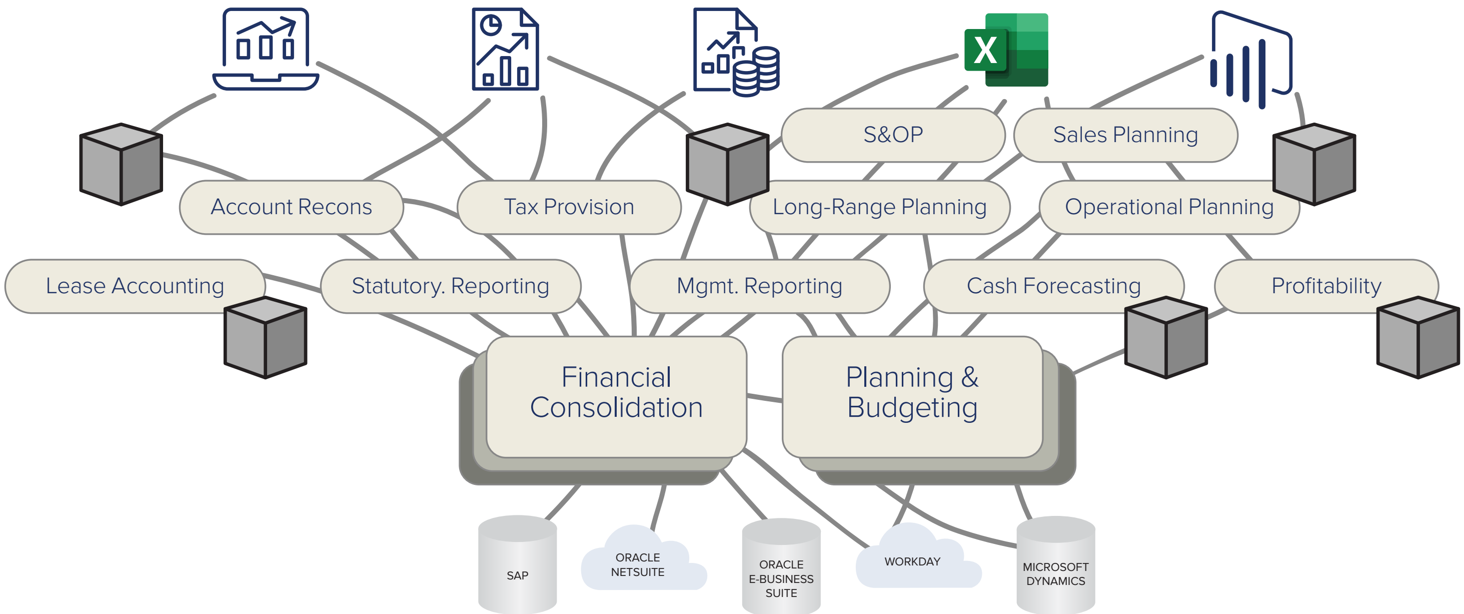


Figure 2: Connected Finance Solutions – Fragmented

While connected Finance solutions (see figure 2) have propelled Finance Transformation for over 20 years, these solutions aren't really designed to help the largest and most complex organizations drive performance in this new era.

For large, global organizations with complex Finance processes, connected Finance solutions are difficult to scale to meet today's requirements. Why? Because each and every departmental and corporate application or model must be connected or integrated — adding risk, cost and complexity to already-taxed Finance teams.

Here are some important factors to consider:

Fragmented Software & Processes

Connected Finance solutions require fragmented cubes, modules and sometimes third-party software to support critical financial close processes, financial data quality, reporting and analysis. At scale, the constant addition and introduction of new software and processes adds risk, cost and complexity across the Office of Finance.

More Data Management & Administration

The traditional fragmented software and technical processes needed to support close processes create added technical complexity and administrative burden on the Finance team. This burden includes moving and reconciling data, constantly managing metadata in multiple systems, monitoring data latency and managing security between fragmented products or models. All of this dilutes the ability of strategic Finance teams to focus on driving performance and supporting critical decision-making.

Lack of Critical Financial Close Capabilities

Many connected Finance solutions, particularly for financial consolidation, lack the functionality to deal effectively with complex requirements, such as consolidating and eliminating inter-company balances automatically without rules, effectively handling alternate hierarchies without duplication of data, or automatically recognizing the calculation / data impacted status. Some even offer no financial intelligence. What does that mean? It means all the core “financial logic” required to support monthly financial processes — such as debit or credit account types, multiple hierarchies, dimensionality and currency translation — must be built completely from scratch.

To truly become a strategic business partner, the Finance function must dramatically reduce its transactional workload. Unleashing the true value of Finance requires efficient processes that minimize manual tasks, such as performing allocations, calculating depreciation or posting manual journal entries to free up the Finance team to focus on value-added analysis and decision support for the organization.

Automating and unifying the financial close and reporting process ensures faster delivery of financial, operational and sustainability / ESG results to management for accelerated decision-making. It also allows results to be delivered faster to external stakeholders.

Finance Needs to Lead at Speed

To prosper and thrive in this new world, most organizations have been forced to adapt. And the pandemic has only accelerated the change, though, for many organizations, such change was ultimately inevitable. Today, there’s more disruption in markets, and it occurs at a faster pace. As technology and methods of investing evolve, challenging traditional business models with something entirely different is faster and easier than ever. There are plenty of recent examples — the advance of the smartphone or the rise of Netflix, Tesla, Airbnb and Uber, to name a few.

Organizations therefore need robust financial close processes to collect and consolidate information quickly and report to the market with more speed and accuracy than ever before. Unnecessary time delays, manual processes, different versions of the truth, and inaccuracies in data and reporting therefore must all become relics of the past. Finance teams can now finally focus on taking the steps needed to **lead at speed**. And that journey starts with a simple objective.

To lead at speed, Finance teams must finally conquer the complexity of disconnected CPM tools and financial close processes.

Amidst a steady flow of changes to global reporting regulations over the years, significant parallel shifts have occurred in the technology to support the financial close. These shifts are fueling a desire to perform financial close processes increasingly faster while maintaining and improving the integrity and accuracy of outputs. The constant change and increasing complexity are driving the need for improved insights and information outside of traditional close cycles. The only effective way to fully deliver this level of data is through a unified and complete financial close and compliance processes (see figure 3).

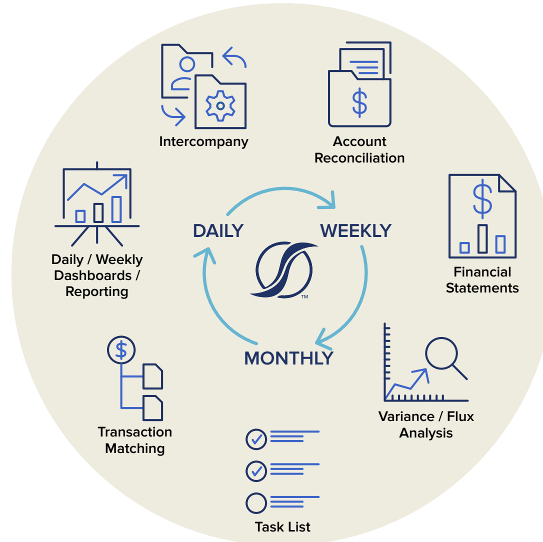


Figure 3: OneStream Unified Financial Close

How to Conquer Complexity in the Financial Close

A unified financial close solution can provide more automation, remove the complexities of the past and meet the diverse requirements of even the most complex organization, both today and well into the future.

For organizations seeking to finally unleash their Finance teams from disconnected tools and spreadsheets, here are some of the key capabilities required to help conquer the complexity in the financial close processes:

Financial Data Quality

The fully integrated CPM platform must have financial data quality management (FDQM) at its core. This is critical for organizations to drive effective transformation across Finance and lines of business. A key requirement is 100% visibility from reports to sources — all financial and operational data must be clearly visible and easily accessible. Key financial processes should be automated, and using a single interface would mean the enterprise can utilize its core financial and operational data with full integration to all ERPs and other systems.

The solution must also include guided workflows to protect business users from complexity by guiding them uniquely through all data management, verification, analysis, certification and locking processes.

Users should be able to achieve effective FDQM and verification through standardized and simplified data collection and analysis with reports at every step in the workflow. The workflows must be guided to provide standard, defined and repeatable processes for maximum confidence and reliability in a business user-driven process. What's the end result? The simplification of business processes and a reduction in errors and inefficiencies across the enterprise.

Account Reconciliations & Transaction Matching

The key to more effective account reconciliations is to not only automate the process but also fully unify it with the financial close. If GL trial balances are loaded into a single system for financial consolidation, reporting and account reconciliations, then the data will always be synchronised, and the close process will be faster and more efficient. Importantly, one single trial balance load can, in parallel, feed all reporting processes, including account reconciliations, from the same source. That ability reduces the risk of differences and speeds the close.

An integrated unified system should include an automated transaction matching capability to help resolve differences and accelerate the account reconciliation process by providing the ability to quickly match transactional data from multiple sources.

Here are several reasons automation is key to such functionality:

- Reduces manual steps
- Avoids error-prone reconciliations in spreadsheets
- Allows matching to use a rule-based approach so that users can focus on the exceptions and drive process efficiencies

If the process is fully automated and unified, then the benefits of leveraging the same trial balances across the close and compliance processes become very clear. How? Well, data often changes constantly in the close process. Such updates, in an automated system, continue to get reflected across processes without having to physically move data between separate connected Finance solutions. And that eliminates the data integrity gap, which happens frequently when using separate CPM tools (see figure 4).

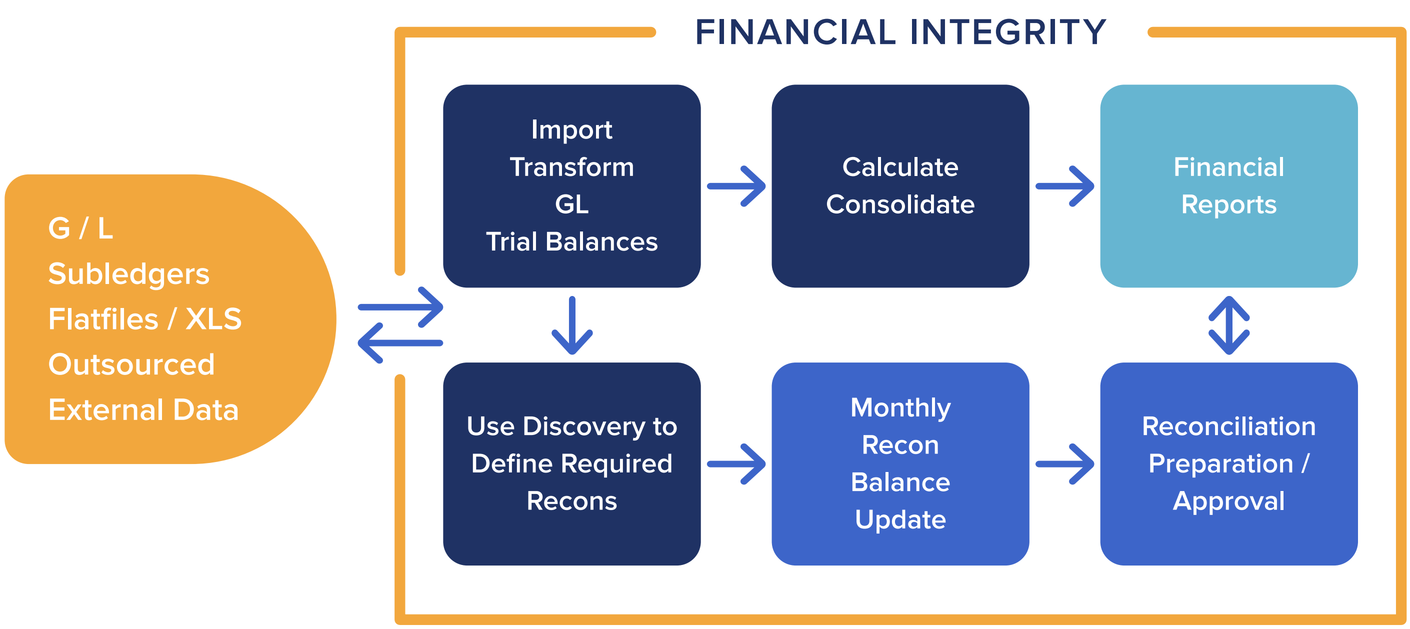


Figure 4: The Unified Approach – Eliminates the Data Integrity Gap

Financial Consolidation

This process drives the “book of record” reporting for the organization, making it an important process to conquer with confidence. Whether the organization is private or publicly held, reporting for external stakeholders must be accurate, timely and compliant with US GAAP, IFRS or other local regulations. These requirements apply to financial statement reporting, as well as to statutory reporting and filings for regulatory bodies.

It is important that the consolidation tool is not simply an aggregation tool and has inbuilt intelligent capabilities designed to support the financial consolidation requirements of the largest and most complex organizations around the globe such as:

- Statutory consolidation and reporting according to US GAAP, IFRS, Multi-GAAP and local requirements
- Advanced foreign currency translation
- Powerful, automated intercompany eliminations
- Flexible organizational structures with varying ownership percentages
- Base and topside journal entries
- Powerful allocations
- Complete audit trails and drill-through capabilities
- In-system reporting, analysis, dashboards and Excel® integration

Financial Signaling

[Financial signaling](#) (see figure 5) brings the vision of daily close performance reporting to reality by empowering Accounting and Finance teams with daily or weekly insights into key metrics and drivers of the business. These “signals” can highlight critical opportunities or risks that require action.

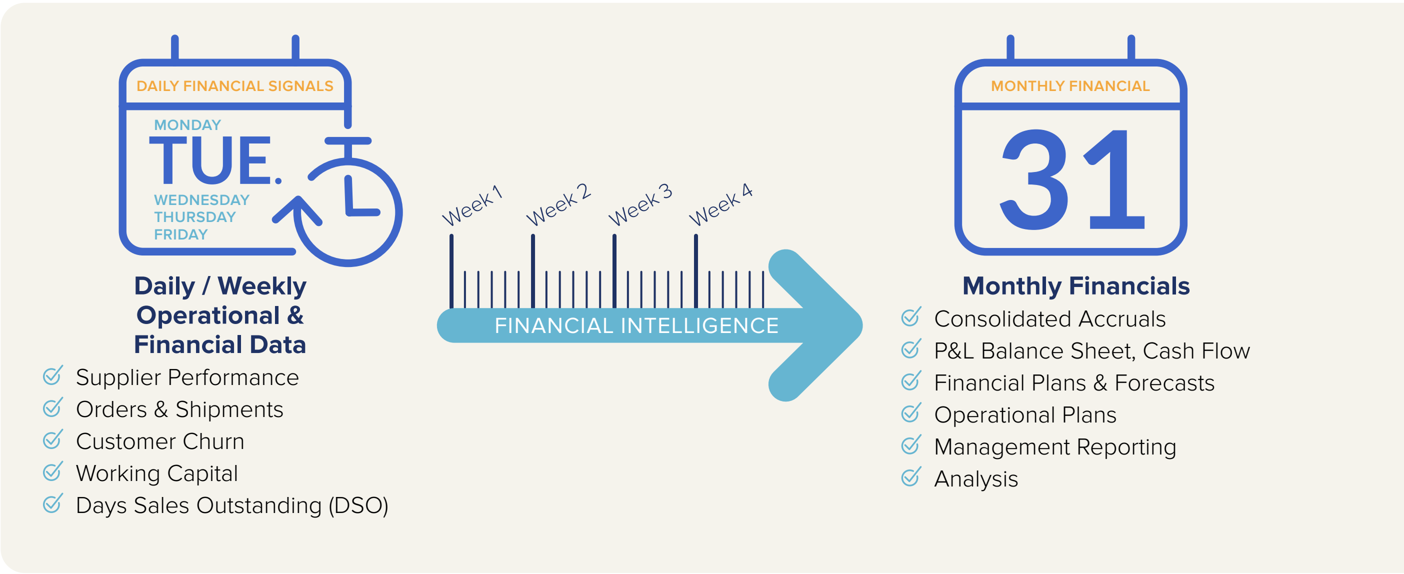


Figure 5: Financial Signaling

Examples that offer such signals include data on the sales pipeline, customer orders or shipments, customer renewals, supplier deliveries, working capital and key metrics such as days sales outstanding (DSO). With weekly or daily insights into the trends and signals inherent in these data points, managers can immediately take action to proactively impact the period-end results.

How do Finance teams get there? Effectively performing financial signaling requires three key capabilities:

1. Integrating large volumes of transactional data from a variety of sources
2. Aligning that data with book-of-record financial data and the dimensional structures understood by business users
3. Making the data available for analysis by controllers, executives, line-of-business managers and analysts through interactive dashboards and other data visualisation and analysis tools

Tax Provision

It is now critical for organizations to eliminate spreadsheets and disconnected point solutions, automate and streamline tax provision and reporting.

A purpose-built tax provision software solution can materially decrease accounting close cycles while delivering increased accuracy and transparency. However, aligning tax provision with financial consolidation and reporting can add additional benefits. By leveraging a single, unified platform with guided workflow and process controls, tax teams can mitigate risks associated with using disparate data sources and spreadsheets — and drive a higher return on investment.

The benefits of automating and streamlining tax data collection and validation and ensure consistency in tax calculations include:

- Leverage the same trial balance load for tax provisioning as for financial reporting
- Collect supplemental data through standardized data entry forms
- Apply standard repeatable tax provision calculations that can be extended to suit your company's needs

Built-In Reporting & Analytics

A broad range of reporting and analytics capabilities helps reduce reliance on spreadsheets and fragmented reporting tools to increase the speed, scope and accuracy of reporting across the organization. It is important to unify finance processes across the office of the CFO while enabling the organization with self-service, easy-to-use reporting solutions for a variety of stakeholder groups.

When it comes to reporting and analytics, it's important for organizations to consider a strategic framework not only to automate and streamline financial reporting, but also address the requirements of strategic partners in Sales, Operations, HR and line-of-business teams including ESG reporting.

Why? To provide Finance leaders with the comprehensive operational analytics and financial reporting they require to do their jobs — and do so with the simplicity and ease-of-use required to lead their organizations through unprecedented levels of uncertainty.

ESG / Sustainability Reporting

While there are plenty of standalone ESG / Sustainability reporting tools available in the market, it is important for organizations to align ESG / Sustainability reporting with their monthly financial close, consolidation and reporting process. It should be one system and workflow for the users to leverage in data collection. For corporate teams, all of the financial and ESG data should then be available in a single platform for reporting and analysis.

In addition, just as with other corporate performance management (CPM) processes, organizations should be able to set and enter targets, budgets and forecasts related to their ESG metrics, track and compare actual results against these targets for reporting, analysis, review and remediation. It is important to have configurable dashboard views of the key data and metrics (see figure 6).

An effective ESG / Sustainability Reporting solution should include:

- Direct integration with a wide variety of internal systems for ESG data collection
- Centralised administration of all CO2 emissions (one version of the truth)
- Automatic calculations for all CO2 emissions
- Automatic aggregation of all reporting units
- Simplified reporting process (no errors, predefined formats)
- Local reporting units have access to output reports for analysis
- No manual interactions / calculations needed, everything is taken care of
- Change focus from checking and adjusting spreadsheets toward focus on analysis

Figure 6: Single Dashboard view of Key ESG data

Benefits of Conquering Complexity

Organizations can achieve the these benefits by taking the steps to conquer the complexity in the financial close process:

- Providing a single "data value chain" (see figure 7) by collapsing multiple feeds of source data into one single direct connection and then re-purposing the data for multiple processes. Organizations can then seamlessly move through the reconciliation and attestation processes, then through to management reporting and finally to consolidation and financial reporting with a single line of sight back to transactions.

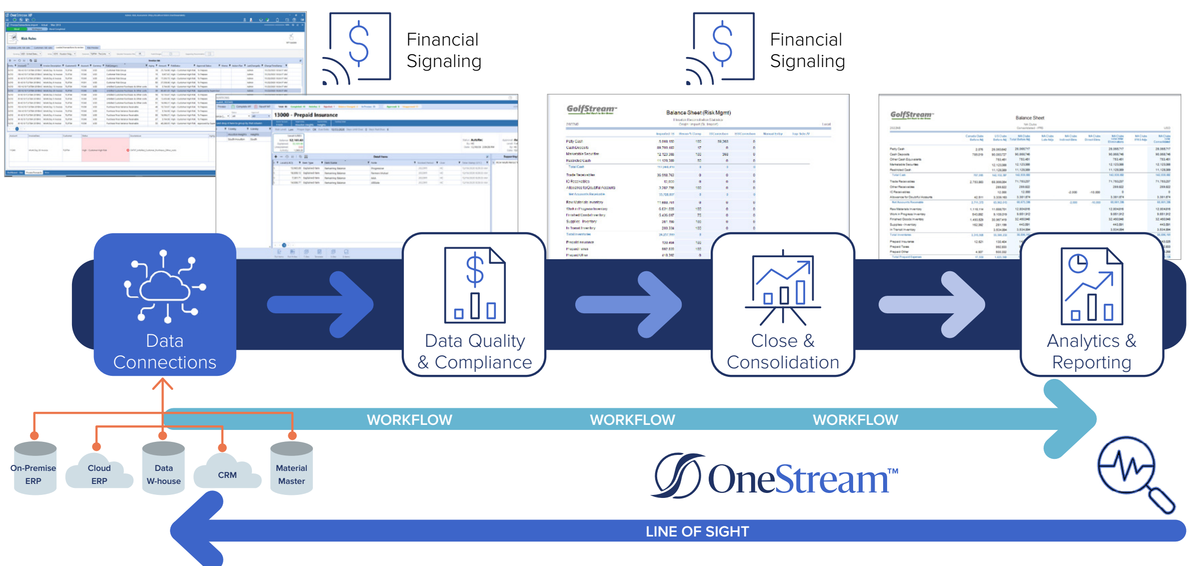


Figure 7: Data Value Chain and Single Line of Sight

- Reacting faster to changes and identifying when abnormalities appear earlier. This increased visibility into financial and operational data can effectively serve as an early warning system to help identify actions and enable informed decisions at the speed they require.
- Improving resource management by more equally distributing manual workloads from month-, quarter- and year-ends to within the periods. This equitable workload can lead to fewer temporary staff requirements at peak times and result in valuable people doing more of what they are qualified to do.
- Increasing visibility and transparency by creating clear task management and workflow to guide users through the close process, providing instant visibility on progress and process completion while ensuring governance and control in what takes place and when.
- Saving time with automation by identifying and reducing repetitive manual tasks. Such automation is achieved by organising all processes in a single, unified platform and streamlining critical processes with interactive visualizations and collaboration capabilities to increase both control and accountability.
- Reducing TCO by fully unifying the financial close in a single software solution and eliminating the time, effort and costs of maintaining, integrating and upgrading multiple legacy CPM applications and processes.

OneStream Customer Showcase

BDO Surfaces Daily Financial Signals

BDO is a U.S. professional services firm that provides assurance, tax and advisory services to multi-national clients through a global network of over 80,000 people working in 1,591 offices across 162 countries.

The BDO team, led by CFO Lynn Calhoun, selected OneStream because it met three primary requirements: scalability, information delivery and data integrity. In sum, OneStream fit the bill as a platform that could handle larger data volumes as BDO grows and empower key decision makers with accurate information, rich dashboarding and reporting capabilities. By combining multiple disparate data sets, OneStream creates "one source of the truth" for BDO.

> **We now have happy users who are able to absorb information the way they want with self-service reporting and dashboards. This includes a wide range of information, not just financial — including managing people and clients.**
>
> *— Lynn Calhoun, CFO | BDO*

OneStream helps BDO align their external, legal, management and FP&A process all within a single solution while providing a framework to address different levels of detail between budget / forecast collection and actuals reporting across Accounts, Cost Centers and Departments. All of that in turn provides additional granularity for reporting and planning across various lines of business — in a single solution that offers a unified data model.

BDO leverages OneStream's financial signaling capabilities to report on and analyze large volumes of daily transactional data, loading 10 million records nightly. Those records are transformed into 30 to 40 million rows of data through OneStream and then made available for BDO's users via an interactive dashboard.

McCain Foods Limited Replaces SAP BPC

McCain Foods Limited is a Canadian multinational frozen food company established in 1957 in Florenceville, New Brunswick, Canada. Today McCain Foods is a global company with 22,000 employees worldwide and corporate offices in Toronto, Canada. McCain Foods is the world's largest manufacturer of frozen French fries, potato products and appetizers,

McCain Foods converted from SAP BPC to OneStream's Intelligent Finance Platform for financial consolidation, financial reporting, management reporting and added lease accounting capabilities all within a seven-month period to meet their implementation date for IFRS 16.

With 300 happy users, McCain Foods is benefitting from a simplified month-end close. In SAP BPC, regional data was loaded via flat files and would take one to six hours depending on the region size. With OneStream this has been reduced to 20 minutes. Today the company is loading approximately three million data records per month into the OneStream environment. And from an administrator perspective, the OneStream platform is much easier to use, which has resulted in more engagement with controllers logging in directly to the system.

> **We love the Guided Workflow functionality in OneStream. It ensures we're assigning the right tasks to the right team members and provides a visual overview of what is required at each month and quarter-end. It also supports great corporate oversight on how we are progressing through the month-end close.**
>
> *— Katie Shotbolt, Financial Accounting | McCain Foods*

Herbalife Nutrition Replaces Multiple Oracle Hyperion Applications

Herbalife Nutrition is a global nutrition company that has been changing people's lives with great nutrition products and a proven business opportunity for its independent business owners since 1980. The company offers high-quality, science-backed products, sold in over 90 countries.

> **We were integrating from many different applications, including Oracle ERP to multiple Oracle Hyperion applications, yet they were all behaving independently.**
>
> *— Vanita Thornton, Sr. Director Global Operational Accounting and Financial Systems Herbalife Nutrition*

These legacy systems were limited by dimensionality that hindered the company's ability to report on project-level detail. It was time for the Company to make a choice — take on a major upgrade, move to the cloud, or start looking at alternative solutions. Seeking to learn more about Oracle's product roadmap, Herbalife Nutrition was ready to explore the market. OneStream was ultimately selected because it best complimented the company's system requirements to have all solutions in one product.

OneStream provides users the ability to see project code results for revenue and costs — which they didn't have before in HFM. Now end users have more confidence in the data and are spending less time reconciling. This allows the company's IT team to concentrate on adding value, rather than troubleshooting issues.

Conclusion

The rigidity and inefficiency of disjointed legacy Finance systems has been a reality for Finance organizations for years. But the unprecedented volatility of 2020 exposed the importance of an agile Finance team and processes that can effectively steer the enterprise through turbulent waters.

Though many Finance organizations have transformed specific processes and increased productivity, conquering the complexity in the financial close will help the Office of the CFO to finally tackle the challenges and shortcomings of the traditional month-end close process and drive continuous — and controlled — performance throughout the organization.

And with a corporate mission of delivering 100% customer success, OneStream is designed for Intelligent Finance teams with a vision that spans well beyond the numbers.

To unleash the entire organization with innovations that automate tasks, eliminate low-value processes and reduce risk. To empower the organization with the data-driven insights required to unify decision-making across Sales, Marketing, Operations and Finance. And to inspire the organization to continuously evolve with a digital foundation capable of meeting the challenges of this unprecedented moment in time.

OneStream helps organizations conquer complexity, enabling Finance teams to lead at speed.

About OneStream Software

OneStream Software provides a market-leading intelligent finance platform that reduces the complexity of financial operations. OneStream unleashes the power of finance by unifying corporate performance management (CPM) processes such as planning, financial close & consolidation, reporting and analytics through a single, extensible solution. We empower the enterprise with financial and operational insights to support faster and more informed decision-making. All in a cloud platform designed to continually evolve and scale with your organization.

OneStream's Intelligent Finance platform can easily be extended with over 50 solutions from the OneStream MarketPlace. These downloadable solutions are fully battle-tested and optimized for the OneStream platform. They allow customers to easily extend the value of their investment to meet the changing needs of finance and operations.

For more information, visit our website at OneStreamSoftware.com.

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